

**NOTICE OF SPECIAL MEETING
OF THE CAREFREE TOWN COUNCIL**

WHEN: TUESDAY, DECEMBER 14, 2021

WHERE: ZOOM WEB <https://us02web.zoom.us/join/3229729660>
MEETING ID: 322 972 9660*

TIME: 5:00 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council of the Town of Carefree, Arizona and to the general public that the members of the Town Council will hold a meeting open to the public. For any item listed on the agenda, the Council may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

The agenda for the meeting is as follows:

CALL TO ORDER

ROLL CALL

A members of the Council may participate by technological means or methods pursuant to A.R.S. §38-431(4).

PLEDGE OF ALLEGIANCE

AGENDA:

ITEM #1 Review, discussion and possible action to accept the findings of the 2020-2021 Fiscal Year audit.
A representative from the firm of Heinfeld Meech will attend electronically.

ITEM #2 Review, discussion, and possible action to approve temporary improvements for the existing crosswalk located at Ridgeview Place/Ho Road.

ITEM #3 Approval of the temporary, partial street closure of Cave Creek Road to one lane from Mule Train to Pima to accommodate parking for the Wheels and Wings event at SkyRanch at Carefree for on April 2, 2022 from 8:00 a.m. to 3:00 p.m.

ITEM #4 Discussion and possible action to go into Executive Session in accordance with A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the Town Attorney.

ITEM #3 Adjournment.

DATED this 9th of December, 2021.

TOWN OF CAREFREE

BY: *Kandace French Contreras*
Kandace French Contreras, Town Clerk/Treasurer

Items may be taken out of sequence

*Due to the risks to public health caused by the possible spread of the COVID-19 virus at public gatherings, it has determined that public meetings will be indefinitely held through technological means. Meetings will be also open to the public through technological means. In reliance on, and compliance with, the March 13, 2020 Opinion issued by Attorney General Mark Brnovich, the Carefree Water Company provides this special advance notice of the technological means through which public meetings may be accessed. While this special notice is in effect, public comment at meetings will only be accepted through written submissions, which may or may not be read aloud during meetings.

Join Zoom Meeting:

Click on the following link or cut and paste it into your browser:

<https://us02web.zoom.us/j/3229729660>

Or go to <https://www.zoom.us/join> Meeting ID: 322 972 9660

A password is not required.

By phone:

Please call 1-253-215-8782

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members of the Town Council
Town of Carefree, Arizona

We have examined the Town of Carefree, Arizona's (Town) compliance as to whether highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town, were used solely for authorized transportation purposes during the year ended June 30, 2021. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about the Town's compliance with the requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with the requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance of the report, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town of Carefree, Arizona complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2021.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 7, 2021

TOWN OF CAREFREE, ARIZONA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Town of Carefree, Arizona

Financial Statements
Year Ended June 30, 2021

Issued by:
Finance Department

TOWN OF CAREFREE, ARIZONA

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TOWN OF CAREFREE, ARIZONA

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

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Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Carefree, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Carefree, Arizona, (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above 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 Carefree, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Town of Carefree, 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

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's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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'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'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability 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's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of Town of Carefree, 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 the Town of Carefree, Arizona's 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 Town of Carefree, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 7, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The Carefree Town Council and Staff are pleased to present the Management's Discussion and Analysis (MD&A) to supplement the financial statements for the year ended June 30, 2021. This discussion and analysis is intended to be an easily readable breakdown of the Town of Carefree and the Utilities Community Facilities District's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations compared to previous years and should be read in combination with the financial statements that follow.

Overview

- The assets and deferred outflows of the Town's governmental activities exceeded its liabilities and deferred inflows at June 30, 2021 by \$26,951,132. Of this amount, \$13,761,213 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. Of that \$13,761,213, unrestricted cash and investments are \$13,201,105.
- The assets of the Town's business-type activities exceeded its liabilities at June 30, 2021 by \$4,924,720. The Utilities Community Facilities District (UCFD) has invested in water infrastructure to meet their customers' present and future needs.
- As of June 30, 2021 the Town's combined fund balances of \$13,767,123 showed an increase of \$2,841,233 in comparison with the last fiscal year 2019-20 ending fund balances of \$10,925,891 due in part to retaining fund balance for more Water Infrastructure Projects in fiscal year 2021-22.
- Capital expenditures included:
 - \$11,520 for Sundial Sunburst restoration.
 - \$849,147 for continuing Water Infrastructure projects.
 - \$3,857 for Pedestrian Crosswalk Design.
 - \$40,919 for a new BC1000XL Heavy Duty Brush/Chipper.
 - \$98,377 for nine Self Contained Breathing Apparatus AirPak systems for the Fire Department.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

- The General Fund entered into a 30 year Capital Lease Agreement with the Water Fund thirteen years ago to pay for the 1 million gallon water tank as shown on Page 50. The Water Fund made payments of \$244,764, on this Capital Lease which covers the Town's total WIFA payments in this fiscal year. The assets that were transferred under the Capital Lease were valued at \$3,332,280. The Town pays the Water Infrastructure Financing Authority its loan as a 20 year note, shown on Page 49.
- Thirteen years ago the General Fund entered into an Aid in Advance of Construction agreement to transfer other water infrastructure assets to the Water Fund in the amount of \$2,303,125. Nine years ago \$914,229 more in assets were transferred under this agreement bringing the total to \$3,217,354. The Water Fund paid off their Revenue Bonds in 2018. They will be paying for these transferred assets monthly ranging from \$1,667 to \$34,528 for 10 years, from 2018 until 2028.
- The Town entered into a Town wide contract for fire service with Rural Metro Fire in January of 2007 to staff the Town's fire station and fire truck. Starting July 1, 2020 the monthly payments were \$126,294 for a fiscal year total of \$1,515,533. Of this amount, \$450,903 was paid out of the AZCARES Covid-19 Fund with Federal relief fund due to the Covid-19 pandemic. Additionally, the fee structure includes an annual inflationary adjustment based upon the five-year average of the local (Phoenix-Mesa) Consumer Price Index (CPI- U/W) for labor plus 1%. Furthermore, a maximum 2.5% and a minimum 1.5% cap are established for any annual increase. The fiscal year 2022 monthly contract went up 2.5% with a monthly amount of \$129,452 and an annual total of \$1,553,421.
- In October, 2013 the Towns of Carefree and Cave Creek entered into an Intergovernmental Agreement (IGA) to consolidate their respective municipal courts on January 1, 2014. The intent of this consolidation was to share the ongoing operational costs, create an economy of scale and provide each community a significant savings. In general, the main terms of the IGA which were endorsed by both communities, the Administrative Office of the Court and the Maricopa County Presiding Judge were:
 1. The consolidated court would operate in space provided by the Town of Cave Creek.
 2. The Town of Carefree would provide all staffing for the court and have management responsibility for the court.
 3. All costs associated with the operation of the court would be directly paid by the Town of Carefree while all cost associated with the operation and maintenance of the Town of Cave Creek facility would be borne by Cave Creek.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

4. The IGA outlined a cost recovery approach to cover the typical operational expenses of the court. These operational costs include, but are not limited to, staff salaries and benefits, magistrate services, public defender, prosecutor services, interpreter services, incarceration fees, and supporting office hardware, software and materials.

This cost recovery model included a court service base fee of \$12,183.00 which the Town of Cave Creek pays the Town of Carefree the first of each month. The base fee is subject to an annual inflationary index beginning and assessed every year thereafter on July 1. There is a minimum cap of 2% and a maximum cap of 4%. The court service base fee for fiscal year 2022 was increased by 3.11% to \$14,842.11.

- In October, 2013 an agreement was executed for the naming rights of the Town's amphitheater with Sanderson Lincoln. Under this agreement, Sanderson pays the Town of Carefree \$25,000 per year for a term of ten years. The funds generated by this agreement will be used to reimburse the Town for the improvements to the amphitheater which include but are not limited to new shade structures, new stage lighting, new audio-visual equipment and a mister system. In the eighth year of this agreement \$25,000 was paid by Sanderson Lincoln.
- In September of 2015, an agreement was executed for the naming rights of the Town's New Scorpion Splash Pad in the Carefree Desert Gardens with the Kiwanis Club of Carefree. Under this agreement, the Kiwanis Club of Carefree pays the Town of Carefree \$20,000 the first year and \$16,429 per year for a term of seven years for a total of \$135,000 ending in 2022. The funds generated by this agreement are used to reimburse the Town for the construction of the Splash Pad.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), this report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds, and other required supplementary information.

The first several statements are highly condensed and present a government-wide view of the Town of Carefree's finances and operations. Within this view, all Town of Carefree operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services like public safety, streets, public works and general governmental administration. Business-type activities include the water services that is provided through the legally separate Utilities Community Facilities District which owns and operates the Carefree Water Company. The government-wide statements include the Statement of Net Position and Statement of Activities.

Statement of Net Position

The Statement of Net Position presents the unrestricted assets of governmental and business-type activities. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities report capital assets and long-term liabilities.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Net position (acquisition costs minus accumulated depreciation) provides a measure of the Town of Carefree's financial strength, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. It is also important to consider other non-financial factors such as changes in the Town of Carefree's sales tax collection, the condition of the streets, and water availability issues to accurately assess the overall health of the Town of Carefree.

Statement of Activities

The Statement of Activities presents the major program costs and matches major resources to each program. To the extent that direct charges do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-sustaining and/or supported by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements support information in the government-wide financial statements or provide additional information. For each major fund, a Budgetary Comparison Schedule is presented. Users who want to obtain information on nonmajor funds can find it in the Combining and Individual Fund Statements and Schedules section of this report.

The MD&A explains significant changes in the financial position and differences in operations between current and prior years. Significant changes from the prior year operations are explained in the paragraphs that follow.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The Town of Carefree as a Whole

Comparison to the prior year with percentage of change is as follows. This section will outline significant differences between the previous year and present year. A condensed version of the Statement of Net Position at June 30, 2021 versus June 30, 2020 follows.

Table 1

Net Position at year-end FY2021 vs. FY2020						
	Governmental Activities			Business-type Activities		
	FY2021	FY2020	% Change	FY2021	FY2020	% Change
Current and other assets	\$ 17,229,798	\$15,149,020	14%	\$ (184,292)	\$(1,226,439)	85%
Capital and intangible assets, net	12,138,589	12,703,486	-4%	5,501,090	5,427,725	1%
Total assets	29,368,387	27,852,506	5%	5,316,798	4,201,286	27%
Total Deferred Outflows of Resources	395,171	163,746	141%			
Current and other liabilities	189,927	343,920	-45%	344,205	136,047	153%
Long-term liabilities	2,598,483	2,430,754	7%	47,873	36,422	31%
Total liabilities	2,788,410	2,774,674	0%	392,078	172,469	127%
Total Deferred Inflows of Resources	24,016	143,697	-83%			
Net Position:						
Net Investment in capital assets	12,138,589	12,703,486	-4%	2,114,047	1,425,067	48%
Restricted	1,051,330	743,253	41%			
Unrestricted	13,761,213	11,651,142	18%	2,810,673	2,603,750	8%
Total Net Position	\$ 26,951,132	\$25,097,881	7%	\$ 4,924,720	\$ 4,028,817	22%

Statement of Net Position at June 30, 2021:

During fiscal year 2020-21 the balance of net position increased due to reduced expenses for Fire Service with help from the Federal Government's AZCARES Fund.

The Town of Carefree's financial position changed slightly during the year as reflected in the seven percent increase in the net position. The unrestricted net position of the governmental activities amounted to \$13.8 million (versus \$11.7 million in fiscal year 2019-20). The unrestricted net position of the Business-type activities is \$2.8 million (eight percent more available unrestricted assets than fiscal year 2019-20). This view of the unrestricted net position provides a useful measure of the Town of Carefree's net position available for spending at the end of the fiscal year.

There are restrictions of \$1,051,330 in restricted net position of Government activities. \$1,001,694 represents funds that are restricted to highway and streets project use. These restricted funds have been accumulated for our Pavement Preventative Maintenance Plan in Fiscal Year 2021-22. The remaining net position is restricted for court use.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Table 2

Net Position at year-end FY2021 vs. FY2020			
Total Government Combined			
	FY2021	FY2020	% Change
Current and other assets	\$ 17,045,506	\$ 13,922,581	22%
Capital and intangible assets, net	17,639,679	18,131,211	-3%
Total assets	34,685,185	32,053,792	8%
Total Deferred Outflows of Resources	395,171	163,746	141%
Current and other liabilities	534,132	479,967	11%
Long-term liabilities	2,646,356	2,467,176	7%
Total liabilities	3,180,488	2,947,143	8%
Total Deferred Inflows of Resources	24,016	143,697	-83%
Net Position:			
Net investment in capital assets	14,252,636	14,128,553	1%
Restricted	1,051,330	743,253	41%
Unrestricted	16,571,886	14,254,892	16%
Total Net Position	\$ 31,875,852	\$ 29,126,698	9%

Total Governmental Activities

Total net position went up seven percent. The non-land portion of improvements is depreciated and the accumulated depreciation of governmental activities at year-end were \$11.4 million. The accumulated depreciation for the business-type activities at year-end is \$10.5 million.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

For the year ended June 30, 2021, the Town recognized pension expense for Arizona State Retirement System of \$172,262. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to future ASRS contributions required of the Town. This is a requirement of the Government Accounting Standards Board (GASB). A full explanation of the calculation of these deferred inflows and outflows of resources starts on Page 55.

Statement of Activities for the Year Ended June 30, 2021:

This year we report governmental activities comparing them to the prior year.

**Table 3
For the Fiscal Year ended June 30, 2021 vs. June 30, 2020**

	Governmental Activities			Business-type Activities		
	2021	2020	% Change	2021	2020	% Change
Revenues						
Program Revenues						
Charges for services	\$ 872,979	\$ 1,196,517	-27%	\$ 3,257,637	\$ 2,975,386	9%
Operating grants and contributions	1,029,292	478,981	115%			
Capital grants and contributions	182,417	41,922	335%	41,960		100%
Total program revenue	2,084,688	1,717,420	21%	3,299,597	2,975,386	11%
General Revenue						
Taxes:						
City sales taxes	4,662,954	3,638,145	28%			
State sales taxes	465,873	400,795	16%			
Vehicle license tax	185,551	164,941	12%			
State income tax – rev sharing	561,223	501,223	12%			
Franchise taxes	385,245	358,387	7%			
Investment Income	74,511	257,021	-71%	1,699	5,861	-71%
Other						
Gain/Loss on disposal of capital assets				1,468	2,721	-46%
Total general revenues	6,335,357	5,320,512	19%	3,167	8,582	-63%
Total Revenues	8,420,045	7,037,932	20%	3,302,764	2,983,968	11%
Expenses						
General government	2,650,095	3,123,831	-15%			
Public safety	2,436,493	2,354,190	3%			
Highways and Streets	573,169	546,381	5%			
Public works	877,029	1,275,766	-31%			
Interest on Long Term Debt	30,008	37,905	-21%			
Water				2,406,861	2,423,862	-1%
Total Expense	6,566,794	7,338,073	-11%	2,406,861	2,423,862	-1%
Beginning Net Position	25,097,881	25,398,022	-1%	4,028,817	3,468,711	16%
Incr/Decrease in Net Position	1,853,251	-300,141	-717%	895,903	560,106	60%
Ending Net Position	\$ 26,951,132	\$ 25,097,881	7%	\$ 4,924,720	\$ 4,028,817	22%

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Governmental Activities

The actual revenue was \$8.4 million, \$6.3 million was expended to provide services of which \$2.1 million of these expenses was paid for by those who directly benefited from or contributed to the programs. Capital improvements were completed for \$52,296 for equipment and pedestrian crosswalk design. \$849,147 was expended for Water Infrastructure projects and \$98,377 for nine SCBA AirPak Systems for the Fire Department. The increase in net position of \$1,853,251 was due to sales tax collections recovering from the COVID-19 shutdowns of spring and summer 2020. Town of Carefree general sales taxes financed \$4.7 million of the expenditures. Other governmental revenues, including inter-governmental aid and interest, amounted to \$1.7 million.

Business-type Activities

The revenue of the Business-type activities was \$3.3 million and \$2.4 million was expended to provide service. \$3.3 million of these expenses were paid for by those who received service. There was an increase in net position of \$895,903.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Town of Carefree had invested \$17.5 million in capital assets net of accumulated depreciation as reflected in the following table. Of the \$780,641 total additions reflected below, \$184,498 represents water line replacements and new fire hydrant installations and \$416,713 represents construction and design services necessary to bring new water accounts online from the Town of Cave Creek water system, which ultimately caused the business-type activities assets to increase two percent. The Governmental activities assets decreased by four percent due to the depreciation of assets. The total overall capital assets decreased by three percent. The following table reconciles the changes in capital assets.

Table 4

Change in Capital Assets			
	Governmental Activities	Business Type Activities	Total
Beginning Balance	12,703,486	5,304,286	18,007,772
Additions	179,623	601,018	780,641
Deductions		-317	-317
Transfers	-24,950	-6,500	-31,450
Depreciation	-719,570	-511,692	-1,231,262
Ending Balance	12,138,589	5,386,795	17,525,384

Additional information on the Town of Carefree's capital assets can be found in the notes to the financial statements.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Debt Administration

As of year-end, the governmental activities had \$2.6 million in outstanding long-term liabilities compared with \$2.4 million as of last year as shown in Table 5. The additions of \$484,671 in long-term liabilities to the Governmental Activities included \$103,941 for the accrual of compensated absences payable during the year and \$380,730 for an increase in the net pension liability. Reductions included employees utilizing compensated absences balances of \$102,572 during the fiscal year, and the payment made on the WIFA Loan of \$214,370. The increase from last year's total long-term liabilities to this year's was seven percent.

The Business-type activities had \$47,873 in long-term liabilities outstanding compared to \$36,422 last year. The increase in the long-term liabilities was due to changes in the compensated absences. The increase from last year's total long-term liabilities to this year's was 31 percent.

Two internal fund transfers of assets occurred 13 years ago. The Water Fund entered into a Capital Lease Purchase Agreement to purchase the 1 million gallon water tank from the General Fund and also entered into an Aid in Advance of Construction Agreement to purchase other water infrastructure assets. Since these were internal transactions, they do not affect the outstanding debt at year-end. The total long-term liabilities in Governmental & Business-type activities increased seven percent from last year.

Table 5

Long-term Liabilities at Year-end			
	Governmental Activities	Business-type Activities	Total
Beginning Balance	2,430,754	36,422	2,467,176
Additions	484,671	21,439	506,110
Retirements	-316,942	-9,988	-326,930
Ending Balance	2,598,483	47,873	2,646,356

Long-term Liabilities at Year-end			
	2021		2020
Governmental Activities:			
WIFA Loan – 20 Year 4%	\$	692,588	\$ 906,958
Compensated absences payable		83,145	81,776
Net Pension Liability		1,822,750	1,442,020
Net OPEB Liability			
Business-type Activities:			
Accrued Compensated Absences		47,873	36,422
Total	\$	2,646,356	\$ 2,467,176

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Additional information on the Town of Carefree's long-term debt can be found in the notes to the financial statements.

Economic Factors

Governmental Funds

The Town of Carefree relies on state-shared revenues and local sales tax. In years past we have saved more money than we have spent as reflected in the table below. We have used these savings for capital projects that benefit the citizens of Carefree. These projects have included building the Town Center Desert Gardens, installing fire hydrants, maintaining 110 miles of roads, building a fire station, acquiring two Town office buildings, acquiring open space land, installing 2 gateways and pedestrian lighting downtown. Local sales taxes were higher this year due to a pandemic boost to home improvement, and the increased construction of homes with the sale of those completed homes. Due to accruing reserves to complete the next phase in our Pavement Preventative Maintenance Plan in fiscal year 2021-22 and federal COVID-19 relief funds funding public safety expenditures, the fund balance this last fiscal year increased \$2.8 million, leaving a total in all fund balances of \$13.8 million.

Table 6

Town of Carefree					
10 Year Revenue vs. Expenditures¹					
2012 through 2021					
Year Ended June 30,	Revenues	Expenditures		Net Added or (Subtracted) from Fund Balance	Ending Fund Balance
2021	9,016,222	6,174,989	1	2,841,233	13,767,123
2020	7,637,329	6,957,727		679,602	10,925,891
2019	7,429,577	6,174,967	2	1,254,610	10,246,289
2018	6,634,514	5,210,422	3	1,424,092	8,991,679
2017	5,695,882	5,101,891	4	593,991	7,567,587
2016	6,449,172	6,420,600	5	28,572	6,973,596
2015	6,031,736	5,069,601	6	962,135	6,945,024
2014	5,407,765	5,485,460	7	(77,695)	5,982,889
2013	4,997,639	5,543,196	8	(545,557)	6,060,584
2012	4,857,176	4,869,402	9	(12,226)	6,606,141
Total added to Fund Balance last 10 yrs.			2011	7,148,757	6,618,368
¹ Source: Official Town Audits – Statement of Revenues & Expenditures, Page 32					
² Paid off 33 Easy Street----- \$371,629					
³ Gateways and Bike Path projects completion ----- \$326,091					
⁴ Town Center Improvements ----- \$950,030					
⁵ Pavement Maintenance Plan Phase 3 ----- \$521,307					
Town Center Improvements ----- \$151,390					
⁶ Pavement Maintenance Plan Phase 2 ----- \$1,048,262					
⁷ Open Space Land Acquisition ----- \$281,666					
⁸ Pavement Maintenance Plan Phase 1 ----- \$993,667					
⁹ Paid off 8 Sundial Circle & Fire Truck ----- \$749,821					

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The Town of Carefree has incurred little debt since incorporating in 1984. We have \$29.4 million in assets and \$2.6 million in long-term liabilities at June 30, 2021. Of these liabilities, \$692,588 is the WIFA Loan for a water tank; \$83,145 for accrued compensated absences; \$1.8 million for net pension liabilities.

During the year, 80.7 percent of the general revenues were derived from state-shared revenues and local sales tax. The retail picture provided sufficient sales tax revenues to sustain the operational costs of general government. We show an increase in revenue in local sales tax of \$1.0 million due to the reopening of the local economy after the shutdowns from spring and summer 2020. 18 new home building permits were received in fiscal year 2020-21 versus fifteen single family permits for the previous fiscal year. It is important to note that construction sales tax is paid after the completion of a home so funds received are delayed. Total local sales tax increased by 28 percent and state shared revenues increased by 26%. A new Hampton Inn Hotel is almost complete in downtown Carefree and should help increase foot traffic to our businesses downtown.

The Town's revenues increased 20 percent, and the expenses decreased ten percent compared to the last fiscal year 2019-20. Water Infrastructure expenses accounted for \$849,147, while the second year Pavement Maintenance Project were postponed and carried forward to the next fiscal year due to the impacts from the pandemic.

The Town has been focused on projects to help drive economic development and to generate sales taxes as the Town approaches buildout. The Town hired an Economic Development Director last fiscal year to help diversify the businesses in Town and help attract more businesses to the Town. The Hampton Inn by Hilton is an example of the town beginning to diversify its businesses and tax base.

Proprietary Funds

Carefree Water Company, through the UCFD, continues to be in sound financial condition and in full compliance with our repayment obligations. Our repayment of the Bond Purchase that financed the original acquisition of the Water Company was retired at the end of fiscal year 2017-18, with the final payment made just after the beginning of fiscal year 2018-19. This same payment amount has shifted to repay an outstanding Town loan, making it a seamless transition for the Water Company's budget and our customer's rates. The Water Company also continues to make payments to the Town for a Water Infrastructure Financing Authority (WIFA) loan that will be retired in fiscal year 2026-27.

Water Company revenues from the sale of water and from other sources during fiscal year 2020-21 increased by over 9% from the prior fiscal year because of an increase in water rates and water sales. The COVID-19 pandemic overall had only a slight impact on the Water Company's revenue stream, exemplifying the resiliency of our customer base. The Water Company did work with customers who experienced financial hardship during the pandemic by setting up payment plans, waiving late fees and interest, and instituting a temporary no-shutoff policy.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Moving into the future, a continued modest but sustained growth in the local economy and in the Water Company's customer base over the next 5 to 10 years is expected with a planned spike in customer base occurring upon the acquisition of those Carefree customers currently served potable water by the Town of Cave Creek. This acquisition of over 530 customers is planned to occur in calendar year 2022. The Water Company budget for the next 4 fiscal years includes planned rate increases of 4.4% in order to fulfill debt obligations and cover the operational expense such as purchasing, treating, and transporting CAP allocations as well as pumping well water.

Water Company customers continue to respond positively to efforts to help conserve water. Water conservation has been advantageous in increasing the underground water storage levels within the Carefree aquifer. This has a significant, long-term benefit as the sustainable use of groundwater resources is an important part of the Water Company's water supply portfolio. Currently, the Water Company has the ability to supply water to customers even during emergency conditions via our groundwater resources without dependence on the Central Arizona Project and neighboring water providers of Scottsdale and Cave Creek.

In fiscal year 2016-17, the Water Company began offering to our customers, on a subscription basis, water meters that communicate water usage data via cellular technology. These meters provide both the Water Company and our customers with convenient access to this water use information using daily internet or smartphone updates. Water conservation and cost savings through early detection of leaks and identification of high water use are benefits that the Water Company has identified as significant customer benefits. Currently, nearly 160 customers have signed up for this service.

This cellular technology complements an automated meter reading program. Currently, all but a handful of water meters are read with cellular or "drive-by" technology. Auto-read meters have made it possible to accurately read meters in less time and to download that data directly into billing software, thereby eliminating manual data entry. An additional benefit of the auto-read meters is being able to provide customers with historic hourly water usage data to help them address high water usage and water leaks on their property.

In fiscal year 2020-21, and consistent with the CIP, the Water Company completed the replacement of 3 non-standard, hard to operate fire hydrants. One new fire hydrant was installed at Pima Road and Short Putt Place to improve fire protection in that neighborhood. In the next fiscal year, we plan to focus our fire hydrant efforts on both replacing old non-standard and difficult to operate hydrants as well as installing new hydrants to improve fire-fighting capabilities to our existing service area.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Next Year’s Budget and Rates

The fiscal year 2021-22 budget includes a total of \$1.5 million for Street Maintenance Projects, \$2 million for Water Infrastructure projects. \$1.5 million for Town Center Projects (Pedestrian Crosswalks, Signage, etc). We have increased the revenues expected from sales taxes as we have more new home building and home rehabilitations in this fiscal year.

In fiscal year 2021-22’s budget, budgeted revenues increased 32 percent over this year’s budget, from \$11.2 million this year to \$11.9 million and are 6 percent higher than this year’s final actual totals of \$9 million. This increase in revenue budgeted is due to the continued construction and opening of the new hotel.

The fiscal year 2021-22 expenditure budget totals \$11.9 million with a 6 percent increase over last year’s budgeted expenses of \$11.1 million and 93 percent more than last year’s final actual totals of \$6.1 million. This increase in budgeted expenses is due to the Capital Projects budgeted.

Table 7 shows the percentages described above.

**Table 7
Town of Carefree FY2022 Adopted Budget**

	FY 2020 ACTUAL	FY 2021 BUDGET	FY 2021 YE ACTUAL	FY 2022 BUDGET ADOPTED	Budget /YE % (+/-)	Budget/Budget % (+/-)
Grand Total REVENUES	7,637,329	11,197,099	9,016,222	11,922,196	32%	6%
Grand Total EXPENSES	6,957,727	11,185,900	6,174,989	11,908,639	93%	6%
NET	679,602	11,199	2,841,233	13,557	-100%	21%

In this budget, Human Resources account for 16 percent, Operations 11 percent, Capital Assets 30 percent. As typical, public safety remains the highest priority at 22 percent of the overall expenses budgeted.

Maintaining our roads is a must to save expensive repairs in the future, therefore, 18 percent of the expenses are budgeted for street improvements and maintenance. Finally, 3 percent of the expenses are for legal representation and municipal insurance to protect the community from liability.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The fiscal year 2021-2022 capital budget within the General Fund is as follows:

- \$35,000 for a Building Safety Pickup.
- \$35,000 for a Code Enforcement.
- \$45,000 for a Public Works Heavy Duty Pickup
- \$450,000 for Town Center Improvements Signage, Painting, Security Cameras
- \$400,000 Town Redevelopment
- \$1,215,970 for a Street Maintenance project.
- \$650,000 for Pedestrian Crosswalk.
- \$2,000,000 for Water Infrastructure Projects

The fiscal year 2021-2022 budget within the Highway User Revenue Fund is as follows:

- \$261,500 for Street Maintenance.

The fiscal year 2021-2022 budget within the Grants Fund is as follows:

- \$468,621 for Water Infrastructure Improvement projects funded by American Rescue Plan Relief monies.

The fiscal year 2021-2022 budget within the Utility Capital Improvements Fund is as follows:

- \$22,530 for Street Maintenance.

Development Fees for new development in Carefree were repealed on January 3, 2012. This was done because Senate Bill 1525 made extensive amendments to A.R.S. §9-463.05, Arizona's municipal development fee enabling statute. These amendments restricted the purpose for which development fees had been historically collected. To be in compliance with this state statute, the Town did not assess any development fees on or after January 1, 2012. In fiscal year 2014-15, all remaining funds within the development fee accounts were used for the purposes for which they were collected and the accounts were all closed.

Financial Contact

The Town of Carefree's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with a general overview of the Town of Carefree's finances and to demonstrate the Town of Carefree's accountability. If you have questions about the report or need additional financial information, please contact the Town of Carefree's Town Administrator, Gary Neiss, or Town Clerk/Treasurer, Kandace French Contreras at P.O. Box 740, 8 Sundial Circle, Carefree, Arizona 85377.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF CAREFREE, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 13,201,105	\$ 2,454,210	\$ 15,655,315
Cash and investments - restricted		21,395	21,395
Accounts receivable	112,537	360,485	473,022
Due from governmental entities	643,408		643,408
Internal balances	3,272,748	(3,272,748)	
Inventory		194,351	194,351
Prepaid items		58,015	58,015
Total current assets	17,229,798	(184,292)	17,045,506
Noncurrent assets:			
Capital assets, non-depreciable	2,308,526	1,494,776	3,803,302
Capital assets, depreciable (net)	9,830,063	3,892,019	13,722,082
Intangible assets (net)		114,295	114,295
Total noncurrent assets	12,138,589	5,501,090	17,639,679
Total assets	29,368,387	5,316,798	34,685,185
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension plan items	395,171		395,171
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	106,033	248,588	354,621
Accrued payroll and employee benefits		35,366	35,366
Due to other governments		29,906	29,906
Other current liabilities	38,510	7,950	46,460
Customer deposits		22,395	22,395
Compensated absences payable	83,145	47,873	131,018
Unearned revenue	45,384		45,384
Loans payable	222,413		222,413
Total current liabilities	495,485	392,078	887,563
Noncurrent liabilities:			
Loans payable	470,175		470,175
Net pension liability	1,822,750		1,822,750
Total noncurrent liabilities	2,292,925		2,292,925
Total liabilities	2,788,410	392,078	3,180,488
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension plan items	24,016		24,016
<u>NET POSITION</u>			
Net investment in capital assets	12,138,589	2,114,047	14,252,636
Restricted for:			
Highways and streets	1,001,694		1,001,694
Municipal court	49,636		49,636
Unrestricted	13,761,213	2,810,673	16,571,886
Total net position	\$ 26,951,132	\$ 4,924,720	\$ 31,875,852

The notes to the basic financial statements are an integral part of this statement.

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**TOWN OF CAREFREE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 2,650,095	\$ 486,269	\$ 291,846	\$ 74,000	\$ (1,797,980)
Public safety	2,436,493	32,602	465,263	98,132	(1,840,496)
Public works	573,169	354,108		10,285	(208,776)
Highways and streets	877,029		272,183		(604,846)
Interest on long term debt	30,008				(30,008)
Total governmental activities	<u>6,566,794</u>	<u>872,979</u>	<u>1,029,292</u>	<u>182,417</u>	<u>(4,482,106)</u>
Business-type activities:					
Water	2,406,861	3,257,637		41,960	
Total business-type activities	<u>2,406,861</u>	<u>3,257,637</u>		<u>41,960</u>	
Total primary government	<u>\$ 8,973,655</u>	<u>\$ 4,130,616</u>	<u>\$ 1,029,292</u>	<u>\$ 224,377</u>	<u>(4,482,106)</u>

General revenues:

Taxes:

City sales taxes	4,662,954
State sales taxes	465,873
Vehicle license tax	185,551
State income tax - revenue sharing	561,223
Franchise taxes	385,245
Investment income	74,511

Total general revenues	<u>6,335,357</u>
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Changes in net position	1,853,251
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Net position, beginning of year	<u>25,097,881</u>
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Net position, end of year	<u>\$ 26,951,132</u>
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The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Business-type Activities	Totals
\$	\$ (1,797,980)
	(1,840,496)
	(208,776)
	(604,846)
	(30,008)
	(4,482,106)
892,736	892,736
892,736	892,736
892,736	(3,589,370)
	4,662,954
	465,873
	185,551
	561,223
	385,245
1,699	76,210
1,468	1,468
3,167	6,338,524
895,903	2,749,154
4,028,817	29,126,698
\$ 4,924,720	\$ 31,875,852

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FUND FINANCIAL STATEMENTS

TOWN OF CAREFREE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 12,233,028	\$ 968,077	\$ 13,201,105
Accounts receivable	103,603	8,934	112,537
Due from governmental entities	618,725	24,683	643,408
Advances to other funds	3,272,748		3,272,748
Total assets	\$ 16,228,104	\$ 1,001,694	\$ 17,229,798
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 106,033	\$	\$ 106,033
Other current liabilities	38,510		38,510
Unearned revenue	45,384		45,384
Total liabilities	189,927		189,927
Deferred inflows of resources:			
Unavailable revenues - other	3,272,748		3,272,748
Fund balances:			
Restricted	49,636	1,001,694	1,051,330
Committed	24,536		24,536
Unassigned	12,691,257		12,691,257
Total fund balances	12,765,429	1,001,694	13,767,123
 Total liabilities, deferred inflows of resources and fund balances	\$ 16,228,104	\$ 1,001,694	\$ 17,229,798

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total governmental fund balances	\$	13,767,123
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 23,569,396	
Less accumulated depreciation	<u>(11,430,807)</u>	12,138,589
<p>Some other receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		3,272,748
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	395,171	
Deferred inflows of resources related to pensions	<u>(24,016)</u>	371,155
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences payable	(83,145)	
Net pension liability	(1,822,750)	
Loans payable	<u>(692,588)</u>	<u>(2,598,483)</u>
Net position of governmental activities	\$	<u>26,951,132</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,014,095	\$ 34,104	\$ 5,048,199
Intergovernmental	1,507,728	723,029	2,230,757
Fines and forfeitures	191,951		191,951
Licenses, permits and fees	374,368		374,368
Charges for services	15,913		15,913
Investment income	21,467	401	21,868
Other	1,133,165		1,133,165
Total revenues	8,258,687	757,534	9,016,221
Expenditures:			
Current -			
General government	2,537,704		2,537,704
Public safety	1,898,598	450,904	2,349,502
Public works	261,964		261,964
Highways and streets	634,323		634,323
Capital outlay	147,118		147,118
Debt service -			
Principal retirement	214,370		214,370
Interest and fiscal charges	30,008		30,008
Total expenditures	5,724,085	450,904	6,174,989
Changes in fund balances	2,534,602	306,630	2,841,232
Fund balances, beginning of year	10,230,827	695,064	10,925,891
Fund balances, end of year	\$ 12,765,429	\$ 1,001,694	\$ 13,767,123

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Changes in fund balances - total governmental funds **\$ 2,841,232**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense and capital contributions are recorded for donated assets.

Expenditures for capitalized assets	\$ 144,388	
Capital contributions	10,285	
Less current year depreciation	<u>(719,570)</u>	(564,897)

Repayments from the Water Fund of capital advance principal and capital lease principal that became available in the current year and were recorded as revenue in the the Statement of Revenues, Expenditures, and Changes in Fund Balance were already recognized as revenue in the Statement of Activities in a prior period. (606,461)

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 214,370

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	142,638	
Pension expense	<u>(172,262)</u>	(29,624)

Compensated absence expenses 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. (1,369)

Changes in net position in governmental activities **\$ 1,853,251**

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Enterprise Funds</u>
	<u>Water</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 2,454,210
Cash and investments - restricted	21,395
Accounts receivable	360,485
Inventory	194,351
Prepaid items	58,015
Total current assets	<u>3,088,456</u>
Noncurrent assets:	
Capital assets, non-depreciable	1,494,776
Capital assets, depreciable (net)	3,892,019
Intangible assets (net)	114,295
Total noncurrent assets	<u>5,501,090</u>
Total assets	<u>8,589,546</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	248,588
Accrued payroll and employee benefits	35,366
Advances from other funds	414,340
Due to other governments	29,906
Other current liabilities	7,950
Customer deposits	22,395
Compensated absences payable	47,873
Capital leases payable	199,454
Total current liabilities	<u>1,005,872</u>
Noncurrent liabilities:	
Advances from other funds	1,559,993
Capital leases payable	1,098,961
Total noncurrent liabilities	<u>2,658,954</u>
Total liabilities	<u>3,664,826</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,114,047
Unrestricted	2,810,673
Total net position	<u>\$ 4,924,720</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u>
	<u>Water</u>
Operating revenues:	
Charges for services	\$ 3,218,729
Other	38,908
Total operating revenues	<u>3,257,637</u>
Operating expenses:	
Cost of sales and services	916,656
Salaries	425,958
Employee benefits	162,855
Services, supplies and other	327,847
Depreciation and amortization	520,835
Total operating expenses	<u>2,354,151</u>
Operating income (loss)	<u>903,486</u>
Nonoperating revenues (expenses):	
Investment income	1,699
Gain on sale of equipment	1,468
Interest expense and fiscal charges	(52,710)
Total nonoperating revenues (expenses)	<u>(49,543)</u>
Income (loss)	<u>853,943</u>
Capital Contributions	<u>41,960</u>
Changes in net position	<u>895,903</u>
Total net position, beginning of year	4,028,817
Total net position, end of year	<u>\$ 4,924,720</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CAREFREE, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Water
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from customers, service fees	\$ 3,165,293
Cash received from customers, other	38,908
Cash payments to suppliers for goods and services	(1,056,680)
Cash payments to employees	(566,348)
Net cash provided by/used for operating activities	1,581,173
Cash flows from investing activities:	
Investment income	1,699
Net cash provided by/used for investing activities	1,699
Cash flows from capital and related financing activities:	
Purchase of capital assets	(552,557)
Disposal of capital assets	1,785
Principal paid on long-term debt	(606,461)
Interest paid	(52,710)
Net cash provided by/used for noncapital financing activities	(1,209,943)
Net increase/decrease in cash and cash equivalents	372,929
Cash and cash equivalents, beginning of year	2,102,676
Cash and cash equivalents, end of year	\$ 2,475,605
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>	
Cash and investments	\$ 2,454,210
Cash and investments - restricted	21,395
Total cash and cash equivalents	\$ 2,475,605
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>	
Operating income/loss	\$ 903,486
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation and amortization expense	520,835
Changes in assets and liabilities:	
Increase/decrease in customer deposits	1,200
Increase/decrease in accounts receivable	(53,436)
Increase/decrease in inventory	(11,553)
Increase/decrease in prepaid items	2,232
Increase/decrease in payables	187,383
Increase/decrease in accrued liabilities	22,465
Increase/decrease in compensated absences payable	11,451
Increase/decrease in other liabilities	(2,890)
Total adjustments	677,687
Net cash provided by/used for operating activities	\$ 1,581,173

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carefree, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town is a municipal corporation organized under Section 9-101 of the Arizona Revised Statutes (A.R.S.) and is governed by the Town Council (Council). Management of the Town is independent of other state or local governments. The Town's major operations include public works, public safety, highways and streets, water utility, and general administrative services.

The Council consists of seven members elected by the public: a mayor, vice-mayor, and five council members. The Council has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the Town for financial statement presentation purposes, and the Town, are not included in any other governmental reporting entity. Consequently, the Town's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable.

Blended Component Unit – Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town of Carefree, Arizona Utilities Community Facilities District (District) was organized under the laws of the State of Arizona to purchase a local, privately-owned water company. The Council serves as the District's Board of Directors; therefore, the Town has the ability to exercise control. As a result, for financial reporting purposes, transactions of the District are included as if they were part of the Town's operations within an enterprise fund.

Complete audited financial statements for the component unit may be obtained at the Town of Carefree, Arizona's administrative offices – 8 Sundial Circle, Carefree, Arizona, 85377.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the nonfiduciary activities of the Town and its component unit. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state shared revenues, investment income, and other items not included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the year in which the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – 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.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sales taxes, state shared revenues, franchise taxes, licenses and permits, charges for services, fines and forfeitures, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

Separate financial statements are presented for governmental funds and proprietary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Town reports the following major governmental fund:

General Fund – The General Fund is the Town’s primary operating fund. It accounts for all financial resources of the Town except those required to be accounted for in other funds.

Additionally, the Town reports the following proprietary fund:

Water Fund – The Water Fund is used to account for the acquisition and distribution of water to residents and commercial users of the Town.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, cash in bank, restricted cash, and investments in the State Treasurer’s Local Government Investment Pool.

Cash and investments are pooled, except for investments that are restricted under provisions of debt indentures or other restrictions that are required to be reported in the individual funds.

Arizona Revised Statutes authorize the Town to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, obligations of the U.S. Government and its agencies, obligations of the state and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. All investments are stated at fair value.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

Certain resources that are set aside for the repayment of customer deposits are classified as cash and investments – restricted on the statements of net position due to the refundable nature of the deposits.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is presented separately in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

Advances between funds, as reported in the fund financial statements, are offset by a deferred inflow of resources in applicable governmental funds to indicate that they are not available and are not expendable available financial resources.

All receivables are shown net of any allowance for uncollectibles.

G. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for water infrastructure repairs and maintenance. Inventories are recorded as expenses when consumed on the government-wide and proprietary fund financial statements.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide and proprietary fund financial statements.

I. Capital Assets

Capital assets, which include land and improvements; infrastructure; buildings and improvements; machinery, vehicles, and equipment; water plant; water rights; and construction in progress, are reported in the government-wide and proprietary funds financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost in excess of \$1,000 (\$5,000 for infrastructure) and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Governmental capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings and improvements	20 – 40 years
Vehicles and equipment	5 – 10 years

Business-type capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water plant	28 – 50 years
Machinery and equipment	7 – 28 years

J. Intangible Assets

Intangible assets are determined based upon the excess of the purchase price over the fair value of the net position being acquired. Intangible assets are amortized using the straight-line method over the estimated useful life of the respective assets.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may 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 and so will not be recognized as an inflow of resources (revenue) until that time.

L. Compensated Absences

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund and Water Fund are used to pay for compensated absences.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Pensions

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

N. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

P. Net Position Flow Assumption

In the government-wide and proprietary funds financial statements the Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Q. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned. 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 restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Council or a management official delegated that authority by the formal Governing Board action. The Town does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The table below provides detail of the major components of the Town’s fund balance classifications at year end.

	General Fund	Non-Major Governmental Funds
Fund Balances:		
Restricted:		
Municipal court	\$ 49,636	\$
Highways and streets		1,001,694
Committed:		
Municipal court	24,536	
Unassigned	12,691,257	
Total fund balances	\$ 12,765,429	\$ 1,001,694

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Town’s deposits was \$4,258,504 and the bank balance was \$4,286,362. At year end, \$1,298,376 of the Town’s deposits were covered by collateral held by the pledging financial institution in the Town’s name and \$871,299 were uninsured and uncollateralized. In addition, the Town had cash on hand of \$700.

Fair Value Measurements. 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 asset.

- 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

Valuation Techniques. Mutual fund and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS

The State Treasurer’s pool, Local Government Investment Pool-Government (Pool 7), is an external investment pool with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pool is reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, the Town’s investments consisted of the following:

<u>Investment Type</u>	<u>Average Maturities</u>	<u>Fair Value</u>	<u>Category</u>
Mutual Funds	3.4 years	\$ 1,925,042	Level 1
State Treasurer’s investment pool 7	62 days	9,492,464	Not Applicable
Total		<u>\$11,417,506</u>	

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no investment policy that would further limit its investment choices. The State Treasurer’s Local Government Investment Pool 7 was rated AAA by Moody’s at year end. The underlying investments that comprise the mutual funds that the Town has invested in were rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s.

Custodial Credit Risk - Investments. The Town’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the Town’s portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The Town places no limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town’s investments are in the VSGDX mutual fund. These investments are 17 percent of the Town’s total investments.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the Town’s individual major funds and non-major governmental funds in the aggregate were directly related to receivable from the State of Arizona.

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,308,526	\$	\$	\$ 2,308,526
Construction in progress	21,093	3,857	24,950	
Total capital assets, not being depreciated	<u>2,329,619</u>	<u>3,857</u>	<u>24,950</u>	<u>2,308,526</u>
Capital assets, being depreciated:				
Buildings and improvements	13,568,790		23,978	13,544,812
Equipment and vehicles	2,746,385	150,816	10,620	2,886,581
Infrastructure	4,804,527	24,950		4,829,477
Total capital assets being depreciated	<u>21,119,702</u>	<u>175,766</u>	<u>34,598</u>	<u>21,260,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,529,877)	(494,832)	(23,978)	(8,000,731)
Equipment and vehicles	(2,460,789)	(104,625)	(10,620)	(2,554,794)
Infrastructure	(755,169)	(120,113)		(875,282)
Total accumulated depreciation	<u>(10,745,835)</u>	<u>(719,570)</u>	<u>(34,598)</u>	<u>(11,430,807)</u>
Total capital assets, being depreciated, net	<u>10,373,867</u>	<u>(543,804)</u>		<u>9,830,063</u>
Governmental activities capital assets, net	<u>\$ 12,703,486</u>	<u>\$ (539,947)</u>	<u>\$ 24,950</u>	<u>\$ 12,138,589</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 203,778	\$	\$	\$ 203,778
Water allocation rights	784,605			784,605
Construction in progress	96,180	416,713	6,500	506,393
Total capital assets, not being depreciated	<u>1,084,563</u>	<u>416,713</u>	<u>6,500</u>	<u>1,494,776</u>
Capital assets, being depreciated:				
Machinery and equipment	577,038	3,807	4,000	576,845
Water plant	13,660,511	180,498	2,030	13,838,979
Total capital assets being depreciated	<u>14,237,549</u>	<u>184,305</u>	<u>6,030</u>	<u>14,415,824</u>
Less accumulated depreciation for:				
Machinery and equipment	(377,640)	(40,794)	(4,000)	(414,434)
Water plant	(9,640,186)	(470,898)	(1,713)	(10,109,371)
Total accumulated depreciation	<u>(10,017,826)</u>	<u>(511,692)</u>	<u>(5,713)</u>	<u>(10,523,805)</u>
Total capital assets, being depreciated, net	<u>4,219,723</u>	<u>(327,387)</u>	<u>317</u>	<u>3,892,019</u>
Governmental activities capital assets, net	<u>\$ 5,304,286</u>	<u>\$ 89,326</u>	<u>\$ 6,817</u>	<u>\$ 5,386,795</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 87,804
Public safety	81,932
Highways and streets	241,096
Public works	308,738
Total depreciation expense – governmental activities	<u>719,570</u>

Business-type activities:

Water	<u>\$ 511,692</u>
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NOTE 6 – INTANGIBLE ASSETS

The intangible asset balance at June 30, 2021 consisted of the following goodwill and associated amortization:

Customer lists	\$ 260,582
Less: Accumulated amortization	<u>(146,287)</u>
Total	<u>\$ 114,295</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – LOANS PAYABLE

Loans payable at year end consisted of a direct borrowing with the Water Infrastructure Financing Authority of Arizona (WIFA) for the construction of a high-capacity, underground water tank. Excise taxes from the General Fund are pledged and used for repayment. In the event of default, the lender may take action, including legal proceedings, to collect amounts due. The Town is also responsible for the lender’s attorney fees and other reasonable expenses if action is taken under default.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2021	Due Within One Year
Governmental activities:					
Direct borrowing:					
WIFA Loan	\$ 3,332,280	3.752%	7/1/21-23	\$ 692,588	\$ 222,413

Annual debt service requirements to maturity on direct borrowings at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	WIFA Loan	
	Principal	Interest
2022	\$ 222,413	\$ 21,813
2023	230,758	13,311
2024	239,417	4,491
Total	\$ 692,588	\$ 39,615

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Loans payable:					
Direct borrowing	\$ 906,958		\$ 214,370	\$ 692,588	\$ 222,413
Net pension liability	1,442,020	380,730		1,822,750	
Compensated absences payable	81,776	103,941	102,572	83,145	83,145
Governmental activity long-term liabilities	<u>\$ 2,430,754</u>	<u>\$ 484,671</u>	<u>\$ 316,942</u>	<u>\$ 2,598,483</u>	<u>\$ 305,558</u>
Business-type activities:					
Compensated absences payable	\$ 36,422	\$ 21,439	\$ 9,988	\$ 47,873	\$ 47,873
Business-type activity long-term liabilities	<u>\$ 36,422</u>	<u>\$ 21,439</u>	<u>\$ 9,988</u>	<u>\$ 47,873</u>	<u>\$ 47,873</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

At year end, interfund balances consisted of advances to and from other funds. The General Fund and Water Fund entered into long-term financing agreements for the transfer of water infrastructure assets in prior years and classified one transaction as a capital lease and one transaction as a capital advance. The interfund balances were as follows:

	<u>Water Fund – Capital Advance</u>	<u>Water Fund – Capital Lease</u>	<u>Total Advances to Other Funds</u>
General Fund	\$ 1,974,333	\$ 1,298,415	\$ 3,272,748

Capital Advance – The General Fund transferred water facilities under the provisions of a long-term agreement classified as a capital advance with a zero percent interest rate. The lease agreement qualifies as a capital advance for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date. Charges for services from the Water Fund are used to repay the capital advance. Amortization of assets within the Water Fund acquired under the capital advance is included with depreciation expense.

The repayment schedule was modified in August 2021 to lengthen the repayment period and decrease several near term repayments. The future minimum capital advance obligations and the net present value of these minimum capital advance payments at year end after the updated repayment schedule were as follows:

Year Ending June 30:		
	2022	\$ 414,340
	2023	414,340
	2024	20,000
	2025	100,000
	2026	200,000
	2027-2029	<u>825,653</u>
Total minimum payments		<u>\$ 1,974,333</u>
Due within one year		<u>\$ 414,340</u>

Capital Lease – The General Fund transferred a high-capacity water tank to the Water Fund under the provisions of a long-term lease agreement classified as a capital lease with an interest rate of 3.75 percent. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Charges for services from the Water Fund are used to pay the capital lease obligation. Amortization of assets within the Water Fund acquired under the capital lease is included with depreciation expense.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

The assets acquired through capital leases that meet the Town’s capitalization threshold are as follows:

	Business-type Activities
Asset:	
Water plant	\$ 3,762,395
Less: Accumulated depreciation	(2,445,557)
Total	\$ 1,316,838

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

		Business-type Activities
Year Ending June 30:		
2022	\$	244,764
2023		244,764
2024		244,764
2025		244,764
2026		244,764
2027		226,270
Total minimum lease payments	\$	1,450,090
Less: amount representing interest		151,675
Present value of minimum lease payments	\$	1,298,415
Due within one year	\$	199,454

NOTE 10 – CONTINGENT LIABILITIES

Lawsuits – The Town is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, Town management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – 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 (Pool). The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The Pool is structured such that member 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' members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The Town joined the Arizona Municipal Workers' Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers' compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The Town is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

The Town joined the Rural Arizona Group Health Trust (RAGHT) for risks of loss related to employee health and accident claims. RAGHT is a public entity risk pool currently operating as a common risk management and insurance program for municipalities in the State. The Town pays monthly premiums to RAGHT for its employee health and accident insurance coverage. The agreement provides that RAGHT will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

NOTE 12 – PENSIONS

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. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – PENSIONS

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the Town’s financial statements.

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:

	Retirement Initial Membership Date:	
	Before July 1, 2011	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 months of last 120 months	Highest 60 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

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 earnings. 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 survivor benefit is determined by the retirement benefit option chosen. 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.

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 current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2021 were \$142,638.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – PENSIONS

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The Town was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 for retirement and 0.07 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The Town’s pension plan contributions are paid by the same funds as the employee’s salary, which is the General Fund for all employees participating in the plan.

Pension Liability. The net pension liability was measured as of June 30, 2020. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town’s proportion of the net liability was based on the Town’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2020.

At June 30, 2021, the Town reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2020, the Town’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2019 was:

Net Liability	Town % Proportion	Increase (Decrease)
\$ 1,822,750	0.011	0.001

Pension Expense and Deferred Outflows/Inflows of Resources. The Town has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The Town’s pension expense for the year ended June 30, 2021 was \$172,262.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – PENSIONS

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 16,490	\$
Net difference between projected and actual earnings on pension investments	175,806	
Changes in proportion and differences between contributions and proportionate share of contributions	60,237	24,016
Contributions subsequent to the measurement date	142,638	
Total	<u>\$ 395,171</u>	<u>\$ 24,016</u>

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2022	28,108
2023	82,442
2024	63,591
2025	54,376

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Inflation	2.3%
Projected salary increases	2.7-7.2%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – PENSIONS

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Credit	20	5.44
Interest rate sensitive bonds	10	0.22
Real estate	20	5.85
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – PENSIONS

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Net liability	\$ 2,492,586	\$ 1,822,750	\$ 1,262,802

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

NOTE 13 – RETIREMENT PLANS

The employees of the Water Fund participate in a SIMPLE Individual Retirement Account. Employee contributions up to three percent of the employees pay are matched by the District. The District withholds the employee contributions and remits it along with the matching contribution to a third party custodian for the retirement accounts. The SIMPLE IRA belongs to the employee and is fully vested at the time the third party custodian credits to the receipt of the contribution to each employee’s account. Matching contributions made by the District for the fiscal years ended June 30, 2021, 2020, and 2019 were \$49,099, \$48,252, and \$48,329, respectively.

NOTE 14 – SUBSEQUENT EVENTS

On July 8, 2021, the District paid \$1 million to the Town of Cave Creek to acquire certain water infrastructure and utility property including certain water rights and approximately 525 water customer accounts. This purchase was the result of the settlement agreement between the Towns of Carefree and Cave Creek after a dispute settled via arbitration. While the District has purchased the assets, the property and affected customers will still be serviced by the Town of Cave Creek until the District is able connect the infrastructure and accounts to the District’s water system.

On September 2, 2021, the District issued Water System Revenue Bonds, Series 2021 in the amount of \$18.5 million, maturing on July 1, 2023 through July 1, 2051, with an average interest rate of 4.0 percent. The purpose of the bonds is to acquire certain utility property (including certain water rights) for the water system and making improvements to the water system.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CAREFREE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Taxes	\$ 3,043,000	\$ 5,014,095	\$ 1,971,095
Intergovernmental	1,403,834	1,507,728	103,894
Fines and forfeitures	142,905	191,951	49,046
Licenses, permits and fees	321,000	374,368	53,368
Charges for services	16,700	15,913	(787)
Investment income	100,270	21,467	(78,803)
Other	817,155	1,133,165	316,010
Total revenues	<u>5,844,864</u>	<u>8,258,687</u>	<u>2,413,823</u>
Expenditures:			
Current -			
General government	5,604,313	2,537,704	3,066,609
Public safety	2,412,450	1,898,598	513,852
Public works	385,785	261,964	123,821
Highways and streets	692,524	634,323	58,201
Capital outlay	1,556,000	147,118	1,408,882
Debt service -			
Principal retirement	214,370	214,370	
Interest and fiscal charges	30,008	30,008	
Total expenditures	<u>10,895,450</u>	<u>5,724,085</u>	<u>5,171,365</u>
Changes in fund balances	<u>(5,050,586)</u>	<u>2,534,602</u>	<u>7,585,188</u>
Fund balances, beginning of year		10,230,827	10,230,827
Fund balances (deficits), end of year	<u>\$ (5,050,586)</u>	<u>\$ 12,765,429</u>	<u>\$ 17,816,015</u>

See accompanying notes to this schedule.

TOWN OF CAREFREE, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Town's proportion of the net pension (assets) liability	0.01%	0.01%	0.01%	0.01%	0.01%
Town's proportionate share of the net pension (assets) liability	\$ 1,822,750	\$ 1,442,020	\$ 1,454,618	\$ 1,631,022	\$ 1,701,262
Town's covered payroll	\$ 1,149,354	\$ 1,044,928	\$ 1,036,239	\$ 1,021,391	\$ 1,022,995
Town's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	158.59%	138.00%	140.37%	159.69%	166.30%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%
	<u>2016</u>	<u>2015</u>			
Measurement date	June 30, 2015	June 30, 2014			
Town's proportion of the net pension (assets) liability	0.01%	0.01%			
Town's proportionate share of the net pension (assets) liability	\$ 1,633,115	\$ 1,404,083			
Town's covered payroll	\$ 890,964	\$ 855,072			
Town's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	183.30%	164.21%			
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%			

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**TOWN OF CAREFREE, ARIZONA
SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 142,638	\$ 131,601	\$ 116,823	\$ 112,950	\$ 110,106
Contributions in relation to the actuarially determined contribution	<u>142,638</u>	<u>131,601</u>	<u>116,823</u>	<u>112,950</u>	<u>110,106</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,224,361	\$ 1,149,354	\$ 1,044,928	\$ 1,036,239	\$ 1,021,391
Contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%	10.78%
	<u>2016</u>	<u>2015</u>			
Actuarially determined contribution	\$ 110,995	\$ 97,026			
Contributions in relation to the actuarially determined contribution	<u>110,995</u>	<u>97,026</u>			
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>			
Town's covered payroll	\$ 1,022,995	\$ 890,964			
Contributions as a percentage of covered payroll	10.85%	10.89%			

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF CAREFREE, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 – BUDGETARY BASIS OF 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 Administrator 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 fiscal year.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to the third Monday in August, the budget for the Town is legally enacted through passage of a resolution. 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 basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S 41-1279.07).
4. The Town follows a voter-approved permanent base increase to the expenditure limitation that was adopted on November 3, 1998.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For administrative purposes, the Town adopts a budget by department for the General Fund and in total by funds for other funds. The Town Administrator, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between department or activity. The adopted budget cannot be amended in any way without Town Council approval. No supplementary budgetary appropriations were made during the year.
6. Formal budgetary integration is employed as a management control device during the year for the General and Highway User 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 carryover 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.

NOTE 2 – PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Highway User Revenue - to account for the Town's share of motor fuel tax revenue that are restricted for the maintenance, repair, and upgrade of highways and streets.

Grants – to account for the Town's federal grants received by the Town that are restricted for specific activities.

Utility Capital Improvements - to account for the franchise taxes collected that are restricted to be spent on highways and streets purposes.

TOWN OF CAREFREE, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021

	Highway User Revenue	Utility Capital Improvements	Totals
<u>ASSETS</u>			
Cash and investments	\$ 893,663	\$ 74,414	\$ 968,077
Accounts receivable		8,934	8,934
Due from governmental entities	24,683		24,683
Total assets	\$ 918,346	\$ 83,348	\$ 1,001,694
<u>LIABILITIES AND FUND BALANCES</u>			
Fund balances:			
Restricted	\$ 918,346	\$ 83,348	\$ 1,001,694
Total fund balances	918,346	83,348	1,001,694
Total liabilities and fund balances	\$ 918,346	\$ 83,348	\$ 1,001,694

TOWN OF CAREFREE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Highway User Revenue	Grants	Utility Capital Improvements
Revenues:			
Taxes	\$	\$	\$ 34,104
Intergovernmental	272,183	450,846	
Investment income	321	58	22
Total revenues	272,504	450,904	34,126
Expenditures:			
Current -			
Public safety		450,904	
Total expenditures		450,904	
Changes in fund balances	272,504		34,126
Fund balances, beginning of year	645,842		49,222
Fund balances, end of year	\$ 918,346	\$	\$ 83,348

Totals

\$	34,104
	723,029
	401
	<u>757,534</u>

450,904

450,904

306,630

695,064

\$ 1,001,694

TOWN OF CAREFREE, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Highway User Revenue		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	256,500	272,183	15,683
Investment income	10,000	321	(9,679)
Total revenues	266,500	272,504	6,004
Expenditures:			
Current -			
Public safety			
Highways and streets	266,500		266,500
Total expenditures	266,500		266,500
Changes in fund balances		272,504	272,504
Fund balances, beginning of year		645,842	645,842
Fund balances, end of year	\$	\$ 918,346	\$ 918,346

Grants			Utility Capital Improvements		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	450,846	450,846	22,500	34,104	11,604
	58	58	500	22	(478)
	<u>450,904</u>	<u>450,904</u>	<u>23,000</u>	<u>34,126</u>	<u>11,126</u>
	450,904	(450,904)	23,000		23,000
	<u>450,904</u>	<u>(450,904)</u>	<u>23,000</u>		<u>23,000</u>
				34,126	34,126
				49,222	49,222
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
				83,348	83,348

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TOWN OF CAREFREE, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 22,500	\$ 34,104	\$ 11,604
Intergovernmental	256,500	723,029	466,529
Investment income	10,500	401	(10,099)
Total revenues	289,500	757,534	468,034
Expenditures:			
Current -			
Public safety		450,904	(450,904)
Highways and streets	289,500		289,500
Total expenditures	289,500	450,904	(161,404)
Changes in fund balances		306,630	306,630
Fund balances, beginning of year		695,064	695,064
Fund balances, end of year	\$	\$ 1,001,694	\$ 1,001,694

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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**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***

Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Carefree, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Carefree, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Carefree, Arizona's basic financial statements, and have issued our report thereon dated December 7, 2021.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Carefree, Arizona's internal control over financial reporting (internal control) as a basis for designing 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 Town of Carefree, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Carefree, Arizona'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 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Carefree, Arizona's financial statements are free from 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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 7, 2021

August 4, 2021

Honorable Mayor, Members of the City Council, and Management
Town of Carefree
P. O. Box 740
Carefree, AZ 85377

We are pleased to confirm our understanding of the services we are to provide for the Town of Carefree, Arizona (Town).

We will examine the Annual Expenditure Limitation Report (AELR) of the Town for the year ended June 30, 2021. The objectives of our examination are to (1) obtain reasonable assurance about whether the AELR is free from material misstatement; and (2) to express an opinion as to whether the AELR is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System.

Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. We will issue a written report upon completion of our examination. Our report will be addressed to the Auditor General of the State of Arizona, Honorable Mayor, Members of the Town Council, and Management of the Town. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We will plan and perform the examination to obtain reasonable assurance about whether the AELR is free from material misstatement, based on the Uniform Expenditure Reporting System. Our engagement will not include a detailed inspection of every transaction and cannot be relied on to disclose all material errors, or known and suspected fraud or noncompliance with laws or regulations, or internal control deficiencies that may exist. However, we will inform you of any known and suspected fraud and noncompliance with laws or regulations, internal control deficiencies identified during the engagement, and uncorrected misstatements that come to our attention unless clearly trivial.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate criteria, but the responsibility for the subject matter remains with you.

You are responsible for the presentation of AELR in accordance with the Uniform Expenditure Reporting System and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for, and agree to provide us with, a written assertion about whether the AELR is presented in accordance with the Uniform Expenditure Reporting System. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) additional information that we may request for the purpose of the examination; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

We will assist with preparation of your Annual Expenditure Limitation Report and notes to the report. You are responsible for designating an individual with suitable skill, knowledge, or experience to oversee the nonattest services we provide; evaluate the adequacy and results of these nonattest services; and accept responsibility for the nonattest services. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities or making management decisions.

At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter.

Jennifer Shields is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

The documentation for this engagement is the property of Heinfeld, Meech & Co., P.C. and constitutes confidential information. However, subject to applicable laws and regulations, documentation will be made available upon request to governmental agencies pursuant to authority given to them by law or regulation. We will notify you of any such request. If requested, access to such engagement documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

The documentation for this engagement will be retained for a minimum of five (5) years after the report release date, or for any additional period requested by a regulator, oversight agency, or pass-through entity. Upon expiration of the five year period, or any additional period, we will commence the process of destroying the contents of our engagement files.

Any disagreement, controversy, or claim ("dispute") that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

Our fee for these services will be at the amount outlined in our proposal. Our fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the examination. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Subsequent review of documentation and additional meetings will be billed at the hourly rates indicated below. Our fee does not include factors beyond our control, such as consultation and assistance in correcting errors in Town prepared information, or rescheduling when the Town is not prepared. Not completing the requested information on time will jeopardize meeting the applicable filing deadlines. Additional fees incurred for factors beyond our control will be billed at the following hourly rates: Partner - \$272; Manager - \$200; Senior - \$159; Staff - \$113. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

RESPONSE:

This letter correctly sets forth the understanding of Town of Carefree, Arizona

By: *Kandace French Contreras*
Kandace French Contreras (Aug 4, 2021 14:23 PDT)

Title: Town Clerk/Treasurer

Date: Kandace French Contreras



Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of Town of Carefree, Arizona, which comprise the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

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4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Town Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Town and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have appropriately disclosed all information for conduit debt obligations in accordance with U.S. GAAP.

27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
31. We understand that in addition to your audit, you prepared the adjusting journal entries necessary to convert our accounting records to the basis of accounting required by generally accepted accounting principles. We acknowledge that we have reviewed and approved those entries and accepted responsibility for the adjusting journal entries.
32. In addition to your audit, you assisted with preparation of the financial statements and notes to the financial statements. We acknowledge our responsibility as it relates to those nonaudit services, including that
 - we assume all management responsibilities;
 - oversee the nonaudit services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
 - evaluate the adequacy and results of the nonaudit services performed;
 - and accept responsibility for the results of the nonaudit services.
33. We have reviewed, approved, and accepted responsibility for the financial statements, and notes to the financial statements.
34. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
35. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
36. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
37. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

38. The financial statements include all fiduciary activities required by U.S. GAAP.
39. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
40. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
41. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
42. Investments are properly valued.
43. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
44. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
45. All payroll information and the individual employment data have been properly submitted to the state retirement system, and the employer contributions have been properly submitted to the retirement systems.
46. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
47. Revenues are appropriately classified in the statement of activities within program revenues and general revenues
48. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
49. Special and extraordinary items, if any, are appropriately classified and reported.
50. Deposits and investment securities are properly classified as to risk and are properly disclosed.
51. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

52. We have identified and disclosed to you all programs, agreements, and transactions that result in a tax abatement for financial reporting purposes. Tax abatement agreements and programs have been properly disclosed in the notes to the financial statements.
53. We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
54. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
55. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
56. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
57. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We have reviewed the drafts of the financial statements and related notes and believe the amounts are properly presented based on the books and records of our Town. We hereby take responsibility for the financial statements and authorize Heinfeld, Meech & Co., P.C. to issue the reports in final form and to distribute to those parties as outlined in the contract.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the Town Council a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Gary Neiss

Gary Neiss (Dec 7, 2021 09:05 MST)

Gary Neiss
Town Administrator
Town of Carefree, Arizona

Kandace French Contreras

Kandace French Contreras (Dec 3, 2021 11:03 MST)

Kandace French Contreras, CMC
Town Clerk/Treasurer
Town of Carefree, Arizona



Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

In connection with your examination of the Annual Expenditure Limitation Report (AELR) for the year ended June 30, 2021, for the purpose of expressing an opinion about whether the AELR is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System, we confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your examination.

1. The AELR for the year ended June 30, 2021 is presented in accordance with the Uniform Expenditure Reporting System.
2. We are responsible for the AELR and for our assertion that it is presented in accordance with the Uniform Expenditure Reporting System.
3. We have provided you with all relevant information and access to information and personnel in connection with your examination of the AELR.
4. We have disclosed to you all deficiencies in internal control relevant to the engagement of which we are aware.
5. We have disclosed to you knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the AELR.
6. All relevant matters are reflected in the measurement and/or evaluation of the AELR.
7. We believe that significant assumptions used in making any material estimates are reasonable.
8. We have disclosed to you all known matters that may contradict the AELR, and we have disclosed to you all communications from regulatory agencies, received through the date of your report affecting the AELR.
9. We have disclosed to you all events subsequent to June 30, 2021 that would have a material effect on the AELR.

10. As part of your examination, you assisted with preparation of the AELR and the related notes. With regard to these services performed by you, we have -

- assumed all management responsibilities;
- overseen the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
- evaluated the adequacy and results of the services performed;
- and accepted responsibility for the results of the services.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Kandace French Contreras

Kandace French Contreras (Dec 3, 2021 10:43 MST)

Kandace French Contreras, Town Clerk/Treasurer
Town of Carefree, Arizona



Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of Town of Carefree, Arizona Utilities Communities Facilities District (District), a component unit of the Town of Carefree, Arizona, which comprise the respective financial position as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have appropriately disclosed all information for conduit debt obligations in accordance with U.S. GAAP.

27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
31. We understand that in addition to your audit, you prepared the adjusting journal entries necessary to convert our accounting records to the basis of accounting required by generally accepted accounting principles. We acknowledge that we have reviewed and approved those entries and accepted responsibility for the adjusting journal entries.
32. In addition to your audit, you assisted with preparation of the financial statements and notes to the financial statements. We acknowledge our responsibility as it relates to those nonaudit services, including that
 - we assume all management responsibilities;
 - oversee the nonaudit services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
 - evaluate the adequacy and results of the nonaudit services performed;
 - and accept responsibility for the results of the nonaudit services.
33. We have reviewed, approved, and accepted responsibility for the financial statements, and notes to the financial statements.
34. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
35. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
36. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
37. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

38. The financial statements include all fiduciary activities required by U.S. GAAP.
39. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
40. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
41. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
42. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
43. Expenses have been appropriately classified in the statement of revenues, expenses, and changes in net position.
44. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
45. Special and extraordinary items, if any, are appropriately classified and reported.
46. Deposits and investment securities are properly classified as to risk and are properly disclosed.
47. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
48. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
49. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

We have reviewed the drafts of the financial statements and related notes and believe the amounts are properly presented based on the books and records of our District. We hereby take responsibility for the financial statements and authorize Heinfeld, Meech & Co., P.C. to issue the reports in final form and to distribute to those parties as outlined in the contract.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the Board of Directors a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Greg Crossman

Greg Crossman (Dec 6, 2021 16:41 MST)

Greg Crossman, General Manager
Town of Carefree, Arizona
Utilities Communities Facilities District

Meghan Orem

Meghan Orem (Dec 6, 2021 16:15 MST)

Meghan Orem, Controller
Town of Carefree, Arizona
Utilities Communities Facilities District



Town of Carefree, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2021

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Town Council
of the Town of Carefree, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Carefree, Arizona for the year ended June 30, 2021, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System as described in Note 1.

Heinfeld Meech & Co. PC

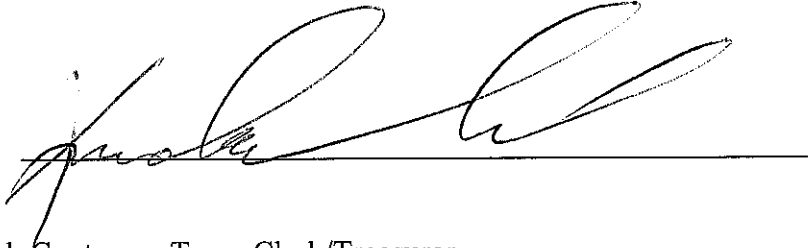
Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 7, 2021

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART I
YEAR ENDED JUNE 30, 2021**

- | | |
|--|----------------------|
| 1. Economic Estimates Commission expenditure limitation | <u>\$ 11,144,461</u> |
| 3. Enter applicable amount from line 1 or line 2 | <u>\$ 11,144,461</u> |
| 4. Amount subject to the expenditure limitation
(total amount from Part II, Line C) | <u>5,509,773</u> |
| 5. Amount under the expenditure limitation | <u>\$ 5,634,688</u> |

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of Chief Fiscal Officer



Name and Title: Kandace French Contreras, Town Clerk/Treasurer

Telephone Number: 480-488-3686

Date: 12/7/21

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART II
YEAR ENDED JUNE 30, 2021**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 6,174,989	\$	\$ 6,174,989
B. Less exclusions claimed:			
2. Debt service requirements	214,370		214,370
5. Grants and aid from the federal government	450,846		450,846
16. Total exclusions claimed	<u>665,216</u>		<u>665,216</u>
C. Amounts subject to the expenditure limitation	<u>\$ 5,509,773</u>	<u>\$</u>	<u>\$ 5,509,773</u>

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – RECONCILIATION
YEAR ENDED JUNE 30, 2021**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 6,174,989	\$ 2,406,861	\$ 8,581,850
B. Subtractions			
2. Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.)	<u> </u>	<u>2,406,861</u>	<u>2,406,861</u>
9. Total subtractions	<u> </u>	<u>2,406,861</u>	<u>2,406,861</u>
C. Additions:			
5. Total additions	<u> </u>	<u> </u>	<u> </u>
D. Amounts reported on part II, line A	<u>\$ 6,174,989</u>	<u>\$</u>	<u>\$ 6,174,989</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved permanent base adjustment of \$1,047,314 adopted November 3, 1998, as authorized by the Arizona Constitution, Article IX, §20(6).

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

NOTE 2 – RECONCILIATION OF SUBTRACTIONS AND ADDITIONS

The subtraction of \$2,406,861 for separate legal entities established under Arizona Revised Statutes consists of expenditures of the Town of Carefree Utilities Community Facilities District included within the Town’s reporting entity as an enterprise fund in the fund financial statements, but not included in the Economic Estimates Commission base limit calculations.

Town of Carefree Utilities Community Facilities District:	
General government	\$ 2,354,151
Interest and other charges	<u>52,710</u>
Total	<u>\$ 2,406,861</u>

NOTE 3 – DEBT SERVICE REQUIREMENTS

The exclusion claimed for debt service requirements consists of \$214,370 in principal retirement within the General Fund. The interest expenditures were already accounted for within the subtraction related to separate legal entities described in Note 2 above.

NOTE 4 – GRANTS AND AID FROM THE FEDERAL GOVERNMENT

The exclusion claimed for grants and aid from the federal governments consists of \$450,846 of Coronavirus Relief Fund monies within the Grants Fund.

**TOWN OF CAREFREE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2021**

NOTE 5 – CONTRIBUTION FROM AN INDIVIDUAL

The Town was the recipient of a bequest from a former Town citizen during the fiscal year. The bequest of \$281,664 was not expended during the year.

NOTE 6 – QUASI-EXTERNAL INTERFUND TRANSACTIONS

In fiscal year 2005-06 (and as updated during fiscal year 2011-12), the General Fund transferred water infrastructure assets to the Water Fund under the terms of an agreement classified as a capital advance. Repayments are recorded as other revenue within the General Fund. No revenue from the repayment of the capital advance was expended during the year.

NOTE 7 – CONTRACTS WITH OTHER POLITICAL SUBDIVISIONS

The Town has an intergovernmental agreement for the operation of the Carefree-Cave Creek Consolidated Court. Revenues received under the terms of the intergovernmental agreement totaled \$172,734 during the year. No revenue from the intergovernmental agreement was expended during the year.

NOTE 8 – UNEXPENDED EXCLUDABLE REVENUES

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the revenue sources and the changes in those balances is shown in the table below:

<u>Description</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$	\$ 21,868	\$	\$ 21,868
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes		281,664		281,664
Quasi-external interfund transactions		414,340		414,340
Highway user revenues in excess of those received in fiscal year 1979-80		272,183		272,183
Contracts with other political subdivisions		172,734		172,734
Total carryforward	<u>\$</u>	<u>\$ 1,162,789</u>	<u>\$</u>	<u>\$ 1,162,789</u>



CAREFREE-CAVE CREEK
CONSOLIDATED COURT

37622 N. CAVE CREEK ROAD, SUITE B
CAVE CREEK, ARIZONA 85331
PHONE (480) 488-1689 • FAX (480) 595-9610



October 12, 2021

Hon. Joseph Welty, P.J.S.C.
c/o Karen Sadler
125 W. Washington Street, 5th Floor
Phoenix, AZ 85003

Dear Judge Welty:

Attached is a copy of the Independent Accountant's Report of the audit recently performed in this Court in compliance with Minimum Accounting Standards F. External Review by Auditors paragraph 2. Should you need anything further, please let me know.

Respectfully yours,

A handwritten signature in cursive script that reads "Marilyn J. Dodge".

Marilyn J. Dodge
Court Administrator
Carefree-Cave Creek Consolidated Court

Attachment

cc: Judge Tara Parascandola
Les Peterson, Mayor, Town of Carefree
Gary Neiss, Town Manager, Town of Carefree
Kandace French, Carefree Town Clerk
MAS@courts.az.gov



Carefree-Cave Creek Consolidated Court
Report on Applying Agreed-Upon Procedures
for the Period from July 1, 2020 through June 30, 2021

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Arizona Supreme Court, Administrative Office of the Courts

Presiding Judge, The Honorable Tara E. Parascandola, of the Carefree-Cave Creek Consolidated Court

We have performed the procedures enumerated below, which were agreed to by the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, solely to assist the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, in evaluating the Carefree-Cave Creek Consolidated Court's compliance with the requirements set forth in the Arizona Code for Judicial Administration Section 1-401, Minimum Accounting Standards (MAS) for the period from July 1, 2020 through June 30, 2021. Carefree-Cave Creek Consolidated Court's management is responsible for the compliance with those specified requirements.

Carefree-Cave Creek Consolidated Court's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedure performed are outlined by the Arizona Supreme Court, Administrative Office of the Courts in the *Guide for Independent Review* (See Appendix A).

No exceptions were noted as a result of applying these procedures.

We were engaged by Carefree-Cave Creek Consolidated Court's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Carefree-Cave Creek Consolidated Court's management and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, and is not intended to be and should not be used by anyone other than these specified parties

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
September 29, 2021

APPENDIX A

GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

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GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

Note: Document names may vary from court to court.

Administrative Requirements

Procedure

1. Determine if all financial transactions are recorded in an automated receipts journal and include:
 - a. Date payment was receipted;
 - b. Amount received;
 - c. Receipt/transaction number; and
 - d. Receipt allocation by type, such as, but not limited to fine, criminal justice enhancement fund, medical services enhancement fund, restitution, and bond.

2. Determine if all financial disbursements are recorded in an automated disbursements journal and include:
 - a. Date check issued;
 - b. Amount disbursed;
 - c. Name of payee;
 - d. Court check number;
 - e. Type of payment disbursement, such as, but not limited to fines, surcharges, restitution, and bonds; and
 - f. Electronic fund transaction number, if applicable.

3. Determine if the court has established written policies and procedures that prescribe the court's financial practices, and which apply to any departments or divisions within the court's administrative structure that receives or disburses money.

4. Determine if the court or probation department has a **granted secondary technology request** on file with the Administrative Office of the Courts (AOC). If so, review the granted secondary technology request for allowable technology specific to the preparation and verification of financials. Determine if the court has established written policies and procedures that prescribe how the technology will be used.

5. Verify that the court displays its payment acceptance policies on any court-sponsored webpage and in a location within the court's main lobby easily viewable by the general public, such as next to each customer service station, and that the payment acceptance policies include the following:
 - a. A statement regarding the methods of payment that the court accepts, which shall include, but is not limited to: cash, cashier's check, certified check, money order, credit

GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

- card, debit card, or other financial institution generated fund transfer instrument and other forms or means of payment mandated by the supreme court; *See AO 2020-202(2)(e)(f)*
- b. A statement that a receipt shall be provided for every payment made in person to the court;
 - c. A statement that the receipt provided by the court is proof of payment; and
 - d. A statement regarding the court's dishonored payment policy.

Posted Payment Acceptance Policies for Probation Departments Only

Posted payment policies for probation departments who collect court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors **may exclude the collection of cash** as an accepted method of payment for probation department locations that meet either of the following criteria: The probation department is located in a stand-alone facility not within a courthouse; or the probation department accepts payment via an external walk-up payment window.

Independent Review by Auditors

Procedure

1. Review the last auditor's final report to determine if the court retained a copy of the final report showing the date on which it was received by the court and that it was forwarded to the AOC within seven days from receipt.
2. Review the final reports issued for the last independent review by auditor and for the last operational review conducted by the AOC to determine if the court has addressed all the financial findings noted in the reports.

Safeguarding Monies and Financial Records

Procedure

1. Determine through interviews, observation, and by taking an inventory of the contents of the safe, if the court safeguards all monies received for the court and financial records, such as, but not limited to receipts, blank checks, and financial reconciliation documents as follows:
 - a. Assigns each cashier a unique user identification. The user identification shall be used only by the assigned user.
 - b. Changes safe keys, combinations, or both upon either:
 - i. Termination of employment of a person who was granted access to a safe, unless access to the court or area where the safe is located is restricted by electronic access control; or
 - ii. Change of responsibility of an employee who was granted access to a safe, unless the area where the safe is located is restricted by electronic access control.
 - c. Maintains physical restrictions between the public and the areas where court monies and financial records are stored and allow only authorized access to those areas.

GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

- d. Displays signs limiting admittance to areas where court monies and financial records are stored, unless access is restricted by electronic access control.
- e. Retains, counts, and handles all court monies in a secure location that is not accessible to the public and is only accessible to authorized personnel until monies are deposited with the bank or local treasurer.
- f. Stores all court monies in a locked location from the moment they are received until they are deposited with the bank or local treasurer.
- g. Uses locking bank bags or tamper-proof bags to transfer court monies to the bank or local treasurer.
- h. Keeps cash drawers, cash boxes, payment drop boxes, bank bags, safes, and vaults locked and secured at all times when not in use.
- i. Stores all court monies overnight in a locked safe or vault with restricted access that is immovable or attached using a method that would prevent easy removal.
- j. Secures blank checks, unissued manual receipts, and any documentation that contains a whole credit card number, such as phone payment logs in a safe, locked cabinet, or locked area, and allows only authorized court personnel to access these documents.
- k. Each cashier shall individually secure the assigned cash drawer fund in a separate lockable drawer or locking bank bag at all times prior to balance and reconciliation and second person verification.
- l. Court personnel shall not commingle personal or non-court monies with court monies. This includes but is not limited to making personal change from the cash drawer fund, court change fund, or court deposit monies, and making change for court payments with personal monies.
- m. Court personnel shall not cash personal checks or purchase supplies using monies from the cash drawer fund or the court change fund.
- n. Court employees and authorized personnel who issue receipts on behalf of the court shall not keep court monies with their own personal funds, deposit court monies in a personal bank account, or take court monies home with them upon departure.
- o. Court personnel shall investigate any shortage or overage of court monies within one business day. If there is still a discrepancy, court personnel shall document the discrepancy on the applicable cashier's cash drawer fund reconciliation documentation as part of the daily deposit reconciliation documentation.
- p. Court personnel shall not correct an original entry to any financial document or instrument by erasing or masking the erroneous entry. To correct an error, court personnel making the correction shall strikethrough the original entry, and initial and date the corrected entry.
- q. Prohibits the use of signature stamps when signing financial documents such as checks. Courts may use check signature software or a check signing machine to imprint authorized signatures on checks.

Segregation of Duties

Procedure

GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

1. Determine through interviews, observation, and a review of documentation, if the court provides internal controls for financial functions, ensures the safety of public monies and the reliability of court records, and allows for the detection of errors, as follows:
 - a. Documents the preparation of daily cash counts and their corresponding reconciliations, deposit reconciliations, monthly reconciliations, the review of outstanding bonds over 90 days, and quarterly reconciliations using a method that identifies the preparer such as initials or signatures and includes the date of document preparations. The preparer must not also be the second person verifier of the document.
 - b. Documents the verification of daily cash counts and their corresponding reconciliations, deposit reconciliations, issued and voided manual receipts, monthly reconciliations, and quarterly reconciliations using a method that identifies the verifier such as initials or signatures and includes the date of document verification. The second person verifier must not also be the preparer of the document.
 - c. Signs checks prepared by someone else, unless the check requires two signatures. Checks must not be made out to “Cash” and the signing of blank checks is prohibited. For courts with electronic disbursements, ensure that the person who entered and authorized the electronic disbursement is not the same person who verified the electronic disbursement.
 - d. Has a second authorized person verify void or reverse (adjusted) automated receipts in the automated financial management system if a correction is needed. The verification must be documented.
 - e. For courts that do not have sufficient staffing to provide for a second person verifier at all times, determine if the court has adopted written financial policies and procedures to control the risk of unauthorized financial transactions. These written financial policies and procedures must detail arrangements made with designated local government employees authorized by the court to verify transactions in accordance with the requirements in this section.

Cash Handling and Receipting

Procedure

Acceptance of Payment

1. Observe the court’s practice for accepting payments to determine if only court authorized personnel or electronic interfaces receipt payments on behalf of the court.

Online Transaction Retrieval

1. Determine if the court has a manual retrieval process for online transactions. If so, the court must retrieve and receipt the transactions to the case financial management system no later than the end of the next business day.

GUIDE FOR INDEPENDENT REVIEW
ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)
EFFECTIVE JANUARY 1, 2021

2. Determine if the court has an automated retrieval process for online transactions. If so, the court must receipt the transactions to the case financial management system no later than the end of the next business day.
3. Verify that in addition to the receipting elements listed in *Automated and Manual Receipting Requirements (4)(a) through (j)*, receipts associated with online transactions include:
 - a. Online transaction date;
 - b. Online transaction number; and
 - c. Name and address of cardholder, if available; however, there shall be at a minimum, an audit trail to identify the cardholder's information for disbursement purposes.

Endorsement of Checks

1. During the observation of the daily cash count of the cashier cash drawer fund and when court personnel open the daily mail, determine:
 - a. For courts that do not utilize an automated financial management system that electronically endorses checks:
 - i. If all checks payable to the court are properly and clearly endorsed with a restrictive endorsement stamp that reads "For Deposit Only – Payable To (account's name)" no later than the end of the business day on the date the check is receipted into the automated financial management system.
 - b. For courts that utilize an automated financial management system that electronically endorses checks when an automated receipt is generated:
 - i. If the court receipts all checks immediately when received. If the court was unable to receipt the checks when received, that the checks are immediately secured for safeguarding purposes, with receipting into the automated financial management system to be completed no later than the end of the next business day.
 - ii. That the automated financial management system properly and clearly endorsed all checks payable to the court with a restrictive endorsement stamp that reads "For Deposit Only – Payable To (account's name)," when an automated receipt is generated.
2. Determine through interviews that the court does not endorse checks payable to another court and sends the checks to the proper court within two business days.

Receipting of Unidentified Monies

1. Determine, by reviewing the court's "Unidentified Monies" file, if the court has a process for handling monies that are received without information identifying the party's name, case number, and sender information if the court is unable to identify the party and case number for which the monies are received, and if the process includes the following:

GUIDE FOR INDEPENDENT REVIEW

ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)

EFFECTIVE JANUARY 1, 2021

- a. Receipting the unidentifiable monies into a suspense or hold account within the automated financial management system, no later than the end of the next business day and depositing the monies to the local treasurer or bank accordingly.
- b. Endorsing checks received without information identifying the party's name, case number, and sender information in accordance with the *Endorsement of Checks* guidelines identified above.
- c. Retaining copies or an electronic image of a cash log that details the breakdown and total of any monetary denominations received, the checks received, the credit card transaction details received, receipts generated by the automated management system, and any additional necessary supporting documentation in the "Unidentified Monies" file.

Automated and Manual Receipting Requirements

1. Determine if the court is receipting all monies no later than the end of the next business day.
2. Determine if the receipts generated by the court reflect the date the monies were receipted.
3. Determine if the court issues a sequentially numbered receipt or transaction for each payment.
4. Using the cash receipts journal as the source document, **select a random sample of at least 20 individual receipts** (for bonds, fines, fees, surcharges, and restitution for all court levels; add child support, probate, and other trust monies for superior court). Determine if the individual receipts contain the following information:
 - a. Name of the court;
 - b. Case number, if applicable;
 - c. Defendant's name, if applicable;
 - d. Plaintiff's name, if applicable;
 - e. Date payment was receipted;
 - f. Amount received;
 - g. Name and address of the third-party payor making the payment, if available, and if not included on the case financial records;
 - h. Identification of person receiving the payment;
 - i. Method of payment such as cash, check, payment card, or EFT; and
 - j. Unique sequential receipt/transaction number.
5. **Sample 10 defensive driving school payments** and verify if the monies from the defensive driving schools were receipted by the end of the next business day and payment was recorded in each defendant's case financial record. Determine (*Independent Contractors section of MAS*) if payments received from defensive driving schools are received in the form of business check, cashier's check, money order, EFT, or wire transfer. *This item is not applicable to probation departments reviewed.*

GUIDE FOR INDEPENDENT REVIEW

ACJA § 1-401(F): MINIMUM ACCOUNTING STANDARDS (MAS)

EFFECTIVE JANUARY 1, 2021

6. Determine if the court is receipting overpayments as an overpayment and not as a fine, surcharge, bond, or restitution.

Issued and Unissued Manual Receipting Requirements

1. Determine if manual receipts are only used when the court's automated financial management system is inoperable. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
2. Determine if manual receipts are entered into the automated financial management system by the end of the business day or as soon as the system is operable. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
3. Review the court's manual receipt book and **sample 10 manual receipts** to verify the following:
 - a. Manual receipts are at least a two-part form, pre-printed with unique sequential numbers and the name of the court on each receipt. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
 - b. Manual receipts are issued in sequence within each book and are cross-referenced; the manual receipt number issued is referenced on the automated receipt or recorded in a docket entry in the automated financial management system; and the automated receipt number is referenced on the manual receipt. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
 - c. A second person reviews the manual receipts no later than the end of the next business day following receipt issuance, verifies that the receipts were issued in sequence, recorded in the automated financial management system, and that all receipts have been issued. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
 - d. The court has established written policies and procedures to account for and reconcile all unissued manual receipts at least quarterly and that the court documents the reconciliation of all unissued manual receipts.

Automated and Manual Voided Receipts

1. Select a **sample of 10 automated voided receipts, 10 automated reversed (adjusted) receipts, and 10 manual voided receipts** to determine that all voided receipts are not altered in any way and to verify the following:
 - a. If an error is made or a correction is needed that "VOID" or "Reverse" (adjusted) is indicated on the automated receipt; the reason for the void or reversal (adjusted) is indicated on the automated receipt or in the case financial record; and the voided or

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EFFECTIVE JANUARY 1, 2021

reversed (adjusted) receipt number is cross-referenced on the replacement automated receipt, if applicable, in the case financial record.

- b. If an error is made or a correction is needed that “VOID” and the reason for the void is indicated on all retained copies of the manual receipt; that the voided manual receipt number is cross-referenced on the replacement manual receipt, if applicable; and that the second person review of voided manual receipts takes place no later than the end of the next business day following receipt void.

Counterfeit Cash

1. Determine if the court has established written policies and procedures on identifying and handling counterfeit cash in accordance with U.S. Department of the Treasury, Office of Domestic Finance, Advanced Counterfeit Deterrence guidelines.

Petty Cash

1. If the court uses a petty cash fund, verify the court is following local policies and procedures regarding usage and reimbursement of the petty cash funds. Also, review and verify the monthly reconciliation of the petty cash fund.

Disbursement Processing

Procedure

1. **Sample at least 10 disbursements** to determine if disbursements were made only in the form of a check, credit to the payment card originally used to make the payment, or an EFT and that all checks or payment card adjustments or reversals were signed by authorized signers.
2. Verify that checks issued by the court are pre-printed with unique sequential numbers, or electronically signed, and disbursed in sequential order.
3. For all sampled disbursements, verify that disbursements were recorded in the court’s automated financial management system by the end of the next business day and disbursed within the time period prescribed in the court’s written policies and procedures.
4. For all sampled disbursements, verify that each automated disbursement record contains the following: case number; case party names; date check issued; name of payee; court check number; type of payment disbursement (such as fines, surcharges, suspense, hold, restitution, bond, or bond amount converted to court assessments); amount disbursed; and electronic fund transaction number, if applicable.
5. **Sample 10 bond disbursements** and verify that bond monies were disbursed according to written court order by a judicial officer and only to the individual who posted the bond or to the third party authorized to receive the bond monies by the person posting the bond. If bond monies were converted to pay court-ordered monetary obligations verify that the express written permission of the bond poster was received, unless the bond poster is the defendant. Determine if

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EFFECTIVE JANUARY 1, 2021

the court has established written policies and procedures for refunding and disbursing bond monies within a prescribed time period. *This item is not applicable to probation departments reviewed.*

6. **Sample 10 restitution payments** and verify restitution payments were disbursed to victims within the time requirements established by ACJA § 5-204.
7. **Sample 10 overpayments** and verify that overpayment monies were disbursed according to the policies and procedures set forth by the court. Determine if the court has established written policies and procedures that include a reasonable threshold amount for refunding overpayments within a prescribed time period.
8. **Sample 10 suspense or hold monies** and verify that the monies were applied or disbursed according to the policies and procedures set forth by the court. Determine if the court has established written policies and procedures to account for monies held in a suspense or hold account on a monthly basis, and to apply these monies to a party's case financial record or disburse them to the appropriate party with a prescribed time period.
9. Verify that disbursement checks voided due to error are flagged void/stop payment in the court's automated financial management system. Verify that disbursement checks reported lost or stolen are flagged void/stop payment in the court's automated financial management system, unless this function is performed by a city, county, or state treasurer (in the case of appellate courts).
10. Verify that when the court issues replacement disbursement checks for void/stop payment, outstanding, lost, or stolen disbursement checks, that the new disbursement check is issued following normal disbursement procedures.
11. Determine if the court identifies all checks outstanding over 180 days, unless this function is performed by a city, county, or state treasurer (in the case of appellate courts) and verify the following:
 - a. Checks outstanding over 180 days are flagged void/stop payment in the court's automated financial management system; and
 - b. Determine if the court investigates all checks outstanding over 180 days, documenting the action taken or disposition of the investigated checks outstanding in the court's automated financial management system and on the court's monthly reconciliation documentation.
12. Verify void/stop payment disbursement checks have "VOID" or "Stop Payment" written across both the physical face and signature line of the void/stop payment disbursement check and that all applicable void/stop payment disbursement checks are available for retention (for example,

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checks issued via electronic disbursement, lost in the mail, or stolen would not be available for retention).

13. Determine if, pursuant to A.R.S. §§ 44-302(10) and (11), 44-307, and 44-308 for municipal courts and A.R.S. § 22-116 for justice courts, the court reports and remits unclaimed (abandoned) funds to the Department of Revenue or county treasurer, unless this function is performed by a city, county, or state treasurer (in the case of appellate courts) the following:
 - a. Any unidentified monies received which remain unclaimed;
 - b. Any disbursement checks outstanding over 180 days which remain unclaimed; and
 - c. If the court retains documentation of all monies reported and remitted to the Department of Revenue or county treasurer as unclaimed funds in accordance with the retention schedule.

Bank Accounts and Deposits

Procedure

1. Unless bank accounts are maintained by the city, county or, in the case of appellate courts, the state treasurer, and are established in the name of the city, county, or state:
 - a. Examine a recent bank statement for each account and verify that all checking, investment, or other bank accounts are established under the name of the court. For co-located courts, confirm that the courts do not share a bank account and that individual bank accounts are established under the name of each court;
 - b. Determine if the court maintains a current list of all checking, investment, and other bank accounts which includes the following: the name and address of the banking institution, the account number, the account name, and the names of persons authorized to sign checks or make withdrawals from each account;
 - c. Determine if the court maintains current signature cards for all bank and investment accounts involving court monies; and
 - d. Determine if the court maintains a record of all bank accounts closed, including the date the bank account was closed and the reason the bank account was closed.
2. *Note: This item is not applicable to probation departments reviewed.* Determine if the court deposits currency, coins, and checks with the bank or local treasurer by the next business day the court and the bank or local treasurer are open, unless the total is less than \$300. If the total is less than \$300, at a minimum the funds shall be deposited on a subsequent business day when the accumulated undeposited funds reach or exceed \$300, or deposited once per week, whichever is earlier. For deposits made with the local treasurer determine the following:
 - a. The court retained documentation that confirms that court monies were delivered to or retrieved by the local treasurer for deposit within the required timelines. The court and the local treasurer shall initial or sign and date the documentation acknowledging receipt

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of the court monies deposited, unless court monies are transported by armored car, in which case a log shall be maintained.

3. Compare bank or local treasurer deposits to the cash receipts journal to determine if the monies were deposited in the same form as received.
4. Determine through interviews and observations that checks scanned by the court for electronic deposit are retained not more than 30 days after the completion of the bank reconciliation for the month in which the checks were deposited, and that personal mobile devices were not used to scan checks. Shredding is the preferred method of disposal.

Deposit Practices for Probation Departments Only

In addition to the noted applicable *bank account and deposit* requirements above, for probation departments that collect court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors determine the following:

- a. If the probation department deposits all monies with the clerk of the court or directly into the clerk of court's bank account by the next business day;
- b. If the probation department has established written policies and procedures that reflect the arrangements made by the department to ensure a secure process for depositing monies with the clerk of court; and
- c. If the probation department retains documentation that confirms that the monies have been delivered to or retrieved by the clerk of court for deposit within the required timelines.

Reconciliation of Financial Records

Procedure

Select two weeks of financial records and consistently use the same month of the two-week period selected to review reconciliations.

Daily Reconciliations

1. Determine through interviews and observation that:
 - a. Each cashier responsible for a beginning change fund counts the beginning change fund provided before usage, as either the preparer or second person verifier;
 - b. The court change fund is counted by two separate authorized court personnel at least daily; and
 - c. Each cashier responsible for a cash drawer fund counted all monies received, including any beginning change fund monies, after each shift to ensure balance and reconciliation with the receipts journal.
 - d. At least two separate authorized court personnel are involved in the deposit balance and reconciliation process. One authorized personnel acting in the capacity of preparer and one

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- additional authorized person acting in the capacity of verifier to ensure the balance and reconciliation of the daily deposit with the receipts journal. The verification of the deposit preparation must occur at the time of the deposit preparation and prior to the depositing of funds with the bank or local treasurer; and (*Bank Accounts and Deposits section of MAS*)
- e. During the observation of the preparation of the daily deposit balance and reconciliation process, using the cash receipts journal as the source document, verify the total daily receipts to the cash receipts journal to determine these totals tally to the daily cash receipts summary report or deposit ticket.
2. Determine for the two-week period selected for review that the total receipts (for all payment types received) for each day match the bank account statement or the daily funds' transmittal report and receipt issued by the local treasurer.

Monthly Reconciliations

1. Review and verify the following:
 - a. The reconciliation of the of the receipts journal for the month to the monthly remittance report submitted to the local treasurer (city, county, or state as applicable) and compare to the disbursement check issued;
 - b. The reconciliation of the deposits with the receipts journal;
 - c. The reconciliation of the disbursement checks written with the disbursements journal;
 - d. The reconciliation of the court's record of open items to the automated financial management system report to all bank accounts and cash balances; and
 - e. The reconciliation of all bank accounts maintained by the court.
2. Determine if the court monthly reviews all bonds posted outstanding over 90 days and bond records. **Sample 5 bonds posted more than 90 days** to verify if the court determined the status of the bond based on court order, took appropriate action, documented the disposition of the bond reviewed, and retained the documentation. *This item is not applicable to probation departments reviewed.*
3. Review all reconciliations and supporting documentation for the month selected to determine if the reconciliations were performed monthly and accurately. Verify that the court did not simply add a fictional amount to the monthly reconciliations in order to force the reconciliation into balance and if there was a variance it was clearly documented as a line item on the reconciliation and resolved within no more than 30 days from the reconciliation.

Financial Record Retention

1. Determine if the court retains the following records for each bank account as required by the records retention schedule:
 - a. Bank account reconciliations;

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- b. Bank statements;
 - c. Records of deposits in transit;
 - d. Bank issued debit and credit memos;
 - e. Canceled deposit slips;
 - f. Canceled checks; and
 - g. Any documentation that requests the adjustment or void of a case financial record.
2. Determine if the court retains the records of the daily and monthly financial reconciliations performed and supporting documentation in accordance with the records retention schedule.

Reporting

Procedure

1. **Select one month's remittance report** to determine if the report identified the allocation and distribution of the monies, that the monies have been remitted to the local treasurer (city, county, or state as applicable), and that the court received documentation acknowledging the submission of the report from the local treasurer. *This item is not applicable to probation departments reviewed.*

Probation Departments

Procedure

1. Determine if the probation department has a **granted alternative collection practices proposal** on file with the AOC. If so, review the granted alternative collection practices proposal and adjust testing methodology accordingly. Proceed as outlined below if there is not a proposal on file.
2. For probation departments that collect court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors and that receipt those payments into the clerk of court's case management system determine the following:
 - a. If the probation officers or probation staff authorized to accept payments and deposit monies are deputized clerks of the court;
 - b. If payments received are made payable to the clerk of the court;
 - c. If payments are not collected in the field; and
 - d. If payment acceptance policies are displayed in each department's main lobby and on the department's webpage.
3. For probation departments that collect court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors that do not have access to the clerk of court's case management system, review the department's manual receipt book and **sample 10 manual receipts** to verify the following:

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- a. Manual receipts are at least a three-part form, pre-printed with unique sequential numbers and the name of the probation department on each receipt;
 - b. Manual receipts are issued in sequence within each book and a copy is given to the clerk of court no later than the next business day; and
 - c. Documentation is retained that confirms that the issued manual receipt copies have been delivered to or retrieved by the clerk of the court.
4. For probation departments that collect court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors that do not have access to the clerk of court's case management system determine the following:
- a. If payments received are made payable only to the clerk of the court;
 - b. If payments are not collected in the field; and
 - c. If payment acceptance policies are displayed in each department's main lobby and on the department's webpage.



AGENDA ITEM # 2

*WHITE/YELLOW TRAFFIC PAINT,
12" STRIPES

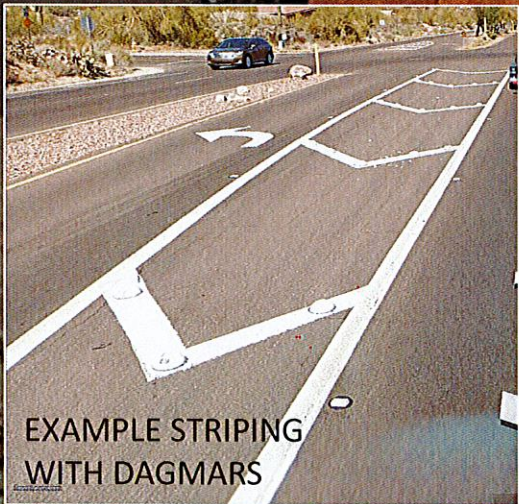
*CHEVRONS/DIAGONALS AT 10
TO 12' INTERVALS +/-

*WHITE/YELLOW REFLECTORIZED
DAGMARS FACING TRAFFIC AT
APPROX. 3'- 4' INTERVALS ON ALL
NEW STRIPING

● RRFB – DOUBLE SIDED



12/10/2021
TOWN OF
CAREFREE



EXAMPLE STRIPING
WITH DAGMARS

- *RUBBER CURBING – WHITE OR YELLOW STRIPES/REFLECTORS
- *RAISED PAVEMENT MARKERS ON TOP OF CURB OR POST MOUNTED REFLECTORS
- *ROCK FILLED ISLANDS
- RRFB – DOUBLE SIDED



TOM DARLINGTON

RIDGEVIEW PLACE

HO ROAD

12' LANE

12' LANE

12' LANE

60'

25'

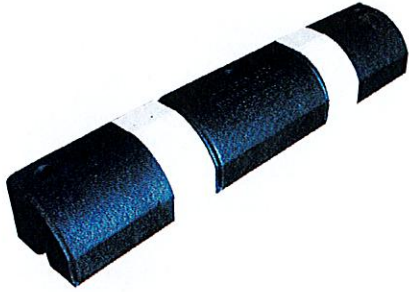
25'

12'

50'

12/10/2021
TOWN OF
CAREFREE

RUBBER STREET CURBS - EXAMPLES



NOTE: STANDARD RAISED PAVEMENT MARKERS APPLIED TO TOP OF CURB CAN BE USED IN LIEU OF POST-MOUNTED REFLECTORS

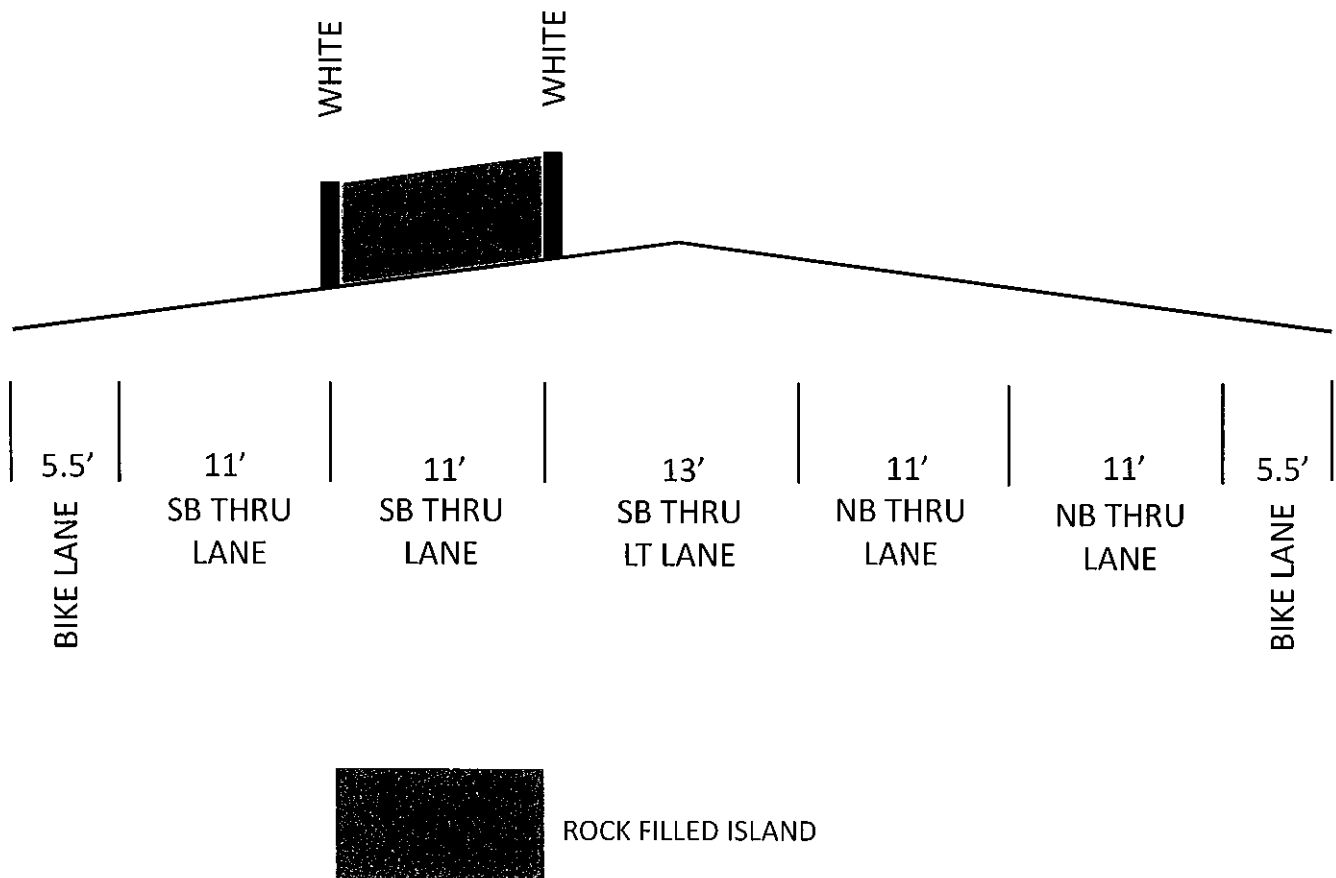


NOTE: ROCK FILLED ISLANDS OFFER A CONTRAST FOR THE DRIVER FOR IMPROVED VISIBILITY

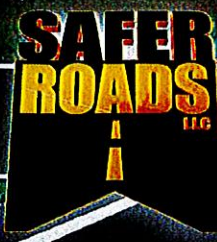


TYPICAL CROSS SECTION NORTH SIDE OF HO ROAD INTERSECTION

CURBING WITH STRIPES/REFLECTORS

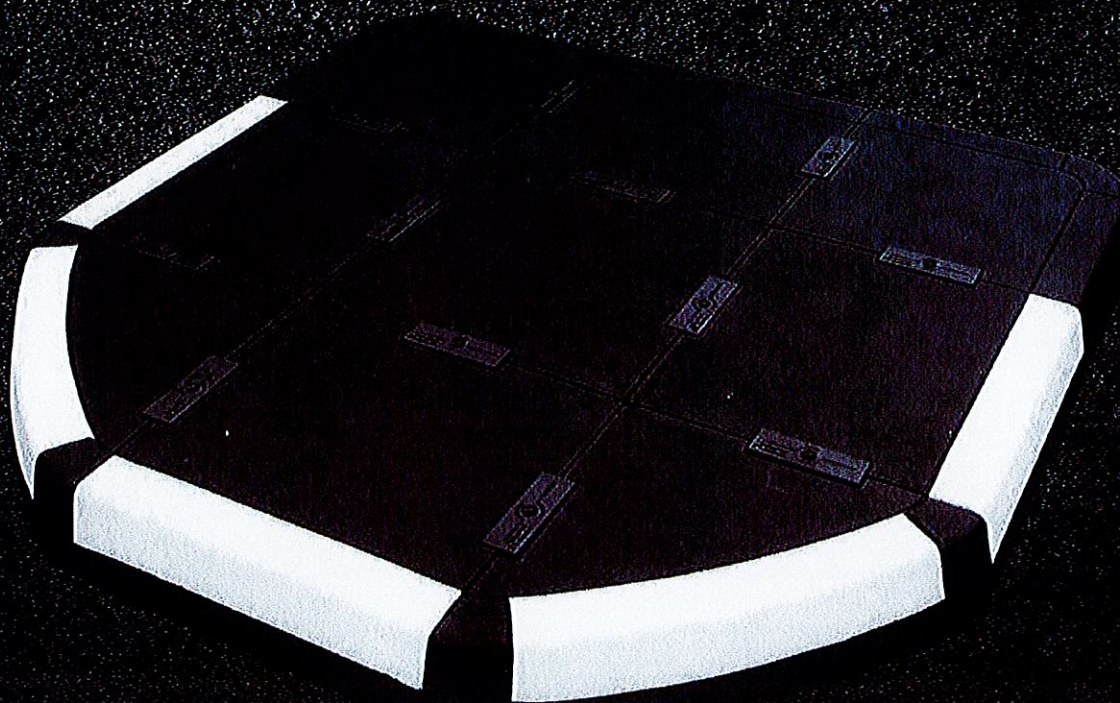


NOTE: DIMENSIONS ARE APPROXIMATE, VERTICAL SCALE IS EXAGGERATED



RediPave Modular Median™

The RediPave Modular Median™ is an innovative modular system designed for the safe, smart, and simple creation of refuge islands and build-outs. As a modular system, different shapes can be made to suit almost any application, making it a safe, smart, and simple device for motorists, pedestrians, and bicyclist.



CUSTOMIZABLE CONFIGURATIONS

For most any traffic management need

DURABLE COMPOSITE MODULES

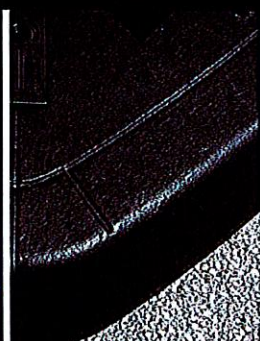
Long life even in tough roadway environment

SIMPLE INSTALLATION

Minimum labor and no heavy equipment

COMMUNITY FRIENDLY

Limited install disruption, improves neighborhood safety



PPP, Inc.
9957 Moorings Drive, Suite 301,
Jacksonville FL, 32257



888.717.7771
www.SaferRoads.net

RediPave Modular Median™ Product Information



Safe

- Improve pedestrian safety with median refuges and crossing build-outs and other pedestrian-friendly configurations
- Manage traffic safety with chokes, chicanes and island layouts
- Ensure worker safety with fast installation requiring less time in travel-ways



Smart

- Made of durable recycled rubber polyurethane composite for extended life
- Modular system that allows multiple configurations for most any application
- Proprietary anchoring system that ensures secure, removable, minimum maintenance attachment to the roadway



Simple

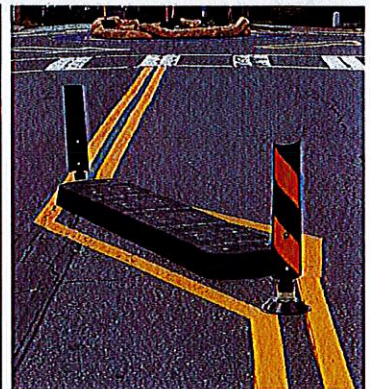
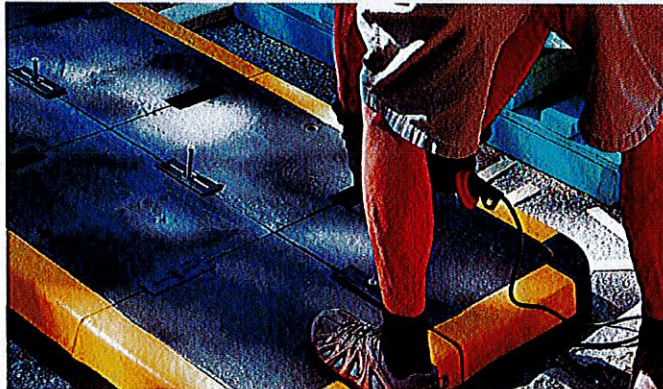
- Fast install with three-man crew
- No heavy equipment required
- Installs in hours, not days

Modular Design

The RediPave Modular Median™ is assembled with modular units that are both durable and manageable. Each module is manufactured with a composite of long-wearing recycled rubber that is fuel and weather resistant. The Modular Median's premium two-part polyurethane engineering ensures consistent and precise installations. The modules' sizes and weights permit handling and transporting without heavy equipment. Multiple units can be hand-loaded and transported in a standard pickup truck. The modular design also allows the median's size to be customized for special applications.

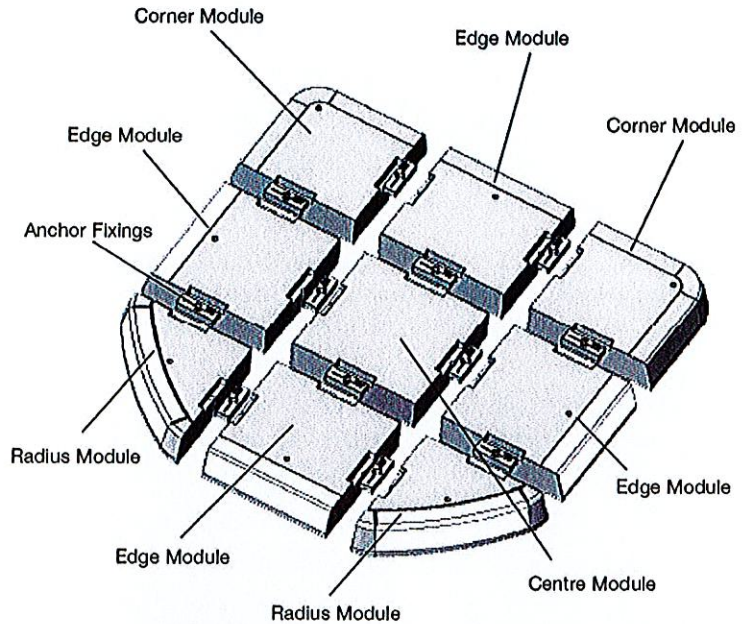
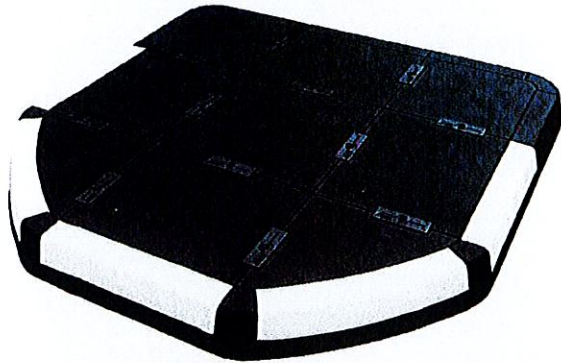
Installation

The modular design and exclusive anchoring system of the RediPave Modular Median™ ensures a safe, smart, and simple installation. The RediPave Modular Median™ is the safe alternative, allowing a 2-3 man crew to fully install it in hours, not days.



RediPave Modular Median™ Product Information

The RediPave Modular Median™ is a versatile module system for improving pedestrian safety and traffic management.



Crumb to Modular Median



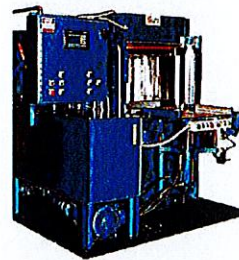
Recycled Rubber Shard

+



2-part Polyurethane Binder

+



160 Tons Pressure

=



Modular Median

Anchor System

The RediPave Modular Median's exclusive anchor system ensures a secure and lasting device. This anchor system incorporates patented RediPlug nylon anchors, two-part epoxy resin, premium stainless steel screws and washers, and anchor blocks.

Technical Data (General)

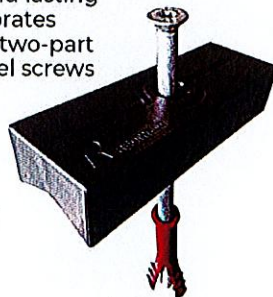
- Preformed rubber/polyurethane composite median
- Modular design allows the length and width to be easily adjusted by adding or changing modules

Material

- 100% recycled rubber
- 2-part polyurethane binder

Specifications

- Hardness: Minimum 65 Shore A
- Specific Gravity: 1.13
- Skid Resistance: 89 (dry)
- Tensile Strength: 500 psi
- Deform Rate: None



Anchor Fixing and Hardware



Recycled

Dimensions

Product	Length	Width	Weight	Height
Edge Module	19.68"	19.68"	47 lbs.	4.92"
Center Module	19.68"	19.68"	47 lbs.	4.92"
Corner Module	19.68"	19.68"	47 lbs.	4.92"
Radius Module	19.68"	Radius	31 lbs.	4.92"

Anchor Devices and Assembly

- Quick set 2-part polyester resin (secures RediPlug in pavement)
- Patented RediPlug anchor: 14-mm. OD by 10-mm. ID by 100-mm. long
- 240-mm. Torx head screw
- 28-mm. in diameter black nylon washer
- 145-mm OD by 45-mm ID by 30-mm long black anchor block

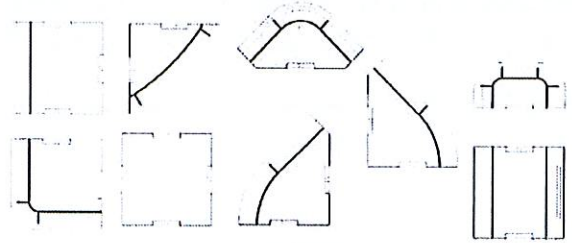
Markings

Yellow or white retroreflective pavement marking that is molded into the cushion during manufacturing.

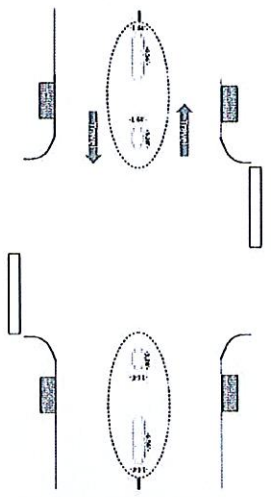


**Enhance the RediPave Modular Median's nighttime visibility with the innovative Median-Alert™*

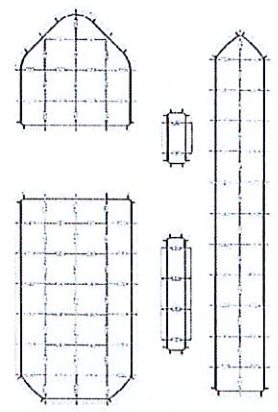
RediPave Modular Median™ Installation and Configurations



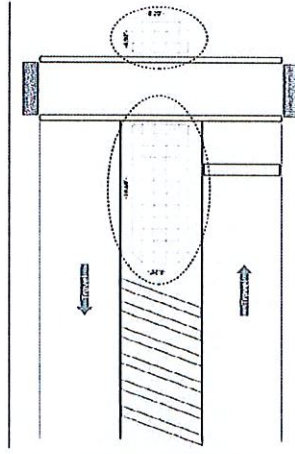
Individual Modules



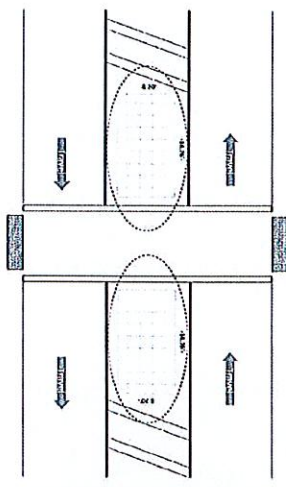
Full Mini-Pedestrian Refuge Median @ Intersection



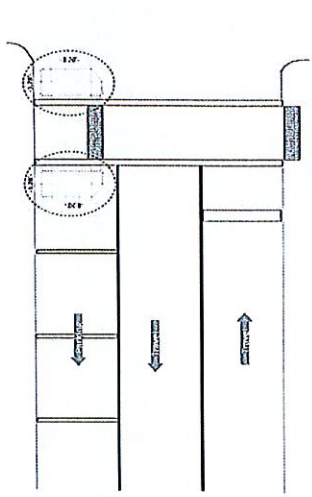
Full Median Examples



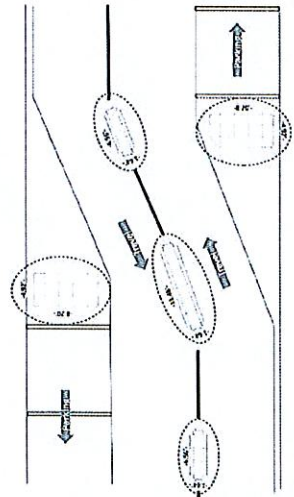
Median Extension



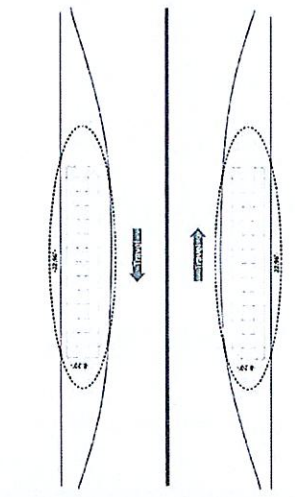
Full Pedestrian Refuge Median @ Mid-Block



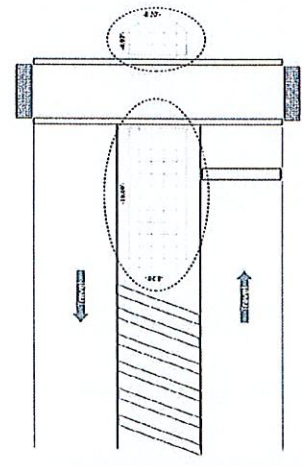
Pedestrian Curb Extension (Bulb-out)



Traffic Diverter (Chicane)

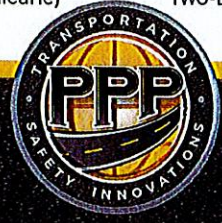


Two-Lane Slow Point (Choke)



Full Pedestrian Refuge Median @ Intersection

PPP, Inc.
9957 Moorings Drive, Suite 301,
Jacksonville FL, 32257



888.717.7771
www.SaferRoads.net

ATTN: SAMANTHA ~~BELLER~~
GESELL



SPECIAL EVENT PERMIT

APPLICATION FORM (must be fully completed & signed)

Will the event be located entirely and/or partially on public property in the Town Center?
 YES NO

Will there be any vendors/transient merchants at your event?
 YES NO

EVENT DATE APRIL 2, 2021

PLEASE NOTE:

- If the answer is yes to the previous two questions the event organizer is required to submit with Special Event Permit (SEP) all Vendor Application Forms, the associated fees for participating vendors and sign the attached affidavit prior to the issuance of the SEP.
- The serving and/or selling of alcoholic beverages require a separate liquor license permit from the State.

NO ALCOHOL AT EVENT.

Please describe how food will be prepared (i.e. cooked). Please describe how odors, smoke, grease or other nuisances will be controlled to mitigate neighboring residences and/or businesses. Also, please provide copies of all applicable County Health Department approvals:

WE PLAN TO ALLOW THREE (3) FOOD TRUCKS ON SITE.

Please detail all audio equipment that will be used (include public address system and amplified music):

UNKNOWN AT THIS TIME. ANY SUCH EQUIPMENT WILL BE FOR ANNOUNCEMENTS AND INFO. NO MUSIC OR CONTINUOUS AMPLIFIED SOUND WILL BE USED.

Please explain how event will mitigate interference with vehicular or pedestrian traffic will be mitigated:

2020 SHOW RESTRICTED TRAFFIC ON CAVE CREEK RD. ADJACENT TO SKYRANCH TO ONE LANE EACH WAY. THERE WAS NO DISRUPTION OR SLOWING OF TRAFFIC, EXPECT SAME THIS TIME.

Will event require additional Town services? If yes, please explain:

FURNISH CONES AND DISPLAY BOARDS FOR TRAFFIC INFO, eg, "SHUTTLE STOP", "PARK HERE," ETC.



ATTN: SAMANTHA ~~GELLER~~
GESELL



SPECIAL EVENT PERMIT

APPLICATION FORM (must be fully completed & signed)

Will the event be located entirely and/or partially on public property in the Town Center?

YES

NO

Will there be any vendors/transient merchants at your event?

YES

NO

EVENT DATE APRIL 2, 2022

PLEASE NOTE:

- If the answer is yes to the previous two questions the event organizer is required to submit with Special Event Permit (SEP) all Vendor Application Forms, the associated fees for participating vendors and sign the attached affidavit prior to the issuance of the SEP.
- The serving and/or selling of alcoholic beverages require a separate liquor license permit from the State.

NO ALCOHOL AT EVENT.

Please describe how food will be prepared (i.e. cooked). Please describe how odors, smoke, grease or other nuisances will be controlled to mitigate neighboring residences and/or businesses. Also, please provide copies of all applicable County Health Department approvals:

WE PLAN TO ALLOW THREE (3) FOOD TRUCKS ON SITE.

Please detail all audio equipment that will be used (include public address system and amplified music):

UNKNOWN AT THIS TIME. ANY SUCH EQUIPMENT WILL BE FOR ANNOUNCEMENTS AND INFO. NO MUSIC OR CONTINUOUS AMPLIFIED SOUND WILL BE USED.

Please explain how event will mitigate interference with vehicular or pedestrian traffic will be mitigated:

2020 SHOW RESTRICTED TRAFFIC ON CAVE CREEK RD. ADJACENT TO SKYRANCH TO ONE LANE EACH WAY. THERE WAS NO DISRUPTION OR SLOWING OF TRAFFIC, EXPECT SAME THIS TIME.

Will event require additional Town services? If yes, please explain:

FURNISH CONES AND DISPLAY BOARDS FOR TRAFFIC INFO, eg, "SHUTTLE STOP", "PARK HERE," ETC.



SPECIAL EVENT PERMIT

APPLICATION FORM *(must be fully completed & signed)*

Please explain any security/control measures including but not limited to the the type and number of security or police personnel the type of control barriers and indicate their locations:

WE WILL EMPLOY 4-6 "AZ RANGERS" UNDER SUPERVISION OF A LEO (AS WAS DONE IN 2020) SECURITY INSIDE SKYRANCH A/P WILL BE BY VOLUNTEERS.

Will any public improvements such as streets and sidewalks be staked, marked, or altered in any way? If yes, explain and describe how these alterations will be removed after the event:

NO, EXCEPT TEMPORARY "CONING OFF" OF ONE OUTSIDE LANE ON C.C.R.D. SEE ATTACHED CHART.

Please describe provisions to ensure that neighboring residences, businesses and/or other special events are *not* adversely impacted:

NO LOUD NOISES WILL BE GENERATED, NO PLANES WILL FLY-IN OR TAKE OFF BETWEEN 7AM-4 PM

Please provide clean-up plan for after the event has concluded:

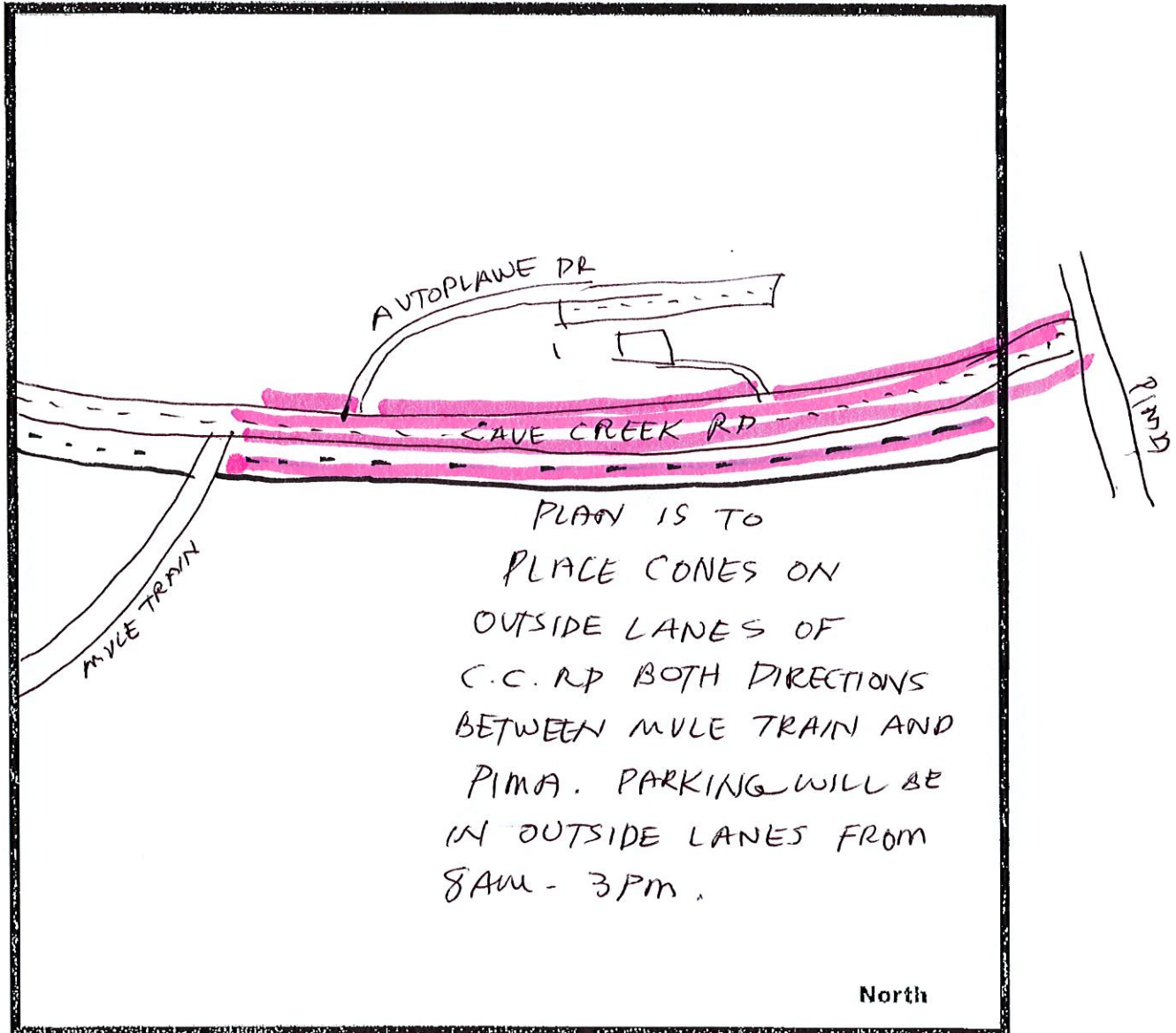
VOLUNTEERS.

SPECIAL EVENT PERMIT

APPLICATION FORM (must be fully completed & signed)

SPECIAL EVENT PERMIT PREMISES DIAGRAM

Please indicate the streets, on-site building, event buildings and/or areas, parking, fencing, security positions, and any event signage.



SPECIAL EVENT PERMIT

APPLICATION FORM *(must be fully completed & signed)*

By executing this application, I (the "applicant/organization and/or private property owner") certify that I (we) understand that if this request is granted I will remove all temporary structures at the end of the approved time period. I further understand that any special event approval shall expire should the use for which it has been approved not be held as described in this application. In addition, I understand that the Zoning Administrator may deny or revoke my Special Event Permit if one or more of the factors listed in the Zoning Ordinance in Article III., Section 3.09 (3) are not satisfactorily addressed either within the application or during the special event.

As a condition to, and in consideration of the issuance of the above-requested permit, the applicant hereby agrees to exonerate, indemnify and hold harmless, and to protect and defend, the Town of Carefree, its officers, agents and employees from all liability, suits, claims, losses, damages, expenses and costs, including attorneys' fees, for or on account of any injuries to, or death of, persons, or damages to, or destruction of, property belonging to any person arising out of or in any way relating to the special event authorized by this request if approved, whether the liability, loss or damage are caused, or alleged to be caused, in or in part by negligence, gross negligence, or fault of the Town or its officers, agents and employees, and/or of the applicant or any other person or organization whatsoever.

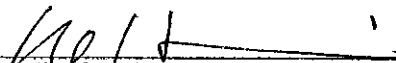
As a further condition to, and in consideration of the issuance of this requested permit, the applicant and any associated private property owner hereby agrees to procure and maintain insurance covering public liability and property damages, including use of owned or non-owned autos, as shall protect the Town and the applicant as their interest may respectfully appear, from claims for damages for personal injury, including death, and for property damage which may arise out of, or be related in any way to the special event authorized under this request. Such insurance shall be primary, and shall contain not less than \$1,000,000 combined single limit bodily injury and property damage liability coverage.

As a further condition to, and in consideration of the issuance of this requested special event permit, the applicant and any associated private property owner hereby agrees to comply with Title II of the Americans with Disabilities Act (ADA) which requires that no qualified individual with a disability shall, by reason of such disability, be excluded from participation in or be denied the benefits of the services, programs or activities of the applicant, or be subject to discrimination by the applicant.

IN WITNESS WHEREOF THIS APPLICATION FOR A SPECIAL EVENT PERMIT HAS BEEN DULY SIGNED THIS 26 OF OCT, 2021

LES HARDIE

Applicant's printed name



Applicant's signature

Private Property Owner's printed name*

Private Property Owner's signature*

*By signing this document, I acknowledge that I am the rightful owner of the property the special event is taking place upon and agree to the conditions stated above and the applicant's representation of the subject special event.

SPECIAL EVENT PERMIT

VENDORS AFIDAVIT *(must be fully completed & signed)*

If a special event contains any taxable vendor(s) which are not Carefree-based businesses and if all or a portion of the event is being conducted on public property within the Town Center, then it is the responsibility of the special event organizer to provide the Town a completed Vendor's application form and associated fees for each vendor. This application includes the vendor's State of Arizona sales tax identification number. no

During the Special Event, Vendors will be required to post their Vendor Certificate issued by the Town in a conspicuous place at the location where their business is being conducted.

Acknowledgement:

I _____ represent
(state your name)

(state the organization/entity to which Special Event Permit is issued)

certify by signing this affidavit that all vendors have provided a completed Vendor Application Form to the Town of Carefree and have paid the associated fees. I further understand and certify that if any vendors are added/changed during the course of the event, I will be responsible to provide the Town of Carefree a completed Vendor Application Form and pay the associated fees for such vendors. Furthermore, I will ensure all vendors properly post their Vendor Certificate during the duration of the event.

IN WITNESS WHEREOF THIS AFFIDAVIT HAS BEEN DULY SIGNED THIS _____
(Day)

OF _____, 20_____
(Month)

Applicant's printed name

Applicant's signature

Applicant's mailing address

POST IN A
CONSPICUOUS
PLACE

Town of Carefree
8 Sundial Circle
Carefree, AZ 85377
(480) 488-3686
www.carefree.org

Certificate Number _____

VENDOR CERTIFICATE

Dates Valid: _____

Business Name: _____

Mailing Address: _____

Nature of Business: _____

Date Issued: _____

Town of Carefree

Total Paid: \$ _____

In accordance with the Town of Carefree, Arizona Zoning Ordinance, Article III, §3.09, this vendor is hereby authorized to conduct business in the Town of Carefree. This certificate is NON-Transferable.

To portion, divide for your records. Detach and file.

COPY ONLY

<p>RECEIPT Please retain for your records</p>	<p>Town of Carefree 8 Sundial Circle Carefree, AZ 85377 (480) 488-3686 Vendor Certificate</p>	<p>Certificate Number _____</p>
<p>Business Name: _____ Mailing Address: _____</p>	<p>THIS CERTIFICATE EXPIRES _____</p>	<p>Dates Valid: _____</p>

Nature of Business: _____

Date Issued: _____

Zoning Administrator



Total Paid: \$ _____

In accordance with the Town of Carefree, Arizona Zoning Ordinance, Article III, §3.09, this vendor is hereby authorized to conduct business in the Town of Carefree. This Certificate is NON-Transferable.



**SPECIAL EVENT PERMIT
VENDOR APPLICATION FORM**

Please complete the following information

Special Event Name: _____

Business Name: _____

DBA (if different than Business name) _____

Primary Contact Person: _____ Title: _____ Telephone No.: _____

Business Mailing Address: _____ Email _____

Street Name: _____

City _____ State _____ Zip Code _____

Physical Address (if different from mailing address) _____

Street Name _____

City _____ State _____ Zip Code _____

XX

State Sales Tax Identification Number (TPT)

Is the Town of Carefree listed as a Program City under the above ID number?

YES or NO

*If NO, please attach a copy application form from the Arizona Department of Revenue listing Carefree as a Program City with a copy of your check made to AZ DOR showing you have complied.

*If YES, please attach a copy of your license listing your program city or cities.

\$45 per event (maximum 3 days per event)



CAREFREE SPECIAL EVENT INSURANCE ACKNOWLEDGEMENT

Carefree Town Hall | 8 Sundial Circle | Carefree, AZ 85377 | 480.488.3686

By executing this application, I (the "applicant and/or private property owner") certify that I (we) understand that if this request is granted I will remove all temporary structures at the end of the approved time period. I further understand that any special event approval shall expire should the use for which it has been approved not be held as described in this application. In addition, I understand that the Zoning Administration may deny or revoke my Special Event Permit if one or more of the factors listed in the Zoning Ordinance in Article III. , Section 3.09 (3) are not satisfactorily addressed either within the application or during the special event.

As a condition to, and in consideration of the issuance of the above-requested permit, the applicant hereby agrees to exonerate, indemnify and hold harmless, and to protect and defend, the Town of Carefree, it's officers, agents and employees from all liability suits, claims, losses, damages, expenses and costs, including attorney's fees, for or on account of any injuries to, or death of, person or damages to, or destruction of, property belonging to any person arising out of or in any way relating to the special event authorized by this request if approved, whether the liability, loss or damage are caused, or alleged to be caused, in or in part by negligence, gross negligence, or fault of the Town or its officers, agents and employees, and/or of the applicant or any other person or organization whatsoever.

As a further condition to, and in consideration of the issuance of this requested permit, the applicant and any associated private property owner hereby agrees to procure and maintain insurance covering public liability and property damages, including use of owned or non-owned auto, as shall protect the Town and the applicant, as their interest may respectfully appear, from claims for damages for personal injury, including death, and for property damage which may arise out of, or be related in any way to the special event authorized under this request. Such insurance shall be primary, and shall contain not less than \$1,000,000 combined single bodily injury and property damage liability coverage.

As a further condition to, and in consideration of the issuance of this requested special event permit, the applicant and any associated private property owner hereby agrees to comply with Title II of the Americans with Disabilities Act (ADA) which requires that no qualified individual with a disability shall, by reason of such disability, be excluded from participation in or be denied the benefits of the services, programs or activities of the applicant, or be subject to discrimination by the applicant.

IN WITNESS WHEREOF THIS APPLICATION FOR A SPECIAL EVENT PERMIT HAS BEEN DULY SIGNED THIS _____ OF _____, 20 _____.

Applicants Printed Name _____ Signature _____

Private Property Owner Printed Name* _____ Signature _____

*By signing this document, I acknowledge that I am the rightful owner of the property the special event is taking place upon and agree to the conditions stated above and the applicant's representation of the subject special event.

SPECIAL EVENT PERMIT

APPLICATION REQUIREMENTS



A document outlining the process and procedures for Special Event Permits.



TOWN OF CAREFREE
PLANNING AND ZONING DEPARTMENT

2010

SPECIAL EVENT PERMIT

APPLICATION REQUIREMENTS

Article III., Section 3.09 of the Carefree Zoning Ordinance

Special Event Permits

- (1) The Zoning Administrator shall hear applications for and may grant Special Event Permits for a period of time not to exceed sixty (60) days for special events such as circuses, Christmas tree lots, revivals, horse shows, rodeos, charity events, and other short term events. Temporary construction offices and sales offices for new subdivisions shall be granted for a length of time specified by the Zoning Administrator.
- (2) The Special Event Permit may be issued if a finding that the use covered by the permit, or the manner of conducting the same is not detrimental to:
 - (A) Persons residing or working in the vicinity,
 - (B) Adjacent property,
 - (C) The surrounding neighborhood, or
 - (D) The public welfare in general.
- (3) Factors which may be reviewed include but are not limited to:
 - (A) Emitting odor, dust, gas, noise, smoke, heat, or glare beyond any boundary of the lot on which the use is being conducted.
 - (B) Causing a significant increase in traffic congestion.
 - (C) Constituting a threat to public health or safety.
 - (D) Causing or contributing to disturbances or breaches of the public peace and order.
- (4) A Special Event Permit may be revoked by the Zoning Administrator upon a finding that there is material noncompliance with any condition prescribed in conjunction with the issuance of the permit, or that the use covered by the permit or the manner of conducting the same:
 - (A) Is detrimental to persons residing or working in the vicinity, adjacent property, the neighborhood, or the public welfare in general.
 - (B) Is in violation of any provision of this Ordinance or any law of the Town of Carefree or, if applicable, any law of Maricopa County, the State of Arizona, or the United States.
 - (C) The revocation of a Special Event Permit shall become final immediately.

SPECIAL EVENT PERMIT

APPLICATION FORM (must be fully completed & signed)

Applicant (Organization conducting the event): CAREFREE CLASSIC WHEELS & WINGS

Contact Person: LES HARDIE

Office Telephone Number: 818.326.6403

Telephone After Office Hours: SAME

Please describe the request:
CONE OFF PORTIONS OF CAVE CREEK
RD. ADJACENT TO SKYRANCH A/P FOR PUBLIC
PARKING- TO FACILITATE PUBLIC ATTENDANCE
AT CAR AND AIRPLANE SHOW AT SKYRANCH
ON 2 APRIL 2022

Type of Organization conducting the event:

Charitable

Civic

Fraternal

Political

Religious

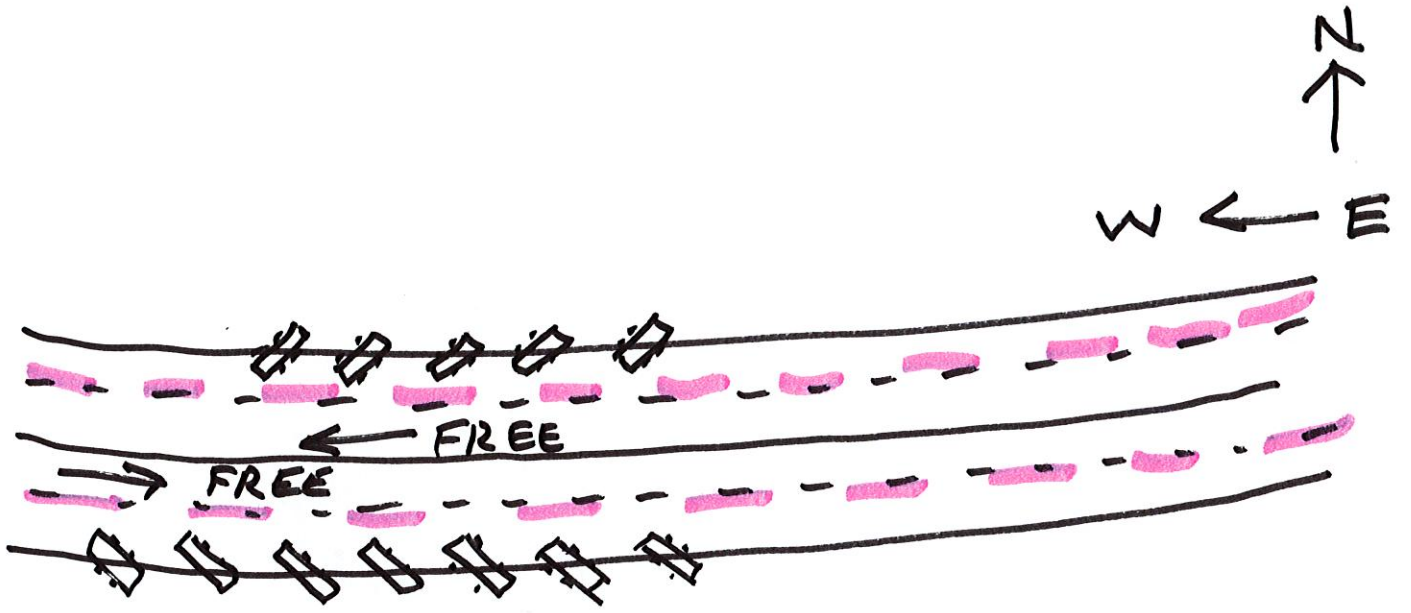
Other VOLUNTEER GROUP OF

If this is a charitable organization, list all people or organizations who will receive proceeds. Please account for 100% of the proceeds. INTERESTED PDL.

Name Address Proceeds

Date(s) of the Event Day(s) Hours of the Event

2 APRIL 2022 1 9-3



— — — = CONES



CERTIFICATE OF INSURANCE

This is to certify to: Town of Carefree
PO Box 740
Carefree, AZ 85377
That: The SkyRanch Aircraft Storage Condominium Association et al
P.O. Box 3162
Carefree, AZ 85377
Insurance Company: Pending
Tentative Effective Date: 04/02/2022 TO 04/03/2022
Policy Number: Pending
Coverage/Location: Airport Commercial General Liability for 60th Anniversary Airport Event on 4/2/22

DESCRIPTIVE SCHEDULE OF COVERAGE

Table with 2 columns: COVERAGE and LIMIT. Rows include Bodily Injury & Property Damage Including Malpractice (\$2,000,000), Personal Injury and Advertising Injury (\$2,000,000), Premises Liability (\$2,000,000), and Medical Payments (\$5,000 Each Person, \$30,000 Each Occurrence).

This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policy listed herein. Notwithstanding any requirement, term or condition of any contract or other document, with respect to which this certificate of insurance may be issued or may pertain, the insurance afforded by the policy described herein is subject to all terms, exclusions and conditions of such policies.

Certificate Holder: Town of Carefree to be included as an Additional Insured.

Additional Agreement: Solely with respect to the agreement between the Named Insured and the Certificate Holder shown in this Certificate of Insurance, WHO IS AN INSURED is amended by endorsement to include as an insured person or organization the Certificate Holder shown in this Certificate of Insurance as an insured, but only with respect to liability to which the insurance provided under the above Policy applies that is caused, in whole or in part, by the Named Insured's acts or omissions or the acts or omissions of those acting on the Named Insured's behalf in the performance of the Named Insured's "airport operations".

We agree that in the event of cancellation of the policy(ies), we will endeavor to give the party to whom this certificate is issued 30 days advance notice of such cancellation, but shall not be liable in any way for failure to give such notice.

By [Signature] date: October 27, 2021