

# Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

# Town of Fountain Hills Arizona



**TOWN OF FOUNTAIN HILLS, ARIZONA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Issued by:  
Administration Department  
Finance Division

# TOWN OF FOUNTAIN HILLS, ARIZONA

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## **INTRODUCTORY SECTION**

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## TOWN OF FOUNTAIN HILLS

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

November 4, 2021

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

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Town of Fountain Hills (Town) for the fiscal year ended June 30, 2021.

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, 2021, 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, 2021, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

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

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

Over the past thirty years, Fountain Hills has grown from 10,030 residents to a town of 23,820 in 2020. On June 5, 2006, the Town of Fountain Hills became twenty square miles and about ten percent larger by annexing 1,300 acres of State Trust Land. The process to annex the State Trust Land occurred over a two and one-half year period, and development of the land will occur in the years to come. Annexing this property into the Town ensures that its future development will be of the highest quality under Town standards.

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



## The Town's Mission Statement

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

- providing for 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 62 FTE employees. The Presiding Judge, Town Attorney, and Town Prosecutor are under the direction of the Town Council.



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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### **Internal Controls**

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

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

The concept of reasonable assurance recognizes:

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

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

### **Budgetary Controls**

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

The Town Council formally adopts the budget and appropriates funding for the General Fund, Special Revenue Funds, Debt Service Funds, Internal Service Funds, 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. The budget includes proposed expenditures and the means of financing them. The Town Council is then required to hold public hearings on the proposed budget and to adopt a final budget by June 30, the close of the Town of Fountain Hills' fiscal year. Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local taxpayers. 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. All inter-departmental and inter-fund transfers are approved by Town Council. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article IX, Section 20.

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

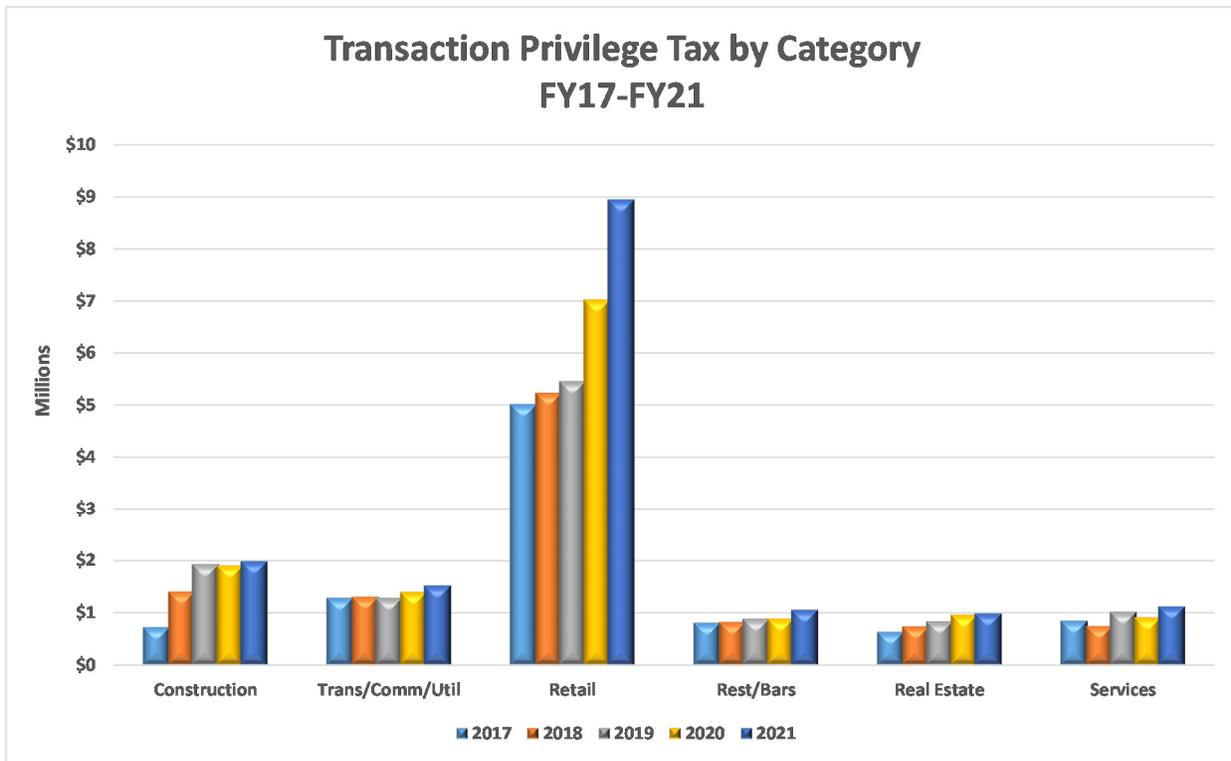
To ensure compliance with the state imposed expenditure limitation, a uniform expenditure report must be filed with the state each year. This report reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the state's uniform expenditure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

The appropriated budget is prepared by fund and department. Department heads may make transfers of non-personnel appropriations within their department. Transfers of appropriations between departments, 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, relies mostly on its Transaction Privilege Tax (Sales Tax) and Voter-Approved Local Revenue (State Shared Revenue) collections to fund nearly 90% of its General Fund (Operating) expenditures. During the past fiscal year, the Town's revenue collections from these sources met, or exceeded, budgeted expectations. However, the effects of the pandemic on personal income will not have an effect on collections until Fiscal Year 2023 since it lags by two years. 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, elimination or modification to the job description. The Town will be closely monitoring its revenue sources and make adjustments accordingly.

Local sales tax collections have continued to grow during the past fiscal year. The following chart is a look at the past five years' local sales tax activity by category:



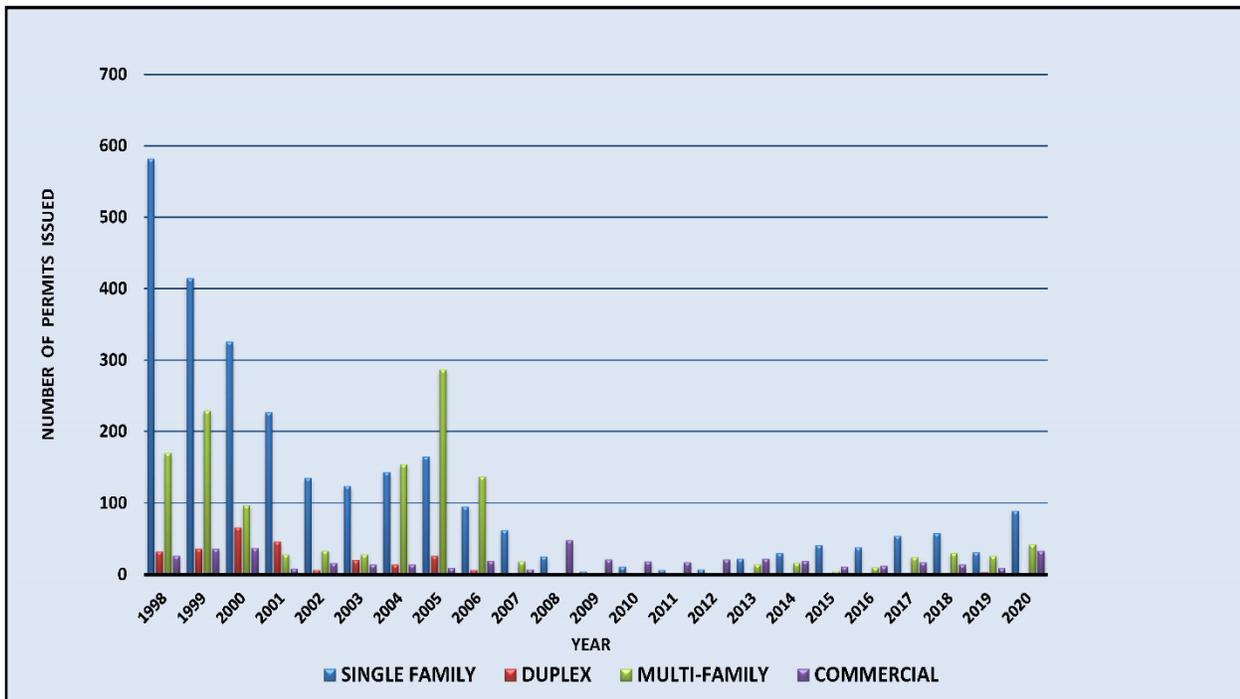
As shown in the chart, sales tax collections continue to show signs of moderate growth and relative stability across all categories. Retail sales experienced a 27% increase over the prior year, and restaurant/bar revenues have recovered to pre-pandemic levels with an increase of 19% compared to FY20. Construction sales tax, a one-time revenue source, is driven entirely by development activity in the community and increased slightly compared to the prior year. Recent building permit activity indicates that construction sales tax is likely to be stable over the next few fiscal years. The Transportation/Communication/Utility and Services categories also increased during the year with an 8.8% and 22.8% increase in revenues, respectively.

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 93% of total General Fund revenue collected for fiscal year 2020-21.

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 0.44%). State-shared income tax revenue category is based on two years prior personal and corporate earnings. Revenue from the State income tax increased by 11.5% in fiscal year 2020-21. State sales tax has increased over the past several years, and this year continued the trend by increasing revenue by 15.8% compared to the prior year.

Other local activity has remained fairly consistent during the period as a result of the lack of major retailers (the Town has three grocery stores and one major retailer). 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



Year	Single Family	Duplex		Multi-Family		Total Dwelling Units	Commercial	Other
		Bldg.	Total Units	Bldg.	Total Units			
1998	582	17	32	36	170	784	26	995
1999	415	18	36	34	229	680	36	947
2000	326	33	66	23	97	489	37	892
2001	227	23	46	6	28	301	8	707
2002	135	3	6	4	33	174	16	622
2003	124	10	20	10	28	172	14	689
2004	143	7	14	64	154	311	14	664
2005	165	13	26	184	287	478	9	777
2006	95	3	6	102	137	238	19	745
2007	62	0	0	18	18	80	7	589
2008	25	1	2	2	2	29	48	489
2009	4	1	2	0	0	6	21	328
2010	11	0	0	0	0	11	18	366
2011	6	0	0	0	0	6	17	319
2012	7	0	0	0	0	7	21	106
2013	22	0	0	14	14	36	22	143
2014	30	0	0	16	16	46	19	194
2015	41	0	0	4	4	45	11	186
2016	38	0	0	10	10	48	12	238
2017	54	0	0	24	24	78	17	377
2018	58	0	0	30	30	88	14	454
2019	31	3	6	26	26	63	9	448
<b>2020</b>	<b>89</b>	<b>2</b>	<b>4</b>	<b>42</b>	<b>42</b>	<b>135</b>	<b>33</b>	<b>434</b>
<b>23 Year Total</b>	<b>2690</b>	<b>134</b>	<b>266</b>	<b>649</b>	<b>1349</b>	<b>4305</b>	<b>448</b>	<b>11709</b>
<b>23 Year Avg</b>	<b>117.0</b>	<b>5.8</b>	<b>11.6</b>	<b>28.2</b>	<b>58.7</b>	<b>187.2</b>	<b>19.5</b>	<b>509.1</b>

## **Economic Outlook**

**Retail Sales** – Not having a property tax, the Town of Fountain Hills relies heavily on transaction privilege taxes (TPT), sometimes called a sales tax. Overall, Town TPT revenues provide over 50% of the General Fund revenues. On November 1, 2019 the Town’s TPT rate went up 0.3%, The Town’s TPT rate is currently at 2.9%. The construction TPT is equally divided between the General Fund and the Capital Projects Fund.

**State-Shared Revenues** – The Town of Fountain Hills receives significant revenue allocations from the State. These Voter-Approved Local Revenues (VALR), or state-shared revenues, include allocations of the state-collected income tax, sales tax, fuel tax and motor vehicle-in-lieu taxes. All but the fuel tax and the vehicle license tax are placed in the Town’s General Fund, where it is used to sustain a large portion of the Town’s day-to-day activities. These revenue sources have improved recently with the economy showing signs of recovery.

**Highway User Revenue Fund (Streets)** – The Town receives a proportionate share of the fuel tax collected in Maricopa County. These revenues are placed in the Streets Fund to be used specifically for street maintenance and related activity. Although the state-shared revenue formula generally allocates revenues based on official census data, in recent years, the state legislature has reduced the formula distribution of state-shared revenues to cities.

## **Long-term Financial Planning**

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

The Town’s Financial Policies have helped weather the uncertainty encountered during the pandemic. 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 about 60 days of expenditures 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 does allow for bond financing of larger projects so that the cost can be equitably distributed among the Town’s current and future residents.

In 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 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. Although the Plan was to be updated in 2021, the committee was unable to meet due to the pandemic. As a result, the newest version of the Strategic Plan will be introduced in fiscal year 2021-22.

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

The Town of Fountain Hills' adopted budget for fiscal year 2020-21 reflected a cautious approach to the anticipated recovery from the pandemic. Due to the uncertain economic conditions, the Town reduced its expected revenue projections and kept expenditure levels low as well. At the start of the fiscal year, the CARES Act provided some resources to local governments through the State of Arizona. These resources allowed the Town to save nearly \$2.9M in the General Fund that would have otherwise been spent to pay for public safety contracts with Maricopa County Sheriff's Office and Rural Metro.

The Town Council established priorities in FY16-17 of which the top two are Economic Development and Pavement Management. In order to implement the Pavement Management program, the Council approved the use of Vehicle License Tax revenues to be dedicated 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 2020-21 goals attained are summarized within this list of accomplishments:

- Implemented policies and programs to address the worldwide pandemic
- Provided \$300,000 in assistance to local businesses in the form of grants
- Completed the roundabout located at La Montana and Avenue of the Fountains
- Completed major storm drain improvements on Panorama Drive
- Continued park improvements at Four Peaks Park, including a basketball court, new playground equipment covered by a new shade structure, and completed sidewalk loop
- Secured grant funding from the Arizona Office of Tourism - Proposition 302
- Secured grant funding from Salt River Pima-Maricopa Indian Community - Proposition 202

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fountain Hills for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the twenty-fifth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized ACFR. This report satisfied both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program's requirements, and we will be submitting it to the GFOA to determine its eligibility for the fiscal year ended 2021 Certificate.

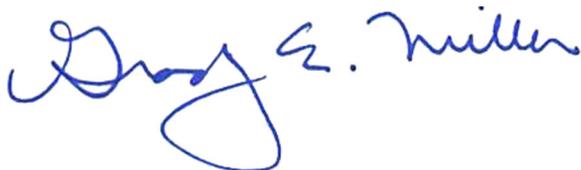
For the ninth year, the Town was also given the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2020.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2020. 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 nineteenth consecutive year that the Town has received the award.

### **Acknowledgments**

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the efficient and dedicated services of the entire Finance Division team. 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, 2021**

**ELECTED OFFICIALS**

Ginny Dickey, Mayor

Alan Magazine, Vice-Mayor

Gerry Friedel, Councilmember

Sharron Grzybowski, Councilmember

Peggy McMahon, Councilmember

Mike Scharnow, Councilmember

David Spelich, 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**

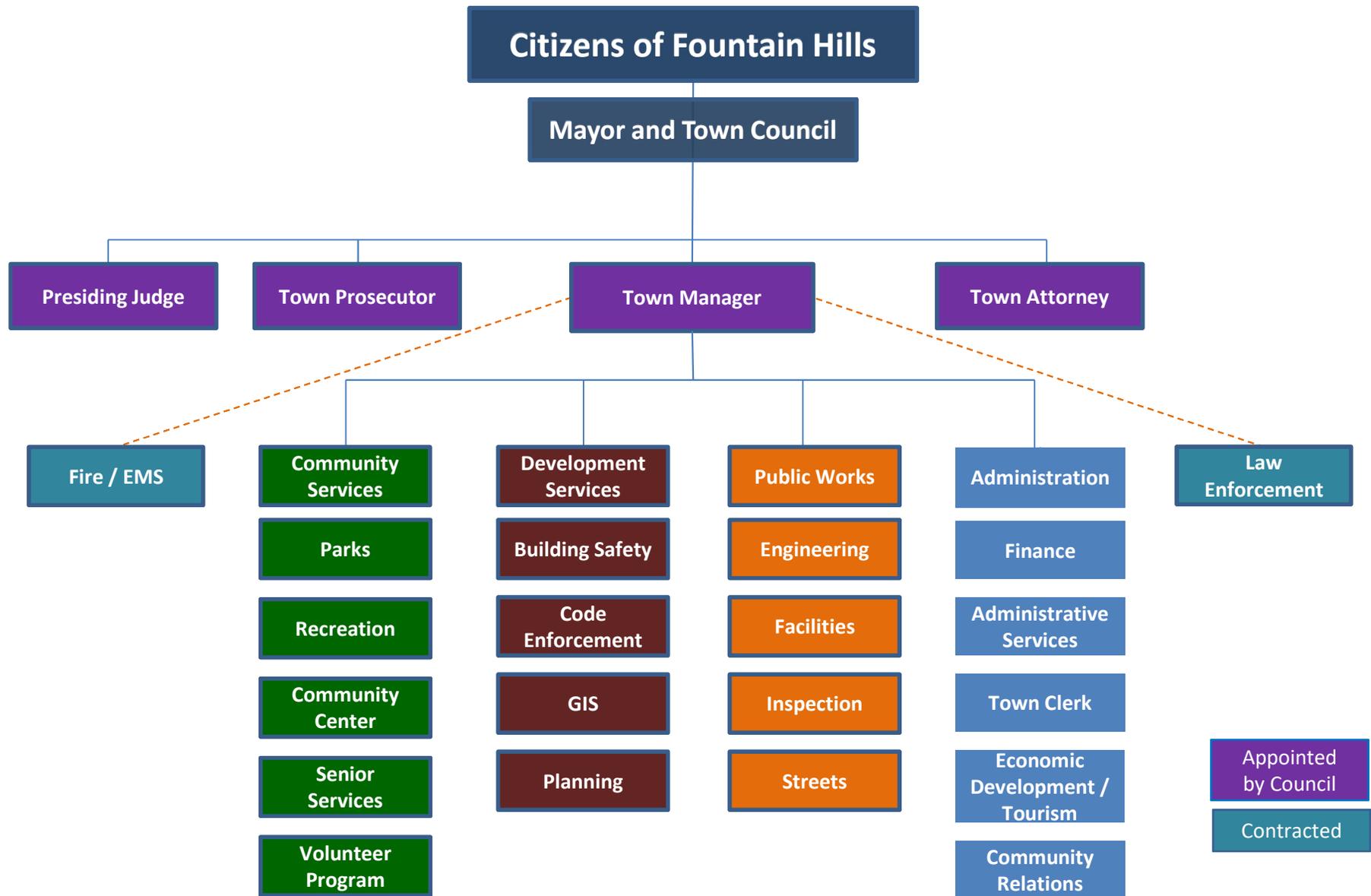
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

# Town of Fountain Hills Organization



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**FINANCIAL SECTION**

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## Independent Auditor's Report

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

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

#### ***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fountain Hills, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Town of Fountain Hills, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

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

### ***Other Matters***

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

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

### *Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021, on our consideration of Town of Fountain Hills, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fountain Hills, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fountain Hills, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
November 4, 2021

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

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

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, 2021. This discussion and analysis is intended to be an easily readable breakdown of the Town of Fountain Hills' financial activities based on currently known facts, decisions and conditions. This analysis will focus on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Town's total net position of governmental activities increased \$3.6 million to \$127.8 million, representing a 2.9 percent increase of the total net position.
- General revenues from governmental activities accounted for \$24.6 million in revenue, or 78.4 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.8 million or 21.6 percent of total governmental activities revenues.
- The Town had \$27.8 million in expenses related to governmental activities, an increase of 3.8 percent from the prior fiscal year, primarily due to increased capital project expenditures.
- Among the major governmental funds, the General Fund had \$22.2 million in current fiscal year revenues, which consisted primarily of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$14.0 million. The General Fund's fund balance increased \$6.0 million to \$15.5 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, 2021**

**OVERVIEW OF FINANCIAL STATEMENTS – continued**

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

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

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

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

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

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

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, 2021**

**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, and Capital Projects Funds, all of which are considered major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Proprietary fund.** The Town maintains one proprietary fund, which is the Technology Replacement Fund, an internal service fund. The fund provides goods and services to other funds and departments on a cost-reimbursement basis. The activity is intended to operate on an essentially “break-even” basis over time.

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

**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 \$127.8 million at the end of the fiscal year.

The largest portion of the Town's governmental activities net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, machinery and equipment and construction in progress); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 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, 2021 and June 30, 2020.

	Governmental Activities	
	As of June 30, 2021	As of June 30, 2020
Current and other assets	\$ 25,980,153	\$ 23,329,463
Capital assets, net	103,822,185	104,404,331
<b>Total assets</b>	<u>129,802,338</u>	<u>127,733,794</u>
Current and other liabilities	1,861,024	3,338,678
Long-term liabilities	190,600	236,576
<b>Total liabilities</b>	<u>2,051,624</u>	<u>3,575,254</u>
Net position		
Net investment in capital assets	103,822,185	104,004,331
Restricted	2,610,178	2,766,041
Unrestricted	21,318,351	17,388,168
<b>Total net position</b>	<u>\$ 127,750,714</u>	<u>\$ 124,158,540</u>

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, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

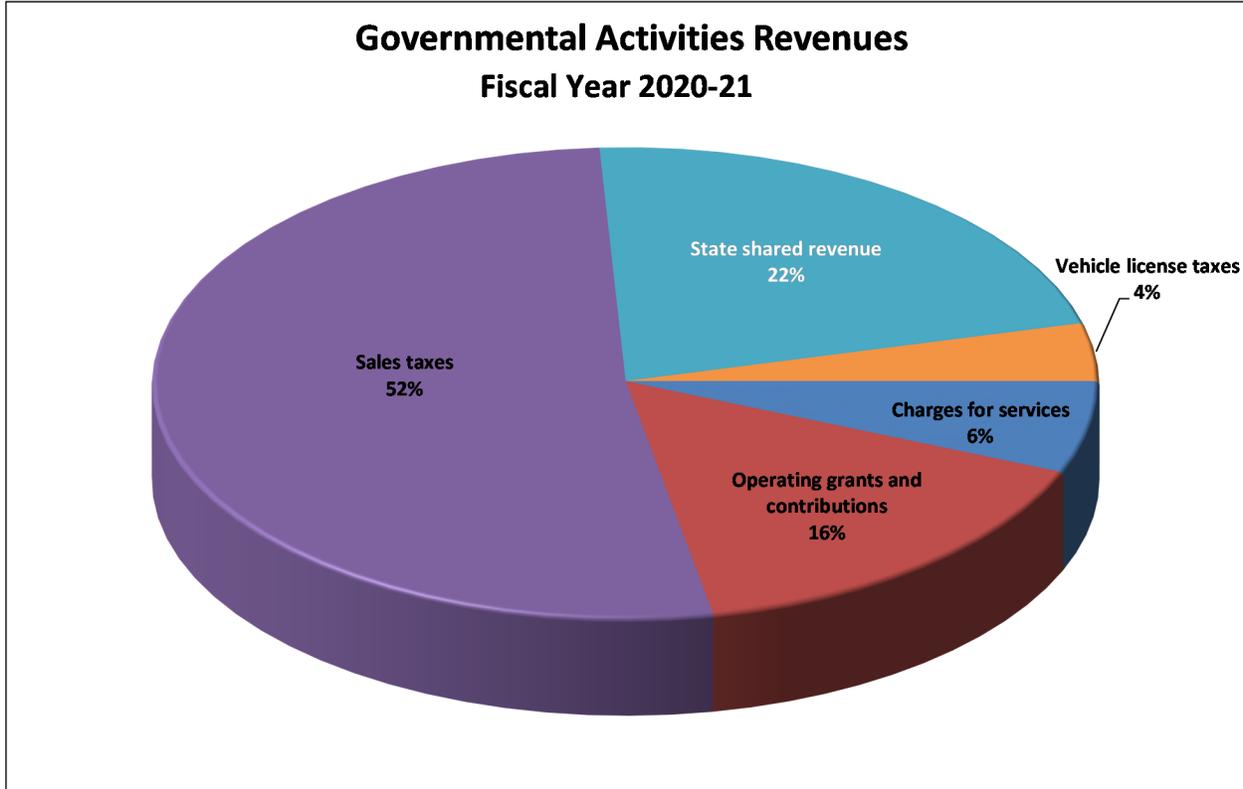
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Changes in net position.** The Town's total revenues for the current fiscal year were \$31.4 million. The total cost of all programs and services was \$27.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

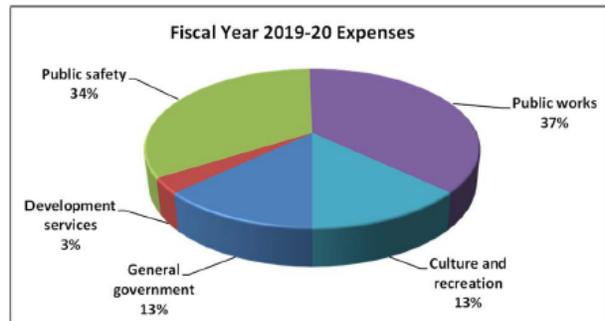
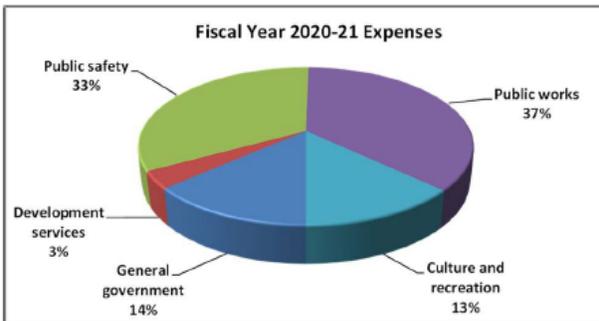
	<u>Governmental Activities</u>	
	<u>Fiscal Year Ended June 30, 2021</u>	<u>Fiscal Year Ended June 30, 2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,899,349	\$ 1,783,926
Operating grants and contributions	4,733,757	2,007,841
Capital grants and contributions	135,525	91,245
General revenues		
Property taxes	402,481	2,077,368
Sales taxes	15,657,292	13,172,390
Franchise taxes	426,260	434,896
State-shared revenue	6,590,986	5,813,932
Vehicle License taxes	1,196,198	1,060,839
Investment earnings	49,665	545,983
Miscellaneous	262,953	236,452
<b>Total revenues</b>	<u>\$ 31,354,466</u>	<u>\$ 27,224,872</u>
<b>Expenses</b>		
General government	\$ 3,793,915	\$ 3,470,936
Development services	968,808	825,884
Public safety	9,214,615	9,003,452
Public works	10,175,540	9,961,306
Culture and recreation	3,601,870	3,490,447
Interest on long-term debt	7,544	881
<b>Total expenses</b>	<u>27,762,292</u>	<u>26,752,906</u>
<b>Changes in net position</b>	3,592,174	471,966
<b>Net position, beginning</b>	124,158,540	123,686,574
<b>Net position, ending</b>	<u>\$127,750,714</u>	<u>\$124,158,540</u>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**



The charts below compare the governmental expenses from fiscal years 2020-21 and 2019-20.



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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued**

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

- Revenue from operating grants increased 135.8 percent compared to the prior year. \$2.9 million in AZ CARES funding was received as a result of the federal government's response to the coronavirus pandemic.
- Investment income decreased 90.9 percent due to the coronavirus pandemic, slowing economy, and lower interest rates.
- Property taxes decreased 80.6 percent due to the retirement of all town-wide bonded debt.
- Overall, expenses increased 3.8 percent primarily due to 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, 2021		Year Ended June 30, 2020	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 3,793,915	\$ (3,435,515)	\$ 3,470,936	\$ (2,845,747)
Development services	968,808	(275,647)	825,884	(216,992)
Public safety	9,214,615	(6,155,942)	9,003,452	(8,856,335)
Public works	10,175,540	(8,011,077)	9,961,306	(7,989,399)
Culture and recreation	3,601,870	(3,107,936)	3,490,447	(2,960,540)
Interest on long-term debt	7,544	(7,544)	881	(881)
<b>Total expenses</b>	<b>\$ 27,762,292</b>	<b>\$ (20,993,661)</b>	<b>\$ 26,752,906</b>	<b>\$ (22,869,894)</b>

- The cost of all governmental activities this year was \$27.8 million.
- Federal, State, and county governments and charges for services subsidized certain governmental programs with revenues of \$6.8 million.
- Net cost of governmental activities of \$21.0 million was financed by general revenues, which consist of primarily sales taxes of \$15.7 million and State-shared revenues of \$7.8 million.

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

**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 \$3.7 million in the combined fund balance from \$20.5 million to \$24.3 million.

The General Fund comprises 63.7 percent of the total fund balance. Approximately \$11.0 million, or 70.9 percent, of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$6.0 million to \$15.5 million as of fiscal year end. General Fund revenues increased \$2.8 million primarily due to increased local sales tax collections. General Fund expenditures decreased \$2.3 million since approximately \$2.9 million in AZ CARES funding was used to pay public safety costs for the fiscal year.

The Highway User Revenue Fund comprises 4.8 percent of total fund balance. The fund balance decreased \$500 thousand from the prior year because of the continuation of the pavement management program.

The Capital Projects Fund comprises 18.5 percent of the total fund balance. All of the fund balance is committed or assigned to capital projects. The fund balance decreased \$1.6 million due to increased capital project expenditures during the fiscal year.

The Grants Fund was utilized during the year to account for the AZ CARES funding. This is Federal funding to assist with COVID-19 related relief. The fund balance decreased \$66,361.

**Proprietary fund.** Unrestricted net position of the Internal Service Fund at the end of the fiscal year amounted to \$95,787. This was an increase of \$95,787 that was due to internal charges to other governmental funds and transfer in from the General Fund.

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

**BUDGETARY HIGHLIGHTS**

A majority of the budget transfers for the fiscal year moved budget authority between departments within the General Fund; however, the final budget for the General Fund did decrease \$2.6 million as a result of transfers to the Grants fund to pay public safety costs using AZ CARES funding.

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 \$2.8 million in overall revenues is primarily due to increased local sales taxes and an increase in construction activity.
- The favorable total expenditures variance of \$2.9 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 \$103.8 million in capital assets, including buildings, facilities, vehicles, computers, equipment, infrastructure and artwork. This amount represents a net increase, prior to depreciation, of \$4.3 million from the prior fiscal year. The increase was primarily due to the reconstruction of a portion of the Panorama Drive storm water system, purchase and replacement of vehicles and equipment, and continuation of the sidewalk infill program. 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, 2021 and June 30, 2020.

	Governmental Activities	
	As of June 30, 2021	As of June 30, 2020
Capital assets – non-depreciable	\$ 34,155,329	\$ 34,417,953
Capital assets – depreciable, net	69,666,856	69,986,378
<b>Total</b>	<b>\$103,822,185</b>	<b>\$104,404,331</b>

The estimated construction commitments amount is \$1,710,344.

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION – continued**

**Debt Administration.** At year-end, the Town had retired the final \$400 thousand in governmental long-term debt outstanding for the Eagle Mountain Community Facilities District, with the entire principal balance being paid. As a result, long-term debt decreased by \$400 thousand during the current fiscal year.

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 \$119 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 \$35.6 million.

Additional information on the Town's long-term debt can be found in Notes 7 and 8 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 2021-22 budget. Among them:

- Revenue projections were developed using conservative growth estimates.
- Federal grants related to COVID-19 pandemic relief.
- Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures for the Town increased 11.6 percent to \$39.1 million in fiscal year 2021-22. Revenues from local sales taxes, state-shared revenue, and federal revenues 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.fountainhillsaz.gov](http://www.fountainhillsaz.gov).

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 24,811,172
Accounts receivable	181,888
Intergovernmental receivable	861,482
Taxes receivable	31,875
Interest receivable	19,502
Inventory, at cost	7,117
Prepaid items	67,117
Total current assets	25,980,153
Noncurrent assets:	
Capital assets not being depreciated	34,155,329
Capital assets, net of accumulated depreciation	69,666,856
Total noncurrent assets	103,822,185
<b>Total assets</b>	<b>129,802,338</b>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	954,829
Retainage payable	106,127
Accrued wages and benefits	156,566
Other liabilities	1,632
Customer deposits	40,350
Compensated absences payable	324,163
Unearned revenues	277,357
Total current liabilities	1,861,024
Noncurrent liabilities:	
Non-current portion of long-term liabilities	190,600
Total noncurrent liabilities	190,600
<b>Total liabilities</b>	<b>2,051,624</b>
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	103,822,185
Restricted for:	
Public works	926,944
Capital outlay	1,480,691
Debt service	202,543
Unrestricted	21,318,351
<b>Total net position</b>	<b>\$ 127,750,714</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, 2021**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
General government	\$ 3,793,915	\$ 310,411	\$ 35,761	\$ 12,228	\$ (3,435,515)
Development services	968,808	693,161			(275,647)
Public safety	9,214,615	104,726	2,939,947	14,000	(6,155,942)
Public works	10,175,540	355,619	1,747,200	61,644	(8,011,077)
Culture and recreation	3,601,870	435,432	10,849	47,653	(3,107,936)
Interest on long-term debt	7,544				(7,544)
<b>Total governmental activities</b>	<u>\$ 27,762,292</u>	<u>\$ 1,899,349</u>	<u>\$ 4,733,757</u>	<u>\$ 135,525</u>	<u>(20,993,661)</u>

**General revenues:**

Taxes:

Property taxes	402,481
Sales taxes	15,657,292
Franchise taxes	426,260
State sales & income tax revenue sharing - unrestricted	6,590,986
Vehicle license tax revenue sharing - unrestricted	1,196,198
Investment earnings	49,665
Miscellaneous	262,953
<b>Total general revenues</b>	<u>24,585,835</u>

**Changes in net position** 3,592,174

**Net position, beginning of year** 124,158,540

**Net position, end of year** \$ 127,750,714

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

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**FUND FINANCIAL STATEMENTS**

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Highway User Revenue	Grants
<b><u>ASSETS</u></b>			
Cash and investments	\$ 15,268,951	\$ 1,064,630	\$ 258,901
Accounts receivable	131,755	50,133	
Intergovernmental receivable	615,125	228,386	
Taxes receivable			
Interest receivable	10,121		
Inventory, at cost	7,117		
Prepaid items	20,171		
<b>Total assets</b>	<b>\$ 16,053,240</b>	<b>\$ 1,343,149</b>	<b>\$ 258,901</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 398,016	\$ 110,526	\$
Retainage payable			
Accrued wages and benefits	133,858	17,457	
Other liabilities	1,625	7	
Customer deposits	40,350		
Unearned revenues	18,456		258,901
<b>Total liabilities</b>	<b>592,305</b>	<b>127,990</b>	<b>258,901</b>
Deferred inflows of resources:			
Unavailable revenues - property taxes			
Unavailable revenues - other	1,905	41,272	
<b>Total deferred inflows of resources</b>	<b>1,905</b>	<b>41,272</b>	
Fund balances:			
Nonspendable	27,287		
Restricted		885,672	
Committed	3,387,433		
Assigned	1,085,667	288,215	
Unassigned	10,958,643		
<b>Total fund balances</b>	<b>15,459,030</b>	<b>1,173,887</b>	
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 16,053,240</b>	 <b>\$ 1,343,149</b>	 <b>\$ 258,901</b>

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

<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,887,095	\$ 3,235,808	\$ 24,715,385
		181,888
	17,971	861,482
	31,875	31,875
8,932	449	19,502
		7,117
46,571	375	67,117
<u>\$ 4,942,598</u>	<u>\$ 3,286,478</u>	<u>\$ 25,884,366</u>
\$ 339,113	\$ 107,174	\$ 954,829
106,127		106,127
	5,251	156,566
		1,632
		40,350
		277,357
<u>445,240</u>	<u>112,425</u>	<u>1,536,861</u>
	27,012	27,012
		43,177
	<u>27,012</u>	<u>70,189</u>
		27,287
	1,656,222	2,541,894
3,305,053	1,125,438	7,817,924
1,192,305	365,381	2,931,568
		10,958,643
<u>4,497,358</u>	<u>3,147,041</u>	<u>24,277,316</u>
<u>\$ 4,942,598</u>	<u>\$ 3,286,478</u>	<u>\$ 25,884,366</u>

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

**Total governmental fund balances** \$ 24,277,316

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	\$ 231,869,678	
Less accumulated depreciation	<u>(128,047,493)</u>	103,822,185

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	27,012	
Other	<u>43,177</u>	70,189

Long-term liabilities (compensated absences payable) are not due and payable in the current period and, therefore, are not reported in the funds. (514,763)

The Internal Service Fund is used by management to charge the cost of technology replacement to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position. 95,787

**Net position of governmental activities** **\$ 127,750,714**

**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, 2021**

	General	Highway User Revenue	Grants
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	13,042,381	1,079,813	
Franchise taxes	426,260		
Licenses and permits	854,384		
Leases and rents	264,621		
Intergovernmental	6,995,548	2,584,538	3,006,715
Charges for services	83,583	15,507	
Other	272,194	2,798	
Fines and forfeitures	210,882		
Investment earnings	29,051	734	388
<b>Total revenues</b>	22,178,904	3,683,390	3,007,103
<b>Expenditures:</b>			
Current -			
General government	3,274,735		64,693
Development services	954,667		
Public safety	6,013,302		2,893,126
Public works	1,087,335	4,356,971	
Culture and recreation	2,519,865		
Capital outlay	132,559		24,455
Debt service -			
Principal retirement			
Interest on long-term debt			
Fiscal charges			
<b>Total expenditures</b>	13,982,463	4,356,971	2,982,274
<b>Excess (deficiency) of revenues over expenditures</b>	8,196,441	(673,581)	24,829
<b>Other financing sources (uses):</b>			
Transfer in		200,000	41,532
Transfer out	(2,156,305)	(5,078)	
<b>Total other financing sources (uses)</b>	(2,156,305)	194,922	41,532
<b>Changes in fund balances</b>	6,040,136	(478,659)	66,361
<b>Fund balances (deficits), beginning of year</b>	9,418,894	1,652,546	(66,361)
<b>Fund balances (deficits), end of year</b>	\$ 15,459,030	\$ 1,173,887	\$

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

<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
995,192	427,387	427,387
	539,906	15,657,292
		426,260
	438,788	1,293,172
		264,621
78,995	47,653	12,713,449
		99,090
14,877	30,422	320,291
	28,309	239,191
15,469	4,012	49,654
<u>1,104,533</u>	<u>1,516,477</u>	<u>31,490,407</u>
3,293	277,572	3,620,293
		954,667
		8,906,428
431,944	445,564	6,321,814
	206,883	2,726,748
4,516,516	84,537	4,758,067
	400,000	400,000
	7,044	7,044
	500	500
<u>4,951,753</u>	<u>1,422,100</u>	<u>27,695,561</u>
<u>(3,847,220)</u>	<u>94,377</u>	<u>3,794,846</u>
2,486,383	358,713	3,086,628
(241,532)	(733,713)	(3,136,628)
<u>2,244,851</u>	<u>(375,000)</u>	<u>(50,000)</u>
<u>(1,602,369)</u>	<u>(280,623)</u>	<u>3,744,846</u>
6,099,727	3,427,664	20,532,470
<u>\$ 4,497,358</u>	<u>\$ 3,147,041</u>	<u>\$ 24,277,316</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, 2021**

**Changes in fund balances - total governmental funds** **\$ 3,744,846**

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

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

Expenditures for capitalized assets	\$ 4,758,055	
Less current year depreciation	<u>(5,340,201)</u>	(582,146)

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

Property taxes	(24,906)	
Intergovernmental	(58,623)	
Other	<u>(50,518)</u>	(134,047)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
	400,000

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.

Compensated absences	67,734
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The Internal Service Fund is used by management to charge the cost of technology replacement to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.	
	<u>95,787</u>

**Changes in net position in governmental activities** **\$ 3,592,174**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Governmental Activities: Internal Service Funds
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 95,787
Total current assets	<u>95,787</u>
<b>Total assets</b>	<u><u>95,787</u></u>
 <b><u>NET POSITION</u></b>	
Unrestricted	95,787
<b>Total net position</b>	<u><u>\$ 95,787</u></u>

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

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

	Governmental Activities: Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 65,000
<b>Total operating revenues</b>	<u>65,000</u>
<b>Operating expenses:</b>	
Cost of services	19,224
<b>Total operating expenses</b>	<u>19,224</u>
<b>Operating income (loss)</b>	<u>45,776</u>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	11
<b>Total nonoperating revenues (expenses)</b>	<u>11</u>
<b>Income (loss) before transfers</b>	<u>45,787</u>
<b>Transfer in</b>	<u>50,000</u>
<b>Changes in net position</b>	<u>95,787</u>
<b>Total net position, beginning of year</b>	
<b>Total net position, end of year</b>	<u><u>\$ 95,787</u></u>

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

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

	<b>Governmental Activities: Internal Service Funds</b>
<b><u>Increase/Decrease in Cash and Cash Equivalents</u></b>	
<b>Cash flows from operating activities:</b>	
Cash received from charges for services	\$ 65,000
Cash payments to suppliers for goods and services	(19,224)
<b>Net cash provided by/used for operating activities</b>	<b>45,776</b>
<b>Cash flows from investing activities:</b>	
Investment income	11
<b>Net cash provided by/used for investing activities</b>	<b>11</b>
<b>Cash flows from noncapital financing activities:</b>	
Transfers in	50,000
<b>Net cash provided by/used for noncapital financing activities</b>	<b>50,000</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>95,787</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>0</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 95,787</b>
 <b><u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u></b>	
Cash and investments	\$ 95,787
Less investments not maturing in less than three months	0
<b>Total cash and cash equivalents</b>	<b>\$ 95,787</b>

**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, 2021**

**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, 2021**

**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, 2021**

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

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

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

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

The Town reports the following major governmental funds.

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

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

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Additionally, the Town reports the following fund type:

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

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

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

**D. Cash and Investments**

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end was cash in bank

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

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

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

**E. Investment Earnings**

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

**F. Receivables and Payables**

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

**G. Property Tax Calendar**

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

All receivables are shown net of an allowance for uncollectibles.

**H. Inventory**

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide financial statements, and as expenditures when consumed in the governmental funds.

**I. Prepaid Items**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**J. 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.

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

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

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

**L. Compensated Absences**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

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

**M. Long-term Obligations**

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

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

**N. Interfund Activity**

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**O. Net Position Flow Assumption**

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

**P. Estimates**

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

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

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

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

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

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

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

The Town has established a stabilization fund (Rainy Day fund) in the Town's fund balance policy. The Rainy Day fund had a balance of \$3,296,434, reported as a committed fund balance at June 30, 2021. The Rainy Day fund may only be used for the following: 1) to replace the loss of more than 20 percent of the Town's local share of state shared revenues, 2) for any event that threatens the health, safety or welfare of the Town's citizens, 3) for any event that threatens the fiscal stability of the Town, and lastly 4) to address any matter declared as an emergency by the governor of the State of Arizona or the Mayor of the Town. All withdrawals from the Rainy Day fund shall be subject to the following rules: 1) any appropriation shall require the approval by at least 2/3 vote by the Town Council, and 2) the maximum amount of Rainy Day withdrawal in any fiscal year shall not exceed one-half of the total balance in the fund. Replenishment of the Rainy Day fund when spent by the Town should not exceed a period of more than five years, and should be repaid in annual installments of not less than one percent of the previous fiscal year General Fund balance. Repayments shall be appropriated as part of the annual budget adoption.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

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

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 7,117				\$ 7,117
Prepaid items	20,170				20,170
Restricted:					
Capital Projects				23,572	23,572
Debt Service				175,531	175,531
Highways and Streets		885,672			885,672
Development Fees				1,457,119	1,457,119
Committed:					
Rainy Day	3,296,434				3,296,434
Public Art	90,999				90,999
Downtown Strategy				449,768	449,768
Economic Development				156,419	156,419
Tourism				124,129	124,129
Capital Projects			3,305,053		3,305,053
Local Court Enhancement				395,122	395,122
Assigned:					
Capital Projects			1,192,305		1,192,305
Environmental				365,381	365,381
Vehicle Replacement	1,085,667	288,215			1,373,882
Unassigned:	10,958,643				10,958,643
Total fund balances	<u>\$ 15,459,030</u>	<u>\$ 1,173,887</u>	<u>\$ 4,497,358</u>	<u>\$ 3,147,041</u>	<u>\$ 24,277,316</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

At year end, the Downtown Strategy Fund had expenditures that exceeded the budget, however, this does not constitute a violation of any legal provisions.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 4 – 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 \$571,205 and the bank balance was \$887,363. At year end, \$387,363 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, 2021**

**NOTE 4 – 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, 2021, are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 24,239,167
Carrying amount of cash deposits	571,205
Cash on hand	800
Total pooled cash and investments	<u>\$ 24,811,172</u>

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	\$ 3,408,792	\$ 247,839	\$3,160,953	A+, AA+, AAA	Aaa
Federal Agency Notes	Level 1	2,934,037	550,840	2,383,197	AA+	Aaa
Corporate and Foreign Bonds	Level 2	1,852,883		1,852,883	BBB+ to AA+	A3 - Aaa
Asset Backed Securities	Level 2	762,726		762,726	NR to AAA	NR to Aaa
Certificates of Deposit	Level 2	479,206	201,084	278,122	A-1 to A+	P-1 to Aaa
US Bank Money Market Funds	Level 1	13,539			n/a	n/a
			<u>\$ 999,763</u>	<u>\$8,437,881</u>		
State Treasurer’s Investment Pool 7	Not applicable	14,787,984	62 days average maturities			
Total		<u>\$24,239,167</u>				

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

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 4 – CASH AND INVESTMENTS**

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

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

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

Investment Type	Fair Value	Percent of Town Investments
U.S. Government and Agency Notes	\$ 3,408,792	14.1%
Federal Agency notes	2,934,037	12.1%
Corporate and Foreign Bonds	1,852,883	7.6%
Asset Backed Securities	762,726	3.1%
Certificates of Deposit	479,206	2.0%
US Bank Money Market Funds	13,539	0.1%
State Treasurer’s investment pool 7	14,787,984	61.0%
	<u>\$ 24,239,167</u>	

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 – 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 6 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 29,690,368	\$	\$	\$ 29,690,368
Artwork	2,573,900			2,573,900
Construction in progress	2,153,685	4,566,516	4,829,140	1,891,061
Total capital assets, not being depreciated	<u>34,417,953</u>	<u>4,566,516</u>	<u>4,829,140</u>	<u>34,155,329</u>
<b>Capital assets, being depreciated:</b>				
Infrastructure	150,166,132	4,397,146		154,563,278
Buildings and building improvements	22,927,414	189,091		23,116,505
Improvements other than buildings	15,282,504	142,018		15,424,522
Vehicles, machinery and equipment	4,749,493	292,424	431,873	4,610,044
Total capital assets being depreciated	<u>193,125,543</u>	<u>5,020,679</u>	<u>431,873</u>	<u>197,714,349</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(103,203,442)	(4,001,765)		(107,205,207)
Buildings and building improvements	(6,484,475)	(485,173)		(6,969,648)
Improvements other than buildings	(11,421,801)	(531,332)		(11,953,133)
Vehicles, machinery and equipment	(2,029,447)	(321,931)	431,873	(1,919,505)
Total accumulated depreciation	<u>(123,139,165)</u>	<u>(5,340,201)</u>	<u>431,873</u>	<u>(128,047,493)</u>
Total capital assets, being depreciated, net	<u>69,986,378</u>	<u>(319,522)</u>		<u>69,666,856</u>
Governmental activities capital assets, net	<u>\$ 104,404,331</u>	<u>\$ 4,246,994</u>	<u>\$ 4,829,140</u>	<u>\$ 103,822,185</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General government	\$ 194,927
Development services	16,721
Public safety	308,187
Streets and highways	3,952,941
Culture and recreation	867,425
Total depreciation expense	<u>\$ 5,340,201</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 – CAPITAL ASSETS**

**Construction Commitments** – At June 30, 2021, the Town has the following active construction commitments:

Project	Governmental Activities	
	Spent-to-Date	Remaining Commitment
Golden Eagle Drainage Improvements	\$ 208,791	\$ 1,100,000
Video Surveillance Cameras	127,065	50,000
Four Peaks Park Playground Upgrade	830,629	200,000
Four Peaks Park Playground Parking Lot Improvements	263	65,000
Unpaved Alley Paving	253,231	34,000
Shea Boulevard Widening - Palisades to Technology	112,851	226,000
Desert Vista Sidewalk Improvements	73,160	12,741
Traffic Signal at Palisades and Eagle Ridge	26,424	22,603
Total commitments	<u>\$ 1,632,414</u>	<u>\$ 1,710,344</u>

**NOTE 7 – BONDS PAYABLE**

**Private Placements**

The Town had bonds during the fiscal year from private placements reported as governmental activities. The Eagle Mountain Community Facilities District has no outstanding bonds at the end of the fiscal year from private placements reported as governmental activities. There are no specific provisions regarding default on the Eagle Mountain Community Facilities District debt. The Town has no remaining bonds payable at year end.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 – 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:					
Private placement general obligation bonds	\$ 400,000	\$	\$ 400,000	\$	\$
Total bonds payable	<u>400,000</u>		<u>400,000</u>		
Compensated absences payable	<u>582,497</u>	<u>297,848</u>	<u>365,582</u>	<u>514,763</u>	<u>324,163</u>
Governmental activity long-term Liabilities	<u>\$ 982,497</u>	<u>\$ 297,848</u>	<u>\$ 765,582</u>	<u>\$ 514,763</u>	<u>\$ 324,163</u>

**NOTE 9 – 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			41,532		41,532
Capital Projects Fund	1,906,305	5,078		575,000	2,486,383
Non-Major Governmental Funds	200,000			158,713	358,713
Internal Service Fund	50,000				50,000
Total	<u>\$ 2,156,305</u>	<u>\$ 5,078</u>	<u>\$ 241,532</u>	<u>\$ 733,713</u>	<u>\$ 3,136,628</u>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The General Fund transferred \$1,906,305 to Capital Projects Fund for future projects, as required by the Town’s financial policies; \$50,000 to Internal Service Fund for technology replacement costs; and \$200,000 to Environmental Fund for continued storm drain and wash maintenance. The Highway User Revenue Fund transferred \$5,078 to Capital Projects Fund for street-related capital projects. The Capital Projects Fund transferred \$200,000 to Highway User Revenue Fund for pavement maintenance. and \$41,532 to the Grants Fund for the Town's matching portion of a park improvement grant. The Economic Development Fund transferred \$158,713 to the Tourism Fund to provide funding for operating costs of the tourism program. The Downtown Strategy Fund transferred \$575,000 to the Capital Projects Fund for downtown street improvements. The General Fund transferred \$50,000 to the Internal Service Fund for technology replacements.

**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, 2021**

**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, 2021, was \$3,596,773. The Town's total payroll was \$4,345,699.

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

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 \$395,645. The employees' contributions totaled \$395,645. 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 \$107,073 to that plan. The Town contributed \$9,026 for the contract employee's 457 account.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 12 – RETIREMENT PLANS**

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 2020-21 or as of the close of the fiscal year.

**NOTE 13 – SUBSEQUENT EVENT**

The Town applied for American Rescue Plan Act funding from the Governor's Office and was subsequently awarded \$8,416,299 on July 2, 2021. The funding was made available through the U.S. Department of the Treasury's American Rescue Plan 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, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes	10,422,156	10,422,156	13,042,381	\$ 2,620,225
Franchise taxes	211,974	211,974	426,260	214,286
Licenses and permits	992,736	992,736	854,384	(138,352)
Leases and rents	278,590	278,590	264,621	(13,969)
Intergovernmental	6,840,899	6,840,899	6,995,548	154,649
Charges for services	321,550	321,550	83,583	(237,967)
Other	81,355	81,355	272,194	190,839
Fines and forfeitures	185,004	185,004	210,882	25,878
Investment earnings	26,640	26,640	29,051	2,411
<b>Total revenues</b>	<u>19,360,904</u>	<u>19,360,904</u>	<u>22,178,904</u>	<u>2,818,000</u>
<b>Expenditures:</b>				
Current -				
General government				
Mayor and council	74,882	74,882	50,769	24,113
Administration	2,339,660	2,339,660	2,081,037	258,623
Non departmental	2,204,940	1,745,772	753,253	992,519
Municipal court	402,603	402,603	389,676	12,927
Total general government	<u>5,022,085</u>	<u>4,562,917</u>	<u>3,274,735</u>	<u>1,288,182</u>
Development services	946,483	1,019,383	954,667	64,716
Public safety				
Fire and emergency	4,197,328	3,153,546	2,660,413	493,133
Law enforcement	5,029,469	3,914,125	3,352,889	561,236
Total public safety	<u>9,226,797</u>	<u>7,067,671</u>	<u>6,013,302</u>	<u>1,054,369</u>
Public works	1,120,861	1,120,861	1,087,335	33,526
Culture and recreation	3,026,686	2,961,686	2,519,865	441,821
Capital outlay	111,989	163,589	132,559	31,030
<b>Total expenditures</b>	<u>19,454,901</u>	<u>16,896,107</u>	<u>13,982,463</u>	<u>2,913,644</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(93,997)</u>	<u>2,464,797</u>	<u>8,196,441</u>	<u>5,731,644</u>
<b>Other financing sources (uses):</b>				
Transfer in				-
Transfer out	(250,000)	(250,000)	(2,156,305)	(1,906,305)
<b>Total other financing sources (uses):</b>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(2,156,305)</u>	<u>(1,906,305)</u>
<b>Changes in fund balances</b>	<u>(343,997)</u>	<u>2,214,797</u>	<u>6,040,136</u>	<u>3,825,339</u>
<b>Fund balances, beginning of year</b>	3,838,975	5,672,100	9,418,894	3,746,794
<b>Fund balances (deficits), end of year</b>	<u>\$ 3,494,978</u>	<u>\$ 7,886,897</u>	<u>\$ 15,459,030</u>	<u>\$ 7,572,133</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, 2021**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Sales taxes	\$ 871,254	\$ 1,079,813	\$ 208,559
Intergovernmental	2,578,272	2,584,538	6,266
Charges for services	200,000	15,507	(184,493)
Other	31,000	2,798	(28,202)
Investment earnings	24,000	734	(23,266)
<b>Total revenues</b>	<u>3,704,526</u>	<u>3,683,390</u>	<u>(21,136)</u>
<b>Expenditures:</b>			
Current -			
Public works	5,120,819	4,356,971	763,848
<b>Total expenditures</b>	<u>5,120,819</u>	<u>4,356,971</u>	<u>763,848</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,416,293)</u>	<u>(673,581)</u>	<u>742,712</u>
<b>Other financing sources (uses):</b>			
Transfer in	200,000	200,000	
Transfer out		(5,078)	(5,078)
<b>Total other financing sources (uses)</b>	<u>200,000</u>	<u>194,922</u>	<u>(5,078)</u>
<b>Changes in fund balances</b>	<u>(1,216,293)</u>	<u>(478,659)</u>	<u>737,634</u>
<b>Fund balances, beginning of year</b>	1,652,546	1,652,546	
<b>Fund balances, end of year</b>	<u>\$ 436,253</u>	<u>\$ 1,173,887</u>	<u>\$ 737,634</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
Intergovernmental	\$ 1,308,800	\$ 1,303,800	\$ 3,006,715	\$ 1,702,915
Investment earnings			388	388
<b>Total revenues</b>	<u>1,308,800</u>	<u>1,303,800</u>	<u>3,007,103</u>	<u>1,703,303</u>
<b>Expenditures:</b>				
Current -				
General government		801,500	64,693	736,807
Public safety	1,338,500	2,893,126	2,893,126	
Capital outlay		37,000	24,455	12,545
<b>Total expenditures</b>	<u>1,338,500</u>	<u>3,731,626</u>	<u>2,982,274</u>	<u>749,352</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(29,700)</u>	<u>(2,427,826)</u>	<u>24,829</u>	<u>2,452,655</u>
<b>Other financing sources (uses):</b>				
Transfer in	29,700	29,700	41,532	11,832
<b>Total other financing sources (uses)</b>	<u>29,700</u>	<u>29,700</u>	<u>41,532</u>	<u>11,832</u>
<b>Changes in fund balances</b>		<u>(2,398,126)</u>	<u>66,361</u>	<u>2,464,487</u>
<b>Fund balances (deficits), beginning of year</b>	(66,361)	(66,361)	(66,361)	
<b>Fund balances (deficits), end of year</b>	<u>\$ (66,361)</u>	<u>\$ (2,464,487)</u>	<u>\$</u>	<u>\$ 2,464,487</u>

See accompanying notes to this schedule.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

1. In accordance with Arizona Revised Statutes, the Town 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.

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

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2021**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,607,915	\$ 170,774	\$ 1,457,119
Intergovernmental receivable	17,971		
Taxes receivable	28	31,847	
Interest receivable	449		
Prepaid items	375		
<b>Total assets</b>	<u><u>\$ 1,626,738</u></u>	<u><u>\$ 202,621</u></u>	<u><u>\$ 1,457,119</u></u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 107,096	\$ 78	\$
Accrued wages and benefits	5,251		
<b>Total liabilities</b>	<u>112,347</u>	<u>78</u>	
Deferred inflows of resources:			
Unavailable revenues - property taxes		<u>27,012</u>	
Fund balances:			
Restricted	23,572	175,531	1,457,119
Committed	1,125,438		
Assigned	365,381		
<b>Total fund balances</b>	<u>1,514,391</u>	<u>175,531</u>	<u>1,457,119</u>
<b>Total liabilities, deferred inflows of resources</b>			
<b>and fund balances</b>	<u><u>\$ 1,626,738</u></u>	<u><u>\$ 202,621</u></u>	<u><u>\$ 1,457,119</u></u>

Total Non-Major  
Governmental  
Funds

\$ 3,235,808  
17,971  
31,875  
449  
375  
\$ 3,286,478

\$ 107,174  
5,251  
112,425

27,012

1,656,222  
1,125,438  
365,381  
3,147,041

\$ 3,286,478

**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, 2021**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Property taxes	\$ 6,468	\$ 420,919	\$
Sales taxes	539,906		
Licenses and permits	40,330		398,458
Intergovernmental	47,653		
Other	30,422		
Fines and forfeitures	28,309		
Investment earnings	3,405	98	509
<b>Total revenues</b>	<u>696,493</u>	<u>421,017</u>	<u>398,967</u>
<b>Expenditures:</b>			
Current -			
General government	277,572		
Public works	445,564		
Culture and recreation	166,883		40,000
Capital outlay	84,527	10	
Debt service -			
Principal retirement		400,000	
Interest on long-term debt		7,044	
Fiscal charges		500	
<b>Total expenditures</b>	<u>974,546</u>	<u>407,554</u>	<u>40,000</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(278,053)</u>	<u>13,463</u>	<u>358,967</u>
<b>Other financing sources (uses):</b>			
Transfer in	358,713		
Transfer out	(733,713)		
<b>Total other financing sources (uses)</b>	<u>(375,000)</u>		
<b>Changes in fund balances</b>	<u>(653,053)</u>	<u>13,463</u>	<u>358,967</u>
<b>Fund balances, beginning of year</b>	2,167,444	162,068	1,098,152
<b>Fund balances, end of year</b>	<u>\$ 1,514,391</u>	<u>\$ 175,531</u>	<u>\$ 1,457,119</u>

Total Non-Major  
Governmental  
Funds

\$ 427,387  
539,906  
438,788  
47,653  
30,422  
28,309  
4,012  
1,516,477

277,572  
445,564  
206,883  
84,537

400,000  
7,044  
500

1,422,100

94,377

358,713  
(733,713)  
(375,000)

(280,623)

3,427,664

\$ 3,147,041

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## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

### Debt Service Funds

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

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

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

### Capital Projects Funds

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

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

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

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 446,959	\$ 147,714	\$ 126,994
Intergovernmental receivable	3,483	13,934	
Taxes receivable			
Interest receivable	449		
Prepaid items			375
<b>Total assets</b>	<u><u>\$ 450,891</u></u>	<u><u>\$ 161,648</u></u>	<u><u>\$ 127,369</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,123	\$ 501	\$ 2,717
Accrued wages and benefits		4,728	523
<b>Total liabilities</b>	<u><u>1,123</u></u>	<u><u>5,229</u></u>	<u><u>3,240</u></u>
Fund balances:			
Restricted			
Committed	449,768	156,419	124,129
Assigned			
<b>Total fund balances</b>	<u><u>449,768</u></u>	<u><u>156,419</u></u>	<u><u>124,129</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 450,891</u></u>	<u><u>\$ 161,648</u></u>	<u><u>\$ 127,369</u></u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$ 394,568	\$ 467,638	\$ 24,042	\$ 1,607,915
554			17,971
		28	28
			449
			375
<u>\$ 395,122</u>	<u>\$ 467,638</u>	<u>\$ 24,070</u>	<u>\$ 1,626,738</u>
\$	\$ 102,257	\$ 498	\$ 107,096
			5,251
	<u>102,257</u>	<u>498</u>	<u>112,347</u>
		23,572	23,572
395,122			1,125,438
	365,381		365,381
<u>395,122</u>	<u>365,381</u>	<u>23,572</u>	<u>1,514,391</u>
<u>\$ 395,122</u>	<u>\$ 467,638</u>	<u>\$ 24,070</u>	<u>\$ 1,626,738</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, 2021**

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	107,981	431,925	
Licenses and permits			
Intergovernmental			47,653
Other	22,000	7,083	1,339
Fines and forfeitures			
Investment earnings	2,858	59	46
<b>Total revenues</b>	<u>132,839</u>	<u>439,067</u>	<u>49,038</u>
<b>Expenditures:</b>			
Current -			
General government	50,091	227,481	
Public works			
Culture and recreation			166,883
Capital outlay	49,475		
<b>Total expenditures</b>	<u>99,566</u>	<u>227,481</u>	<u>166,883</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>33,273</u>	<u>211,586</u>	<u>(117,845)</u>
<b>Other financing sources (uses):</b>			
Transfer in			158,713
Transfer out	(575,000)	(158,713)	
<b>Total other financing sources (uses)</b>	<u>(575,000)</u>	<u>(158,713)</u>	<u>158,713</u>
<b>Changes in fund balances</b>	<u>(541,727)</u>	<u>52,873</u>	<u>40,868</u>
<b>Fund balances, beginning of year</b>	991,495	103,546	83,261
<b>Fund balances, end of year</b>	<u>\$ 449,768</u>	<u>\$ 156,419</u>	<u>\$ 124,129</u>

<u>Local Court Enhancement</u>	<u>Environmental</u>	<u>Cottonwoods Maintenance</u>	<u>Totals</u>
\$	\$	\$ 6,468	\$ 6,468
	40,330		539,906
			40,330
			47,653
			30,422
28,309			28,309
169	260	13	3,405
<u>28,478</u>	<u>40,590</u>	<u>6,481</u>	<u>696,493</u>
			277,572
	440,666	4,898	445,564
			166,883
35,052			84,527
<u>35,052</u>	<u>440,666</u>	<u>4,898</u>	<u>974,546</u>
<u>(6,574)</u>	<u>(400,076)</u>	<u>1,583</u>	<u>(278,053)</u>
	200,000		358,713
	<u>200,000</u>		<u>(733,713)</u>
			<u>(375,000)</u>
<u>(6,574)</u>	<u>(200,076)</u>	<u>1,583</u>	<u>(653,053)</u>
401,696	565,457	21,989	2,167,444
<u>\$ 395,122</u>	<u>\$ 365,381</u>	<u>\$ 23,572</u>	<u>\$ 1,514,391</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, 2021**

	Downtown Strategy		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes	87,120	107,981	20,861
Licenses and permits			
Intergovernmental			
Other		22,000	22,000
Fines and forfeitures			
Investment earnings	1,260	2,858	1,598
<b>Total revenues</b>	88,380	132,839	44,459
<b>Expenditures:</b>			
Current -			
General government	53,400	50,091	3,309
Public works			
Culture and recreation			
Capital outlay	45,000	49,475	(4,475)
<b>Total expenditures</b>	98,400	99,566	(1,166)
<b>Excess (deficiency) of revenues over expenditures</b>	(10,020)	33,273	43,293
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out	(575,000)	(575,000)	
<b>Total other financing sources (uses)</b>	(575,000)	(575,000)	
<b>Changes in fund balances</b>	(585,020)	(541,727)	43,293
<b>Fund balances, beginning of year</b>	991,495	991,495	
<b>Fund balances, end of year</b>	\$ 406,475	\$ 449,768	\$ 43,293

Economic Development			Tourism		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 348,504	\$ 431,925	\$ 83,421	\$ 55,000	\$ 47,653	\$ (7,347)
	7,083	7,083		1,339	1,339
240	59	(181)	180	46	(134)
<u>348,744</u>	<u>439,067</u>	<u>90,323</u>	<u>55,180</u>	<u>49,038</u>	<u>(6,142)</u>
251,270	227,481	23,789	208,264	166,883	41,381
<u>251,270</u>	<u>227,481</u>	<u>23,789</u>	<u>208,264</u>	<u>166,883</u>	<u>41,381</u>
97,474	211,586	114,112	(153,084)	(117,845)	35,239
(158,713)	(158,713)		158,713	158,713	
<u>(158,713)</u>	<u>(158,713)</u>		<u>158,713</u>	<u>158,713</u>	
(61,239)	52,873	114,112	5,629	40,868	35,239
103,456	103,546	90	83,261	83,261	
<u>\$ 42,217</u>	<u>\$ 156,419</u>	<u>\$ 114,202</u>	<u>\$ 88,890</u>	<u>\$ 124,129</u>	<u>\$ 35,239</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, 2021**

	Local Court Enhancement		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$	\$	\$
Sales taxes			
Licenses and permits			
Intergovernmental			
Other			
Fines and forfeitures	49,000	28,309	(20,691)
Investment earnings	900	169	(731)
<b>Total revenues</b>	49,900	28,478	(21,422)
<b>Expenditures:</b>			
Current -			
General government	24,800		24,800
Public works			
Culture and recreation			
Capital outlay	35,500	35,052	448
<b>Total expenditures</b>	60,300	35,052	25,248
<b>Excess (deficiency) of revenues over expenditures</b>	(10,400)	(6,574)	3,826
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	(10,400)	(6,574)	3,826
<b>Fund balances, beginning of year</b>	401,696	401,696	
<b>Fund balances, end of year</b>	\$ 391,296	\$ 395,122	\$ 3,826

Environmental			Cottonwoods Maintenance		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	40,330	40,330	6,642	6,468	(174)
2,400	260	(2,140)	72	13	(59)
<u>2,400</u>	<u>40,590</u>	<u>38,190</u>	<u>6,714</u>	<u>6,481</u>	<u>(233)</u>
666,904	440,666	226,238	5,131	4,898	233
<u>666,904</u>	<u>440,666</u>	<u>226,238</u>	<u>5,131</u>	<u>4,898</u>	<u>233</u>
<u>(664,504)</u>	<u>(400,076)</u>	<u>264,428</u>	<u>1,583</u>	<u>1,583</u>	
200,000	200,000				
<u>200,000</u>	<u>200,000</u>				
<u>(464,504)</u>	<u>(200,076)</u>	<u>264,428</u>	<u>1,583</u>	<u>1,583</u>	
565,457	565,457		21,989	21,989	
<u>\$ 100,953</u>	<u>\$ 365,381</u>	<u>\$ 264,428</u>	<u>\$ 23,572</u>	<u>\$ 23,572</u>	<u>\$</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, 2021**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 6,642	\$ 6,468	\$ (174)
Sales taxes	435,624	539,906	104,282
Licenses and permits		40,330	40,330
Intergovernmental	55,000	47,653	(7,347)
Other		30,422	30,422
Fines and forfeitures	49,000	28,309	(20,691)
Investment earnings	5,052	3,405	(1,647)
<b>Total revenues</b>	551,318	696,493	145,175
<b>Expenditures:</b>			
Current -			
General government	329,470	277,572	51,898
Public works	672,035	445,564	226,471
Culture and recreation	208,264	166,883	41,381
Capital outlay	80,500	84,527	(4,027)
<b>Total expenditures</b>	1,290,269	974,546	315,723
<b>Excess (deficiency) of revenues over expenditures</b>	(738,951)	(278,053)	460,898
<b>Other financing sources (uses):</b>			
Transfer in	358,713	358,713	
Transfer out	(733,713)	(733,713)	
<b>Total other financing sources (uses)</b>	(375,000)	(375,000)	
<b>Changes in fund balances</b>	(1,113,951)	(653,053)	460,898
<b>Fund balances, beginning of year</b>	2,167,354	2,167,444	90
<b>Fund balances, end of year</b>	\$ 1,053,403	\$ 1,514,391	\$ 460,988

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2021**

	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service
<b><u>ASSETS</u></b>			
Cash and investments	\$ 150,292	\$ 9,455	\$ 11,027
Taxes receivable	27,012	4,835	
<b>Total assets</b>	<b>\$ 177,304</b>	<b>\$ 14,290</b>	<b>\$ 11,027</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ _____	\$ 78	\$ _____
<b>Total liabilities</b>	_____	78	_____
Deferred inflows of resources:			
Unavailable revenues - property taxes	27,012		
	_____	_____	_____
Fund balances:			
Restricted	150,292	14,212	11,027
<b>Total fund balances</b>	<b>150,292</b>	<b>14,212</b>	<b>11,027</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 177,304</b>	 <b>\$ 14,290</b>	 <b>\$ 11,027</b>

Totals

\$ 170,774  
31,847  
\$ 202,621

\$ 78  
78

27,012

175,531  
175,531

\$ 202,621

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service
<b>Revenues:</b>			
Property taxes	\$ 26,014	\$ 394,905	\$
Investment earnings	59	39	
<b>Total revenues</b>	<u>26,073</u>	<u>394,944</u>	
<b>Expenditures:</b>			
Capital outlay			10
Debt service -			
Principal retirement		400,000	
Interest on long-term debt		7,044	
Fiscal charges			500
<b>Total expenditures</b>		<u>407,044</u>	<u>510</u>
<b>Changes in fund balances</b>	<u>26,073</u>	<u>(12,100)</u>	<u>(510)</u>
<b>Fund balances, beginning of year</b>	124,219	26,312	11,537
<b>Fund balances, end of year</b>	<u>\$ 150,292</u>	<u>\$ 14,212</u>	<u>\$ 11,027</u>

Totals

\$ 420,919  
98  
421,017

10

400,000  
7,044  
500  
407,554

13,463

162,068

\$ 175,531

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	General Obligation Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$	\$ 26,014	\$ 26,014
Investment earnings	1,200	59	(1,141)
<b>Total revenues</b>	1,200	26,073	24,873
<b>Expenditures:</b>			
Capital outlay			
Debt service -			
Principal retirement			
Interest on long-term debt			
Fiscal charges	350		350
<b>Total expenditures</b>	350		350
<b>Changes in fund balances</b>	850	26,073	25,223
<b>Fund balances, beginning of year</b>	124,219	124,219	
<b>Fund balances, end of year</b>	\$ 125,069	\$ 150,292	\$ 25,223

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>
\$ 400,000	\$ 394,905	\$ (5,095)	\$	\$	\$
240	39	(201)	840		(840)
<u>400,240</u>	<u>394,944</u>	<u>(5,296)</u>	<u>840</u>		<u>(840)</u>
				10	(10)
400,000	400,000				
7,040	7,044	(4)			
200		200	1,010	500	510
<u>407,240</u>	<u>407,044</u>	<u>196</u>	<u>1,010</u>	<u>510</u>	<u>500</u>
<u>(7,000)</u>	<u>(12,100)</u>	<u>(5,100)</u>	<u>(170)</u>	<u>(510)</u>	<u>(340)</u>
26,312	26,312		11,537	11,537	
<u>\$ 19,312</u>	<u>\$ 14,212</u>	<u>\$ (5,100)</u>	<u>\$ 11,367</u>	<u>\$ 11,027</u>	<u>\$ (340)</u>

(Continued)

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 400,000	\$ 420,919	\$ 20,919
Investment earnings	2,280	98	(2,182)
<b>Total revenues</b>	402,280	421,017	18,737
<b>Expenditures:</b>			
Capital outlay		10	(10)
Debt service -			
Principal retirement	400,000	400,000	
Interest on long-term debt	7,040	7,044	(4)
Fiscal charges	1,560	500	1,060
<b>Total expenditures</b>	408,600	407,554	1,046
<b>Changes in fund balances</b>	(6,320)	13,463	19,783
<b>Fund balances, beginning of year</b>	162,068	162,068	
<b>Fund balances, end of year</b>	\$ 155,748	\$ 175,531	\$ 19,783

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUND**  
**JUNE 30, 2021**

	Development Fees
<b><u>ASSETS</u></b>	
Cash and investments	\$ 1,457,119
<b>Total assets</b>	<b>\$ 1,457,119</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Fund balances:	
Restricted	\$ 1,457,119
<b>Total fund balances</b>	<b>1,457,119</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,457,119</b>

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2021**

	Development Fees
<b>Revenues:</b>	
Licenses and permits	\$ 398,458
Investment earnings	509
<b>Total revenues</b>	<b>398,967</b>
 <b>Expenditures:</b>	
Current -	
Culture and recreation	40,000
<b>Total expenditures</b>	<b>40,000</b>
<b>Changes in fund balances</b>	<b>358,967</b>
<b>Fund balances, beginning of year</b>	<b>1,098,152</b>
<b>Fund balances, end of year</b>	<b>\$ 1,457,119</b>

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**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Capital Projects		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 904,152	\$ 995,192	\$ 91,040
Licenses and permits			
Intergovernmental	17,500	78,995	61,495
Other			
Investment earnings	19,200	14,790	(4,410)
<b>Total revenues</b>	<u>940,852</u>	<u>1,088,977</u>	<u>148,125</u>
<b>Expenditures:</b>			
Current -			
General government	2,800	3,293	(493)
Public works			
Culture and recreation			
Capital outlay	5,514,598	4,514,294	1,000,304
<b>Total expenditures</b>	<u>5,517,398</u>	<u>4,517,587</u>	<u>999,811</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,576,546)</u>	<u>(3,428,610)</u>	<u>1,147,936</u>
<b>Other financing sources (uses):</b>			
Transfer in	575,000	2,486,383	1,911,383
Transfer out	(229,700)	(241,532)	(11,832)
<b>Total other financing sources (uses)</b>	<u>345,300</u>	<u>2,244,851</u>	<u>1,899,551</u>
<b>Changes in fund balances</b>	<u>(4,231,246)</u>	<u>(1,183,759)</u>	<u>3,047,487</u>
<b>Fund balances, beginning of year</b>	4,488,812	4,488,812	
<b>Fund balances, end of year</b>	<u>\$ 257,566</u>	<u>\$ 3,305,053</u>	<u>\$ 3,047,487</u>

Facilities Replacement Fund			Development Fees		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			679,311	398,458	(280,853)
	14,877	14,877			
7,200	679	(6,521)	7,200	509	(6,691)
<u>7,200</u>	<u>15,556</u>	<u>8,356</u>	<u>686,511</u>	<u>398,967</u>	<u>(287,544)</u>
819,144	431,944	387,200	40,000	40,000	
	2,222	(2,222)			
<u>819,144</u>	<u>434,166</u>	<u>384,978</u>	<u>40,000</u>	<u>40,000</u>	
<u>(811,944)</u>	<u>(418,610)</u>	<u>393,334</u>	<u>646,511</u>	<u>358,967</u>	<u>(287,544)</u>
<u>(811,944)</u>	<u>(418,610)</u>	<u>393,334</u>	<u>646,511</u>	<u>358,967</u>	<u>(287,544)</u>
1,610,915	1,610,915		1,098,152	1,098,152	
<u>\$ 798,971</u>	<u>\$ 1,192,305</u>	<u>\$ 393,334</u>	<u>\$ 1,744,663</u>	<u>\$ 1,457,119</u>	<u>\$ (287,544)</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, 2021**

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 904,152	\$ 995,192	\$ 91,040
Licenses and permits	679,311	398,458	(280,853)
Intergovernmental	17,500	78,995	61,495
Other		14,877	14,877
Investment earnings	33,600	15,978	(17,622)
<b>Total revenues</b>	<u>1,634,563</u>	<u>1,503,500</u>	<u>(131,063)</u>
<b>Expenditures:</b>			
Current -			
General government	2,800	3,293	(493)
Public works	819,144	431,944	387,200
Culture and recreation	40,000	40,000	
Capital outlay	5,514,598	4,516,516	998,082
<b>Total expenditures</b>	<u>6,376,542</u>	<u>4,991,753</u>	<u>1,384,789</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,741,979)</u>	<u>(3,488,253)</u>	<u>1,253,726</u>
<b>Other financing sources (uses):</b>			
Transfer in	575,000	2,486,383	1,911,383
Transfer out	(229,700)	(241,532)	(11,832)
<b>Total other financing sources (uses)</b>	<u>345,300</u>	<u>2,244,851</u>	<u>1,899,551</u>
<b>Changes in fund balances</b>	<u>(4,396,679)</u>	<u>(1,243,402)</u>	<u>3,153,277</u>
<b>Fund balances, beginning of year</b>	7,197,879	7,197,879	
<b>Fund balances, end of year</b>	<u>\$ 2,801,200</u>	<u>\$ 5,954,477</u>	<u>\$ 3,153,277</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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 92,006,103	\$ 89,800,560	\$ 89,713,260	\$ 95,325,824
Restricted	5,951,416	5,721,744	5,480,867	6,310,810
Unrestricted	<u>21,064,267</u>	<u>20,612,758</u>	<u>19,186,823</u>	<u>15,180,582</u>
Total governmental activities net position	<u>\$ 119,021,786</u>	<u>\$ 116,135,062</u>	<u>\$ 114,380,950</u>	<u>\$ 116,817,216</u>

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

**Fiscal Year ended June 30**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 95,647,990	\$ 94,909,703	\$ 96,777,854	\$ 104,781,328	\$ 104,004,331	\$ 103,822,185
4,530,239	4,471,661	4,589,526	3,646,449	2,766,041	2,610,178
<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>21,318,351</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>	<u>\$ 127,750,714</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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 3,119,113	\$ 2,909,443	\$ 2,432,965	\$ 2,479,365
Development services	1,442,613	1,633,361	1,237,717	2,074,611
Public safety	5,820,136	6,100,131	6,958,056	6,816,152
Public works	4,718,047	5,712,817	6,630,875	4,963,979
Culture and recreation	2,754,731	2,779,294	2,760,690	2,822,954
Interest on long-term debt	779,576	567,043	472,999	698,542
Total governmental activities expenses	<u>18,634,216</u>	<u>19,702,089</u>	<u>20,493,302</u>	<u>19,855,603</u>
<b>Program Revenues</b>				
Governmental activities:				
Fines, fees and charges for services:				
General government	272,469	380,926	215,943	337,655
Development services	322,984	377,483	531,193	693,670
Public safety	63,926	63,824	74,887	86,641
Public works	95,201	112,521	250,421	236,706
Culture and recreation	303,508	288,745	340,353	339,158
Operating grants and contributions	1,285,656	1,266,906	1,307,738	1,431,017
Capital grants and contributions	<u>1,392,706</u>	<u>150,535</u>	<u>144,570</u>	<u>2,874,796</u>
Total governmental activities program revenues	<u>3,736,450</u>	<u>2,640,940</u>	<u>2,865,105</u>	<u>5,999,643</u>
<b>Net (Expenses)/Revenues</b>	(14,897,766)	(17,061,149)	(17,628,197)	(13,855,960)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property taxes	1,453,405	1,385,147	1,449,646	904,660
Sales taxes	7,787,489	7,957,163	8,459,267	8,983,049
Franchise taxes	332,130	334,668	349,414	352,673
State shared revenues	4,515,511	4,979,183	5,326,332	5,713,235
Investment earnings	88,877	69,998	123,311	150,358
Miscellaneous	178,393	300,899	166,115	188,251
Special item - Donation of capital assets	-	-	-	-
Total governmental activities	<u>14,355,805</u>	<u>15,027,058</u>	<u>15,874,085</u>	<u>16,292,226</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ (541,961)</u>	<u>\$ (2,034,091)</u>	<u>\$ (1,754,112)</u>	<u>\$ 2,436,266</u>

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

**Fiscal Year Ended June 30**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 2,516,966	\$ 3,142,722	\$ 3,431,752	\$ 3,318,477	\$ 3,470,936	\$ 3,793,915
2,253,208	1,364,378	1,460,967	867,725	825,884	968,808
7,178,890	7,563,898	7,567,012	8,142,069	9,003,452	9,214,615
6,476,688	7,904,577	7,380,663	10,263,244	9,961,306	10,175,540
3,124,523	3,375,414	3,311,648	3,767,996	3,490,447	3,601,870
241,694	178,749	118,552	57,054	881	7,544
<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>	<u>27,762,292</u>
298,737	837,163	295,716	280,312	533,189	310,411
1,257,492	1,062,094	1,314,915	1,143,871	608,892	693,161
90,345	155,454	155,973	90,774	100,444	104,726
48,688	216,724	52,465	10,214	131,750	355,619
321,189	393,028	497,914	1,151,500	409,651	435,432
1,615,973	1,699,931	1,737,958	1,850,676	2,007,841	4,733,757
381,011	494,328	304,951	181,939	91,245	135,525
<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>	<u>6,768,631</u>
(17,778,534)	(18,671,016)	(18,910,702)	(21,707,279)	(22,869,894)	(20,993,661)
2,569,504	2,296,199	2,263,623	2,476,546	2,077,368	402,481
9,395,667	9,415,151	10,311,577	11,491,123	13,172,390	15,657,292
360,320	367,119	421,682	423,947	434,896	426,260
5,813,678	6,057,278	6,396,667	6,514,470	6,874,771	7,787,184
219,058	55,127	158,860	554,549	545,983	49,665
13,826	28,839	10,410	202,969	236,452	262,953
-	-	-	6,118,700	-	-
<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>24,585,835</u>
<u>\$ 593,519</u>	<u>\$ (451,303)</u>	<u>\$ 652,117</u>	<u>\$ 6,075,025</u>	<u>\$ 471,966</u>	<u>\$ 3,592,174</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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General fund				
Nonspendable				
Inventory	\$ 9,332	\$ 10,201	\$ 14,358	\$ 6,975
Prepaid items	28,245	32,493	18,348	10,655
Committed	1,345,200	1,345,200	1,345,200	2,634,923
Assigned	2,190,910	2,191,063	1,647,193	1,872,492
Unassigned	<u>3,656,173</u>	<u>4,117,865</u>	<u>4,972,853</u>	<u>4,369,457</u>
Total general fund	<u>\$ 7,229,860</u>	<u>\$ 7,696,822</u>	<u>\$ 7,997,952</u>	<u>\$ 8,894,502</u>
All other governmental funds				
Nonspendable				
Cash with escrow agent	\$ 2,623,895	\$ 2,301,609	\$ 1,973,067	\$ 1,645,000
Prepaid items	5,474	4,706	997	656
Restricted	3,300,426	3,354,189	3,505,590	10,066,786
Committed	2,039,560	2,175,094	2,089,361	1,079,780
Assigned	9,312,168	9,005,276	7,147,586	5,444,124
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 17,281,523</u>	<u>\$ 16,840,874</u>	<u>\$ 14,716,601</u>	<u>\$ 18,236,346</u>

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

**Fiscal Year ended June 30**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 9,272	\$ 5,872	\$ 13,490	\$ 5,168	\$ 8,982	\$ 7,117
4,123	16,868	21,945	17,311	2,418	20,170
2,652,357	2,714,135	2,893,850	3,027,804	3,249,354	3,387,433
1,701,086	1,743,768	2,101,574	2,380,653	622,641	1,085,667
<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>10,958,643</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>	<u>\$ 15,459,030</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,055	474	-	-	-	-
4,500,044	4,432,710	4,571,263	3,579,891	2,708,883	2,541,894
1,366,081	8,576,250	7,248,890	5,868,386	6,068,810	4,430,491
5,943,364	1,784,761	2,340,683	2,592,343	2,402,244	1,845,901
-	-	-	-	(66,361)	-
<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>	<u>\$ 8,818,286</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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Revenues</b>				
Taxes	\$ 9,577,321	\$ 9,713,445	\$ 10,271,737	\$ 10,240,382
Licenses and permits	194,976	570,904	891,782	1,043,382
Leases and rents	206,018	213,871	252,584	269,753
Intergovernmental	6,035,448	6,323,047	6,677,518	9,770,048
Charges for services	405,663	162,086	161,376	176,541
Other	178,393	300,899	134,114	188,251
Fines and forfeitures	223,673	187,251	170,995	186,456
Investment earnings	88,877	69,998	123,311	150,358
Total revenues	<u>16,910,369</u>	<u>17,541,501</u>	<u>18,683,417</u>	<u>22,025,171</u>
<b>Expenditures</b>				
Current:				
General government	2,887,321	2,699,109	2,194,845	2,275,124
Development services	1,421,787	1,643,757	1,774,983	2,073,990
Public safety	5,869,445	6,022,269	6,890,770	6,675,874
Public works	1,054,930	2,058,990	3,085,559	1,275,779
Culture and recreation	1,794,332	1,791,018	1,921,939	1,962,585
Capital outlay	884,323	453,002	1,750,465	8,799,068
Debt service:				
Principal	1,965,000	2,280,000	2,415,000	1,850,000
Interest	639,135	554,860	460,811	454,957
Other debt service	55,752	12,183	12,188	243,585
Total expenditures	<u>16,572,025</u>	<u>17,515,188</u>	<u>20,506,560</u>	<u>25,610,962</u>
Excess (deficiency) of revenues over (under) expenditures	338,344	26,313	(1,823,143)	(3,585,791)
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,470,027	1,279,397	1,838,453	2,519,774
Transfers out	(2,470,027)	(1,279,397)	(1,838,453)	(2,519,774)
Proceeds from sale of capital assets	-	-	-	-
Issuance of refunding bonds	-	-	-	4,180,000
Issuance of long-term debt	-	-	-	7,565,000
Bond Premium	-	-	-	342,086
Payment to refunded bonds escrow agent	-	-	-	(4,085,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,002,086</u>
Net change in fund balances	<u>\$ 338,344</u>	<u>\$ 26,313</u>	<u>\$ (1,823,143)</u>	<u>\$ 4,416,295</u>
Expenditures for capitalized assets	\$ 1,333,785	\$ 467,691	\$ 2,385,168	\$ 9,067,254
Debt service as a percentage of noncapital expenditures	17.5%	16.7%	15.9%	15.4%

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

**Fiscal Year Ended June 30**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	12,299,285	\$ 12,069,714	\$ 13,019,341	\$ 14,342,801	\$ 15,694,054	\$ 16,510,939
	1,372,045	1,310,973	2,004,386	2,040,622	835,731	1,293,172
	258,165	284,090	282,531	280,801	286,391	264,621
	7,559,436	7,917,651	8,266,028	8,401,676	8,920,296	12,713,449
	197,109	351,476	254,122	181,105	222,947	99,090
	147,662	153,438	207,697	347,141	387,225	320,291
	209,380	257,727	182,997	130,483	281,704	239,191
	219,058	55,127	158,860	554,549	545,983	49,654
	<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>	<u>31,490,407</u>
	2,324,026	2,713,548	3,195,936	3,147,063	3,280,191	3,620,293
	2,217,814	1,275,147	1,397,249	858,957	797,513	954,667
	7,034,887	7,420,032	7,402,227	6,295,989	8,566,058	8,906,428
	2,498,714	3,954,450	3,420,317	7,880,668	6,046,298	6,321,814
	2,240,865	2,484,940	2,375,758	2,845,027	2,609,842	2,726,748
	6,471,382	1,693,265	4,317,214	4,487,854	2,716,523	4,758,067
	4,260,000	2,675,000	2,720,000	2,635,000	2,310,000	400,000
	308,106	244,986	185,164	123,871	67,301	7,044
	2,005	2,180	1,805	1,600	1,998	500
	<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>	<u>27,695,561</u>
	(5,095,659)	(63,352)	(639,708)	(1,996,851)	778,607	3,794,846
	562,044	5,194,138	4,543,728	3,672,532	1,928,978	3,086,628
	(562,044)	(5,194,138)	(4,543,728)	(3,672,532)	(1,928,978)	(3,136,628)
	-	-	-	-	418,585	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	418,585	(50,000)
\$	<u>(5,095,659)</u>	<u>(63,352)</u>	<u>(639,708)</u>	<u>(1,996,851)</u>	<u>1,197,192</u>	<u>3,744,846</u>
\$	6,394,346	\$ 1,696,612	\$ 4,293,214	\$ 4,465,837	\$ 2,689,270	\$ 4,758,055
	21.8%	14.1%	14.0%	11.6%	10.0%	1.8%

**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>
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	2,086,769	13,172,389	434,896	15,694,054
2021	427,387	15,657,292	426,260	16,510,939

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>
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%
2021	520,103,815	-	4,909,183,626	10.59%

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

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

\*\* Per \$100 of assessed taxable value; No town-wide taxes levied in FY21.

**Town of Fountain Hills, Arizona  
Principal Property Taxpayers  
June 30, 2021 and 2012**

<b>Taxpayer</b>	<b>2021</b>			<b>2012</b>		
	<b>Net Limited Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Net Limited Assessed Value</b>	<b>Net Full Cash Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Net Full Cash Assessed Value</b>
EPCOR - Chaparral City Water Company	4,025,340	1	0.77%			
RCS-Park Place 1 LLC	3,908,993	2	0.75%			
Hunter Retail LLC	2,739,776	3	0.53%			
WSL Fountain View Investors V, LLC	2,366,546	4	0.46%	2,177,727	3	0.48%
Whitestone Fountain Hills, LLC	1,962,401	5	0.38%			
Target Corporation	1,406,296	6	0.27%	1,889,956	5	0.42%
FPACP4 Ridgeview LLC	1,377,551	7	0.26%			
Fountain Hills Invest Co., LLC	1,370,318	8				
Palisades Resorts LLC	1,294,092	9	0.25%			
Smith's Food & Drug Centers Inc.	1,251,036	10	0.24%			
Inland Western Fountain Hills Four Peaks LLC				3,353,109	1	0.74%
Chapparral City Water Company				3,177,001	2	0.70%
J & R Holdings XX LLC				1,921,863	4	0.42%
Qwest Corporation				1,647,941	6	0.36%
EN LLC				1,444,647	7	0.32%
Sun Tech Development LLC				1,320,356	8	0.29%
Firerock LLC				1,317,707	9	0.29%
Arizona State Land Department				1,260,640	10	0.28%
<b>Totals</b>	<b>\$ 21,702,349</b>		<b>3.91%</b>	<b>\$ 19,510,947</b>		<b>4.30%</b>

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

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

**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>
2012	1,446,076	1,414,482	97.8%	19,984	1,434,466	99.2%
2013	1,429,285	1,401,654	98.1%	18,563	1,420,217	99.4%
2014	1,449,884	1,426,612	98.4%	18,215	1,444,827	99.7%
2015	892,104	881,170	98.8%	6,903	888,073	99.5%
2016	2,532,115	2,502,995	98.8%	18,913	2,521,908	99.6%
2017	2,278,728	2,241,482	98.4%	29,002	2,270,484	99.6%
2018	2,272,027	2,230,328	98.2%	31,197	2,261,525	99.5%
2019	2,404,250	2,369,262	98.5%	20,016	2,389,278	99.4%
2020	2,092,340	2,044,210	97.7%	37,618	2,081,828	99.5%
2021	397,416	392,363	98.7%	-	392,363	98.7%

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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Sales category:				
Construction	\$ 600,403	\$ 567,589	\$ 783,064	\$ 935,694
Transportation/utilities	1,409,349	1,402,734	1,375,623	1,405,768
Wholesale/retail	3,601,904	3,598,895	3,653,181	4,214,119
Restaurants/bars	575,704	645,258	655,654	682,180
Real estate, rental & leasing	678,326	720,023	782,453	617,348
Services	274,521	310,303	342,079	604,618
Other	639,012	712,360	867,213	523,323
Total	<u>\$ 7,779,219</u>	<u>\$ 7,957,162</u>	<u>\$ 8,459,267</u>	<u>\$ 8,983,050</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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 918,717	\$ 730,164	\$ 1,408,332	\$ 1,932,716	\$ 1,910,021	\$ 1,990,383
1,327,441	1,288,153	1,309,928	1,290,585	1,405,005	1,529,268
4,815,582	4,982,218	5,235,992	5,464,247	7,031,474	8,956,208
742,540	811,985	829,857	893,595	892,210	1,062,172
552,856	636,834	745,171	842,233	965,124	993,228
779,753	852,675	747,834	1,025,548	916,769	1,125,753
254,378	117,523	34,464	42,200	51,786	280
<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>	<u>\$ 15,657,292</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>
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%
2021	2.90%	0.70%	5.60%	9.20%

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

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

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

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>						<b>Debt Per Capita</b>
	<b>General Obligation Bonds*</b>	<b>Community Facilities District Bonds**</b>	<b>Municipal Property Corporation Bonds*</b>	<b>Highway User Revenue Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Outstanding Debt</b>	
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	111
2020	-	400,000	-	-	-	400,000	16
2021	-	-	-	-	-	-	-

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 amoritization of original issuance discounts and premiums.

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

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

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

<b>Fiscal Year</b>	<b>General Obligation Bonds*</b>	<b>Less: Amounts Restricted for Principal</b>	<b>Net General Obligation Bonds</b>	<b>Estimated Actual Taxable Value of Property</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Net General Obligation Bonded Debt per Capita</b>	<b>Net General Obligation Bonded Debt per Net Limited Assessed Valuation</b>	<b>Municipal Property Corporation Bonds*</b>	<b>Net Municipal Property Corporation Debt per Capita</b>	<b>Total Revenues-All Sources</b>
2012	6,845,000	94,380	6,750,620	4,096,551,487	0.16%	297	1.49%	4,300,489	189	17,184,895
2013	5,700,000	82,184	5,617,816	3,422,463,416	0.16%	244	1.49%	3,561,814	154	17,723,994
2014	4,495,000	87,949	4,407,051	3,359,684,579	0.13%	189	1.20%	2,721,933	117	18,891,967
2015	11,817,086	420,782	11,396,304	3,722,794,676	0.31%	483	2.83%	1,764,338	75	22,161,316
2016	9,613,669	576,281	9,037,388	3,744,585,506	0.24%	378	2.25%	1,088,117	46	22,262,139
2017	7,240,252	343,697	6,896,555	3,965,824,715	0.17%	282	1.63%	860,437	35	22,400,196
2018	4,811,835	83,185	4,728,650	4,166,589,970	0.11%	192	1.06%	664,484	27	24,375,962
2019	2,478,417	146,100	2,332,317	4,381,287,279	0.05%	93	0.50%	287,694	12	26,279,178
2020	400,000	171,807	228,193	4,657,015,387	0.005%	9	0.05%	-	-	27,586,011
2021	-	191,594	-	4,909,183,626		-		-	-	

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, 2021**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Maricopa County	\$ -	1.14%	\$ -
Maricopa County Community College District	184,715,000	1.14%	2,105,751
Maricopa County Special Healthcare District	640,695,000	1.14%	7,303,923
East Valley Institute of Technology	-	2.30%	-
Fountain Hills Unified School District	6,735,000	96.38%	6,491,193
Total Overlapping Debt			<u>15,900,867</u>
Direct:			
Town of Fountain Hills, Arizona*			
General Obligation Bonds			-
Revenue Bonds			-
Eagle Mountain Community Facilities District**			-
Total Direct Debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 15,900,867</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>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>6% Debt Limit</b>				
Debt limit	\$ 27,134,160	\$ 22,668,984	\$ 21,957,791	\$ 24,199,829
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<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	\$ 90,447,201	\$ 75,563,278	\$ 73,192,636	\$ 80,666,095
Total net debt applicable to limit	<u>3,755,000</u>	<u>2,900,000</u>	<u>2,000,000</u>	<u>9,175,000</u>
Legal debt margin	<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%	 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>	<u>2021</u>
\$ 28,325,296	\$ 30,651,126	\$ 31,459,192	\$ 32,400,042	\$ 33,907,227	\$ 35,603,580
<u>-</u>	<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>	<u>\$ 35,603,580</u>
-	-	-	-	-	-
\$ 94,417,653	\$ 102,170,422	\$ 104,863,974	\$ 108,000,140	\$ 113,024,089	\$ 118,678,601
<u>7,405,000</u>	<u>5,475,000</u>	<u>3,495,000</u>	<u>1,615,000</u>	<u>-</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>	<u>\$ 118,678,601</u>
8%	5%	3%	1%	-	-

**Town of Fountain Hills, Arizona  
Calculation of Legal Debt Margin  
as of June 30, 2021**

Net full cash assessed valuation		593,393,005
<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	\$	118,678,601
Net debt applicable to limit		<u>-</u>
20% legal debt margin		<u>118,678,601</u>
<p><u>All Other General Obligation Bonds</u></p> <hr/>		
Debt limit - 6% of net full cash assessed valuation		35,603,580
Net debt applicable to limit		<u>-</u>
6% legal debt margin		<u>35,603,580</u>
 Total legal debt margin	 \$	 <u>154,282,181</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**

<b>Municipal Facilities Corporation Revenue Bonds</b>					
<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Pledged Revenues</b>	<b>Coverage</b>
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
2021	-	-	-	24,001,082	100.0

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

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

	Calendar Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Population	22,741	23,070	23,318	23,573	23,899	24,482	24,583	24,987	25,200	23,820
Per capita personal income	\$ 44,660	\$ 47,260	\$ 48,244	\$ 46,619	\$ 48,240	\$ 50,162	\$ 60,531	\$ 54,936	\$ 57,468	\$ 59,791
Median age	53.9	53.9	53.0	53.7	53.8	53.7	53.5	57.5	58.8	59.4
Public school enrollment	1,981	1,886	1,820	1,692	1,619	1,506	1,444	1,380	1,338	1,314
Town of Fountain Hills unemployment rate	6.7%	5.6%	6.0%	5.4%	2.4%	1.9%	1.6%	3.9%	8.7%	4.9%
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	1,218	1,209	1,196	1,165	1,247	1,209	1,175	1,172	1,052	1,158
Number of units										
Housing	12,990	12,977	12,991	12,981	13,002	13,130	13,176	13,558	13,749	13,875
Lodging	4	4	4	4	4	4	4	4	4	4
Restaurants	56	56	54	43	46	50	52	54	55	55
Shopping centers	20	20	20	20	20	20	20	20	20	20
Schools										
Public	4	3	3	3	3	3	3	3	3	3
Preschool	4	6	7	7	7	7	7	5	5	5
Charter	1	1	1	1	1	1	1	1	1	1
Vocational	-	-	-	-	-	-	1	1	2	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 2020.

**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 and 2021 was not available.

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

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Municipal court	5.00	5.00	4.00	3.63	3.63	3.63	3.63	3.63	3.63	3.63
Administration	11.58	11.68	10.56	11.33	11.63	12.25	13.45	13.70	15.20	15.00
Public works						9.80	9.80	10.80	12.43	12.43
Development services	20.25	18.75	16.25	16.30	16.30	7.50	8.50	7.50	9.00	9.00
Community services	<u>21.53</u>	<u>21.18</u>	<u>20.18</u>	<u>21.06</u>	<u>20.76</u>	<u>20.76</u>	<u>20.56</u>	<u>20.56</u>	<u>20.56</u>	<u>22.01</u>
Total	<u>58.36</u>	<u>56.61</u>	<u>50.99</u>	<u>52.32</u>	<u>52.32</u>	<u>53.94</u>	<u>55.94</u>	<u>56.19</u>	<u>60.82</u>	<u>62.07</u>

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Municipal Court</b>										
Cases filed	2,173	1,740	1,649	1,738	1,593	2,014	1,277	891	2,237	1,324
Hearings/Trials held	731	703	1,665	1,585	1,564	1,844	676	801	568	1,430
<b>Administration</b>										
FTEs per 1,000 residents	2.6	2.5	2.2	2.2	2.2	2.2	2.3	2.2	2.4	2.6
Registered voters - general election	16,074	none	N/A	16,213	none	16,387	none	16,775	none	18,415
Voter turnout - general election	34%	none	N/A	38%	none	41%	none	51%	none	91%
<b>Development Services</b>										
Building permits issued	346	457	445	443	410	509	468	576	547	575
Building inspections conducted	1,257	1,395	2,131	2,448	2,129	2,704	3,707	4,795	4,069	3,652
Number of code violation cases	804	746	716	752	713	669	654	655	690	497
Number of zoning cases	7	10	41	65	72	50	41	11	7	21
<b>Community Services</b>										
Number of Community Center bookings	3,236	3,196	3,383	3,439	3,124	3,764	4,395	3,857	3,169	1,675
Number of participants in recreational programs	1,833	1,789	2,291	2,249	2,910	3,773	3,794	3,489	1,830	2,892
Number of Senior Services members	1,208	1,118	1,189	1,273	1,326	1,335	1,220	1,313	1,265	1,360
Number of home delivered meals	8,419	6,941	4,799	4,035	3,497	3,920	3,093	3,562	5,215	4,402
<b>Law Enforcement (contracted)</b>										
Physical arrests	522	545	743	445	220	220	214	67	86	56
Traffic violations	1,366	1,296	1,379	1,539	1,215	1,803	1,053	1,248	2,618	2,745
<b>Fire &amp; Emergency Medical (contracted)</b>										
Total incident responses	3,082	3,136	2,956	3,166	3,191	3,425	3,659	4,073	3,896	4,215
Average response time (in minutes)	3:46	3:50	3:53	3:37	3:57	3:25	3:33	3:32	3:51	4:50

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**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30</b>									
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Public safety</b>										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
<b>Public works</b>										
Streets (centerline miles)	178.9	178.9	178.9	178.9	178.9	178.9	180.0	180.0	180.0	180.0
Streets (lane miles)	390	390	390	390	390.5	390.5	391.5	391.5	391.5	391.5
Pedestrian lighting	34	34	34	85	91	91	91	91	91	91
Traffic signals	13	13	13	13	13	13	13	13	13	13
<b>Parks and recreation</b>										
Acreage-developed parks	116	116	116	119	119	119	119	119	119	119
Playgrounds	7	7	7	7	7	7	7	9	9	9
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Preserve acreage	740	740	740	807.2	807.2	807.2	807.2	889.2	913.2	913.2
Miles of trails	4.3	10.43	10.43	15.8	15.8	18.5	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**  
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