

**CITY OF HOLBROOK, ARIZONA**

Annual Financial Statements  
and  
Independent Auditor's Report  
June 30, 2024



INDEPENDENT AUDITOR’S REPORT .....	1
Required Supplementary Information – Management’s Discussion and Analysis .....	5
Government–wide Statements	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Statements	
Governmental Funds	
Balance Sheet.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities.....	18
Proprietary Funds	
Statement of Net Position .....	19
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	20
Statement of Cash Flows .....	21
Notes to Financial Statements .....	23
Required Supplementary Information	
Budgetary Comparison Schedules .....	51
Notes to Budgetary Comparison Schedules.....	54
Schedule of the City’s Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans .....	55
Schedule of Changes in the City’s Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans .....	57
Schedule of City Pension/OPEB Contributions.....	59
Notes to Pension/OPEB Plan Schedules.....	62
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	65
Schedule of Findings and Responses.....	67



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Holbrook, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Holbrook, Arizona as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Holbrook, Arizona'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, and each major fund of the City of Holbrook, Arizona, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Holbrook, 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 City of Holbrook, Arizona's ability to continue as a going concern for twelve months 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 City of Holbrook, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Holbrook, Arizona's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans, Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios – Agent Plans, and the Schedule of City Pension/OPEB Contributions as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

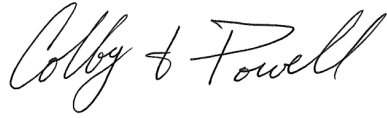
### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, on our consideration of the City of Holbrook, 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 City of Holbrook, 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 the City of Holbrook, Arizona's internal control over financial reporting and compliance.

### ***Compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies***

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Auditor General of the State of Arizona,) the City Council, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Colby & Powell".

February 24, 2025

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

As management of the City of Holbrook (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total governmental fund balances of \$11,000,008, an increase of \$2,750,817.
- Total General Fund revenues exceeded total General Fund expenditures by \$2,903,688.
- Fair market value of the City's investments as of June 30, 2024 was \$7,530,280.
- The City is debt free except for net pension liabilities and is working towards paying those liabilities down.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The four components of the financial statements are: (1) government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements. (4) Required supplementary information including this Management's Discussion and Analysis, budgetary comparison schedules, and pension and OPEB schedules.

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in them. Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the City's roads to accurately assess the overall health of the City.



**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

The Statement of Net Position and the Statement of Activities, present information about the following:

- Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, state revenue sharing, intergovernmental revenues and charges for services finance most of these activities.
- Business-type activities – The City charges a fee to customers to cover most of the cost of the services provided.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the basic financial statements.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$20.1 million as of June 30, 2024 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer, and sanitation operations in enterprise funds which are shown as business-type activities.

**Condensed Statement of Net Position**

	Governmental activities		Business-type activities		Combined Total	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Current and other assets	\$ 11,527,042	\$ 8,659,415	\$ 857,700	\$ 583,789	\$ 12,384,742	\$ 9,243,204
Capital assets	9,851,363	10,307,253	5,780,933	5,847,457	15,632,296	16,154,710
Total assets	21,378,405	18,966,668	6,638,633	6,431,246	28,017,038	25,397,914
Deferred outflows of resources	816,558	1,592,331	68,500	89,640	885,058	1,681,971
Current liabilities	418,219	324,666	343,735	1,142,317	761,954	1,466,983
Non-current liabilities	7,141,197	7,759,031	559,730	642,646	7,700,927	8,401,677
Total liabilities	7,559,416	8,083,697	903,465	1,784,963	8,462,881	9,868,660
Deferred inflows of resources	257,694	243,306	106,630	100,897	364,324	344,203
Net position:						
Net investment in capital assets	9,851,363	10,307,253	5,780,933	5,847,457	15,632,296	16,154,710
Restricted	1,469,109	1,023,556	1,001,057	7,057	2,470,166	1,030,613
Unrestricted	3,057,381	901,187	(1,084,952)	(1,219,488)	1,972,429	(318,301)
Total net position	\$ 14,377,853	\$ 12,231,996	\$ 5,697,038	\$ 4,635,026	\$ 20,074,891	\$ 16,867,022

**Governmental Activities**

The cost of all governmental activities this year was \$6.5 million. As shown on the Statement of Activities, \$292,483 of this cost was paid for by those who directly benefited from the programs; \$986,746 was subsidized by grants and other contributions received for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services was \$1.3 million. General taxes, state revenue sharing and investment earnings totaled \$7.4 million.

The City's programs include: general government, public safety, public works and streets, parks and recreation, and welfare. Each program's net cost (total cost less revenues generated by the activities) is presented. The net cost shows the extent to which the City's general taxes support each of the City's programs.

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

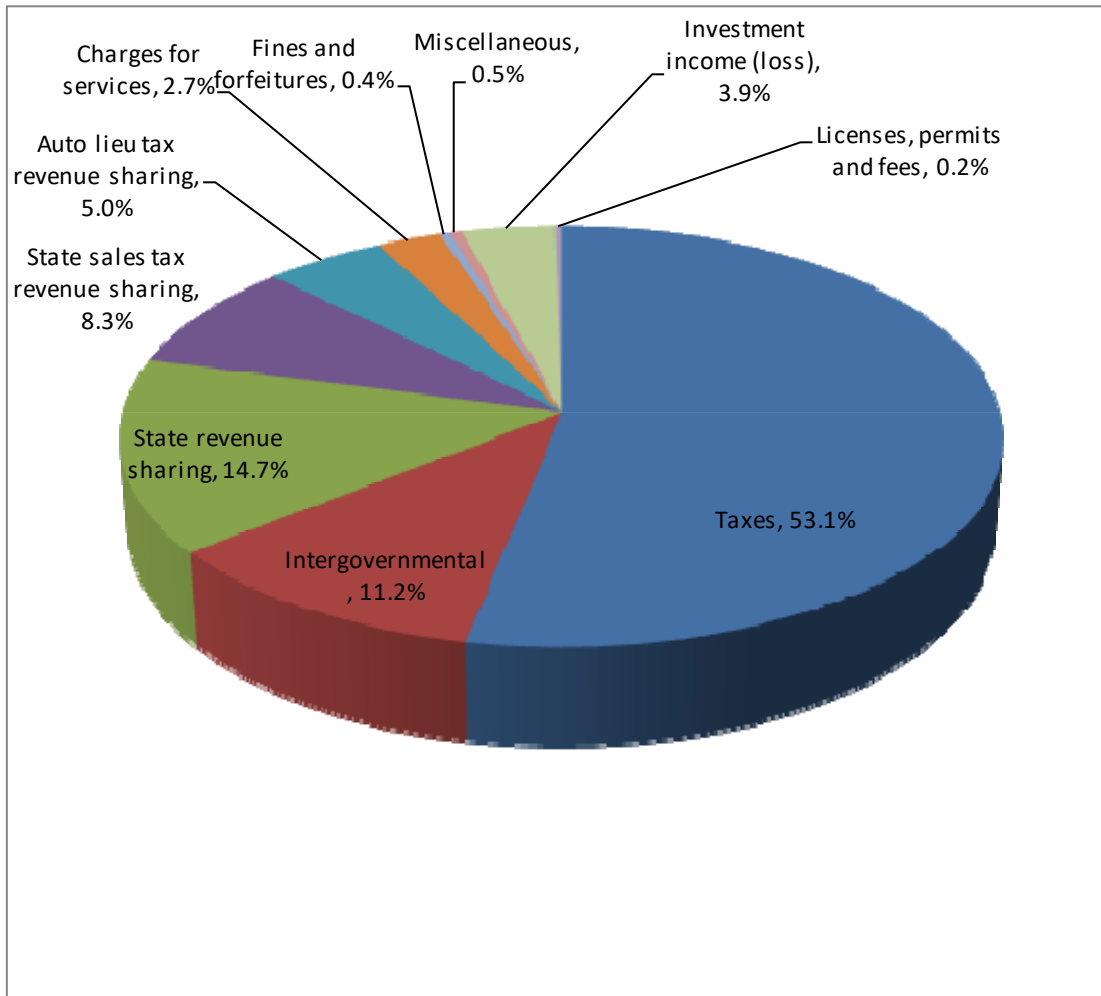
**Condensed Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/24</u>	<u>6/30/23</u>
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 292,483	\$ 254,116	\$ 2,492,477	\$ 2,174,014	\$ 2,784,960	\$ 2,428,130
Operating grants and contributions	981,906	1,707,748	675,500	-	1,657,406	1,707,748
Capital grants and contributions	4,840	4,019	327,787	99,692	332,627	103,711
General revenues						
Local taxes	4,660,539	4,739,520	-	-	4,660,539	4,739,520
State-shared revenues	2,456,691	2,059,838	-	-	2,456,691	2,059,838
Investment income (loss)	339,440	36,867	-	-	339,440	36,867
Miscellaneous	51,833	50,752	-	-	51,833	50,752
<b>Total revenues</b>	<u>8,787,732</u>	<u>8,852,860</u>	<u>3,495,764</u>	<u>2,273,706</u>	<u>12,283,496</u>	<u>11,126,566</u>
<b>Expenses</b>						
General government	963,452	928,287	-	-	963,452	928,287
Public safety	2,923,095	2,441,715	-	-	2,923,095	2,441,715
Public works and streets	1,285,462	1,224,762	-	-	1,285,462	1,224,762
Parks and recreation	1,282,669	1,224,071	-	-	1,282,669	1,224,071
Welfare	61,435	90,571	-	-	61,435	90,571
Utilities	-	-	2,559,514	2,535,787	2,559,514	2,535,787
<b>Total expenses</b>	<u>6,516,113</u>	<u>5,909,406</u>	<u>2,559,514</u>	<u>2,535,787</u>	<u>9,075,627</u>	<u>8,445,193</u>
<b>Change in net position</b>	<u>2,145,857</u>	<u>2,943,454</u>	<u>1,062,012</u>	<u>(262,081)</u>	<u>3,207,869</u>	<u>2,681,373</u>
Net position, beginning of year	<u>12,231,996</u>	<u>9,288,542</u>	<u>4,635,026</u>	<u>4,897,107</u>	<u>16,867,022</u>	<u>14,185,649</u>
<b>Net position, end of year</b>	<u>\$ 14,377,853</u>	<u>\$ 12,231,996</u>	<u>\$ 5,697,038</u>	<u>\$ 4,635,026</u>	<u>\$ 20,074,891</u>	<u>\$ 16,867,022</u>

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

The following shows revenues by source for all governmental activities:

**Revenues by Source – Governmental Activities**



**Business-type Activities**

Net position of the business-type activities at June 30, 2024, as reflected in the Statement of Net Position was \$5.7 million. The cost of providing all business-type activities this year was \$2.6 million. As shown in the Statement of Activities, the amounts paid by users of the system were \$2.5 million. Net position increased by \$1.1 million.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**Governmental funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11.0 million, an increase of \$2.8 million in comparison with the prior year. \$8.5 million of the ending fund balance constitutes unassigned fund balance, which is available for new spending at the government's discretion. \$64,151 of the ending fund balance is currently unspendable because they are not in spendable form such as fund balance associated with inventories and prepaids. \$1.2 million of the fund balance is restricted meaning it can only be used for highways and streets or to pay for court enhancement.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$8.5 million. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance and unassigned fund balance represents 173.9% and 171.4% respectively of total General Fund expenditures. During the year, the City's General Fund balance increased by \$2.9 million.

The Highway User Revenue Fund has a total fund balance of \$1.2 million. The net increase in the fund balance during the current year was \$195,983.

**Proprietary funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements as the business-type activities, but in more detail. Total net position of the proprietary funds was \$5.7 million consisting of \$5.8 million net investment in capital assets, \$1.0 million of restricted net position, and \$(1.1 million) deficit in unrestricted net position.

### **Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

The General Fund's revenues of \$7,860,025 were more than budgeted revenues of \$7,293,223 by \$566,802 and the General Fund's expenditures of \$4,966,709 were less than budgeted expenditures of \$8,246,119 by \$3,279,410.

HURF Revenues of \$867,084 were less than budgeted revenues of \$890,578 by \$23,494 and expenditures of \$671,101 were less than budgeted expenditures of \$1,692,485 by \$1,021,384.

**City of Holbrook, Arizona**  
**Management's Discussion and Analysis**  
**June 30, 2024**

Grant Revenues of \$50,251 were less than budgeted revenues of \$2,950,199 by \$2,899,948 and expenditures of \$273,343 were less than budgeted expenditures of \$3,348,699 by \$3,075,356.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2024, net capital assets of the government activities totaled \$9.9 million and the net capital assets of the business-type activities totaled \$5.8 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the government-wide financial statements.

**Debt**

At year-end, the City had \$7.3 million recorded in the governmental activities of which \$7.1 million is related to a net pension liability. The City had \$605,065 in the business-type activities of which \$544,619 is related to a net pension liability. The governmental activities debt is mainly comprised of net pension liability which management has little control over. During the current fiscal year, the City's total debt decreased by \$689,566.

**NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the City's budget for fiscal year 2024/2025, the City Council and management budgeted an overall increase as inflation is driving up costs. The council budgeted an across-the-board 3.6% COLA increase to payroll and had to adjust payroll schedules due to the State-mandated minimum wage increase. Most City improvements will be made through grants initiated in FY24.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, City of Holbrook, Post Office Box 970, Holbrook, Arizona 86025.

**FINANCIAL SECTION**

**City of Holbrook, Arizona**  
**Statement of Net Position**  
**June 30, 2024**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,352,708	\$ 445,921	\$ 10,798,629
Cash and cash equivalents, restricted	-	111,663	111,663
Taxes receivable	28,529	-	28,529
Due from other governments	757,491	-	757,491
Receivables, net	-	236,245	236,245
Prepaid expenses	18,784	-	18,784
Inventory	45,367	45,940	91,307
Interactivity balances	76,272	(76,272)	-
Net pension and other postemployment benefits asset	247,891	17,931	265,822
Capital assets, not being depreciated	1,094,820	377,968	1,472,788
Capital assets, being depreciated, net	8,756,543	5,402,965	14,159,508
<b>Total assets</b>	<b>21,378,405</b>	<b>6,562,361</b>	<b>27,940,766</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and other postemployment benefits	816,558	68,500	885,058
<b>LIABILITIES</b>			
Accounts payable	164,405	94,088	258,493
Accrued expenses	114,738	16,377	131,115
Customer deposits	-	111,663	111,663
Noncurrent liabilities			
Due within 1 year	139,076	45,335	184,411
Due in more than 1 year	7,141,197	559,730	7,700,927
<b>Total liabilities</b>	<b>7,559,416</b>	<b>827,193</b>	<b>8,386,609</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and other postemployment benefits	257,694	106,630	364,324
<b>NET POSITION</b>			
Net investment in capital assets	9,851,363	5,780,933	15,632,296
Restricted for:			
Highways and streets	1,158,339	-	1,158,339
Court enhancement	62,879	-	62,879
Other postemployment benefits	247,891	17,931	265,822
Water preservation	-	877,890	877,890
Capital improvements	-	105,236	105,236
Unrestricted (deficit)	3,057,381	(1,084,952)	1,972,429
<b>Total net position</b>	<b>\$ 14,377,853</b>	<b>\$ 5,697,038</b>	<b>\$ 20,074,891</b>

*See accompanying notes to financial statements.*



**City of Holbrook, Arizona**  
**Statement of Activities**  
**Year Ended June 30, 2024**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities							
General government	\$ 963,452	\$ 20,830	\$ 25,000	\$ 2,215	\$ (915,407)	\$ -	\$ (915,407)
Public safety	2,923,095	60,274	29,788	-	(2,833,033)	-	(2,833,033)
Public works and streets	1,285,462	45,231	917,118	2,625	(320,488)	-	(320,488)
Parks and recreation	1,282,669	166,148	10,000	-	(1,106,521)	-	(1,106,521)
Welfare	61,435	-	-	-	(61,435)	-	(61,435)
<b>Total governmental activities</b>	<b>6,516,113</b>	<b>292,483</b>	<b>981,906</b>	<b>4,840</b>	<b>(5,236,884)</b>	<b>-</b>	<b>(5,236,884)</b>
Business-type activities							
Sanitation	561,754	663,569	-	-	-	101,815	101,815
Sewer	854,091	772,658	-	45,460	-	(35,973)	(35,973)
Water	1,143,669	1,056,250	675,500	282,327	-	870,408	870,408
<b>Total business-type activities</b>	<b>2,559,514</b>	<b>2,492,477</b>	<b>675,500</b>	<b>327,787</b>	<b>-</b>	<b>936,250</b>	<b>936,250</b>
<b>Total primary government</b>	<b>\$ 9,075,627</b>	<b>\$ 2,784,960</b>	<b>\$ 1,657,406</b>	<b>\$ 332,627</b>	<b>(5,236,884)</b>	<b>936,250</b>	<b>(4,300,634)</b>
<b>General revenue:</b>							
Taxes							
Sales taxes					4,449,061	-	4,449,061
Property taxes					102,509	-	102,509
Franchise taxes					108,969	-	108,969
State sales tax revenue sharing					732,273	-	732,273
Auto lieu tax revenue sharing					438,149	-	438,149
State revenue sharing					1,286,269	-	1,286,269
Investment income (loss)					339,440	-	339,440
Miscellaneous					41,461	-	41,461
Gain on disposal of capital assets					10,372	-	10,372
<b>Transfers:</b>					(125,762)	125,762	-
Total general revenues and transfers					7,382,741	125,762	7,508,503
Change in net position					2,145,857	1,062,012	3,207,869
Net position, beginning of year					12,231,996	4,635,026	16,867,022
Net position, end of year					\$ 14,377,853	\$ 5,697,038	\$ 20,074,891

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,042,793	\$ 1,109,873	\$ 1,200,042	\$10,352,708
Taxes receivable	28,529	-	-	28,529
Due from other governments	663,844	88,807	4,840	757,491
Inventory	45,367	-	-	45,367
Prepaid expenses	18,784	-	-	18,784
Due from other funds	76,272	-	-	76,272
<b>Total assets</b>	<u>8,875,589</u>	<u>1,198,680</u>	<u>1,204,882</u>	<u>11,279,151</u>
<b>LIABILITIES</b>				
Accounts payable	132,715	30,990	700	164,405
Accrued expenses	104,957	9,351	430	114,738
<b>Total liabilities</b>	<u>237,672</u>	<u>40,341</u>	<u>1,130</u>	<u>279,143</u>
<b>FUND BALANCES</b>				
Unspendable	64,151	-	-	64,151
Restricted for:				
Highways and streets	-	1,158,339	-	1,158,339
Court enhancement	62,879	-	-	62,879
Assigned, Capital improvements	-	-	1,203,752	1,203,752
Unassigned	8,510,887	-	-	8,510,887
<b>Total fund balances</b>	<u>8,637,917</u>	<u>1,158,339</u>	<u>1,203,752</u>	<u>11,000,008</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 8,875,589</u>	<u>\$ 1,198,680</u>	<u>\$ 1,204,882</u>	<u>\$11,279,151</u>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2024**

Fund balances-total governmental funds	\$ 11,000,008
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,851,363
Net pension assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	247,891
Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(7,280,273)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>558,864</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 14,377,853</u></u></b>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2024**

	General Fund	HURF Fund	Grants Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,660,540	\$ -	\$ -	\$ 4,660,540
Intergovernmental	2,526,104	867,084	50,251	3,443,439
Investment income (loss)	339,440	-	-	339,440
Charges for services	233,525	-	-	233,525
Other revenue	41,459	-	-	41,459
Fines and forfeitures	38,127	-	-	38,127
Licenses, permits and fees	20,830	-	-	20,830
<b>Total revenues</b>	<u>7,860,025</u>	<u>867,084</u>	<u>50,251</u>	<u>8,777,360</u>
<b>Expenditures</b>				
Current				
General government	684,278	-	2,434	686,712
Public safety	2,529,367	-	-	2,529,367
Public works and streets	367,115	622,444	-	989,559
Parks and recreation	1,234,096	-	6,668	1,240,764
Welfare	64,054	-	-	64,054
Capital outlay	87,799	48,657	264,241	400,697
<b>Total expenditures</b>	<u>4,966,709</u>	<u>671,101</u>	<u>273,343</u>	<u>5,911,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,893,316</u>	<u>195,983</u>	<u>(223,092)</u>	<u>2,866,207</u>
<b>Other financing sources (uses)</b>				
Sale of assets	10,372	-	-	10,372
Transfers	-	-	(125,762)	(125,762)
<b>Total other financing sources (uses)</b>	<u>10,372</u>	<u>-</u>	<u>(125,762)</u>	<u>(115,390)</u>
<b>Net change in fund balances</b>	<u>2,903,688</u>	<u>195,983</u>	<u>(348,854)</u>	<u>2,750,817</u>
Fund balances, beginning of year	<u>5,734,229</u>	<u>962,356</u>	<u>1,552,606</u>	<u>8,249,191</u>
<b>Fund balances, end of year</b>	<u><u>\$ 8,637,917</u></u>	<u><u>\$ 1,158,339</u></u>	<u><u>\$ 1,203,752</u></u>	<u><u>\$11,000,008</u></u>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2024**

Net change in fund balances-total governmental funds	\$	2,750,817
--	----	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	400,697		
Depreciation expense	(856,587)		
			(455,890)

City pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

City pension/OPEB contributions	684,518		
Pension/OPEB expense	(834,669)		
			(150,151)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Decrease in compensated absences		1,081

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>2,145,857</b>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2024**

	Business-type Activities--Enterprise Funds			
	Sanitation Fund	Sewer Fund	Water Fund	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 48,574	\$ 397,347	\$ -	\$ 445,921
Cash and cash equivalents, restricted	-	-	111,663	111,663
Accounts receivable, net	52,631	71,362	112,252	236,245
Inventory	-	22,970	22,970	45,940
<b>Total current assets</b>	<u>101,205</u>	<u>491,679</u>	<u>246,885</u>	<u>839,769</u>
<b>Noncurrent assets</b>				
Net pension and other postemployment benefits asset	4,184	5,379	8,368	17,931
Capital assets, net of accumulated depreciation, where applicable	248,814	3,667,193	1,864,926	5,780,933
<b>Total noncurrent assets</b>	<u>252,998</u>	<u>3,672,572</u>	<u>1,873,294</u>	<u>5,798,864</u>
<b>Total assets</b>	<u>354,203</u>	<u>4,164,251</u>	<u>2,120,179</u>	<u>6,638,633</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions and other postemployment benefits	15,983	20,550	31,967	68,500
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	30,841	27,146	36,101	94,088
Accrued expenses	3,700	6,721	5,956	16,377
Current portion of compensated absences	7,529	22,644	15,162	45,335
Customer deposits	-	-	111,663	111,663
<b>Total current liabilities</b>	<u>42,070</u>	<u>56,511</u>	<u>168,882</u>	<u>267,463</u>
<b>Noncurrent liabilities</b>				
Due to other funds	-	-	76,272	76,272
Compensated absences, net of current portion	2,509	7,548	5,054	15,111
Net pension liability and other postemployment benefits	127,078	163,385	254,156	544,619
<b>Total noncurrent liabilities</b>	<u>129,587</u>	<u>170,933</u>	<u>335,482</u>	<u>636,002</u>
<b>Total liabilities</b>	<u>171,657</u>	<u>227,444</u>	<u>504,364</u>	<u>903,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions and other postemployment benefits	24,880	31,989	49,761	106,630
<b>NET POSITION</b>				
Net investment in capital assets	248,814	3,667,193	1,864,926	5,780,933
Restricted for other postemployment benefits	4,184	5,379	8,368	17,931
Restricted for water preservation	-	-	877,890	877,890
Restricted for capital improvements	-	45,275	59,961	105,236
Unrestricted (deficit)	(79,349)	207,521	(1,213,124)	(1,084,952)
<b>Total net position</b>	<u>\$ 173,649</u>	<u>\$ 3,925,368</u>	<u>\$ 1,598,021</u>	<u>\$ 5,697,038</u>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Years Ended June 30, 2024**

	Business-type Activities--Enterprise Funds			
	Sanitation Fund	Sewer Fund	Water Fund	Total
<b>Operating revenues</b>				
Charges for services	\$ 631,421	\$ 769,141	\$ 976,751	\$ 2,377,313
Miscellaneous	32,148	3,517	79,499	115,164
<b>Total operating revenues</b>	<u>663,569</u>	<u>772,658</u>	<u>1,056,250</u>	<u>2,492,477</u>
<b>Operating expenses</b>				
Personnel	151,566	190,089	298,696	640,351
Service, supplies and other	398,049	365,027	623,756	1,386,832
Depreciation	12,139	298,975	221,217	532,331
<b>Total operating expenses</b>	<u>561,754</u>	<u>854,091</u>	<u>1,143,669</u>	<u>2,559,514</u>
<b>Operating income (loss)</b>	<u>101,815</u>	<u>(81,433)</u>	<u>(87,419)</u>	<u>(67,037)</u>
<b>Nonoperating revenues (expenses)</b>				
Nonoperating grant	-	-	675,500	675,500
<b>Income (loss) before contributions, gains, losses, and transfers</b>	101,815	(81,433)	588,081	608,463
Capital contributions	-	45,460	282,327	327,787
Transfers	-	-	125,762	125,762
<b>Increase (decrease) in net position</b>	101,815	(35,973)	996,170	1,062,012
Total net position, beginning of year	<u>71,834</u>	<u>3,961,341</u>	<u>601,851</u>	<u>4,635,026</u>
<b>Total net position, end of year</b>	<u><u>\$ 173,649</u></u>	<u><u>\$ 3,925,368</u></u>	<u><u>\$ 1,598,021</u></u>	<u><u>\$ 5,697,038</u></u>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Years Ended June 30, 2024**

	Business-type Activities--Enterprise Funds			
	Sanitation Fund	Sewer Fund	Water Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 660,519	\$ 772,365	\$ 1,041,018	\$ 2,473,902
Payments to suppliers and providers of goods and services	(373,917)	(359,416)	(662,948)	(1,396,281)
Payments to employees	(161,668)	(197,426)	(322,140)	(681,234)
<b>Net cash provided by (used for) operating activities</b>	<u>124,934</u>	<u>215,523</u>	<u>55,930</u>	<u>396,387</u>
<b>Cash flows from noncapital financing activities:</b>				
Advances (Repayments) to/from other funds	(76,360)	-	(720,874)	(797,234)
Proceeds from nonoperating grants	-	-	675,500	675,500
Net transfers (to) from other funds	-	-	125,762	125,762
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>(76,360)</u>	<u>-</u>	<u>80,388</u>	<u>4,028</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from capital contributions	-	45,460	282,327	327,787
Purchase of capital assets	-	(43,233)	(422,573)	(465,806)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>-</u>	<u>2,227</u>	<u>(140,246)</u>	<u>(138,019)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>48,574</u>	<u>217,750</u>	<u>(3,928)</u>	<u>262,396</u>
Cash and cash equivalents, beginning of year	-	179,597	115,591	295,188
<b>Cash and cash equivalents, end of year</b>	<u>\$ 48,574</u>	<u>\$ 397,347</u>	<u>\$ 111,663</u>	<u>\$ 557,584</u>
Cash and cash equivalents	\$ 48,574	\$ 397,347	\$ -	\$ 445,921
Cash and cash equivalents, restricted	-	-	111,663	111,663
<b>Cash and cash equivalents, end of year</b>	<u>\$ 48,574</u>	<u>\$ 397,347</u>	<u>\$ 111,663</u>	<u>\$ 557,584</u>

*See accompanying notes to financial statements.*



**City of Holbrook, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Years Ended June 30, 2024**  
*(Continued)*

	Business-type Activities--Enterprise Funds			
	Sanitation Fund	Sewer Fund	Water Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 101,815	\$ (81,433)	\$ (87,419)	\$ (67,037)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	12,139	298,975	221,217	532,331
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(3,050)	(293)	(11,304)	(14,647)
Net pension and other postemployment benefits asset	731	940	1,461	3,132
Deferred outflows of resources related to pensions and other postemployment benefits	4,933	6,342	9,865	21,140
Accounts payable	24,132	5,611	(39,192)	(9,449)
Accrued expenses	455	1,170	(1,592)	33
Customer deposits	-	-	(3,928)	(3,928)
Compensated absences payable	2,722	8,566	4,705	15,993
Net pension and other postemployment benefits liability	(20,280)	(26,075)	(40,559)	(86,914)
Deferred inflows of resources related to pensions and other postemployment benefits	1,337	1,720	2,676	5,733
<b>Net cash provided (used) by operating activities</b>	<u>\$ 124,934</u>	<u>\$ 215,523</u>	<u>\$ 55,930</u>	<u>\$ 396,387</u>

*See accompanying notes to financial statements.*

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The City's accounting policies of the City of Holbrook, Arizona, conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

**A. Reporting Entity**

The City is a general-purpose local government that is governed by a separately elected city council. The accompanying financial statements present the activities of the City (the primary government). The City has no component units.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the City as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements – provide information about the primary government (the City). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government. They also distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements – provide information about the City’s funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. For the year ended June 30, 2024 the City has elected to report all of their funds as major funds.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund’s principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The City reports the following major governmental funds:

The ***General Fund*** is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund (HURF) which is legally restricted to expenditures for specified purposes, namely road construction and maintenance.

The ***Grants Fund*** accounts for federal and state grant programs.

The City reports the following major enterprise funds:

The ***Sanitation, Sewer, and Water Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the City Council is that the costs (expenses, including depreciation) of providing water, sewer, and trash collection to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the City Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**C. Basis of Accounting**

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease agreements are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The City applies grant resources to such programs before using general revenues.

**D. Cash and Investments**

For the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the City. The amount recorded as an allowance for uncollectible receivables at June 30, 2024, for the Sanitation, Sewer, and Water Funds was \$24,000, \$17,800, and \$140,200, respectively.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**F. Property Tax Calendar**

Property taxes are billed and collected through Navajo County. The City levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

During the year, the City also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property assessed attaches on the first day of January preceding assessment and levy.

**G. Inventories**

Inventories of the proprietary fund are recorded as assets when purchased and expensed when consumed. These inventories are state at cost using the first-in, first-out method.

**H. Capital Assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	n/a	n/a
Infrastructure	5,000	Straight-line	25-50
Buildings	5,000	Straight-line	25-50
Utility systems	5,000	Straight-line	25-50
Land Improvements	5,000	Straight-line	15-20
Equipment	5,000	Straight-line	5-15
Vehicles	5,000	Straight-line	5-10
Furniture and fixtures	5,000	Straight-line	5-15

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**I. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**J. Compensated Absences**

Compensated absences payable consists of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees can carry forward an unlimited amount of sick leave hours. Except for those employees who were hired prior to August 13, 2009, all sick leave hours accrued are forfeited upon termination. All those hired prior to August 13, 2009 are considered grandfathered and are paid for one third of the accumulated balance upon retirement. Accordingly, this portion of the sick leave benefits is accrued as a liability in the financial statements.

**K. Deferred Outflows/Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**L. Fund Balance Reporting**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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.

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the City Council has approved, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has authorized the City manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use (the City will use) restricted fund balance first. It is the City's policy to use (the City will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**M. Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2024, if any.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 2 – DEPOSITS AND INVESTMENTS***

Arizona Revised Statutes (A.R.S.) authorize the City to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the City Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk*

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk*

Statutes do not include any requirements for concentration of credit risk.

*Interest rate risk*

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk*

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The City's investment policy states that the City will conform with Arizona Revised Statutes.



**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

*Restricted cash* – Restricted cash in the Water Fund consists of \$111,663 reserved for refundable customer deposits.

*Deposits* – At June 30, 2024, the carrying amount of the City’s total nonpooled cash in bank was \$3,379,612 and the bank balance was \$3,487,137. The entire bank balance was covered by federal depository insurance or pledged collateral held by the City’s agent not in the City’s name.

*Investments* – At June 30, 2024, the investments consisted of the City’s investment in the State Treasurer’s investment pool. The reported amount of \$7,530,280 approximates fair value. The investment rating of the State treasurer’s investment pool is “unrated”.

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the City held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, deposits, and investments:	
Cash on hand	\$ 400
Amount of deposits	3,379,612
Amount of investments	<u>7,530,280</u>
Total cash, deposits, and investments	10,910,292
Cash and cash equivalents, restricted	<u>(111,663)</u>
Total cash and cash equivalents	<u><u>\$ 10,798,629</u></u>

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Amounts due at June 30, 2024 from other governments in the Governmental Funds consisted of the following:

Description	General Fund	HURF Fund	Grants Fund	Total
<u>State of Arizona:</u>				
City sales tax	\$ 624,868	\$ -	\$ -	\$ 624,868
Highway user revenue	-	88,807	-	88,807
State sales tax	22,775	-	-	22,775
Vehicle license tax	16,162	-	-	16,162
Grants	-	-	4,840	4,840
<u>Navajo County - Property tax</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>39</u>
	<u>\$ 663,844</u>	<u>\$ 88,807</u>	<u>\$ 4,840</u>	<u>\$ 757,491</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024, was as follows:

**Governmental activities**

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 914,945	\$ -	\$ -	\$ 914,945
Construction in progress	179,875	-	-	179,875
<b>Total capital assets not being depreciated</b>	<b>1,094,820</b>	<b>-</b>	<b>-</b>	<b>1,094,820</b>
Capital assets being depreciated:				
Buildings	6,505,792	23,691	-	6,529,483
Furniture, equipment and vehicles	4,623,017	57,973	(73,001)	4,607,989
Infrastructure - roads	5,403,598	81,068	-	5,484,666
Runway and taxiway	4,543,162	-	-	4,543,162
Improvements - other	276,212	237,965	-	514,177
<b>Total</b>	<b>21,351,781</b>	<b>400,697</b>	<b>(73,001)</b>	<b>21,679,477</b>
Less accumulated depreciation for:				
Buildings	(4,269,341)	(150,438)	-	(4,419,779)
Furniture, equipment and vehicles	(3,328,781)	(245,623)	73,001	(3,501,403)
Infrastructure - roads	(2,908,122)	(221,527)	-	(3,129,649)
Runway and taxiway	(1,551,570)	(216,469)	-	(1,768,039)
Improvements - other	(81,534)	(22,530)	-	(104,064)
<b>Total</b>	<b>(12,139,348)</b>	<b>(856,587)</b>	<b>73,001</b>	<b>(12,922,934)</b>
<b>Total capital assets being depreciated, net</b>	<b>9,212,433</b>	<b>(455,890)</b>	<b>-</b>	<b>8,756,543</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 10,307,253</b>	<b>\$ (455,890)</b>	<b>\$ -</b>	<b>\$ 9,851,363</b>

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 4 – CAPITAL ASSETS – Continued**

**Business-type activities**

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets not being depreciated:				
Construction in progress	\$ 282,822	\$ -	\$ -	\$ 282,822
Land and water rights	-	95,146		95,146
<b>Total capital assets not being depreciated</b>	<u>282,822</u>	<u>95,146</u>	<u>-</u>	<u>377,968</u>
Capital assets being depreciated:				
Utility systems	31,471,608	347,543	-	31,819,151
Furniture, equipment and vehicles	1,812,769	23,118	-	1,835,887
<b>Total</b>	<u>33,284,377</u>	<u>370,661</u>	<u>-</u>	<u>33,655,038</u>
Less accumulated depreciation for:				
Utility systems	(26,409,343)	(456,820)	-	(26,866,163)
Furniture, equipment and vehicles	(1,310,399)	(75,511)	-	(1,385,910)
<b>Total</b>	<u>(27,719,742)</u>	<u>(532,331)</u>	<u>-</u>	<u>(28,252,073)</u>
<b>Total capital assets being depreciated, net</b>	<u>5,564,635</u>	<u>(161,670)</u>	<u>-</u>	<u>5,402,965</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 5,847,457</u></u>	<u><u>\$ (66,524)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,780,933</u></u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 303,530
Public safety	127,000
Public works and streets	333,123
Parks and recreation	<u>92,934</u>
<b>Total governmental activities depreciation expense</b>	<u><u>\$ 856,587</u></u>
Business-type activities:	
Sanitation	\$ 12,139
Sewer	298,975
Water	<u>221,217</u>
<b>Total business-type activities depreciation expense</b>	<u><u>\$ 532,331</u></u>

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 5 – LONG-TERM LIABILITIES***

The following schedule details the City’s long-term liability activity for the year ended June 30, 2024.

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within 1 year
Governmental activities:					
Compensated absences	\$ 186,516	\$ -	\$ (1,081)	\$ 185,435	\$ 139,076
Net pension and other postemployment benefits liability	7,712,402	-	(617,564)	7,094,838	-
Governmental activities long-term liabilities	<u>\$ 7,898,918</u>	<u>\$ -</u>	<u>\$ (618,645)</u>	<u>\$ 7,280,273</u>	<u>\$ 139,076</u>
Business-type activities:					
Compensated absences	\$ 44,453	\$ 15,993	\$ -	\$ 60,446	\$ 45,335
Net pension and other postemployment benefits liability	631,533	-	(86,914)	544,619	-
Business-type activities long-term liabilities	<u>\$ 675,986</u>	<u>\$ 15,993</u>	<u>\$ (86,914)</u>	<u>\$ 605,065</u>	<u>\$ 45,335</u>

***NOTE 6 – RISK MANAGEMENT***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

***NOTE 7 – CONTINGENCIES***

The City is involved with various matters of litigation from year to year. It is the opinion of City officials that these cases will either be handled by the City’s insurance coverage or that they will not have a material effect on the City’s financial condition.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 8 – INTERFUND BALANCES AND ACTIVITY***

Interfund balances – During the course of normal operations, the City’s General Fund has loaned the Water Fund resources to fund ongoing operations. Balances are not expected to be repaid within one year.

Interfund transfers – During the year ending June 30, 2024, the Grants Fund transferred \$125,762 to the Water Fund to pay for capital asset additions paid for with American Rescue Plan Act (ARPA) funds.

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS***

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). The plans are component units of the State of Arizona.

At June 30, 2024, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net OPEB assets	\$ 247,891	\$ 17,931	\$ 265,822
Net pension and OPEB liabilities	7,094,838	544,619	7,639,457
Deferred outflows of resources related to pension and OPEB	816,558	68,500	885,058
Deferred inflows of resources related to pension and OPEB	257,694	106,630	364,324
Pension and OPEB expense	834,669	(1,542)	833,127

The City reported \$684,518 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**A. Arizona State Retirement System**

**Plan Description** – City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date:	
	Before July 1, 2011	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	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 earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

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

**Contributions** – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 percent for retirement and 0.05 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024, were \$174,620, \$1,597, and \$2,177, respectively.

During fiscal year 2024, the City paid for ASRS pension and OPEB contributions as follows: 57.00 percent from the General Fund, 13.00 percent from the HURF Fund, 7.00 percent from the Sanitation Fund, 9.00 percent from the Sewer Fund, and 14.00 percent from the Water Fund.

**Liability** - At June 30, 2024, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	<b>Net Pension/OPEB</b>
	<b>(Asset) Liability</b>
Pension	\$ 1,813,940
Health insurance premium benefit	(59,770)
Long-term disability	1,458

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. The City's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

	<b>Proportion June 30, 2023</b>	<b>Increase (decrease) from June 30, 2022</b>
Pension	0.01121%	-0.00168%
Health insurance premium benefit	0.01107%	-0.00151%
Long-term disability	0.01113%	-0.00161%

**Expense** – For the year ended June 30, 2024, the City recognized the following pension and OPEB expense.

	<b>Pension/OPEB Expense</b>
Pension	(367)
Health insurance premium benefit	(5,921)
Long-term disability	1,147



**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Deferred Outflows/Inflows of Resources**—At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 40,988	\$ -	\$ 2,522	\$ 22,290
Changes of assumptions or other inputs	-	-	-	1,189
Net difference between projected and actual earnings on plan investments	-	64,179	-	2,625
Changes in proportion and differences between City contributions and proportionate share of contributions	-	260,593	4,730	-
City contributions subsequent to the measurement date	174,620	-	1,597	-
<b>Total</b>	<b>\$ 215,608</b>	<b>\$ 324,772</b>	<b>\$ 8,849</b>	<b>\$ 26,104</b>
	<b>Long-Term Disability</b>			
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	\$ 1,317	\$ 821		
Changes of assumptions or other inputs	385	2,123		
Net difference between projected and actual earnings on plan investments	-	117		
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,500		
City contributions subsequent to the measurement date	2,177	-		
<b>Total</b>	<b>\$ 3,879</b>	<b>\$ 4,561</b>		

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2025	\$ (193,968)	\$ (8,761)	(424)
2026	(151,007)	(9,754)	(663)
2027	69,166	(224)	(202)
2028	(7,975)	(497)	(624)
2029	-	384	(581)
Thereafter	-	-	(365)

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

**ASRS**

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
Public equity	44%	3.50%
Credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10%	6.70%
Interest rate sensitive	6%	1.50%
Total	<u>100%</u>	

**Discount Rate** – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Sensitivity of the City’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** – The following table presents the City’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what the City’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
<b>City's Proportionate share of the</b>			
Net pension liability	\$ 2,717,016	\$ 1,813,940	\$ 1,060,935
Net insurance premium benefit liability (asset)	(41,777)	(59,770)	(75,060)
Net long-term disability liability	2,133	1,458	795

**Plan Fiduciary Net Position** – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System**

**Plan Descriptions** – City police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City’s financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided** – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
<b>Benefit percentage</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**Employees Covered by Benefit Terms** – At June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	19	19
Inactive employees entitled to but not yet receiving benefits	2	-
Active employees	3	3
Total	24	22

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>Active Member- Pension</b>	<b>City-Pension</b>	<b>City-Health Insurance Premium Benefit</b>
PSPRS Police (Tiers 1 & 2)	7.65%	110.56%	0.00%
PSPRS Police (Tier 3)	9.56%	98.10%	0.12%

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The City's contributions to the plans for the year ended June 30, 2024, were:

	<u><b>Pension</b></u>	<u><b>Health Insurance Premium Benefit</b></u>
PSPRS Police	\$ 591,874	\$ -

During fiscal year 2024, the City paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2024, the City reported the following assets and liabilities:

	<u><b>Net Pension (Asset) Liability</b></u>	<u><b>Net OPEB (Asset) Liability</b></u>
PSPRS Police	\$ 5,824,059	\$ (206,052)

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

**PSPRS**

Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0 - 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

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

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
U.S. public equity	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	100%	

**Discount Rates** – At June 30, 2024, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.



**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**Changes in the Net Pension/OPEB Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liab (Asset) (a)-(b)</b>
Balances at June 30, 2023	\$ 10,616,647	\$ 4,377,823	\$ 6,238,824
Changes for the year			
Service Cost	90,518	-	90,518
Interest on the total liability	745,548	-	745,548
Differences between expected and actual experience in the measurement of the liability	359,139	-	359,139
Contributions-employer	-	1,213,362	(1,213,362)
Contributions-employee	-	23,135	(23,135)
Net investment income	-	378,612	(378,612)
Benefit payments, including refunds of employee contributions	(704,652)	(704,652)	-
Administrative expense	-	(5,139)	5,139
Net changes	490,553	905,318	(414,765)
Balances at June 30, 2024	\$ 11,107,200	\$ 5,283,141	\$ 5,824,059

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB</b>	<b>Plan Fiduciary Net</b>	<b>Net OPEB (Asset)</b>
	<b>Liability (a)</b>	<b>Position (b)</b>	<b>Liability (a) - (b)</b>
Balances at June 30, 2023	\$ 84,003	\$ 260,302	\$ (176,299)
Changes for the year			
Service Cost	1,470	-	1,470
Interest on the total liability	5,977	-	5,977
Differences between expected and actual experience in the measurement of the liability	(17,775)	-	(17,775)
Net investment income	-	19,708	(19,708)
Benefit payments, including refunds of employee contributions	(4,923)	(4,923)	-
Administrative expense	-	(283)	283
Net changes	(15,251)	14,502	(29,753)
Balances at June 30, 2024	\$ 68,752	\$ 274,804	\$ (206,052)

**Sensitivity of the City's Net Pension/OPEB Liability to Changes in the Discount Rate** – The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.2 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.2%)</b>	<b>Rate (7.2%)</b>	<b>(8.2%)</b>
PSPRS Police			
Net pension (asset) liability	\$ 7,192,324	\$ 5,824,059	\$ 4,703,022
Net OPEB (asset) liability	(197,972)	(206,052)	(212,798)

**Plan Fiduciary Net Position** – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

	<u>Pension Expense</u>	<u>OPEB Expense (Income)</u>
PSPRS Police	\$ 858,406	\$ (20,138)

**Deferred Outflows/Inflows of Resources** – At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 8,888
Net difference between projected and actual earnings on plan investments	62,399	-	2,450	-
City contributions subsequent to the measurement date	<u>591,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 654,273</u>	<u>\$ -</u>	<u>\$ 2,450</u>	<u>\$ 8,888</u>

**City of Holbrook, Arizona**  
**Notes to Financial Statements**  
**June 30, 2024**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Year ended June 30,		
2025	\$ 6,272	\$ (9,160)
2026	(23,201)	(2,977)
2027	88,217	5,930
2028	(8,889)	(231)
2029	-	-
Thereafter	-	-

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Taxes	\$ 4,421,057	\$ 4,421,057	\$ 4,660,540	\$ 239,483
Intergovernmental	2,543,580	2,543,580	2,526,104	(17,476)
Investment income	30,000	30,000	339,440	309,440
Charges for services	212,416	212,416	233,525	21,109
Other revenue	37,170	37,170	41,459	4,289
Fines and forfeitures	19,000	19,000	38,127	19,127
Licenses, permits and fees	30,000	30,000	20,830	(9,170)
<b>Total revenues</b>	<u>7,293,223</u>	<u>7,293,223</u>	<u>7,860,025</u>	<u>566,802</u>
<b>Expenditures</b>				
City Council	45,322	45,322	57,013	(11,691)
Administration	846,952	846,952	635,330	211,622
Lodgers	531,000	531,000	195,532	335,468
Library	315,903	315,903	314,592	1,311
Parks	527,268	527,268	434,534	92,734
Golf Course	353,157	353,157	306,637	46,520
Animal Control	130,312	130,312	142,196	(11,884)
Police	2,920,358	2,920,358	2,013,595	906,763
Fire	1,420,749	1,420,749	140,917	1,279,832
Facilities	226,381	226,381	120,356	106,025
Fleet	181,369	181,369	202,924	(21,555)
Airport	177,301	177,301	82,694	94,607
Magistrate	206,517	206,517	246,348	(39,831)
Senior Center	93,948	93,948	74,041	19,907
Contingency	181,892	181,892	-	181,892
Impound	27,737	27,737	-	27,737
JCEF	40,683	40,683	-	40,683
Fill the GAP	19,270	19,270	-	19,270
<b>Total expenditures</b>	<u>8,246,119</u>	<u>8,246,119</u>	<u>4,966,709</u>	<u>3,279,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(952,896)</u>	<u>(952,896)</u>	<u>2,893,316</u>	<u>3,846,212</u>
<b>Other financing sources (uses)</b>				
Sale of assets	<u>-</u>	<u>-</u>	<u>10,372</u>	<u>10,372</u>
<b>Net change in fund balances</b>	<u>(952,896)</u>	<u>(952,896)</u>	<u>2,903,688</u>	<u>3,856,584</u>
Fund balances, beginning of year	<u>5,734,229</u>	<u>5,734,229</u>	<u>5,734,229</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 4,781,333</u>	<u>\$ 4,781,333</u>	<u>\$ 8,637,917</u>	<u>\$ 3,856,584</u>

*See accompanying notes to budgetary comparison schedule.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 890,578	\$ 890,578	\$ 867,084	\$ (23,494)
<b>Expenditures</b>				
Public works and streets	1,692,485	1,692,485	671,101	1,021,384
<b>Net change in fund balances</b>	(801,907)	(801,907)	195,983	997,890
Fund balances, beginning of year	962,356	962,356	962,356	-
<b>Fund balances, end of year</b>	<u>\$ 160,449</u>	<u>\$ 160,449</u>	<u>\$ 1,158,339</u>	<u>\$ 997,890</u>

*See accompanying notes to budgetary comparison schedule.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 2,950,199	\$ 2,950,199	\$ 50,251	\$ (2,899,948)
<b>Expenditures</b>				
Grants	3,348,699	3,348,699	273,343	3,075,356
Excess (deficiency) of revenues over (under) expenditures	(398,500)	(398,500)	(223,092)	175,408
<b>Other financing sources (uses)</b>				
Transfers	-	-	(125,762)	(125,762)
<b>Net change in fund balances</b>	(398,500)	(398,500)	(348,854)	49,646
Fund balances, beginning of year	1,552,606	1,552,606	1,552,606	-
<b>Fund balances, end of year</b>	<u>\$ 1,154,106</u>	<u>\$ 1,154,106</u>	<u>\$ 1,203,752</u>	<u>\$ 49,646</u>

*See accompanying notes to budgetary comparison schedule.*



**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2024**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

A.R.S. requires the City to prepare and adopt a balanced budget annually for each governmental fund. The City Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the City Council's approval. With the exception of the general fund, each fund includes only one department.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

The City's budget is prepared on a basis consistent with generally accepted accounting principles.

***NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS***

For the year ended June 30, 2024, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the City Council, Animal Control, Fleet, and Magistrate departments.

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2024**

**ASRS-Pension**

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
City's proportion of the net pension liability	0.011210%	0.012890%	0.014770%	0.015720%	0.016030%	0.015580%	0.015980%	0.018600%	0.018330%	0.018808%
City's proportionate share of the net pension liability	\$ 1,813,940	\$ 2,103,934	\$ 1,940,712	\$ 2,723,729	\$ 2,332,552	\$ 2,172,862	\$ 2,489,373	\$ 3,002,227	\$ 2,854,998	\$ 2,782,938
City's covered payroll	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,659,203	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	\$ 1,693,548	\$ 1,688,200	\$ 1,695,402
City's proportionate share of the net pension liability as a percentage of its covered payroll	128.45%	143.95%	123.27%	164.16%	140.58%	140.34%	159.75%	177.27%	169.11%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year (Measurement Date)							2017 through 2015
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
City's proportion of the net OPEB (asset)	0.011070%	0.012580%	0.014310%	0.015070%	0.015350%	0.015600%	0.016000%	Information
City's proportionate share of the net OPEB (asset)	\$ (59,770)	\$ (70,209)	\$ (69,719)	\$ (10,670)	\$ (4,242)	\$ (5,617)	\$ (8,710)	not available
City's covered payroll	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,659,203	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.23%	-4.80%	-4.43%	-0.64%	-0.26%	-0.36%	-0.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2024**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
City's proportion of the net OPEB (asset)	0.011130%	0.012740%	0.014550%	0.015210%	0.015560%	0.015600%	0.015930%	Information not available
City's proportionate share of the net OPEB (asset)	\$ 1,458	\$ 1,177	\$ 3,003	\$ 11,538	\$ 10,136	\$ 8,151	\$ 5,774	
City's covered payroll	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,659,203	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.10%	0.08%	0.19%	0.70%	0.61%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of Changes in the City's**  
**Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2024**

**PSPRS-Pension**

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability										
Service cost	\$ 90,518	\$ 107,220	\$ 85,133	\$ 86,340	\$ 61,199	\$ 63,838	\$ 123,374	\$ 123,831	\$ 108,893	\$ 128,316
Interest on the total pension liability	745,548	742,330	730,093	727,508	683,571	662,886	629,152	627,072	591,008	458,327
Changes of benefit terms	-	-	-	-	-	-	104,775	(33,893)	-	219,150
Differences between expected and actual experience in the measurement of the pension liability	359,139	(141,191)	56,433	(13,680)	335,292	107,072	(27,208)	(159,324)	251,187	302,968
Changes of assumptions or other inputs	-	191,163	-	-	312,730	-	285,779	324,762	-	1,073,926
Benefit payments, including refunds of employee contributions	(704,652)	(689,116)	(763,131)	(763,966)	(615,063)	(552,031)	(481,711)	(481,711)	(516,581)	(448,947)
Net change in total pension liability	490,553	210,406	108,528	36,202	777,729	281,765	634,161	400,737	434,507	1,733,740
Total pension liability - beginning	10,616,647	10,406,241	10,297,713	10,261,511	9,483,782	9,202,017	8,567,856	8,167,119	7,732,612	5,998,872
Total pension liability - ending (a)	<u>\$ 11,107,200</u>	<u>\$ 10,616,647</u>	<u>\$ 10,406,241</u>	<u>\$ 10,297,713</u>	<u>\$ 10,261,511</u>	<u>\$ 9,483,782</u>	<u>\$ 9,202,017</u>	<u>\$ 8,567,856</u>	<u>\$ 8,167,119</u>	<u>\$ 7,732,612</u>
Plan fiduciary net position										
Contributions - employer	\$ 1,213,362	\$ 1,294,370	\$ 1,327,860	\$ 890,892	\$ 519,733	\$ 503,731	\$ 456,574	\$ 495,281	\$ 307,328	\$ 281,536
Contributions - employee	23,135	26,059	27,781	53,963	22,989	59,150	79,281	83,917	74,656	68,611
Net investment income	378,612	(176,027)	766,238	31,478	122,764	155,482	236,484	11,026	64,270	230,716
Benefit payments, including refunds of employee contributions	(704,652)	(689,116)	(763,131)	(763,966)	(615,063)	(552,031)	(481,711)	(481,711)	(516,581)	(448,947)
Hall/Parker Settlement	-	-	-	-	-	(86,985)	-	-	-	-
Administrative expense	(5,139)	(3,173)	(3,587)	(2,567)	(3,122)	(3,066)	(2,492)	(1,988)	(1,927)	-
Other changes	-	-	-	-	12,693	(25,794)	23	137,607	(36,229)	(144,423)
Net change in plan fiduciary net position	905,318	452,113	1,355,161	209,800	59,994	50,487	288,159	244,132	(108,483)	(12,507)
Plan fiduciary net position - beginning	4,377,823	3,925,710	2,570,549	2,370,996	2,311,029	2,260,542	1,972,383	1,728,251	1,836,734	1,849,241
Administrative expense	-	-	-	(10,247)	(27)	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 5,283,141</u>	<u>\$ 4,377,823</u>	<u>\$ 3,925,710</u>	<u>\$ 2,570,549</u>	<u>\$ 2,370,996</u>	<u>\$ 2,311,029</u>	<u>\$ 2,260,542</u>	<u>\$ 1,972,383</u>	<u>\$ 1,728,251</u>	<u>\$ 1,836,734</u>
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 5,824,059</u>	<u>\$ 6,238,824</u>	<u>\$ 6,480,531</u>	<u>\$ 7,727,164</u>	<u>\$ 7,890,515</u>	<u>\$ 7,172,753</u>	<u>\$ 6,941,475</u>	<u>\$ 6,595,473</u>	<u>\$ 6,438,868</u>	<u>\$ 5,895,878</u>
Plan fiduciary net position as a percentage of the total pension liability	47.57%	41.24%	37.72%	24.96%	23.11%	24.37%	24.57%	23.02%	21.16%	23.75%
Covered payroll	\$ 664,437	\$ 684,599	\$ 676,272	\$ 623,967	\$ 606,305	\$ 332,835	\$ 565,676	\$ 671,533	\$ 697,600	\$ 612,402
City's net pension (asset) liability as a percentage of covered payroll	876.54%	911.31%	958.27%	1238.39%	1301.41%	2155.05%	1227.11%	982.15%	923.00%	962.75%

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of Changes in the City's**  
**Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2024**

**PSPRS-OPEB**

	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
Total OPEB liability								
Service cost	\$ 1,470	\$ 2,116	\$ 1,816	\$ 2,211	\$ 999	\$ 1,198	\$ 2,715	Information
Interest on the total OPEB liability	5,977	4,959	6,495	9,136	8,300	13,358	12,245	not available
Changes of benefit terms	-	-	-	-	-	-	-	
Differences between expected and actual experience in the measurement of the OPEB liability	(17,775)	12,722	(23,631)	(38,083)	8,100	(74,177)	15,691	
Changes of assumptions or other inputs	-	975	-	-	974	-	(4,167)	
Benefit payments	(4,923)	(5,156)	(6,900)	(7,800)	(8,798)	(9,454)	(7,487)	
Net change in total OPEB liability	(15,251)	15,616	(22,220)	(34,536)	9,575	(69,075)	18,997	
Total OPEB liability - beginning	84,003	68,387	90,607	125,143	115,568	184,643	165,646	
Total OPEB liability - ending (a)	<u>\$ 68,752</u>	<u>\$ 84,003</u>	<u>\$ 68,387</u>	<u>\$ 90,607</u>	<u>\$ 125,143</u>	<u>\$ 115,568</u>	<u>\$ 184,643</u>	
Plan fiduciary net position								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27)	\$ -	
Net investment income	19,708	(10,820)	60,556	2,844	11,974	15,064	23,626	
Benefit payments	(4,923)	(5,156)	(6,900)	(7,800)	(8,808)	(9,454)	(7,487)	
Administrative expense	(283)	(193)	(249)	(231)	(180)	(229)	(209)	
Net change in plan fiduciary net position	14,502	(16,169)	53,407	(5,187)	2,986	5,354	15,930	
Plan fiduciary net position - beginning	260,302	276,471	223,064	228,251	225,265	219,911	203,981	
Plan fiduciary net position - ending (b)	<u>\$ 274,804</u>	<u>\$ 260,302</u>	<u>\$ 276,471</u>	<u>\$ 223,064</u>	<u>\$ 228,251</u>	<u>\$ 225,265</u>	<u>\$ 219,911</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (206,052)</u>	<u>\$ (176,299)</u>	<u>\$ (208,084)</u>	<u>\$ (132,457)</u>	<u>\$ (103,108)</u>	<u>\$ (109,697)</u>	<u>\$ (35,268)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	399.70%	309.87%	404.27%	246.19%	182.39%	194.92%	119.10%	
Covered payroll	\$ 664,437	\$ 684,599	\$ 676,272	\$ 623,967	\$ 606,305	\$ 332,835	\$ 565,676	
City's net OPEB (asset) liability as a percentage of covered payroll	-31.01%	-25.75%	-30.77%	-21.23%	-17.01%	-32.96%	-6.23%	

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of City Pension/OPEB Contributions**  
**June 30, 2024**

**ASRS-Pension**

	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 174,620	\$ 174,448	\$ 184,284	\$ 193,389	\$ 196,675	\$ 189,038	\$ 168,768	\$ 167,986	\$ 183,750	\$ 183,845
City's contributions in relation to the statutorily required contribution	(174,620)	(174,448)	(184,284)	(193,389)	(196,675)	(189,038)	(168,768)	(167,986)	(183,750)	(183,845)
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,451,534	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,595,363	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	\$ 1,693,548	\$ 1,688,200
City's contributions as a percentage of covered payroll	12.03%	12.35%	12.61%	12.28%	12.33%	11.18%	10.90%	10.78%	10.85%	10.89%

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year								2016 through 2015
	2024	2023	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,597	\$ 1,552	\$ 3,069	\$ 6,122	\$ 7,880	\$ 7,267	\$ 6,694	\$ 8,616	Information not available
City's contributions in relation to the statutorily required contribution	(1,597)	(1,552)	(3,069)	(6,122)	(7,880)	(7,267)	(6,694)	(8,616)	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,451,534	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,595,363	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	
City's contributions as a percentage of covered payroll	0.11%	0.11%	0.21%	0.39%	0.49%	0.46%	0.43%	0.55%	

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of City Pension/OPEB Contributions**  
**June 30, 2024**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year								2016 through 2015
	2024	2023	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,177	\$ 2,014	\$ 2,854	\$ 2,906	\$ 2,788	\$ 2,585	\$ 2,475	\$ 2,166	Information not available
City's contributions in relation to the statutorily required contribution	(2,177)	(2,014)	(2,854)	(2,906)	(2,788)	(2,585)	(2,475)	(2,166)	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,451,534	\$ 1,412,121	\$ 1,461,579	\$ 1,574,322	\$ 1,595,363	\$ 1,659,203	\$ 1,548,330	\$ 1,558,312	
City's contributions as a percentage of covered payroll	0.15%	0.14%	0.20%	0.18%	0.17%	0.16%	0.16%	0.14%	

**PSPRS-Pension**

	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 591,874	\$ 649,906	\$ 694,370	\$ 777,219	\$ 890,892	\$ 519,733	\$ 503,731	\$ 456,574	\$ 495,281	\$ 307,328
City's contributions in relation to the actuarially determined contribution	(591,874)	(1,213,362)	(1,294,370)	(1,327,860)	(890,892)	(519,733)	(503,731)	(456,574)	(495,281)	(307,328)
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (563,456)</u>	<u>\$ (600,000)</u>	<u>\$ (550,641)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 573,047	\$ 664,437	\$ 684,599	\$ 676,272	\$ 623,967	\$ 606,305	\$ 332,835	\$ 565,676	\$ 671,533	\$ 697,600
City's contributions as a percentage of covered payroll	103.29%	97.81%	101.43%	114.93%	142.78%	85.72%	151.35%	80.71%	73.75%	44.06%

*See accompanying notes to pension/OPEB plan schedules.*

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Schedule of City Pension/OPEB Contributions**  
**June 30, 2024**

**PSPRS-OPEB**

	<b>Reporting Fiscal Year</b>								<b>2016 through 2015</b>
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
City's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 573,047</u>	<u>\$ 664,437</u>	<u>\$ 684,599</u>	<u>\$ 676,272</u>	<u>\$ 623,967</u>	<u>\$ 606,305</u>	<u>\$ 527,976</u>	<u>\$ 565,676</u>	
City's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

*See accompanying notes to pension/OPEB plan schedules.*



**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2024**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2022 actuarial	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.4%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25% for PSPRS. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

***NOTE 2 – FACTORS THAT AFFECT TRENDS***

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

**City of Holbrook, Arizona**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2024**

***NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued***

year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

**REPORTS AND SCHEDULES REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS**



1535 W. Harvard Avenue, Suite 101 • Gilbert, Arizona 85233

Tel: (480) 635-3200 • Fax: (480) 635-3201

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council  
City of Holbrook, 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, and each major fund of the City of Holbrook, Arizona, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Holbrook, Arizona's, basic financial statements, and have issued our report thereon dated February 24, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Holbrook, Arizona's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Holbrook, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Holbrook, Arizona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items **2024-001** and **2024-002** to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item **2024-003** to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Holbrook, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

## **City of Holbrook, Arizona's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Holbrook, Arizona's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Holbrook, Arizona's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.



February 24, 2025

**City of Holbrook, Arizona**  
**Schedule of Findings and Responses**  
**June 30, 2024**

**Financial Statement Findings**

***Item: 2024-001 (Repeat finding)***

*Subject:* Purchasing policy

*Condition:* During our audit it was noted that the City is not consistently following its approved purchasing policy by requiring all purchases to have an approved purchase order/requisition which has been signed by the Finance Director and/or the City Manager.

*Recommendation:* Management should follow approved purchasing policies and procedures. Purchase orders help a purchasing agent to manage incoming orders and pending orders. They also benefit the City by empowering department heads giving them control over department spending and budgeting.

*Response:* Management is currently in the process of updating the City's formal written accounting policies and procedures, in particular, procedures to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involved in repeatable accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, etc. It is anticipated that management will have this completed by the end of the current fiscal year.

***Item: 2024-002 (Repeat finding)***

*Subject:* Misstatements requiring audit adjustments

*Condition:* During our audit we noted misstatements that were not identified by the City's finance department which required us to propose adjusting journal entries.

*Recommendation:* We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

*Response:* The finance department will review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department will ensure that these areas are complete before each audit. The finance department will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

**City of Holbrook, Arizona**  
**Schedule of Findings and Responses**  
**June 30, 2024**

***Item: 2024-003 (Repeat finding)***

*Subject:* Formal written accounting policies and procedures

*Condition:* During our audit, it was noted that there are no written accounting policies and procedures.

*Recommendation:* We recommend that the City institute a program to methodically identify and document its significant accounting processes. Accounting processes, in particular, are procedure to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involved in repeatable accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, etc.

*Response:* Management is currently in the process of updating the City's formal written accounting policies and procedures, in particular, procedures to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involved in repeatable accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, etc. It is anticipated that management will have this completed by the end of the current fiscal year.