



# **Town of Fountain Hills, Arizona**



## **Annual Comprehensive Financial Report**

**For the Fiscal Year Ended June 30, 2023**

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**TOWN OF FOUNTAIN HILLS, ARIZONA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Issued by:  
Administration Department  
Finance Division

# TOWN OF FOUNTAIN HILLS, ARIZONA

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## **INTRODUCTORY SECTION**

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## TOWN OF FOUNTAIN HILLS

16705 E. Avenue of the Fountains, Fountain Hills, AZ 85268  
480.816.5100 | Fax: 480.837.3145

**November 8, 2023**

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Fountain Hills:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Town of Fountain Hills (Town) for the fiscal year ended June 30, 2023.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Fountain Hills's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Fountain Hills's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The Town of Fountain Hills overlooks the Verde River Valley and the east valley of the metro Phoenix area. The Town is a master planned community established in 1970 by McCulloch Properties (now MCO Properties, Inc.). Prior to 1970, the area was a cattle ranch and was part of one of the largest land and cattle holdings in Arizona. The land was purchased by Robert McCulloch in the late 1960s and the community designed by Charles Wood, Jr. (designer of Disneyland in southern California). The centerpiece of Fountain Hills is one of the world's tallest man-made fountains, a focal point that attracts thousands of visitors each year.

Located on 13,006 acres of land, Fountain Hills is surrounded by the McDowell Mountains and Scottsdale on the west, the Fort McDowell Yavapai Nation on the east, the Salt River Pima-Maricopa Indian Community on the south, and by the McDowell Mountain Regional Park on the north. The elevation is 1,520 feet at the fountain, 2,460 feet at the Adero Canyon Trailhead, and is approximately 500 feet above Phoenix.

Over the past thirty years, Fountain Hills has grown from 10,030 residents to a town of 23,785 in 2023. On June 5, 2006, the Town of Fountain Hills became twenty square miles and about ten percent larger by annexing 1,300 acres of State Trust Land. The process to annex the State Trust Land occurred over a two and one-half year period, and development of the land will occur in the years to come. Annexing this property into the Town ensures that its future development will be of the highest quality under Town standards.

The Town offers a wide range of living accommodations, from small condominium complexes to large custom homes. Fountain Hills also offers recreational and cultural programs and services that contribute to a high quality of life for its residents. The community consists of primarily residential property and open space; of the total 20.32 square miles of land, only 2.5% of the total is zoned commercial and/or industrial, 23.3% is preserved as open space and 51.0% is residential.



## The Town's Mission Statement

The Town of Fountain Hills' purpose is to serve the best interests of the community by:

- providing for the safety and well-being of its residents and visitors;
- respecting its special, small-town character and quality of life;
- providing superior public services;
- sustaining the public trust through open and responsive government;
- and maintaining the stewardship and preservation of its financial and natural resources.

*To serve, respect, and provide trust and stewardship.*

Fountain Hills Town Hall



The Town of Fountain Hills is an Arizona municipal corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town was incorporated on December 5, 1989, with the governmental and administrative affairs of the Town operating under the Council-Manager form of government. Legislative authority is vested in a seven member Town Council. The Mayor is a member of the Town Council who is directly elected by voters and chairs the Town Council meetings. The members of the Council are elected at large and serve four year overlapping terms. The Town Council is responsible for the adoption of local ordinances, budget adoption, appointment of residents to citizen advisory committees and hiring the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council and overall management of the Town through department directors and approximately 68 full-time equivalent (FTE) employees. The Presiding Judge, Town Attorney, and Town Prosecutor are under the direction of the Town Council.

The Town provides or administers a full range of services including public safety (law enforcement, fire and emergency medical services); development services (code enforcement, planning and zoning); public works (including construction and maintenance of streets and infrastructure); municipal court; recreational activities; community center; senior services and cultural events. The Town does not maintain utility or other operations that require the establishment of enterprise funds.



The financial reporting entity (the Town) includes all the funds of the primary government (i.e., the Town of Fountain Hills as legally defined) as well as all of its component units. The component units consist of legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Cottonwoods Maintenance District, the Eagle Mountain Community Facilities District and the Fountain Hills Municipal Property Corporation are included in the financial report of the Town.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Fountain Hills operates.

### **Internal Controls**

As earlier noted, the management of the Town of Fountain Hills, Arizona, is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding;

- 1) Safeguarding of assets against loss from unauthorized use or deposition, and
- 2) Reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes:

- 1) The cost of a control should not exceed the benefits likely to be derived, and
- 2) The valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the Town's financial statements. All internal control evaluations occur within the above framework. The Town's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

The budget process is a cyclical process and begins each year with the preparation of the base budget by each department head. Each budget is based on expenditures to date and the previous years' experience. The departments' base budgets, along with any requests for new positions, programs or services are reviewed by the Town Manager. The Town Manager then meets with department heads to review their base budgets and requests for new services and/or programs. Once management has reviewed the departments' requests, a tentative budget is presented to the Town Council by the Town Manager.

The Town Council formally adopts the budget and appropriates funding for the General Fund, Special Revenue Funds, Debt Service Funds, Internal Service Funds, Capital Projects Funds, and Proprietary Fund. Therefore, these funds have appropriated budgets, and budget to actual information is presented. In April/May, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing on July 1<sup>st</sup>. The budget includes proposed expenditures and the means of financing them. The Town Council is then required to hold public hearings on the proposed budget and to adopt a final budget by June 30, the close of the Town of Fountain Hills' fiscal year. Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local residents. The budget is legally enacted through passage of a resolution and is prepared by fund and department. The resolution sets the limit for expenditures during the fiscal year. The Town Manager may authorize transfers between departments; however, all inter-fund transfers are approved by Town Council. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article IX, Section 20.

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

To ensure compliance with the state imposed expenditure limitation, a uniform expenditure report must be filed with the state's Auditor General each year. This report reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the state's uniform expenditure reporting system (ARS Section 41-1279.07).

The appropriated budget is prepared by fund and department. Department heads may make transfers of non-personnel appropriations within their department. Transfers of appropriations between departments require Town Manager approval, and all inter-fund transfers require Town Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. Budget-to-actual comparisons for the General Fund, Streets Fund, and Grants Fund are presented in the Required Supplementary Information and all other funds are presented in Combining and Individual Fund Financial Statements and Schedules.

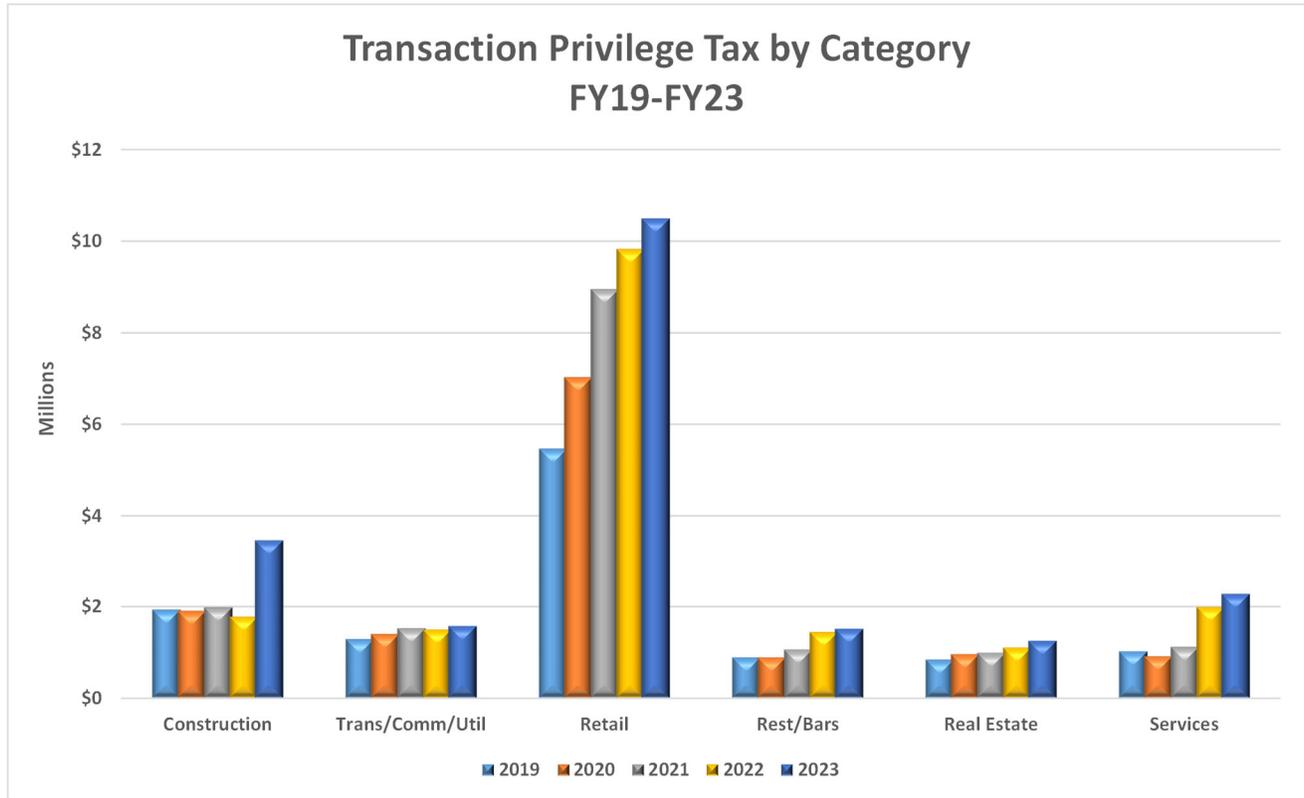
## **Local Economy**

The Town of Fountain Hills, Arizona, relies mostly on its Transaction Privilege Tax (Sales Tax) and Voter-Approved Local Revenue (State Shared Revenue) collections to fund nearly 90% of its General Fund (Operating) expenditures. During the past fiscal year, the Town's revenue collections from these sources exceeded the budgeted expectations.



Sales tax revenues continued to grow during the fiscal year, and state shared revenues were mostly in line with expectations, with a slight slowdown in state-wide fuel taxes. With the possibility of a recession in the coming fiscal year, the Town will be closely monitoring these revenue sources and make adjustments accordingly.

The following chart is a look at the past five years' local sales tax activity by category:



As shown in the chart, sales tax collections continue to show signs of moderate growth and relative stability across all categories. Retail sales, the largest category of sales tax revenue, experienced a 7% increase over the prior year. Restaurant/Bar and Services revenue exceeded pre-pandemic levels with an increase of 5% and 14%, respectively, compared to FY22. Construction sales tax, a one-time revenue source, is driven entirely by development activity in the community and increased substantially compared to the prior year. This was primarily due to the sale of a commercial development that was subject to speculative builder taxes. The Transportation/Communication/Utility category also increased slightly during the year.

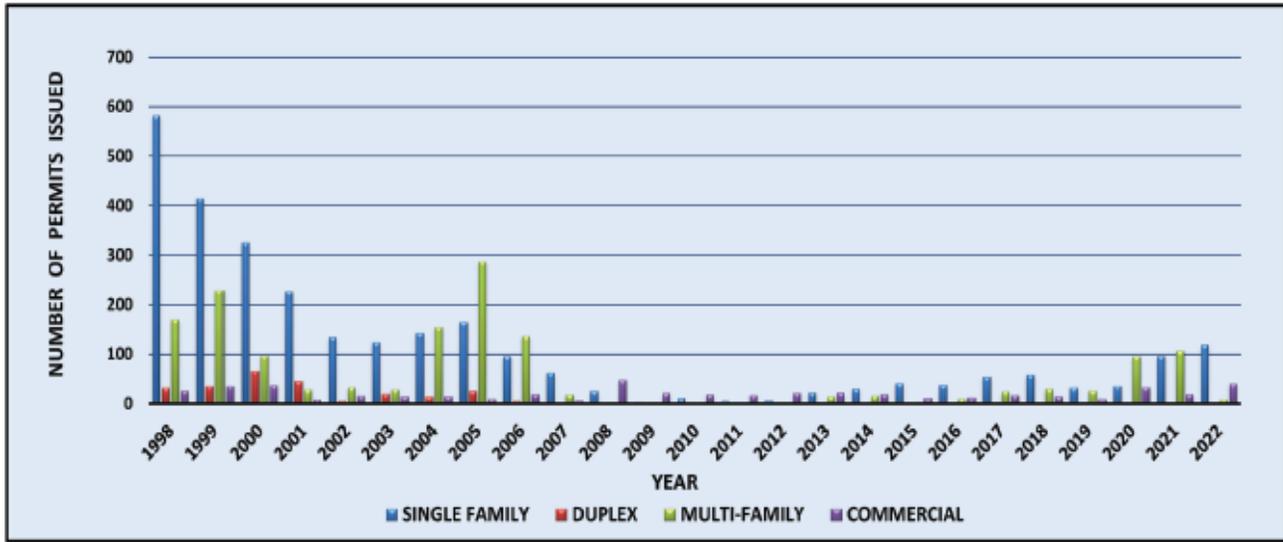
Construction activity provides revenue to the Town through sales taxes based on the value of the project, 50% of these proceeds are utilized for general operations and the other 50% for capital expenditures. Since this funding source is rarely enough to meet capital project needs, the Town must find additional funds to pay for necessary infrastructure projects.

State-shared revenues are derived as a proportionate share of state sales, income and vehicle license taxes which are distributed based on the Town's population compared to all other incorporated cities and towns in Arizona (currently 0.40%). State shared income tax revenue is based on personal and corporate earnings from two years ago. Revenue from this category increased by 42.7% in fiscal year 2022-23 due to delayed tax collections from COVID. State shared sales tax has increased over the past several years, and this year continued the trend by increasing revenue by 4.3% compared to the prior year.

Other local activity has remained fairly consistent during the period. The opportunity to further expand the retail tax base in Fountain Hills is limited by the lack of available commercial land – over 70% of the currently available commercial lots are already developed.

Development Activity

## TOWN-WIDE BUILDING PERMITS ISSUED



Year	Single Family	Duplex		Multi-Family		Total Dwelling Units	Commercial	Other
		Bldg.	Total Units	Bldg.	Total Units			
1998	582	17	32	36	170	784	26	995
1999	415	18	36	34	229	680	36	947
2000	326	33	66	23	97	489	37	892
2001	227	23	46	6	28	301	8	707
2002	135	3	6	4	33	174	16	622
2003	124	10	20	10	28	172	14	689
2004	143	7	14	64	154	311	14	664
2005	165	13	26	184	287	478	9	777
2006	95	3	6	102	137	238	19	745
2007	62	0	0	18	18	80	7	589
2008	25	1	2	2	2	29	48	489
2009	4	1	2	0	0	6	21	328
2010	11	0	0	0	0	11	18	366
2011	6	0	0	0	0	6	17	319
2012	7	0	0	0	0	7	21	106
2013	22	0	0	14	14	36	22	143
2014	30	0	0	16	16	46	19	194
2015	41	0	0	4	4	45	11	186
2016	38	0	0	10	10	48	12	238
2017	54	0	0	24	24	78	17	377
2018	58	0	0	30	30	88	14	454
2019	32	3	6	26	26	64	9	448
2020	36	2	4	95	95	135	33	434
2021	96	1	2	107	107	205	19	521
<b>2022</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>127</b>	<b>40</b>	<b>669</b>
<b>25 Year Total</b>	<b>2853</b>	<b>135</b>	<b>268</b>	<b>817</b>	<b>1517</b>	<b>4638</b>	<b>507</b>	<b>12899</b>
<b>25 Year Avg</b>	<b>114.1</b>	<b>5.4</b>	<b>10.7</b>	<b>32.7</b>	<b>60.7</b>	<b>185.5</b>	<b>20.3</b>	<b>516.0</b>

## **Economic Outlook**

**Retail Sales** – Not having a property tax, the Town of Fountain Hills relies heavily on transaction privilege taxes (TPT), sometimes called a sales tax. Overall, Town TPT revenues provide over 61% of the General Fund revenues. On November 1, 2019 the Town’s TPT rate went up 0.3% to the current rate of 2.9%. Hospitality-related collections are the most susceptible to changes in economic conditions. Construction TPT is also highly tied to the health of the economy and is equally divided between the General Fund and the Capital Projects Fund.

**State Shared Revenues** – The Town of Fountain Hills receives significant revenue allocations from the State. These Voter-Approved Local Revenues (VALR), or State shared revenues, include allocations of the state-collected income tax, sales tax, fuel tax and motor vehicle-in-lieu taxes. All but the fuel tax and the vehicle license tax are placed in the Town's General Fund, where it is used to sustain a large portion of the Town's day-to-day activities. Ultimately, each of these revenue sources will be negatively affected by inflation, as well as the Federal Reserve’s fight against it.

**Streets Fund (HURF)** – The Town receives a proportionate share of the fuel tax collected in Maricopa County. These revenues are placed in the Streets Fund to be used specifically for street maintenance and related activity. Although the state-shared revenue formula generally allocates revenues based on official census data, in recent years, the state legislature has reduced the formula distribution of state shared revenues to cities. The resulting loss must be replaced by the General Fund, which increases the pressure to maintain operations across the Town.

## **Long-term Financial Planning**

Fountain Hills’ Financial Policies are balanced on sound financial reserves and conservative revenue growth forecasts for the foreseeable future. However, potential for State legislative impacts to revenue-sharing, reductions in local revenues, and additional demands for essential Town services remain. The Town’s Financial Policies set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated.

The Town’s Financial Policies have helped weather the uncertainty encountered during the pandemic and the years that have followed. This policy continues to require the Town to retain an amount equal to 20% of the average actual General Fund revenues for the preceding five fiscal years as part of its General Fund balance. This amount is estimated to cover approximately 60 days of General Fund expenditures and is considered a “Rainy Day” fund.

Additionally, a reserve of 20% of the average actual General Fund revenues for the preceding five fiscal years will be maintained as Unassigned Fund Balance. This additional fund balance reserve will provide increased flexibility in the event of unanticipated decreases in revenue collection.

The Council also adopted Financial Policies that include guidelines for the issuance of debt for capital expenditures, community facility districts, financing alternatives, expenditure controls and financial planning. The policy was amended during FY 09-10 to reduce the allocation of the local construction sales tax to the Capital Projects Fund from 85% to 50%, reflecting the transition from one-time building activity to ongoing redevelopment activity. The debt policy was prepared with a preference for “pay-as-you-go” financing for capital spending. However, the policy does allow for bond financing of larger projects so that the cost can be equitably distributed among the Town’s current and future residents.

In 2020, the Strategic Planning Advisory Commission (SPAC) began the process of gathering public input to update the Strategic Plan’s vision, confirm residents’ values, and create a fresh structure for the Strategic Plan revision. However, the pandemic delayed this effort. Subsequently, *Strategic Plan 2022* was built upon the foundation of four Strategic Priorities, eleven Signature Strategies, and twenty-three Supporting Tasks. Based on citizen input, the Strategic Plan is designed to guide our future decisions grounded on these common priorities:

1. Targeted Collaborative Economic Development
2. Promote the Long-Term Financial Sustainability of Town Infrastructure, Environmental, and Social Resources
3. Continue to Improve the Public Health, Well-Being, and Safety of Our Town
4. Maintain Current Infrastructure While Preparing the Town for Emerging Trends that Increase Public Safety and Quality of Life

## **MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS**

The Town of Fountain Hills’ adopted budget for fiscal year 2022-23 reflected a cautious approach to the continued recovery from the pandemic and increasing inflation. Due to the uncertain economic conditions ahead, the Town approached revenue projections cautiously and kept expenditure levels low as well. At the start of FY22, the American Rescue Plan Act (ARPA) provided resources to local governments through the State of Arizona. These resources allowed the Town to save \$4.2M in the General Fund that would have otherwise been spent to pay for public safety contracts with Maricopa County Sheriff’s Office and Rural Metro. The same amount was received in FY23 and was used for the same purpose. This will result in a total of \$8.4M of General Fund savings over the two fiscal years.

As Pavement Management has been a priority for many years, Council decided that the General Fund savings discussed above should be used toward that purpose. As a result, \$4.2M was transferred to the Streets Fund in FY23 and another \$4.2M in FY24. Although these infusions will not resolve all of the pavement issues in Town, it will provide some relief while other options are researched and implemented.

### **For the Year**

The following list depicts the continued commitment of the Town of Fountain Hills to make the community a better place to live. Fiscal year 2022-23 goals attained are summarized within this list of accomplishments:

- Community Services awarded the Gold Medal for Excellence in Park and Recreation Management by the National Recreation and Park Association
- Recognized as a Dementia Friendly community, the 10th in Arizona
- Continued park improvements at Desert Vista Park, including renovation and expansion of the skate park and the addition of a pump track
- Over 5,400 meals provided through the Home Delivered Meal program
- Completed storm drain improvements throughout the Town
- Implemented “See, Click, Fix” portal on Town’s website to simplify resident reporting
- Secured grant funding from the Arizona Office of Tourism - Proposition 302
- Secured grant funding from Salt River Pima-Maricopa Indian Community - Proposition 202

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fountain Hills for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the twenty-seventh consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized ACFR. This report satisfied both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program's requirements, and we will be submitting it to the GFOA to determine its eligibility for the fiscal year ended 2023 Certificate.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2022. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the twentieth consecutive year that the Town has received the award.

### **Acknowledgments**

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the efficient and dedicated services of the entire Finance Division. I also wish to extend my appreciation to the Mayor and members of Town Council for their leadership and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner. Each employee of the Town has my sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Rachael Goodwin  
Town Manager

**TOWN OF FOUNTAIN HILLS, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2023**

**ELECTED OFFICIALS**

Ginny Dickey, Mayor

Peggy McMahon, Vice-Mayor

Gerry Friedel, Councilmember

Sharron Grzybowski, Councilmember

Brenda Kalivianakis, Councilmember

Allen Skillicorn, Councilmember

Hannah Toth, Councilmember

**TOWN MANAGER & DIRECTORS**

Rachael Goodwin, Interim Town Manager

David Trimble, Deputy Town Manager/Administrative Services Director

Linda Mendenhall, Town Clerk

Kevin Snipes, Interim Community Services Director

John Wesley, Development Services Director

Amanda Jacobs, Economic Development Director

David Pock, Chief Financial Officer

Justin Weldy, Public Works Director

Aaron Arnson, Pierce Coleman PLLC, Town Attorney

Mark Iacovino, The Law Office of Mark Iacovino, Town Prosecutor

Captain Larry Kratzer, Maricopa County Sheriff's Office, District Commander

Robert Melton, Presiding Judge

Captain Dave Ott, Rural Metro Corporation, Fire Chief



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Fountain Hills  
Arizona**

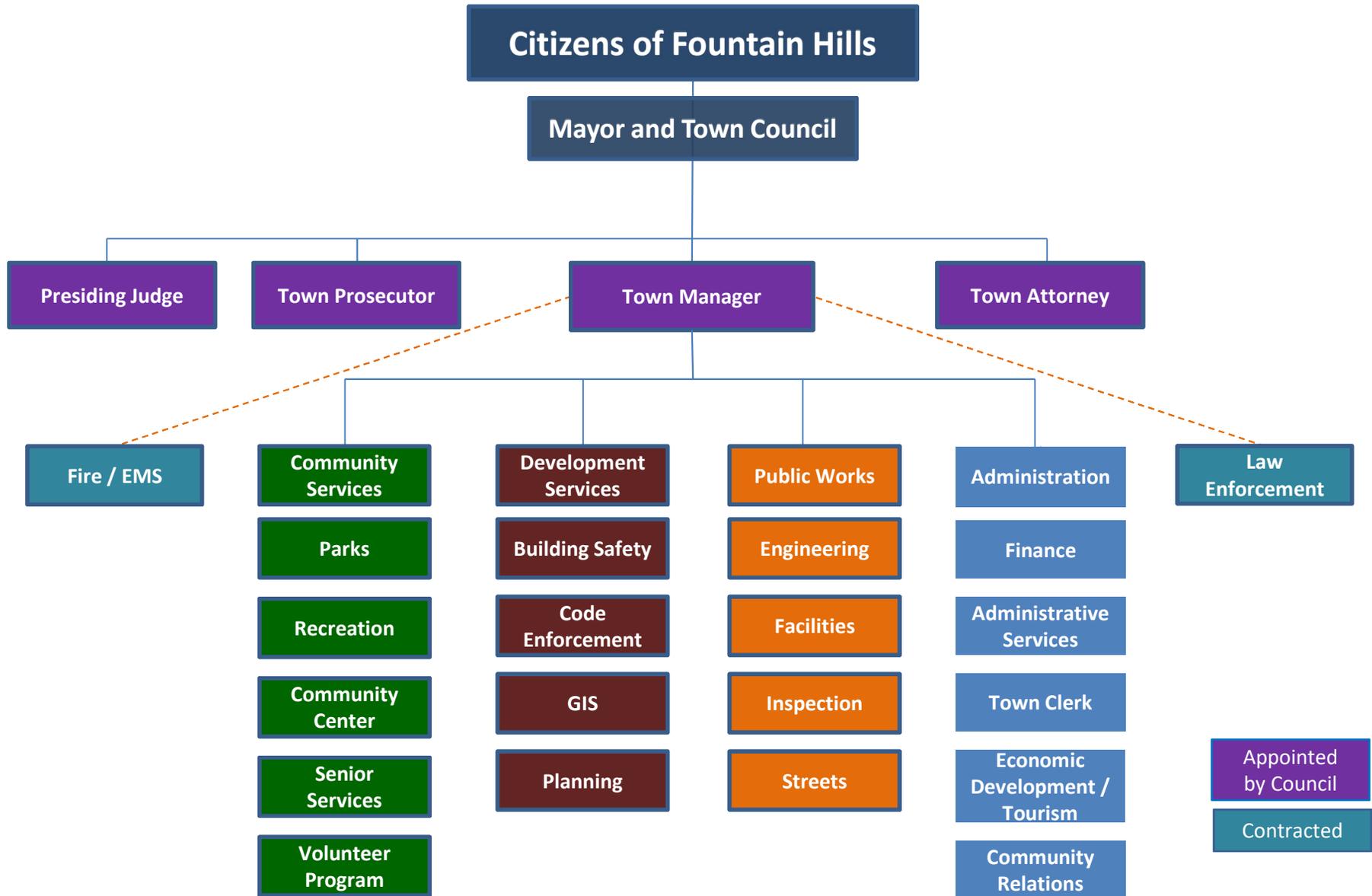
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

# Town of Fountain Hills Organization



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**FINANCIAL SECTION**

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## Independent Auditor's Report

Honorable Mayor and Members of the Town Council  
Town of Fountain Hills, Arizona

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fountain Hills, Arizona (Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fountain Hills, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Town of Fountain Hills, 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.

#### ***Change in Accounting Principle***

As described in Note 1, the Town implemented the provisions of the GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023, on our consideration of Town of Fountain Hills, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fountain Hills, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fountain Hills, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.

Scottsdale, Arizona

November 8, 2023

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

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**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

As management of the Town of Fountain Hills, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. This discussion and analysis is intended to be an easily readable breakdown of the Town of Fountain Hills' financial activities based on currently known facts, decisions and conditions. This analysis will focus on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Town's total net position of governmental activities increased \$9.3 million to \$143.4 million, representing a 6.9 percent increase of the total net position.
- General revenues from governmental activities accounted for \$31.5 million in revenue, or 77 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9.4 million or 23 percent of total governmental activities revenues.
- The Town had \$31.6 million in expenses related to governmental activities, an increase of 10.2 percent from the prior fiscal year, primarily due to increased costs associated with public works and construction services.
- Among the major governmental funds, the General Fund had \$28.3 million in current fiscal year revenues, which consisted primarily of transaction privilege (sales) tax and intergovernmental revenues. The total expenditures of the General Fund were \$15.5 million. The General Fund's fund balance increased \$2.9 million to \$17.4 million at the end of the current fiscal year.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF FINANCIAL STATEMENTS – continued**

**Government-wide financial statements.** The government-wide financial statements provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting.

The Statement of Net Position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include administration, development services, public safety, public works, and culture and recreation.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All Town funds are included in the governmental fund classification, except for one internal service fund that is classified as a proprietary fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

**Internal service fund.** This type of fund is classified as a proprietary fund, and it is used to report activity in the Technology Replacement Fund. The fund provides goods and services to other funds and departments on a cost-reimbursement basis. The activity is intended to operate on an essentially "break-even" basis over time.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF FINANCIAL STATEMENTS – continued**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Highway User Revenue (HURF), Grants, and Capital Projects Funds, all of which are considered major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process. The Town adopts an annual budget for all funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the major funds as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

While this document contains information about the funds used by the Town to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the Town, as a whole, did financially throughout the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's assets and the changes in those assets. The change in assets is important because it tells the reader whether the financial position of the Town as a whole has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of the Town's capital assets will also need to be evaluated.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

**Analysis of Net Position.** Over time, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets related to governmental activities exceeded liabilities by \$134.4 million at the end of the fiscal year.

The largest portion of the Town's governmental activities net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, machinery and equipment and construction in progress); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As the Town does not currently have any outstanding debt, the reported amount represents the total invested in capital assets. In addition, a portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

The following tables present a summary of the Town's net position for the fiscal years ended June 30, 2023 and June 30, 2022.

	Governmental Activities	
	As of June 30, 2023	As of June 30, 2022
Current and other assets	\$ 46,708,494	\$ 37,056,421
Capital assets, net	101,838,463	102,346,737
<b>Total assets</b>	<b>148,546,957</b>	<b>139,403,158</b>
Current and other liabilities	3,087,313	2,873,943
Long-term liabilities	284,016	297,878
<b>Total liabilities</b>	<b>3,371,329</b>	<b>3,171,821</b>
Deferred outflows	1,734,697	2,124,397
Net position		
Net investment in capital assets	101,838,463	102,346,737
Restricted	9,646,597	5,749,726
Unrestricted	31,955,871	26,010,477
<b>Total net position</b>	<b>\$ 143,440,931</b>	<b>\$ 134,106,940</b>

At the end of the current fiscal year the Town reported positive balances in all three categories of net position for governmental activities. The Town also reported positive balances in all net position categories in the prior fiscal year.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

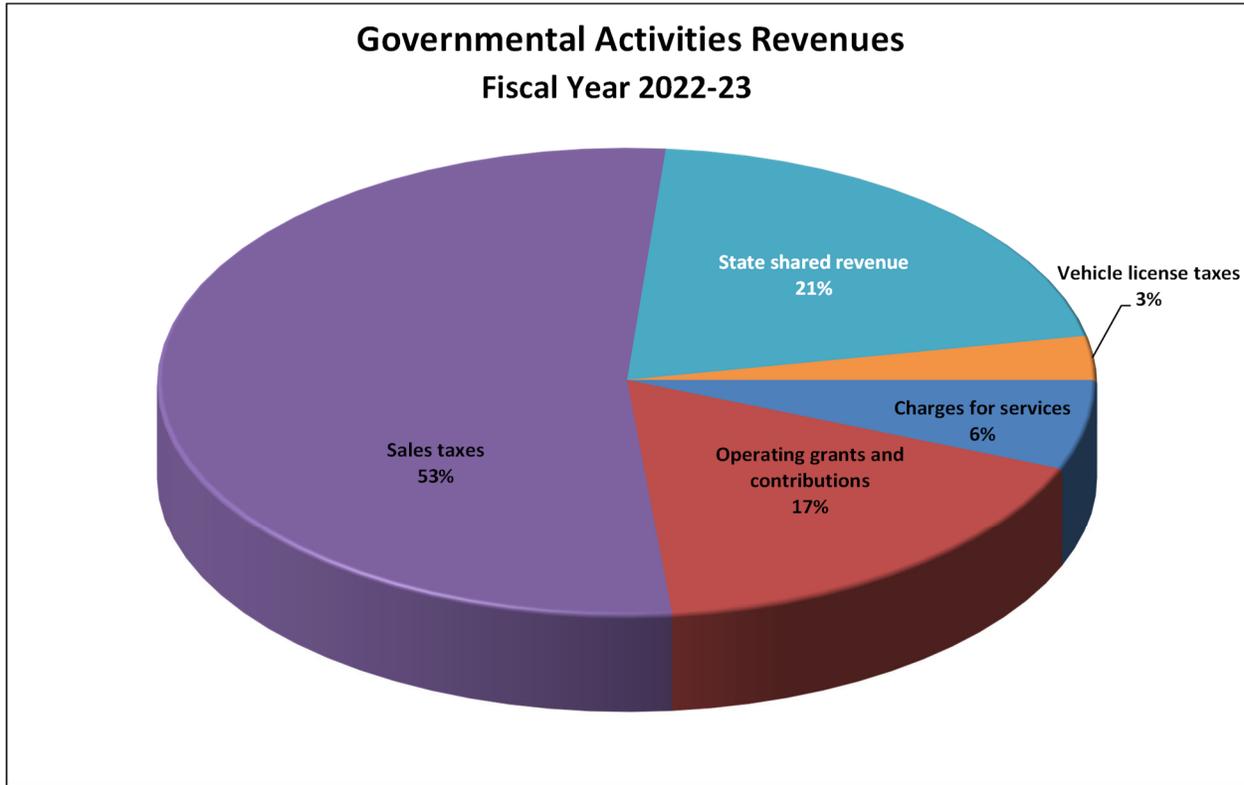
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Changes in net position.** The Town's total revenues for the current fiscal year were \$40.9 million. The total cost of all programs and services was \$31.6 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

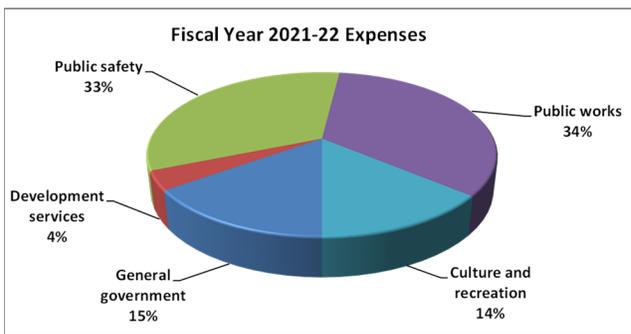
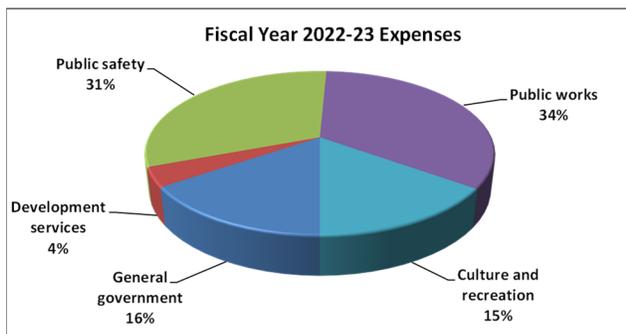
	<u>Governmental Activities</u>	
	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,415,721	\$ 2,830,516
Operating grants and contributions	6,729,883	6,381,580
Capital grants and contributions	259,266	161,751
General revenues		
Property taxes	9,854	9,728
Sales taxes	20,586,294	17,660,758
Franchise taxes	382,948	399,007
State-shared revenue	8,039,448	6,541,023
Vehicle License taxes	1,182,243	1,180,100
Investment earnings	1,099,525	(419,006)
Miscellaneous	226,049	280,140
<b>Total revenues</b>	<u>\$40,931,231</u>	<u>\$ 35,025,597</u>
<b>Expenses</b>		
General government	\$ 4,890,912	\$ 4,333,863
Development services	1,206,991	1,068,260
Public safety	9,930,356	9,487,150
Public works	10,792,078	9,780,920
Culture and recreation	4,776,903	3,999,178
<b>Total expenses</b>	<u>31,597,240</u>	<u>28,669,371</u>
<b>Changes in net position</b>	9,333,991	6,356,226
<b>Net position, beginning</b>	<u>134,106,940</u>	<u>127,750,714</u>
<b>Net position, ending</b>	<u>\$143,440,931</u>	<u>\$134,106,940</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**



The charts below compare the governmental expenses from fiscal years 2022-23 and 2021-22.



**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

The following items are significant current year transactions that have had an impact on the change of net position.

- Revenues from sales tax collections and state-shared sources increased substantially for the fiscal year and accounted for approximately \$4.7 million more than the prior fiscal year. The Town received its final American Rescue Plan Act (ARPA) payment during the fiscal year, which will result in a significant decrease of federal intergovernmental funding in fiscal year 2024.
- Expenditures were up 10.2 percent across all governmental functions, with the highest percentage increase seen within the Culture and Recreation function. Multiple park improvements were completed during the fiscal year to increase accessibility and functionality of the Town’s parks.
- Investment income reversed from negative mark-to-market returns reported in the prior fiscal year to over \$1.1 million earned in the current fiscal year. As investments matured, the Town benefited from higher bond yields with durations from one to three years.

The following table presents the cost of the Town’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the Town by each of these functions.

	Year Ended June 30, 2023		Year Ended June 30, 2022	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 4,890,912	\$ (3,751,754)	\$ 4,333,863	\$ (3,617,651)
Development services	1,206,991	(444,062)	1,068,260	(120,829)
Public safety	9,930,356	(5,523,668)	9,487,150	(5,137,429)
Public works	10,792,078	(8,504,075)	9,780,920	(7,243,437)
Culture and recreation	4,776,903	(3,968,811)	3,999,178	(3,176,178)
<b>Total expenses</b>	<u>\$ 31,597,240</u>	<u>\$ (22,192,370)</u>	<u>\$ 28,669,371</u>	<u>\$ (19,295,524)</u>

- The cost of all governmental activities this year was \$31.6 million.
- Federal, State, county, and tribal governments and charges for services subsidized certain governmental programs with revenues of \$9.4 million.
- The net cost of the Town’s governmental activities was \$22.2 million, which was funded primarily by general revenues. General revenues consist of \$20.6 million in sales taxes and \$9.2 million in State-shared revenues.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

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

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported an increase of \$9.6 million in the combined fund balance from \$32.2 million to \$41.8 million.

The General Fund comprises 41.6 percent of the total fund balance. Approximately \$11.6 million, or 67.0 percent, of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$2.9 million to \$17.4 million as of fiscal year end. General Fund revenues increased \$3.6 million primarily due to increased local sales tax collections. General Fund expenditures increased slightly from \$13.9 million to \$15.5 million.

The Highway User Revenue Fund comprises 17.5 percent of total fund balance. The fund balance increased \$3.4 million from the prior year and will continue to be used to fund the pavement management program in the next fiscal year.

The Capital Projects Fund comprises 29.8 percent of the total fund balance. All of the fund balance is committed or assigned to capital projects. The fund balance increased \$2.5 million due to a year-end transfer from the General Fund and unfinished projects that will be carried-over to FY24.

The Grants Fund was utilized during the year primarily to account for the American Rescue Plan Act (ARPA) funding made available by the Department of the Treasury. This is federal funding was provided to assist state, county, and local governments after the pandemic. The fund balance increased \$106,156 due to earned but unspent miscellaneous grants.

The Technology Replacement Fund is the Town's sole proprietary fund. Unrestricted net position of this fund at the end of the fiscal year amounted to \$160,181. This was an increase of \$41,453 that was due to internal charges to other governmental funds.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**BUDGETARY HIGHLIGHTS**

A majority of the budget transfers for the fiscal year moved budget authority between departments within the General Fund; however, the final budget for the General Fund did decrease \$7.0 million as a result of budget transfers to the Grants Fund to pay public safety costs using ARPA funding and to the Streets Fund for pavement maintenance.

A schedule showing the budget amounts compared to the Town’s actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$3.3 million in overall revenues is primarily due to increased local sales tax collections.
- The favorable total expenditures variance of \$2.5 million is due primarily to lowered expenditures throughout all departments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of the end of the current fiscal year, the Town had invested \$101.8 million in capital assets, including buildings, facilities, vehicles, computers, equipment, infrastructure and artwork. This amount represents a net increase, prior to depreciation, of \$4.3 million from the prior fiscal year. The increase was primarily due to completed capital projects for the storm water system and park infrastructure. Total depreciation expense for the current fiscal year was \$5.0 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2023 and June 30, 2022.

	Governmental Activities	
	As of June 30, 2023	As of June 30, 2022
Capital assets – non-depreciable	\$ 36,231,449	\$ 34,894,320
Capital assets – depreciable, net	65,607,014	67,452,417
<b>Total</b>	<b>\$101,838,463</b>	<b>\$102,346,737</b>

The estimated construction commitments amount is \$838,200.

Additional information on the Town’s capital assets can be found in Note 6.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**CAPITAL ASSETS AND DEBT ADMINISTRATION – continued**

**Debt Administration.** The Town does not currently have any outstanding debt. Therefore, there were not any town-wide taxes levied in fiscal year 2023.

State statutes currently limit the amount of general obligation debt a Town may issue to a percentage of its total assessed valuation for water, sewer, artificial lighting, parks, open space, recreational facility improvements, public safety, law enforcement, fire and emergency facilities and street and transportation facilities. The current 20 percent debt limitation for the Town is \$134.1 million. State statutes also currently limit the amount of general obligation debt a Town may issue to a percentage of its total assessed valuation for all other purposes. The current 6 percent debt limitation for the Town is \$40.2 million.

Additional information on the Town's long-term debt can be found in Note 7 in the notes to the financial statements.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Division, Town of Fountain Hills, 16705 East Avenue of the Fountains, Fountain Hills, Arizona 85268 or visit our website at [www.fountainhillsaz.gov](http://www.fountainhillsaz.gov).

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 43,366,214
Accounts receivable	374,391
Intergovernmental receivable	1,035,253
Taxes receivable	26,444
Leases receivable	1,762,077
Interest receivable	84,324
Inventory, at cost	12,923
Prepaid items	46,868
Total current assets	46,708,494
Noncurrent assets:	
Capital assets not being depreciated	36,231,449
Capital assets, net of accumulated depreciation	65,607,014
Total noncurrent assets	101,838,463
<b>Total assets</b>	<b>148,546,957</b>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	2,082,927
Accrued wages and benefits	228,927
Other liabilities	759
Customer deposits	169,241
Compensated absences payable	355,898
Unearned revenues	249,561
Total current liabilities	3,087,313
Noncurrent liabilities:	
Non-current portion of long-term liabilities	284,016
Total noncurrent liabilities	284,016
<b>Total liabilities</b>	<b>3,371,329</b>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Leases	1,734,697
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	101,838,463
Restricted for:	
Public works	7,288,954
Capital outlay	2,145,462
Debt service	212,181
Unrestricted	31,955,871
<b>Total net position</b>	<b>\$ 143,440,931</b>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
General government	\$ 4,890,912	\$ 516,373	\$ 622,785		\$ (3,751,754)
Development services	1,206,991	762,929			(444,062)
Public safety	9,930,356	136,082	4,270,606		(5,523,668)
Public works	10,792,078	359,972	1,779,359	148,672	(8,504,075)
Culture and recreation	4,776,903	640,365	57,133	110,594	(3,968,811)
<b>Total governmental activities</b>	<u>\$ 31,597,240</u>	<u>\$ 2,415,721</u>	<u>\$ 6,729,883</u>	<u>\$ 259,266</u>	<u>(22,192,370)</u>

**General revenues:**

Taxes:

Property taxes	9,854
Sales taxes	20,586,294
Franchise taxes	382,948
State sales & income tax revenue sharing - unrestricted	8,039,448
Vehicle license tax revenue sharing - unrestricted	1,182,243
Investment earnings	1,099,525
Miscellaneous	226,049
<b>Total general revenues</b>	<u>31,526,361</u>

**Changes in net position**

9,333,991

**Net position, beginning of year**

134,106,940

**Net position, end of year**

\$ 143,440,931

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

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**FUND FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General	Highway User Revenue	Grants
<b><u>ASSETS</u></b>			
Cash and investments	\$ 17,167,897	\$ 7,698,249	\$ 327,341
Accounts receivable	111,440	27,805	235,146
Intergovernmental receivable	718,791	262,379	26,351
Taxes receivable			
Leases receivable	1,762,077		
Interest receivable	31,122		
Inventory, at cost	12,923		
Prepaid items	44,542		
<b>Total assets</b>	<b>\$ 19,848,792</b>	<b>\$ 7,988,433</b>	<b>\$ 588,838</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 342,051	\$ 606,205	\$ 18,343
Accrued wages and benefits	198,934	21,172	
Other liabilities	759		
Customer deposits	169,241		
Unearned revenues	17,373		232,188
<b>Total liabilities</b>	<b>728,358</b>	<b>627,377</b>	<b>250,531</b>
Deferred inflows of resources:			
Unavailable revenues - property taxes			
Unavailable revenues - other	193	27,789	223,710
Leases	1,734,697		
<b>Total deferred inflows of resources</b>	<b>1,734,890</b>	<b>27,789</b>	<b>223,710</b>
Fund balances:			
Nonspendable	57,465		
Restricted		6,922,858	114,597
Committed	4,044,890		
Assigned	1,639,184	410,409	
Unassigned	11,644,005		
<b>Total fund balances</b>	<b>17,385,544</b>	<b>7,333,267</b>	<b>114,597</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 19,848,792</b>	 <b>\$ 7,988,433</b>	 <b>\$ 588,838</b>

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

<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 13,466,860	\$ 4,545,686	\$ 43,206,033
		374,391
5,472	22,260	1,035,253
	26,444	26,444
		1,762,077
51,687	1,515	84,324
		12,923
	2,326	46,868
<u>\$ 13,524,019</u>	<u>\$ 4,598,231</u>	<u>\$ 46,548,313</u>
\$ 1,047,933	\$ 68,395	\$ 2,082,927
	8,821	228,927
		759
		169,241
		249,561
<u>1,047,933</u>	<u>77,216</u>	<u>2,731,415</u>
	26,334	26,334
		251,692
		1,734,697
	<u>26,334</u>	<u>2,012,723</u>
	2,326	59,791
	2,331,309	9,368,764
5,692,029	1,766,428	11,503,347
6,784,057	394,618	9,228,268
		11,644,005
<u>12,476,086</u>	<u>4,494,681</u>	<u>41,804,175</u>
<u>\$ 13,524,019</u>	<u>\$ 4,598,231</u>	<u>\$ 46,548,313</u>

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**Total governmental fund balances**

Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:		<b>\$ 41,804,175</b>
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 239,951,412	
Less accumulated depreciation	<u>(138,112,949)</u>	101,838,463
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.</p>		
Property taxes	26,334	
Other	<u>251,692</u>	278,026
<p>Long-term liabilities (compensated absences payable) are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
		(639,914)
<p>The Internal Service Fund is used by management to charge the cost of technology replacement to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.</p>		
		<u>160,181</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 143,440,931</u></u></b>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General	Highway User Revenue	Grants
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	16,732,052	1,419,744	
Franchise taxes	382,948		
Licenses and permits	1,140,759		
Leases and rents	355,607		
Intergovernmental	8,456,527	2,606,929	4,605,125
Charges for services	212,774	3,664	
Other	374,877	15,855	
Fines and forfeitures	211,773		
Investment earnings	387,670	197,804	95,056
<b>Total revenues</b>	28,254,987	4,243,996	4,700,181
<b>Expenditures:</b>			
Current -			
General government	4,024,863		385,875
Development services	1,210,967		
Public safety	5,404,843		4,208,150
Public works	1,311,745	4,988,349	
Culture and recreation	3,292,151		
Capital outlay	209,920	25,676	
Debt service -			
Fiscal charges			
<b>Total expenditures</b>	15,454,489	5,014,025	4,594,025
<b>Excess (deficiency) of revenues over expenditures</b>	12,800,498	(770,029)	106,156
<b>Other financing sources (uses):</b>			
Transfer in		4,200,000	
Transfer out	(9,875,527)		
<b>Total other financing sources (uses)</b>	(9,875,527)	4,200,000	
<b>Changes in fund balances</b>	2,924,971	3,429,971	106,156
<b>Fund balances, beginning of year</b>	14,460,573	3,903,296	8,441
<b>Fund balances, end of year</b>	\$ 17,385,544	\$ 7,333,267	\$ 114,597

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

<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
1,724,626	8,778	8,778
	709,872	20,586,294
		382,948
	383,519	1,524,278
		355,607
140,284	110,594	15,919,459
		216,438
4,000	8,573	403,305
	29,071	240,844
268,398	145,230	1,094,158
<u>2,137,308</u>	<u>1,395,637</u>	<u>40,732,109</u>
1,215	285,728	4,697,681
		1,210,967
		9,612,993
841,627	401,015	7,542,736
	291,320	3,583,471
4,263,138		4,498,734
	98	98
<u>5,105,980</u>	<u>978,161</u>	<u>31,146,680</u>
<u>(2,968,672)</u>	<u>417,476</u>	<u>9,585,429</u>
5,450,527	597,340	10,247,867
	(372,340)	(10,247,867)
<u>5,450,527</u>	<u>225,000</u>	
<u>2,481,855</u>	<u>642,476</u>	<u>9,585,429</u>
9,994,231	3,852,205	32,218,746
<u>\$ 12,476,086</u>	<u>\$ 4,494,681</u>	<u>\$ 41,804,175</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

**Changes in fund balances - total governmental funds** **\$ 9,585,429**

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

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

Expenditures for capitalized assets	\$ 4,497,424	
Less current year depreciation	<u>(4,976,937)</u>	(479,513)

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	1,076	
Other	<u>221,440</u>	222,516

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Loss on disposal of assets	(28,761)	
Compensated absences	<u>(7,133)</u>	(35,894)

The Internal Service Fund is used by management to charge the cost of technology replacement to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.

41,453

**Changes in net position in governmental activities** **\$ 9,333,991**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2023**

	<u>Governmental Activities: Internal Service Funds</u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 160,181
Total current assets	<u>160,181</u>
<b>Total assets</b>	<u>160,181</u>
 <b><u>NET POSITION</u></b>	
Unrestricted	<u>160,181</u>
<b>Total net position</b>	<u>\$ 160,181</u>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Governmental Activities: Internal Service Funds
<b>Operating revenues:</b>	
Other	\$ 5
Charges for services	65,017
<b>Total operating revenues</b>	<u>65,022</u>
<b>Operating expenses:</b>	
Cost of services	28,936
<b>Total operating expenses</b>	<u>28,936</u>
<b>Operating income (loss)</b>	<u>36,086</u>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	5,367
<b>Total nonoperating revenues (expenses)</b>	<u>5,367</u>
<b>Changes in net position</b>	<u>41,453</u>
<b>Total net position, beginning of year</b>	118,728
<b>Total net position, end of year</b>	<u>\$ 160,181</u>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	<b>Governmental Activities: Internal Service Funds</b>
<b><u>Increase/Decrease in Cash and Cash Equivalents</u></b>	
<b>Cash flows from operating activities:</b>	
Cash received from charges for services	\$ 65,017
Cash received from other sources	5
Cash payments to suppliers for goods and services	<u>(28,936)</u>
<b>Net cash provided by/used for operating activities</b>	<u>36,086</u>
 <b>Cash flows from investing activities:</b>	
Investment income	<u>5,367</u>
<b>Net cash provided by/used for investing activities</b>	<u>5,367</u>
<b>Net increase/decrease in cash and cash equivalents</b>	<u>41,453</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>118,728</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u><u>160,181</u></u>
 <b><u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u></b>	
Cash and investments	\$ 160,181
Less investments not maturing in less than three months	<u>0</u>
<b>Total cash and cash equivalents</b>	\$ <u><u>160,181</u></u>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

During the year ended June 30, 2023, the Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. This Statement also requires a government to disclose essential information about the arrangement. The Town's analysis of SBITAs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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

**A. Reporting Entity**

The Town's major operations include development services, culture and recreation, public works, public safety and general administrative services.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

*Eagle Mountain Community Facilities District and the Cottonwoods Maintenance District.* As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed taxes for the costs of operating the Districts. The Town Council serves as the Board of Directors; however, the Town has no liability for the Districts' debt, the Districts are responsible for the debt; the debt is therefore not subject to the Town's debt limit. The Districts cannot be part of another reporting entity. The Districts' governing bodies are substantially the same as the Town and the Town's management oversees operations, resulting in the Town having the ability to exercise control. As a result, for financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the Town's operations.

*Town of Fountain Hills, Arizona Municipal Property Corporation.* The Town of Fountain Hills, Arizona Municipal Property Corporation's (MPC) Board of Directors consists of three members which are appointed by the Fountain Hills Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. The MPC cannot be part of another reporting entity. The MPC provides services exclusively to the Town. As a result, for financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the Town's component units. For the most part, the effect of internal activity has been removed from these statements. Interfund services provided and used, such as interfund transfers, are not eliminated in the process of consolidation. Governmental activities normally are supported by taxes and intergovernmental revenues. The Town does not have any fiduciary or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

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

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, state shared revenues, licenses and permits, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Unearned revenues arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The Town reports the following major governmental funds.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Highway User Revenue Fund (HURF) – This fund accounts for the Town’s share of motor vehicle fuel tax revenues and sales tax.

Grants Fund – This fund accounts for the activities of various restricted grants and contributions received by the Town.

Capital Projects Fund – This fund accounts for the capital improvements to various projects and equipment purchases of the Town.

Additionally, the Town reports the following fund type:

Proprietary Fund – The Proprietary Fund is an Internal Service Fund that accounts for the operation of technology replacement services to other Town departments on a cost reimbursement basis.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s internal service fund are charges to Town departments for technology replacement. Operating expenses for the internal service fund include the cost of goods and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Investments**

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

Cash and investments at year end were cash on hand, cash in bank, restricted cash, cash and investments held by the State Treasurer, and investments in the State Treasurer’s Local Government Investment Pool.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

Statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the Town’s investments.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance.

An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

**E. Investment Earnings**

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment earnings is a component of revenue in the governmental funds financial statements and is reported in nonoperating revenue in the proprietary fund financial statements.

**F. Receivables and Payables**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**G. Property Tax Calendar**

Property taxes are levied by the Town and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

All receivables are shown net of an allowance for uncollectibles.

**H. Inventory**

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**J. Capital Assets**

Capital assets, which include land and improvements, artwork, buildings and improvements, vehicles, machinery, and equipment, construction in progress, infrastructure assets, and intangible right-to-use assets are reported in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost, if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	20 - 50 years
Improvements other than buildings	20 years
Infrastructure	15 - 50 years
Vehicles, machinery and equipment	5 - 20 years

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

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**L. Compensated Absences**

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue as pay periods are completed at the current rate of pay.

All eligible full-time and part-time regularly-scheduled employees can accrue vacation leave. Employees accrue up to a maximum of two times the yearly maximum accrual of vacation through carryover of balances. In the event of termination, employees will be paid for any accrued, but unused, vacation hours. Full-time and part-time regularly-scheduled employees accrue sick leave, up to a maximum of 1040 hours. Part-time non-regularly-scheduled, temporary, or seasonal, and other employees accrue paid sick time for hours worked, not to exceed 40 hours per calendar year.

The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee termination, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**M. Long-term Obligations**

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

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

**N. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

**O. Net Position Flow Assumption**

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

**P. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Q. Leases**

As lessor, the Town recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate was determined based on the prevailing federal funds rate at the beginning of the lease term, since the Town does not have outstanding debt. This rate reflects the low risk of renting these facilities over a long lease period with multiple renewals.

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

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

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

*Assigned.* Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by formal Town Council action. The authority to make assignments has been delegated by the Town Council to the Finance Director.

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

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

The Town has established a fund balance policy which states that the combined General Fund operating fund balance should be at least 30 percent of the average actual General Fund revenues for the preceding five fiscal years.

The Town has established a stabilization fund (Rainy Day fund) in the Town's fund balance policy. The Rainy Day fund had a balance of \$3,980,307, reported as a committed fund balance at June 30, 2023. The Rainy Day fund may only be used for the following: 1) to replace the loss of more than 20 percent of the Town's local share of state shared revenues, 2) for any event that threatens the health, safety or welfare of the Town's citizens, 3) for any event that threatens the fiscal stability of the Town, and lastly 4) to address any matter declared as an emergency by the governor of the State of Arizona or the Mayor of the Town. All withdrawals from the Rainy Day fund shall be subject to the following rules: 1) any appropriation shall require the approval by at least 2/3 vote by the Town Council, and 2) the maximum amount of Rainy Day withdrawal in any fiscal year shall not exceed one-half of the total balance in the fund. Replenishment of the Rainy Day fund when spent by the Town should not exceed a period of more than five years, and should be repaid in annual installments of not less than one percent of the previous fiscal year General Fund balance. Repayments shall be appropriated as part of the annual budget adoption.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

	General Fund	Highway User Revenue Fund	Grants Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 12,923					\$ 12,923
Prepaid items	44,542				2,326	46,868
Restricted:						
Capital Projects					15,338	15,338
Debt Service					185,847	185,847
Highways and Streets		6,922,858	114,597			7,037,455
Development Fees					2,130,124	2,130,124
Committed:						
Rainy Day	3,980,307					3,980,307
Public Art	64,583					64,583
Downtown Strategy					625,922	625,922
Economic Development					591,811	591,811
Tourism					133,017	133,017
Capital Projects				5,692,029		5,692,029
Local Court Enhancement					415,678	415,678
Assigned:						
Capital Projects				6,784,057		6,784,057
Environmental					394,618	394,618
Vehicle Replacement	1,639,184	410,409				2,049,593
Unassigned:	11,644,005					11,644,005
Total fund balances	<u>\$ 17,385,544</u>	<u>\$ 7,333,267</u>	<u>\$ 114,597</u>	<u>\$ 12,476,086</u>	<u>\$ 4,494,681</u>	<u>\$ 41,804,175</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – CASH AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Town’s deposits was \$790,602 and the bank balance was \$1,594,390. At year end, \$1,094,390 of the Town’s deposits were covered by collateral held by the pledging financial institution in the Town’s name. The remaining amount is covered by FDIC.

*Fair Value Measurements.* The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

*Valuation Techniques.* Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools, as an investment company, are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$42,574,912
Carrying amount of cash deposits	790,602
Cash on hand	700
Total pooled cash and investments	<u>\$43,366,214</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – CASH AND INVESTMENTS**

At year end, the Town’s investments consisted of the following:

Investment Type	Category	Fair Value	Investment Maturities (in Years)		Credit Rating	
			Less than 1	1-5	S&P	Moody’s
U.S. Government and Agency Notes	Level 1	\$ 8,728,324	\$ 243,555	\$ 8,484,769	AA+	Aaa
Supra-National Notes	Level 1	496,329	181,099	315,230	AAA	Aaa
Federal Agency Notes	Level 1	249,256		249,256	AA+	Aaa
Corporate and Foreign Bonds	Level 2	2,820,786		2,820,786	BBB+ to AA	A3 - Aa2
Asset Backed Securities	Level 2	809,904	4,073	805,831	AAA, NR	Aaa, NR
Certificates of Deposit	Level 2	126,926		126,926	AA-	Aa3
US Bank Money Market Funds	Level 1	18,916			n/a	n/a
			<u>\$ 428,727</u>	<u>\$12,802,798</u>		
State Treasurer’s Investment Pool 7	Not applicable	<u>29,324,471</u>	37 days average maturities			
Total		<u>\$42,574,912</u>				

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates may reduce the market value of Town investments. In accordance with its investment policy, the Town manages its exposure to declines in fair values by the following:

- Structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity.
- Investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio in accordance with the needs of the Town.
- With respect to any firm or individual given responsibility for investments utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – CASH AND INVESTMENTS**

*Credit Risk.* Credit risk is the risk of default of debt by an issuer or counterparty to an investment. The Town will limit credit risk by limiting investments in the Town’s portfolio to the asset classes designated as acceptable in ARS §35-323. When possible, analysis of the credit worthiness of all individual debt issuers held in the portfolio should be conducted on an annual basis in an effort to guard against investing in a weak or deteriorating credit situation. Additionally, the Town will pre-qualify financial institutions, brokers/dealers, and investment advisers with which the Town will do business. The State Treasurer’s Local Government Investment Pool 7 was rated AAA by Moody’s at year end.

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that in the event of depository financial institution failure, the Town’s deposits may not be returned to the Town. The Town’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however the Town’s portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss from over concentration of investments. In accordance with its investment policy, the Town diversifies its investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. With the exception of U.S. Treasury notes and securities and authorized pools, the investment policy establishes a maximum percentage of 30 percent in insured or collateralized certificates of deposit; 20 percent in certificates of deposit registry services; 30 percent in commercial paper; and 30 percent in bonds, debentures, or notes.

Investment Type	Fair Value	Percent of Town Investments
U.S. Government and Agency Notes	\$ 8,728,324	20.5%
Supra-National Notes	496,329	1.2%
Federal Agency Notes	249,256	0.6%
Corporate and Foreign Bonds	2,820,786	6.6%
Asset Backed Securities	809,904	1.9%
Certificates of Deposit	126,926	0.3%
US Bank Money Market Funds	18,916	0.0%
State Treasurer’s investment pool 7	29,324,471	68.9%
	<u>\$ 42,574,912</u>	

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 – RECEIVABLES**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year-end for the Town’s individual major funds consisted entirely of receivables due from the State.

**NOTE 5 – LEASES RECEIVABLE**

The Town has cell tower land agreements and a fire station ambulance bay usage agreement that fall under the provisions of contracts classified as leases. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the implementation date. Lease revenue of \$178,866 and related interest revenue of \$24,051 are recorded as leases and rents in the General Fund.

Future minimum lease payments to be received under the lease agreements at year end are summarized as follows:

Year ending June 30:			
	2024	\$	122,997
	2025		123,613
	2026		125,580
	2027		129,538
	2028		136,549
	2029-33		645,705
	2034-38		234,781
	2039-43		184,398
	2044-45		58,916
Total		\$	1,762,077

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital asset activity at year end is as follows:

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,690,368	\$	\$	\$ 29,690,368
Artwork	2,608,900			2,608,900
Construction in progress	2,595,052	4,325,010	2,987,881	3,932,181
Total capital assets, not being depreciated	<u>34,894,320</u>	<u>4,325,010</u>	<u>2,987,881</u>	<u>36,231,449</u>
Capital assets, being depreciated:				
Infrastructure	155,359,694	297,000		155,656,694
Buildings and building improvements	23,421,289	13,193		23,434,482
Improvements other than buildings	16,977,148	2,627,699		19,604,847
Vehicles, machinery and equipment	4,989,483	222,403	187,946	5,023,940
Total capital assets being depreciated	<u>200,747,614</u>	<u>3,160,295</u>	<u>187,946</u>	<u>203,719,963</u>
Less accumulated depreciation for:				
Infrastructure	(111,275,396)	(3,277,816)		(114,553,212)
Buildings and building improvements	(7,465,337)	(499,594)		(7,964,931)
Improvements other than buildings	(12,361,959)	(789,288)		(13,151,247)
Vehicles, machinery and equipment	(2,192,505)	(410,239)	(159,185)	(2,443,559)
Total accumulated depreciation	<u>(133,295,197)</u>	<u>(4,976,937)</u>	<u>(159,185)</u>	<u>(138,112,949)</u>
Total capital assets, being depreciated, net	<u>67,452,417</u>	<u>(1,816,642)</u>	<u>28,761</u>	<u>65,607,014</u>
Governmental activities capital assets, net	<u>\$ 102,346,737</u>	<u>\$ 2,508,368</u>	<u>\$ 3,016,642</u>	<u>\$ 101,838,463</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 223,912
Development services	16,721
Public safety	317,363
Streets and highways	3,231,075
Culture and recreation	1,187,866
Total depreciation expense	<u>\$ 4,976,937</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – CAPITAL ASSETS**

**Construction Commitments** – At June 30, 2023, the Town has the following active construction commitments. The resources for these commitments have been accumulated in the Capital Projects Fund.

Project	Governmental Activities	
	Spent-to-Date	Remaining Commitment
Stormwater Infrastructure Rehabilitation	\$ 246,391	\$ 57,793
Golden Eagle Park Field Lights	690,137	690,137
Shea Boulevard Widening - Palisades to Technology	305,257	40,316
TS – Palisades at Eagle Ridge	104,643	49,954
Total commitments	<u>\$ 1,346,428</u>	<u>\$ 838,200</u>

**NOTE 7 – CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences payable	\$ 632,781	\$ 408,620	\$ 401,487	\$ 639,914	\$ 355,898
Governmental activity long-term Liabilities	<u>\$ 632,781</u>	<u>\$ 408,620</u>	<u>\$ 401,487</u>	<u>\$ 639,914</u>	<u>\$ 355,898</u>

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund balances were as follows:

**Interfund transfers:**

At year end, interfund transfers were as follows:

Transfers in	Transfers out		Total
	General Fund	Non-Major Governmental Funds	
Highway User Revenue Fund	\$ 4,200,000	\$	\$ 4,200,000
Capital Projects Fund	5,450,527		5,450,527
Non-Major Governmental Funds	225,000	372,340	597,340
Total	<u>\$ 9,875,527</u>	<u>\$ 372,340</u>	<u>\$10,247,867</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The General Fund transferred \$5,175,527 to the Capital Projects Fund for future projects, as required by the Town’s financial policies; \$4,200,000 to Highway User Revenue Fund for additional pavement maintenance projects; and \$500,000 to Environmental Fund for continued storm drain and wash maintenance. The Economic Development Fund transferred \$97,340 to the Tourism Fund to provide funding for operating costs of the tourism program. The Development Fee Fund transferred \$275,000 to the Capital Projects Fund for expansion of the Fountain Park splash pad.

**NOTE 9 – CONTINGENT LIABILITIES**

**Compliance** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

**NOTE 10 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool (Pool). The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its’ members additional premiums should reserves and annual premiums be insufficient to meet the Pool’s obligations.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10 – RISK MANAGEMENT**

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

The Town continues to carry commercial insurance for all other risks of loss, including employee health, dental, and vision insurance. There were no settlements that exceeded insurance coverage in any of the past three years.

**NOTE 11 – RETIREMENT PLANS**

**Defined Contribution Pension Plan**

All full-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The contribution rates are 11 percent for both the employee and the Town. The payroll for the Town employees covered by this plan for the year ended June 30, 2023, was \$4,764,951. The Town's total payroll was \$5,541,914.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined, instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investment of those contributions. All full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest on a pro rata basis for five years. Town Council has the authority to establish and amend benefit terms and to establish and amend the contribution rates. The assets are held in a trust not controlled by the Town and all investment decisions are made by the employee. The plan does not require reporting under provisions of GASB Statement No. 84, *Fiduciary Activities*.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – RETIREMENT PLANS**

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. During the fiscal year, the Town's required and actual contributions amounted to \$514,245. The employees' contributions totaled \$514,245. Employees may also contribute to the ICMA Retirement Corporation 457 plan on a voluntary basis (with the exception of one contract employee that is limited to 11 percent of earnings); there is no employer match for those contributions. During the fiscal year, employees contributed \$128,170 to that plan. The Town contributed \$9,743 for the contract employee's 457 account.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2022-23 or as of the close of the fiscal year.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL**  
**YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Sales taxes	14,426,223	14,426,233	16,732,052	\$ 2,305,819
Franchise taxes	325,000	325,000	382,948	57,948
Licenses and permits	782,092	782,092	1,140,759	358,667
Leases and rents	299,872	299,872	355,607	55,735
Intergovernmental	8,393,328	8,393,328	8,456,527	63,199
Charges for services	343,475	343,475	212,774	(130,701)
Other	105,265	105,265	374,877	269,612
Fines and forfeitures	205,000	205,000	211,773	6,773
Investment earnings	25,240	25,240	387,670	362,430
<b>Total revenues</b>	<u>24,905,495</u>	<u>24,905,505</u>	<u>28,254,987</u>	<u>3,349,482</u>
<b>Expenditures:</b>				
Current -				
General government				
Mayor and council	76,619	76,619	70,280	6,339
Administration	2,672,360	2,794,360	2,724,710	69,650
Non departmental	5,141,607	2,144,305	802,928	1,341,377
Municipal court	446,749	446,749	426,945	19,804
Total general government	<u>8,337,335</u>	<u>5,462,033</u>	<u>4,024,863</u>	<u>1,437,170</u>
Development services	1,359,678	1,359,678	1,210,967	148,711
Public safety				
Fire and emergency	4,402,834	1,036,314	830,650	205,664
Law enforcement	5,456,036	4,614,406	4,574,193	40,213
Total public safety	<u>9,858,870</u>	<u>5,650,720</u>	<u>5,404,843</u>	<u>245,877</u>
Public works	1,497,800	1,511,800	1,311,745	200,055
Culture and recreation	3,719,221	3,744,221	3,292,151	452,070
Capital outlay	209,300	245,602	209,920	35,682
<b>Total expenditures</b>	<u>24,982,204</u>	<u>17,974,054</u>	<u>15,454,489</u>	<u>2,519,565</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(76,709)</u>	<u>6,931,451</u>	<u>12,800,498</u>	<u>5,869,047</u>
<b>Other financing sources (uses):</b>				
Transfer in				
Transfer out			(9,875,527)	(9,875,527)
<b>Total other financing sources (uses):</b>			<u>(9,875,527)</u>	<u>(9,875,527)</u>
<b>Changes in fund balances</b>	<u>(76,709)</u>	<u>6,931,451</u>	<u>2,924,971</u>	<u>(4,006,480)</u>
<b>Fund balances, beginning of year</b>	14,460,573	14,460,573	14,460,573	
<b>Fund balances (deficits), end of year</b>	<u>\$ 14,383,864</u>	<u>\$ 21,392,024</u>	<u>\$ 17,385,544</u>	<u>\$ (4,006,480)</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
HIGHWAY USER REVENUE  
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 1,197,552	\$ 1,197,552	\$ 1,419,744	\$ 222,192
Intergovernmental	2,679,005	2,679,005	2,606,929	(72,076)
Charges for services	100,000	100,000	3,664	(96,336)
Other	31,000	31,000	15,855	(15,145)
Investment earnings	10,000	10,000	197,804	187,804
<b>Total revenues</b>	<u>4,017,557</u>	<u>4,017,557</u>	<u>4,243,996</u>	<u>226,439</u>
<b>Expenditures:</b>				
Current -				
Public works	5,908,110	9,538,110	4,988,349	4,549,761
Capital outlay		70,000	25,676	44,324
<b>Total expenditures</b>	<u>5,908,110</u>	<u>9,608,110</u>	<u>5,014,025</u>	<u>4,594,085</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,890,553)</u>	<u>(5,590,553)</u>	<u>(770,029)</u>	<u>4,820,524</u>
<b>Other financing sources (uses):</b>				
Transfer in			4,200,000	4,200,000
<b>Total other financing sources (uses)</b>			<u>4,200,000</u>	<u>4,200,000</u>
<b>Changes in fund balances</b>	<u>(1,890,553)</u>	<u>(5,590,553)</u>	<u>3,429,971</u>	<u>9,020,524</u>
<b>Fund balances, beginning of year</b>	3,903,296	3,903,296	3,903,296	
<b>Fund balances (deficits), end of year</b>	<u>\$ 2,012,743</u>	<u>\$ (1,687,257)</u>	<u>\$ 7,333,267</u>	<u>\$ 9,020,524</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS  
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 11,190,000	\$ 11,129,535	\$ 4,605,125	\$ (6,524,410)
Investment earnings			95,056	95,056
<b>Total revenues</b>	<u>11,190,000</u>	<u>11,129,535</u>	<u>4,700,181</u>	<u>(6,429,354)</u>
<b>Expenditures:</b>				
Current -				
General government	981,850	5,129,535	385,875	4,743,660
Public safety	4,208,150	4,208,150	4,208,150	
<b>Total expenditures</b>	<u>5,190,000</u>	<u>9,337,685</u>	<u>4,594,025</u>	<u>4,743,660</u>
<b>Changes in fund balances</b>	<u>6,000,000</u>	<u>1,791,850</u>	<u>106,156</u>	<u>(1,685,694)</u>
<b>Fund balances, beginning of year</b>	8,441	8,441	8,441	
<b>Fund balances, end of year</b>	<u>\$ 6,008,441</u>	<u>\$ 1,800,291</u>	<u>\$ 114,597</u>	<u>\$ (1,685,694)</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The Town budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the budget for the Town is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S 41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between departments. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Highway User Revenue, Excise Tax, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2023**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 2,229,588	\$ 185,974	\$ 2,130,124
Intergovernmental receivable	22,260		
Taxes receivable	149	26,295	
Interest receivable	1,515		
Prepaid items	2,326		
<b>Total assets</b>	<b>\$ 2,255,838</b>	<b>\$ 212,269</b>	<b>\$ 2,130,124</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 68,307	\$ 88	\$
Accrued wages and benefits	8,821		
<b>Total liabilities</b>	<b>77,128</b>	<b>88</b>	
Deferred inflows of resources:			
Unavailable revenues - property taxes		26,334	
Fund balances:			
Nonspendable	2,326		
Restricted	15,338	185,847	2,130,124
Committed	1,766,428		
Assigned	394,618		
<b>Total fund balances</b>	<b>2,178,710</b>	<b>185,847</b>	<b>2,130,124</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,255,838</b>	<b>\$ 212,269</b>	<b>\$ 2,130,124</b>

Total Non-Major  
Governmental  
Funds

\$	4,545,686
	22,260
	26,444
	1,515
	2,326
<u>\$</u>	<u>4,598,231</u>

\$	68,395
	8,821
<u></u>	<u>77,216</u>

26,334

	2,326
	2,331,309
	1,766,428
	394,618
<u></u>	<u>4,494,681</u>

\$ 4,598,231

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2023**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Property taxes	\$ 8,778	\$	\$
Sales taxes	709,872		
Licenses and permits	2,556		380,963
Intergovernmental	110,594		
Other	8,573		
Fines and forfeitures	29,071		
Investment earnings	60,409	5,824	78,997
<b>Total revenues</b>	<u>929,853</u>	<u>5,824</u>	<u>459,960</u>
<b>Expenditures:</b>			
Current -			
General government	285,728		
Public works	401,015		
Culture and recreation	291,320		
Debt service -			
Fiscal charges		98	
<b>Total expenditures</b>	<u>978,063</u>	<u>98</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(48,210)</u>	<u>5,726</u>	<u>459,960</u>
<b>Other financing sources (uses):</b>			
Transfer in	597,340		
Transfer out	(97,340)		(275,000)
<b>Total other financing sources (uses)</b>	<u>500,000</u>		<u>(275,000)</u>
<b>Changes in fund balances</b>	<u>451,790</u>	<u>5,726</u>	<u>184,960</u>
<b>Fund balances, beginning of year</b>	1,726,920	180,121	1,945,164
<b>Fund balances, end of year</b>	<u>\$ 2,178,710</u>	<u>\$ 185,847</u>	<u>\$ 2,130,124</u>

Total Non-Major  
Governmental  
Funds

\$ 8,778  
709,872  
383,519  
110,594  
8,573  
29,071  
145,230  
1,395,637

285,728  
401,015  
291,320

98  
978,161

417,476

597,340  
(372,340)  
225,000

642,476

3,852,205

\$ 4,494,681

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## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

**Downtown Strategy Fund** – accounts for the portion of Town sales tax committed by the Town Council for the development of the downtown area.

**Economic Development Fund** – accounts for the portion of Town sales tax committed by the Town Council for economic development and tourism.

**Tourism Fund** – accounts for the portion of Town sales tax committed by the Town Council as well as any grants received for all tourism activities.

**Local Court Enhancement Fund** – accounts for a local court surcharge, committed for court enhancement.

**Environmental Fund** – accounts for all funds received from collection of the environmental fee.

**Cottonwoods Maintenance Fund** – accounts for all funds restricted to pay for maintenance of the Cottonwoods Maintenance District.

### Debt Service Funds

**General Obligation Debt Service Fund** – accounts for the Town's property tax revenues received to pay the debt service of the Town's general obligation bonds.

**Eagle Mountain Debt Service Fund** – accounts for the property tax revenues restricted to pay the debt service of the Eagle Mountain Community Facilities District.

**Municipal Property Corporation Debt Service Fund** – accounts for the revenues received to pay the debt service on MPC revenue bonds.

### Capital Projects Funds

**Facilities Replacement Fund** – accounts for all funds assigned for the maintenance and repair of facilities and equipment.

**Development Fees Fund** – accounts for restricted development fees collected from building permits.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2023**

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 621,569	\$ 581,029	\$ 149,064
Intergovernmental receivable	4,345	17,379	
Taxes receivable			
Interest receivable	1,515		
Prepaid items		1,131	1,195
<b>Total assets</b>	<u><u>\$ 627,429</u></u>	<u><u>\$ 599,539</u></u>	<u><u>\$ 150,259</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,507	\$ 884	\$ 12,939
Accrued wages and benefits		5,713	3,108
<b>Total liabilities</b>	<u><u>1,507</u></u>	<u><u>6,597</u></u>	<u><u>16,047</u></u>
Fund balances:			
Nonspendable		1,131	1,195
Restricted			
Committed	625,922	591,811	133,017
Assigned			
<b>Total fund balances</b>	<u><u>625,922</u></u>	<u><u>592,942</u></u>	<u><u>134,212</u></u>
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 627,429</u></u>	 <u><u>\$ 599,539</u></u>	 <u><u>\$ 150,259</u></u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$ 415,142 536	\$ 445,932	\$ 16,852	\$ 2,229,588
		149	22,260
			149
			1,515
			2,326
<u>\$ 415,678</u>	<u>\$ 445,932</u>	<u>\$ 17,001</u>	<u>\$ 2,255,838</u>
\$	\$ 51,314	\$ 1,663	\$ 68,307
			8,821
	<u>51,314</u>	<u>1,663</u>	<u>77,128</u>
			2,326
		15,338	15,338
415,678			1,766,428
	394,618		394,618
<u>415,678</u>	<u>394,618</u>	<u>15,338</u>	<u>2,178,710</u>
<u>\$ 415,678</u>	<u>\$ 445,932</u>	<u>\$ 17,001</u>	<u>\$ 2,255,838</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	141,974	567,898	
Licenses and permits			110,594
Intergovernmental			14
Other	4,501	4,058	
Fines and forfeitures			
Investment earnings	15,480	16,190	8,637
<b>Total revenues</b>	<u>161,955</u>	<u>588,146</u>	<u>119,245</u>
<b>Expenditures:</b>			
Current -			
General government	54,623	215,176	
Public works			
Culture and recreation			291,320
<b>Total expenditures</b>	<u>54,623</u>	<u>215,176</u>	<u>291,320</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>107,332</u>	<u>372,970</u>	<u>(172,075)</u>
<b>Other financing sources (uses):</b>			
Transfer in			97,340
Transfer out		(97,340)	
<b>Total other financing sources (uses)</b>		<u>(97,340)</u>	<u>97,340</u>
<b>Changes in fund balances</b>	<u>107,332</u>	<u>275,630</u>	<u>(74,735)</u>
<b>Fund balances, beginning of year</b>	518,590	317,312	208,947
<b>Fund balances, end of year</b>	<u>\$ 625,922</u>	<u>\$ 592,942</u>	<u>\$ 134,212</u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$	\$	\$ 8,778	\$ 8,778
	2,556		709,872
			2,556
			110,594
29,071			8,573
161	19,387	554	29,071
<u>29,232</u>	<u>21,943</u>	<u>9,332</u>	<u>60,409</u>
			<u>929,853</u>
15,929			285,728
	393,664	7,351	401,015
			291,320
<u>15,929</u>	<u>393,664</u>	<u>7,351</u>	<u>978,063</u>
<u>13,303</u>	<u>(371,721)</u>	<u>1,981</u>	<u>(48,210)</u>
	500,000		597,340
			(97,340)
	<u>500,000</u>		<u>500,000</u>
<u>13,303</u>	<u>128,279</u>	<u>1,981</u>	<u>451,790</u>
402,375	266,339	13,357	1,726,920
<u>\$ 415,678</u>	<u>\$ 394,618</u>	<u>\$ 15,338</u>	<u>\$ 2,178,710</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Downtown Strategy		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	119,755	141,974	22,219
Licenses and permits			
Intergovernmental			
Other		4,501	4,501
Fines and forfeitures			
Investment earnings	1,260	15,480	14,220
<b>Total revenues</b>	121,015	161,955	40,940
<b>Expenditures:</b>			
Current -			
General government	65,200	54,623	10,577
Public works			
Culture and recreation			
<b>Total expenditures</b>	65,200	54,623	10,577
<b>Excess (deficiency) of revenues over expenditures</b>	55,815	107,332	51,517
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	55,815	107,332	51,517
<b>Fund balances, beginning of year</b>	518,590	518,590	
<b>Fund balances (deficits), end of year</b>	\$ 574,405	\$ 625,922	\$ 51,517

Economic Development			Tourism		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 479,021	\$ 567,898	\$ 88,877	\$	\$	\$
	4,058	4,058	125,465	110,594	(14,871)
240	16,190	15,950	180	14	14
<u>479,261</u>	<u>588,146</u>	<u>108,885</u>	<u>125,645</u>	<u>119,245</u>	<u>(6,400)</u>
246,320	215,176	31,144			
<u>246,320</u>	<u>215,176</u>	<u>31,144</u>	<u>317,179</u>	<u>291,320</u>	<u>25,859</u>
<u>232,941</u>	<u>372,970</u>	<u>140,029</u>	<u>317,179</u>	<u>291,320</u>	<u>25,859</u>
			(191,534)	(172,075)	19,459
(97,340)	(97,340)		97,340	97,340	
<u>(97,340)</u>	<u>(97,340)</u>		<u>97,340</u>	<u>97,340</u>	
135,601	275,630	140,029	(94,194)	(74,735)	19,459
317,312	317,312		208,947	208,947	
<u>\$ 452,913</u>	<u>\$ 592,942</u>	<u>\$ 140,029</u>	<u>\$ 114,753</u>	<u>\$ 134,212</u>	<u>\$ 19,459</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Local Court Enhancement		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes			
Licenses and permits			
Intergovernmental			
Other			
Fines and forfeitures	49,000	29,071	(19,929)
Investment earnings	900	161	(739)
<b>Total revenues</b>	49,900	29,232	(20,668)
<b>Expenditures:</b>			
Current -			
General government	89,850	15,929	73,921
Public works			
Culture and recreation			
<b>Total expenditures</b>	89,850	15,929	73,921
<b>Excess (deficiency) of revenues over expenditures</b>	(39,950)	13,303	53,253
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	(39,950)	13,303	53,253
<b>Fund balances, beginning of year</b>	402,375	402,375	
<b>Fund balances (deficits), end of year</b>	\$ 362,425	\$ 415,678	\$ 53,253

Environmental			Cottonwoods Maintenance		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	2,556	2,556	8,670	8,778	108
2,400	19,387	16,987	72	554	482
<u>2,400</u>	<u>21,943</u>	<u>19,543</u>	<u>8,742</u>	<u>9,332</u>	<u>590</u>
627,100	393,664	233,436	12,388	7,351	5,037
<u>627,100</u>	<u>393,664</u>	<u>233,436</u>	<u>12,388</u>	<u>7,351</u>	<u>5,037</u>
<u>(624,700)</u>	<u>(371,721)</u>	<u>252,979</u>	<u>(3,646)</u>	<u>1,981</u>	<u>5,627</u>
	500,000	500,000			
	<u>500,000</u>	<u>500,000</u>			
<u>(624,700)</u>	<u>128,279</u>	<u>752,979</u>	<u>(3,646)</u>	<u>1,981</u>	<u>5,627</u>
266,339	266,339		13,357	13,357	
<u>\$ (358,361)</u>	<u>\$ 394,618</u>	<u>\$ 752,979</u>	<u>\$ 9,711</u>	<u>\$ 15,338</u>	<u>\$ 5,627</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 8,670	\$ 8,778	\$ 108
Sales taxes	598,776	709,872	111,096
Licenses and permits		2,556	2,556
Intergovernmental	125,465	110,594	(14,871)
Other		8,573	8,573
Fines and forfeitures	49,000	29,071	(19,929)
Investment earnings	5,052	60,409	55,357
<b>Total revenues</b>	786,963	929,853	142,890
<b>Expenditures:</b>			
Current -			
General government	401,370	285,728	115,642
Public works	639,488	401,015	238,473
Culture and recreation	317,179	291,320	25,859
<b>Total expenditures</b>	1,358,037	978,063	379,974
<b>Excess (deficiency) of revenues over expenditures</b>	(571,074)	(48,210)	522,864
<b>Other financing sources (uses):</b>			
Transfer in	97,340	597,340	500,000
Transfer out	(97,340)	(97,340)	
<b>Total other financing sources (uses)</b>	-	500,000	500,000
<b>Changes in fund balances</b>	(571,074)	451,790	1,022,864
<b>Fund balances, beginning of year</b>	1,726,920	1,726,920	
<b>Fund balances (deficits), end of year</b>	\$ 1,155,846	\$ 2,178,710	\$ 1,022,864

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2023**

	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service
<b><u>ASSETS</u></b>			
Cash and investments	\$ 155,313	\$ 19,234	\$ 11,427
Taxes receivable	26,295		
<b>Total assets</b>	<b>\$ 181,608</b>	<b>\$ 19,234</b>	<b>\$ 11,427</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ _____	\$ 88	\$ _____
<b>Total liabilities</b>	_____	88	_____
Deferred inflows of resources:			
Unavailable revenues - property taxes	26,334		
	_____	_____	_____
Fund balances:			
Restricted	155,274	19,146	11,427
<b>Total fund balances</b>	155,274	19,146	11,427
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 181,608</b>	 <b>\$ 19,234</b>	 <b>\$ 11,427</b>

Totals

\$	185,974
	<u>26,295</u>
\$	<u><u>212,269</u></u>

\$	88
	<u>88</u>

26,334

<u>185,847</u>
<u>185,847</u>

\$	<u><u>212,269</u></u>
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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service
<b>Revenues:</b>			
Investment earnings	\$ 4,712	\$ 710	\$ 402
<b>Total revenues</b>	4,712	710	402
<b>Expenditures:</b>			
Debt service -			
Fiscal charges		88	10
<b>Total expenditures</b>		88	10
<b>Changes in fund balances</b>	4,712	622	392
<b>Fund balances, beginning of year</b>	150,562	18,524	11,035
<b>Fund balances, end of year</b>	\$ 155,274	\$ 19,146	\$ 11,427

Totals

\$ 5,824  
5,824

98  
98

5,726

180,121

\$ 185,847

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General Obligation Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Investment earnings	1,200	4,712	3,512
<b>Total revenues</b>	1,200	4,712	3,512
<b>Expenditures:</b>			
Debt service -			
Fiscal charges	350		350
<b>Total expenditures</b>	350		350
<b>Changes in fund balances</b>	850	4,712	3,862
<b>Fund balances, beginning of year</b>	150,562	150,562	
<b>Fund balances, end of year</b>	\$ 151,412	\$ 155,274	\$ 3,862

Eagle Mountain Debt Service

Municipal Property Corporation Debt Service

<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$ 1,380	\$	\$ (1,380)
100	710	610
<u>1,480</u>	<u>710</u>	<u>(770)</u>
14,200	88	14,112
<u>14,200</u>	<u>88</u>	<u>14,112</u>
(12,720)	622	13,342
18,524	18,524	
<u>\$ 5,804</u>	<u>\$ 19,146</u>	<u>\$ 13,342</u>

<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$	\$	\$
100	402	302
<u>100</u>	<u>402</u>	<u>302</u>
1,010	10	1,000
<u>1,010</u>	<u>10</u>	<u>1,000</u>
(910)	392	1,302
11,035	11,035	
<u>\$ 10,125</u>	<u>\$ 11,427</u>	<u>\$ 1,302</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Totals		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$ 1,380	\$	\$ (1,380)
Investment earnings	1,400	5,824	4,424
<b>Total revenues</b>	<u>2,780</u>	<u>5,824</u>	<u>3,044</u>
<b>Expenditures:</b>			
Debt service -			
Fiscal charges	15,560	98	15,462
<b>Total expenditures</b>	<u>15,560</u>	<u>98</u>	<u>15,462</u>
<b>Changes in fund balances</b>	<u>(12,780)</u>	<u>5,726</u>	<u>18,506</u>
<b>Fund balances, beginning of year</b>	180,121	180,121	
<b>Fund balances, end of year</b>	<u>\$ 167,341</u>	<u>\$ 185,847</u>	<u>\$ 18,506</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUND**  
**JUNE 30, 2023**

	Development Fees
<b><u>ASSETS</u></b>	
Cash and investments	\$ 2,130,124
<b>Total assets</b>	<b>\$ 2,130,124</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Fund balances:	
Restricted	\$ 2,130,124
<b>Total fund balances</b>	<b>2,130,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,130,124</b>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2023**

	Development Fees
<b>Revenues:</b>	
Licenses and permits	\$ 380,963
Investment earnings	78,997
<b>Total revenues</b>	459,960
<b>Excess (deficiency) of revenues over expenditures</b>	459,960
<b>Other financing sources (uses):</b>	
Transfer out	(275,000)
<b>Total other financing sources (uses)</b>	(275,000)
<b>Changes in fund balances</b>	184,960
<b>Fund balances, beginning of year</b>	1,945,164
<b>Fund balances, end of year</b>	\$ 2,130,124

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Capital Projects		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 1,141,951	\$ 1,724,626	\$ 582,675
Licenses and permits			
Intergovernmental	70,000	140,284	70,284
Other			
Investment earnings	10,000	132,283	122,283
<b>Total revenues</b>	<u>1,221,951</u>	<u>1,997,193</u>	<u>775,242</u>
<b>Expenditures:</b>			
Current -			
General government	2,800	1,215	1,585
Public works	307,148	59,648	247,500
Capital outlay	6,439,092	4,263,138	2,175,954
<b>Total expenditures</b>	<u>6,749,040</u>	<u>4,324,001</u>	<u>2,425,039</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(5,527,089)</u>	<u>(2,326,808)</u>	<u>3,200,281</u>
<b>Other financing sources (uses):</b>			
Transfer in	275,000	3,950,527	3,675,527
Transfer out			
<b>Total other financing sources (uses)</b>	<u>275,000</u>	<u>3,950,527</u>	<u>3,675,527</u>
<b>Changes in fund balances</b>	<u>(5,252,089)</u>	<u>1,623,719</u>	<u>6,875,808</u>
<b>Fund balances, beginning of year</b>	4,068,310	4,068,310	
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,183,779)</u>	<u>\$ 5,692,029</u>	<u>\$ 6,875,808</u>

Facilities Replacement Fund			Development Fees		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			459,007	380,963	(78,044)
	4,000	4,000			
1,000	136,115	135,115	3,000	78,997	75,997
<u>1,000</u>	<u>140,115</u>	<u>139,115</u>	<u>462,007</u>	<u>459,960</u>	<u>(2,047)</u>
1,050,000	781,979	268,021			
<u>1,050,000</u>	<u>781,979</u>	<u>268,021</u>			
(1,049,000)	(641,864)	407,136	462,007	459,960	(2,047)
	1,500,000	1,500,000	(275,000)	(275,000)	
	<u>1,500,000</u>	<u>1,500,000</u>	<u>(275,000)</u>	<u>(275,000)</u>	
(1,049,000)	858,136	1,907,136	187,007	184,960	(2,047)
5,925,921	5,925,921		1,945,164	1,945,164	
<u>\$ 4,876,921</u>	<u>\$ 6,784,057</u>	<u>\$ 1,907,136</u>	<u>\$ 2,132,171</u>	<u>\$ 2,130,124</u>	<u>\$ (2,047)</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 1,141,951	\$ 1,724,626	\$ 582,675
Licenses and permits	459,007	380,963	(78,044)
Intergovernmental	70,000	140,284	70,284
Other		4,000	4,000
Investment earnings	14,000	347,395	333,395
<b>Total revenues</b>	<u>1,684,958</u>	<u>2,597,268</u>	<u>912,310</u>
<b>Expenditures:</b>			
Current -			
General government	2,800	1,215	1,585
Public works	1,357,148	841,627	515,521
Capital outlay	6,439,092	4,263,138	2,175,954
<b>Total expenditures</b>	<u>7,799,040</u>	<u>5,105,980</u>	<u>2,693,060</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,114,082)</u>	<u>(2,508,712)</u>	<u>3,605,370</u>
<b>Other financing sources (uses):</b>			
Transfer in	275,000	5,450,527	5,175,527
Transfer out	(275,000)	(275,000)	
<b>Total other financing sources (uses)</b>	<u></u>	<u>5,175,527</u>	<u>5,175,527</u>
<b>Changes in fund balances</b>	<u>(6,114,082)</u>	<u>2,666,815</u>	<u>8,780,897</u>
<b>Fund balances, beginning of year</b>	11,939,395	11,939,395	
<b>Fund balances (deficits), end of year</b>	<u>\$ 5,825,313</u>	<u>\$ 14,606,210</u>	<u>\$ 8,780,897</u>

## STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

### **Financial Trends**

These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate revenue.

### **Debt Capacity**

These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.

### **Demographic and Economic Information**

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other cities.

### **Operating Information**

These schedules contain information about the Town's operations and various resources to help the reader draw conclusions as to how the Town's financial information relates to the services provided by the Town.

**Note:** For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning with fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This value remains the value utilized for determining debt capacity limits.

**Town of Fountain Hills, Arizona**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<b>Fiscal Year ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 89,713,260	\$ 95,325,824	\$ 95,647,990	\$ 94,909,703
Restricted	5,480,867	6,310,810	4,530,239	4,471,661
Unrestricted	<u>19,186,823</u>	<u>15,180,582</u>	<u>17,232,506</u>	<u>17,578,068</u>
Total governmental activities net position	<u>\$ 114,380,950</u>	<u>\$ 116,817,216</u>	<u>\$ 117,410,735</u>	<u>\$ 116,959,432</u>

Source: The source of this information is the Town's financial records.

**Fiscal Year ended June 30**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 96,777,854	\$ 104,781,328	\$ 104,004,331	\$ 103,822,185	\$ 102,346,737	\$ 101,838,463
4,589,526	3,646,449	2,766,041	2,610,178	5,749,726	9,646,597
<u>16,244,169</u>	<u>15,258,797</u>	<u>17,388,168</u>	<u>21,318,351</u>	<u>26,010,477</u>	<u>31,955,871</u>
<u>\$ 117,611,549</u>	<u>\$ 123,686,574</u>	<u>\$ 124,158,540</u>	<u>\$ 127,750,714</u>	<u>\$ 134,106,940</u>	<u>\$ 143,440,931</u>

**Town of Fountain Hills, Arizona**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,432,965	\$ 2,479,365	\$ 2,516,966	\$ 3,142,722
Development services	1,237,717	2,074,611	2,253,208	1,364,378
Public safety	6,958,056	6,816,152	7,178,890	7,563,898
Public works	6,630,875	4,963,979	6,476,688	7,904,577
Culture and recreation	2,760,690	2,822,954	3,124,523	3,375,414
Interest on long-term debt	472,999	698,542	241,694	178,749
Total governmental activities expenses	<u>20,493,302</u>	<u>19,855,603</u>	<u>21,791,969</u>	<u>23,529,738</u>
<b>Program Revenues</b>				
Governmental activities:				
Fines, fees and charges for services:				
General government	215,943	337,655	298,737	837,163
Development services	531,193	693,670	1,257,492	1,062,094
Public safety	74,887	86,641	90,345	155,454
Public works	250,421	236,706	48,688	216,724
Culture and recreation	340,353	339,158	321,189	393,028
Operating grants and contributions	1,307,738	1,431,017	1,615,973	1,699,931
Capital grants and contributions	144,570	2,874,796	381,011	494,328
Total governmental activities program revenues	<u>2,865,105</u>	<u>5,999,643</u>	<u>4,013,435</u>	<u>4,858,722</u>
<b>Net (Expenses)/Revenues</b>	(17,628,197)	(13,855,960)	(17,778,534)	(18,671,016)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property taxes	1,449,646	904,660	2,569,504	2,296,199
Sales taxes	8,459,267	8,983,049	9,395,667	9,415,151
Franchise taxes	349,414	352,673	360,320	367,119
State shared revenues	5,326,332	5,713,235	5,813,678	6,057,278
Investment earnings	123,311	150,358	219,058	55,127
Miscellaneous	166,115	188,251	13,826	28,839
Special item - Donation of capital assets	-	-	-	-
Total governmental activities	<u>15,874,085</u>	<u>16,292,226</u>	<u>18,372,053</u>	<u>18,219,713</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ (1,754,112)</u>	<u>\$ 2,436,266</u>	<u>\$ 593,519</u>	<u>\$ (451,303)</u>

Source: The source of this information is the Town's financial records.

**Fiscal Year Ended June 30**

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 3,431,752	\$ 3,318,477	\$ 3,470,936	\$ 6,687,041	\$ 4,333,863	\$ 4,890,912
1,460,967	867,725	825,884	968,808	1,068,260	1,206,991
7,567,012	8,142,069	9,003,452	6,321,489	9,487,150	9,930,356
7,380,663	10,263,244	9,961,306	10,175,540	9,780,920	10,792,078
3,311,648	3,767,996	3,490,447	3,601,870	3,999,178	4,776,903
118,552	57,054	881	7,544	-	-
<u>23,270,594</u>	<u>26,416,565</u>	<u>26,752,906</u>	<u>27,762,292</u>	<u>28,669,371</u>	<u>31,597,240</u>
295,716	280,312	533,189	310,411	498,242	516,373
1,314,915	1,143,871	608,892	693,161	947,431	762,929
155,973	90,774	100,444	104,726	89,140	136,082
52,465	10,214	131,750	355,619	654,434	359,972
497,914	1,151,500	409,651	435,432	641,269	640,365
1,737,958	1,850,676	2,007,841	4,733,757	6,381,580	6,729,883
304,951	181,939	91,245	135,525	161,751	259,266
<u>4,359,892</u>	<u>4,709,286</u>	<u>3,883,012</u>	<u>6,768,631</u>	<u>9,373,847</u>	<u>9,404,870</u>
(18,910,702)	(21,707,279)	(22,869,894)	(20,993,661)	(19,295,524)	(22,192,370)
2,263,623	2,476,546	2,077,368	402,481	9,728	9,854
10,311,577	11,491,123	13,172,390	15,657,292	17,660,758	20,586,294
421,682	423,947	434,896	426,260	399,007	382,948
6,396,667	6,514,470	6,874,771	7,787,184	7,721,123	9,221,691
158,860	554,549	545,983	49,665	(419,006)	1,099,525
10,410	202,969	236,452	262,953	280,140	226,049
-	6,118,700	-	-	-	-
<u>19,562,819</u>	<u>27,782,304</u>	<u>23,341,860</u>	<u>24,585,835</u>	<u>25,651,750</u>	<u>31,526,361</u>
<u>\$ 652,117</u>	<u>\$ 6,075,025</u>	<u>\$ 471,966</u>	<u>\$ 3,592,174</u>	<u>\$ 6,356,226</u>	<u>\$ 9,333,991</u>

**Town of Fountain Hills, Arizona**  
**Fund Balances — Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General fund				
Nonspendable				
Inventory	\$ 14,358	\$ 6,975	\$ 9,272	\$ 5,872
Prepaid items	18,348	10,655	4,123	16,868
Committed	1,345,200	2,634,923	2,652,357	2,714,135
Assigned	1,647,193	1,872,492	1,701,086	1,743,768
Unassigned	4,972,853	4,369,457	5,853,806	2,696,999
Total general fund	<u>\$ 7,997,952</u>	<u>\$ 8,894,502</u>	<u>\$ 10,220,644</u>	<u>\$ 7,177,642</u>
All other governmental funds				
Nonspendable				
Cash with escrow agent	\$ 1,973,067	\$ 1,645,000	\$ -	\$ -
Prepaid items	997	656	5,055	474
Restricted	3,505,590	10,066,786	4,500,044	4,432,710
Committed	2,089,361	1,079,780	1,366,081	8,576,250
Assigned	7,147,586	5,444,124	5,943,364	1,784,761
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 14,716,601</u>	<u>\$ 18,236,346</u>	<u>\$ 11,814,544</u>	<u>\$ 14,794,195</u>

Source: The source of this information is the Town's financial records.

**Fiscal Year ended June 30**

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 13,490	\$ 5,168	\$ 8,982	\$ 7,117	\$ 14,845	\$ 12,923
21,945	17,311	2,418	20,170	36,464	44,542
2,893,850	3,027,804	3,249,354	3,387,433	3,664,240	4,044,890
2,101,574	2,380,653	622,641	1,085,667	1,278,191	1,639,184
<u>2,140,434</u>	<u>1,863,722</u>	<u>5,535,499</u>	<u>10,958,643</u>	<u>9,466,833</u>	<u>11,644,005</u>
<u>\$ 7,171,293</u>	<u>\$ 7,294,658</u>	<u>\$ 9,418,894</u>	<u>\$ 15,459,030</u>	<u>\$ 14,460,573</u>	<u>\$ 17,385,544</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,253	2,326
4,571,263	3,579,891	2,708,883	2,541,894	5,701,067	9,368,764
7,248,890	5,868,386	6,068,810	4,430,491	5,511,281	7,458,457
2,340,683	2,592,343	2,402,244	1,845,901	6,541,572	7,589,084
-	-	(66,361)	-	-	-
<u>\$ 14,160,836</u>	<u>\$ 12,040,620</u>	<u>\$ 11,113,576</u>	<u>\$ 8,818,286</u>	<u>\$ 17,758,173</u>	<u>\$ 24,418,631</u>

**Town of Fountain Hills, Arizona**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenues</b>				
Taxes	\$ 10,271,737	\$ 10,240,382	\$ 12,299,285	\$ 12,069,714
Licenses and permits	891,782	1,043,382	1,372,045	1,310,973
Leases and rents	252,584	269,753	258,165	284,090
Intergovernmental	6,677,518	9,770,048	7,559,436	7,917,651
Charges for services	161,376	176,541	197,109	351,476
Other	134,114	188,251	147,662	153,438
Fines and forfeitures	170,995	186,456	209,380	257,727
Investment earnings	123,311	150,358	219,058	55,127
Total revenues	<u>18,683,417</u>	<u>22,025,171</u>	<u>22,262,140</u>	<u>22,400,196</u>
<b>Expenditures</b>				
Current:				
General government	2,194,845	2,275,124	2,324,026	2,713,548
Development services	1,774,983	2,073,990	2,217,814	1,275,147
Public safety	6,890,770	6,675,874	7,034,887	7,420,032
Public works	3,085,559	1,275,779	2,498,714	3,954,450
Culture and recreation	1,921,939	1,962,585	2,240,865	2,484,940
Capital outlay	1,750,465	8,799,068	6,471,382	1,693,265
Debt service:				
Principal	2,415,000	1,850,000	4,260,000	2,675,000
Interest	460,811	454,957	308,106	244,986
Other debt service	12,188	243,585	2,005	2,180
Total expenditures	<u>20,506,560</u>	<u>25,610,962</u>	<u>27,357,799</u>	<u>22,463,548</u>
Excess (deficiency) of revenues over (under) expenditures	(1,823,143)	(3,585,791)	(5,095,659)	(63,352)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,838,453	2,519,774	562,044	5,194,138
Transfers out	(1,838,453)	(2,519,774)	(562,044)	(5,194,138)
Proceeds from sale of capital assets	-	-	-	-
Issuance of refunding bonds	-	4,180,000	-	-
Issuance of long-term debt	-	7,565,000	-	-
Bond Premium	-	342,086	-	-
Payment to refunded bonds escrow agent	-	(4,085,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>8,002,086</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,823,143)</u>	<u>\$ 4,416,295</u>	<u>\$ (5,095,659)</u>	<u>\$ (63,352)</u>
Expenditures for capitalized assets	\$ 2,385,168	\$ 9,067,254	\$ 6,394,346	\$ 1,696,612
Debt service as a percentage of noncapital expenditures	15.9%	15.4%	21.8%	14.1%

Source: The source of this information is the Town's financial records.

**Fiscal Year Ended June 30**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$	13,019,341	\$ 14,342,801	\$ 15,694,054	\$ 16,510,939	\$ 18,071,247	\$ 20,978,020
	2,004,386	2,040,622	835,731	1,293,172	2,039,349	1,524,278
	282,531	280,801	286,391	264,621	333,946	355,607
	8,266,028	8,401,676	8,920,296	12,713,449	14,124,324	15,919,459
	254,122	181,105	222,947	99,090	171,157	216,438
	207,697	347,141	387,225	320,291	431,838	403,305
	182,997	130,483	281,704	239,191	223,964	240,844
	158,860	554,549	545,983	49,654	(419,224)	1,094,158
	<u>24,375,962</u>	<u>26,279,178</u>	<u>27,174,331</u>	<u>31,490,407</u>	<u>34,976,601</u>	<u>40,732,109</u>
	3,195,936	3,147,063	3,280,191	6,513,419	4,105,257	4,697,681
	1,397,249	858,957	797,513	954,667	1,041,531	1,210,967
	7,402,227	6,295,989	8,566,058	8,906,428	9,180,108	9,612,993
	3,420,317	7,880,668	6,046,298	6,321,814	5,712,452	7,542,736
	2,375,758	2,845,027	2,609,842	2,726,748	3,166,526	3,583,471
	4,317,214	4,487,854	2,716,523	4,758,067	3,828,699	4,498,734
	2,720,000	2,635,000	2,310,000	400,000	-	-
	185,164	123,871	67,301	7,044	-	-
	1,805	1,600	1,998	500	598	98
	<u>25,015,670</u>	<u>28,276,029</u>	<u>26,395,724</u>	<u>30,588,687</u>	<u>27,035,171</u>	<u>31,146,680</u>
	(639,708)	(1,996,851)	778,607	901,720	7,941,430	9,585,429
	4,543,728	3,672,532	1,928,978	3,086,628	11,962,153	10,247,867
	(4,543,728)	(3,672,532)	(1,928,978)	(3,136,628)	(11,962,153)	(10,247,867)
	-	-	418,585	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>418,585</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
\$	<u>(639,708)</u>	<u>(1,996,851)</u>	<u>1,197,192</u>	<u>851,720</u>	<u>7,941,430</u>	<u>9,585,429</u>
\$	4,293,214	\$ 4,465,837	\$ 2,689,270	\$ 4,758,055	\$ 3,890,700	\$ 4,497,424
	14.0%	11.6%	10.0%	1.8%	0.0%	0.0%

**Town of Fountain Hills, Arizona**  
**Governmental Activities - Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<b>Fiscal Year Ended June 30</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2014	1,463,056	8,459,267	349,414	10,271,737
2015	904,660	8,983,050	352,673	10,240,383
2016	2,543,298	9,391,267	360,320	12,294,885
2017	2,287,444	9,419,551	367,119	12,074,114
2018	2,286,081	10,311,578	421,682	13,019,341
2019	2,427,730	11,491,124	423,947	14,342,801
2020	2,086,769	13,172,389	434,896	15,694,054
2021	427,387	15,657,292	426,260	16,510,939
2022	11,482	17,660,758	399,007	18,071,247
2023	8,778	20,586,294	382,948	20,978,020

Source: The source of this information is the Town's financial records.

**Town of Fountain Hills, Arizona**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Net Assessed Taxable Value*</b>	<b>Total Direct Tax Rate**</b>	<b>Estimated Actual Taxable Value*</b>	<b>Net Assessed Taxable Value as a Percentage of Estimated Actual Taxable Value</b>
2014	365,963,182	0.2773	3,359,684,579	10.89%
2015	403,330,477	0.1151	3,722,794,676	10.83%
2016	402,223,763	0.5246	3,744,585,506	10.74%
2017	423,688,665	0.4472	3,965,824,715	10.68%
2018	444,639,625	0.4259	4,166,589,970	10.67%
2019	466,895,716	0.4257	4,381,287,279	10.66%
2020	494,576,905	0.3382	4,657,015,387	10.62%
2021	520,103,815	-	4,909,183,626	10.59%
2022	546,532,825	-	5,164,740,322	10.58%
2023	575,824,127	-	5,453,898,649	10.56%

Source: The source of this information is the Arizona Department of Revenue's Abstract of the Assessment Roll and the Town's financial records.

\*Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash value is used for determining the Town's bonding capacity and as the ceiling for net limited assessed value.

\*\* Per \$100 of assessed taxable value; No town-wide taxes levied since FY20.

**Town of Fountain Hills, Arizona  
Principal Property Taxpayers  
June 30, 2022 and 2014**

Taxpayer	2022			2014		
	Net Limited Assessed Value	Rank	Percentage of Total Net Limited Assessed Value	Net Full Cash Assessed Value	Rank	Percentage of Total Net Full Cash Assessed Value
RCS-Park Place 1 LLC	4,104,443	1	0.75%			
EPCOR - Chaparral City Water Company	4,014,150	2	0.73%			
Hunter Retail LLC	2,664,494	3	0.49%			
FFI Fountain View Owner LLC	2,484,873	4	0.45%			
Whitestone Fountain Hills, LLC	1,917,085	5	0.35%	\$ 1,738,782	3	0.48%
Strathmore Company LLC	1,579,590	6	0.29%			
Fountain Hills Apartments LLC	1,446,429	7	0.26%			
Fountain Hills Invest Co., LLC	1,438,833	8	0.26%			
Target Corporation	1,435,594	9	0.26%	1,585,664	5	0.43%
Palisades Resorts LLC	1,315,948	10	0.24%			
Chapparal City Water Company				3,314,550	1	0.91%
Inland Western Fountain Hills Four Peaks LLC				2,868,437	2	0.78%
WSL Fountain View Investors V, LLC				1,681,860	4	0.46%
Firerock LLC				1,340,312	6	0.37%
Smith's Food & Drug				1,261,980	7	0.34%
Qwest Corporation				1,193,858	8	0.33%
EN LLC				1,491,136	9	0.41%
Fountain Hills Hotel Developers LLC				1,062,651	10	0.29%
<b>Totals</b>	<b>\$ 22,401,439</b>		<b>4.08%</b>	<b>\$ 17,539,230</b>		<b>4.80%</b>

Source: The source of this information is the Maricopa County Assessor's Office.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2015-2016), both primary and secondary taxes are levied against the net assessed limited property valuation. The net assessed full cash property valuation is used for determining the Town's bonding capacity and as the ceiling for net limited assessed property valuation.

Note: 2023 data was unavailable from the Maricopa County Assessor's Office. 2022 data used instead.

**Town of Fountain Hills, Arizona  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
2014	1,449,884	1,426,612	98.4%	18,215	1,444,827	99.7%
2015	892,104	881,170	98.8%	6,903	888,073	99.5%
2016	2,532,115	2,502,995	98.8%	18,913	2,521,908	99.6%
2017	2,278,728	2,241,482	98.4%	29,003	2,270,485	99.6%
2018	2,272,027	2,230,328	98.2%	30,908	2,261,236	99.5%
2019	2,404,250	2,369,262	98.5%	19,709	2,388,971	99.4%
2020	2,092,340	2,044,210	97.7%	37,403	2,081,613	99.5%
2021	397,416	392,363	98.7%	5,064	397,427	100.0%
2022	6,381	6,326	99.1%	55	6,381	100.0%
2023	8,669	8,669	100.0%	-	8,669	100.0%

Source: The source of this information is the Maricopa County Treasurer's Office.

**Town of Fountain Hills, Arizona**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Sales category:				
Construction	\$ 783,064	\$ 935,694	\$ 918,717	\$ 730,164
Transportation/utilities	1,375,623	1,405,768	1,327,441	1,288,153
Wholesale/retail	3,653,181	4,214,119	4,815,582	4,982,218
Restaurants/bars	655,654	682,180	742,540	811,985
Real estate, rental & leasing	782,453	617,348	552,856	636,834
Services	342,079	604,618	779,753	852,675
Other	867,213	523,323	254,378	117,523
Total	<u>\$ 8,459,267</u>	<u>\$ 8,983,050</u>	<u>\$ 9,391,267</u>	<u>\$ 9,419,552</u>

Note: Other includes all state and local sales tax audit adjustments.

Source: The source of this information is the Town's financial records.

**Fiscal Year Ended June 30**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 1,408,332	\$ 1,932,716	\$ 1,910,021	\$ 1,990,383	\$ 1,780,123	\$ 3,449,250
1,309,928	1,290,585	1,405,005	1,529,268	1,501,600	1,576,570
5,235,992	5,464,247	7,031,474	8,956,208	9,834,924	10,500,903
829,857	893,595	892,210	1,062,172	1,446,971	1,517,063
745,171	842,233	965,124	993,228	1,103,241	1,258,009
747,834	1,025,548	916,769	1,125,753	1,992,955	2,278,723
34,464	42,200	51,786	280	946	5,776
<u>\$ 10,311,578</u>	<u>\$ 11,491,124</u>	<u>\$ 13,172,389</u>	<u>\$ 15,657,292</u>	<u>\$ 17,660,760</u>	<u>\$ 20,586,294</u>

**Town of Fountain Hills, Arizona  
Direct and Overlapping Sales Tax Rates  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Town Rate</b>	<b>Maricopa County</b>	<b>State Rate</b>	<b>Total Tax Rate</b>
2014	2.60%	0.70%	5.60%	8.90%
2015	2.60%	0.70%	5.60%	8.90%
2016	2.60%	0.70%	5.60%	8.90%
2017	2.60%	0.70%	5.60%	8.90%
2018	2.60%	0.70%	5.60%	8.90%
2019	2.60%	0.70%	5.60%	8.90%
2020*	2.90%	0.70%	5.60%	9.20%
2021	2.90%	0.70%	5.60%	9.20%
2022	2.90%	0.70%	5.60%	9.20%
2023	2.90%	0.70%	5.60%	9.20%

\* 0.3% Town rate increase effective 11/1/2019

Source: The source of this information is the Arizona Department of Revenue.

**Town of Fountain Hills, Arizona  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>						<b>Debt Per Capita</b>
	<b>General Obligation Bonds*</b>	<b>Community Facilities District Bonds**</b>	<b>Municipal Property Corporation Bonds*</b>	<b>Highway User Revenue Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Outstanding Debt</b>	
2014	2,000,000	2,495,000	4,695,000	-	-	9,190,000	398
2015	9,517,086	2,300,000	3,525,000	-	-	15,342,086	665
2016	7,678,669	1,935,000	1,400,000	-	-	11,013,669	477
2017	5,680,252	1,560,000	1,030,000	-	-	8,270,252	358
2018	3,631,835	1,180,000	670,000	-	-	5,481,835	238
2019	1,683,417	795,000	300,000	-	-	2,778,417	120
2020	-	400,000	-	-	-	400,000	17
2021	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-

Source: The source of this information is the Town's financial records and the U.S. Bureau of Economic Analysis.

\* All bond amounts presented include amortization of original issuance discounts and premiums.

\*\* All bond amounts presented include amortization of original issuance discounts and premiums.

The Town is not obligated for repayment of the Eagle Mountain Community Facilities District general obligation bonds.

Population data can be found in the Schedule of Demographic and Economic Statistics.

**Town of Fountain Hills, Arizona**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds*</b>	<b>Less: Amounts Restricted for Principal</b>	<b>Net General Obligation Bonds</b>	<b>Estimated Actual Taxable Value of Property</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Net General Obligation Bonded Debt per Capita</b>	<b>Net General Obligation Bonded Debt per Net Limited Assessed Valuation</b>	<b>Municipal Corporation Bonds*</b>	<b>Net Municipal Corporation Debt per Capita</b>	<b>Total Revenues-All Sources</b>
2014	4,495,000	87,949	4,407,051	3,359,684,579	0.13%	189	1.20%	2,721,933	117	18,891,967
2015	11,817,086	420,782	11,396,304	3,722,794,676	0.31%	483	2.83%	1,764,338	75	22,161,316
2016	9,613,669	576,281	9,037,388	3,744,585,506	0.24%	378	2.25%	1,088,117	46	22,262,139
2017	7,240,252	343,697	6,896,555	3,965,824,715	0.17%	282	1.63%	860,437	35	22,400,196
2018	4,811,835	83,185	4,728,650	4,166,589,970	0.11%	192	1.06%	664,484	27	24,375,962
2019	2,478,417	146,100	2,332,317	4,381,287,279	0.05%	93	0.50%	287,694	12	26,279,178
2020	400,000	171,807	228,193	4,657,015,387	0.01%	9	0.05%	-	-	27,586,011
2021	-	191,594	-	4,909,183,626	-	-	-	-	-	31,354,466
2022	-	194,344	-	5,436,380,244	-	-	-	-	-	35,025,597
2023	-	200,754	-	5,453,898,649	-	-	-	-	-	40,931,231

Source: The source of this information is the Department of Revenue and the Town's financial records

\* All bond amounts presented are net of original issuance discounts and premiums. The Town is not obligated for repayment of the Eagle Mountain Community Facilities District general obligation bonds

Population data can be found in the Schedule of Demographic and Economic Statistics.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the Town's bonding capacity and as the ceiling for net limited assessed value

**Town of Fountain Hills, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**as of June 30, 2023**

<b>Governmental Unit</b>	<b>Outstanding Debt</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
Overlapping:			
Maricopa County Special Healthcare District	\$ 600,335,000	1.11%	\$ 6,663,719
Maricopa County Community College District	135,585,000	1.11%	1,504,994
East Valley Institute of Technology	-	2.25%	-
Fountain Hills Unified School District	5,655,000	96.47%	5,455,379
Total Overlapping Debt			<u>13,624,092</u>
Direct:			
Town of Fountain Hills, Arizona*			
General Obligation Bonds			-
Revenue Bonds			-
Eagle Mountain Community Facilities District**			-
Total Direct Debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 13,624,092</u>

Source: The source of this information is the Town's records, the State and County Abstract of the Assessment Roll, the Arizona Department of Revenue Report of Indebtedness and the applicable governmental unit.

\* All bond amounts include amortization of original issuance discounts and premiums.

\*\* The Town is not obligated for repayment of the Eagle Mountain Community Facilities District general obligation bonds.

Note: The estimated percentage of debt outstanding applicable to the Town is calculated based on the Town's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town of Fountain Hills. This schedule further estimates the portion of outstanding debt of those overlapping governments that is borne by residents and businesses of the Town. This process recognizes that, when considering a town's ability to issue and repay long-term debt, the entire debt burden borne by residents should be taken into account. However, this fact does not imply that every taxpayer is a resident, and, therefore, responsible for repaying the debt of each overlapping government.

**Town of Fountain Hills, Arizona  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	<b>Fiscal Year Ended June 30</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>6% Debt Limit</b>				
Debt limit	\$ 21,957,791	\$ 24,199,829	\$ 28,325,296	\$ 30,651,126
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 21,957,791</u>	<u>\$ 24,199,829</u>	<u>\$ 28,325,296</u>	<u>\$ 30,651,126</u>
 Total debt applicable to the limit as a percentage of debt limit	 -	 -	 -	 -
 <b>20% Debt Limit</b>				
Debt limit	\$ 73,192,636	\$ 80,666,095	\$ 94,417,653	\$ 102,170,422
Total net debt applicable to limit	<u>2,000,000</u>	<u>9,175,000</u>	<u>7,405,000</u>	<u>5,475,000</u>
Legal debt margin	<u>\$ 71,192,636</u>	<u>\$ 71,491,095</u>	<u>\$ 87,012,653</u>	<u>\$ 96,695,422</u>
 Total debt applicable to the limit as a percentage of debt limit	 3%	 11%	 8%	 5%

Source: The source of this information is the Town's financial records.

Note: All amounts presented are net of original issuance discounts and premiums.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the Town's bonding capacity and as the ceiling for net limited assessed value.

**Fiscal Year Ended June 30**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 31,459,192	\$ 32,400,042	\$ 33,907,227	\$ 35,603,580	\$ 37,800,780	\$ 40,238,671
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 31,459,192</u>	<u>\$ 32,400,042</u>	<u>\$ 33,907,227</u>	<u>\$ 35,603,580</u>	<u>\$ 37,800,780</u>	<u>\$ 40,238,671</u>
-	-	-	-	-	-
\$ 104,863,974	\$ 108,000,140	\$ 113,024,089	\$ 118,678,601	\$ 126,002,599	\$ 134,128,903
3,495,000	1,615,000	-	-	-	-
<u>\$ 101,368,974</u>	<u>\$ 106,385,140</u>	<u>\$ 113,024,089</u>	<u>\$ 118,678,601</u>	<u>\$ 126,002,599</u>	<u>\$ 134,128,903</u>
3%	1%	-	-	-	-

**Town of Fountain Hills, Arizona  
Calculation of Legal Debt Margin  
as of June 30, 2023**

Net full cash assessed valuation		670,644,516
Water, Sewer, Artificial Lighting, Parks, Open Space, Recreational Facility Improvements, Public Safety, Law Enforcement, Fire and Emergency Facilities, Street and Transportation Facilities		
Debt limit - 20% of net full cash assessed valuation	\$	134,128,903
Net debt applicable to limit		-
20% legal debt margin		134,128,903
<u>All Other General Obligation Bonds</u>		
Debt limit - 6% of net full cash assessed valuation		40,238,671
Net debt applicable to limit		-
6% legal debt margin		40,238,671
Total legal debt margin	\$	174,367,574

Source: The source of this information is the Maricopa County Assessor's Office and the Town's financial records.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the Town's bonding capacity and as the ceiling for net limited assessed value.

**Town of Fountain Hills  
Revenue Bond Coverage  
Last Ten Fiscal Years**

<b>Municipal Facilities Corporation Revenue Bonds</b>					
<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Pledged Revenues</b>	<b>Coverage</b>
2014	1,225,000	234,176	1,459,176	14,313,158	9.8
2015	2,545,000	184,500	2,729,500	15,583,484	5.7
2016	480,000	32,740	512,740	16,250,673	31.7
2017	370,000	22,680	392,680	16,815,224	42.8
2018	360,000	16,686	376,686	18,194,833	48.3
2019	370,000	10,854	380,854	19,765,936	51.9
2020	300,000	4,860	304,860	20,862,372	68.4
2021	-	-	-	24,001,082	100.0
2022	-	-	-	26,453,550	100.0
2023	-	-	-	30,620,545	100.0

Source: The source of this information is the Town's financial records.

**Town of Fountain Hills, Arizona  
Demographic and Economic Statistics  
Last Ten Calendar Years**

	Calendar Year				Calendar Year					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Population	23,318	23,573	23,899	24,482	24,583	24,987	25,200	23,820	23,906	23,785
Per capita personal income	\$ 48,244	\$ 46,619	\$ 48,240	\$ 50,162	\$ 60,531	\$ 54,936	\$ 57,468	\$ 59,791	\$ 57,550	\$ 60,707
Median age	53	53.7	53.8	53.7	53.5	57.5	58.8	59.4	58.6	62.0
Public school enrollment	1,820	1,692	1,619	1,506	1,444	1,380	1,338	1,314	1,267	1,192
Town of Fountain Hills unemployment rate	6.0%	5.4%	2.4%	1.9%	1.6%	3.9%	8.7%	4.9%	4.4%	2.8%
Land use										
Total acres	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7
Total square miles	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32
Vacant lots	1,196	1,165	1,247	1,209	1,175	1,172	1,052	1,158	1,158	1,030
Number of units										
Housing	12,991	12,981	13,002	13,130	13,176	13,558	13,749	13,875	13,876	14,101
Lodging	4	4	4	4	4	4	4	4	4	4
Restaurants	54	43	46	50	52	54	55	55	57	57
Shopping centers	20	20	20	20	20	20	20	20	20	20
Schools										
Public	3	3	3	3	3	3	3	3	3	3
Preschool	7	7	7	7	7	5	5	5	5	5
Charter	1	1	1	1	1	1	1	1	-	-
Vocational	-	-	-	-	1	1	2	2	1	1

Sources: The sources of the "Per Capita Personal Income", "Median Age" and "Unemployment Rate" information are Sites USA (2009-2017), U.S. Census Bureau and Arizona Office of Economic Opportunity (beginning in 2018). The source of the "Population" is the U.S. Census Bureau July 1, 2022 estimate. The source of School Enrollment is the Fountain Hills Unified School District No. 98. Other information is from the Town's records.

Note: N/A indicates the information is not available

\* Information obtained is based on calendar years; therefore, the latest information obtained was from 2022.

**Town of Fountain Hills, Arizona  
Principal Employers  
Prior Fiscal Year and Nine Years Ago**

<b>Employer</b>	<b>2021*</b>			<b>2012</b>	
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Town Employment</b>	<b>Number of Employees</b>	<b>Rank</b>
Fountain Hills Unified School District No. 98	270	1	4.4%	335	1
Safeway Stores	130	2	2.1%	87	6
Fountain View Village	120	3	2.0%	136	2
Rural Metro Corporation	110	4	1.8%	111	3
Firerock Country Club	100	5	1.6%	100	5
Fry's Food Stores	80	6	1.3%	105	4
Target Stores	70	7	1.2%	100	5
Eagle Mountain Golf Club	70	7	1.2%	70	8
Fountain Hills Family Practice PC	70	7	1.2%		
Fountain Hills Medical Center	70	7	1.2%		
Town of Fountain Hills	70	7	1.2%	60	10
Golf International Inc	60	8	1.0%		
Quotemedia Inc	60	8	1.0%		
Sunridge Canyon Golf Course	60	8	1.0%	59	11
United States Postal Service	60	8	1.0%		
Bashas	60	8	1.0%	63	9
Holiday Inn				80	7
Totals	<u>1,460</u>		<u>24.2%</u>	<u>1,306</u>	
Total Town employment	<u>6,070</u>			<u>5,102</u>	

Source: The source of this information is the Maricopa Association of Governments and Town records.

Note: MAG data includes employers with 5+ employees and is rounded to nearest 10.

\* Data for 2022 was not available.

**Town of Fountain Hills, Arizona**  
**Authorized Full-time Equivalent Government Employees by Function**  
**Last Ten Fiscal Years**

	<b>Fiscal Year Ended June 30</b>									
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Municipal court	4.00	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	4.63
Administration	10.56	11.33	11.63	12.25	13.45	13.70	15.20	15.00	16.00	16.24
Public works	n/a	n/a	n/a	9.80	9.80	10.80	12.43	12.43	12.00	13.00
Development services	16.25	16.30	16.30	7.50	8.50	7.50	9.00	9.00	9.00	10.00
Community services	<u>20.18</u>	<u>21.06</u>	<u>20.76</u>	<u>20.76</u>	<u>20.56</u>	<u>20.56</u>	<u>20.56</u>	<u>22.01</u>	<u>24.02</u>	<u>24.52</u>
Total	<u>50.99</u>	<u>52.32</u>	<u>52.32</u>	<u>53.94</u>	<u>55.94</u>	<u>56.19</u>	<u>60.82</u>	<u>62.07</u>	<u>64.65</u>	<u>68.39</u>

Source: The source of this information is the Town's financial records.

**Town of Fountain Hills, Arizona**  
**Operating Indicators by Function**  
**Last Ten Fiscal years**

Function/Program	Fiscal Year Ended June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Municipal Court										
Cases filed	1,649	1,738	1,593	2,014	1,277	891	2,237	1,324	1,586	1,823
Hearings/Trials held	1,665	1,585	1,564	1,844	676	801	568	1,430	1,378	1,216
Administration										
FTEs per 1,000 residents	2.2	2.2	2.2	2.2	2.3	2.2	2.4	2.6	2.7	2.9
Registered voters - general election	N/A	16,213	none	16,387	none	16,775	none	18,415	none	18,423
Voter turnout - general election	N/A	40%	none	40%	none	50%	none	90%	none	80%
Development Services										
Building permits issued	445	443	410	509	468	576	547	575	620	730
Building inspections conducted	2,131	2,448	2,129	2,704	3,707	4,795	4,069	3,652	1,911	5,460
Number of code violation cases	716	752	713	669	654	655	690	497	586	656
Number of zoning cases	41	65	72	50	41	11	7	21	73	95
Community Services										
Number of Community Center bookings/permits*	3,383	3,439	3,124	3,764	4,395	3,857	3,169	1,675	1033*	316**
Number of participants in recreational programs	2,291	2,249	2,910	3,773	3,794	3,489	1,830	2,892	4,110	5,244
Number of Senior Services members	1,189	1,273	1,326	1,335	1,220	1,313	1,265	1,360	1,175	1,290
Number of home delivered meals	4,799	4,035	3,497	3,920	3,093	3,562	5,215	4,402	4,581	5,449
Law Enforcement (contracted)										
Physical arrests	743	445	220	220	214	67	86	56	49	67
Traffic violations	1,379	1,539	1,215	1,803	1,053	1,248	2,618	2,745	2,568	3,349
Fire & Emergency Medical (contracted)										
Total incident responses	2,956	3,166	3,191	3,425	3,659	4,073	3,896	4,215	4,268	4,709
Average response time (in minutes)	3:53	3:37	3:57	3:25	3:33	3:32	3:51	4:50	4:38	4:44

Source: The source of this information is the Town's financial records.

Note: N/A indicates that the information is not available.

\*The Community Center was closed from 7/1/22 until 10/3/22 for renovations.

\*\*Beginning in 2023, individual bookings were replaced by single day and recurring permits only.

**Town of Fountain Hills, Arizona  
Capital Assets Statistics by Function  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30</b>									
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Public safety										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (centerline miles)	178.9	178.9	178.9	178.9	180.0	180.0	180.0	180.0	180.0	180.0
Streets (lane miles)	390	390	391	390.5	391.5	391.5	391.5	391.5	391.5	391.5
Pedestrian lighting	34	85	91	91	91	91	91	91	95	95
Traffic signals	13	13	13	13	13	13	13	13	13	13
Parks and recreation										
Acreage-developed parks	116	119	119	119	119	119	119	119	119	119
Playgrounds	7	7	7	7	7	9	9	9	9	9
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Preserve acreage	740	807	807.2	807.2	807.2	889.2	913.2	913.2	913.2	913.2
Miles of trails	10.43	15.80	15.8	18.5	18.5	18.5	18.5	18.5	23.0	23.0

Source: The source of this information is the Town's facilities records.

Note: N/A indicates the information is not available.



**Town of Fountain Hills**  
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