



Town of Fountain Hills



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Town of Fountain Hills, Arizona

**Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2025**

Issued by:
Administration Department
Finance Division

Town of Fountain Hills, Arizona

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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

October 30, 2025

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, 2025.

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' 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, 2025, 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, 2025, 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’ 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.

Since incorporation in December 1989, Fountain Hills has grown from about 10,000 residents to a town of about 24,000 in 2025. 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 a-half-year period, and development of the land may occur in the years to come. Annexing this property into the Town ensures that its possible 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, 24.7% is preserved as open space and 48.5% is residential.



Adero Canyon

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.



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 the implementation of the policies of the Town Council and overall management of the Town through department directors and approximately 106 full-time equivalent (FTE) employees. The Presiding Judge, Town Attorney, and Town Prosecutor are also 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 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.



State of the Town - January 2025

Internal Controls

As earlier noted, the management of the Town of Fountain Hills 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 disposition, 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. Each budget is based on expenditures to date and actual expenditures from previous years. The departments' base budgets, along with any supplemental requests for new positions, programs or services are reviewed by the Town Manager. The Town Manager then meets with departments to review base budgets and requests for possible inclusion in the Town's budget for the upcoming year.

The Town Council formally adopts the budget and appropriates funding for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Internal Service Funds. 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 1st. The budget includes proposed expenditures and the funding source projected revenues. The Town Council is then required to hold a public hearing on the budget to adopt a final budget by June 30, the closing of the Town of Fountain Hills' fiscal year. Public hearings on the budget are held each year in accordance with legal requirements 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 the 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 limits the amount of local revenues (as defined in the State Constitution, Article IX, Section 20) the Town may spend each year. The state adjusts the limitation each year for changes in population and inflation. The limitation is applied to the total expenditures of local revenues of all funds. The law does not limit the Town's expenditures of revenues excluded from the State Constitution's definition of local revenue.

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 (Arizona Revised Statute §41-1279.07) and reduces total expenditures by expenditures that are not subject to the expenditure limitation.

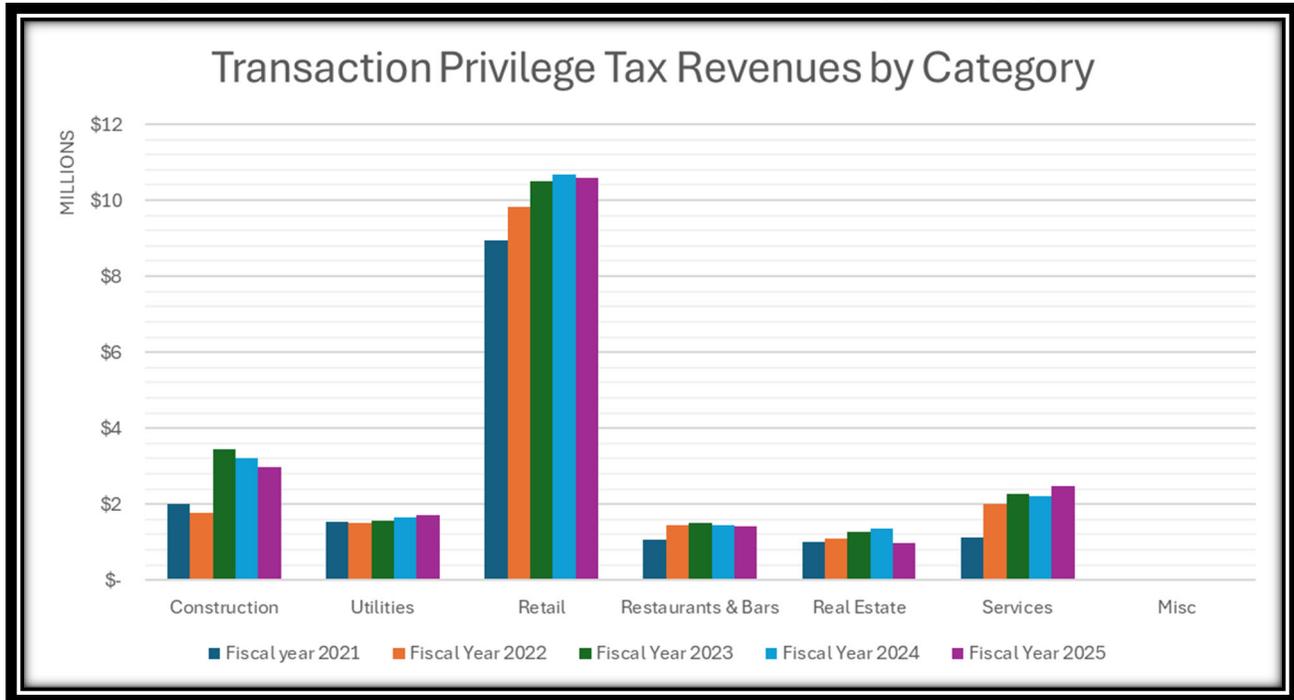
The appropriated budget is prepared by fund and department. Departments may make transfers of non-personnel appropriations within each department and all budget appropriations lapse at year-end. Transfers of appropriations between departments require Town Manager approval, and all inter-fund transfers 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 relies mostly on its Transaction Privilege Tax (Sales Tax) and 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 or remained stable during the fiscal year, and state shared revenues were mostly in line with expectations, with some slowdown in certain categories of local sales taxes. For example, the Arizona Legislature eliminated long-term residential rental sales taxes starting January 1, 2025. Accordingly, the Town's real estate local sales taxes decreased by about 28% from the prior year with another decrease expected next fiscal year. With the possibility of a recession in the coming fiscal year, the Town will be closely monitoring these revenue sources and adjust as needed.

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



As shown in the chart, Fiscal Year 2025 marked a significant transition for the Town's revenue streams, with total sales tax collections decreasing by 1.8% to \$20.2 million. This decline was primarily driven by the state-mandated elimination of the residential rental tax and a notable slowdown in construction activity.

Retail sales, the Town's largest and most critical revenue source, maintained its stability but experienced a slight decrease of 0.8% compared to the prior year. Similarly, Restaurant/Bar revenue saw a modest 2.7% decrease, with both trends signaling a potential cooling in local consumer spending that will be closely monitored. In a positive development, the Services category showed significant strength, growing by a robust 11.8% and highlighting a resilient and expanding area of the local economy. The Transportation/Communication/Utility category also slightly increased by 3.8% during the year.

Construction sales tax, a key indicator of development, saw a decrease of 7.0% from the prior year. While this figure remains strong compared to historical averages, the decline contributed significantly to the overall revenue shortfall. As anticipated and noted above, the Real Estate category was directly impacted by new legislation. The State's ban on long-term residential rental taxes became effective halfway through the fiscal year, causing this category's revenue to decrease by 28.2% compared to FY24. This establishes a new, lower baseline for this revenue source moving forward as the full impact of these legislative changes will be realized in FY26.

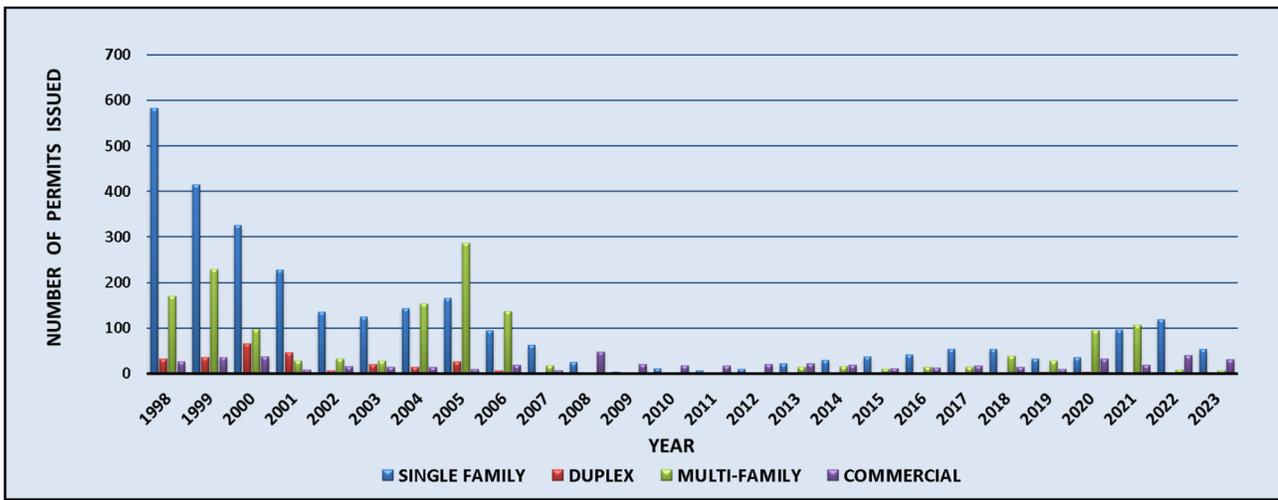
Construction activity provides revenue to the Town through sales taxes based on the value of the project, 50% of these proceeds are utilized for general operations in the General Fund and the other 50% for capital expenditures in the Capital Projects Fund. Since this funding source is rarely enough to 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 decreased by 20.3% in fiscal year 2024-25 as municipalities realize the full impacts of the State implementing a flat tax rate. Town projections show that these revenues will continue decreasing next fiscal year before stabilizing and possibly begin increasing in future years based on income tax collections at the State level. State shared sales tax has increased over the past several years, and this year continued the trend by increasing revenue by 1.0% 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 81% of the currently available commercial lots are already developed.

Development Activity

Town-Wide Building Permits Issued as of 2023



Year	Single Family	Duplex		Multi-Family		Total Dwelling Units	Commercial	Other
		Bldg.	Total Units	Bldg.	Total Units			
1998	582	16	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	10	0	0	0	0	10	21	106
2013	22	0	0	14	14	36	22	143
2014	30	0	0	16	16	46	19	194
2015	37	0	0	8	10	47	11	186
2016	41	0	0	8	14	55	12	238
2017	54	1	2	15	13	69	17	377
2018	54	0	0	39	39	93	14	454
2019	33	3	6	28	28	67	9	448
2020	35	2	4	94	94	133	33	434
2021	96	1	2	107	107	205	19	521
2022	119	0	0	8	8	127	40	669
2023	53	0	0	6	11	64	31	569
26 Year Total	2904	135	270	826	1537	4711	538	13468
26 Year Avg	111.7	5.2	10.4	31.8	59.1	181.2	20.7	518.0

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 provided about 58% of the General Fund revenues in FY2025. On November 1, 2019, the Town’s TPT rate went up 0.3% to the current rate of 2.9%. Hospitality-related collections in our Services category are the most susceptible to changes in economic conditions, which outperformed projections in FY2025 as discussed earlier. 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, which showed a slight decrease in FY2025.

State Shared Revenues – The Town of Fountain Hills receives significant revenue allocations from the State. These State shared revenues, include allocations of the state-collected income tax, sales tax, fuel tax and vehicle license taxes. All but the fuel tax and the vehicle license taxes 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 may be negatively impacted 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. The Town also receives a proportionate share of vehicle license taxes within the County. Although the State shared revenue formula generally allocates revenues based on official census data, in

recent years, the Town's population has slightly decreased which has resulted in relatively-flat shared revenues. Therefore, recent increased budgeted expenditures must be replaced by existing fund balance and transfers from the General Fund, which increases 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 about two to three months 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 possible 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 fiscal year 2010 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 2024-25 reflected a cautious approach to revenue projections and possible inflationary pressures, while also increasing budget for capital improvements within the Town. Due to the uncertain economic conditions ahead, the Town reviewed recent revenue performance and adjusted revenue projections accordingly. Because of recent increased revenue performance in fiscal years 2023 and 2024, as well as federal resources received during the pandemic recovery, the Town has accumulated about \$50 million of fund balances, which has allowed it to increase budget authority for capital improvements and streets improvements.

As Pavement Management has been a priority for many years, Council approved transfers of over \$10 million from General Fund excess reserves to the Streets Fund over the past three to four years. The Town has plans to budget for additional Streets paving projects in future years, using this additional accumulated fund balance realized through these transfers. Although these infusions will not resolve all the pavement issues in Town, it will provide available fund balances for future expenditures 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 2024-25 goals attained are summarized within this list of accomplishments:

- Completed first full fiscal year with a fully operational in-house Fire Department
- Completed over 22.5 lane miles of paved roadways within the Town
- Maintained and cleaned out almost 50 acres of Town-owned washes
- Added 1.8 bicycle lane miles for additional bicycling opportunities for residents
- Completed 6 capital improvements for residents including a new Panorama pocket park near Fountain Park, with several ongoing multi-year programs continuing into future years
- Added 3 new pickleball courts at Four Peaks Park
- Completed installation of a new restroom facility at Four Peaks Park utilizing grant funding from the State of Arizona
- Attracted almost 49,000 attendees to 16 special events, requiring collaboration with local organizations
- Adopted the 2024-28 Downtown Strategy
- Delivered almost 6,000 meals provided through the Home Delivered Meal program
- Provided 296 rides to residents through Give a Lift program for medical appointments

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, 2024. This was the twenty-ninth 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.

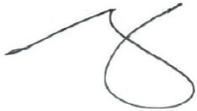
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program's requirements, and we will be submitting it to the GFOA to determine its eligibility for the fiscal year ended 2025 Certificate.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2024. 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 twenty-second 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,

A handwritten signature in black ink, appearing to be 'Rachael Goodwin', written in a cursive style.

Rachael Goodwin
Town Manager

**Town of Fountain Hills, Arizona
List of Principal Officials
June 30, 2025**

Elected Officials

Gerry Friedel, Mayor

Allen Skillicorn, Vice-Mayor

Gayle Earle, Councilmember

Peggy McMahon, Councilmember

Brenda Kalivianakis, Councilmember

Rick Watts, Councilmember

Hannah Larrabee, Councilmember

Town Manager and Directors

Rachael Goodwin, Town Manager

David Trimble, Deputy Town Manager/Administrative Services Director

Bevelyn Bender, Town Clerk

Kevin Snipes, Community Services Director

John Wesley, Development Services Director

Amanda Jacobs, Economic Development Director

Dave Ott, Fire Chief

Paul Solding, Chief Financial Officer

Justin Weldy, Public Works Director

Jennifer Wright, Timothy A. La Sota PLC, Town Attorney

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

Captain Kevin Thomas, Maricopa County Sheriff's Office

Robert Melton, Presiding Judge



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Fountain Hills
Arizona**

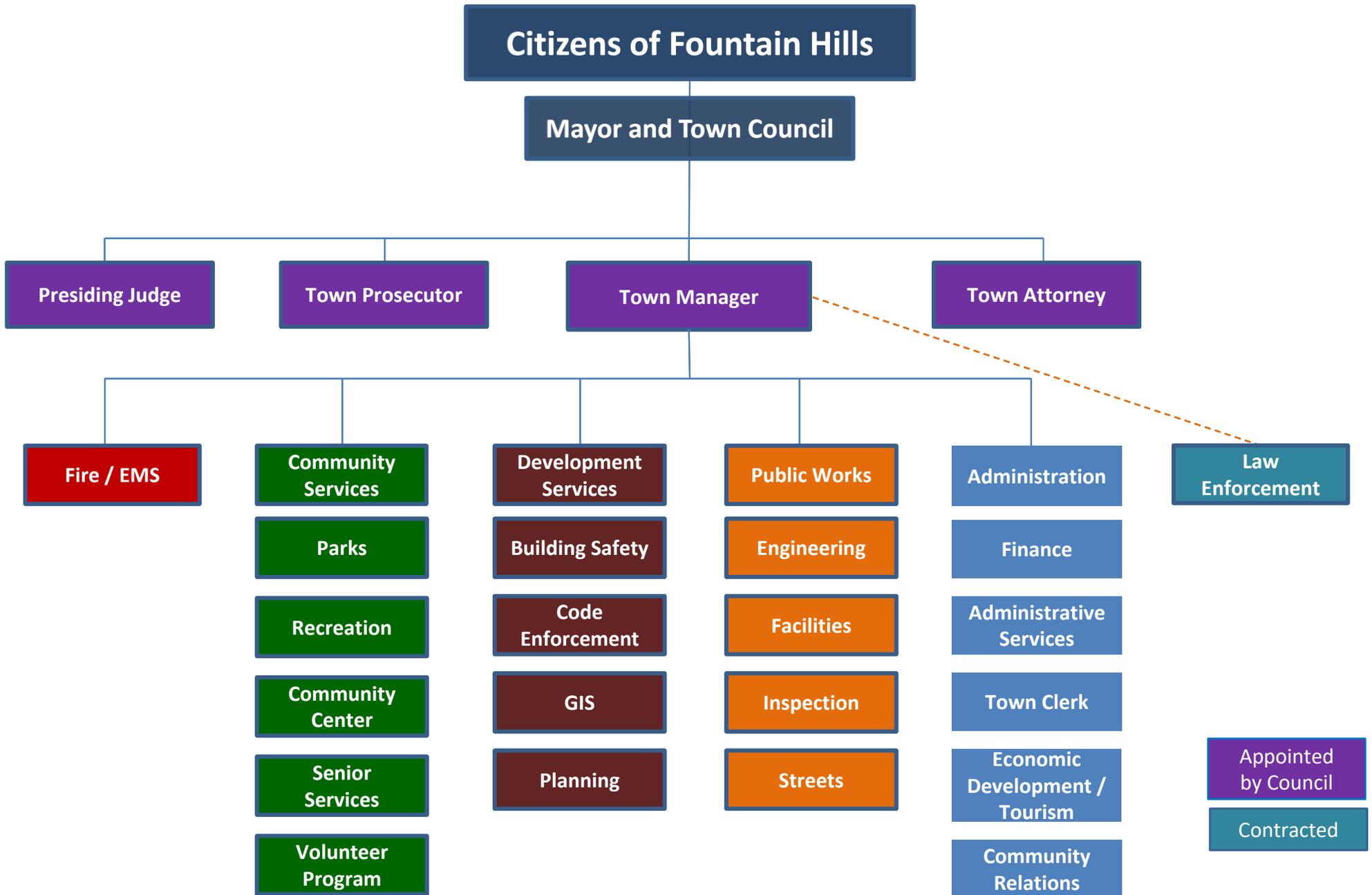
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Town of Fountain Hills Organization



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, 2025, 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, 2025, 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 to the financial statements, the Town implemented the provisions of GASB Statement No. 101, Compensated Absences, for the year ended June 30, 2025. 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 October 30, 2025, 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
October 30, 2025

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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, 2025

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, 2025. 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 \$4.0 million to \$154.2 million, representing a 2.7 percent increase of the total net position.
- General revenues from governmental activities accounted for \$33.1 million in revenue, or 85 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.7 million or 15 percent of total governmental activities revenues.
- The Town had \$34.8 million in expenses related to governmental activities, an increase of 4.5 percent from the prior fiscal year, primarily due to increased streets pavement maintenance costs and an increase in culture and recreation expenses.
- Among the major governmental funds, the General Fund had \$28.5 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 \$22.6 million. The General Fund's fund balance decreased \$2.8 million to \$14.7 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, 2025

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 two internal service funds that are classified as proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 funds. These types of funds are classified as proprietary funds, and are used to report activity in the Technology Replacement Fund and the Vehicle and Equipment Replacement Fund. These funds provide 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, 2025

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 General, Highway User Revenue and Grant 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, 2025

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 \$154.2 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 table presents a summary of the Town’s net position for the fiscal years ended June 30, 2025 and June 30, 2024.

	Governmental Activities	
	As of June 30, 2025	As of June 30, 2024
Current and other assets	\$ 55,358,008	\$ 53,009,050
Capital assets, net	104,695,606	101,990,127
Total assets	160,053,614	154,999,177
Current and other liabilities	3,611,283	2,838,171
Long-term liabilities	1,139,415	553,757
Total liabilities	4,750,698	3,391,928
Deferred inflows	1,140,535	1,274,470
Net position		
Investment in capital assets	104,695,606	101,990,127
Restricted	11,497,408	9,474,160
Unrestricted	37,969,367	38,868,492
Total net position	\$ 154,162,381	\$ 150,332,779

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, 2025

Government-Wide Financial Analysis – continued

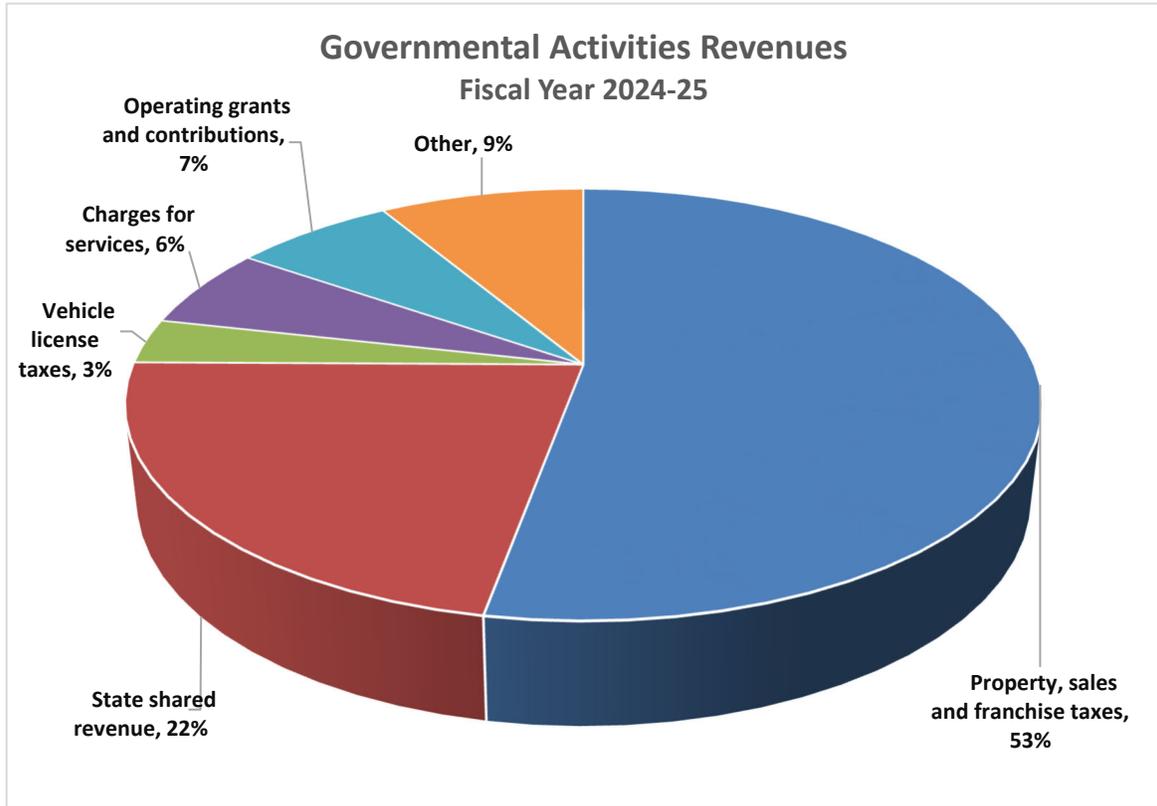
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Changes in net position. The Town's total revenues for the current fiscal year were \$38.8 million. The total cost of all programs and services was \$34.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2025 and June 30, 2024.

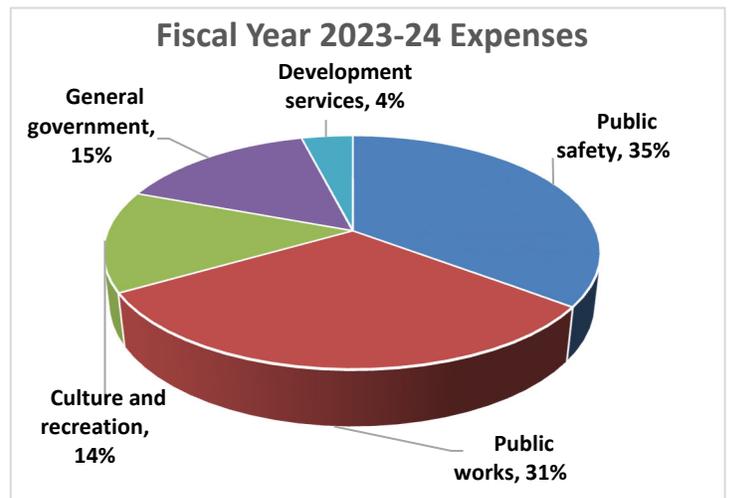
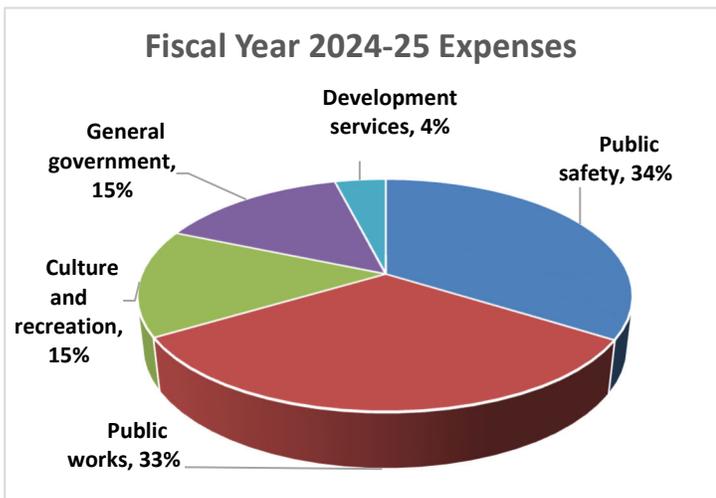
	Governmental Activities	
	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024
Revenues		
Program revenues:		
Charges for services	\$ 2,353,317	\$ 2,717,731
Operating grants and contributions	2,636,957	2,383,786
Capital grants and contributions	690,383	520,867
General revenues		
Property taxes	10,509	
Sales taxes	20,191,270	20,559,928
Franchise taxes	334,101	351,118
State-sales and income tax revenue	8,645,400	9,888,965
Vehicle License taxes	1,300,912	1,242,636
Investment earnings	2,431,871	2,345,106
Miscellaneous	224,218	191,629
Total revenues	\$ 38,818,938	\$ 40,201,766
Expenses		
General government	\$ 5,106,169	\$ 5,106,646
Development services	1,380,385	1,324,892
Public safety	11,799,373	11,746,913
Public works	11,333,622	10,455,071
Culture and recreation	5,196,648	4,676,396
Total expenses	34,816,197	33,309,918
Changes in net position	4,002,741	6,891,848
Net position, beginning, as restated	150,159,640	143,440,931
Net position, ending	\$ 154,162,381	\$150,332,779

**Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis – continued



The charts below compare the governmental expenses from fiscal years 2024-25 and 2023-24.



Town of Fountain Hills, Arizona
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis – continued

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

- State-shared revenues for income taxes decreased substantially for the fiscal year due to the full implementation of the State's flat income tax rate.
- Beginning in January 2025, the State eliminated local sales taxes for long-term residential rentals. This impacted the Town's local sales tax revenues for the second half of the fiscal year.

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, 2025		Year Ended June 30, 2024	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,106,169	\$ (4,223,270)	\$ 5,106,646	\$ (4,131,998)
Development services	1,380,385	(676,538)	1,324,892	(630,242)
Public safety	11,799,373	(11,378,145)	11,746,913	(11,546,893)
Public works	11,333,622	(9,093,809)	10,455,071	(7,481,840)
Culture and recreation	5,196,648	(3,763,778)	4,676,396	(3,896,561)
Total expenses	\$ 34,816,197	\$ (29,135,540)	\$ 33,309,918	\$ (27,687,534)

- The cost of all governmental activities this year was \$34.8 million.
- Federal, State, county, and tribal governments and charges for services subsidized certain governmental programs with revenues of \$5.7 million.
- The net cost of the Town’s governmental activities was \$29.1 million, which was funded primarily by general revenues. General revenues consisted primarily of \$20.2 million in sales taxes and \$9.9 million in State-shared revenues.

Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

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 \$786,427 in the combined fund balance from \$46.3 million to \$47.1 million.

The General Fund comprises 31.3 percent of the total fund balance. Approximately \$9.7 million, or 65.9 percent, of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the Town. The fund balance decreased by \$2.8 million to \$14.7 million as of fiscal year end. General Fund revenues decreased \$2.3 million primarily due to lower State-shared income taxes and the loss of long-term residential rental local sales tax revenues. General Fund expenditures increased by \$834,950 primarily due to an increase of culture and recreation expenditures primarily from higher parks repair and maintenance costs, and shifting environmental program expenditures into the General Fund from the Environmental Fund.

The Highway User Revenue Fund comprises 24.3 percent of total fund balance. The fund balance increased \$1.9 million from the prior year due to transfers in from the General Fund for future road paving.

Fund balance of the Grants Fund decreased \$54,737 due to expenditures on grant projects exceeding grant funding.

The Capital Projects Fund comprises 34.0 percent of the total fund balance. All of the fund balance is assigned to capital projects. The fund balance increased \$1.8 million due to transfers in from the General Fund for future capital projects.

The Technology Replacement Fund and Vehicle and Equipment Replacement Fund are the Town's proprietary funds. Unrestricted net position of these funds at the end of the fiscal year amounted to \$3.2 million. This was an increase of \$507,215 that was due to no expenditures in the Vehicle Replacement Fund during the fiscal year while additional monies were accumulated for future purchases.

Town of Fountain Hills, Arizona
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2025

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 \$179,400 as a result of budgeted contingency transferred to other funds.

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 \$2.7 million in overall revenues is primarily due to actual revenues outperforming conservative projections.
- The favorable total expenditures variance of \$3.1 million is due primarily to lower than expected expenditures across departments.

Capital Assets and Debt Administration

Capital Assets. As of the end of the current fiscal year, the Town had invested \$104.7 million in capital assets, including buildings, facilities, vehicles, computers, equipment, infrastructure and artwork. This amount represents a net increase, prior to depreciation, of \$6.1 million from the prior fiscal year. The increase was primarily due to capital projects expenditures, including the major Golden Eagle Park Impoundment project, that was substantially completed during the fiscal year. Total depreciation expense for the current fiscal year was \$3.4 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2025 and June 30, 2024.

	Governmental Activities	
	As of	As of
	June 30, 2025	June 30, 2024
Capital assets – non-depreciable	\$ 37,433,188	\$ 34,761,936
Capital assets – depreciable, net	67,262,418	67,228,191
Total	\$ 104,695,606	\$ 101,990,127

The estimated construction commitments amount is \$1.3 million.

Additional information on the Town’s capital assets can be found in Note 5.

Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

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 2025.

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 \$206.4 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 six percent debt limitation for the Town is \$61.9 million.

Additional information on the Town's long-term liabilities can be found in Note 6 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.

Basic Financial Statements

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Government-Wide Financial Statements

Town of Fountain Hills, Arizona
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 52,433,275
Accounts receivable	358,436
Intergovernmental receivable	1,204,524
Taxes receivable	687
Leases receivable	1,188,619
Interest receivable	141,739
Inventory, at cost	4,663
Prepaid items	26,065
Total current assets	55,358,008
Noncurrent assets:	
Capital assets not being depreciated	37,433,188
Capital assets, net of accumulated depreciation	67,262,418
Total noncurrent assets	104,695,606
Total assets	160,053,614
Liabilities	
Current liabilities:	
Accounts payable	2,488,934
Retainage payable	146,880
Accrued wages and benefits	459,311
Other liabilities	1,192
Customer deposits	64,397
Compensated absences payable	273,968
Unearned revenues	176,601
Total current liabilities	3,611,283
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,139,415
Total noncurrent liabilities	1,139,415
Total liabilities	4,750,698
Deferred inflows of resources	
Leases	1,140,535
Total deferred inflows of resources	1,140,535
Net position	
Investment in capital assets	104,695,606
Restricted for:	
Public works	8,113,511
Local court enhancement	432,064
Opioid abatement	373,757
Capital outlay	2,536,954
Debt service	41,122
Unrestricted	37,969,367
Total net position	\$ 154,162,381

Town of Fountain Hills, Arizona
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense)
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 5,106,169	\$ 527,790	\$ 355,109	\$	\$ (4,223,270)
Development services	1,380,385	703,847			(676,538)
Public safety	11,799,373	102,524	318,704		(11,378,145)
Public works	11,333,622	259,628	1,889,802	90,383	(9,093,809)
Culture and recreation	5,196,648	759,528	73,342	600,000	(3,763,778)
Total governmental activities	<u>\$ 34,816,197</u>	<u>\$ 2,353,317</u>	<u>\$ 2,636,957</u>	<u>\$ 690,383</u>	<u>(29,135,540)</u>
General revenues					
Taxes:					
Property taxes					10,509
Sales taxes					20,191,270
Franchise taxes					334,101
State sales & income tax revenue sharing - unrestricted					8,645,400
Vehicle license tax revenue sharing - unrestricted					1,300,912
Investment earnings					2,431,871
Miscellaneous					224,218
Total general revenues					<u>33,138,281</u>
Changes in net position					4,002,741
Net position, beginning of year, previously reported					150,332,779
Adjustments to beginning net position related to the implementation of GASB 101					(173,139)
Net position, beginning of year, as restated					<u>150,159,640</u>
Net position, end of year					<u>\$ 154,162,381</u>

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Fund Financial Statements

Town of Fountain Hills, Arizona
Balance Sheet
Governmental Funds
June 30, 2025

	Highway User			
	General	Revenue	Grants	Capital Projects
Assets				
Cash and investments	\$ 15,209,663	\$ 11,334,462	\$ 227,547	\$ 17,801,817
Accounts receivable	204,443	32,852		
Intergovernmental receivable	556,042	250,369	373,757	11,743
Taxes receivable				
Leases receivable	1,188,619			
Interest receivable	46,618	21,261		71,592
Inventory, at cost	4,663			
Prepaid items	25,390			
Total assets	<u>17,235,438</u>	<u>11,638,944</u>	<u>601,304</u>	<u>17,885,152</u>
Liabilities				
Accounts payable	588,457	138,762	189	1,728,078
Retainage payable				146,880
Accrued wages and benefits	425,431	22,342		
Other liabilities	1,185			7
Customer deposits	64,397			
Unearned revenues	15,538		161,063	
Total liabilities	<u>1,095,008</u>	<u>161,104</u>	<u>161,252</u>	<u>1,874,965</u>
Deferred inflows of resources				
Unavailable revenues - intergovernmental			373,757	
Unavailable revenues - other	225,742	32,852		11,743
Leases	1,167,641			
Total deferred inflows of resources	<u>1,393,383</u>	<u>32,852</u>	<u>373,757</u>	<u>11,743</u>
Fund balances				
Nonspendable	30,053			
Restricted		8,113,511		
Committed	4,999,717			
Assigned		3,331,477	66,295	15,998,444
Unassigned	9,717,277			
Total fund balances	<u>14,747,047</u>	<u>11,444,988</u>	<u>66,295</u>	<u>15,998,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,235,438</u>	<u>\$ 11,638,944</u>	<u>\$ 601,304</u>	<u>\$ 17,885,152</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 4,706,534	\$ 49,280,023
121,141	358,436
12,613	1,204,524
687	687
	1,188,619
2,268	141,739
	4,663
675	26,065
<u>4,843,918</u>	<u>52,204,756</u>
25,479	2,480,965
	146,880
11,538	459,311
	1,192
	64,397
	<u>176,601</u>
<u>37,017</u>	<u>3,329,346</u>
	373,757
	270,337
	<u>1,167,641</u>
	<u>1,811,735</u>
675	30,728
3,010,140	11,123,651
	4,999,717
1,796,086	21,192,302
	<u>9,717,277</u>
<u>4,806,901</u>	<u>47,063,675</u>
<u>\$ 4,843,918</u>	<u>\$ 52,204,756</u>

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Town of Fountain Hills, Arizona
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds **\$ 47,063,675**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 249,342,091	
Less accumulated depreciation	<u>(144,732,298)</u>	
		104,609,793

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.

Leases	27,106	
Intergovernmental	373,757	
Other	<u>270,337</u>	
		671,200

The Internal Service Fund is used by management to charge the cost of technology, vehicle and equipment replacement to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.

Capital assets	85,813	
Net positions of other remaining balance	<u>3,145,283</u>	
		3,231,096

Long-term liabilities (compensated absences payable) are not due and payable in the current period and, therefore, are not reported in the funds.

(1,413,383)

Net position of governmental activities **\$ 154,162,381**

Town of Fountain Hills, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	<u>General</u>	<u>Highway User Revenue</u>	<u>Grants</u>	<u>Capital Projects</u>
Revenues				
Property taxes	\$	\$	\$	\$
Sales taxes	16,616,599	1,392,501		1,485,919
Franchise taxes	334,101			
Licenses and permits	952,127			
Leases and rents	368,277			
Intergovernmental	8,741,292	3,190,714	696,551	20,055
Charges for services	278,369	60		
Other	356,642	15,241	8,150	74,381
Fines and forfeitures	214,389			
Investment earnings	616,692	595,073	5,181	859,049
Total revenues	<u>28,478,488</u>	<u>5,193,589</u>	<u>709,882</u>	<u>2,439,404</u>
Expenditures				
Current:				
General government	4,148,353		209,025	176
Development services	1,345,270			
Public safety	11,297,096			
Public works	1,681,328	7,241,857	14,670	356,021
Culture and recreation	3,920,418		8,151	
Capital outlay	160,998	66,373	532,773	5,240,987
Debt service:				
Fiscal charges				
Total expenditures	<u>22,553,463</u>	<u>7,308,230</u>	<u>764,619</u>	<u>5,597,184</u>
Excess (deficiency) of revenues over expenditures	<u>5,925,025</u>	<u>(2,114,641)</u>	<u>(54,737)</u>	<u>(3,157,780)</u>
Other financing sources (uses)				
Transfers in		4,000,000		5,003,359
Transfers out	(8,753,530)			
Total other financing sources (uses)	<u>(8,753,530)</u>	<u>4,000,000</u>		<u>5,003,359</u>
Changes in fund balances	<u>(2,828,505)</u>	<u>1,885,359</u>	<u>(54,737)</u>	<u>1,845,579</u>
Fund balances, beginning of year	<u>17,575,552</u>	<u>9,559,629</u>	<u>121,032</u>	<u>14,152,865</u>
Fund balances, end of year	<u>\$ 14,747,047</u>	<u>\$ 11,444,988</u>	<u>\$ 66,295</u>	<u>\$ 15,998,444</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 10,509	\$ 10,509
696,251	20,191,270
	334,101
359,093	1,311,220
	368,277
143,379	12,791,991
37,559	315,988
19,612	474,026
30,235	244,624
<u>222,243</u>	<u>2,298,238</u>
<u>1,518,881</u>	<u>38,340,244</u>
857,571	5,215,125
	1,345,270
18,809	11,315,905
401,485	9,695,361
52,003	3,980,572
	6,001,131
<u>453</u>	<u>453</u>
<u>1,330,321</u>	<u>37,553,817</u>
<u>188,560</u>	<u>786,427</u>
350,000	9,353,359
<u>(599,829)</u>	<u>(9,353,359)</u>
<u>(249,829)</u>	<u> </u>
<u>(61,269)</u>	<u>786,427</u>
<u>4,868,170</u>	<u>46,277,248</u>
<u>\$ 4,806,901</u>	<u>\$ 47,063,675</u>

Town of Fountain Hills, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Changes in fund balances - total governmental funds **\$ 786,427**

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 and reported as depreciation expense.

Expenditures for capitalized assets	\$ 6,001,131	
Less current year depreciation	<u>(3,396,012)</u>	
		2,605,119

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

Leases	8,591	
Intergovernmental	9,399	
Donated artwork	100,000	
Other	<u>227,071</u>	
		345,061

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (241,081)

The Internal Service Fund is used by management to charge the cost of technology, vehicle and equipment 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. 507,215

Changes in net position in governmental activities **\$ 4,002,741**

Town of Fountain Hills, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2025

	Governmental Activities Internal Service Funds
Assets	
Current assets:	
Cash and investments	\$ 3,153,252
Total current assets	3,153,252
Noncurrent assets:	
Capital assets, net of accumulated depreciation	85,813
Total noncurrent assets	85,813
Total assets	3,239,065
Liabilities	
Current liabilities:	
Accounts payable	7,969
Total current liabilities	7,969
Net position	
Investment in capital assets	85,813
Unrestricted	3,145,283
Total net position	\$ 3,231,096

Town of Fountain Hills, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Governmental Activities
	Internal Service Funds
Operating revenues	
Charges for services	\$ 418,029
Total operating revenues	418,029
Operating expenses	
Costs of services	34,433
Depreciation	10,014
Total operating expenses	44,447
Operating income (loss)	373,582
Nonoperating revenues (expenses)	
Investment earnings	133,633
Total nonoperating revenue (expenses)	133,633
Changes in net position	507,215
Net position, beginning of year	2,723,881
Net position, end of year	\$ 3,231,096

**Town of Fountain Hills, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025**

	Governmental Activities Internal Service Funds
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities	
Cash received from charges for services	\$ 418,029
Cash payments to suppliers for goods and services	(31,039)
Net cash provided by/used for operating activities	386,990
Cash flows from capital activities	
Purchase of property and equipment	(10,374)
Net cash provided by/used for capital activities	(10,374)
Cash flows from investing activities	
Investment income	133,633
Net cash provided by/used for investing activities	133,633
Net increase/decrease in cash and cash equivalents	510,249
Cash and cash equivalents, beginning of year	2,643,003
Cash and cash equivalents, end of year	\$ 3,153,252
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>	
Operating income/loss	\$ 373,582
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation	10,014
Changes in assets and liabilities:	
Increase/decrease in accounts payable	3,500
Increase/decrease in other liabilities	(106)
Total adjustments	13,408
Net cash provided by/used for operating activities	\$ 386,990

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

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, 2025, the Town implemented the provisions of GASB Statement No. 101, Compensated Absences. That Statement updates the recognition and measurement guidance for compensated absences. The updated guidance affects the current and noncurrent liabilities the Town reports for compensated absences on the statement of net position. Accordingly, beginning net position has been restated as shown on the statement of activities. Also, the beginning balance of compensated absences reported in Note 6 has been restated.

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

A. Reporting Entity

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

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
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

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.

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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

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.

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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Additionally, the Town reports the following fund type:

Proprietary Fund – The Proprietary Fund is comprised of two Internal Service Funds that account for the operation of technology, vehicle, and equipment 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, vehicle, and equipment 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.

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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

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.

G. 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.

H. Prepaid Items

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

I. 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.

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.

Capital assets of the Town are depreciated using the straight-line method over the 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

J. Compensated Absences

The Town’s employee leave policies generally provide for granting vacation, sick and other leave with pay.

The current and long-term liabilities, including related benefits, for accumulated leave time 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.

K. 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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

L. Net Position Flow Assumption

In the government-wide financial statements the Town generally applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available. However, the Town may apply unrestricted resources before restricted resources when necessary to ensure compliance with the State of Arizona's Expenditure Limitation Law for Towns and Cities.

M. 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, 2025

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 Town Council has delegated authority to make assignments to the Chief Financial Officer.

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 generally 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 generally 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. However, the Town may apply unrestricted resources first before restricted resources when necessary to ensure compliance with the State of Arizona's Expenditure Limitation Law for Towns and Cities.

The Town has established a fund balance policy which states that the combined General Fund operating fund balance should be at least 20 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 \$4,999,717, reported as a committed fund balance at June 30, 2025. 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, 2025

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	\$ 4,663					\$ 4,663
Prepaid items	25,390				675	26,065
Restricted:						
Capital Projects					21,402	21,402
Debt Service					41,122	41,122
Public works		8,113,511				8,113,511
Local Court Enhancement					432,064	432,064
Development Fees					2,515,552	2,515,552
Committed:						
Rainy Day	4,999,717					4,999,717
Assigned:						
Capital Projects				15,998,444		15,998,444
Downtown Strategy					708,382	708,382
Economic Development					867,211	867,211
Tourism					155,911	155,911
Public Art					64,460	64,460
Environmental					122	122
Public works		3,331,477	66,295			3,397,772
Unassigned:	9,717,277					9,717,277
Total fund balances	<u>\$ 14,747,047</u>	<u>\$ 11,444,988</u>	<u>\$ 66,295</u>	<u>\$ 15,998,444</u>	<u>\$ 4,806,901</u>	<u>\$ 47,063,675</u>

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 \$1,868,015 and the bank balance was \$1,935,484.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments

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 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, 2025, are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 50,564,560
Carrying amount of cash deposits	1,868,015
Cash on hand	700
Total cash and investments	<u>\$ 52,433,275</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

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	\$ 7,633,823	\$ 4,167,150	\$ 3,466,673	N/A	N/A, AA1
Supra-National Notes	Level 1	179,942	179,942		AAA	AAA
Federal Agency Notes	Level 1	1,177,194		1,177,194	AA+	AA1
Corporate and Foreign Bonds	Level 2	4,338,078	1,317,785	3,020,293	N/A,	N/A, BAA1
Certificates of Deposit	Level 2	474,469	372,702	101,767	BBB to AA	to AA2
Money Market Funds	Level 1	190,721	190,721		N/A	N/A
Cash and Cash equivalents	Not applicable	25,494	25,494		N/A	N/A
			<u>\$ 6,253,794</u>	<u>\$ 7,765,927</u>		
State Treasurer’s Investment Pool 7	Not applicable	36,544,839	29 days average maturities			
Total		<u>\$ 50,564,560</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.

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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the Town will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The Town does not have an investment policy for custodial credit risk. 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	\$ 7,633,823	15.1%
Supra-National Notes	179,942	0.4%
Federal Agency Notes	1,177,194	2.3%
Corporate and Foreign Bonds	4,338,078	8.6%
Certificates of Deposit	474,469	0.9%
Money Market Funds	190,721	0.4%
Cash and Cash Equivalents	25,494	0.1%
State Treasurer’s investment pool 7	36,544,839	72.3%
	<u>\$ 50,564,560</u>	

Note 4 – Receivables

Intergovernmental receivables consist of sales taxes and shared revenues of \$812,371 receivable from the State, opioid settlement agreement revenues of \$373,757 receivable through Maricopa County, and grant receivables of \$18,396.

Leases receivable of \$1,188,619 consist of revenues from four cell tower land use agreements. Payments under these agreements of \$140,492 were recognized as leases and rents revenues in the current year.

Opioid settlement agreement revenues of \$343,435 and lease revenues of \$1,061,405 are not scheduled to be collected in the subsequent year.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 5 – Capital Assets

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,690,368	\$	\$	\$ 29,690,368
Artwork	2,598,900	150,000		2,748,900
Construction in progress	2,472,668	5,429,049	2,907,797	4,993,920
Total capital assets, not being depreciated	<u>34,761,936</u>	<u>5,579,049</u>	<u>2,907,797</u>	<u>37,433,188</u>
Capital assets, being depreciated:				
Infrastructure	157,578,806	1,281,042		158,859,848
Buildings and building improvements	23,825,602	543,773		24,369,375
Improvements other than buildings	21,737,425	897,004		22,634,429
Vehicles, machinery and equipment	5,460,849	718,434	30,436	6,148,847
Total capital assets being depreciated	<u>208,602,682</u>	<u>3,440,253</u>	<u>30,436</u>	<u>212,012,499</u>
Less accumulated depreciation for:				
Infrastructure	(116,234,404)	(1,689,371)		(117,923,775)
Buildings and building improvements	(8,465,244)	(524,030)		(8,989,274)
Improvements other than buildings	(13,854,839)	(731,129)		(14,585,968)
Vehicles, machinery and equipment	(2,820,004)	(461,496)	(30,436)	(3,251,064)
Total accumulated depreciation	<u>(141,374,491)</u>	<u>(3,406,026)</u>	<u>(30,436)</u>	<u>(144,750,081)</u>
Total capital assets, being depreciated, net	67,228,191	34,227		67,262,418
Governmental activities capital assets, net	<u>\$ 101,990,127</u>	<u>\$ 5,613,276</u>	<u>\$ 2,907,797</u>	<u>\$ 104,695,606</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 232,361
Development services	24,391
Public safety	338,525
Streets and highways	1,656,068
Culture and recreation	1,154,681
Total depreciation expense	<u>\$ 3,406,026</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 5 – Capital Assets

Construction Commitments – At June 30, 2025, 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
Golden Eagle Impoundment Drainage	\$ 3,114,872	\$ 530,286
Shea Blvd Widening - Palisades to Technology	361,344	68,854
Community Center Improvements - Phase III		108,626
Avenue Linear Park Improvements	125,160	125,160
Pleasantville Park	18,744	11,256
Wayfinding Signs	238,483	32,494
Sidewalk Infill Program - La Montana	118,500	102,094
Town-wide Guardrail Replacement	26,105	23,334
Chiller Replacement	51,800	248,200
	<u>\$ 4,055,008</u>	<u>\$ 1,250,304</u>

Note 6 – Changes in Long-Term Liabilities

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

	Beginning Balance (as restated)	Net Increase	Ending Balance	Due Within One Year
Governmental activities:				
Compensated absences payable	\$ 1,172,302	\$ 241,081	\$ 1,413,383	\$ 273,968
Governmental activity long-term liabilities	<u>\$ 1,172,302</u>	<u>\$ 241,081</u>	<u>\$ 1,413,383</u>	<u>\$ 273,968</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 7 – Interfund Transfers

Interfund transfers for the year ended June 30, 2025 were as follows:

Interfund transfers:

Transfers in	Transfers out		
	General Fund	Non-Major Governmental Funds	Total
Highway User Revenue Fund	\$ 4,000,000	\$	\$ 4,000,000
Capital Projects Fund	4,753,530	249,829	5,003,359
Non-Major Governmental Funds		350,000	350,000
Total	\$ 8,753,530	\$ 599,829	\$ 9,353,359

The General Fund transferred \$4,753,530 to the Capital Projects Fund for future projects and \$4,000,000 to the Highway User Revenue Fund for additional pavement maintenance projects. The Economic Development Fund transferred \$350,000 to the Tourism Fund to provide funding for operating costs of the tourism program. The Development Fee Fund transferred \$230,329 to the Capital Projects Fund for park improvement projects. The Eagle Mountain Debt Service Fund transferred \$19,500 to the Capital Projects Fund for a sidewalk improvement project.

Note 8 – 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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Risk Management

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

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

The Town 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 10 – Retirement Plan

All full-time Town employees participate in a defined contribution pension plan administered by MissionSquare Retirement. The Town Council established and may amend the pension plan's benefit terms, including contribution requirements. The Town and the employee are each required to contribute 11 percent of the employee's gross pay. For the year ended June 30, 2025, the Town recognized pension expense of \$918,589.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions on a pro rata basis over five years. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to reduce the Town's future contributions to the pension plan. For the year ended June 30, 2025, forfeitures reduced the Town's pension expense by \$51,935.

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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
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Sales taxes	\$ 14,858,589	\$ 14,858,589	\$ 16,616,599	\$ 1,758,010
Franchise taxes	390,000	390,000	334,101	(55,899)
Licenses and permits	784,505	784,505	952,127	167,622
Leases and rents	289,278	289,278	368,277	78,999
Intergovernmental	8,785,604	8,785,604	8,741,292	(44,312)
Charges for services	255,265	255,265	278,369	23,104
Other revenue	161,575	161,575	356,642	195,067
Fines and forfeitures	200,000	200,000	214,389	14,389
Investment earnings	100,000	100,000	616,692	516,692
Total revenues	<u>25,824,816</u>	<u>25,824,816</u>	<u>28,478,488</u>	<u>2,653,672</u>
Expenditures				
Current:				
General government				
Mayor and council	73,040	73,040	63,077	9,963
Administration	3,270,412	3,268,912	2,968,896	300,016
Non departmental	2,532,053	2,204,653	582,552	1,622,101
Municipal court	526,374	526,374	533,828	(7,454)
Total general government	<u>6,401,879</u>	<u>6,072,979</u>	<u>4,148,353</u>	<u>1,924,626</u>
Development services	1,538,897	1,538,897	1,345,270	193,627
Public safety				
Fire and emergency	5,694,859	5,694,859	5,109,239	585,620
Law enforcement	6,243,916	6,243,916	6,187,857	56,059
Total public safety	<u>11,938,775</u>	<u>11,938,775</u>	<u>11,297,096</u>	<u>641,679</u>
Public works	1,702,310	1,842,310	1,681,328	160,982
Culture and recreation	4,186,955	4,196,455	3,920,418	276,037
Capital outlay	56,000	56,000	160,998	(104,998)
Total expenditures	<u>25,824,816</u>	<u>25,645,416</u>	<u>22,553,463</u>	<u>3,091,953</u>
Excess (deficiency) of revenues over expenditures		<u>179,400</u>	<u>5,925,025</u>	<u>(438,281)</u>
Other financing sources (uses)				
Transfers out	(4,000,000)	(4,000,000)	(8,753,530)	(4,753,530)
Total other financing sources (uses)	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>(8,753,530)</u>	<u>(4,753,530)</u>
Changes in fund balances	<u>(4,000,000)</u>	<u>(3,820,600)</u>	<u>(2,828,505)</u>	<u>(5,191,811)</u>
Fund balances, beginning of year	<u>17,575,552</u>	<u>17,575,552</u>	<u>17,575,552</u>	
Fund balances, end of year	<u>\$ 13,575,552</u>	<u>\$ 13,754,952</u>	<u>\$ 14,747,047</u>	<u>\$ (5,191,811)</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Highway User Revenue
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 1,212,573	\$ 1,212,573	\$ 1,392,501	\$ 179,928
Intergovernmental	3,038,992	3,038,992	3,190,714	151,722
Charges for services	100,000	100,000	60	(99,940)
Other revenue	31,000	31,000	15,241	(15,759)
Investment earnings	10,000	10,000	595,073	585,073
Total revenues	<u>4,392,565</u>	<u>4,392,565</u>	<u>5,193,589</u>	<u>801,024</u>
Expenditures				
Current -				
Public works	7,087,540	7,616,315	7,241,857	374,458
Capital outlay		66,000	66,373	(373)
Total expenditures	<u>7,087,540</u>	<u>7,682,315</u>	<u>7,308,230</u>	<u>374,085</u>
Excess (deficiency) of revenues over expenditures	<u>(2,694,975)</u>	<u>(3,289,750)</u>	<u>(2,114,641)</u>	<u>1,175,109</u>
Other financing sources (uses)				
Transfers in	2,000,000	2,000,000	4,000,000	2,000,000
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,000,000</u>	<u>2,000,000</u>
Changes in fund balances	<u>(694,975)</u>	<u>(1,289,750)</u>	<u>1,885,359</u>	<u>3,175,109</u>
Fund balances, beginning of year	<u>9,559,629</u>	<u>9,559,629</u>	<u>9,559,629</u>	
Fund balances, end of year	<u>\$ 8,864,654</u>	<u>\$ 8,269,879</u>	<u>\$ 11,444,988</u>	<u>\$ 3,175,109</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Grants
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,190,000	\$ 1,190,000	\$ 696,551	\$ (493,449)
Other revenue			8,150	8,150
Investment earnings			5,181	5,181
Total revenues	<u>1,190,000</u>	<u>1,190,000</u>	<u>709,882</u>	<u>(480,118)</u>
Expenditures				
Current -				
General government	1,190,000	488,951	209,025	279,926
Public works		168,049	14,670	153,379
Culture and recreation			8,151	(8,151)
Capital outlay		<u>533,000</u>	<u>532,773</u>	<u>227</u>
Total expenditures	<u>1,190,000</u>	<u>1,190,000</u>	<u>764,619</u>	<u>425,381</u>
Excess (deficiency) of revenues over expenditures			<u>(54,737)</u>	<u>(54,737)</u>
Changes in fund balances			<u>(54,737)</u>	<u>(54,737)</u>
Fund balances, beginning of year	<u>121,032</u>	<u>121,032</u>	<u>121,032</u>	
Fund balances, end of year	<u>\$ 121,032</u>	<u>\$ 121,032</u>	<u>\$ 66,295</u>	<u>\$ (54,737)</u>

Town of Fountain Hills, Arizona
Note to Required Supplementary Information
June 30, 2025

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 all governmental 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 Expenditure Limitation Law for Towns and Cities. This law limits the amount of local revenues (as defined in the State Constitution, Article IX, Section 20) the Town may spend each year. The state adjusts the limitation each year for changes in population and inflation. The limitation is applied to the total expenditures of local revenues of all funds. The law does not limit the Town's expenditures of revenues excluded from the State Constitution's definition of local revenue. The Town complied with the law during the year.

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**Combining and Individual
Fund Financial Statements and Schedules**

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Governmental Funds

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Non-Major Governmental Funds

Special Revenue Funds

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

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

Tourism Fund – accounts for the portion of Town sales tax and grants received for tourism activities.

Public Art Fund – accounts for developer in-lieu contributions for maintenance of art and for the installation of art throughout the community.

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

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

Cottonwoods Maintenance Fund – accounts for all monies received 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 Fund

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

Town of Fountain Hills, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

Special Revenue Funds

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>	<u>Public Art</u>	<u>Local Court Enhancement</u>
Assets					
Cash and investments	\$ 704,922	\$ 877,456	\$ 159,910	\$ 64,460	\$ 432,461
Accounts receivable					
Intergovernmental receivable	1,192	4,768	6,653		
Taxes receivable					
Interest receivable	2,268				
Prepaid items		275	400		
Total assets	<u>708,382</u>	<u>882,499</u>	<u>166,963</u>	<u>64,460</u>	<u>432,461</u>
Liabilities					
Accounts payable		7,881	6,246		397
Accrued wages and benefits		7,132	4,406		
Total liabilities		<u>15,013</u>	<u>10,652</u>		<u>397</u>
Fund balances					
Nonspendable		275	400		
Restricted					432,064
Assigned	708,382	867,211	155,911	64,460	
Total fund balances	<u>708,382</u>	<u>867,486</u>	<u>156,311</u>	<u>64,460</u>	<u>432,064</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 708,382</u>	<u>\$ 882,499</u>	<u>\$ 166,963</u>	<u>\$ 64,460</u>	<u>\$ 432,461</u>

Special Revenue Funds		Debt Service Funds			Capital Projects Fund		Total Non-Major Governmental Funds
Environmental	Cottonwoods Maintenance	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service	Development Fees		
\$ 9,036	\$ 22,313	\$ 28,172	\$ 700	\$ 12,568	\$ 2,394,536	\$ 4,706,534	
		125			121,016	121,141	
	687					12,613	
						687	
						2,268	
						675	
<u>9,036</u>	<u>23,000</u>	<u>28,297</u>	<u>700</u>	<u>12,568</u>	<u>2,515,552</u>	<u>4,843,918</u>	
8,914	1,598		443			25,479	
						11,538	
<u>8,914</u>	<u>1,598</u>		<u>443</u>			<u>37,017</u>	
						675	
	21,402	28,297	257	12,568	2,515,552	3,010,140	
<u>122</u>						<u>1,796,086</u>	
<u>122</u>	<u>21,402</u>	<u>28,297</u>	<u>257</u>	<u>12,568</u>	<u>2,515,552</u>	<u>4,806,901</u>	
<u>\$ 9,036</u>	<u>\$ 23,000</u>	<u>\$ 28,297</u>	<u>\$ 700</u>	<u>\$ 12,568</u>	<u>\$ 2,515,552</u>	<u>\$ 4,843,918</u>	

Town of Fountain Hills, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

Special Revenue Funds

	Downtown Strategy	Economic Development	Tourism	Public Art	Local Court Enhancement
Revenues					
Property taxes	\$	\$	\$	\$	\$
Sales taxes	139,250	557,001			
Licenses and permits					
Intergovernmental			143,379		
Charges for services				37,559	
Other revenue		1,411	1,076	17,000	
Fines and forfeitures					30,235
Investment earnings	33,744	32,748	12,916	2,072	12,429
Total revenues	<u>172,994</u>	<u>591,160</u>	<u>157,371</u>	<u>56,631</u>	<u>42,664</u>
Expenditures					
Current:					
General government	156,115	261,997	389,372		50,087
Public safety					
Public works					
Culture and recreation				33,194	
Debt service:					
Fiscal charges					
Total expenditures	<u>156,115</u>	<u>261,997</u>	<u>389,372</u>	<u>33,194</u>	<u>50,087</u>
Excess (deficiency) of revenues over expenditures	<u>16,879</u>	<u>329,163</u>	<u>(232,001)</u>	<u>23,437</u>	<u>(7,423)</u>
Other financing sources (uses)					
Transfers in			350,000		
Transfers out		(350,000)			
Total other financing sources (uses)		<u>(350,000)</u>	<u>350,000</u>		
Changes in fund balances	<u>16,879</u>	<u>(20,837)</u>	<u>117,999</u>	<u>23,437</u>	<u>(7,423)</u>
Fund balances, beginning of year	<u>691,503</u>	<u>888,323</u>	<u>38,312</u>	<u>41,023</u>	<u>439,487</u>
Fund balances, end of year	<u>\$ 708,382</u>	<u>\$ 867,486</u>	<u>\$ 156,311</u>	<u>\$ 64,460</u>	<u>\$ 432,064</u>

Special Revenue Funds		Debt Service Funds			Capital Projects Fund	Total Non-Major Governmental Funds
Environmental	Cottonwoods Maintenance	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service	Development Fees	
\$	\$ 10,509	\$	\$	\$	\$	\$ 10,509
						696,251
1,872					357,221	359,093
						143,379
		125				37,559
						19,612
						30,235
9,373	849	1,936	190	533	115,453	222,243
11,245	11,358	2,061	190	533	472,674	1,518,881
						857,571
					18,809	18,809
374,168	8,463				18,854	401,485
					18,809	52,003
			443	10		453
374,168	8,463		443	10	56,472	1,330,321
(362,923)	2,895	2,061	(253)	523	416,202	188,560
			(19,500)		(230,329)	350,000
			(19,500)		(230,329)	(599,829)
(362,923)	2,895	2,061	(19,753)	523	185,873	(249,829)
363,045	18,507	26,236	20,010	12,045	2,329,679	(61,269)
						4,868,170
\$ 122	\$ 21,402	\$ 28,297	\$ 257	\$ 12,568	\$ 2,515,552	\$ 4,806,901

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Downtown Strategy
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 121,257	\$ 121,257	\$ 139,250	\$ 17,993
Investment earnings	600	600	33,744	33,144
Total revenues	<u>121,857</u>	<u>121,857</u>	<u>172,994</u>	<u>51,137</u>
Expenditures				
Current -				
General government	90,200	190,200	156,115	34,085
Total expenditures	<u>90,200</u>	<u>190,200</u>	<u>156,115</u>	<u>34,085</u>
Excess (deficiency) of revenues over expenditures	<u>31,657</u>	<u>(68,343)</u>	<u>16,879</u>	<u>85,222</u>
Changes in fund balances	<u>31,657</u>	<u>(68,343)</u>	<u>16,879</u>	<u>85,222</u>
Fund balances, beginning of year	<u>691,503</u>	<u>691,503</u>	<u>691,503</u>	
Fund balances, end of year	<u>\$ 723,160</u>	<u>\$ 623,160</u>	<u>\$ 708,382</u>	<u>\$ 85,222</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Economic Development
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Sales taxes	\$ 485,029	\$ 557,001	\$ 71,972
Other		1,411	1,411
Investment earnings	240	32,748	32,508
Total revenues	<u>485,269</u>	<u>591,160</u>	<u>105,891</u>
Expenditures			
Current -			
General government	315,293	261,997	53,296
Total expenditures	<u>315,293</u>	<u>261,997</u>	<u>53,296</u>
Excess (deficiency) of revenues over expenditures	<u>169,976</u>	<u>329,163</u>	<u>159,187</u>
Other financing sources (uses)			
Transfers out	(350,000)	(350,000)	
Total other financing sources (uses)	<u>(350,000)</u>	<u>(350,000)</u>	
Changes in fund balances	<u>(180,024)</u>	<u>(20,837)</u>	<u>159,187</u>
Fund balances, beginning of year	<u>888,323</u>	<u>888,323</u>	
Fund balances, end of year	<u>\$ 708,299</u>	<u>\$ 867,486</u>	<u>\$ 159,187</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tourism
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 143,379	\$ 59,379
Other			1,076	1,076
Investment earnings	180	180	12,916	12,736
Total revenues	<u>84,180</u>	<u>84,180</u>	<u>157,371</u>	<u>73,191</u>
Expenditures				
Current -				
General government	417,378	434,406	389,372	45,034
Total expenditures	<u>417,378</u>	<u>434,406</u>	<u>389,372</u>	<u>45,034</u>
Excess (deficiency) of revenues over expenditures	<u>(333,198)</u>	<u>(350,226)</u>	<u>(232,001)</u>	<u>118,225</u>
Other financing sources (uses)				
Transfers in	350,000	350,000	350,000	
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	
Changes in fund balances	<u>16,802</u>	<u>(226)</u>	<u>117,999</u>	<u>118,225</u>
Fund balances, beginning of year	<u>38,312</u>	<u>38,312</u>	<u>38,312</u>	
Fund balances, end of year	<u>\$ 55,114</u>	<u>\$ 38,086</u>	<u>\$ 156,311</u>	<u>\$ 118,225</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Art
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Variance with</u>
	<u>Original and Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues			
Charges for services	\$ 100,000	\$ 37,559	\$ (62,441)
Other revenue		17,000	17,000
Investment earnings	240	2,072	1,832
Total revenues	<u>100,240</u>	<u>56,631</u>	<u>(43,609)</u>
Expenditures			
Current -			
Culture and recreation	41,761	33,194	8,567
Total expenditures	<u>41,761</u>	<u>33,194</u>	<u>8,567</u>
Excess (deficiency) of revenues over expenditures	<u>58,479</u>	<u>23,437</u>	<u>(35,042)</u>
Changes in fund balances	<u>58,479</u>	<u>23,437</u>	<u>(35,042)</u>
Fund balances, beginning of year	<u>41,023</u>	<u>41,023</u>	<u> </u>
Fund balances, end of year	<u>\$ 99,502</u>	<u>\$ 64,460</u>	<u>\$ (35,042)</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Court Enhancement
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Fines and forfeitures	\$ 33,000	\$ 30,235	\$ (2,765)
Investment earnings	300	12,429	12,129
Total revenues	<u>33,300</u>	<u>42,664</u>	<u>9,364</u>
Expenditures			
Current -			
General government	52,500	50,087	2,413
Total expenditures	<u>52,500</u>	<u>50,087</u>	<u>2,413</u>
Excess (deficiency) of revenues over expenditures	<u>(19,200)</u>	<u>(7,423)</u>	<u>11,777</u>
Changes in fund balances	<u>(19,200)</u>	<u>(7,423)</u>	<u>11,777</u>
Fund balances, beginning of year	<u>439,487</u>	<u>439,487</u>	
Fund balances, end of year	<u>\$ 420,287</u>	<u>\$ 432,064</u>	<u>\$ 11,777</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Environmental
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Licenses and permits	\$	\$ 1,872	\$ 1,872
Investment earnings	2,400	9,373	6,973
Total revenues	<u>2,400</u>	<u>11,245</u>	<u>8,845</u>
Expenditures			
Current -			
Public works	404,804	374,168	30,636
Total expenditures	<u>404,804</u>	<u>374,168</u>	<u>30,636</u>
Excess (deficiency) of revenues over expenditures	<u>(402,404)</u>	<u>(362,923)</u>	<u>39,481</u>
Changes in fund balances	<u>(402,404)</u>	<u>(362,923)</u>	<u>39,481</u>
Fund balances, beginning of year	<u>363,045</u>	<u>363,045</u>	<u></u>
Fund balances, end of year	<u>\$ (39,359)</u>	<u>\$ 122</u>	<u>\$ 39,481</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Cottonwoods Maintenance
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Property taxes	\$ 9,768	\$ 10,509	\$ 741
Investment earnings	72	849	777
Total revenues	<u>9,840</u>	<u>11,358</u>	<u>1,518</u>
Expenditures			
Current -			
Public works	14,181	8,463	5,718
Total expenditures	<u>14,181</u>	<u>8,463</u>	<u>5,718</u>
Excess (deficiency) of revenues over expenditures	<u>(4,341)</u>	<u>2,895</u>	<u>7,236</u>
Changes in fund balances	<u>(4,341)</u>	<u>2,895</u>	<u>7,236</u>
Fund balances, beginning of year	<u>18,507</u>	<u>18,507</u>	
Fund balances, end of year	<u>\$ 14,166</u>	<u>\$ 21,402</u>	<u>\$ 7,236</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Obligation Debt Service
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Other revenue	\$	\$ 125	\$ 125
Investment earnings	600	1,936	1,336
Total revenues	<u>600</u>	<u>2,061</u>	<u>1,461</u>
Expenditures			
Current -			
General government	350		350
Total expenditures	<u>350</u>		<u>350</u>
Excess (deficiency) of revenues over expenditures	<u>250</u>	<u>2,061</u>	<u>1,811</u>
Changes in fund balances	<u>250</u>	<u>2,061</u>	<u>1,811</u>
Fund balances, beginning of year	<u>26,236</u>	<u>26,236</u>	
Fund balances, end of year	<u>\$ 26,486</u>	<u>\$ 28,297</u>	<u>\$ 1,811</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Eagle Mountain Debt Service
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment earnings	\$ 100	\$ 190	\$ 90
Total revenues	<u>100</u>	<u>190</u>	<u>90</u>
Expenditures			
Debt service -			
Fiscal charges	19,500	443	19,057
Total expenditures	<u>19,500</u>	<u>443</u>	<u>19,057</u>
Excess (deficiency) of revenues over expenditures	<u>(19,400)</u>	<u>(253)</u>	<u>19,147</u>
Other financing sources (uses)			
Transfers out		(19,500)	(19,500)
Total other financing sources (uses)		<u>(19,500)</u>	<u>(19,500)</u>
Changes in fund balances	<u>(19,400)</u>	<u>(19,753)</u>	<u>(353)</u>
Fund balances, beginning of year	<u>20,010</u>	<u>20,010</u>	
Fund balances, end of year	<u>\$ 610</u>	<u>\$ 257</u>	<u>\$ (353)</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Municipal Property Corporation Debt Service
For the Year Ended June 30, 2025

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment earnings	\$ 300	\$ 533	\$ 233
Total revenues	<u>300</u>	<u>533</u>	<u>233</u>
Expenditures			
Debt service -			
Fiscal charges	510	10	500
Total expenditures	<u>510</u>	<u>10</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures	<u>(210)</u>	<u>523</u>	<u>733</u>
Changes in fund balances	<u>(210)</u>	<u>523</u>	<u>733</u>
Fund balances, beginning of year	<u>12,045</u>	<u>12,045</u>	
Fund balances, end of year	<u>\$ 11,835</u>	<u>\$ 12,568</u>	<u>\$ 733</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 904,856	\$ 904,856	\$ 1,485,919	\$ 581,063
Intergovernmental	2,652,500	2,652,200	20,055	(2,632,145)
Other			74,381	74,381
Investment earnings	11,000	11,000	859,049	848,049
Total revenues	<u>3,568,356</u>	<u>3,568,056</u>	<u>2,439,404</u>	<u>(1,128,652)</u>
Expenditures				
Current -				
General government	677,800	2,800	176	2,624
Public works	550,000	550,000	356,021	193,979
Capital outlay	8,415,000	8,501,125	5,240,987	3,260,138
Total expenditures	<u>9,642,800</u>	<u>9,053,925</u>	<u>5,597,184</u>	<u>3,456,741</u>
Excess (deficiency) of revenues over expenditures	<u>(6,074,444)</u>	<u>(5,485,869)</u>	<u>(3,157,780)</u>	<u>2,328,089</u>
Other financing sources (uses)				
Transfers in	2,950,000	2,950,000	5,003,359	2,053,359
Total other financing sources (uses)	<u>2,950,000</u>	<u>2,950,000</u>	<u>5,003,359</u>	<u>2,053,359</u>
Changes in fund balances	<u>(3,124,444)</u>	<u>(2,535,869)</u>	<u>1,845,579</u>	<u>4,381,448</u>
Fund balances, beginning of year	<u>14,152,865</u>	<u>14,152,865</u>	<u>14,152,865</u>	
Fund balances, end of year	<u>\$ 11,028,421</u>	<u>\$ 11,616,996</u>	<u>\$ 15,998,444</u>	<u>\$ 4,381,448</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Development Fees
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 379,550	\$ 379,550	\$ 357,221	\$ (22,329)
Investment earnings	3,000	3,000	115,453	112,453
Total revenues	<u>382,550</u>	<u>382,550</u>	<u>472,674</u>	<u>90,124</u>
Expenditures				
Current -				
Public safety		18,809	18,809	
Public works		18,854	18,854	
Culture and recreation		18,809	18,809	
Total expenditures		<u>56,472</u>	<u>56,472</u>	
Excess (deficiency) of revenues over expenditures	<u>382,550</u>	<u>326,078</u>	<u>416,202</u>	<u>90,124</u>
Other financing sources (uses)				
Transfers out	(950,000)	(950,000)	(230,329)	719,671
Total other financing sources (uses)	<u>(950,000)</u>	<u>(950,000)</u>	<u>(230,329)</u>	<u>719,671</u>
Changes in fund balances	<u>(567,450)</u>	<u>(623,922)</u>	<u>185,873</u>	<u>809,795</u>
Fund balances, beginning of year	<u>2,329,679</u>	<u>2,329,679</u>	<u>2,329,679</u>	
Fund balances, end of year	<u>\$ 1,762,229</u>	<u>\$ 1,705,757</u>	<u>\$ 2,515,552</u>	<u>\$ 809,795</u>

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Internal Service Funds

Technology Replacement Fund – accounts for the operation of technology replacement services to other Town departments on a cost reimbursement basis.

Vehicle and Equipment Replacement Fund – accounts for the operation of vehicle and equipment replacement costs to other Town departments on a cost reimbursement basis.

Town of Fountain Hills, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2025

	<u>Technology Replacement</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets:			
Cash and investments	\$ 220,510	\$ 2,932,742	\$ 3,153,252
Total current assets	<u>220,510</u>	<u>2,932,742</u>	<u>3,153,252</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>9,682</u>	<u>76,131</u>	<u>85,813</u>
Total noncurrent assets	<u>9,682</u>	<u>76,131</u>	<u>85,813</u>
Total assets	<u>230,192</u>	<u>3,008,873</u>	<u>3,239,065</u>
Liabilities			
Current liabilities:			
Accounts payable	<u>7,969</u>	<u></u>	<u>7,969</u>
Total current liabilities	<u>7,969</u>	<u></u>	<u>7,969</u>
Net position			
Investment in capital assets	9,682	76,131	85,813
Unrestricted	<u>212,541</u>	<u>2,932,742</u>	<u>3,145,283</u>
Total net position	<u>\$ 222,223</u>	<u>\$ 3,008,873</u>	<u>\$ 3,231,096</u>

Town of Fountain Hills, Arizona
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2025

	Technology Replacement	Vehicle and Equipment Replacement	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 62,002	\$ 356,027	\$ 418,029
Total operating revenues	<u>62,002</u>	<u>356,027</u>	<u>418,029</u>
Operating expenses			
Cost of services	34,433		34,433
Depreciation	692	9,322	10,014
Total operating expenses	<u>35,125</u>	<u>9,322</u>	<u>44,447</u>
Operating income (loss)	<u>26,877</u>	<u>346,705</u>	<u>373,582</u>
Nonoperating revenues (expenses)			
Investment earnings	9,512	124,121	133,633
Total nonoperating revenue (expenses)	<u>9,512</u>	<u>124,121</u>	<u>133,633</u>
Changes in net position	36,389	470,826	507,215
Net position, beginning of year	<u>185,834</u>	<u>2,538,047</u>	<u>2,723,881</u>
Net position, end of year	<u>\$ 222,223</u>	<u>\$ 3,008,873</u>	<u>\$ 3,231,096</u>

Town of Fountain Hills, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025

	Technology Replacement	Vehicle and Equipment Replacement	Total Internal Service Funds
<u>Increase/Decrease in Cash and Cash Equivalents</u>			
Cash flows from operating activities			
Cash received from charges for services	\$ 62,002	\$ 356,027	\$ 418,029
Cash payments to suppliers for goods and services	(31,039)		(31,039)
Net cash provided by/used for operating activities	30,963	356,027	386,990
Cash flows from capital activities			
Purchase of property and equipment	(10,374)		(10,374)
Net cash provided by/used for capital activities	(10,374)		(10,374)
Cash flows from investing activities			
Investment income	9,512	124,121	133,633
Net cash provided by/used for investing activities	9,512	124,121	133,633
Net increase/decrease in cash and cash equivalents	30,101	480,148	510,249
Cash and cash equivalents, beginning of year	190,409	2,452,594	2,643,003
Cash and cash equivalents, end of year	\$ 220,510	\$ 2,932,742	\$ 3,153,252
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>			
Operating income/loss	\$ 26,877	\$ 346,705	\$ 373,582
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:			
Depreciation	692	9,322	10,014
Changes in assets and liabilities:			
Increase/decrease in accounts payable	3,500		3,500
Increase/decrease in other liabilities	(106)		(106)
Total adjustments	4,086	9,322	13,408
Net cash provided by/used for operating activities	\$ 30,963	\$ 356,027	\$ 386,990

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.

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

	Fiscal Year ended June 30			
	2016	2017	2018	2019
Governmental activities:				
Investment in capital assets	\$ 95,647,990	\$ 94,909,703	\$ 96,777,854	\$ 104,781,328
Restricted	4,530,239	4,471,661	4,589,526	3,646,449
Unrestricted	<u>17,232,506</u>	<u>17,578,068</u>	<u>16,244,169</u>	<u>15,258,797</u>
Total governmental activities net position	<u><u>\$ 117,410,735</u></u>	<u><u>\$ 116,959,432</u></u>	<u><u>\$ 117,611,549</u></u>	<u><u>\$ 123,686,574</u></u>

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

Fiscal Year ended June 30

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 104,004,331	\$ 103,822,185	\$ 102,346,737	\$ 101,838,463	\$ 101,990,127	\$ 104,695,606
2,766,041	2,610,178	5,749,726	9,381,468	9,474,160	11,497,408
<u>17,388,168</u>	<u>21,318,351</u>	<u>26,010,477</u>	<u>32,221,000</u>	<u>38,868,492</u>	<u>37,969,367</u>
<u>\$ 124,158,540</u>	<u>\$ 127,750,714</u>	<u>\$ 134,106,940</u>	<u>\$ 143,440,931</u>	<u>\$ 150,332,779</u>	<u>\$ 154,162,381</u>

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

	Fiscal Year Ended June 30			
	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	\$ 2,516,966	\$ 3,142,722	\$ 3,431,752	\$ 3,318,477
Development services	2,253,208	1,364,378	1,460,967	867,725
Public safety	7,178,890	7,563,898	7,567,012	8,142,069
Public works	6,476,688	7,904,577	7,380,663	10,263,244
Culture and recreation	3,124,523	3,375,414	3,311,648	3,767,996
Interest on long-term debt	241,694	178,749	118,552	57,054
Total governmental activities expenses	<u>21,791,969</u>	<u>23,529,738</u>	<u>23,270,594</u>	<u>26,416,565</u>
Program Revenues				
Governmental activities:				
Fines, fees and charges for services:				
General government	298,737	837,163	295,716	280,312
Development services	1,257,492	1,062,094	1,314,915	1,143,871
Public safety	90,345	155,454	155,973	90,774
Public works	48,688	216,724	52,465	10,214
Culture and recreation	321,189	393,028	497,914	1,151,500
Operating grants and contributions	1,615,973	1,699,931	1,737,958	1,850,676
Capital grants and contributions	381,011	494,328	304,951	181,939
Total governmental activities program revenues	<u>4,013,435</u>	<u>4,858,722</u>	<u>4,359,892</u>	<u>4,709,286</u>
Net (Expenses)/Revenues	(17,778,534)	(18,671,016)	(18,910,702)	(21,707,279)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	2,569,504	2,296,199	2,263,623	2,476,546
Sales taxes	9,395,667	9,415,151	10,311,577	11,491,123
Franchise taxes	360,320	367,119	421,682	423,947
State shared revenues	5,813,678	6,057,278	6,396,667	6,514,470
Investment earnings	219,058	55,127	158,860	554,549
Miscellaneous	13,826	28,839	10,410	202,969
Special item - Donation of capital assets	-	-	-	6,118,700
Total governmental activities	<u>18,372,053</u>	<u>18,219,713</u>	<u>19,562,819</u>	<u>27,782,304</u>
Changes in Net Position				
Governmental activities	<u>\$ 593,519</u>	<u>\$ (451,303)</u>	<u>\$ 652,117</u>	<u>\$ 6,075,025</u>

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

Fiscal Year Ended June 30

2020	2021	2022	2023	2024	2025
\$ 3,470,936	\$ 6,687,041	\$ 4,333,863	\$ 4,890,912	\$ 5,106,646	\$ 5,106,169
825,884	968,808	1,068,260	1,206,991	1,324,892	1,380,385
9,003,452	6,321,489	9,487,150	9,930,356	11,746,913	11,799,373
9,961,306	10,175,540	9,780,920	10,792,078	10,455,071	11,333,622
3,490,447	3,601,870	3,999,178	4,776,903	4,676,396	5,196,648
881	7,544	-	-	-	-
<u>26,752,906</u>	<u>27,762,292</u>	<u>28,669,371</u>	<u>31,597,240</u>	<u>33,309,918</u>	<u>34,816,197</u>
533,189	310,411	498,242	516,373	548,921	527,790
608,892	693,161	947,431	762,929	694,650	703,847
100,444	104,726	89,140	136,082	108,633	102,524
131,750	355,619	654,434	359,972	736,967	259,628
409,651	435,432	641,269	640,365	628,560	759,528
2,007,841	4,733,757	6,381,580	6,729,883	2,383,786	2,636,957
91,245	135,525	161,751	259,266	520,867	690,383
<u>3,883,012</u>	<u>6,768,631</u>	<u>9,373,847</u>	<u>9,404,870</u>	<u>5,622,384</u>	<u>5,680,657</u>
(22,869,894)	(20,993,661)	(19,295,524)	(22,192,370)	(27,687,534)	(29,135,540)
2,077,368	402,481	9,728	9,854	-	10,509
13,172,390	15,657,292	17,660,758	20,586,294	20,559,928	20,191,270
434,896	426,260	399,007	382,948	351,118	334,101
6,874,771	7,787,184	7,721,123	9,221,691	11,131,601	9,946,312
545,983	49,665	(419,006)	1,099,525	2,345,106	2,431,871
236,452	262,953	280,140	226,049	191,629	224,218
-	-	-	-	-	-
<u>23,341,860</u>	<u>24,585,835</u>	<u>25,651,750</u>	<u>31,526,361</u>	<u>34,579,382</u>	<u>33,138,281</u>
<u>\$ 471,966</u>	<u>\$ 3,592,174</u>	<u>\$ 6,356,226</u>	<u>\$ 9,333,991</u>	<u>\$ 6,891,848</u>	<u>\$ 4,002,741</u>

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

	Fiscal Year Ended June 30			
	2016	2017	2018	2019
General fund				
Nonspendable				
Inventory	\$ 9,272	\$ 5,872	\$ 13,490	\$ 5,168
Prepaid items	4,123	16,868	21,945	17,311
Committed	2,652,357	2,714,135	2,893,850	3,027,804
Assigned	1,701,086	1,743,768	2,101,574	2,380,653
Unassigned	5,853,806	2,696,999	2,140,434	1,863,722
Total general fund	<u>\$ 10,220,644</u>	<u>\$ 7,177,642</u>	<u>\$ 7,171,293</u>	<u>\$ 7,294,658</u>
All other governmental funds				
Nonspendable				
Prepaid items	\$ 5,055	\$ 474	\$ -	\$ -
Restricted	4,500,044	4,432,710	4,571,263	3,579,891
Committed	1,366,081	8,576,250	7,248,890	5,868,386
Assigned	5,943,364	1,784,761	2,340,683	2,592,343
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 11,814,544</u>	<u>\$ 14,794,195</u>	<u>\$ 14,160,836</u>	<u>\$ 12,040,620</u>

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

Fiscal Year Ended June 30

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 8,982	\$ 7,117	\$ 14,845	\$ 12,923	\$ 5,099	\$ 4,663
2,418	20,170	36,464	44,542	33,080	25,390
3,249,354	3,387,433	3,664,240	4,044,890	4,466,782	4,999,717
622,641	1,085,667	1,278,191	1,639,184	-	-
<u>5,535,499</u>	<u>10,958,643</u>	<u>9,466,833</u>	<u>11,644,005</u>	<u>13,070,591</u>	<u>9,717,277</u>
<u>\$ 9,418,894</u>	<u>\$ 15,459,030</u>	<u>\$ 14,460,573</u>	<u>\$ 17,385,544</u>	<u>\$ 17,575,552</u>	<u>\$ 14,747,047</u>

\$ -	\$ -	\$ 4,253	\$ 2,326	\$ 14,960	\$ 675
2,708,883	2,541,894	5,701,067	9,368,764	9,096,302	11,123,651
6,068,810	4,430,491	5,511,281	7,458,457	-	-
2,402,244	1,845,901	6,541,572	7,589,084	19,590,434	21,192,302
(66,361)	-	-	-	-	-
<u>\$ 11,113,576</u>	<u>\$ 8,818,286</u>	<u>\$ 17,758,173</u>	<u>\$ 24,418,631</u>	<u>\$ 28,701,696</u>	<u>\$ 32,316,628</u>

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

	Fiscal Year Ended June 30			
	2016	2017	2018	2019
Revenues				
Taxes	\$ 12,299,285	\$ 12,069,714	\$ 13,019,341	\$ 14,342,801
Licenses and permits	1,372,045	1,310,973	2,004,386	2,040,622
Leases and rents	258,165	284,090	282,531	280,801
Intergovernmental	7,559,436	7,917,651	8,266,028	8,401,676
Charges for services	197,109	351,476	254,122	181,105
Other	147,662	153,438	207,697	347,141
Fines and forfeitures	209,380	257,727	182,997	130,483
Investment earnings	219,058	55,127	158,860	554,549
Total revenues	<u>22,262,140</u>	<u>22,400,196</u>	<u>24,375,962</u>	<u>26,279,178</u>
Expenditures				
Current:				
General government	2,324,026	2,713,548	3,195,936	3,147,063
Development services	2,217,814	1,275,147	1,397,249	858,957
Public safety	7,034,887	7,420,032	7,402,227	6,295,989
Public works	2,498,714	3,954,450	3,420,317	7,880,668
Culture and recreation	2,240,865	2,484,940	2,375,758	2,845,027
Capital outlay	6,471,382	1,693,265	4,317,214	4,487,854
Debt service:				
Principal	4,260,000	2,675,000	2,720,000	2,635,000
Interest	308,106	244,986	185,164	123,871
Other debt service	2,005	2,180	1,805	1,600
Total expenditures	<u>27,357,799</u>	<u>22,463,548</u>	<u>25,015,670</u>	<u>28,276,029</u>
Excess (deficiency) of revenues over (under) expenditures	(5,095,659)	(63,352)	(639,708)	(1,996,851)
Other Financing Sources (Uses)				
Transfers in	562,044	5,194,138	4,543,728	3,672,532
Transfers out	(562,044)	(5,194,138)	(4,543,728)	(3,672,532)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (5,095,659)</u>	<u>\$ (63,352)</u>	<u>\$ (639,708)</u>	<u>\$ (1,996,851)</u>
Expenditures for capitalized assets	\$ 6,394,346	\$ 1,696,612	\$ 4,293,214	\$ 4,465,837
Debt service as a percentage of noncapital expenditures	21.8%	14.1%	14.0%	11.6%

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

Fiscal Year Ended June 30

	2020	2021	2022	2023	2024	2025
\$	15,694,054	\$ 16,510,939	\$ 18,071,247	\$ 20,978,020	\$ 20,920,887	\$ 20,535,880
	835,731	1,293,172	2,039,349	1,524,278	1,737,041	1,311,220
	286,391	264,621	333,946	355,607	359,479	368,277
	8,920,296	12,713,449	14,124,324	15,919,459	13,834,258	12,791,991
	222,947	99,090	171,157	216,438	247,302	315,988
	387,225	320,291	431,838	403,305	333,012	474,026
	281,704	239,191	223,964	240,844	255,843	244,624
	545,983	49,654	(419,224)	1,094,158	2,218,949	2,298,238
	<u>27,174,331</u>	<u>31,490,407</u>	<u>34,976,601</u>	<u>40,732,109</u>	<u>39,906,771</u>	<u>38,340,244</u>
	3,280,191	6,513,419	4,105,257	4,697,681	4,996,577	5,215,125
	797,513	954,667	1,041,531	1,210,967	1,275,320	1,345,270
	8,566,058	8,906,428	9,180,108	9,612,993	11,330,144	11,315,905
	6,046,298	6,321,814	5,712,452	7,542,736	8,774,689	9,695,361
	2,609,842	2,726,748	3,166,526	3,583,471	3,483,590	3,980,572
	2,716,523	4,758,067	3,828,699	4,498,734	3,523,577	6,001,131
	2,310,000	400,000	-	-	-	-
	67,301	7,044	-	-	-	-
	1,998	500	598	98	208	453
	<u>26,395,724</u>	<u>30,588,687</u>	<u>27,035,171</u>	<u>31,146,680</u>	<u>33,384,105</u>	<u>37,553,817</u>
	778,607	901,720	7,941,430	9,585,429	6,522,666	786,427
	1,928,978	3,086,628	11,962,153	10,247,867	11,948,021	9,353,359
	(1,928,978)	(3,136,628)	(11,962,153)	(10,247,867)	(11,948,021)	(9,353,359)
	418,585	-	-	-	-	-
	<u>418,585</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>1,197,192</u>	<u>851,720</u>	<u>7,941,430</u>	<u>9,585,429</u>	<u>6,522,666</u>	<u>786,427</u>
\$	2,689,270	\$ 4,758,055	\$ 3,890,700	\$ 4,497,424	\$ 3,616,795	\$ 6,011,505
	10.0%	1.8%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30	Property Tax	Sales Tax	Franchise Tax	Total
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
2024	9,841	20,559,928	351,118	20,920,887
2025	10,509	20,191,270	334,101	20,535,880

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

**Town of Fountain Hills, Arizona
Sales Tax Payers by Category
June 30, 2025 and June 30, 2016**

	<u>Fiscal Year Ended June 30, 2025</u>				<u>Fiscal Year Ended June 30, 2016</u>			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Sales category:								
Construction	446	2.86%	\$ 2,971,838	14.72%	N/A	N/A	\$ 918,717	9.78%
Transportation/utilities	145	0.93%	1,723,779	8.54%	N/A	N/A	1,327,441	14.13%
Wholesale/retail	11,738	75.28%	10,604,440	52.52%	N/A	N/A	4,815,582	51.28%
Restaurants/bars	107	0.69%	1,413,481	7.00%	N/A	N/A	742,540	7.91%
Real estate, rental & leasing	960	6.16%	970,416	4.81%	N/A	N/A	552,856	5.89%
Services	762	4.89%	2,466,878	12.22%	N/A	N/A	779,753	8.30%
Other	<u>1,434</u>	<u>9.20%</u>	<u>40,438</u>	<u>0.20%</u>	N/A	N/A	<u>254,378</u>	<u>2.71%</u>
Total	<u>15,592</u>	<u>100.00%</u>	<u>\$ 20,191,270</u>	<u>100.00%</u>	N/A	N/A	<u>\$ 9,391,267</u>	<u>100.00%</u>

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

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

Note: Because of confidentiality statutes, the names of the 10 largest revenue payers cannot be disclosed. The categories presented are intended to provide alternative information regarding the sources of the Town's revenue. The Number of Filers was unavailable for the year ended June 30, 2016.

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

	Fiscal Year Ended June 30			
	2016	2017	2018	2019
Sales category:				
Construction	\$ 918,717	\$ 730,164	\$ 1,408,332	\$ 1,932,716
Transportation/utilities	1,327,441	1,288,153	1,309,928	1,290,585
Wholesale/retail	4,815,582	4,982,218	5,235,992	5,464,247
Restaurants/bars	742,540	811,985	829,857	893,595
Real estate, rental & leasing	552,856	636,834	745,171	842,233
Services	779,753	852,675	747,834	1,025,548
Other	254,378	117,523	34,464	42,200
Total	<u>\$ 9,391,267</u>	<u>\$ 9,419,552</u>	<u>\$ 10,311,578</u>	<u>\$ 11,491,124</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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 1,910,021	\$ 1,990,383	\$ 1,780,123	\$ 3,449,250	\$ 3,197,045	\$ 2,971,838
1,405,005	1,529,268	1,501,600	1,576,570	1,661,398	1,723,779
7,031,474	8,956,208	9,834,924	10,500,903	10,689,793	10,604,440
892,210	1,062,172	1,446,971	1,517,063	1,452,328	1,413,481
965,124	993,228	1,103,241	1,258,009	1,351,156	970,416
916,769	1,125,753	1,992,955	2,278,723	2,206,542	2,466,878
51,786	280	946	5,776	1,666	40,438
<u>\$ 13,172,389</u>	<u>\$ 15,657,292</u>	<u>\$ 17,660,760</u>	<u>\$ 20,586,294</u>	<u>\$ 20,559,928</u>	<u>\$ 20,191,270</u>

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

Fiscal Year Ended June 30	Town Rate	Maricopa County	State Rate	Total Tax Rate
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%
2024	2.90%	0.70%	5.60%	9.20%
2025	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

Fiscal Year Ended June 30	Governmental Activities					Total Outstanding Debt	Debt Per Capita
	General Obligation Bonds*	Community Facilities District Bonds**	Municipal Property Corporation Bonds*	Highway User Revenue Bonds	Special Assessment Bonds		
2016	7,678,669	1,935,000	1,400,000	-	-	11,013,669	467
2017	5,680,252	1,560,000	1,030,000	-	-	8,270,252	351
2018	3,631,835	1,180,000	670,000	-	-	5,481,835	233
2019	1,683,417	795,000	300,000	-	-	2,778,417	118
2020	-	400,000	-	-	-	400,000	17
2021	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-

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

Fiscal Year	General Obligation Bonds*	Less: Amounts Restricted for Principal	Net General Obligation Bonds	Estimated Actual Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Net General Obligation Bonded Debt per Capita	Net General Obligation Bonded Debt per Net Limited Assessed Valuation	Municipal Property Corporation Bonds*	Net Municipal Property Corporation Debt per Capita	Total Revenues All Sources
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	-	5,435,983,541	-	-	-	-	-	35,025,597
2023	-	200,754	-	5,721,274,077	-	-	-	-	-	40,931,231
2024	-	46,427	-	6,057,936,533	-	-	-	-	-	40,071,615
2025	-	28,554	-	6,181,488,238	-	-	-	-	-	38,464,258

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.

Town of Fountain Hills, Arizona
Direct and Overlapping Governmental Activities Debt
as of June 30, 2025

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping:			
Maricopa County Special Healthcare District	\$ 574,205,000	0.97%	\$ 5,569,789
Maricopa County Community College District	87,320,000	0.97%	847,004
East Valley Institute of Technology	-	2.07%	-
Fountain Hills Unified School District	3,380,000	96.64%	<u>3,266,432</u>
Total Overlapping Debt			<u>9,683,225</u>
Direct:			
Town of Fountain Hills, Arizona*			
General Obligation Bonds			-
Revenue Bonds			-
Eagle Mountain Community Facilities District**			<u>-</u>
Total Direct Debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 9,683,225</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. The Report of Indebtedness is from the most recent fiscal year which is available, which typically will be one year earlier than the current fiscal year.

* 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

	Fiscal Year Ended June 30			
	2016	2017	2018	2019
6% Debt Limit				
Debt limit	\$ 28,325,296	\$ 30,651,126	\$ 31,459,192	\$ 32,400,042
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 28,325,296</u>	<u>\$ 30,651,126</u>	<u>\$ 31,459,192</u>	<u>\$ 32,400,042</u>
Total debt applicable to the limit as a percentage of debt limit	-	-	-	-
20% Debt Limit				
Debt limit	\$ 94,417,653	\$ 102,170,422	\$ 104,863,974	\$ 108,000,140
Total net debt applicable to limit	7,405,000	5,475,000	3,495,000	1,615,000
Legal debt margin	<u>\$ 87,012,653</u>	<u>\$ 96,695,422</u>	<u>\$ 101,368,974</u>	<u>\$ 106,385,140</u>
Total debt applicable to the limit as a percentage of debt limit	8%	5%	3%	1%

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

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

Fiscal Year Ended June 30

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 33,907,227	\$ 35,603,580	\$ 37,800,780	\$ 40,238,671	\$ 49,892,806	\$ 61,905,341
-	-	-	-	-	-
<u>\$ 33,907,227</u>	<u>\$ 35,603,580</u>	<u>\$ 37,800,780</u>	<u>\$ 40,238,671</u>	<u>\$ 49,892,806</u>	<u>\$ 61,905,341</u>
-	-	-	-	-	-
\$ 113,024,089	\$ 118,678,601	\$ 126,002,599	\$ 134,128,903	\$ 166,309,355	\$ 206,351,136
-	-	-	-	-	-
<u>\$ 113,024,089</u>	<u>\$ 118,678,601</u>	<u>\$ 126,002,599</u>	<u>\$ 134,128,903</u>	<u>\$ 166,309,355</u>	<u>\$ 206,351,136</u>
-	-	-	-	-	-

**Town of Fountain Hills, Arizona
Calculation of Legal Debt Margin
as of June 30, 2025**

Net full cash assessed valuation		1,031,755,680
<p>Water, Sewer, Artificial Lighting, Parks, Open Space, Recreational Facility Improvements, Public Safety, Law Enforcement, Fire and Emergency Facilities, Street and Transportation Facilities</p> <hr/>		
Debt limit - 20% of net full cash assessed valuation	\$	206,351,136
Net debt applicable to limit		<u>-</u>
20% legal debt margin		<u>206,351,136</u>
<p>All Other General Obligation Bonds</p> <hr/>		
Debt limit - 6% of net full cash assessed valuation		61,905,341
Net debt applicable to limit		<u>-</u>
6% legal debt margin		<u>61,905,341</u>
 Total legal debt margin	 \$	 <u><u>268,256,477</u></u>

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

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

Municipal Facilities Corporation Revenue Bonds					
Fiscal Year Ended June 30	Principal	Interest	Total	Pledged Revenues	Coverage
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
2024	-	-	-	33,200,920	100.0
2025	-	-	-	31,207,254	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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Population	23,899	24,482	24,583	24,987	25,200	23,820	23,906	23,785	23,820	24,163
Per capita personal income	\$ 48,240	\$ 50,162	\$ 60,531	\$ 54,936	\$ 57,468	\$ 59,791	\$ 57,550	\$ 60,707	\$ 66,756	\$ 66,704
Median age	53.8	53.7	53.5	57.5	58.8	59.4	58.6	62.0	60.2	60.8
Public school enrollment	1,619	1,506	1,444	1,380	1,338	1,314	1,267	1,192	1,133	1,152
Town of Fountain Hills unemployment rate	2.4%	1.9%	1.6%	3.9%	8.7%	4.9%	4.4%	2.8%	2.7%	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	1,247	1,209	1,175	1,172	1,052	1,158	1,158	1,030	966	931
Number of units										
Housing	13,002	13,130	13,176	13,558	13,749	13,875	13,876	14,101	14,330	14,401
Lodging	4	4	4	4	4	4	4	4	4	4
Restaurants	46	50	52	54	55	55	57	57	55	60
Shopping centers	20	20	20	20	20	20	20	20	20	20
Schools										
Public	3	3	3	3	3	3	3	3	4	4
Preschool	7	7	7	5	5	5	5	5	4	4
Charter	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, 2024 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 2024.

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

Employer	2023*			2014	
	Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank
Fountain Hills Unified School District No. 98	280	1	4.6%	193	1
Safeway Stores	150	2	2.4%	86	5
Target Stores	110	3	1.8%	85	6
Town of Fountain Hills	100	4	1.6%	41	12
Firerock Country Club	100	4	1.6%	100	4
Toll Brothers	90	5	1.5%	N/A	N/A
Fountain View Village	80	6	1.3%	140	2
Fry's Food Stores	80	6	1.3%	80	7
Eagle Mountain Golf Club	70	8	1.1%	70	9
Fountain Hills Family Practice PC	70	8	1.1%	N/A	N/A
Fountain Hills Medical Center	70	8	1.1%	N/A	N/A
Golf International Inc	60	12	1.0%	N/A	N/A
Quotemedia Inc	60	12	1.0%	N/A	N/A
Sunridge Canyon Golf Course	60	12	1.0%	59	11
Palisades Resorts LLC	60	12	1.0%	N/A	N/A
Bashas	60	12	1.0%	74	8
Totals	1,500		24.4%	928	
Total Town employment	6,130			4,655	

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 2024 was not available.

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

	Fiscal Year Ended June 30									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Municipal court	3.63	3.63	3.63	3.63	3.63	3.63	3.63	4.63	4.63	4.63
Administration	11.63	12.25	13.45	13.70	15.20	15.00	16.00	16.24	17.50	17.50
Public works	n/a	9.80	9.80	10.80	12.43	12.43	12.00	13.00	13.00	13.00
Development services	16.30	7.50	8.50	7.50	9.00	9.00	9.00	10.00	10.00	11.00
Community services	20.76	20.76	20.56	20.56	20.56	22.01	24.02	24.52	25.38	25.93
Fire Department	-	-	-	-	-	-	-	-	34.00	34.00
Total	<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>	<u>104.51</u>	<u>106.06</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Municipal Court										
Cases filed	1,593	2,014	1,277	891	2,237	1,324	1,586	1,823	1,862	1,781
Hearings/Trials held	1,564	1,844	676	801	568	1,430	1,378	1,216	1,163	1,238
Administration										
FTEs per 1,000 residents	2.2	2.2	2.3	2.2	2.4	2.6	2.7	2.9	4.4	4.5
Registered voters - general election	none	16,387	none	16,775	none	18,415	none	18,423	none	18,788
Voter turnout - general election	none	40%	none	50%	none	90%	none	80%	none	91%
Development Services										
Building permits issued	410	509	468	576	547	575	620	730	742	869
Building inspections conducted	2,129	2,704	3,707	4,795	4,069	3,652	1,911	5,460	4,947	4,479
Number of code violation cases	713	669	654	655	690	497	586	656	299	600
Number of zoning cases	72	50	41	11	7	21	73	95	114	48
Community Services										
Number of Community Center bookings/permits*	3,124	3,764	4,395	3,857	3,169	1,675	1033*	316**	258	363
Number of participants in recreational programs	2,910	3,773	3,794	3,489	1,830	2,892	4,110	5,244	7,093	8,243
Number of Senior Services members	1,326	1,335	1,220	1,313	1,265	1,360	1,175	1,290	1,518	1,622
Number of home delivered meals	3,497	3,920	3,093	3,562	5,215	4,402	4,581	5,449	5,899	5,962
Law Enforcement (contracted)										
Physical arrests	220	220	214	67	86	56	49	67	55	50
Traffic violations	1,215	1,803	1,053	1,248	2,618	2,745	2,568	3,349	2,536	2,672
Fire & Emergency Medical										
Total incident responses	3,191	3,425	3,659	4,073	3,896	4,215	4,268	4,709	4,140***	4,480
Average response time (in minutes)	3:57	3:25	3:33	3:32	3:51	4:50	4:38	4:44	5:00***	5:40

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.

***The Town Fire Department transitioned from a contracted to an in-house Department in January 2024 and did not have full Fiscal Year 2024 records available. 2024 Fire Department Figures are estimated based on half-year activity.

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

Function/Program	Fiscal Year Ended June 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	180.0	180.0	180.0	180.0	180.0	180.0	180.0	180.0
Streets (lane miles)	391	390.5	391.5	391.5	391.5	391.5	391.5	391.5	391.5	391.5
Pedestrian lighting	91	91	91	91	91	91	95	95	95	95
Traffic signals	13	13	13	13	13	13	13	13	13	13
Parks and recreation										
Acreage-developed parks	119	119	119	119	119	119	119	119	119	121
Playgrounds	7	7	7	9	9	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	807.2	807.2	807.2	889.2	913.2	913.2	913.2	913.2	913.2	913.2
Miles of trails	15.8	18.5	18.5	18.5	18.5	18.5	23.0	23.0	24.5	24.5

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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