

TOWN OF PINETOP-LAKESIDE, ARIZONA



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2024

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

Department of Finance and Administration

TOWN OF PINETOP-LAKESIDE

Table of Contents

Introductory Section:	<u>Page</u>
Letter of Transmittal.....	i
List of Principal Officials.....	vii
Organizational Chart.....	viii
Financial Section:	
Report of Certified Public Accountants.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position – Proprietary Fund.....	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund.....	22
Notes to Financial Statements.....	23
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability.....	58
Schedule of the Proportionate Share of the Net OPEB Liability.....	59
Schedule of Changes in the Net Pension Liability and Related Ratios.....	60
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	61
Schedule of Pension and OPEB Contributions.....	62

Notes to the Pension/OPEB Plan Schedules	66
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget-and-Actual	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Highway Users Revenue Fund– Budget-and-Actual	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Recreation and Tourism Fund– Budget-and-Actual	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Grants Fund– Budget-and-Actual	73
Supplementary Information – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Capital Projects Fund	75
Combining Statements and Individual Fund Budget and Actual Schedules – Nonmajor Governmental Funds	77

Statistical Section:

Net Position by Component.....	83
Changes in Net Position	84
Fund Balances of Governmental Funds	86
Changes in Fund Balance of Governmental Funds	87
General Government Tax Revenues by Source.....	88
Local Sales Tax Revenue by Industry	89
Ratios of Outstanding Debt by Type	90
Direct and Overlapping Governmental Debt.....	91
Pledged-Revenue Coverage.....	92
Debt Limitations and Computation of Legal Debt Margin	93
Demographic and Economic Statistics	94
Full Time Equivalent Employees by Function	95
Construction/Building Permit Activity.....	96
Capital Asset Statistics by Function	97
Operating Indicators by Function	98

Other Communications from Independent Auditors:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters	101
Report on Compliance with State Laws and Regulations	103



March 13, 2025

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

We are pleased to submit to you the 2024 Annual Comprehensive Financial Report (ACFR) 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 Office, 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, 2024, 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, 2024, 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 has been re-elected twice and is now serving a four year term that began in November 2022. 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 4,073 (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 COVID-19 pandemic years of FY 20-21 and FY 21-22 were very good for the Town economically where we saw exponential growth in our sales tax revenue. The Town has leveled off somewhat during the last two fiscal year as we basically broke even in sales tax revenue with modest increases as compared to the prior two years. However, our local economy has remained strong, as evidenced by steady 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.

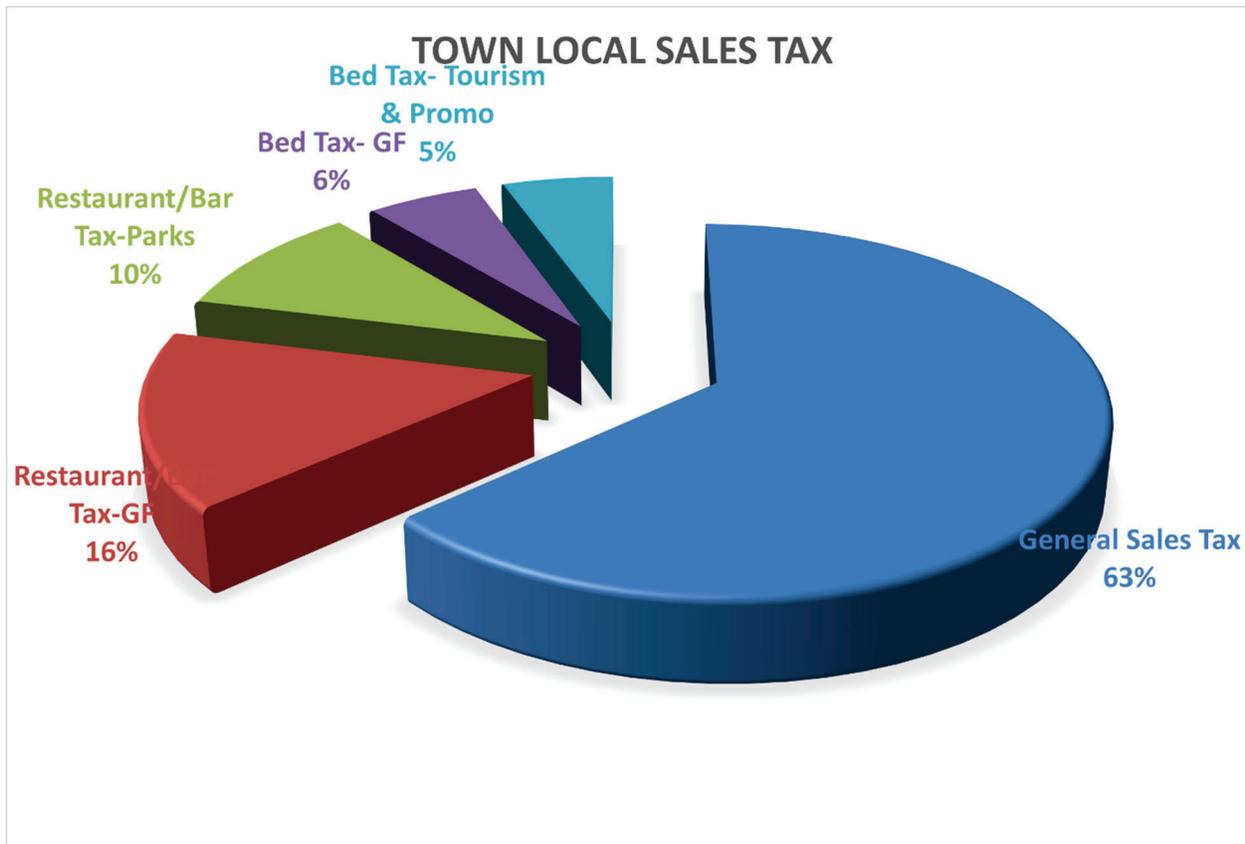
The Town Council is required to adopt an initial budget for the fiscal year no later than the third Monday in July for the fiscal year beginning on July 1. This annual budget serves as the foundation for the Town of Pinetop-Lakeside's financial planning and control. The budget is prepared by fund, function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

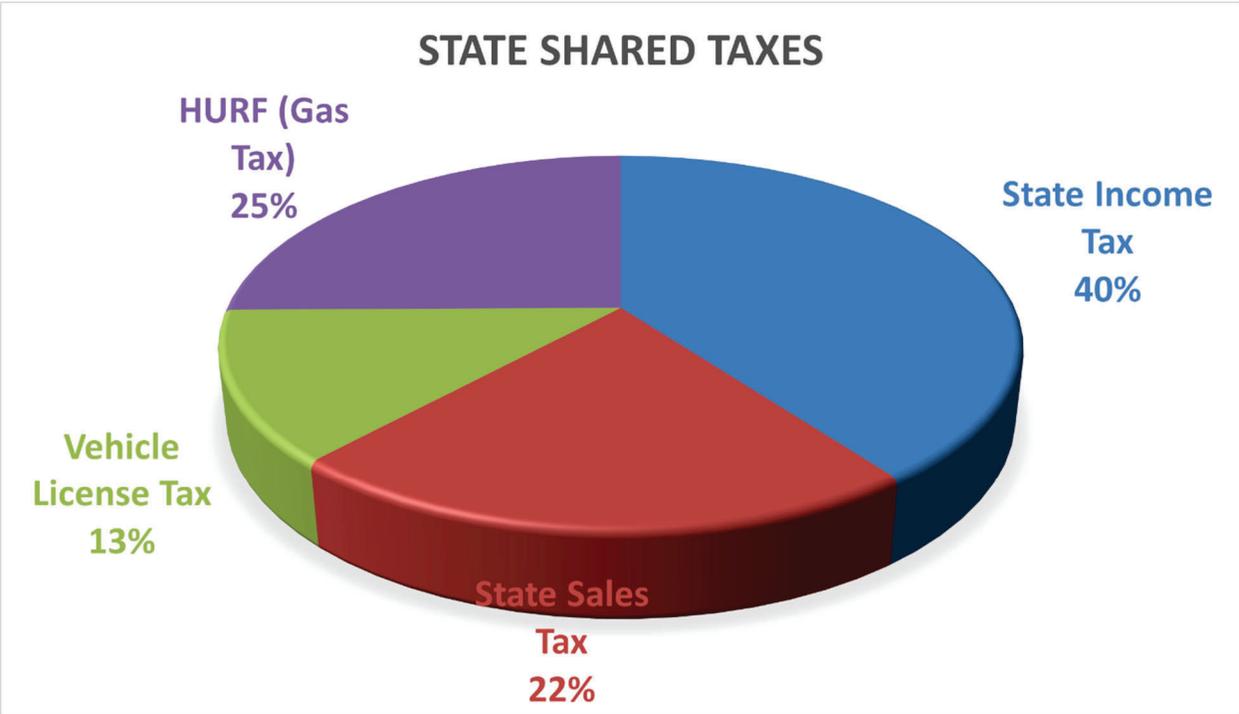
The Town of Pinetop-Lakeside is a rural area depending heavily on the tourist trade. Major industries located within the Town's boundaries or in close proximity include a hospital, manufacturing, retail stores, several medical and legal practices, financial institutions and insurance companies. The Blue 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 57% 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 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 16% 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 5.1%.

Median household incomes within the Town of Pinetop-Lakeside are slightly lower than for the State and Navajo County. The current estimate of the Town’s median household income is \$34,197; the County’s is \$43,994, while the State’s is \$76,872. The Town’s population recently decreased from 4,282 in 2010 to 4,030 on the Census of 2020 – 6% decline over 10 years. The Town’s current population is estimated to be 4,182. 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, during the COVID-19 pandemic years of FY 20-21 and FY 21-22, the Town saw a significant jump in the amount of both residential and commercial construction. We saw this level off in the last two years for residential construction. However, we saw an increase in commercial construction due to one major \$30 million project. The median price of a single-family home in the vicinity of the Town of Pinetop-Lakeside as of June 30, 2024 was estimated to be \$524,000.

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. Our most pressing needs were considered to be planning for a new or renovated Police Department facility, and to get control of our unfunded Police Department retirement liability. Towards that end, the Town Council, staff and advisors worked hard in FY 20-21 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 are being used to build and renovate our existing Police Department Facility. This construction project is about to be done. Phase I was completed this fiscal year. Phase II is estimated to be completed in April-May of 2025. Additionally, \$6,765,000 of the new debt was 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.

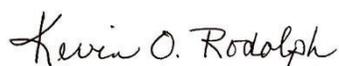
The Town staff and elected officials have worked cooperatively to implement the most efficient operations for the Town as possible. The Town of Pinetop-Lakeside maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure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

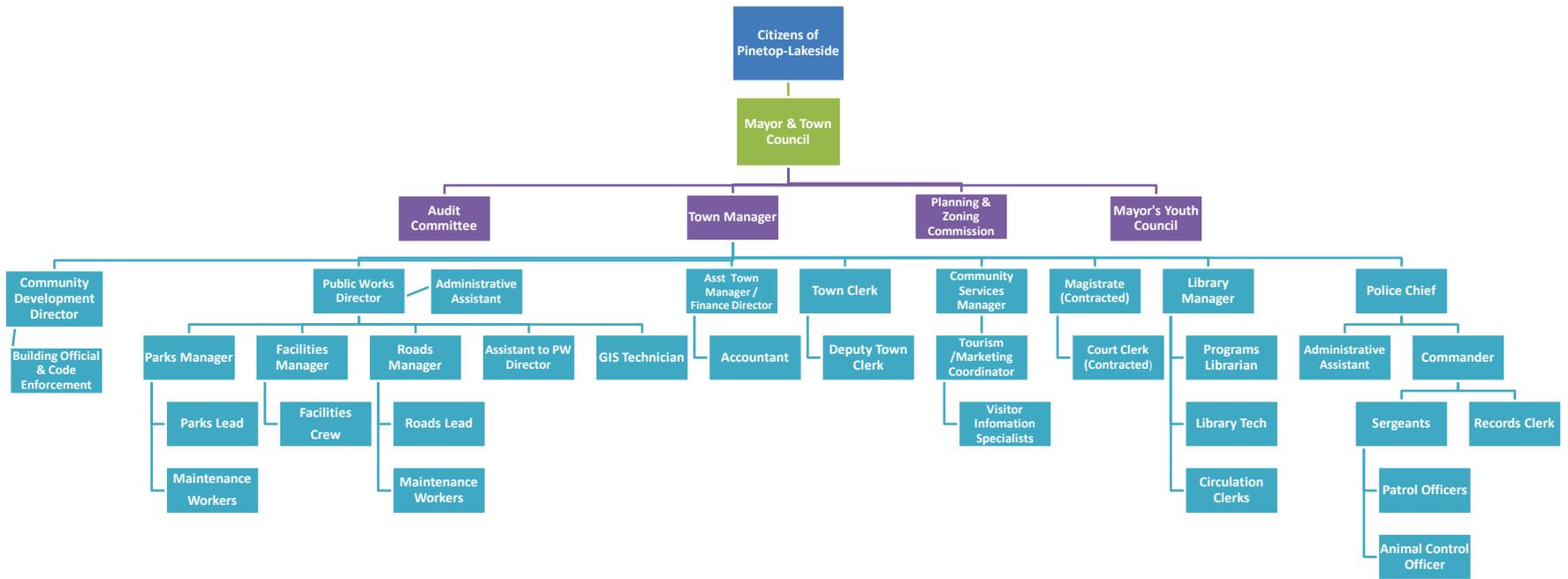


Kevin O. Rodolph, CPA
Finance Director

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

Position	Name
Mayor	Stephanie Irwin
Vice-Mayor	Sterling Beus
Council	Jerry Smith
Council	Taber Heisler
Council	Jeff Phillips
Council	Lynn Krigbaum
Council	Jim Snitzer
Attorney	Sims Mackin, LTD.
Town Manager	Keith Johnson
Town Clerk	Kristi Salskov
Asst Town Manager/Finance Director	Kevin Rodolph
Community Development Director	Jeremiah Loyd
Library Manager	Betsy Peck
Community Services Manager	Anthony Alba
Public Works Director	Kenneth M. Patterson
Police Chief	Daniel Barnes



FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Pinetop-Lakeside, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the 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, 2024, and the related notes to the financial statements, which collectively comprise the Town of Pinetop-Lakeside, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pinetop-Lakeside, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Pinetop-Lakeside, Arizona's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pinetop-Lakeside, Arizona's ability to continue as a going concern for one year after the date that the financial statements

are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Pinetop-Lakeside, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pinetop-Lakeside, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 budgetary comparison for the capital projects fund and the combining and individual non-major fund financial statements and budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the combining and individual non-major fund financial statements and budgetary comparisons is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, 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 solely 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 the effectiveness of 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

Mesa, Arizona
February 24, 2025

TOWN OF PINETOP-LAKESIDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year-Ended June 30, 2024

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, 2024. 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 \$793,479 due mainly to increases in both local sales taxes and state shared revenue (income tax).
- During the year, the Town had expenses that were \$822,262 less than the \$12,832,266 generated in tax and other revenues for governmental programs.
- For business activities during the year, the Town had expenses that were \$28,783 more than revenue (including transfers) of \$304,215.
- Total cost of all the Town's programs was \$12,343,002 including one business-type activity program of solid waste collection.
- At the end of the current fiscal year, the Town of Pinetop-Lakeside's governmental funds reported combined ending fund balances of \$5,089,559, a decrease of \$2,327,972.
- The general fund reported a decrease of \$299,571.

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 57 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 69 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 by \$793,479 to \$7,243,360 as shown in the following condensed Statement of Net Position as of June 30, 2024. 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	
	06/30/24	06/30/23	06/30/24	06/30/23	06/30/24	06/30/23
Current and other assets	\$ 8,893,903	\$ 9,780,166	\$ 3,464	\$ 2,283	\$ 8,897,367	\$ 9,782,449
Capital assets	17,748,663	13,790,002	186,954	202,470	17,935,617	13,992,472
Total assets	26,642,566	23,570,168	190,418	204,753	26,832,984	23,774,921
Deferred outflows of resources	1,601,732	1,511,388	25,877	16,570	1,627,609	1,527,958
Long-term liabilities outstanding	16,948,766	15,994,468	220,306	203,968	17,169,072	16,198,436
Other liabilities	3,613,633	2,231,155	14,152	9,059	3,627,785	2,240,214
Total liabilities	20,562,399	18,225,623	234,458	213,027	20,796,857	18,438,650
Deferred inflows of resources	414,944	411,240	5,432	3,108	420,376	414,348
Net position:						
Net investment in capital assets	12,429,958	10,239,592	74,282	68,888	12,504,240	10,308,480
Restricted	723,536	2,455,090	-	-	723,536	2,455,090
Unrestricted	(5,886,539)	(6,249,989)	(97,877)	(63,700)	(5,984,416)	(6,313,689)
Total net position	<u>\$ 7,266,955</u>	<u>\$ 6,444,693</u>	<u>\$ (23,595)</u>	<u>\$ 5,188</u>	<u>\$ 7,243,360</u>	<u>\$ 6,449,881</u>

Governmental Activities

The Town’s programs include: General Government, Public Safety, Public Works/Streets, Culture and Recreation, and Community (Economic) Development. Each program’s 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.

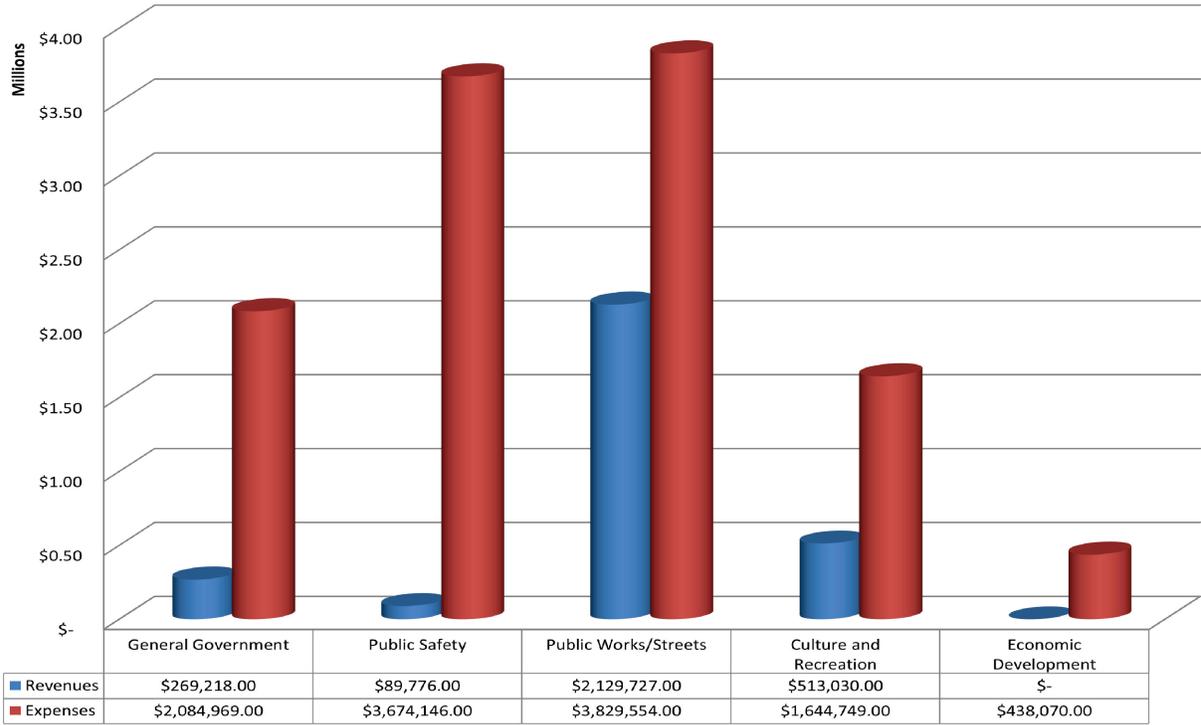
**Town of Pinetop-Lakeside
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	06/30/24	06/30/23	06/30/24	06/30/23	06/30/24	06/30/23
Revenues:						
Program revenues:						
Charges for services	\$ 356,084	\$ 359,530	\$ 238,781	\$ 171,118	\$ 594,865	\$ 530,648
Operating grants and contributions	1,429,095	983,422	-	1,353	1,429,095	984,775
Capital grants and contributions	1,216,572	123,995	-	-	1,216,572	123,995
General revenues:						
Sales taxes	7,451,289	7,101,786	-	-	7,451,289	7,101,786
State shared revenues	2,135,977	1,773,035	-	-	2,135,977	1,773,035
Other taxes	237,416	290,760	-	-	237,416	290,760
Other general revenues	71,267	123,185	-	-	71,267	123,185
Total revenues	<u>12,897,700</u>	<u>10,755,713</u>	<u>238,781</u>	<u>172,471</u>	<u>13,136,481</u>	<u>10,928,184</u>
Expenses:						
General government	2,084,969	1,799,285	-	-	2,084,969	1,799,285
Public safety	3,674,146	3,375,356	-	-	3,674,146	3,375,356
Public works/streets	3,829,554	3,682,969	-	-	3,829,554	3,682,969
Culture and recreation	1,644,749	1,657,721	-	-	1,644,749	1,657,721
Economic development	438,070	320,506	-	-	438,070	320,506
Interest on long-term debt	338,516	291,272	-	-	338,516	291,272
Solid waste	-	-	332,998	265,520	332,998	265,520
Total expenses	<u>12,010,004</u>	<u>11,127,109</u>	<u>332,998</u>	<u>265,520</u>	<u>12,343,002</u>	<u>11,392,629</u>
Increase (Decrease) in net position before transfers	887,696	(371,396)	(94,217)	(93,049)	793,479	(464,445)
Transfers	<u>(65,434)</u>	<u>(73,862)</u>	<u>65,434</u>	<u>73,862</u>	-	-
Increase (Decrease) in net position	822,262	(445,258)	(28,783)	(19,187)	793,479	(464,445)
Net position, beginning	<u>6,444,693</u>	<u>6,889,951</u>	<u>5,188</u>	<u>24,375</u>	<u>6,449,881</u>	<u>6,914,326</u>
Net position, ending	<u>\$ 7,266,955</u>	<u>\$ 6,444,693</u>	<u>\$ (23,595)</u>	<u>\$ 5,188</u>	<u>\$ 7,243,360</u>	<u>\$ 6,449,881</u>

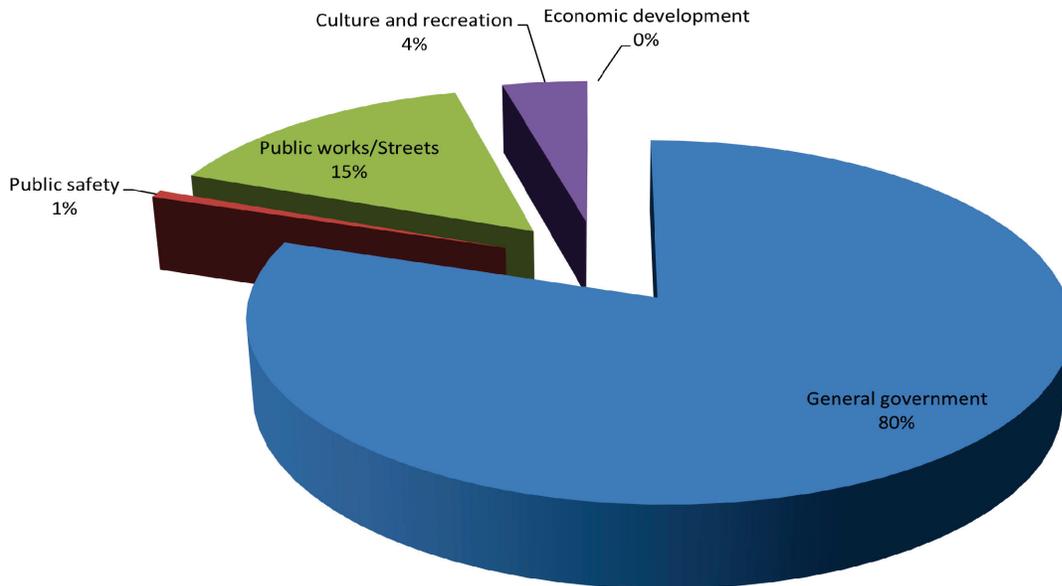
Total resources available during the year to finance governmental operations were \$19.3 million consisting of net position at July 1, 2023 of \$6,444,693, general revenues of \$9.9 million, and program revenues of \$3.0 million. Total Government Activities during the year were \$12.0 million; thus Governmental Net Position increased by \$822,262.

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 4,182. 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	Net Per Capita Cost of Services
	2024	2024
Public Safety	\$ 3,674,146	\$879
Public Works/Streets	3,829,554	916
General Government	2,084,969	499
All Others	<u>2,421,335</u>	579
Totals	<u>\$12,010,004</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 \$5,089,559 which decreased from last year’s total by (\$2,327,972). 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 deficit in operations of (\$299,571).
- The Highway Users Revenue Fund (HURF) had a deficit in operations of (\$166,661) during 2024. This was due in large part to spending down beginning cash reserves from the prior year. The fund balance at year end remains strong at \$527,342. HURF funds are restricted for road and street construction and improvements.
- The Recreation and Tourism Fund had a surplus in operations of \$194,032 for the year. This was mainly due to a conservative approach to expenditures because of uncertainty in revenue for tax collected on hotel rentals. 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.
- The Capital Projects Fund had a deficit in operations of (\$2,001,296) for the year. This was due in large part to spending down bond money where the revenue was recognized in previous years.
- The Grants Funds had a deficit in operations of (\$44,546) for the year. This was due in large part to transferring a grant surplus from prior years back to the HURF Fund. Revenue recognized in this fund is either Grants (with matching, corresponding expenses) or transfers from other funds, so changes in fund balance will usually 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 \$8,371,548 were \$620,773 more than budgeted revenues of \$7,750,775. The General Fund's expenditures, \$8,672,398 (including transfers), were 76% of budgeted expenditures and transfers of \$11,385,183, a variance of \$2,712,785. The COVID-19 pandemic years of FY 20-21 and FY 21-22 were very good for the Town economically where we saw exponential growth in our sales tax revenue. The Town has leveled off somewhat during the last two years. The State changed the structure for income taxes, going to a flat tax rate. Because of that, they gave cities and towns an extra, one year increase in taxes. For the Town, it was a little over \$300,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2024, the Town had \$17,748,663 (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 \$186,954 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
	2024	2024
Land	\$2,620,344	\$54,550
Construction in Progress	5,568,088	-
Buildings and Improvements	3,871,916	40,853
Infrastructure	3,346,819	-
Subscription Based Software	23,911	-
Equipment	<u>2,317,585</u>	<u>91,551</u>
Total	<u>\$17,748,663</u>	<u>\$186,954</u>

Debt

At year-end, the Town had \$17 million in long-term obligations in Governmental Activities and \$220,000 in Business-type Activities as shown in the table below.

Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities
	2024	2024
Revenue bonds and notes (backed by specific tax and fee revenues)	\$10,912,645	\$112,672
Other long-term obligations	<u>6,036,121</u>	<u>107,634</u>
Totals	<u>\$16,948,766</u>	<u>\$220,306</u>

Other obligations include accrued vacation, sick leave, net pension/OPEB liabilities and capital leases. More detailed information is presented in Notes 8 and 9 to the financial statements.

The Town borrowed \$10 million in new revenue bonds during the FY 2022 fiscal year. Of this amount, \$6.6 million was used to pay down unfunded Police pension liability with a net zero effect on total outstanding debt. The remaining amount of just over \$3 million is being used to construct a new Police Department facility. At year-end (6-30-2024) we had spent most of this money on construction. We are now using unspent ARPA funds to complete construction which will be in April of 2025.

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 the COVID 19 pandemic, large parts of the country suffered huge economic losses due to 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 our summer months. New home construction was in full swing as well. This was in FY 20-21 and FY 21-22. Our economy has leveled off in the last two fiscal years, and our sales tax revenue essentially broke even from the previous year. For this reason, the Town has budgeted expenses conservatively for FY 24-25.

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 steady as compared to earlier 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, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,198,385	\$ 100	\$ 8,198,485
Receivables (net of allowance)	449,200	-	449,200
Net pension/OPEB asset	123,195	3,364	126,559
Temporarily restricted assets:			
Cash and investments	123,123	-	123,123
Capital assets (net of accumulated depreciation):			
Land	2,620,344	54,550	2,674,894
Buildings and improvements	2,329,137	4,865	2,334,002
Other improvements	1,542,779	35,988	1,578,767
Furniture, machinery & equipment	1,587,452	74,343	1,661,795
Vehicles	730,133	17,208	747,341
Infrastructure	3,346,819	-	3,346,819
Right-to-use SBITA	23,911	-	23,911
Construction in progress	5,568,088	-	5,568,088
Total assets	<u>26,642,566</u>	<u>190,418</u>	<u>26,832,984</u>
Deferred outflows			
Deferred outflows related to pensions and OPEB	<u>1,601,732</u>	<u>25,877</u>	<u>1,627,609</u>
Liabilities			
Accounts payable and other current liabilities	1,303,200	12,447	1,315,647
Unearned revenue	1,982,574	-	1,982,574
Accrued interest payable	147,747	1,705	149,452
Deposits payable	180,112	-	180,112
Noncurrent liabilities:			
Due within one year	646,127	22,487	668,614
Due in more than one year	11,470,086	97,739	11,567,825
Net pension and OPEB liabilities	<u>4,832,553</u>	<u>100,080</u>	<u>4,932,633</u>
Total liabilities	<u>20,562,399</u>	<u>234,458</u>	<u>20,796,857</u>
Deferred inflows			
Deferred inflows related to leases	215,263	-	215,263
Deferred inflows related to pensions and OPEB	<u>199,681</u>	<u>5,432</u>	<u>205,113</u>
Total deferred inflows	<u>414,944</u>	<u>5,432</u>	<u>420,376</u>
Net Position			
Net investment in capital assets	12,429,958	74,282	12,504,240
Restricted for:			
Capital projects	182,037	-	182,037
Public works/Streets	527,374	-	527,374
Grants/Other	14,125	-	14,125
Unrestricted	<u>(5,886,539)</u>	<u>(97,877)</u>	<u>(5,984,416)</u>
Total net position (deficit)	<u>\$ 7,266,955</u>	<u>\$ (23,595)</u>	<u>\$ 7,243,360</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, 2024

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	\$ 2,084,969	\$ 262,118	\$ -	\$ 7,100	\$ (1,815,751)	\$ -	\$ (1,815,751)
Public safety	3,674,146	54,734	35,042	-	(3,584,370)	-	(3,584,370)
Public works/Streets	3,829,554	-	949,311	1,180,416	(1,699,827)	-	(1,699,827)
Culture and recreation	1,644,749	39,232	444,742	29,056	(1,131,719)	-	(1,131,719)
Economic development	438,070	-	-	-	(438,070)	-	(438,070)
Interest on long-term debt	338,516	-	-	-	(338,516)	-	(338,516)
Total governmental activities	12,010,004	356,084	1,429,095	1,216,572	(9,008,253)	-	(9,008,253)
Business-type activities:							
Solid waste	332,998	238,781	-	-	-	(94,217)	(94,217)
Total business-type activities	332,998	238,781	-	-	-	(94,217)	(94,217)
Total primary government	\$ 12,343,002	\$ 594,865	\$ 1,429,095	\$ 1,216,572	(9,008,253)	(94,217)	(9,102,470)
General Revenues:							
Taxes:							
City sales tax					7,451,289	-	7,451,289
Franchise tax					237,416	-	237,416
State sales tax (unrestricted)					628,186	-	628,186
Auto lieu tax (unrestricted)					370,498	-	370,498
State revenue sharing (unrestricted)					1,137,293	-	1,137,293
Unrestricted investment earnings					65,463	-	65,463
Gain on sale of assets					5,804	-	5,804
Transfers					(65,434)	65,434	-
Total general revenues & transfers					9,830,515	65,434	9,895,949
Change in net position					822,262	(28,783)	793,479
Net position - beginning					6,444,693	5,188	6,449,881
Net position - ending					\$ 7,266,955	\$ (23,595)	\$ 7,243,360

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2024

Assets	General Fund	Highway Users Revenue Fund	Recreation and Tourism Fund	Grants Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 4,552,546	\$ 511,845	\$ 923,738	\$ 1,433,478	\$ 717,597	\$ 59,181	\$ 8,198,385
Receivables:							
Taxes	35,913	-	-	-	-	-	35,913
Intergovernmental	58,021	85,025	-	29,933	-	-	172,979
Other	-	-	17,679	-	-	-	17,679
Leases	222,629	-	-	-	-	-	222,629
Restricted Cash and Investments	-	-	-	-	123,123	-	123,123
Total Assets	\$ 4,869,109	\$ 596,870	\$ 941,417	\$ 1,463,411	\$ 840,720	\$ 59,181	\$ 8,770,708
Liabilities							
Accounts Payable	\$ 201,649	\$ 56,722	\$ 12,760	\$ 366,882	\$ 514,512	\$ -	\$ 1,152,525
Accrued Wages and Benefits	133,608	12,806	4,230	-	-	-	150,644
Accrued Liabilities	31	-	-	-	-	-	31
Unearned Revenue	920,790	-	-	1,061,784	-	-	1,982,574
Deposits	180,112	-	-	-	-	-	180,112
Total Liabilities	1,436,190	69,528	16,990	1,428,666	514,512	-	3,465,886
Deferred Inflows							
Deferred inflows related to leases	215,263	-	-	-	-	-	215,263
Fund Balances							
Restricted for:							
Highways and streets	-	527,342	-	-	-	32	527,374
Tourism and recreation	-	-	-	14,125	-	-	14,125
Community and economic development	-	-	-	-	-	58,914	58,914
Capital outlay	-	-	-	-	123,123	-	123,123
Committed to:							
Tourism and recreation	-	-	924,427	-	-	-	924,427
Assigned to:							
Community and economic development	-	-	-	-	-	235	235
Other purposes	-	-	-	20,620	203,085	-	223,705
Unassigned	3,217,656	-	-	-	-	-	3,217,656
Total fund balances	3,217,656	527,342	924,427	34,745	326,208	59,181	5,089,559
Total Liabilities Deferred Inflows and Fund Balances	\$ 4,869,109	\$ 596,870	\$ 941,417	\$ 1,463,411	\$ 840,720	\$ 59,181	\$ 8,770,708

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, 2024

Total fund balances - governmental funds	\$	5,089,559
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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	\$	27,455,154	
Accumulated depreciation		(9,706,491)	
			17,748,663

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

123,195

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	\$	1,601,732	
Deferred inflows		(199,681)	
			1,402,051

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.

(147,747)

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

Bonds payable	\$	(10,680,000)	
Bond premium		(232,645)	
Notes payable		(859,329)	
Compensated absences		(316,129)	
Net pension/OPEB liabilities		(4,832,553)	
SBITA obligations		(24,854)	
Landfill closure payable		(3,256)	
			(16,948,766)

Total net position - governmental activities	\$	7,266,955
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The accompanying notes are an integral part of the financial statements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General Fund	Highway Users Revenue Fund	Recreation and Tourism Fund	Grants Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 5,651,036	\$ 1,044,902	\$ 1,161,837	\$ -	\$ -	\$ -	\$ 7,857,775
Franchise taxes	237,416	-	-	-	-	-	237,416
Intergovernmental revenue	2,115,529	718,184	-	1,355,447	-	-	4,189,160
Licenses, permits and fees	241,182	-	-	-	-	-	241,182
Charges for services	32,786	-	11,839	-	-	-	44,625
Fines and forfeitures	43,830	-	-	-	-	-	43,830
Interest	10,367	-	216	-	54,811	70	65,464
Lease income	22,904	-	-	-	-	-	22,904
Miscellaneous	16,498	173,042	-	-	-	-	189,540
Total Revenues	<u>8,371,548</u>	<u>1,936,128</u>	<u>1,173,892</u>	<u>1,355,447</u>	<u>54,811</u>	<u>70</u>	<u>12,891,896</u>
EXPENDITURES							
Current:							
General government	1,934,075	-	-	-	-	-	1,934,075
Public safety	3,107,703	-	-	30,687	-	-	3,138,390
Public works/streets	1,523,863	1,908,078	-	1,242,510	-	-	4,674,451
Tourism and recreation	577,262	-	761,939	80,240	-	-	1,419,441
Community and economic development	352,391	-	-	31,701	-	6,000	390,092
Capital outlay	-	-	-	-	3,348,895	4,000	3,352,895
Debt Service:	-	-	-	-	-	-	-
Principal	-	-	-	-	484,033	-	484,033
Interest	-	-	-	-	335,126	-	335,126
Total Expenditures	<u>7,495,294</u>	<u>1,908,078</u>	<u>761,939</u>	<u>1,385,138</u>	<u>4,168,054</u>	<u>10,000</u>	<u>15,728,503</u>
Excess of Revenues Over (Under) Expenditures	<u>876,254</u>	<u>28,050</u>	<u>411,953</u>	<u>(29,691)</u>	<u>(4,113,243)</u>	<u>(9,930)</u>	<u>(2,836,607)</u>
Other Financing Sources (Uses):							
Debt issuance	-	-	-	-	568,072	-	568,072
Sale of capital assets	1,279	3,640	1,078	-	-	-	5,997
Transfers in	-	51,678	-	36,823	1,543,875	-	1,632,376
Transfers out	(1,177,104)	(250,029)	(218,999)	(51,678)	-	-	(1,697,810)
Total Other Financing Sources (Uses)	<u>(1,175,825)</u>	<u>(194,711)</u>	<u>(217,921)</u>	<u>(14,855)</u>	<u>2,111,947</u>	<u>-</u>	<u>508,635</u>
Net change in fund balances	<u>(299,571)</u>	<u>(166,661)</u>	<u>194,032</u>	<u>(44,546)</u>	<u>(2,001,296)</u>	<u>(9,930)</u>	<u>(2,327,972)</u>
Fund Balances, Beginning of Year, as previously reported	3,517,227	694,003	730,395	-	2,327,504	148,402	7,417,531
Adjustment - changes from nonmajor fund to major fund	-	-	-	79,291	-	(79,291)	-
Fund Balances, Beginning of Year, as adjusted	<u>3,517,227</u>	<u>694,003</u>	<u>730,395</u>	<u>79,291</u>	<u>2,327,504</u>	<u>69,111</u>	<u>7,417,531</u>
Fund Balances, End of Year	<u>\$ 3,217,656</u>	<u>\$ 527,342</u>	<u>\$ 924,427</u>	<u>\$ 34,745</u>	<u>\$ 326,208</u>	<u>\$ 59,181</u>	<u>\$ 5,089,559</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, 2024

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

Net change in fund balances - total governmental funds		\$ (2,327,972)
<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	\$ 4,948,741	
Depreciation expense	<u>(989,887)</u>	
		3,958,854
<p>Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain (loss) on the sale of capital assets is reported net of its net book value.</p>		
		(193)
<p>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.</p>		
		508,259
<p>Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(568,072)
<p>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.</p>		
		10,115
<p>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.</p>		
		(13,505)
<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	\$ 456,052	
Pension/OPEB expense	<u>(1,177,482)</u>	
		(721,430)
<p>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.</p>		
		(23,794)
Change in net position of governmental activities		\$ 822,262

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Net Position
Proprietary Fund
June 30, 2024

Assets	Solid Waste Fund
Current assets:	
Cash and cash equivalents	\$ 100
Total current assets	100
Noncurrent assets:	
Net pension/OPEB asset	3,364
Capital assets:	
Land	54,550
Buildings and improvements	7,356
Improvements other than buildings	48,254
Machinery and equipment	113,261
Vehicles	35,000
Less accumulated depreciation	(71,467)
Total noncurrent assets	190,318
Total assets	190,418
Deferred Outflows of Resources	
Deferred outflows related to pensions	25,877
Liabilities	
Current liabilities:	
Accounts payable	8,886
Accrued wages and benefits	3,561
Accrued interest	1,705
Compensated absences - current	755
Notes payable - current	21,732
Total current liabilities	36,639
Noncurrent liabilities:	
Compensated absences	6,799
Net pension liability	100,080
Notes payable	90,940
Total noncurrent liabilities	197,819
Total liabilities	234,458
Deferred Inflows related to pensions	
Deferred inflows related to pensions	5,432
Net Position	
Net investment in capital assets	74,282
Unrestricted	(97,877)
Total net position	\$ (23,595)

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, 2024

	Solid Waste Fund
Operating revenues:	
Charges for services	\$ 238,781
Total revenue	238,781
Operating expenses:	
Salaries	134,155
Benefits	99,590
Services and supplies	78,453
Depreciation	15,516
Total operating expenses	327,714
Operating income (loss)	(88,933)
Nonoperating revenues (expenses):	
Interest expense	(5,284)
Total nonoperating revenues(expenses)	(5,284)
Income (loss) before contributions and transfers	(94,217)
Transfers in	65,434
Change in net position	(28,783)
Net position - beginning	5,188
Net position - ending	\$ (23,595)

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, 2024

	Solid Waste Fund
Cash Flows From Operating Activities:	
Cash received from customers, service fees	\$ 238,781
Cash paid to suppliers	(74,528)
Cash paid to employees	(203,166)
Net cash flows from operating activities	(38,913)
Cash Flows From Noncapital Financing Activities:	
Transfers from other funds	65,434
Net cash flows from noncapital financing activities	65,434
Cash Flows From Capital and Related Financing Activities:	
Principal paid on long-term debt	(20,910)
Interest paid	(5,611)
Net cash flows from capital and related financing activities	(26,521)
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)	\$ (88,933)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation/amortization	15,516
Pension/OPEB expense	39,004
Employer pension/OPEB contributions	(10,692)
Changes in operating assets and liabilities:	
Increase/(decrease) in accounts payable	3,925
Increase/(Decrease) in accrued liabilities	2,267
Net cash flows from operating activities	\$ (38,913)

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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 seven member Town Council elected at large. The Council consists of a Mayor and six Council members. The Council appoints a vice-mayor from among the elected council members. 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 no blended component units at this time.

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, 2024

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. 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 **Capital Projects Fund** is used to account for major capital asset purchases and capital projects and debt payments.

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, 2024

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 and proprietary 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, financing through leases, and subscription-based information technology arrangements 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, 2024

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, 2024

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
Right-to-use subscription assets	3 years

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

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 two items that qualifies for reporting in this category. Pension/OPEB related items are reported on the government-wide and proprietary fund financial statements. See footnote 9 for more information. Lease items are reported on the government-wide and fund financial statements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies, Continued

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.

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies, Continued

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.

Leases

Lessor: The Town is a lessor for noncancellable leases. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements

The Town recognizes subscription liabilities. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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, 2024

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)

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 3. Stewardship, Compliance, and Accountability, Continued

4. State law requires that, prior to April 1, the Economic Estimates Commission provides the Town with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Supplementary budgetary appropriations were made during the year. The Town's budget includes \$61,395 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, 2024, 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, 2024

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, 2024, cash on hand was \$1,125, and the carrying amount of the Town’s deposits was \$7,291,492. As of June 30, 2024, the Town’s bank balance of \$7,581,109 was fully insured or collateralized. Restricted assets of \$123,123 consist of unspent debt proceeds.

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, 2024 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	\$ 474,274	N/A	less than 1
U.S. Treasury Securities	498,232	(1)	0.13
Arizona Local Government			
Investment Pool	<u>56,485</u>	(2)	0.10
Total Fair Value	<u>\$ 1,028,991</u>		

- (1) The Town's investment in the U.S. Treasury Securities was rated Aaa-mf from Moody's.
(2) The Town's investment in the State Treasurer's Investment Pool #5 was rated AAAsf/S1+ from S&P.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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, 2024:

- 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.

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2024, interfund transfers are as follows:

	Transfers In				Total
	Capital Projects Fund	HURF Fund	Grants Fund	Solid Waste	
Transfers Out					
General Fund	\$ 1,074,847	\$ -	\$ 36,823	\$ 65,434	\$ 1,177,104
HURF Fund	250,029	-	-	-	250,029
Recreation Fund	218,999	-	-	-	218,999
Grant Fund	-	51,678	-	-	51,678
	<u>\$ 1,543,875</u>	<u>\$ 51,678</u>	<u>\$ 36,823</u>	<u>\$ 65,434</u>	<u>\$ 1,697,810</u>

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, 2024

Note 6. Capital Assets

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

Governmental Activities:	Balance 06/30/23	Additions	Retirements	Balance 06/30/24
Capital Assets not being Depreciated:				
Land	\$ 2,620,344	\$ -	\$ -	\$ 2,620,344
Construction in progress	1,462,229	4,144,443	(38,584)	5,568,088
Total capital assets not being depreciated	<u>4,082,573</u>	<u>4,144,443</u>	<u>(38,584)</u>	<u>8,188,432</u>
Capital Assets being Depreciated:				
Buildings & Improvements	3,303,688	7,462	-	3,311,150
Improvements other than buildings	4,316,225	38,584	-	4,354,809
Machinery & Equipment	2,480,545	571,531	(1,100)	3,050,976
Vehicles	1,913,049	225,305	-	2,138,354
Infrastructure	6,339,700	-	-	6,339,700
Right-to-use SBITAs	71,733	-	-	71,733
Total capital assets being depreciated	<u>18,424,940</u>	<u>842,882</u>	<u>(1,100)</u>	<u>19,266,722</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(898,516)	(83,497)	-	(982,013)
Improvements other than buildings	(2,629,588)	(182,442)	-	(2,812,030)
Machinery & Equipment	(1,251,214)	(213,217)	907	(1,463,524)
Vehicles	(1,226,558)	(181,663)	-	(1,408,221)
Infrastructure	(2,687,724)	(305,157)	-	(2,992,881)
Right-to-use SBITAs	(23,911)	(23,911)	-	(47,822)
Total accumulated depreciation	<u>(8,717,511)</u>	<u>(989,887)</u>	<u>907</u>	<u>(9,706,491)</u>
Total Capital Assets being depreciated, net	<u>9,707,429</u>	<u>(147,005)</u>	<u>(193)</u>	<u>9,560,231</u>
Governmental activities capital assets, net	<u>\$ 13,790,002</u>	<u>\$ 3,997,438</u>	<u>\$ (38,777)</u>	<u>\$ 17,748,663</u>

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

Governmental Activities:	
General government	\$ 80,542
Public safety	195,954
Public works/streets	497,711
Culture & recreation	215,680
Total depreciation expense - governmental activities	<u>\$ 989,887</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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 06/30/23	Additions	Retirements	Balance 06/30/24
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	113,261	-	-	113,261
Vehicles	35,000	-	-	35,000
Total capital assets being depreciated	<u>203,871</u>	<u>-</u>	<u>-</u>	<u>203,871</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(2,001)	(490)	-	(2,491)
Improvements other than buildings	(9,853)	(2,413)	-	(12,266)
Machinery & Equipment	(29,805)	(9,113)	-	(38,918)
Vehicles	(14,292)	(3,500)	-	(17,792)
Total accumulated depreciation	<u>(55,951)</u>	<u>(15,516)</u>	<u>-</u>	<u>(71,467)</u>
Total Capital Assets being depreciated, net	<u>147,920</u>	<u>(15,516)</u>	<u>-</u>	<u>132,404</u>
Business-type activities capital assets, net	<u>\$ 202,470</u>	<u>\$ (15,516)</u>	<u>\$ -</u>	<u>\$ 186,954</u>

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

Business-Type Activities:	
Solid waste	<u>\$ 15,516</u>
Total depreciation expense - business-type activities	<u>\$ 15,516</u>

Note 7. Leases

Leases receivable: During fiscal year 2022, the Town began leasing real property to a third party. The lease is for 25 years and the Town will receive monthly payments of \$800 for the first 5 years and then will increase annually by 2% for the remaining of the lease term. The Town recognized \$6,595 in lease revenue and \$7,250 in interest revenue during the current fiscal year related to this lease. As of June 30, 2024, the Town's receivable for lease payments was \$159,083. Also, the Town has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$150,026.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 7. Leases, Continued

During fiscal year 2024, the Town began leasing building space to a third party. The lease is for 5 years and the Town will receive annual payments of \$18,000 for the 5 years. The Town recognized \$16,309 in lease revenue and \$0 in interest revenue during the current fiscal year related to this lease. As of June 30, 2024, the Town's receivable for lease payments was \$63,546. Also, the Town has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$65,237.

Note 8. Long-Term Liabilities

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

Governmental Activities:	Balance 06/30/23	Additions	Retirements	Balance 06/30/24	Current Portion
Accrued compensated absences	\$ 292,335	\$ 53,028	\$ 29,234	\$ 316,129	\$ 31,613
Net pension/OPEB liabilities	3,951,747	880,806	-	4,832,553	-
Notes payable - direct borrowing	430,291	568,072	139,034	859,329	234,219
SBITA obligations	48,753	-	23,899	24,854	24,854
Landfill monitoring costs	3,582	-	326	3,256	326
Total other long-term liabilities	<u>4,726,708</u>	<u>1,501,906</u>	<u>192,493</u>	<u>6,036,121</u>	<u>291,012</u>
Public Offering Revenue Bonds:					
Pledged revenue bonds, series 2017	1,660,000	-	60,000	1,600,000	60,000
Pledged revenue bonds, series 2021	9,365,000	-	285,000	9,080,000	285,000
Bond premiums	242,760	-	10,115	232,645	10,115
Net bonds payable	<u>11,267,760</u>	<u>-</u>	<u>355,115</u>	<u>10,912,645</u>	<u>355,115</u>
Total governmental activities long-term liabilities	<u>\$ 15,994,468</u>	<u>\$ 1,501,906</u>	<u>\$ 547,608</u>	<u>\$ 16,948,766</u>	<u>\$ 646,127</u>
Business Type Activities:					
Accrued compensated absences	\$ 6,782	\$ 1,450	678	\$ 7,554	\$ 755
Net pension/OPEB liabilities	63,604	36,476	-	100,080	-
Notes payable - direct borrowing	133,582	-	20,910	112,672	21,732
Total business type long-term liabilities	<u>\$ 203,968</u>	<u>\$ 37,926</u>	<u>\$ 21,588</u>	<u>\$ 220,306</u>	<u>\$ 22,487</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, 2024

Note 8. 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, 2024.

Other than pledged revenues for the series 2017 and 2021 revenue bonds as noted in the schedule below, 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.	\$ 1,600,000
Pledged Revenue Bonds, Series 2021 due in annual principal and semi-annual interest installments, bearing interest at 0.350% to 3.25%, maturing July 1, 2047.	\$ 9,080,000
Bond premiums	<u>232,645</u>
Total bonds payable	10,912,645
Less: current portion	<u>(355,115)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 10,557,530</u></u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 8. Long-Term Liabilities, Continued

Revenue Bonds debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 345,000	\$ 301,518	\$ 646,518
2026	345,000	294,975	639,975
2027	365,000	287,511	652,511
2028	365,000	279,221	644,221
2029	375,000	270,288	645,288
2030-2034	1,980,000	1,194,314	3,174,314
2035-2039	2,140,000	895,789	3,035,789
2040-2044	2,485,000	543,053	3,028,053
2045-2049	<u>2,280,000</u>	<u>141,994</u>	<u>2,421,994</u>
Total	<u>\$ 10,680,000</u>	<u>\$ 4,208,663</u>	<u>\$ 14,888,663</u>

Notes Payable

Governmental Activities

Caterpillar financed purchase of equipment for \$127,703 bearing interest at 3.157%. Due in annual principal and interest installments of \$22,971.12, maturing in July 2026. \$ 64,781

Wells Fargo financed purchase of equipment for \$43,074 bearing interest at 0.857%. Due in monthly principal and interest installments of \$733.65, maturing in February 2026. 14,534

Caterpillar financed purchase of equipment for \$89,720 bearing interest at 3.226%. Due in annual principal and interest installments of \$19,101, maturing in July 2026. 36,430

Caterpillar financed purchase of equipment for \$63,157 bearing interest at 5.44%. Due in annual principal and interest installments of \$14,004, maturing in June 2026. 25,878

Ford Motor Credit Company financed purchase of a vehicle for \$55,834 bearing interest at 6.35%. Due in annual principal and interest installments of \$13,479, maturing in November 2025. 24,591

(Continued)

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 8. Long-Term Liabilities, Continued

Caterpillar financed purchase of equipment for \$238,583 bearing interest at 3.2%. Due in monthly principal and interest installments of \$2,273 through August 2022, with a balloon payment for remaining principal due September 2022. The balloon payment was refinanced in October 2023 for \$97,587 bearing interest at 6.38%. Due in annual principal and interest installments of \$26,704 through October 2025.	48,701
Ally financed purchase of a vehicle for \$54,403 bearing interest at 5.09%. Due in annual principal and interest installments of \$14,630, maturing February 2025.	13,921
Caterpillar financed purchase of equipment for \$92,323 bearing interest at 5.05%. Due in annual principal and interest installments of \$12,801, maturing in September 2024.	12,188
Caterpillar financed purchase of equipment for \$100,720 bearing interest at 7.364%. Due in annual principal and interest installments of \$27,924, maturing in February 2026.	50,233
Caterpillar financed purchase of equipment for \$146,750 bearing interest at 5.99%. Due in annual principal and interest installments of \$32,860, maturing in August 2027.	113,890
Ford Motor Credit financed purchase of vehicles for \$122,480 bearing interest at 9.39%. Due in annual principal and interest installments of \$29,078, maturing in November 2027.	93,402
Zions Bank financed purchase of PD office equipment for \$221,143 bearing interest at 5.19%. Due in annual principal and interest installments of \$28,904, maturing in May 2034.	221,143
Zions Bank financed purchase of 2006 Mechanics Truck for \$86,880 bearing interest at 5.70%. Due in annual principal and interest installments of \$17,502, maturing in August 2029.	86,880
Huntington financed purchase of 2 bobcats for \$68,090 bearing interest at 6.31%. Due in annual principal and interest installments of \$15,333, maturing in February 2028.	<u>52,757</u>
Total Governmental Activities	<u>859,329</u> (Continued)

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 8. Long-Term Liabilities, Continued

Business Type Activities

Zions Bank financed purchase of equipment for \$97,500 bearing interest at 3.87%. Due in annual principal and interest installments of \$16,155, maturing in February 2026. 30,495

Zions Bank financed purchase of land and land improvements for \$112,500 bearing interest at 4.4%. Due in annual principal and interest installments of \$10,396, maturing in March 2034. 82,177

Total Business Type Activities 112,672

Total Notes Payable \$ 972,001

Less current portion (255,951)

Total Notes Payable net of current portion \$ 716,050

All notes payable are secured by the asset being purchased.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 8. Long-Term Liabilities, Continued

Notes payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 234,219	\$ 49,877	\$ 284,096
2026	215,795	37,938	253,733
2027	122,552	24,097	146,649
2028	108,720	14,957	123,677
2029	37,001	9,405	46,406
2030-2035	141,042	20,979	162,021
Total	<u>\$ 859,329</u>	<u>157,253</u>	<u>\$ 854,561</u>

Year Ended June 30,	Business-Type Activities		Total
	Principal	Interest	
2025	\$ 21,732	\$ 4,819	\$ 26,551
2026	22,165	4,385	26,550
2027	7,367	3,030	10,397
2028	7,691	2,705	10,396
2029	8,029	2,367	10,396
2030-2035	45,688	6,214	51,902
Total	<u>\$ 112,672</u>	<u>23,520</u>	<u>\$ 136,192</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 8. Long-Term Liabilities, Continued

Subscription Based Information Technology Arrangements (SBITA) obligations are as follows:

Governmental Activities

Police software subscription bearing interest at 4%.

Due in annual payments of \$25,849 through July 2024. \$ 24,854

Total Governmental Activities 24,854

Total SBITA Obligations 24,854

Less current portion (24,854)

Total SBITA Obligations net of current portion \$ -

SBITA maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 24,854	\$ 995	\$ 25,849
Total	<u>\$ 24,854</u>	<u>\$ 995</u>	<u>\$ 25,849</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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, 2024, 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	\$ 126,559	\$ -	\$ 123,195	\$ 3,364
Net pension and OPEB liabilities	3,765,242	1,167,391	4,832,553	100,080
Deferred outflows of resources	973,569	654,040	1,601,732	25,877
Deferred inflows of resources	204,372	741	199,681	5,432
Pension/OPEB expense	827,108	408,174	1,213,298	21,984

The Town reported \$456,052 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, 2024

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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 percent for retirement and 0.05 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, 2024, were \$393,757, \$3,600, and \$4,910, respectively.

Liability – At June 30, 2024, 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	\$ 3,762,186
Health insurance premium benefit	(126,559)
Long-term disability	3,056

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

The net asset and net liabilities were measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023.

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, 2023. The Town's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

	Proportion June 30, 2022	Proportion June 30, 2023	Increase (decrease) from
Pension	0.01985%	0.02352%	0.00367%
Health insurance premium benefit	0.01994%	0.02344%	0.00350%
Long-term disability	0.01986%	0.02332%	0.00346%

Expense – For the year ended June 30, 2024, the Town recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 841,239
Health insurance premium benefit	(17,441)
Long-term disability	3,310

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources—At June 30, 2024, 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	\$ 85,010	\$ -	\$ 5,341	\$ 47,197	\$ 2,759	\$ 1,720
Changes of assumptions or other inputs	-	-	-	2,518	806	4,448
Net difference between projected and actual earnings on pension plan investments	-	133,109	-	5,559	-	245
Changes in proportion and differences between contributions and proportionate share of contributions	475,117	-	6	9,396	2,263	180
Contributions subsequent to the measurement date	393,757	-	3,600	-	4,910	-
Total	\$ 953,884	\$ 133,109	\$ 8,947	\$ 64,670	\$ 10,738	\$ 6,593

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, 2025. 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
2025	\$ 302,471	\$ (23,478)	\$ 17
2026	(2,365)	(25,573)	(486)
2027	143,453	(5,314)	317
2028	(16,541)	(4,842)	(554)
2029	-	(116)	(496)
Thereafter	-	-	437

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% 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, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 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. 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
Public equity	44%	3.50%
Credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10%	6.70%
Interest rate sensitive	6%	1.50%
Totals	100%	

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

Discount Rate – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 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.

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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension liability	\$ 5,635,202	\$ 3,762,186	\$ 2,200,422
Net insurance premium benefit liability (asset)	(88,459)	(126,559)	(158,935)
Net long-term disability liability	4,469	3,056	1,666

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, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, 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 publicly 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, 2024

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, 2024

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, 2024, the following employees were covered by the agent plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	14	14
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	5	5
Total	21	19

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, 2024, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	9.25%	1.17%
PSPRS Tier 3 risk pool	9.32%	9.32%	0.24%

In addition, statute required the Town to contribute at the actuarially determined rate of 8% 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, 2024 were:

	Pension	Health Insurance Premium Benefit
PSPRS	\$ 75,599	\$ 8,470
PSPRS Tier 3 risk pool	115,438	2,973

The PSPRS Pension contributions include \$5,971 excess contributions to pay down the unfunded liability.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

During the fiscal year 2024, the Town paid for PSPRS pension and OPEB contributions 100% from the general fund for the actuarial contributions.

Liability – At June 30, 2024, the Town reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 1,072,741	\$ 94,650

The net assets and net liabilities were measured as of June 30, 2023, 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, 2023
Actuarial cost method	Entry Age Normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 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	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	<u>100.00%</u>	

Discount Rate – At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.20 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, 2024

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, 2023	\$ 9,396,143	\$ 8,708,078	\$ 688,065	\$ 175,073	\$ 89,582	\$ 85,491
Changes for the year:						
Service cost	59,396	-	59,396	1,406	-	1,406
Interest on total pension/OPEB liability	660,928	-	660,928	12,271	-	12,271
Difference between expected and actual experience in the measurement of the pension/OPEB liability	407,926	-	407,926	3,946	-	3,946
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	61,621	(61,621)	-	2,285	(2,285)
Contributions - employee	-	37,181	(37,181)	-	-	-
Net investment income	-	649,230	(649,230)	-	6,224	(6,224)
Benefit payments, including refunds of employee contributions	(551,974)	(551,974)	-	(12,097)	(12,097)	-
Plan administrative expenses	-	(4,458)	4,458	-	(45)	45
Net changes	576,276	191,600	384,676	5,526	(3,633)	9,159
Balances at June 30, 2024	\$ 9,972,419	\$ 8,899,678	\$ 1,072,741	\$ 180,599	\$ 85,949	\$ 94,650

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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
PSPRS-Police			
Net pension (asset) / liability	\$ 2,354,093	\$ 1,072,741	\$ 22,817
Net OPEB (asset)/ liability	111,484	94,650	80,223

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, 2024

Note 9. Pensions and Other Postemployment Benefits, Continued

Expense – For the year ended June 30, 2024, the Town recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 403,605	\$ 4,569

Deferred outflows/inflows of resources – At June 30, 2024, 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	\$ 271,950	\$ -	\$ 2,630	\$ 741
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	293,790	-	1,601	-
Contributions subsequent to the measurement date	75,599	-	8,470	-
Total	\$ 641,339	\$ -	\$ 12,701	\$ 741

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, 2025. 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
2025	\$ 224,540	\$ 843
2026	195,171	506
2027	153,774	2,167
2028	(7,745)	(26)
2029	-	-
Thereafter	-	-

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2024

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. Restatement Adjustments

During the current fiscal year, the Town had one change within the reporting entity due to the grants fund now being considered a major fund. As a result, as shown on page 18 of the financial statements, a restatement adjustment of \$79,291 to total nonmajor funds is presented for this reclassification.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2024

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.023520%	0.019850%	0.017130%	0.016980%	0.016990%	0.018170%	0.015230%	0.015500%	0.016210%	0.017325%
Proportionate share of the net pension liability (asset)	\$ 3,762,186	\$ 3,239,964	\$ 2,250,806	\$ 2,942,043	\$ 2,472,243	\$ 2,534,076	\$ 2,372,537	\$ 2,501,856	\$ 2,525,107	\$ 2,563,253
Covered payroll	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 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	126.07%	139.91%	118.07%	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	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

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, 2024

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.02344%	0.01994%	0.01733%	0.01739%	0.01734%	0.01851%	0.01541%	0.01541%
Proportionate share of the net OPEB (asset)	\$ (126,559)	\$ (111,285)	\$ (84,433)	\$ (12,312)	\$ (4,792)	\$ (6,662)	\$ (8,389)	\$ 4,456
Covered payroll	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 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	-4.24%	-4.81%	-4.43%	-0.66%	-0.27%	-0.38%	-0.57%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	98.02%
ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.023320%	0.019860%	0.017230%	0.017210%	0.172300%	0.018210%	0.015280%	0.015280%
Proportionate share of the net OPEB (asset)	\$ 3,056	\$ 1,834	\$ 3,557	\$ 13,056	\$ 11,224	\$ 9,515	\$ 5,539	\$ 5,491
Covered payroll	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 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	0.10%	0.08%	0.19%	0.70%	0.63%	0.55%	0.37%	0.38%
Plan fiduciary net position as a percentage of the total OPEB liability	93.70%	95.40%	90.38%	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 OPEB schedules 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, 2024

PSPRS Police - Pension

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability										
Service cost	\$ 59,396	\$ 95,499	\$ 96,835	\$ 88,682	\$ 131,207	\$ 134,501	\$ 160,918	\$ 118,486	\$ 125,205	\$ 117,492
Interest on total pension liability	660,928	632,773	638,144	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	407,926	209,614	(276,536)	215,877	485,225	(317,901)	37,688	111,434	22,866	277,339
Changes of assumptions	-	159,182	-	-	198,620	-	285,573	268,033	-	945,302
Benefit payments, including refunds of employee contributions	(551,974)	(547,107)	(514,239)	(621,473)	(458,753)	(426,912)	(413,682)	(376,953)	(369,607)	(374,824)
Net change in total pension liability	576,276	549,961	(55,796)	295,173	918,006	(48,566)	721,819	445,858	263,877	1,555,325
Total pension liability - beginning	9,396,143	8,846,182	8,901,978	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)	\$ 9,972,419	\$ 9,396,143	\$ 8,846,182	\$ 8,901,978	\$ 8,606,805	\$ 7,688,799	\$ 7,737,365	\$ 7,015,546	\$ 6,569,688	\$ 6,305,811
Plan fiduciary net position										
Contributions - employer	\$ 61,621	\$ 6,653,069	\$ 453,143	\$ 281,483	\$ 370,470	\$ 409,080	\$ 372,025	\$ 388,358	\$ 274,652	\$ 300,744
Contributions - employee	37,181	36,426	42,855	43,459	49,158	59,887	74,896	80,710	72,855	66,534
Net investment income	649,230	(368,932)	641,540	31,221	135,005	162,773	253,122	12,011	69,641	222,689
Benefit payments, including refunds of employee contributions	(551,974)	(547,107)	(514,239)	(621,473)	(458,753)	(426,912)	(413,682)	(376,953)	(369,607)	(374,824)
Hall/Parker Settlement	-	-	-	-	-	(117,844)	-	-	-	-
Administrative Expense	(4,458)	(6,594)	(3,003)	(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	191,600	5,766,862	620,296	(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	8,708,078	2,941,216	2,320,920	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)	\$ 8,899,678	\$ 8,708,078	\$ 2,941,216	\$ 2,320,920	\$ 2,588,776	\$ 2,504,345	\$ 2,420,510	\$ 2,136,764	\$ 1,945,414	\$ 1,906,593
Net pension liability - ending (a) - (b)	\$ 1,072,741	\$ 688,065	\$ 5,904,966	\$ 6,581,058	\$ 6,018,029	\$ 5,184,454	\$ 5,316,855	\$ 4,878,782	\$ 4,624,274	\$ 4,399,218
Plan fiduciary net position as a percentage of the total pension liability	89.24%	92.68%	33.25%	26.07%	30.08%	32.57%	31.28%	30.46%	29.61%	30.24%
Covered payroll	\$ 441,085	\$ 328,833	\$ 466,701	\$ 446,114	\$ 443,934	\$ 680,329	\$ 704,852	\$ 621,324	\$ 682,144	\$ 655,491
Net pension liability as a percentage of covered payroll	243.21%	209.24%	1265.26%	1475.20%	1355.61%	762.05%	754.32%	785.22%	677.90%	671.13%

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, 2024

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)						
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability							
Service cost	\$ 1,406	\$ 2,553	\$ 2,695	\$ 2,616	\$ 2,925	\$ 3,061	\$ 3,806
Interest on total OPEB liability	12,271	12,916	12,821	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	3,946	(11,261)	(2,965)	894	(64,572)	18,922	539
Changes of assumptions or other inputs	-	2,353	-	-	3,167	-	(4,352)
Benefit payments	(12,097)	(11,724)	(10,488)	(14,337)	(14,037)	(20,882)	(10,517)
Net change in total OPEB liability	<u>5,526</u>	<u>(5,163)</u>	<u>2,063</u>	<u>1,882</u>	<u>(55,656)</u>	<u>16,393</u>	<u>5,087</u>
Total OPEB liability - beginning	<u>175,073</u>	<u>180,236</u>	<u>178,173</u>	<u>176,291</u>	<u>231,947</u>	<u>215,554</u>	<u>210,467</u>
Total OPEB liability - ending (a)	<u>\$ 180,599</u>	<u>\$ 175,073</u>	<u>\$ 180,236</u>	<u>\$ 178,173</u>	<u>\$ 176,291</u>	<u>\$ 231,947</u>	<u>\$ 215,554</u>
Plan fiduciary net position							
Contributions - employer	\$ 2,285	\$ 2,257	\$ 6,410	\$ 8,407	\$ 9,226	\$ 2,998	\$ 8,978
Net investment income	6,224	(3,801)	21,011	1,038	4,362	-	10,095
Benefit payments	(12,097)	(11,724)	(10,488)	(14,337)	(14,037)	6,120	(10,517)
Administrative expense	(45)	(68)	(86)	(84)	(75)	(20,882)	(90)
Other changes	-	-	-	-	-	(93)	-
Net change in plan fiduciary net position	<u>(3,633)</u>	<u>(13,336)</u>	<u>16,847</u>	<u>(4,976)</u>	<u>(524)</u>	<u>(11,857)</u>	<u>8,466</u>
Adjustment to beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,115</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>89,582</u>	<u>102,918</u>	<u>86,071</u>	<u>91,047</u>	<u>83,456</u>	<u>95,313</u>	<u>86,847</u>
Plan fiduciary net position - ending (b)	<u>\$ 85,949</u>	<u>\$ 89,582</u>	<u>\$ 102,918</u>	<u>\$ 86,071</u>	<u>\$ 91,047</u>	<u>\$ 83,456</u>	<u>\$ 95,313</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 94,650</u>	<u>\$ 85,491</u>	<u>\$ 77,318</u>	<u>\$ 92,102</u>	<u>\$ 85,244</u>	<u>\$ 148,491</u>	<u>\$ 120,241</u>
Plan fiduciary net position as a percentage of the total OPEB liability	47.59%	51.17%	57.10%	48.31%	51.65%	35.98%	44.22%
Covered payroll	\$ 441,085	\$ 328,833	\$ 466,701	\$ 446,114	\$ 443,934	\$ 680,329	\$ 704,852
Net OPEB (asset) liability as a percentage of covered payroll	21.46%	26.00%	16.57%	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 OPEB 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, 2024

ASRS - Pension	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 393,757	\$ 361,778	\$ 283,800	\$ 224,358	\$ 212,457	\$ 200,356	\$ 196,898	\$ 160,163	\$ 157,461	\$ 162,602
Contributions in relation to the contractually required contribution	\$ (393,757)	\$ (361,778)	\$ (283,800)	\$ (224,358)	\$ (212,457)	\$ (200,356)	\$ (196,898)	\$ (160,163)	\$ (157,461)	\$ (162,602)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,220,560	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 1,856,043	\$ 1,787,975	\$ 1,734,509	\$ 1,482,748	\$ 1,444,948	\$ 1,492,080
Contributions as a percentage of covered payroll	12.23%	12.12%	12.25%	11.77%	11.45%	11.21%	11.35%	10.80%	10.90%	10.90%

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2024

ASRS - Health insurance premium benefit

	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 3,600	\$ 3,286	\$ 4,863	\$ 7,412	\$ 9,092	\$ 8,211	\$ 7,939	\$ 8,297
Contributions in relation to the contractually required contribution	(3,600)	(3,286)	(4,863)	(7,412)	(9,092)	(8,211)	(7,939)	(8,297)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,220,560	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 1,856,043	\$ 1,787,975	\$ 1,734,509	\$ 1,482,748
Contributions as a percentage of covered payroll	0.11%	0.11%	0.21%	0.39%	0.49%	0.46%	0.46%	0.56%

ASRS - Long-term disability

	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 4,910	\$ 4,220	\$ 4,450	\$ 3,441	\$ 3,155	\$ 2,863	\$ 2,889	\$ 2,078
Contributions in relation to the contractually required contribution	(4,910)	(4,220)	(4,450)	(3,441)	(3,155)	(2,863)	(2,889)	(2,078)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,220,560	\$ 2,984,267	\$ 2,315,817	\$ 1,906,397	\$ 1,856,043	\$ 1,787,975	\$ 1,734,509	\$ 1,482,748
Contributions as a percentage of covered payroll	0.15%	0.14%	0.19%	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 OPEB 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, 2024

PSPRS Police-Pensions	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 66,965	\$ 61,621	\$ 53,069	\$ 453,143	\$ 281,483	\$ 370,470	\$ 409,080	\$ 372,025	\$ 388,358	\$ 274,652
Contributions in relation to the actuarially determined contribution	\$ (66,965)	\$ (61,621)	\$ (6,653,069)	\$ (453,143)	\$ (281,483)	\$ (370,470)	\$ (409,080)	\$ (372,025)	\$ (388,358)	\$ (274,652)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,600,000)</u>	<u>\$ -</u>						
Covered payroll	\$ 616,803	\$ 441,085	\$ 328,833	\$ 466,701	\$ 446,114	\$ 443,934	\$ 680,329	\$ 704,852	\$ 621,324	\$ 682,144
Contributions as a percentage of covered payroll	10.86%	13.97%	2023.24%	97.09%	63.10%	83.45%	60.13%	52.78%	62.50%	40.26%

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2024

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 8,470	\$ 2,285	\$ 2,257	\$ 6,410	\$ 8,407	\$ 9,226	\$ 2,998	\$ 8,978
Contributions in relation to the actuarially determined contribution	\$ (8,470)	\$ (2,285)	\$ (2,257)	\$ (6,410)	\$ (8,407)	\$ (9,226)	\$ (2,998)	\$ (8,978)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 616,803	\$ 441,085	\$ 328,833	\$ 466,701	\$ 446,114	\$ 443,934	\$ 680,329	\$ 704,852
Contributions as a percentage of covered payroll	1.37%	0.52%	0.69%	1.37%	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 OPEB 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, 2024

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 2022 actuarial valuation	24 years for underfunded; 10 years for overfunded
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2022 the actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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, 2024

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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
Local sales tax	\$ 4,950,000	\$ 4,950,000	\$ 5,244,550	\$ 294,550
Auto lieu tax	380,942	380,942	370,498	(10,444)
Franchise tax	285,000	285,000	237,416	(47,584)
Other Tax	20,000	20,000	35,988	15,988
Intergovernmental revenue	1,719,533	1,719,533	2,115,529	395,996
Licenses and permits	283,700	283,700	241,182	(42,518)
Charges for services	34,000	34,000	32,786	(1,214)
Fines and forfeitures	35,000	35,000	43,830	8,830
Interest	1,500	1,500	10,367	8,867
Lease income	27,600	27,600	22,904	(4,696)
Miscellaneous	13,500	13,500	16,498	2,998
Total Revenues	<u>7,750,775</u>	<u>7,750,775</u>	<u>8,371,548</u>	<u>620,773</u>
EXPENDITURES:				
Current:				
General Government:				
General services	959,125	912,770	766,003	146,767
Town council	59,175	59,175	55,351	3,824
Town clerk	244,850	244,850	223,343	21,507
Town manager	193,150	193,300	193,169	131
Finance	478,330	490,310	478,264	12,046
Fleet maintenance	178,717	220,242	217,945	2,297
Public Safety:				
Police	2,959,385	3,024,285	3,024,078	207
Magistrate	85,600	85,600	83,625	1,975
Public Works/Streets	1,599,008	1,599,008	1,523,863	75,145
Parks and recreation	618,300	618,300	577,262	41,038
Community & economic development	399,970	399,970	352,391	47,579
Total Expenditures	<u>7,775,610</u>	<u>7,847,810</u>	<u>7,495,294</u>	<u>352,516</u>
Excess of Revenues				
Over (Under) Expenditures	<u>(24,835)</u>	<u>(97,035)</u>	<u>876,254</u>	<u>973,289</u>
Other Financing Sources (Uses):				
Sale of assets	2,500	2,500	1,279	(1,221)
Transfers out	<u>(3,609,573)</u>	<u>(3,537,373)</u>	<u>(1,177,104)</u>	<u>2,360,269</u>
Total Other Financing Sources (Uses)	<u>(3,607,073)</u>	<u>(3,534,873)</u>	<u>(1,175,825)</u>	<u>2,359,048</u>
Net change in fund balance	(3,631,908)	(3,631,908)	(299,571)	3,332,337
Fund Balance, Beginning of Year	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,517,227</u>	<u>1,482,773</u>
Fund Balance, End of Year	<u>\$ 1,368,092</u>	<u>\$ 1,368,092</u>	<u>\$ 3,217,656</u>	<u>\$ 4,815,110</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 995,000	\$ 995,000	\$ 1,044,902	\$ 49,902
Intergovernmental revenue	759,200	759,200	718,184	(41,016)
Miscellaneous	110,000	110,000	173,042	63,042
Total Revenue	<u>1,864,200</u>	<u>1,864,200</u>	<u>1,936,128</u>	<u>71,928</u>
EXPENDITURES:				
Current:				
Public Works:				
Administration	42,488	49,788	42,211	7,577
Street maintenance	1,986,602	1,878,152	1,637,553	240,599
Street rehabilitation	140,000	211,750	211,734	16
Utilities	15,008	16,608	16,580	28
Total Expenditures	<u>2,184,098</u>	<u>2,156,298</u>	<u>1,908,078</u>	<u>248,220</u>
Excess of Revenues Over (Under) Expenditures	<u>(319,898)</u>	<u>(292,098)</u>	<u>28,050</u>	<u>320,148</u>
Other Financing Sources (Uses):				
Sale of capital assets	7,500	7,500	3,640	(3,860)
Transfers in	-	-	51,678	51,678
Transfers out	(222,261)	(250,061)	(250,029)	32
Total Other Financing Sources (Uses):	<u>(214,761)</u>	<u>(242,561)</u>	<u>(194,711)</u>	<u>47,850</u>
Net change in fund balance	(534,659)	(534,659)	(166,661)	367,998
Fund Balance, Beginning of Year	<u>600,000</u>	<u>600,000</u>	<u>694,003</u>	<u>94,003</u>
Fund Balance, End of Year	<u>\$ 65,341</u>	<u>\$ 65,341</u>	<u>\$ 527,342</u>	<u>\$ 462,001</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,125,000	\$ 1,125,000	\$ 1,161,837	\$ 36,837
Charges for services	2,000	2,000	11,839	9,839
Interest earnings	-	-	216	216
Total Revenue	<u>1,127,000</u>	<u>1,127,000</u>	<u>1,173,892</u>	<u>46,892</u>
EXPENDITURES:				
Current:				
Tourism and recreation	<u>932,495</u>	<u>932,495</u>	<u>761,939</u>	<u>170,556</u>
Total Expenditures	<u>932,495</u>	<u>932,495</u>	<u>761,939</u>	<u>170,556</u>
Excess of Revenues				
Over (Under) Expenditures	<u>194,505</u>	<u>194,505</u>	<u>411,953</u>	<u>217,448</u>
Other Financing Sources (Uses):				
Sale of capital assets	2,000	2,000	1,078	(922)
Transfers out	<u>(492,052)</u>	<u>(492,052)</u>	<u>(218,999)</u>	<u>273,053</u>
Total Other Financing Sources (Uses):	<u>(490,052)</u>	<u>(490,052)</u>	<u>(217,921)</u>	<u>272,131</u>
Net change in fund balance	(295,547)	(295,547)	194,032	489,579
Fund Balance, Beginning of Year	<u>625,000</u>	<u>625,000</u>	<u>730,395</u>	<u>105,395</u>
Fund Balance, End of Year	<u>\$ 329,453</u>	<u>\$ 329,453</u>	<u>\$ 924,427</u>	<u>\$ 594,974</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 9,957,445	\$ 9,957,445	\$ 1,355,447	\$ (8,601,998)
Total Revenue	9,957,445	9,957,445	1,355,447	(8,601,998)
EXPENDITURES:				
Current:				
Public safety	2,518,000	2,518,000	30,687	2,487,313
Public works	5,692,145	5,665,695	1,242,510	4,423,185
Tourism and recreation	1,830,300	1,773,300	80,240	1,693,060
Economic development	-	31,750	31,701	49
Total Expenditures	10,040,445	9,988,745	1,385,138	8,603,607
Excess of Revenues Over (Under) Expenditures	(83,000)	(31,300)	(29,691)	1,609
Other Financing Sources (Uses):				
Transfers in	83,000	83,000	36,823	(46,177)
Total Other Financing Sources	83,000	31,300	(14,855)	(46,155)
Net change in fund balances	-	-	(44,546)	(44,546)
Fund Balance, Beginning of Year	-	-	79,291	79,291
Fund Balance, End of Year	\$ -	\$ -	\$ 34,745	\$ 34,745

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

Capital Projects Funds

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

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

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 54,811	\$ 54,811
Donations	250,000	250,000	-	(250,000)
Total Revenue	250,000	250,000	54,811	(195,189)
EXPENDITURES:				
Capital Outlay	5,254,812	5,544,812	3,348,895	2,195,917
Debt Service:				
Principal	1,061,031	771,031	484,033	286,998
Interest	335,126	335,126	335,126	-
Total Expenditures	6,650,969	6,650,969	4,168,054	2,482,915
Excess of Revenues Over (Under) Expenditures	(6,400,969)	(6,400,969)	(4,113,243)	2,287,726
Other Financing Sources (Uses):				
Debt issuance	260,000	260,000	568,072	308,072
Transfers in	4,040,969	4,040,969	1,543,875	(2,497,094)
Total Other Financing Sources (Uses):	4,300,969	4,300,969	2,111,947	(2,189,022)
Net Change in Fund Balance	(2,100,000)	(2,100,000)	(2,001,296)	98,704
Fund Balance, Beginning of Year	2,100,000	2,100,000	2,327,504	(227,504)
Fund Balance, End of Year	\$ -	\$ -	\$ 326,208	\$ (128,800)

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2024

	<u>Development Impact Fee Fund</u>	<u>Acquisition & Development Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 58,946	\$ 235	\$ 59,181
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expense	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 58,946</u>	<u>\$ 235</u>	<u>\$ 59,181</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages and benefits	-	-	-
Accrued liabilities	-	-	-
Unearned revenue	-	-	-
Deposits	-	-	-
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Nonspendable:			
Prepays	-	-	-
Restricted for:			
Grants	-	-	-
Public Safety	-	-	-
Highways and streets	\$ 32	\$ -	\$ 32
Tourism and recreation	-	-	-
Community and economic development	58,914	-	58,914
Other purposes	-	-	-
Assigned for :			
Community and economic development	-	235	235
Other purposes	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>58,946</u>	<u>235</u>	<u>59,181</u>
Total Liabilities and Fund Balances	<u>\$ 58,946</u>	<u>\$ 235</u>	<u>\$ 59,181</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, 2024

REVENUES	Development Impact Fee Fund	Acquisition & Development Fund	Grants Fund	Total
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Interest	25	45	-	70
Total Revenues	<u>25</u>	<u>45</u>	<u>-</u>	<u>70</u>
EXPENDITURES				
Current:				
Community and economic development	-	6,000	-	6,000
Capital outlay	-	4,000	-	4,000
Total Expenditures	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess of Revenues				
Over (Under) Expenditures	<u>25</u>	<u>(9,955)</u>	<u>-</u>	<u>(9,930)</u>
Net change in fund balances	25	(9,955)	-	(9,930)
Fund Balances, Beginning of Year, as previously reported	<u>58,921</u>	<u>10,190</u>	<u>79,291</u>	<u>148,402</u>
Adjustment - changes from nonmajor fund to major fund	-	-	(79,291)	(79,291)
Fund Balances, Beginning of Year, as adjusted	<u>58,921</u>	<u>10,190</u>	<u>-</u>	<u>69,111</u>
Fund Balances, End of Year	<u>\$ 58,946</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 59,181</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ -	\$ -	\$ 25	\$ 25
Total Revenue	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
EXPENDITURES:				
Capital Outlay	<u>58,000</u>	<u>58,000</u>	<u>-</u>	<u>58,000</u>
Total Expenditures	<u>58,000</u>	<u>58,000</u>	<u>-</u>	<u>58,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(58,000)</u>	<u>(58,000)</u>	<u>25</u>	<u>58,025</u>
Net Change in Fund Balance	(58,000)	(58,000)	25	58,025
Fund Balance, Beginning of Year	<u>58,000</u>	<u>58,000</u>	<u>58,921</u>	<u>921</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,946</u></u>	<u><u>\$ 58,946</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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Intergovernmental revenue	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Investment earnings	-	-	45	45
Total Revenue	<u>10,000</u>	<u>10,000</u>	<u>45</u>	<u>(9,955)</u>
EXPENDITURES:				
Current:				
Community and economic development	6,000	6,000	6,000	-
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess of Revenues				
Over (Under) Expenditures	-	-	(9,955)	(9,955)
Fund Balance, Beginning of Year	<u>10,190</u>	<u>10,190</u>	<u>10,190</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 10,190</u></u>	<u><u>\$ 10,190</u></u>	<u><u>\$ 235</u></u>	<u><u>\$ (9,955)</u></u>

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	83
<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	88
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity	90
<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.....	94
<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	95
<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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental activities										
Net investment in capital assets	\$ 5,295,494	\$ 5,572,726	\$ 5,143,699	\$ 6,325,201	\$ 6,824,075	\$ 9,923,564	\$ 10,342,064	\$ 10,128,744	\$ 10,239,592	\$ 12,429,958
Restricted	300,409	589,590	479,647	445,077	757,621	475,779	708,600	3,592,839	2,455,090	723,536
Unrestricted	(5,216,205)	(5,635,914)	(5,100,632)	(5,300,047)	(6,217,842)	(6,481,495)	(4,800,522)	(6,831,632)	(6,249,989)	(5,886,539)
Total governmental activities net position	\$ 379,698	\$ 526,402	\$ 522,714	\$ 1,470,231	\$ 1,363,854	\$ 3,917,848	\$ 6,250,142	\$ 6,889,951	\$ 6,444,693	\$ 7,266,955
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 636	\$ 32,727	\$ 37,838	\$ 64,274	\$ 68,888	\$ 74,282
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	(13,266)	(14,738)	(29,171)	(39,899)	(63,700)	(97,877)
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ (12,630)	\$ 17,989	\$ 8,667	\$ 24,375	\$ 5,188	\$ (23,595)
Primary government										
Net investment in capital assets	\$ 5,295,494	\$ 5,572,726	\$ 5,143,699	\$ 6,325,201	\$ 6,824,711	\$ 9,956,291	\$ 10,379,902	\$ 10,193,018	\$ 10,308,480	\$ 12,504,240
Restricted	300,409	589,590	479,647	445,077	757,621	475,779	708,600	3,592,839	2,455,090	723,536
Unrestricted	(5,216,205)	(5,635,914)	(5,100,632)	(5,300,047)	(6,231,108)	(6,496,233)	(4,829,693)	(6,871,531)	(6,313,689)	(5,984,416)
Total primary government net position	\$ 379,698	\$ 526,402	\$ 522,714	\$ 1,470,231	\$ 1,351,224	\$ 3,935,837	\$ 6,258,809	\$ 6,914,326	\$ 6,449,881	\$ 7,243,360

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

Expenses	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental activities:										
General government	\$ 1,025,609	\$ 1,327,775	\$ 1,198,079	\$ 1,261,387	\$ 1,425,548	\$ 1,391,933	\$ 1,257,842	\$ 1,654,310	\$ 1,799,285	\$ 2,084,969
Public safety	2,655,844	2,490,393	2,363,177	2,829,418	2,892,140	2,855,218	3,207,092	2,824,106	3,375,356	3,674,146
Public works/Streets	823,575	1,002,330	1,490,644	2,019,910	2,258,835	2,686,500	2,477,676	2,929,406	3,682,969	3,829,554
Culture and recreation	1,001,255	967,222	866,281	689,889	1,067,555	1,066,822	1,407,693	1,536,135	1,657,721	1,644,749
Economic development	301,189	225,575	71,573	237,021	101,962	130,288	143,380	164,437	320,506	438,070
Interest on long-term debt	-	13,876	25,676	190,712	100,160	93,834	83,851	553,716	291,272	338,516
Total governmental activities expenses	<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>	<u>9,662,110</u>	<u>11,127,109</u>	<u>12,010,004</u>
Business-type activities:										
Solid waste	-	-	-	-	17,438	161,831	180,926	258,522	265,520	332,998
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,438</u>	<u>161,831</u>	<u>180,926</u>	<u>258,522</u>	<u>265,520</u>	<u>332,998</u>
Total primary government expenses	<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>	<u>\$ 9,920,632</u>	<u>\$ 11,392,629</u>	<u>\$ 12,343,002</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 215,126	\$ 193,380	\$ 237,697	\$ 285,484	\$ 168,371	\$ 205,337	\$ 285,715	\$ 287,633	\$ 274,376	\$ 262,118
Public safety	52,519	62,000	61,207	75,810	181,360	57,172	52,992	41,870	46,756	54,734
Public works/Streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	40,966	32,307	37,748	46,515	50,488	29,134	19,121	24,088	38,398	39,232
Economic development	10	-	-	-	-	-	35,000	-	-	-
Operating grants and contributions	689,368	807,733	710,715	931,054	862,794	1,324,480	1,500,634	1,038,069	983,422	1,429,095
Capital grants and contributions	233,074	232,160	102,447	1,246,212	65,805	2,823,399	424,992	96,020	123,995	1,216,572
Total governmental activities program revenues	<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>	<u>1,487,680</u>	<u>1,466,947</u>	<u>3,001,751</u>
Business-type activities:										
Charges for services:										
Solid waste	-	-	-	-	464	88,812	140,096	157,145	171,118	238,781
Operating grants and contributions								2,670	1,353	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464</u>	<u>88,812</u>	<u>140,096</u>	<u>159,815</u>	<u>172,471</u>	<u>238,781</u>
Total primary government program revenues	<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>	<u>\$ 1,647,495</u>	<u>\$ 1,639,418</u>	<u>\$ 3,240,532</u>

(continued)

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net (expense)/revenue										
Governmental activities	\$ (4,576,409)	\$ (4,699,591)	\$ (4,865,616)	\$ (4,643,262)	\$ (6,517,382)	\$ (3,785,073)	\$ (6,259,080)	\$ (8,174,430)	\$ (9,660,162)	\$ (9,008,253)
Business-type activities	-	-	-	-	(16,974)	(73,019)	(40,830)	(98,707)	(93,049)	(94,217)
Total primary government net expense	<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>	<u>\$ (8,273,137)</u>	<u>\$ (9,753,211)</u>	<u>\$ (9,102,470)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 3,543,376	\$ 3,578,240	\$ 3,609,646	\$ 4,264,424	\$ 4,919,136	\$ 4,863,571	\$ 6,788,907	\$ 7,152,122	\$ 7,101,786	\$ 7,451,289
Franchise taxes	49,716	55,631	69,734	159,273	231,637	242,871	251,176	274,093	290,760	237,416
State revenue sharing	518,363	515,552	531,579	542,257	527,911	573,250	647,502	560,583	806,174	1,137,293
State sales taxes	391,327	404,308	397,955	410,416	439,263	458,196	530,171	569,266	606,362	628,186
Auto-in-lieu	225,562	245,717	258,797	277,435	295,007	303,481	379,334	368,920	360,499	370,498
Investment earnings	3,411	6,306	707	1,670	2,189	1,336	119	3,670	123,185	71,267
Gain on Sale of assets	-	-	-	-	-	-	25,673	-	-	-
Other	-	40,541	(6,490)	49,518	(4,138)	(103,638)	(31,508)	(114,415)	(73,862)	(65,434)
Total governmental activities	<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>	<u>8,814,239</u>	<u>9,214,904</u>	<u>9,830,515</u>
Business-type activities:										
Investment earnings	-	-	-	-	206	-	-	-	-	-
Other	-	-	-	-	4,138	103,638	31,508	114,415	73,862	65,434
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,344</u>	<u>103,638</u>	<u>31,508</u>	<u>114,415</u>	<u>73,862</u>	<u>65,434</u>
Total primary government	<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>	<u>\$ 8,928,654</u>	<u>\$ 9,288,766</u>	<u>\$ 9,895,949</u>
Change in Net Position										
Governmental activities	\$ 155,346	\$ 146,704	\$ (3,688)	\$ 1,061,731	\$ (106,377)	\$ 2,553,994	\$ 2,332,294	\$ 639,809	\$ (445,258)	\$ 822,262
Business-type activities	-	-	-	-	(12,630)	30,619	(9,322)	15,708	(19,187)	(28,783)
Total primary government	<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>	<u>\$ 655,517</u>	<u>\$ (464,445)</u>	<u>\$ 793,479</u>

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General fund										
Nonspendable	\$ 12,026	\$ 34,013	\$ 33,424	\$ 5,292	\$ -	\$ -	\$ 7,827	\$ 2,182	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	692,853	389,664	169,169	-	-	-	-	-	-	-
Unassigned	217,472	302,942	862,349	1,056,272	482,081	696,440	2,983,479	3,757,054	3,517,227	3,217,656
Total general fund	<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>	<u>\$ 3,759,236</u>	<u>\$ 3,517,227</u>	<u>\$ 3,217,656</u>
All other governmental funds										
Nonspendable:										
Prepays	\$ -	\$ -	\$ 10,148	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -
Restricted:										
Public safety	10,651	9,037	13,584	24,219	27,327	15,531	-	-	-	-
Highways and streets	440,620	420,213	387,829	330,956	616,863	324,486	635,886	941,356	745,713	527,374
Community and economic development	111,894	129,849	48,724	85,390	102,993	123,880	58,862	58,865	58,889	58,914
Capital outlay	-	-	-	-	-	-	-	2,581,112	1,636,394	123,123
Other	30,323	30,491	19,510	4,512	10,438	11,882	13,852	11,506	14,093	14,125
Committed for:										
Tourism and recreation	-	-	270,493	426,670	451,982	525,300	621,180	599,804	730,395	924,427
Assigned for:										
Community and economic development	27,252	79,161	10,119	10,128	10,135	10,136	10,136	10,144	10,190	235
Highways and streets	-	-	-	-	-	-	-	51,678	-	-
Other purposes	145	-	23,600	81,336	95,378	162,281	163,518	526,904	704,630	223,705
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
	<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>	<u>\$ 4,781,369</u>	<u>\$ 3,900,304</u>	<u>\$ 1,871,903</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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 3,543,376	\$ 3,578,244	\$ 3,609,645	\$ 4,541,859	\$ 5,214,143	\$ 5,167,052	\$ 7,177,060	\$ 7,541,175	\$ 7,490,303	\$ 7,857,775
Franchise taxes	49,716	55,631	69,734	159,273	231,637	242,871	251,176	274,093	290,760	237,416
Intergovernmental	1,902,646	2,099,580	1,933,054	1,906,395	1,848,341	3,435,131	3,105,214	2,129,472	2,454,542	4,189,160
Licenses, permits, and fees	127,540	110,028	153,108	201,378	176,085	217,300	262,705	279,608	256,488	241,182
Charges for services	104,633	103,339	105,904	72,332	36,781	32,633	38,959	31,623	50,868	44,625
Fines and forfeitures	43,474	51,068	45,958	42,190	39,582	33,231	50,026	31,621	41,964	43,830
Interest	3,411	6,304	707	1,671	1,983	1,336	120	3,668	91,880	65,464
Lease income	18,732	18,581	14,494	-	-	-	-	-	6,595	22,904
Impact fees	47,559	29,990	42,666	74,376	43,662	90,541	-	-	-	-
Other	121,730	80,569	42,962	110,905	151,747	1,662,132	30,403	49,603	41,008	189,540
Total Revenues	\$ 5,962,817	\$ 6,133,334	\$ 6,018,232	\$ 7,110,379	\$ 7,743,961	\$ 10,882,227	\$ 10,915,663	\$ 10,340,863	\$ 10,724,408	\$ 12,891,896
Expenditures										
Current:										
General government	\$ 1,025,155	\$ 1,365,521	\$ 1,260,878	\$ 1,309,197	\$ 1,365,667	\$ 1,151,461	\$ 1,038,511	\$ 1,572,024	\$ 1,695,874	\$ 1,934,075
Public safety	2,215,856	2,216,526	2,068,093	2,293,675	2,344,444	2,388,498	2,554,775	8,963,996	2,976,788	3,138,390
Public works/streets	637,870	841,805	1,270,020	1,942,811	2,109,243	3,863,711	2,449,131	2,468,370	3,206,957	4,674,451
Tourism and recreation	899,584	933,750	781,299	751,892	1,021,257	957,955	1,377,429	1,144,405	1,423,031	1,419,441
Community and economic development	290,996	343,656	96,876	266,058	149,665	117,434	128,333	182,747	305,244	390,092
Capital outlay	157,384	953,137	472,340	1,933,156	1,052,728	1,935,175	438,904	1,391,867	1,435,302	3,352,895
Debt service										-
Principal	-	27,536	38,648	523,606	189,872	191,922	246,508	258,509	624,108	484,033
Interest	-	13,876	25,676	150,686	100,556	99,694	89,507	205,436	335,928	335,126
Bond issuance costs	-	-	-	-	-	-	-	227,556		
Total expenditures	5,226,845	6,695,807	6,013,830	9,171,081	8,333,432	10,705,850	8,323,098	16,414,910	12,003,232	15,728,503
Revenues over (under) expenditures	735,972	(562,473)	4,402	(2,060,702)	(589,471)	176,377	2,592,565	(6,074,047)	(1,278,824)	(2,836,607)
Other finance sources (Uses)										
Proceeds of long-term debt issuance	128,876	372,857	-	2,180,211	366,031	-	43,074	\$ 10,225,785	\$ 198,307	\$ 568,072
Proceeds from sale of capital assets	-	41,750	449,177	56,317	-	-	25,673	3,542	31,305	5,997
Transfers in	693,293	573,309	261,896	744,416	865,700	668,084	735,560	1,446,980	1,325,616	1,632,376
Transfers out	(693,293)	(573,309)	(261,896)	(744,416)	(865,700)	(771,722)	(767,068)	(1,561,395)	(1,399,478)	(1,697,810)
Total other finance sources (uses)	128,876	414,607	449,177	2,236,528	366,031	(103,638)	37,239	10,114,912	155,750	508,635
Net change in fund balances	\$ 864,848	\$ (147,866)	\$ 453,579	\$ 175,826	\$ (223,440)	\$ 72,739	\$ 2,629,804	\$ 4,040,865	\$ (1,123,074)	\$ (2,327,972)
Debt service as a percentage of noncapital expenditures	0.00%	0.65%	1.15%	9.78%	4.11%	4.10%	4.62%	3.06%	9.30%	7.60%

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
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
2022	569,266	7,152,122	274,093	764,167	368,920	560,583
2023	606,362	7,101,786	290,760	709,960	360,499	806,174
2024	628,186	7,451,289	237,416	718,184	370,498	1,137,293

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)

	2018		2019		2020		2021		2022		2023		2024	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Communication & Utilities	307,251	7.2%	328,989	6.7%	340,520	7.0%	399,399	5.9%	403,872	5.6%	445,553	6.3%	391,340	5.3%
Construction	257,434	6.0%	220,628	4.5%	185,446	3.8%	407,098	6.0%	489,806	6.8%	327,605	4.6%	667,726	9.0%
Manufacturing	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Retail	1,719,631	40.3%	2,035,383	41.4%	2,007,834	41.3%	2,809,614	41.4%	2,843,687	39.8%	2,958,810	41.7%	2,894,751	38.8%
Real Estate Leasing	122,436	2.9%	146,280	3.0%	135,582	2.8%	140,714	2.1%	206,030	2.9%	197,324	2.8%	210,467	2.8%
Restaurant & Bar	1,178,314	27.6%	1,382,606	28.1%	1,434,940	29.5%	1,742,380	25.7%	1,923,882	26.9%	1,846,563	26.0%	1,908,135	25.6%
Accommodation	427,699	10.0%	534,594	10.9%	511,868	10.5%	907,682	13.4%	816,407	11.4%	807,709	11.4%	819,755	11.0%
Services	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
All Other	250,551	5.9%	270,656	5.5%	247,481	5.1%	382,020	5.6%	468,438	6.5%	518,222	7.3%	559,116	7.5%
Total	4,263,316	100.0%	4,919,136	100.0%	4,863,671	100.0%	6,788,907	100.0%	7,152,122	100.0%	7,101,786	100.0%	7,451,290	100.0%
	17.82%		15.38%		-1.13%		39.58%		5.35%		-0.70%		4.92%	
	up from prior year		up from prior year		down 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.

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 Obligation Debt	Notes Payable (2)	Notes Payable (2)					
2015	-	-	604,330	-	-	604,330	19.16%	4,370 *	138
2016	-	-	890,325	-	-	890,325	27.52%	4,402 *	202
2017	-	-	796,554	-	-	796,554	24.02%	4,463 *	178
2018	1,986,448	-	454,455	-	-	2,440,903	68.71%	4,545 *	537
2019	1,953,639	-	623,345	210,000	-	2,786,984	76.83%	4,563 *	611
2020	1,900,831	-	481,423	191,573	-	2,573,827	63.47%	4,557 *	565
2021	1,843,022	-	332,989	173,020	-	2,349,031	52.11%	4,044 (1)	581
2022	11,612,875	-	520,297	153,712	-	12,286,884	245.33%	4,030 **	3,049
2023	11,267,760	-	430,291	133,582	-	11,831,633	236.24%	4,073	2,905
2024	10,912,645	-	859,329	112,672	-	11,884,646	243.71%	4,182	2,842

** Population estimates adjusted to results of 2020 Decennial Census

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

(2) The Town implemented GASB 87 in FY 2022. Debt reported as capital leases in FY 2021 are reported as notes payable in FY 2022 (not leases under GASB 87).

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	\$ 11,725,000	21.4%	\$ 2,509,150
Pinetop-Lakeside Sanitary District	-	79.0%	-
Pinetop Fire District	9,470,000	85.0%	8,049,500
Timber Mesa Fire District	3,845,147	31.0%	1,191,996
Subtotal, overlapping debt			11,750,646
Town direct debt			11,884,646
Total direct and overlapping debt			\$ 23,635,292

(1) Includes general obligation bonds outstanding

Source: Navajo County Finance Department, Pinetop Fire District, Timber Mesa Fire District, Blue Ridge School District Web-site

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)

Series 2017 and Series 2021 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
2022	8,650,891	55,000	66,200	121,200	71.38
2023	8,874,821	340,000	312,890	652,890	13.59
2024	9,587,599	345,000	307,445	652,445	14.69

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 (2)	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
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	\$ 37,997	\$ 33,351	1,851	9.9%	9.9%	4.5%
2022	4,030	108,147	4,507,525	\$ 41,680	\$ 34,644	1,761	1.3%	4.9%	4.0%
2023	4,073	108,580	5,008,400	\$ 46,126	\$ 57,125	2,165	8.7%	5.5%	3.5%
2024	4,182	110,846	4,876,539	\$ 43,994	\$ 34,197	1,635	4.6%	5.1%	3.8%

(1) Population estimated from these sources:

- Arizona Department of Administration estimates
- Arizona Office of Economic Opportunity
- Other State and Federal sites
- Arizona Commerce Authority
- Best Places.net
- Simplemaps.com

(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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government	12.5	12.85	12.35	12	10.5	11	11	12	14	22
Public Safety										
Officers	17	17	15	16	15	15	15	16	16	16
Civilians	7.5	7.5	8	6	2.5	3.5	4	5	5	5
Streets	5.5	7.65	8	10	7.5	8	8	9	10	11
Parks and Recreation	6.5	6.5	6	8.5	12	12	12	11	16	17
Library	5	5	4.5	5	5	5.5	5	7	7	7
Solid Waste	0	0	0	0	1.5	2	2	2	2	3
Total	<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>	<u>62.0</u>	<u>70.0</u>	<u>81</u>

Source: Town of Pinetop-Lakeside, Arizona

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Building Permits										
Residential	18	21	32	31	33	65	71	124	131	129
Commercial	2	2	2	2	2	2	1	21	26	26
Value of Construction										
Residential	\$ 5,053,000	\$ 4,115,000	\$ 6,516,000	\$ 8,953,000	\$ 9,866,500	\$ 16,804,000	\$ 18,114,000	\$ 17,195,462	\$ 13,043,894	\$ 13,062,553
Commercial	726,500	1,286,000	5,287,000	1,548,000	696,500	917,000	223,000	3,257,118	13,845,088	1,572,113
Total	\$ 5,779,500	\$ 5,401,000	\$ 11,803,000	\$ 10,501,000	\$ 10,563,000	\$ 17,721,000	\$ 18,337,000	\$ 20,452,580	\$ 26,888,982	\$ 14,634,666

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	158	158	158	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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
Building Permits Issued	131	107	126	132	140	188	171	183	157	147
Building Inspections Conducted	20	23	32	32	33	65	71	145	740	823
Police										
Physical Arrests	395	494	557	1,008	639	436	552	664	564	454
Parking Violations	0	0	9	0	2	0	2	2	0	0
Traffic Violations	3,376	3,236	2,916	2,957	667	752	1,050	534	762	741
Calls for Service	8,209	9,241	10,037	13,525	4,623	4,682	5,080	10,103	10,879	9,687
Streets **										
Street Resurfacing (Miles)	1	9	2	10	13	0	0	0	42	38
Potholes Repaired	1,200	2,000	4,500	4,000	320	400	40	18	25	150
Street Sweeping (Miles)	1,135	1,135	1,550	2,000	211	275	1,356	1,356	1,628	1628
Culture and recreation										
Parks acreage	148	148	148	148	148	158	158	158	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, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 24, 2025.

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

Mesa, Arizona
February 24, 2025



HINTONBURDICK
CPAs & ADVISORS

**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, 2024, and have issued our report thereon dated February 24, 2025. 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, 2024.

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

Mesa, Arizona
February 24, 2025

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