

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

# Town of Fountain Hills Arizona



**TOWN OF FOUNTAIN HILLS, ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Issued by:  
Administration Department  
Finance Division

# TOWN OF FOUNTAIN HILLS, ARIZONA

## TABLE OF CONTENTS

<b><u>INTRODUCTORY SECTION</u></b>	<b><u>Page</u></b>
Letter of Transmittal	1
List of Principal Officials	11
GFOA Certificate of Achievement	12
Organizational Chart	13
<b><u>FINANCIAL SECTION</u></b>	
INDEPENDENT AUDITOR'S REPORT	17
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	21
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	34
Statement of Activities	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	44
Notes to Financial Statements	45

**TOWN OF FOUNTAIN HILLS, ARIZONA**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION</u> – continued</b>	<b><u>Page</u></b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	66
Highway User Revenue Fund	67
Grants Fund	68
Note to Required Supplementary Information	69
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
Governmental Funds:	
Combining Balance Sheet – All Non-Major Governmental Funds – By Fund Type	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Non-Major Governmental Funds – By Fund Type	73
Special Revenue Funds:	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	80
Debt Service Funds:	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	86

# TOWN OF FOUNTAIN HILLS, ARIZONA

## TABLE OF CONTENTS

<b><u>FINANCIAL SECTION</u></b> – continued	<b><u>Page</u></b>
Capital Projects Fund:	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	91
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	92
 <b><u>STATISTICAL SECTION</u></b>	
Financial Trends:	
Net Position by Component	96
Changes in Net Position	98
Financial Trends:	
Fund Balances – Governmental Funds	100
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	102
Revenue Capacity:	
Governmental Activities – Tax Revenues by Source	104
Assessed Value and Estimated Actual Value of Taxable Property	105
Principal Property Taxpayers	106
Property Tax Levies and Collections	107
Taxable Sales by Category	108
Direct and Overlapping Sales Tax Rates	110

# TOWN OF FOUNTAIN HILLS, ARIZONA

## TABLE OF CONTENTS

<b><u>STATISTICAL SECTION</u> – continued</b>	<b><u>Page</u></b>
Debt Capacity:	
Ratios of Outstanding Debt by Type	111
Ratios of General Bonded Debt Outstanding	112
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114
Calculation of Legal Debt Margin	116
Revenue Bond Coverage	117
Demographic and Economic Information:	
Demographic and Economic Statistics	118
Principal Employers	119
Operating Information:	
Authorized Full-Time Equivalent Government Employees by Function	120
Operating Indicators by Function	121
Capital Assets Statistics by Function	122

(This page intentionally left blank)

## **INTRODUCTORY SECTION**

(This page intentionally left blank)



## TOWN OF FOUNTAIN HILLS

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

November 3, 2020

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 Comprehensive Annual Financial Report (CAFR) of the Town of Fountain Hills (Town) for the fiscal year ended June 30, 2020.

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

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2020, 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, 2020, 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.

Generally accepted accounting principles 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.

Over the past twenty-six plus years, Fountain Hills has grown from 10,190 residents to a town of 25,200 in 2019. On June 5, 2006, the Town of Fountain Hills became twenty square miles and about ten percent larger by annexing 1,300 acres of State Trust Land. The process to annex the State Trust Land occurred over a two and one-half year period and development of the land will occur over the next decade. Annexing this property into the Town ensures that its future development will be of the highest quality under Town standards.

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



## The Town's Mission Statement

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

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

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

Fountain Hills Town Hall



The Town of Fountain Hills is an Arizona municipal corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town was incorporated on December 5, 1989, with the governmental and administrative affairs of the Town operating under the Council-Manager form of government. Legislative authority is vested in a seven member Town Council. The Mayor is a member of the Town Council who is directly elected by voters and chairs the Town Council meetings. The members of the Council are elected at large and serve four year overlapping terms. The Town Council is responsible for the adoption of local ordinances, budget adoption, appointment of residents to citizen advisory committees and hiring the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council and overall management of the Town through department directors and approximately 61 FTE employees. The Presiding Judge, Town Attorney, and Town Prosecutor are under the direction of the Town Council.



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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

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

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

The concept of reasonable assurance recognizes:

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

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

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

The Town Council formally adopts the budget and appropriates funding for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects 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 the following July 1<sup>st</sup>. The budget includes proposed expenditures and the means of financing them. The Town Council is legally required to hold public hearings on the proposed budget in order to obtain comments from local taxpayers and to adopt a final budget by June 30<sup>th</sup>, the close of the Town of Fountain Hills' fiscal year. 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 from and within personnel and from operating capital to services or supplies within a department. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article IX, Section 20.

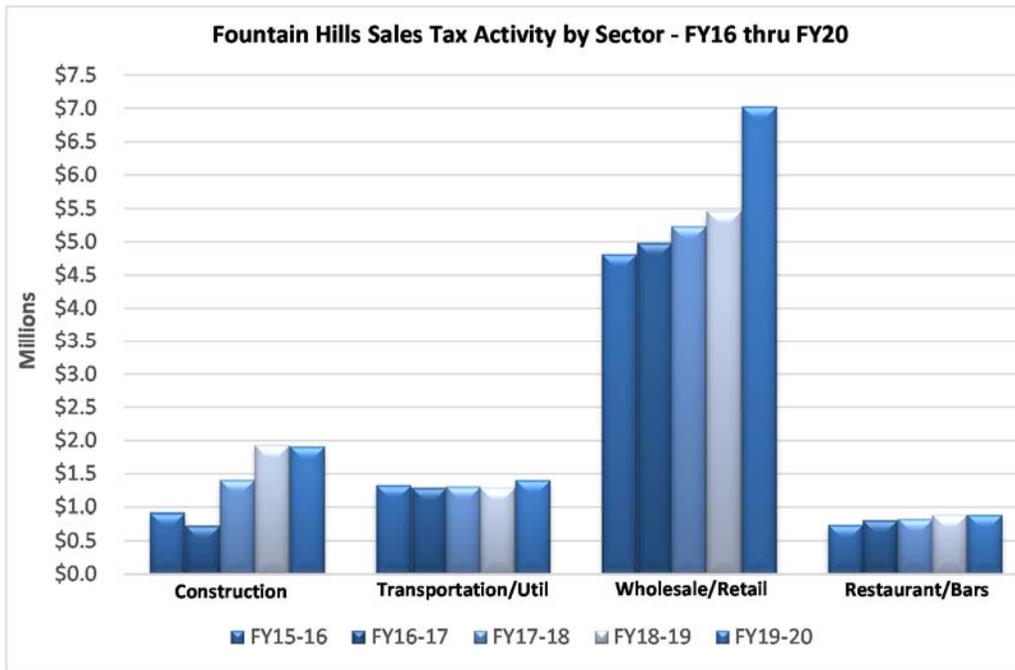
The Town is subject to the State of Arizona's Expenditure Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over of unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds.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

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

The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within the department. Transfers of appropriations between departments, however, 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 and Major Special Revenue Funds are presented in the Required Supplementary Information and all other funds are presented in Combining and Individual Fund Financial Statements and Schedules.

**Local Economy.** The Town of Fountain Hills, Arizona, continues to face many issues during these uncertain economic times. Its citizens, governing body, and municipal government are committed to finding solutions for each of these issues. In order to address these issues, the Town has proposed a baseline budget requiring any new positions to be deemed mission critical. All vacancies will be evaluated to assess the need for replacement, including possible modification or elimination of the job description. The Town will be closely monitoring its revenue sources and make adjustments accordingly.

Overall local sales tax receipts continued to increase during the fiscal year, partly due to a 0.3% rate increase that became effective on November 1, 2019 for most sales tax categories. The following chart is a look at the past five years' local sales tax activity by sector:



As shown in the chart, sales tax collections remained relatively steady across most sectors. Retail sales experienced a significant 28.7% increase over the prior year, and Transportation/Utility revenues increased 8.9% from FY18-19. Construction sales tax, a one-time revenue source, is driven entirely by development activity in the community, and it decreased by 1.2% from the prior year. Recent building permit activity indicates that construction sales tax is likely to increase over the next fiscal year. The Restaurant/Bar sector was the only other sector to decrease during the year with a 0.2% drop in revenues.

Construction activity provides revenue to the Town through local sales tax, the proceeds of which are utilized for general operations and capital expenditures. Without the resources to fund capital projects, the Town must find additional funds to pay for necessary infrastructure projects. For operating costs, the Town is dependent upon State-shared revenues and local sales tax as a major source of operating revenue, accounting for 87% of total General Fund revenue for fiscal year 2019-20.

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 0.4%). State-shared income tax revenue category is based on two years prior personal and corporate earnings, and revenue from this source increased by 8.5% in FY19-20. State sales tax has increased over the past several years, and this trend continued by increasing revenue by 4.3% compared to the prior year.

Other local activity has remained fairly static during the period due to the lack of major retailers (the Town has three grocery stores and one major retailer). Fountain Hills is past the historic period of rapid growth, and the long-term economic outlook for the Town must recognize this fact. The opportunity to further expand the retail tax base in Fountain Hills is limited by the lack of available commercial land – over 70% of the currently available commercial lots are already developed.

**Development Activity over the past year:**

Development Services has been involved with the following development activities during fiscal year 2019-20 (7/1/2019 – 6/30/2020):

- Three Temporary Visitor Permits were issued.
- One Temporary User Permit was issued.
- Three Site Plans were approved during the period.
- Two Special Use Permits were granted.
- Four Administrative Use Permits were issued.
- Eleven Banner and Sign Permits were issued.
- Sixteen commercial development/subdivision cases were granted.
- Five Zoning Verification Letters were issued.
- Four Saguaro Cactus Permits were issued.
- Twenty-nine new Single-Family Residential Building Permits were issued.
- Eighteen Multi-Family Permits were issued.
- There were new two Commercial Building Permits issued.
- There were thirteen Commercial Tenant Improvement Permits issued during the last fiscal year.

A summary of the activity, by month, is shown below:

Fiscal year	SFR	DUP/MULTI			T.I. & Comm	Pools, Fences & Other	Add Ons (Not Garages)	Garages & Carports	MONTH TOTAL
		Bldgs.	Total Units	Permits Issued					
JULY	3			4	1	22	3	0	33
AUGUST	5			2	0	41	2	0	50
SEPTEMBER	0			4	1	28	1	0	34
OCTOBER	2			2	0	47	6	1	58
NOVEMBER	0			1	1	18	3	0	23
DECEMBER	3			2	0	32	4	1	42
JANUARY	3			0	2	44	4	0	53
FEBRUARY	2			2	3	41	2	0	50
MARCH	4			1	0	52	5	0	62
APRIL	3			0	2	29	6	1	41
MAY	2			0	3	37	6	0	48
JUNE	2			0	2	42	7	0	53
YEARLY TOTAL	29			18	15	433	49	3	547

## **Economic Outlook.**

**Local Sales Tax** – Not having a property tax, the Town of Fountain Hills relies heavily on Town transaction privilege tax (TPT), sometimes called a sales tax. Overall, sales tax revenues provide over 50% of the General Fund revenues. On November 1, 2019 the Town’s TPT rate went up 0.3% resulting in a total TPT rate of 2.9% for most categories. Sales taxes received from the Construction category is equally divided between the General Fund and the Capital Projects Fund.

**State-Shared Revenues** – The Town of Fountain Hills receives significant revenue allocations from the State. These "State-Shared Revenues" include allocations of the state-collected income tax, sales tax, fuel tax, and motor vehicle license tax. Revenues received from income tax, sales tax, and a portion of vehicle license tax are placed in the Town's General Fund, where it is used to sustain a large portion of the Town's day-to-day activities. Revenues from the fuel tax and the majority of the vehicle license tax are placed in the Streets Fund (discussed in the next section) and are restricted as to their use. Overall, State-Shared Revenues have steadily increased from year-to-year.

**Streets Fund** – The State-Shared fuel tax, referred to as Highway User Revenue Fund (HURF), is placed in the Streets Fund to be used specifically for street maintenance and related activity. In addition to the fuel tax, 70% of the revenues received from the vehicle license tax are placed in the Streets Fund to be used for these same purposes.

**Long-term Financial Planning.** Fountain Hills’ Financial Policies are balanced on sound financial reserves and conservative revenue growth forecasts for the foreseeable future. Potential for State legislative impacts to revenue-sharing or 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 caused by the coronavirus pandemic. This policy continues to require the Town to internally restrict 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 be approximately 60 days of expenditure coverage and is considered a “Rainy Day” fund.

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

The Council also adopted Financial Policies that include guidelines for the issuance of debt for capital expenditures, community facility districts, financing alternatives, expenditure controls and financial planning. The policy was amended during FY 09-10 to reduce the allocation of the local construction sales tax to the Capital Projects Fund from 85% to 50%, reflecting the transition from one-time building activity to ongoing redevelopment activity. The debt policy was prepared with a preference for “pay-as-you-go” financing for capital spending; however, the policy did not anticipate the lack of funding for capital projects, and the use of bond funding should be reconsidered.

In early 2009, 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. Subsequently, *Strategic Plan 2010* was built upon the foundation of a clearly defined vision statement and eight key values, with specific indicators to evaluate Council and staff priorities. In 2017, SPAC again updated the Strategic Plan. Based on citizen input, the newest Strategic Plan is designed to guide our future decisions grounded on these common values:

1. Economic Growth
2. Infrastructure Maintenance
3. Demographic Balance
4. Financial Stability and Sustainability
5. Community and Quality of Life

These values guide the Town's annual budget process.

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

The Town of Fountain Hills' adopted FY19-20 budget reflected the continued slow recovery in the local economy, which is also somewhat mirrored at the national and state levels. Due to the challenging economic conditions of the recession, the Town had made significant reductions in staff and service levels in past years. This reduction was accomplished by a thorough assessment of all existing and proposed programs and workload. As a result, Town staffing was reduced from 115 Full-Time Equivalents (FTEs) to 62.07 FTEs in FY19-20.

The Town Council established priorities in FY16-17, and the two top priorities were determined to be Economic Development and Pavement Management. In order to implement the Pavement Management program, the Council approved the use of Vehicle License Tax revenues to annual pavement maintenance with an effective date of July 1, 2013. Also, effective July 1, 2016, 0.2% of local sales tax revenues that had been allocated to MPC debt service payments were reallocated to pavement maintenance. Economic Development initiatives are funded through a dedicated portion of the local sales tax which provides funding for business attraction, retention and expansion.

**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 2019-20 goals attained are summarized within this list of accomplishments:

- Implemented a 0.3% local sales tax increase to ensure adequate funding of Town operations
- Secured grant funding from the Arizona Office of Tourism - Proposition 302
- Secured grant funding from Salt River Pima-Maricopa Indian Community - Proposition 202
- Received Council approval of the Ten-Year Pavement Management Plan
- Completed a Development Fee Study resulting in updated funding sources for new parks, streets, and fire protection infrastructure
- Completed a major update to audio-visual equipment in Council Chambers to increase quality of community broadcasts and presentations

## 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the twenty-fourth 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 CAFR. This report satisfied both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.

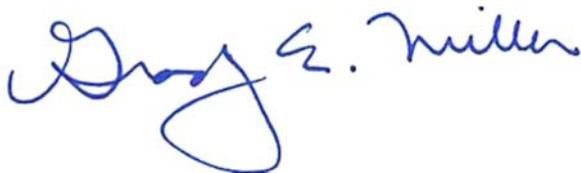
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for the fiscal year ended 2020 Certificate.

For the eighth year, the Town was also given the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2019.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2019. 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 eighteenth consecutive year that the Town has received the award.

**Acknowledgments.** The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire team of the 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,



Grady E. Miller  
Town Manager

**TOWN OF FOUNTAIN HILLS, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2020**

**ELECTED OFFICIALS**

Ginny Dickey, Mayor

Mike Scharnow, Vice-Mayor

Dennis Brown, Councilmember

Sherry Leckrone, Councilmember

Alan Magazine, Councilmember

David Spelich, Councilmember

Art Tolis, Councilmember

**DEPARTMENT DIRECTORS**

Grady Miller, Town Manager

David Trimble, Deputy Town Manager/Administrative Services Director

Rachael Goodwin, Community Services Director

James Smith, Economic Development Director

John Wesley, Development Services Director

Justin Weldy, Public Works Director

David Pock, Finance Director

Elizabeth Burke, Town Clerk

Captain Dave Ott, Rural Metro Corporation, Fire Chief

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

Robert Melton, Presiding Judge

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

Aaron Arnson, Pierce Coleman PLLC, Town Attorney



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Fountain Hills**  
**Arizona**

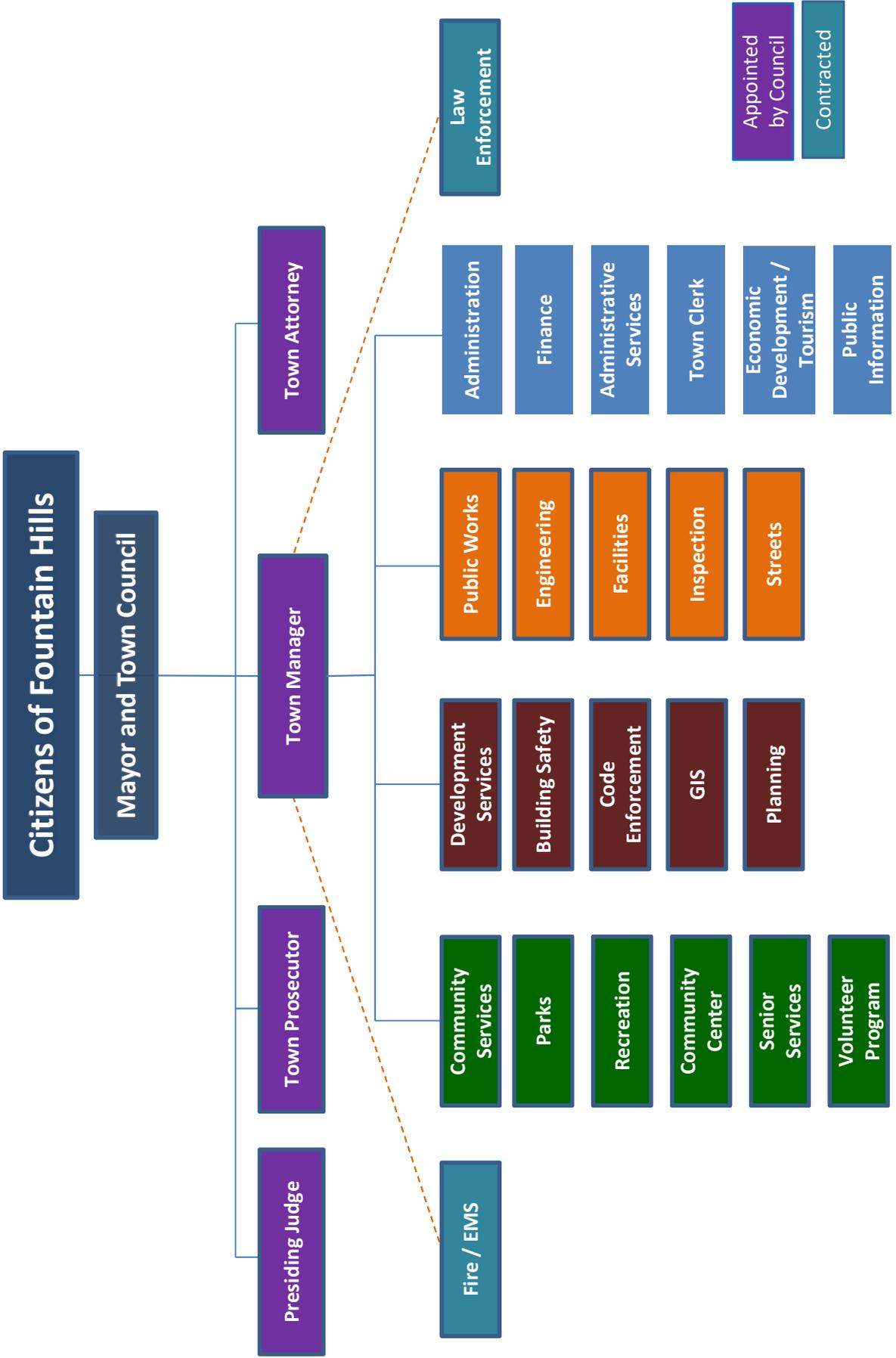
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morrill*

Executive Director/CEO

# Town of Fountain Hills Organization



(This page intentionally left blank)

**FINANCIAL SECTION**

(This page intentionally left blank)

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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 (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other 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 Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate 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.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Fountain Hills, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

November 3, 2020

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

(This page intentionally left blank)

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 focuses 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 \$0.5 million to \$124.2 million, representing a 0.4 percent increase of the total net position.
- General revenues from governmental activities accounted for \$23.3 million in revenue, or 85.7 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3.9 million or 14.3 percent of total governmental activities revenues.
- The Town had \$26.8 million in expenses related to governmental activities, an increase of 1.3 percent from the prior fiscal year, primarily due to increased public safety costs.
- Among the major governmental funds, the General Fund had \$19.4 million in current fiscal year revenues, which consisted primarily of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$16.3 million. The General Fund's fund balance increased \$2.1 million to \$9.4 million at the end of the current fiscal year.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**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 of the funds of the Town are included in governmental 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.

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.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF FINANCIAL STATEMENTS – continued**

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, Capital Projects and all Debt Service 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 governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General Fund and major Special Revenue 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 our 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.

**Analysis of Net Position.** Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets related to governmental activities exceeded liabilities by \$124.2 million at the end of the fiscal year.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

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. In addition, a portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

The following tables present a summary of the Town's net position for the fiscal years ended June 30, 2020 and June 30, 2019.

	Governmental Activities	
	As of	As of
	June 30, 2020	June 30, 2019
Current and other assets	\$ 23,329,463	\$ 20,419,804
Capital assets, net	104,404,331	107,559,746
<b>Total assets</b>	<b>127,733,794</b>	<b>127,979,550</b>
Current and other liabilities	3,338,678	3,661,199
Long-term liabilities	236,576	631,777
<b>Total liabilities</b>	<b>3,575,254</b>	<b>4,292,976</b>
Net position		
Net investment in capital assets	104,004,331	104,781,328
Restricted	2,766,041	3,646,449
Unrestricted	17,388,168	15,258,797
<b>Total net position</b>	<b>\$ 124,158,540</b>	<b>\$ 123,686,574</b>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

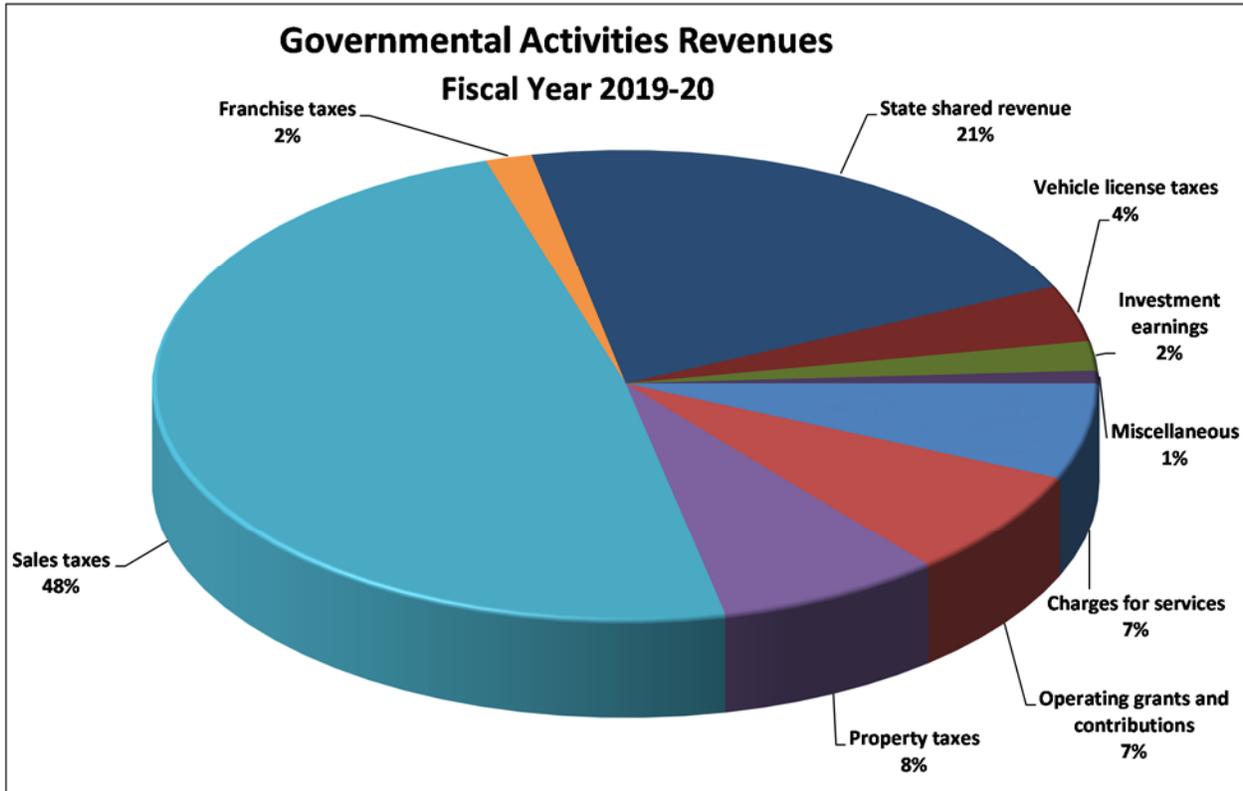
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Changes in net position.** The Town's total revenues for the current fiscal year were \$27.2 million. The total cost of all programs and services was \$26.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

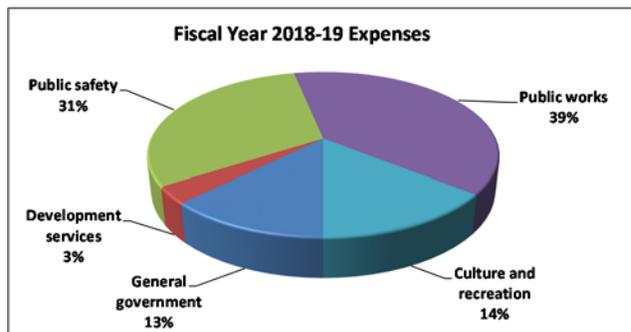
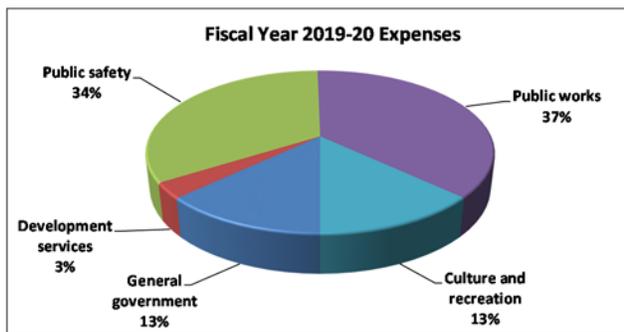
	<u>Governmental Activities</u>	
	Fiscal	Fiscal
	Year Ended	Year Ended
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,783,926	\$ 2,676,671
Operating grants and contributions	2,007,841	1,850,676
Capital grants and contributions	91,245	181,939
General revenues		
Property taxes	2,077,368	2,476,546
Sales taxes	13,172,390	11,491,123
Franchise taxes	434,896	423,947
State-shared revenue	5,813,932	5,453,029
Vehicle License taxes	1,060,839	1,061,441
Investment earnings	545,983	554,549
Miscellaneous	236,452	202,969
<b>Total revenues</b>	<u>\$ 27,224,872</u>	<u>\$ 26,372,890</u>
<b>Expenses</b>		
General government	\$ 3,470,936	3,318,477
Development services	825,884	867,725
Public safety	9,003,452	8,142,069
Public works	9,961,306	10,263,244
Culture and recreation	3,490,447	3,767,996
Interest on long-term debt	881	57,054
<b>Total expenses</b>	<u>26,752,906</u>	<u>26,416,565</u>
<b>Excess before special item</b>	471,966	(43,675)
Special item – Donation of capital assets	0	6,118,700
<b>Changes in net position</b>	471,966	6,075,025
<b>Net position, beginning</b>	<u>123,686,574</u>	<u>117,611,549</u>
<b>Net position, ending</b>	<u>\$124,158,540</u>	<u>\$ 123,686,574</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**



The charts below compare the governmental expenses from fiscal years 2019-20 and 2018-19.



**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

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

- Fees, Fines and Charges for Services revenue decreased 33.4 percent compared to the prior year due to the coronavirus pandemic resulting in the shutdown of the U.S. economy.
- Investment income decreased in the current year 1.5 percent over the prior year due to the coronavirus pandemic, slowing economy, and lower interest rates.
- Interest on long-term debt decreased 98.5 percent due to the retirement of all town-wide bonded debt.
- Public safety costs, which include fire protection and police services, increased 10.6 percent; the fire contract is multi-year with automatic increases while the police contract is based on cost reimbursement.
- Overall, expenses increased 1.3 percent due primarily to increase public safety costs.

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's taxpayers by each of these functions.

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 3,470,936	\$ (2,845,747)	\$ 3,318,477	\$ (2,946,699)
Development services	825,884	(216,992)	867,725	276,146
Public safety	9,003,452	(8,856,335)	8,142,069	(7,940,248)
Public works	9,961,306	(7,989,399)	10,263,244	(8,573,437)
Culture and recreation	3,490,447	(2,960,540)	3,767,996	(2,465,987)
Interest on long-term debt	881	(881)	57,054	(57,054)
<b>Total expenses</b>	<b>\$ 26,752,906</b>	<b>\$ (22,869,894)</b>	<b>\$ 26,416,565</b>	<b>\$ (21,707,279)</b>

- The cost of all governmental activities this year was \$26.8 million.
- Federal, State, and county governments and charges for services subsidized certain governmental programs with revenues of \$3.9 million.
- Net cost of governmental activities of \$22.9 million was financed by general revenues, which consist of primarily sales taxes of \$13.2 million and State-shared revenues of \$6.9 million.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**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 \$1.2 million in the combined fund balance from \$19.3 million to \$20.5 million.

The General Fund comprises 45.9 percent of the total fund balance. Approximately \$5.5 million or 58.8 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$2.1 million to \$9.4 million as of fiscal year end. General Fund revenues increased \$1.9 million primarily due to increased local sales tax collections. General Fund expenditures increased \$1.7 million. In addition to the increases of the public safety contracts, the Town also replaced a fire truck, which was a major investment in capital assets.

The Highway User Revenue Fund comprises 8.0 percent of total fund balance. The fund balance decreased \$1.0 million from the prior year because of the continuation of the pavement management program.

The Capital Projects Fund comprises 29.7 percent of the total fund balance. All of the fund balance is committed or assigned to capital projects. The fund balance increased \$268 thousand due to increased construction-related sales tax.

**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 increase \$234,500 thousand as a result of transfers from non-major funds.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**BUDGETARY HIGHLIGHTS – continued**

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 \$2.1 million in overall revenues is primarily due to increased local sales taxes collected from a 0.3% tax rate increase, effective 11/1/2019, and an increase in construction activity.
- The favorable total expenditures variance of \$1.7 million is due primarily to lowered expenditures throughout all departments, in particular contractual services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of the end of the current fiscal year, the Town had invested \$227.5 million in capital assets, including buildings, facilities, vehicles, computers, equipment, infrastructure and artwork. This amount represents a net increase, prior to depreciation, of \$1.5 million from the prior fiscal year. The increase was primarily due to the purchase and replacement of vehicles and equipment and the completion of Phase IV of the unpaved alley project and sidewalk infills. Total depreciation expense for the current fiscal year was \$5.3 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2020 and June 30, 2019.

	Governmental Activities	
	As of	As of
	June 30, 2020	June 30, 2019
Capital assets – non-depreciable	\$ 34,417,953	\$ 33,387,396
Capital assets – depreciable, net	69,986,378	74,172,350
<b>Total</b>	<b>\$104,404,331</b>	<b>\$107,559,746</b>

The estimated construction commitments amount is \$910,125.

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

**Debt Administration.** At year-end, the Town had \$400 thousand in governmental long-term debt outstanding, with the entire balance due within one year. Long-term debt decreased by \$2.4 million during the current fiscal year.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION – continued**

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 \$113 million. State statutes also currently limit the amount of general obligation debt a Town may issue to a percentage of its total assessed valuation for all other purposes. The current 6 percent debt limitation for the Town is \$33.9 million.

Additional information on the Town's long-term debt can be found in Notes 6 and 7 in the notes to the financial statements.

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

Many factors were considered by the Town's administration during the process of developing the fiscal year 2020-21 budget. Among them:

- Revenue projections were developed using conservative growth estimates and did not include anticipated revenues that will be received from soon-to-be completed developments.
- The COVID-19 pandemic has increased uncertainty around budgeted revenues. In response, a large contingency line item has been budgeted in case less revenues are received.
- Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures for the Town increased 3.7 percent to \$33.8 million in fiscal year 2020-21. Revenues from local sales taxes and state-shared revenue are expected to be the primary funding sources.

**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.fh.az.gov](http://www.fh.az.gov).

## **BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank)

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 22,129,907
Accounts receivable	147,094
Intergovernmental receivable	938,992
Taxes receivable	65,807
Interest receivable	36,263
Inventory, at cost	8,982
Prepaid items	2,418
Total current assets	23,329,463
Noncurrent assets:	
Capital assets not being depreciated	34,417,953
Capital assets, net of accumulated depreciation	69,986,378
Total noncurrent assets	104,404,331
<b>Total assets</b>	<b>127,733,794</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	2,178,254
Accrued wages and benefits	83,651
Other liabilities	1,504
Customer deposits	52,350
Compensated absences payable	345,921
General obligation bonds payable	400,000
Unearned revenues	276,998
Total current liabilities	3,338,678
Noncurrent liabilities:	
Non-current portion of long-term liabilities	236,576
Total noncurrent liabilities	236,576
<b>Total liabilities</b>	<b>3,575,254</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	104,004,331
Restricted	2,766,041
Unrestricted	17,388,168
<b>Total net position</b>	<b>\$ 124,158,540</b>

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

**TOWN OF FOUNTAIN HILLS, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

<b>Functions/Programs</b>	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental activities:</b>						
General government	\$ 3,470,936	\$ 533,189	\$ 92,000	\$		\$ (2,845,747)
Development services	825,884	608,892				(216,992)
Public safety	9,003,452	100,444	46,673			(8,856,335)
Public works	9,961,306	131,750	1,840,157			(7,989,399)
Culture and recreation	3,490,447	409,651	29,011	91,245		(2,960,540)
Interest on long-term debt	881					(881)
<b>Total governmental activities</b>	<u>\$ 26,752,906</u>	<u>\$ 1,783,926</u>	<u>\$ 2,007,841</u>	<u>\$ 91,245</u>		<u>(22,869,894)</u>

**General revenues:**

Taxes:

Property taxes	2,077,368
Sales taxes	13,172,390
Franchise taxes	434,896
State sales & income tax revenue sharing - unrestricted	5,813,932
Vehicle license tax revenue sharing - unrestricted	1,060,839
Investment earnings	545,983
Miscellaneous	236,452
<b>Total general revenues</b>	<u>23,341,860</u>

**Changes in net position**

471,966

**Net position, beginning of year**

123,686,574

**Net position, end of year**

\$ 124,158,540

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

(This page intentionally left blank)

**FUND FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General	Highway User Revenue	Grants
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9,175,656	\$ 2,410,401	\$ 195,736
Accounts receivable	120,779	24,440	
Intergovernmental receivable	604,412	193,861	66,361
Taxes receivable			
Interest receivable	13,607		
Inventory, at cost	8,982		
Prepaid items	2,418		
<b>Total assets</b>	<b>\$ 9,925,854</b>	<b>\$ 2,628,702</b>	<b>\$ 262,097</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 364,867	\$ 944,078	\$ 3,196
Accrued wages and benefits	67,105	7,781	
Other liabilities	1,498	6	
Customer deposits	52,350		
Unearned revenues	18,097		258,901
<b>Total liabilities</b>	<b>503,917</b>	<b>951,865</b>	<b>262,097</b>
Deferred inflows of resources:			
Unavailable revenues - property taxes			
Unavailable revenues - intergovernmental			
Unavailable revenues - other	3,043	24,291	66,361
<b>Total deferred inflows of resources</b>	<b>3,043</b>	<b>24,291</b>	<b>66,361</b>
Fund balances (deficits):			
Nonspendable	11,400		
Restricted		1,426,674	
Committed	3,249,354		
Assigned	622,641	225,872	
Unassigned	5,535,499		(66,361)
<b>Total fund balances</b>	<b>9,418,894</b>	<b>1,652,546</b>	<b>(66,361)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,925,854</b>	<b>\$ 2,628,702</b>	<b>\$ 262,097</b>

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

<u>General Obligation Debt Service</u>	<u>Eagle Mountain Debt Service</u>	<u>Municipal Property Corporation Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 113,164	\$ 23,478	\$ 11,537	\$ 6,838,934	\$ 3,361,001	\$ 22,129,907
				1,875	147,094
			58,623	15,735	938,992
57,307	8,500				65,807
			20,638	2,018	36,263
					8,982
					2,418
<u>\$ 170,471</u>	<u>\$ 31,978</u>	<u>\$ 11,537</u>	<u>\$ 6,918,195</u>	<u>\$ 3,380,629</u>	<u>\$ 23,329,463</u>
\$	\$	\$	\$ 759,845	\$ 106,268	\$ 2,178,254
				8,765	83,651
					1,504
					52,350
					276,998
			<u>759,845</u>	<u>115,033</u>	<u>2,592,757</u>
46,252	5,666				51,918
			58,623		58,623
<u>46,252</u>	<u>5,666</u>		<u>58,623</u>		<u>93,695</u>
					204,236
124,219	26,312	11,537		1,120,141	11,400
			4,488,812	1,579,998	2,708,883
			1,610,915	565,457	9,318,164
					3,024,885
					5,469,138
<u>124,219</u>	<u>26,312</u>	<u>11,537</u>	<u>6,099,727</u>	<u>3,265,596</u>	<u>20,532,470</u>
<u>\$ 170,471</u>	<u>\$ 31,978</u>	<u>\$ 11,537</u>	<u>\$ 6,918,195</u>	<u>\$ 3,380,629</u>	<u>\$ 23,329,463</u>

(This page intentionally left blank)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**Total governmental fund balances** 20,532,470

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	\$ 227,543,496	
Less accumulated depreciation	<u>(123,139,165)</u>	104,404,331

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

Property taxes	51,918	
Intergovernmental	58,623	
Other	<u>93,695</u>	204,236

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

Compensated absences payable	(582,497)	
Bonds payable	<u>(400,000)</u>	<u>(982,497)</u>

**Net position of governmental activities** **\$ 124,158,540**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General	Highway User Revenue	Grants
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	10,775,505	961,250	
Franchise taxes	434,896		
Licenses and permits	715,368		
Leases and rents	286,391		
Intergovernmental	6,178,807	2,572,745	77,500
Charges for services	219,106	3,841	
Other	320,206	48,326	
Fines and forfeitures	256,153		
Investment earnings	228,622	45,419	
<b>Total revenues</b>	19,415,054	3,631,581	77,500
<b>Expenditures:</b>			
Current -			
General government	2,937,208		77,500
Development services	797,513		
Public safety	8,564,335		
Public works	954,970	4,194,703	
Culture and recreation	2,430,480		
Capital outlay	603,077	337,999	132,722
Debt service -			
Principal retirement			
Interest on long-term debt			
Fiscal charges			
<b>Total expenditures</b>	16,287,583	4,532,702	210,222
<b>Excess (deficiency) of revenues over expenditures</b>	3,127,471	(901,121)	(132,722)
<b>Other financing sources (uses):</b>			
Transfer in		200,000	66,361
Transfer out	(1,003,235)	(346,813)	
Proceeds from sale of capital assets			
<b>Total other financing sources (uses)</b>	(1,003,235)	(146,813)	66,361
<b>Changes in fund balances</b>	2,124,236	(1,047,934)	(66,361)
<b>Fund balances, beginning of year</b>	7,294,658	2,700,480	
<b>Fund balances, end of year</b>	\$ 9,418,894	\$ 1,652,546	\$ (66,361)

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

General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,665,453	\$ 414,614	\$	\$	\$ 6,701	\$ 2,086,768
			955,010	480,625	13,172,390
				120,363	434,896
				76,244	835,731
			15,000	8,920,296	286,391
			10,000	222,947	387,225
			193,926	8,693	281,704
7,063	1,736	1,866	1,173,936	25,551	545,983
<u>1,672,516</u>	<u>416,350</u>	<u>1,866</u>		<u>67,351</u>	<u>27,174,331</u>
			2,294	263,189	3,280,191
				797,513	797,513
				1,723	8,566,058
			404,170	492,455	6,046,298
				179,362	2,609,842
			1,642,725		2,716,523
1,615,000	395,000	300,000			2,310,000
48,450	13,991	4,860			67,301
850	138	1,010			1,998
<u>1,664,300</u>	<u>409,129</u>	<u>305,870</u>	<u>2,049,189</u>	<u>936,729</u>	<u>26,395,724</u>
8,216	7,221	(304,004)	(875,253)	(151,201)	778,607
		303,235	990,775	368,607	1,928,978
			(266,361)	(312,569)	(1,928,978)
			418,585		418,585
		<u>303,235</u>	<u>1,142,999</u>	<u>56,038</u>	<u>418,585</u>
8,216	7,221	(769)	267,746	(95,163)	1,197,192
116,003	19,091	12,306	5,831,981	3,360,759	19,335,278
<u>\$ 124,219</u>	<u>\$ 26,312</u>	<u>\$ 11,537</u>	<u>\$ 6,099,727</u>	<u>\$ 3,265,596</u>	<u>\$ 20,532,470</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

**Changes in fund balances - total governmental funds** **\$ 1,197,192**

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

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

Expenditures for capitalized assets	\$ 2,689,270	
Less current year depreciation	<u>(5,318,203)</u>	(2,628,933)

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

Property taxes	(9,400)	
Intergovernmental	58,623	
Other	<u>87,275</u>	136,498

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		2,310,000
--	--	-----------

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

Loss on disposal of assets	(526,482)	
Amortization of deferred bond items	68,418	
Compensated absences	<u>(84,727)</u>	<u>(542,791)</u>

**Changes in net position in governmental activities** **\$ 471,966**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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.

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

**A. Reporting Entity**

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

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

*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, 2020**

**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, 2020**

**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.

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

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

**D. Cash and Investments**

Cash and cash equivalents at year end were cash on hand, cash in bank, restricted cash, and cash and investments held by the State Treasurer.

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.

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 deposit 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.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**F. Receivables and Payables**

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

Property taxes are levied by the Town and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

All receivables are shown net of an allowance for uncollectibles.

**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. Inventories are recorded as expenses when consumed in the government-wide financial statements, and as expenditures when consumed in the governmental funds.

**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. In the government-wide and fund financial statements, prepaids are recognized as expenses/expenditures when goods and/or services are received rather than when purchased.

**I. Capital Assets**

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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 following estimated useful lives:

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

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

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

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

**K. Compensated Absences**

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

**L. Long-term Obligations**

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

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

**M. 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.

**N. Net Position Flow Assumption**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**O. Estimates**

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

**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.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

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

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

The Town has established a stabilization fund (Rainy Day fund) in the Town's fund balance policy. The Rainy Day fund had a balance of \$3,086,699, reported as a committed fund balance at June 30, 2020. The Rainy Day fund may only be used for the following: 1) to replace the loss of more than 25 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, 2020**

**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	General Obligation Debt Service Fund	Eagle Mountain Debt Service Fund	Municipal Property Corporation Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:									
Nonspendable:									
Inventory	\$ 8,982								\$ 8,982
Prepaid items	2,418								2,418
Restricted:									
Capital Projects								21,989	21,989
Debt Service				124,219	26,312	11,537			162,068
Highways and Streets		1,426,674							1,426,674
Development Fees								1,098,152	1,098,152
Committed:									
Rainy Day	3,086,699								3,086,699
Public Art	162,655								162,655
Downtown Strategy								991,495	991,495
Economic Development								103,546	103,546
Tourism								83,261	83,261
Capital Projects Local Court Enhancement							4,488,812		4,488,812
								401,696	401,696
Assigned:									
Capital Projects							1,610,915		1,610,915
Environmental								565,457	565,457
Vehicle Replacement	622,641	225,872							848,513
Unassigned:	<u>5,535,499</u>		<u>(66,361)</u>						<u>5,469,138</u>
Total fund balances	<u>\$9,418,894</u>	<u>\$1,652,546</u>	<u>\$(66,361)</u>	<u>\$ 124,219</u>	<u>\$ 26,312</u>	<u>\$ 11,537</u>	<u>\$ 6,099,727</u>	<u>\$ 3,265,596</u>	<u>\$20,532,470</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS**

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. The 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.

*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 \$925,635 and the bank balance was \$1,042,404. At year end, \$542,404 of the Town's deposits were covered by collateral held by the pledging financial institution in the Town's name. The remaining amount is covered by FDIC.

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

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

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS**

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, 2020, are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 21,203,422
Carrying amount of cash deposits	925,635
Cash on hand	850
Total pooled cash and investments	\$ 22,129,907

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	\$ 4,695,240	\$	\$ 4,695,240	AA+, AAA	Aaa
Federal Agency Notes	Level 1	1,794,679		1,794,679	AA+	Aaa
Corporate and Foreign Bonds	Level 2	2,286,429		2,286,429	BBB+, AA+	A3 - Aaa
Asset Backed Securities	Level 2	232,470		232,470	NR	AAA
Certificates of Deposit	Level 2	357,333	151,067	206,266	A-1, AA-	P-1, Aa2
Wells Fargo Money Market Funds	Level 1	32,402	32,402		n/a	n/a
			\$ 183,469	\$ 9,215,084		
State Treasurer’s Investment Pool 7	Not applicable	11,804,869	44 days average maturities			
Total		\$ 21,203,422				

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS**

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

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

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

Investment Type	Fair Value	Percent of Town Investments
U.S. Government and Agency Notes	\$ 4,695,240	22.1%
Federal Agency notes	1,794,679	8.5%
Corporate and Foreign Bonds	2,286,429	10.8%
Asset Backed Securities	232,470	1.1%
Certificates of Deposit	357,333	1.7%
Wells Fargo Money Market Funds	32,402	0.2%
State Treasurer’s investment pool 7	11,804,869	55.7%
	<u>\$ 21,203,422</u>	

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 – RECEIVABLES**

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

**NOTE 5 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,690,368	\$	\$	\$ 29,690,368
Artwork	2,573,900			2,573,900
Construction in progress	1,123,128	1,914,970	884,413	2,153,685
Total capital assets, not being depreciated	<u>33,387,396</u>	<u>1,914,970</u>	<u>884,413</u>	<u>34,417,953</u>
Capital assets, being depreciated:				
Infrastructure	149,597,675	568,457		150,166,132
Buildings and building improvements	23,583,418		656,004	22,927,414
Improvements other than buildings	15,149,782	132,722		15,282,504
Vehicles, machinery and equipment	4,301,940	957,534	509,981	4,749,493
Total capital assets being depreciated	<u>192,632,815</u>	<u>1,658,713</u>	<u>1,165,985</u>	<u>193,125,543</u>
Less accumulated depreciation for:				
Infrastructure	(99,187,268)	(4,016,174)		(103,203,442)
Buildings and building improvements	(6,192,136)	(492,604)	(200,265)	(6,484,475)
Improvements other than buildings	(10,892,967)	(528,834)	(439,238)	(10,982,563)
Vehicles, machinery and equipment	(2,188,094)	(280,591)		(2,468,685)
Total accumulated depreciation	<u>(118,460,465)</u>	<u>(5,318,203)</u>	<u>(639,503)</u>	<u>(123,139,165)</u>
Total capital assets, being depreciated, net	<u>74,172,350</u>	<u>(3,659,490)</u>	<u>526,482</u>	<u>69,986,378</u>
Governmental activities capital assets, net	<u>\$ 107,559,746</u>	<u>\$ (1,744,520)</u>	<u>\$ 1,410,895</u>	<u>\$ 104,404,331</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 172,408
Development services	16,721
Public safety	312,776
Streets and highways	3,953,846
Culture and recreation	862,452
Total depreciation expense	<u>\$ 5,318,203</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 – CAPITAL ASSETS**

**Construction Commitments** – At June 30, 2020, the Town has the following active construction commitments:

Project	Governmental Activities	
	Spent-to-Date	Remaining Commitment
Golden Eagle Drainage Improvements	\$ 140,890	\$ 77,673
Panorama Storm Drain Improvements	65,275	33,030
Four Peaks Park Playground Upgrade	475,000	32,144
Fountain Lake Liner Replacement	40,853	98,795
Fountain Lighting Replacement	42,139	47,861
Avenue of the Fountains - La Montana Roundabout	179,828	571,685
Unpaved Alley Paving	20,708	8,949
Fountain Hills Boulevard Shoulder Paving	692,733	7,956
Shea Boulevard Widening	83,747	32,032
Total commitments	<u>\$ 1,741,173</u>	<u>\$ 910,125</u>

**NOTE 6 – BONDS PAYABLE**

Bonds payable at year end consisted of the following general obligation and revenue bonds. The bonds are both callable and noncallable with interest payable semiannually.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2020	Due Within One Year
<b>Governmental activities:</b>					
Private Placement General Obligation Bonds:					
Eagle Mountain Community Facilities District, General Obligation Refunding Bonds, Series 2015	2,300,000	1.76%	7/1/20-21	\$ 400,000	\$ 400,000
Total				<u>\$ 400,000</u>	<u>\$ 400,000</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 – BONDS PAYABLE**

Annual debt service requirements to maturity on the bonds payable at year end are summarized as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 400,000	\$ 7,040

**Private Placements**

The Town had outstanding bonds during the fiscal year from private placements reported as governmental activities. The Municipal Facilities Revenue Refunding Bonds contain a provision that the Town must maintain excise taxes coverage of two and one-half times debt service. In the event the Town does not maintain this coverage, the Town will impose additional excise taxes. The Town does not have a line of credit associated with the bonds.

The Eagle Mountain Community Facilities District has outstanding bonds from private placements reported as governmental activities of \$400,000. There are no specific provisions regarding default on the Eagle Mountain Community Facilities District debt.

**Pledged Revenues**

The Town has pledged excise tax revenues to repay a total of \$300,000 in outstanding Municipal Facilities Revenue Refunding Bonds. For the current fiscal year, the net revenues available to service the debt were \$20,862,372. For the fiscal year ended June 30, 2020, the debt principal and interest paid on this debt was \$304,860 (one percent of pledged revenues). There is no principal and interest remaining to be paid on the bonds.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,615,000	\$	\$ 1,615,000	\$	\$
Private placement general obligation bonds	795,000		395,000	400,000	400,000
Private placement revenue bonds	300,000		300,000		
Premium	68,418		68,418		
Total bonds payable	<u>2,778,418</u>		<u>2,378,418</u>	<u>400,000</u>	<u>400,000</u>
Compensated absences payable	<u>497,770</u>	<u>307,154</u>	<u>222,427</u>	<u>582,497</u>	<u>345,921</u>
Governmental activity long-term Liabilities	<u>\$ 3,276,188</u>	<u>\$ 307,154</u>	<u>\$ 2,600,845</u>	<u>\$ 982,497</u>	<u>\$ 745,921</u>

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

At year end, interfund balances were as follows:

**Interfund transfers:**

At year end, interfund transfers were as follows:

	<u>Transfers out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	
<u>Transfers in</u>					
HURF Fund	\$	\$	\$ 200,000	\$	\$ 200,000
Grants Fund			66,361		66,361
Municipal Property Corporation Debt Service Fund	303,235				303,235
Capital Projects Fund	500,000	346,813		143,962	990,775
Non-Major Governmental Funds	200,000			168,607	368,607
Total	<u>\$ 1,003,235</u>	<u>\$ 346,813</u>	<u>\$ 266,361</u>	<u>\$ 312,569</u>	<u>\$ 1,928,978</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The General Fund transferred \$500,000 to Capital Projects Fund for funding facilities replacement; \$303,235 to Municipal Property Corporation Debt Service Fund for debt service costs; and \$200,000 to Environmental Fund for funding operations of that fund. The Highway User Revenue Fund transferred \$346,813 to Capital Projects Fund for street-related capital projects. The Capital Projects Fund transferred \$200,000 to Highway User Fund for pavement maintenance costs; and \$66,361 to the Grants Fund for the Town's matching portion of a park improvement grant. The Economic Development Fund transferred \$168,607 to the Tourism Fund to provide funding for operating costs of the tourism program. The Downtown Strategy Fund transferred \$143,962 to the Capital Projects Fund for downtown street improvements.

**NOTE 9– DEFICIT IN FUND BALANCE**

The Grants Fund had a deficit fund balance of \$66,361. The deficit will be covered by future revenue reimbursements.

**NOTE 10– CONTINGENT LIABILITIES**

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

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

**NOTE 11 – RISK MANAGEMENT**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 – RISK MANAGEMENT**

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

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

**NOTE 12 – RETIREMENT PLANS**

**Defined Contribution Pension Plan**

All full-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The contribution rates are 11 percent for both the employee and the Town. The payroll for the Town employees covered by this plan for the year ended June 30, 2020, was \$3,502,664. The Town's total payroll was \$4,152,592.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined, instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investment of those contributions. All full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest on a pro rata basis for five years. Town Council has the authority to establish and amend benefit terms and to establish and amend the contribution rates.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 – RETIREMENT PLANS**

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. During the fiscal year, the Town's required and actual contributions amounted to \$385,293. The employees' contributions totaled \$385,293. Employees may also contribute to the ICMA Retirement Corporation 457 plan on a voluntary basis (with the exception of one contract employee that is limited to 11 percent of earnings); there is no employer match for those contributions. During the fiscal year, employees contributed \$121,766 to that plan. The Town contributed \$8,591 for the contract employee's 457 account.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2019-20 or as of the close of the fiscal year.

**NOTE 13 – SUBSEQUENT EVENT**

The Town applied for AZ Cares funding from the Governor's Office and was subsequently awarded \$2,893,126 on July 1<sup>st</sup>, 2020. The funding was made available through the U.S. Department of the Treasury's Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the funds will be used to pay public safety contract expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes	9,125,999	9,125,999	10,775,505	\$ 1,649,506
Franchise taxes	187,231	187,231	434,896	247,665
Licenses and permits	929,417	929,417	715,368	(214,049)
Leases and rents	283,584	283,584	286,391	2,807
Intergovernmental	6,220,134	6,220,134	6,178,807	(41,327)
Charges for services	297,800	297,800	219,106	(78,694)
Other	89,765	89,765	320,206	230,441
Fines and forfeitures	179,000	179,000	256,153	77,153
Investment earnings	26,640	26,640	228,622	201,982
<b>Total revenues</b>	<u>17,339,570</u>	<u>17,339,570</u>	<u>19,415,054</u>	<u>2,075,484</u>
<b>Expenditures:</b>				
Current -				
General government				
Mayor and council	98,544	98,544	74,752	23,792
Administration	2,050,966	2,061,184	1,979,104	82,080
Non departmental	1,073,362	629,862	516,221	113,641
Municipal court	397,276	397,276	367,131	30,145
Total general government	<u>3,620,148</u>	<u>3,186,866</u>	<u>2,937,208</u>	<u>249,658</u>
Development services	1,100,290	1,100,290	797,513	302,777
Public safety				
Fire and emergency	4,021,299	4,021,299	3,832,350	188,949
Law enforcement	4,785,920	4,785,920	4,731,985	53,935
Total public safety	<u>8,807,219</u>	<u>8,807,219</u>	<u>8,564,335</u>	<u>242,884</u>
Public works	1,100,934	1,174,934	954,970	219,964
Culture and recreation	2,735,179	2,813,961	2,430,480	383,481
Capital outlay	416,149	931,149	603,077	328,072
<b>Total expenditures</b>	<u>17,779,919</u>	<u>18,014,419</u>	<u>16,287,583</u>	<u>1,726,836</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(440,349)</u>	<u>(674,849)</u>	<u>3,127,471</u>	<u>3,802,320</u>
<b>Other financing sources (uses):</b>				
Transfer in	39,100	39,100	39,100	-
Transfer out	(1,042,335)	(1,042,335)	(1,042,335)	-
<b>Total other financing sources (uses):</b>	<u>(1,003,235)</u>	<u>(1,003,235)</u>	<u>(1,003,235)</u>	<u>-</u>
<b>Changes in fund balances</b>	<u>(1,443,584)</u>	<u>(1,678,084)</u>	<u>2,124,236</u>	<u>3,802,320</u>
<b>Fund balances, beginning of year</b>	5,282,559	7,350,184	7,294,658	(55,526)
<b>Fund balances (deficits), end of year</b>	<u>\$ 3,838,975</u>	<u>\$ 5,672,100</u>	<u>\$ 9,418,894</u>	<u>\$ 3,746,794</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
HIGHWAY USER REVENUE  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 819,678	\$ 819,678	\$ 961,250	\$ 141,572
Intergovernmental	2,452,224	2,452,224	2,572,745	120,521
Charges for services	200,000	200,000	3,841	(196,159)
Other	43,500	43,500	48,326	4,826
Investment earnings	24,000	24,000	45,419	21,419
<b>Total revenues</b>	<u>3,539,402</u>	<u>3,539,402</u>	<u>3,631,581</u>	<u>92,179</u>
<b>Expenditures:</b>				
Current -				
Public works	5,194,059	5,173,115	4,194,703	978,412
Capital outlay		20,944	337,999	(317,055)
<b>Total expenditures</b>	<u>5,194,059</u>	<u>5,194,059</u>	<u>4,532,702</u>	<u>661,357</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,654,657)</u>	<u>(1,654,657)</u>	<u>(901,121)</u>	<u>753,536</u>
<b>Other financing sources (uses):</b>				
Transfer in	200,000	200,000	200,000	
Transfer out	(521,318)	(521,318)	(346,813)	174,505
<b>Total other financing sources (uses)</b>	<u>(321,318)</u>	<u>(321,318)</u>	<u>(146,813)</u>	<u>174,505</u>
<b>Changes in fund balances</b>	<u>(1,975,975)</u>	<u>(1,975,975)</u>	<u>(1,047,934)</u>	<u>928,041</u>
<b>Fund balances, beginning of year</b>	2,422,099	2,422,099	2,700,480	278,381
<b>Fund balances, end of year</b>	<u>\$ 446,124</u>	<u>\$ 446,124</u>	<u>\$ 1,652,546</u>	<u>\$ 1,206,422</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GRANTS**  
**YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 1,582,525	\$ 77,500	\$ (1,505,025)
<b>Total revenues</b>	<u>1,582,525</u>	<u>77,500</u>	<u>(1,505,025)</u>
<b>Expenditures:</b>			
Current -			
General government	1,357,525	77,500	1,280,025
Capital outlay	<u>305,000</u>	<u>132,722</u>	<u>172,278</u>
<b>Total expenditures</b>	<u>1,662,525</u>	<u>210,222</u>	<u>1,452,303</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(80,000)</u>	<u>(132,722)</u>	<u>(52,722)</u>
<b>Other financing sources (uses):</b>			
Transfer in	<u>80,000</u>	<u>66,361</u>	<u>(13,639)</u>
<b>Total other financing sources (uses)</b>	<u>80,000</u>	<u>66,361</u>	<u>(13,639)</u>
<b>Changes in fund balances</b>	<u>                    </u>	<u>(66,361)</u>	<u>(66,361)</u>
<b>Fund balances, beginning of year</b>			
<b>Fund balances (deficits), end of year</b>	<u>\$</u>	<u>\$ (66,361)</u>	<u>\$ (66,361)</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town 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 a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Highway User Revenue, Excise Tax, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

(This page intentionally left blank)

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2020**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 2,262,849	\$ 1,098,152	\$ 3,361,001
Accounts receivable	1,875		1,875
Intergovernmental receivable	15,735		15,735
Interest receivable	2,018		2,018
<b>Total assets</b>	<b><u><u>\$ 2,282,477</u></u></b>	<b><u><u>\$ 1,098,152</u></u></b>	<b><u><u>\$ 3,380,629</u></u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 106,268	\$	\$ 106,268
Accrued wages and benefits	8,765		8,765
<b>Total liabilities</b>	<b><u><u>115,033</u></u></b>	<b><u><u></u></u></b>	<b><u><u>115,033</u></u></b>
Fund balances:			
Restricted	21,989	1,098,152	1,120,141
Committed	1,579,998		1,579,998
Assigned	565,457		565,457
<b>Total fund balances</b>	<b><u><u>2,167,444</u></u></b>	<b><u><u>1,098,152</u></u></b>	<b><u><u>3,265,596</u></u></b>
 <b>Total liabilities and fund balances</b>	 <b><u><u>\$ 2,282,477</u></u></b>	 <b><u><u>\$ 1,098,152</u></u></b>	 <b><u><u>\$ 3,380,629</u></u></b>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 6,701	\$	\$ 6,701
Sales taxes	480,625		480,625
Licenses and permits	17,575	102,788	120,363
Intergovernmental	76,244		76,244
Other	8,693		8,693
Fines and forfeitures	25,551		25,551
Investment earnings	53,507	13,844	67,351
<b>Total revenues</b>	<u>668,896</u>	<u>116,632</u>	<u>785,528</u>
<b>Expenditures:</b>			
Current -			
General government	263,189		263,189
Public safety		1,723	1,723
Public works	492,455		492,455
Culture and recreation	171,891	7,471	179,362
<b>Total expenditures</b>	<u>927,535</u>	<u>9,194</u>	<u>936,729</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(258,639)</u>	<u>107,438</u>	<u>(151,201)</u>
<b>Other financing sources (uses):</b>			
Transfer in	368,607		368,607
Transfer out	(312,569)		(312,569)
<b>Total other financing sources (uses)</b>	<u>56,038</u>		<u>56,038</u>
<b>Changes in fund balances</b>	<u>(202,601)</u>	<u>107,438</u>	<u>(95,163)</u>
<b>Fund balances, beginning of year</b>	2,370,045	990,714	3,360,759
<b>Fund balances, end of year</b>	<u>\$ 2,167,444</u>	<u>\$ 1,098,152</u>	<u>\$ 3,265,596</u>

(This page intentionally left blank)

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

### Capital Projects Funds

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2020**

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 990,717	\$ 95,506	\$ 84,322
Accounts receivable			1,875
Intergovernmental receivable	3,115	12,460	
Interest receivable	2,018		
<b>Total assets</b>	<u>\$ 995,850</u>	<u>\$ 107,966</u>	<u>\$ 86,197</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 4,355	\$ 2,174	\$ 2,687
Accrued wages and benefits		2,246	249
<b>Total liabilities</b>	<u>4,355</u>	<u>4,420</u>	<u>2,936</u>
Fund balances:			
Restricted			
Committed	991,495	103,546	83,261
Assigned			
<b>Total fund balances</b>	<u>991,495</u>	<u>103,546</u>	<u>83,261</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 995,850</u>	 <u>\$ 107,966</u>	 <u>\$ 86,197</u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$ 401,536	\$ 668,404	\$ 22,364	\$ 2,262,849
160			1,875
			15,735
			2,018
<u>\$ 401,696</u>	<u>\$ 668,404</u>	<u>\$ 22,364</u>	<u>\$ 2,282,477</u>
\$	\$ 96,677	\$ 375	\$ 106,268
	6,270		8,765
	<u>102,947</u>	<u>375</u>	<u>115,033</u>
401,696		21,989	21,989
	565,457		1,579,998
<u>401,696</u>	<u>565,457</u>	<u>21,989</u>	<u>565,457</u>
			<u>2,167,444</u>
<u>\$ 401,696</u>	<u>\$ 668,404</u>	<u>\$ 22,364</u>	<u>\$ 2,282,477</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	96,125	384,500	
Licenses and permits			
Intergovernmental			76,244
Other		8,674	19
Fines and forfeitures			
Investment earnings	39,466	631	1,090
<b>Total revenues</b>	<u>135,591</u>	<u>393,805</u>	<u>77,353</u>
<b>Expenditures:</b>			
Current -			
General government	38,474	223,137	
Public works			
Culture and recreation			171,891
<b>Total expenditures</b>	<u>38,474</u>	<u>223,137</u>	<u>171,891</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>97,117</u>	<u>170,668</u>	<u>(94,538)</u>
<b>Other financing sources (uses):</b>			
Transfer in			168,607
Transfer out	(143,962)	(168,607)	
<b>Total other financing sources (uses)</b>	<u>(143,962)</u>	<u>(168,607)</u>	<u>168,607</u>
<b>Changes in fund balances</b>	<u>(46,845)</u>	<u>2,061</u>	<u>74,069</u>
<b>Fund balances, beginning of year</b>	1,038,340	101,485	9,192
<b>Fund balances, end of year</b>	<u>\$ 991,495</u>	<u>\$ 103,546</u>	<u>\$ 83,261</u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$	\$	\$ 6,701	\$ 6,701
	17,575		480,625
			17,575
			76,244
			8,693
25,551			25,551
909	11,137	274	53,507
<u>26,460</u>	<u>28,712</u>	<u>6,975</u>	<u>668,896</u>
1,578			263,189
	487,791	4,664	492,455
			171,891
<u>1,578</u>	<u>487,791</u>	<u>4,664</u>	<u>927,535</u>
<u>24,882</u>	<u>(459,079)</u>	<u>2,311</u>	<u>(258,639)</u>
	200,000		368,607
			(312,569)
	<u>200,000</u>		<u>56,038</u>
<u>24,882</u>	<u>(259,079)</u>	<u>2,311</u>	<u>(202,601)</u>
376,814	824,536	19,678	2,370,045
<u>\$ 401,696</u>	<u>\$ 565,457</u>	<u>\$ 21,989</u>	<u>\$ 2,167,444</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Downtown Strategy		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	81,968	96,125	14,157
Licenses and permits			
Intergovernmental			
Other			
Fines and forfeitures			
Investment earnings	1,260	39,466	38,206
<b>Total revenues</b>	83,228	135,591	52,363
<b>Expenditures:</b>			
Current -			
General government	46,400	38,474	7,926
Public works			
Culture and recreation			
Capital outlay			
<b>Total expenditures</b>	46,400	38,474	7,926
<b>Excess (deficiency) of revenues over expenditures</b>	36,828	97,117	60,289
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out	(950,000)	(143,962)	806,038
<b>Total other financing sources (uses)</b>	(950,000)	(143,962)	806,038
<b>Changes in fund balances</b>	(913,172)	(46,845)	866,327
<b>Fund balances, beginning of year</b>	1,038,340	1,038,340	
<b>Fund balances (deficits), end of year</b>	\$ 125,168	\$ 991,495	\$ 866,327

Economic Development			Tourism		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 327,871	\$ 384,500	\$ 56,629			
	8,674	8,674	90,000	76,244	(13,756)
240	631	391	180	1,090	910
<u>328,111</u>	<u>393,805</u>	<u>65,694</u>	<u>90,180</u>	<u>77,353</u>	<u>(12,827)</u>
285,482	223,137	62,345			
			259,103	171,891	87,212
<u>285,482</u>	<u>223,137</u>	<u>62,345</u>	<u>259,103</u>	<u>171,891</u>	<u>87,212</u>
<u>42,629</u>	<u>170,668</u>	<u>128,039</u>	<u>(168,923)</u>	<u>(94,538)</u>	<u>74,385</u>
(168,607)	(168,607)		168,607	168,607	
<u>(168,607)</u>	<u>(168,607)</u>		<u>168,607</u>	<u>168,607</u>	
<u>(125,978)</u>	<u>2,061</u>	<u>128,039</u>	<u>(316)</u>	<u>74,069</u>	<u>74,385</u>
101,485	101,485		9,192	9,192	
<u>\$ (24,493)</u>	<u>\$ 103,546</u>	<u>\$ 128,039</u>	<u>\$ 8,876</u>	<u>\$ 83,261</u>	<u>\$ 74,385</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Local Court Enhancement		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes			
Licenses and permits			
Intergovernmental	100,000		(100,000)
Other			
Fines and forfeitures	49,000	25,551	(23,449)
Investment earnings	840	909	69
<b>Total revenues</b>	149,840	26,460	(123,380)
<b>Expenditures:</b>			
Current -			
General government	24,800	1,578	23,222
Public works			
Culture and recreation			
Capital outlay	130,000		130,000
<b>Total expenditures</b>	154,800	1,578	153,222
<b>Excess (deficiency) of revenues over expenditures</b>	(4,960)	24,882	29,842
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	(4,960)	24,882	29,842
<b>Fund balances, beginning of year</b>	376,814	376,814	
<b>Fund balances (deficits), end of year</b>	\$ 371,854	\$ 401,696	\$ 29,842

Environmental			Cottonwoods Maintenance		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 491,976	\$ 17,575	\$ (474,401)	\$ 6,642	\$ 6,701	\$ 59
2,400	11,137	8,737	72	274	202
<u>494,376</u>	<u>28,712</u>	<u>(465,664)</u>	<u>6,714</u>	<u>6,975</u>	<u>261</u>
735,254	487,791	247,463	5,101	4,664	437
<u>735,254</u>	<u>487,791</u>	<u>247,463</u>	<u>5,101</u>	<u>4,664</u>	<u>437</u>
<u>(240,878)</u>	<u>(459,079)</u>	<u>(218,201)</u>	<u>1,613</u>	<u>2,311</u>	<u>698</u>
200,000	200,000				
<u>200,000</u>	<u>200,000</u>				
<u>(40,878)</u>	<u>(259,079)</u>	<u>(218,201)</u>	<u>1,613</u>	<u>2,311</u>	<u>698</u>
824,536	824,536		19,678	19,678	
<u>\$ 783,658</u>	<u>\$ 565,457</u>	<u>\$ (218,201)</u>	<u>\$ 21,291</u>	<u>\$ 21,989</u>	<u>\$ 698</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 6,642	\$ 6,701	\$ 59
Sales taxes	409,839	480,625	70,786
Licenses and permits	491,976	17,575	(474,401)
Intergovernmental	190,000	76,244	(113,756)
Other		8,693	8,693
Fines and forfeitures	49,000	25,551	(23,449)
Investment earnings	4,992	53,507	48,515
<b>Total revenues</b>	1,152,449	668,896	(483,553)
<b>Expenditures:</b>			
Current -			
General government	356,682	263,189	93,493
Public works	740,355	492,455	247,900
Culture and recreation	259,103	171,891	87,212
Capital outlay	130,000		130,000
<b>Total expenditures</b>	1,486,140	927,535	558,605
<b>Excess (deficiency) of revenues over expenditures</b>	(333,691)	(258,639)	75,052
<b>Other financing sources (uses):</b>			
Transfer in	368,607	368,607	
Transfer out	(1,118,607)	(312,569)	806,038
<b>Total other financing sources (uses)</b>	(750,000)	56,038	806,038
<b>Changes in fund balances</b>	(1,083,691)	(202,601)	881,090
<b>Fund balances, beginning of year</b>	2,370,045	2,370,045	
<b>Fund balances (deficits), end of year</b>	\$ 1,286,354	\$ 2,167,444	\$ 881,090

(This page intentionally left blank)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General Obligation Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 1,674,485	\$ 1,665,453	\$ (9,032)
Investment earnings	1,200	7,063	5,863
<b>Total revenues</b>	1,675,685	1,672,516	(3,169)
<b>Expenditures:</b>			
Debt service -			
Principal retirement	1,615,000	1,615,000	
Interest on long-term debt	48,450	48,450	
Fiscal charges	850	850	
<b>Total expenditures</b>	1,664,300	1,664,300	
<b>Excess (deficiency) of revenues over expenditures</b>	11,385	8,216	(3,169)
<b>Other financing sources (uses):</b>			
Transfer in			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	11,385	8,216	(3,169)
<b>Fund balances, beginning of year</b>	116,003	116,003	
<b>Fund balances, end of year</b>	\$ 127,388	\$ 124,219	\$ (3,169)

Eagle Mountain Debt Service

Municipal Property Corporation Debt Service

<u>Eagle Mountain Debt Service</u>			<u>Municipal Property Corporation Debt Service</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$ 413,042	\$ 414,614	\$ 1,572	\$	\$	\$
240	1,736	1,496	840	1,866	1,026
<u>413,282</u>	<u>416,350</u>	<u>3,068</u>	<u>840</u>	<u>1,866</u>	<u>1,026</u>
395,000	395,000		300,000	300,000	
13,992	13,991	1	4,860	4,860	
200	138	62	1,010	1,010	
<u>409,192</u>	<u>409,129</u>	<u>63</u>	<u>305,870</u>	<u>305,870</u>	
<u>4,090</u>	<u>7,221</u>	<u>3,131</u>	<u>(305,030)</u>	<u>(304,004)</u>	<u>1,026</u>
			<u>303,235</u>	<u>303,235</u>	
			<u>303,235</u>	<u>303,235</u>	
<u>4,090</u>	<u>7,221</u>	<u>3,131</u>	<u>(1,795)</u>	<u>(769)</u>	<u>1,026</u>
19,091	19,091		12,306	12,306	
<u>\$ 23,181</u>	<u>\$ 26,312</u>	<u>\$ 3,131</u>	<u>\$ 10,511</u>	<u>\$ 11,537</u>	<u>\$ 1,026</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 2,087,527	\$ 2,080,067	\$ (7,460)
Investment earnings	2,280	10,665	8,385
<b>Total revenues</b>	2,089,807	2,090,732	925
<b>Expenditures:</b>			
Debt service -			
Principal retirement	2,310,000	2,310,000	
Interest on long-term debt	67,302	67,301	1
Fiscal charges	2,060	1,998	62
<b>Total expenditures</b>	2,379,362	2,379,299	63
<b>Excess (deficiency) of revenues over expenditures</b>	(289,555)	(288,567)	988
<b>Other financing sources (uses):</b>			
Transfer in	303,235	303,235	
<b>Total other financing sources (uses)</b>	303,235	303,235	
<b>Changes in fund balances</b>	13,680	14,668	988
<b>Fund balances, beginning of year</b>	147,400	147,400	
<b>Fund balances, end of year</b>	\$ 161,080	\$ 162,068	\$ 988

(This page intentionally left blank)

**TOWN OF FOUNTAIN HILLS, ARIZONA  
BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUND  
JUNE 30, 2020**

	Development Fees
<b><u>ASSETS</u></b>	
Cash and investments	\$ 1,098,152
<b>Total assets</b>	<b>\$ 1,098,152</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Fund balances:	
Restricted	\$ 1,098,152
<b>Total fund balances</b>	<b>1,098,152</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,098,152</b>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2020**

	Development Fees
<b>Revenues:</b>	
Licenses and permits	\$ 102,788
Investment earnings	13,844
<b>Total revenues</b>	<b>116,632</b>
 <b>Expenditures:</b>	
Current -	
Public safety	1,723
Culture and recreation	7,471
<b>Total expenditures</b>	<b>9,194</b>
 <b>Changes in fund balances</b>	 <b>107,438</b>
 <b>Fund balances, beginning of year</b>	 <b>990,714</b>
 <b>Fund balances, end of year</b>	 <b>\$ 1,098,152</b>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Capital Projects		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 640,293	\$ 955,010	\$ 314,717
Licenses and permits			
Intergovernmental	90,000	15,000	(75,000)
Other			
Investment earnings	7,224	171,431	164,207
<b>Total revenues</b>	<u>737,517</u>	<u>1,141,441</u>	<u>403,924</u>
<b>Expenditures:</b>			
Current -			
General government	116,672	2,294	114,378
Public safety			
Public works	190,000	116,281	73,719
Culture and recreation			
Capital outlay	2,653,378	1,519,608	1,133,770
<b>Total expenditures</b>	<u>2,960,050</u>	<u>1,638,183</u>	<u>1,321,867</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,222,533)</u>	<u>(496,742)</u>	<u>1,725,791</u>
<b>Other financing sources (uses):</b>			
Transfer in	1,300,000	490,775	(809,225)
Transfer out	(280,000)	(266,361)	13,639
Proceeds from sale of capital assets		418,585	418,585
<b>Total other financing sources (uses)</b>	<u>1,020,000</u>	<u>642,999</u>	<u>(377,001)</u>
<b>Changes in fund balances</b>	<u>(1,202,533)</u>	<u>146,257</u>	<u>1,348,790</u>
<b>Fund balances, beginning of year</b>	4,342,555	4,342,555	
<b>Fund balances, end of year</b>	<u>\$ 3,140,022</u>	<u>\$ 4,488,812</u>	<u>\$ 1,348,790</u>

Facilities Replacement Fund			Development Fees		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			164,025	102,788	(61,237)
	10,000	10,000			
7,200	22,495	15,295	7,200	13,844	6,644
<u>7,200</u>	<u>32,495</u>	<u>25,295</u>	<u>171,225</u>	<u>116,632</u>	<u>(54,593)</u>
819,144	287,889	531,255	9,500	1,723	7,777
			40,500	7,471	33,029
	123,117	(123,117)			
<u>819,144</u>	<u>411,006</u>	<u>408,138</u>	<u>50,000</u>	<u>9,194</u>	<u>40,806</u>
<u>(811,944)</u>	<u>(378,511)</u>	<u>433,433</u>	<u>121,225</u>	<u>107,438</u>	<u>(13,787)</u>
500,000	500,000				
<u>500,000</u>	<u>500,000</u>				
<u>(311,944)</u>	<u>121,489</u>	<u>433,433</u>	<u>121,225</u>	<u>107,438</u>	<u>(13,787)</u>
1,489,426	1,489,426		990,714	990,714	
<u>\$ 1,177,482</u>	<u>\$ 1,610,915</u>	<u>\$ 433,433</u>	<u>\$ 1,111,939</u>	<u>\$ 1,098,152</u>	<u>\$ (13,787)</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 640,293	\$ 955,010	\$ 314,717
Licenses and permits	164,025	102,788	(61,237)
Intergovernmental	90,000	15,000	(75,000)
Other		10,000	10,000
Investment earnings	21,624	207,770	186,146
<b>Total revenues</b>	<u>915,942</u>	<u>1,290,568</u>	<u>374,626</u>
<b>Expenditures:</b>			
Current -			
General government	116,672	2,294	114,378
Public safety	9,500	1,723	7,777
Public works	1,009,144	404,170	604,974
Culture and recreation	40,500	7,471	33,029
Capital outlay	<u>2,653,378</u>	<u>1,642,725</u>	<u>1,010,653</u>
<b>Total expenditures</b>	<u>3,829,194</u>	<u>2,058,383</u>	<u>1,770,811</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,913,252)</u>	<u>(767,815)</u>	<u>2,145,437</u>
<b>Other financing sources (uses):</b>			
Transfer in	1,800,000	990,775	(809,225)
Transfer out	(280,000)	(266,361)	13,639
Proceeds from sale of capital assets		418,585	418,585
<b>Total other financing sources (uses)</b>	<u>1,520,000</u>	<u>1,142,999</u>	<u>(377,001)</u>
<b>Changes in fund balances</b>	<u>(1,393,252)</u>	<u>375,184</u>	<u>1,768,436</u>
<b>Fund balances, beginning of year</b>	6,822,695	6,822,695	
<b>Fund balances, end of year</b>	<u>\$ 5,429,443</u>	<u>\$ 7,197,879</u>	<u>\$ 1,768,436</u>

## STATISTICAL SECTION

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

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

	<b>Fiscal Year ended June 30</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 92,579,483	\$ 92,006,103	\$ 89,800,560	\$ 89,713,260
Restricted	4,385,595	5,951,416	5,721,744	5,480,867
Unrestricted	<u>22,598,669</u>	<u>21,064,267</u>	<u>20,612,758</u>	<u>19,186,823</u>
Total governmental activities net position	<u>\$ 119,563,747</u>	<u>\$ 119,021,786</u>	<u>\$ 116,135,062</u>	<u>\$ 114,380,950</u>

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

**Fiscal Year ended June 30**

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 95,325,824	\$ 95,647,990	\$ 94,909,703	\$ 96,777,854	\$ 104,781,328	\$ 104,004,331
6,310,810	4,530,239	4,471,661	4,589,526	3,646,449	2,766,041
<u>15,180,582</u>	<u>17,232,506</u>	<u>17,578,068</u>	<u>16,244,169</u>	<u>15,258,797</u>	<u>17,388,168</u>
<u>\$ 116,817,216</u>	<u>\$ 117,410,735</u>	<u>\$ 116,959,432</u>	<u>\$ 117,611,549</u>	<u>\$ 123,686,574</u>	<u>\$ 124,158,540</u>

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

	<b>Fiscal Year Ended June 30</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,876,848	\$ 3,119,113	\$ 2,909,443	\$ 2,432,965
Development services	1,572,202	1,442,613	1,633,361	1,237,717
Public safety	5,963,067	5,820,136	6,100,131	6,958,056
Public works	5,567,973	4,718,047	5,712,817	6,630,875
Culture and recreation	2,840,154	2,754,731	2,779,294	2,760,690
Interest on long-term debt	851,957	779,576	567,043	472,999
Total governmental activities expenses	<u>19,672,201</u>	<u>18,634,216</u>	<u>19,702,089</u>	<u>20,493,302</u>
<b>Program Revenues</b>				
Governmental activities:				
Fines, fees and charges for services:				
General government	337,279	272,469	380,926	215,943
Development services	344,821	322,984	377,483	531,193
Public safety	65,568	63,926	63,824	74,887
Public works	77,409	95,201	112,521	250,421
Culture and recreation	339,341	303,508	288,745	340,353
Operating grants and contributions	1,614,462	1,285,656	1,266,906	1,307,738
Capital grants and contributions	<u>2,273,414</u>	<u>1,392,706</u>	<u>150,535</u>	<u>144,570</u>
Total governmental activities program revenues	<u>5,052,294</u>	<u>3,736,450</u>	<u>2,640,940</u>	<u>2,865,105</u>
<b>Net (Expenses)/Revenues</b>	(14,619,907)	(14,897,766)	(17,061,149)	(17,628,197)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property taxes	1,349,079	1,453,405	1,385,147	1,449,646
Sales taxes	8,013,480	7,787,489	7,957,163	8,459,267
Franchise taxes	322,659	332,130	334,668	349,414
State shared revenues	5,217,140	4,515,511	4,979,183	5,326,332
Investment earnings	28,456	88,877	69,998	123,311
Miscellaneous	68,125	178,393	300,899	166,115
Special item - Donation of capital assets	-	-	-	-
Total governmental activities	<u>14,998,939</u>	<u>14,355,805</u>	<u>15,027,058</u>	<u>15,874,085</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ 379,032</u>	<u>\$ (541,961)</u>	<u>\$ (2,034,091)</u>	<u>\$ (1,754,112)</u>

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

**Fiscal Year Ended June 30**

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 2,479,365	\$ 2,516,966	\$ 3,142,722	\$ 3,431,752	\$ 3,318,477	\$ 3,470,936
2,074,611	2,253,208	1,364,378	1,460,967	867,725	825,884
6,816,152	7,178,890	7,563,898	7,567,012	8,142,069	9,003,452
4,963,979	6,476,688	7,904,577	7,380,663	10,263,244	9,961,306
2,822,954	3,124,523	3,375,414	3,311,648	3,767,996	3,490,447
698,542	241,694	178,749	118,552	57,054	881
<u>19,855,603</u>	<u>21,791,969</u>	<u>23,529,738</u>	<u>23,270,594</u>	<u>26,416,565</u>	<u>26,752,906</u>
337,655	298,737	837,163	295,716	280,312	533,189
693,670	1,257,492	1,062,094	1,314,915	1,143,871	608,892
86,641	90,345	155,454	155,973	90,774	100,444
236,706	48,688	216,724	52,465	10,214	131,750
339,158	321,189	393,028	497,914	1,151,500	409,651
1,431,017	1,615,973	1,699,931	1,737,958	1,850,676	2,007,841
<u>2,874,796</u>	<u>381,011</u>	<u>494,328</u>	<u>304,951</u>	<u>181,939</u>	<u>91,245</u>
<u>5,999,643</u>	<u>4,013,435</u>	<u>4,858,722</u>	<u>4,359,892</u>	<u>4,709,286</u>	<u>3,883,012</u>
(13,855,960)	(17,778,534)	(18,671,016)	(18,910,702)	(21,707,279)	(22,869,894)
904,660	2,569,504	2,296,199	2,263,623	2,476,546	2,077,368
8,983,049	9,395,667	9,415,151	10,311,577	11,491,123	13,172,390
352,673	360,320	367,119	421,682	423,947	434,896
5,713,235	5,813,678	6,057,278	6,396,667	6,514,470	6,874,771
150,358	219,058	55,127	158,860	554,549	545,983
188,251	13,826	28,839	10,410	202,969	236,452
-	-	-	-	6,118,700	-
<u>16,292,226</u>	<u>18,372,053</u>	<u>18,219,713</u>	<u>19,562,819</u>	<u>27,782,304</u>	<u>23,341,860</u>
<u>\$ 2,436,266</u>	<u>\$ 593,519</u>	<u>\$ (451,303)</u>	<u>\$ 652,117</u>	<u>\$ 6,075,025</u>	<u>\$ 471,966</u>

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

	<b>Fiscal Year ended June 30</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General fund				
Nonspendable				
Inventory	\$ 13,183	\$ 9,332	\$ 10,201	\$ 14,358
Prepaid items	29,234	28,245	32,493	18,348
Committed	-	1,345,200	1,345,200	1,345,200
Assigned	-	2,190,910	2,191,063	1,647,193
Unassigned	<u>8,263,549</u>	<u>3,656,173</u>	<u>4,117,865</u>	<u>4,972,853</u>
Total general fund	<u>\$ 8,305,966</u>	<u>\$ 7,229,860</u>	<u>\$ 7,696,822</u>	<u>\$ 7,997,952</u>
All other governmental funds				
Nonspendable				
Cash with escrow agent	\$ -	\$ 2,623,895	\$ 2,301,609	\$ 1,973,067
Prepaid items	6,217	5,474	4,706	997
Restricted	4,379,987	3,300,426	3,354,189	3,505,590
Committed	11,480,869	2,039,560	2,175,094	2,089,361
Assigned	-	9,312,168	9,005,276	7,147,586
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 15,867,073</u>	<u>\$ 17,281,523</u>	<u>\$ 16,840,874</u>	<u>\$ 14,716,601</u>

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

**Fiscal Year ended June 30**

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 6,975	\$ 9,272	\$ 5,872	\$ 13,490	\$ 5,168	\$ 8,982
10,655	4,123	16,868	21,945	17,311	2,418
2,634,923	2,652,357	2,714,135	2,893,850	3,027,804	3,249,354
1,872,492	1,701,086	1,743,768	2,101,574	2,380,653	622,641
<u>4,369,457</u>	<u>5,853,806</u>	<u>2,696,999</u>	<u>2,140,434</u>	<u>1,863,722</u>	<u>5,535,499</u>
<u>\$ 8,894,502</u>	<u>\$ 10,220,644</u>	<u>\$ 7,177,642</u>	<u>\$ 7,171,293</u>	<u>\$ 7,294,658</u>	<u>\$ 9,418,894</u>
\$ 1,645,000	\$ -	\$ -	\$ -	\$ -	\$ -
656	5,055	474	-	-	-
10,066,786	4,500,044	4,432,710	4,571,263	3,579,891	2,708,883
1,079,780	1,366,081	8,576,250	7,248,890	5,868,386	6,068,810
5,444,124	5,943,364	1,784,761	2,340,683	2,592,343	2,402,244
-	-	-	-	-	(66,361)
<u>\$ 18,236,346</u>	<u>\$ 11,814,544</u>	<u>\$ 14,794,195</u>	<u>\$ 14,160,836</u>	<u>\$ 12,040,620</u>	<u>\$ 11,113,576</u>

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

	<b>Fiscal Year Ended June 30</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>				
Taxes	\$ 9,704,054	\$ 9,577,321	\$ 9,713,445	\$ 10,271,737
Licenses and permits	312,367	194,976	570,904	891,782
Leases and rents	227,195	206,018	213,871	252,584
Intergovernmental	7,165,103	6,035,448	6,323,047	6,677,518
Charges for services	388,635	405,663	162,086	161,376
Other	72,125	178,393	300,899	134,114
Fines and forfeitures	236,221	223,673	187,251	170,995
Special assessments	-	-	-	-
Investment earnings	28,456	88,877	69,998	123,311
Total revenues	<u>18,134,156</u>	<u>16,910,369</u>	<u>17,541,501</u>	<u>18,683,417</u>
<b>Expenditures</b>				
Current:				
General government	2,575,975	2,887,321	2,699,109	2,194,845
Development services	1,564,615	1,421,787	1,643,757	1,774,983
Public safety	5,772,800	5,869,445	6,022,269	6,890,770
Public works	1,123,230	1,054,930	2,058,990	3,085,559
Culture and recreation	1,871,446	1,794,332	1,791,018	1,921,939
Capital outlay	1,043,304	884,323	453,002	1,750,465
Debt service:				
Principal	2,114,999	1,965,000	2,280,000	2,415,000
Interest	729,077	639,135	554,860	460,811
Other debt service	15,254	55,752	12,183	12,188
Total expenditures	<u>16,810,700</u>	<u>16,572,025</u>	<u>17,515,188</u>	<u>20,506,560</u>
Excess (deficiency) of revenues over (under) expenditures	1,323,456	338,344	26,313	(1,823,143)
<b>Other Financing Sources (Uses)</b>				
Transfers in	431,880	2,470,027	1,279,397	1,838,453
Transfers out	(431,880)	(2,470,027)	(1,279,397)	(1,838,453)
Proceeds from sale of capital assets				
Issuance of refunding bonds	-	-	-	-
Issuance of long-term debt	-	-	-	-
Bond Premium	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,323,456</u>	<u>\$ 338,344</u>	<u>\$ 26,313</u>	<u>\$ (1,823,143)</u>
Expenditures for capitalized assets	\$ 389,082	\$ 1,333,785	\$ 467,691	\$ 2,385,168
Debt service as a percentage of noncapital expenditures	17.4%	17.5%	16.7%	15.9%

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

**Fiscal Year Ended June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$	10,240,382	\$ 12,299,285	\$ 12,069,714	\$ 13,019,341	\$ 14,342,801	\$ 15,694,054
	1,043,382	1,372,045	1,310,973	2,004,386	2,040,622	835,731
	269,753	258,165	284,090	282,531	280,801	286,391
	9,770,048	7,559,436	7,917,651	8,266,028	8,401,676	8,920,296
	176,541	197,109	351,476	254,122	181,105	222,947
	188,251	147,662	153,438	207,697	347,141	387,225
	186,456	209,380	257,727	182,997	130,483	281,704
	-	-	-	-	-	-
	150,358	219,058	55,127	158,860	554,549	545,983
	<u>22,025,171</u>	<u>22,262,140</u>	<u>22,400,196</u>	<u>24,375,962</u>	<u>26,279,178</u>	<u>27,174,331</u>
	2,275,124	2,324,026	2,713,548	3,195,936	3,147,063	3,280,191
	2,073,990	2,217,814	1,275,147	1,397,249	858,957	797,513
	6,675,874	7,034,887	7,420,032	7,402,227	6,295,989	8,566,058
	1,275,779	2,498,714	3,954,450	3,420,317	7,880,668	6,046,298
	1,962,585	2,240,865	2,484,940	2,375,758	2,845,027	2,609,842
	8,799,068	6,471,382	1,693,265	4,317,214	4,487,854	2,716,523
	1,850,000	4,260,000	2,675,000	2,720,000	2,635,000	2,310,000
	454,957	308,106	244,986	185,164	123,871	67,301
	243,585	2,005	2,180	1,805	1,600	1,998
	<u>25,610,962</u>	<u>27,357,799</u>	<u>22,463,548</u>	<u>25,015,670</u>	<u>28,276,029</u>	<u>26,395,724</u>
	(3,585,791)	(5,095,659)	(63,352)	(639,708)	(1,996,851)	778,607
	2,519,774	562,044	5,194,138	4,543,728	3,672,532	1,928,978
	(2,519,774)	(562,044)	(5,194,138)	(4,543,728)	(3,672,532)	(1,928,978)
						418,585
	4,180,000	-	-	-	-	-
	7,565,000	-	-	-	-	-
	342,086	-	-	-	-	-
	(4,085,000)	-	-	-	-	-
	<u>8,002,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>418,585</u>
\$	<u>4,416,295</u>	<u>\$ (5,095,659)</u>	<u>\$ (63,352)</u>	<u>\$ (639,708)</u>	<u>\$ (1,996,851)</u>	<u>\$ 1,197,192</u>
\$	9,067,254	\$ 6,394,346	\$ 1,696,612	\$ 4,293,214	\$ 4,465,837	\$ 2,689,270
	15.4%	21.8%	14.1%	14.0%	11.6%	10.0%

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

<b>Fiscal Year</b> <b>Ended June 30</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2011	\$ 1,367,915	\$ 8,013,480	\$ 322,659	\$ 9,704,054
2012	1,457,702	7,779,219	332,130	9,569,051
2013	1,421,615	7,957,162	334,668	9,713,445
2014	1,463,056	8,459,267	349,414	10,271,737
2015	904,660	8,983,050	352,673	10,240,383
2016	2,543,298	9,391,267	360,320	12,294,885
2017	2,287,444	9,419,551	367,119	12,074,114
2018	2,286,081	10,311,578	421,682	13,019,341
2019	2,427,730	11,491,124	423,947	14,342,801
2020	2,086,768	13,172,390	434,896	15,694,054

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

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

<b>Fiscal Year</b>	<b>Net Assessed Taxable Value*</b>	<b>Total Direct Tax Rate**</b>	<b>Estimated Actual Taxable Value*</b>	<b>Net Assessed Taxable Value as a Percentage of Estimated Actual Taxable Value</b>
2011	\$ 576,401,885	\$ 0.1639	\$ 5,068,665,363	11.37%
2012	452,236,007	0.2258	4,096,551,487	11.04%
2013	377,816,392	0.2657	3,422,463,416	11.04%
2014	365,963,182	0.2773	3,359,684,579	10.89%
2015	403,330,477	0.1151	3,722,794,676	10.83%
2016	402,223,763	0.5246	3,744,585,506	10.74%
2017	423,688,665	0.4472	3,965,824,715	10.68%
2018	444,639,625	0.4259	4,166,589,970	10.67%
2019	466,895,716	0.4257	4,381,287,279	10.66%
2020	494,576,905	0.3382	4,657,015,387	10.62%

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

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

\*\* Per \$100 of assessed taxable value.

**Town of Fountain Hills, Arizona  
Principal Property Taxpayers  
June 30, 2020 and 2011**

Taxpayer	2020			2011		
	Net Limited Assessed Value	Rank	Percentage of Total Net Limited Assessed Value	Net Full Cash Assessed Value	Rank	Percentage of Total Net Full Cash Assessed Value
EPCOR - Chaparral City Water Company	3,947,760	1	0.80%			
RCS-Park Place 1 LLC	3,722,850	2	0.75%			
Hunter Retail LLC	2,703,022	3	0.55%			
WSL Fountain View Investors V, LLC	2,253,853	4	0.46%	2,209,139	4	0.38%
Whitestone Fountain Hills, LLC	2,064,014	5	0.42%			
Target Corporation	1,339,330	6	0.27%	2,058,652	7	0.36%
MJFFH7 LLC	1,319,079	7	0.27%			
FPACP4 Ridgeview LLC	1,311,954	8				
Smith's Food & Drug Centers Inc.	1,307,358	9	0.26%			
Fountain Hills Invest Co., LLC	1,305,063	10	0.26%			
Inland Western Fountain Hills Four Peaks LLC				3,497,492	1	0.61%
Chapparral City Water Company				3,025,000	2	0.52%
EN LLC				2,299,280	3	0.40%
Pacific FH Resort LLC				2,201,100	5	0.38%
J & R Holdings XX LLC				2,089,587	6	0.36%
Qwest Corporation				1,649,928	8	0.29%
Firerock LLC				1,608,357	9	0.28%
Fountain Hills AZ Development LLLP				1,504,850	10	0.26%
Totals	\$ 21,274,283		4.04%	\$ 22,143,385		3.84%

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

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

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

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
2011	\$ 1,340,544	\$ 1,307,092	97.5%	\$ 24,924	\$ 1,332,016	99.4%
2012	1,446,076	1,414,482	97.8%	20,255	1,434,737	99.2%
2013	1,429,285	1,401,654	98.1%	18,833	1,420,487	99.4%
2014	1,449,884	1,426,612	98.4%	18,448	1,445,060	99.7%
2015	892,104	881,170	98.8%	6,995	888,165	99.6%
2016	2,532,115	2,502,995	98.8%	19,374	2,522,369	99.6%
2017	2,278,728	2,241,482	98.4%	29,635	2,271,117	99.7%
2018	2,272,027	2,230,328	98.2%	31,614	2,261,942	99.6%
2019	2,404,250	2,369,262	98.5%	21,149	2,390,411	99.4%
2020	2,092,340	2,044,210	97.7%	-	2,044,210	97.7%

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

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

	<b>Fiscal Year Ended June 30</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Sales category:				
Construction	\$ 567,135	\$ 600,403	\$ 567,589	\$ 783,064
Transportation/utilities	1,388,075	1,409,349	1,402,734	1,375,623
Wholesale/retail	3,567,986	3,601,904	3,598,895	3,653,181
Restaurants/bars	559,931	575,704	645,258	655,654
Real estate, rental & leasing	731,758	678,326	720,023	782,453
Services	276,566	274,521	310,303	342,079
Other	922,029	639,012	712,360	867,213
Total	<u>\$ 8,013,480</u>	<u>\$ 7,779,219</u>	<u>\$ 7,957,162</u>	<u>\$ 8,459,267</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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 935,694	\$ 918,717	\$ 730,163	\$ 1,408,332	\$ 1,932,716	\$ 1,910,021
1,405,768	1,327,441	1,288,153	1,309,928	1,290,585	1,405,005
4,214,119	4,815,582	4,982,218	5,235,992	5,464,247	7,031,474
682,180	742,540	811,985	829,857	893,595	892,210
617,348	552,856	636,834	745,171	842,233	965,124
604,618	779,753	852,675	747,834	1,025,548	916,769
523,323	254,378	117,523	34,464	42,200	51,786
<u>\$ 8,983,050</u>	<u>\$ 9,391,267</u>	<u>\$ 9,419,551</u>	<u>\$ 10,311,578</u>	<u>\$ 11,491,124</u>	<u>\$ 13,172,389</u>

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

<b>Fiscal Year Ended June 30</b>	<b>Town Rate</b>	<b>Maricopa County</b>	<b>State Rate</b>	<b>Total Tax Rate</b>
2011	2.60%	0.70%	6.60%	9.90%
2012	2.60%	0.70%	6.60%	9.90%
2013	2.60%	0.70%	5.60%	8.90%
2014	2.60%	0.70%	5.60%	8.90%
2015	2.60%	0.70%	5.60%	8.90%
2016	2.60%	0.70%	5.60%	8.90%
2017	2.60%	0.70%	5.60%	8.90%
2018	2.60%	0.70%	5.60%	8.90%
2019	2.60%	0.70%	5.60%	8.90%
2020*	2.90%	0.70%	5.60%	9.20%

\* 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										Debt Per Capita
	General Obligation Bonds*	Community Facilities District Bonds**	Municipal Property Corporation Bonds*	Highway User Revenue Bonds	Special Assessment Bonds	Total Outstanding Debt					
	\$	\$	\$	\$	\$	\$					
2011	4,595,000	3,370,000	7,885,000	-	-	15,850,000	\$	705			
2012	3,755,000	3,090,000	7,040,000	-	-	13,885,000		611			
2013	2,900,000	2,800,000	5,905,000	-	-	11,605,000		503			
2014	2,000,000	2,495,000	4,695,000	-	-	9,190,000		394			
2015	9,517,086	2,300,000	3,525,000	-	-	15,342,086		651			
2016	7,678,669	1,935,000	1,400,000	-	-	11,013,669		461			
2017	5,680,252	1,560,000	1,030,000	-	-	8,270,252		338			
2018	3,631,835	1,180,000	670,000	-	-	5,481,835		223			
2019	1,683,417	795,000	300,000	-	-	2,778,417		113			
2020	-	400,000	-	-	-	400,000		16			

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		Net General Obligation Bonds		Estimated Actual Taxable Value of Property		Percentage of Estimated Actual Taxable Value of Property		Net General Obligation Debt per Net Limited Assessed Valuation		Municipal Property Corporation Bonds*		Net Municipal Property Corporation Debt per Capita		Total Revenues- All Sources	
	Bonds*	Obligation	Principal	Obligation	Bonds	Obligation	Bonds	Property	per Capita	Property	per Capita	Assessed Valuation	Property Corporation	Property Corporation	Debt per Capita	Property Corporation	Debt per Capita	All Sources
2011	\$ 7,965,000	\$ 7,881,919	\$ 83,081	\$ 7,881,919	\$ 7,881,919	\$ 5,068,665,363	0.16%	347	1.37%	\$ 6,993,694	\$ 18,248,326	\$ 308	\$ 18,248,326	\$ 308	\$ 18,248,326	\$ 308	\$ 18,248,326	
2012	6,845,000	6,750,620	94,380	6,750,620	6,750,620	4,096,551,487	0.16%	293	1.49%	4,300,489	17,184,895	186	17,184,895	186	17,184,895	186	17,184,895	
2013	5,700,000	5,617,816	82,184	5,617,816	5,617,816	3,422,463,416	0.16%	241	1.49%	3,561,814	17,723,994	153	17,723,994	153	17,723,994	153	17,723,994	
2014	4,495,000	4,407,051	87,949	4,407,051	4,407,051	3,359,684,579	0.13%	187	1.20%	2,721,933	18,891,967	115	18,891,967	115	18,891,967	115	18,891,967	
2015	11,817,086	11,396,304	420,782	11,396,304	11,396,304	3,722,794,676	0.31%	477	2.83%	1,764,338	22,161,316	74	22,161,316	74	22,161,316	74	22,161,316	
2016	9,613,669	9,037,388	576,281	9,037,388	9,037,388	3,744,585,506	0.24%	369	2.25%	1,088,117	22,262,139	44	22,262,139	44	22,262,139	44	22,262,139	
2017	7,240,252	6,896,555	343,697	6,896,555	6,896,555	3,965,824,715	0.17%	281	1.63%	860,437	22,400,196	35	22,400,196	35	22,400,196	35	22,400,196	
2018	4,811,835	4,728,650	83,185	4,728,650	4,728,650	4,166,589,970	0.11%	189	1.06%	664,484	24,375,962	27	24,375,962	27	24,375,962	27	24,375,962	
2019	2,478,417	2,282,005	196,412	2,282,005	2,282,005	4,381,287,279	0.05%	91	0.49%	287,694	26,279,178	12	26,279,178	12	26,279,178	12	26,279,178	
2020	400,000	197,551	202,449	197,551	197,551	4,657,015,387		8	0.04%	-	27,586,011	-	27,586,011	-	27,586,011	-	27,586,011	

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

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

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

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

**Town of Fountain Hills, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**as of June 30, 2020**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Maricopa County	\$ -	1.15%	\$ -
Maricopa County Community College District	250,065,000	1.15%	2,875,748
Maricopa County Special Healthcare District	429,125,000	1.15%	4,934,938
East Valley Institute of Technology	-	2.58%	-
Fountain Hills Unified School District	7,780,000	96.28%	7,490,584
Total Overlapping Debt			<u>15,301,270</u>
Direct:			
Town of Fountain Hills, Arizona*			
General Obligation Bonds			-
Revenue Bonds			-
Eagle Mountain Community Facilities District**			400,000
Total Direct Debt			<u>400,000</u>
Total direct and overlapping debt			<u>\$ 15,701,270</u>

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

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

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

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

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

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>6% Debt Limit</b>					
Debt limit	\$ 34,584,113	\$ 27,134,160	\$ 22,668,984	\$ 21,957,791	\$ 24,199,829
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 34,584,113</u>	<u>\$ 27,134,160</u>	<u>\$ 22,668,984</u>	<u>\$ 21,957,791</u>	<u>\$ 24,199,829</u>
 Total debt applicable to the limit as a percentage of debt limit	 -	 -	 -	 -	 -
 <b>20% Debt Limit</b>					
Debt limit	\$ 115,280,377	\$ 90,447,201	\$ 75,563,278	\$ 73,192,636	\$ 80,666,095
Total net debt applicable to limit	<u>4,595,000</u>	<u>3,755,000</u>	<u>2,900,000</u>	<u>2,000,000</u>	<u>9,175,000</u>
Legal debt margin	<u>\$ 110,685,377</u>	<u>\$ 86,692,201</u>	<u>\$ 72,663,278</u>	<u>\$ 71,192,636</u>	<u>\$ 71,491,095</u>
 Total debt applicable to the limit as a percentage of debt limit	 4%	 4%	 4%	 3%	 11%

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

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

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

**Fiscal Year Ended June 30**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 28,325,296	\$ 30,651,126	\$ 31,459,192	\$ 32,400,042	\$ 33,907,227
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 28,325,296</u>	<u>\$ 30,651,126</u>	<u>\$ 31,459,192</u>	<u>\$ 32,400,042</u>	<u>\$ 33,907,227</u>
-	-	-	-	-
\$ 94,417,653	\$ 102,170,422	\$ 104,863,974	\$ 108,000,140	\$ 113,024,089
<u>7,405,000</u>	<u>5,475,000</u>	<u>3,495,000</u>	<u>1,615,000</u>	<u>-</u>
<u>\$ 87,012,653</u>	<u>\$ 96,695,422</u>	<u>\$ 101,368,974</u>	<u>\$ 106,385,140</u>	<u>\$ 113,024,089</u>
8%	5%	3%	1%	-

**Town of Fountain Hills, Arizona  
Calculation of Legal Debt Margin  
as of June 30, 2020**

Net full cash assessed valuation	\$	565,120,444
<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	\$	113,024,089
Net debt applicable to limit		<u>-</u>
20% legal debt margin		<u>113,024,089</u>
<p><u>All Other General Obligation Bonds</u></p> <hr/>		
Debt limit - 6% of net full cash assessed valuation		33,907,227
Net debt applicable to limit		<u>-</u>
6% legal debt margin		<u>33,907,227</u>
 Total legal debt margin	 \$	 <u>146,931,316</u>

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

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

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

**Municipal Facilities Corporation Revenue Bonds**

---

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Pledged Revenues</b>	<b>Coverage</b>
2011	\$ 1,035,000	\$ 386,630	\$ 1,421,630	\$ 13,489,416	9.5
2012	1,085,000	327,312	1,412,312	12,995,685	9.2
2013	1,150,000	285,287	1,435,287	13,397,842	9.3
2014	1,225,000	234,176	1,459,176	14,313,158	9.8
2015	2,545,000	184,500	2,729,500	15,583,484	5.7
2016	480,000	32,740	512,740	16,250,673	31.7
2017	370,000	22,680	392,680	16,815,224	42.8
2018	360,000	16,686	376,686	18,194,833	48.3
2019	370,000	10,854	380,854	19,765,936	51.9
2020	300,000	4,860	304,860	20,862,372	68.4

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Population	22,489	22,741	23,070	23,318	23,573	23,899	24,482	24,583	24,987	25,200
Per capita personal income	\$ 40,672	\$ 44,660	\$ 47,260	\$ 48,244	\$ 46,619	\$ 48,240	\$ 50,162	\$ 60,531	\$ 54,936	\$ 57,468
Median age	53.9	53.9	53.9	53.0	53.7	53.8	53.7	53.5	57.5	58.8
Public school enrollment	2,103	1,981	1,886	1,820	1,692	1,619	1,506	1,444	1,380	1,338
Town of Fountain Hills unemployment rate	4.8%	6.7%	5.6%	6.0%	5.4%	2.4%	1.9%	1.6%	3.9%	8.7%
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	1,226	1,218	1,209	1,196	1,165	1,247	1,209	1,175	1,172	1,052
Number of units										
Housing	12,983	12,990	12,977	12,991	12,981	13,002	13,130	13,176	13,558	13,749
Lodging	4	4	4	4	4	4	4	4	4	4
Restaurants	53	56	56	54	43	46	50	52	54	55
Shopping centers	20	20	20	20	20	20	20	20	20	20
Schools										
Public	4	4	3	3	3	3	3	3	3	3
Preschool	4	4	6	7	7	7	7	7	5	5
Charter	1	1	1	1	1	1	1	1	1	1
Vocational	-	-	-	-	-	-	-	-	1	2

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, 2019 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 2019.

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

<b>Employer</b>	<b>2019*</b>			<b>2010</b>	
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Town Employment</b>	<b>Number of Employees</b>	<b>Rank</b>
Fountain Hills Unified School District No. 98	320	1	6.3%	278	1
Rural Metro Corporation	130	2	2.5%		
Safeway Stores	130	2	2.5%	91	5
Fountain View Village	120	4	2.3%		
Firerock Country Club	100	5	2.0%		
Fry's Food Stores	90	6	1.8%	76	6
Target Stores	90	6	1.8%	125	2
Eagle Mountain Golf Club	70	8	1.4%	69	7
Fountain Hills Family Practice PC	70	8	1.4%		
Bashas	60	10	1.2%	64	8
Golf International Inc	60	10	1.2%		
Quotemedia Inc	60	10	1.2%		
Sunridge Canyon Golf Course	60	10	1.2%	58	10
Town of Fountain Hills	60	10	1.2%	61	9
United States Postal Service	60	10	1.2%		
Monks Construction				110	3
MCO Properties, Inc.				103	4
<b>Totals</b>	<b>1,480</b>		<b>29.2%</b>	<b>1,035</b>	
<b>Total Town employment</b>	<b>5,110</b>			<b>5,486</b>	

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

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

\* Data for 2020 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Municipal court	5.00	5.00	5.00	4.00	3.63	3.63	3.63	3.63	3.63	3.63
Administration	11.25	11.58	11.68	10.56	11.33	11.63	12.25	13.45	13.70	15.20
Public works							9.80	9.80	10.80	12.43
Development services	23.25	20.25	18.75	16.25	16.30	16.30	7.50	8.50	7.50	9.00
Community services	21.63	21.53	21.18	20.18	21.06	20.76	20.76	20.56	20.56	20.56
Total	61.13	58.36	56.61	50.99	52.32	52.32	53.94	55.94	56.19	60.82

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Municipal Court										
Cases filed	2,584	2,173	1,740	1,649	1,738	1,593	2,014	1,277	891	2,237
Hearings/Trials held	738	731	703	1,665	1,585	1,564	1,844	676	801	568
Administration										
FTEs per 1,000 residents	2.7	2.6	2.5	2.2	2.2	2.2	2.2	2.3	2.2	2.4
Registered voters - general election	none	16,074	none	N/A	16,213	none	16,387	none	16,775	none
Voter turnout - general election	none	34%	none	N/A	38%	none	41%	none	51%	none
Development Services										
Building permits issued	350	346	457	445	443	410	509	468	576	547
Building inspections conducted	1,546	1,257	1,395	2,131	2,448	2,129	2,704	3,707	4,795	4,069
Number of code violation cases	843	804	746	716	752	713	669	654	655	690
Number of zoning cases	14	7	10	41	65	72	50	41	11	7
Community Services										
Number of Community Center bookings	3,315	3,236	3,196	3,383	3,439	3,124	3,764	4,395	3,857	3,169
Number of participants in recreational programs	1,759	1,833	1,789	2,291	2,249	2,910	3,773	3,794	3,489	1,830
Number of Senior Services members	1,205	1,208	1,118	1,189	1,273	1,326	1,335	1,220	1,313	1,265
Number of home delivered meals	9,742	8,419	6,941	4,799	4,035	3,497	3,920	3,093	3,562	5,215
Law Enforcement (contracted)										
Physical arrests	645	522	545	743	445	220	220	214	67	86
Traffic violations	1,909	1,366	1,296	1,379	1,539	1,215	1,803	1,053	1,248	2,618
Fire & Emergency Medical (contracted)										
Total incident responses	3,179	3,082	3,136	2,956	3,166	3,191	3,425	3,659	4,073	3,896
Average response time (in minutes)	3:46	3:50	3:53	3:37	3:57	3:25	3:33	3:32	3:51	4:21

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

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

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

Function/Program	Fiscal Year Ended June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (centerline miles)	178.9	178.9	178.9	178.9	178.9	178.9	178.9	180.0	180.0	180.0
Streets (lane miles)	390	390	390	390	390	390.5	390.5	391.5	391.5	391.5
Pedestrian lighting	34	34	34	34	85	91	91	91	91	91
Traffic signals	13	13	13	13	13	13	13	13	13	13
Parks and recreation										
Acreage-developed parks	116	116	116	116	119	119	119	119	119	119
Playgrounds	7	7	7	7	7	7	7	7	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	N/A	740	740	740	807.2	807.2	807.2	807.2	889.2	913.2
Miles of trails	N/A	4.3	10.43	10.43	15.8	15.8	18.5	18.5	18.5	18.5

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**  
**16705 E. Avenue of the Fountains**  
**Fountain Hills, Arizona 85268**  
**480-816-5100**  
**[www.fh.az.gov](http://www.fh.az.gov)**



**- [facebook.com/TownofFountainHills](https://facebook.com/TownofFountainHills)**



**- [twitter.com/fhazgov](https://twitter.com/fhazgov)**