



**Town of Fountain Hills, Arizona**  
**Annual Expenditure Limitation Report**  
Year Ended June 30, 2021

**TOWN OF FOUNTAIN HILLS, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2021**

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## INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Fountain Hills, Arizona for the year ended June 30, 2021, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System as described in Note 1.

*Heinfeld Meech & Co. PC*

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



**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - PART II**  
**YEAR ENDED JUNE 30, 2021**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 27,218,221	\$ -	\$ 19,224	\$ -	\$ 27,237,445
B. Less exclusions claimed:					
1 Bond proceeds					-
Debt service requirements on bonded indebtedness					-
Proceeds from other long-term obligations					-
Debt service requirements on other long-term obligations					-
2 Dividends, interest, and gains on the sale or redemption of investment securities	49,543				49,543
3 Trustee or custodian					-
4 Grants and aid from the federal government	2,893,126				2,893,126
5 Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	68,729				68,729
6 Amounts received from the State of Arizona	195,117				195,117
7 Quasi-external interfund transactions			19,224		19,224
8 Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements					-
9 Highway user revenues in excess of those received in fiscal year 1979-80	2,478,045				2,478,045
10 Contracts with other political subdivisions					-
11 Refunds, reimbursements, and other recoveries	79,232				79,232
12 Voter-approved exclusions not identified above					-
13 Prior years carryforward					-
14 Total exclusions claimed	<u>5,763,792</u>	<u>-</u>	<u>19,224</u>	<u>-</u>	<u>5,783,016</u>
C. Amounts subject to expenditure limitation	\$ <u>21,454,429</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>21,454,429</u>

See accompanying notes to report.

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION**  
**YEAR ENDED JUNE 30, 2021**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 27,695,561	\$ -	\$ 19,224	\$ -	\$ 27,714,785
B. Subtractions:					
1. Items not requiring the use of working capital -					
Depreciation					-
Loss on disposal of capital assets					-
Bad debt expense					-
Other postemployment benefits expense					-
Claims incurred but not reported					-
Pension expense					-
Landfill closure and postclosure care costs					-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	412,452				412,452
3. Required fees paid to the Arizona Department of Revenue	64,888				64,888
4. Involuntary court judgments					-
5. Total subtractions	<u>477,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,340</u>
C. Additions:					
1. Principal payments on long-term debt					-
2. Acquisition of capital assets					-
3. Other postemployment benefits paid in the current year but reported as expenses in previous years					-
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years					-
5. Pension contributions paid in the current year					-
6. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years					-
7. Total additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D. Amounts reported on Part II, Line A	\$ <u>27,218,221</u>	\$ <u>-</u>	\$ <u>19,224</u>	\$ <u>-</u>	\$ <u>27,237,445</u>

See accompanying notes to report.

**TOWN OF FOUNTAIN HILLS, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2021**

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

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds.

**NOTE 2** – The exclusion claim for expenditures of separate legal entities established under Arizona Revised Statutes in the Governmental Funds consists of expenditures from the Municipal Property Corporation Debt Service Fund, Cottonwoods Maintenance Fund and the Eagle Mountain Debt Service Fund.

	<u>Governmental</u>
Municipal Property Corporation Debt Service Fund	\$ 510
Cottonwoods Maintenance Fund	4,898
Eagle Mountain Debt Service Fund	407,044
	\$ 412,452

**NOTE 3** – The subtraction of \$64,888 for required fees paid to Arizona state agencies was paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs incurred in providing administrative and tax collection services to the Town.

**NOTE 4** – The exclusions claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds consisted of investment earnings. The current year exclusion utilized is as follows:

	<u>Governmental</u>	<u>Internal Service</u>
Carryforward exclusions as of 6/30/20	\$ 107,337	
Investment earnings	49,654	\$ 11
Current year exclusion utilized	49,543	
Carryforward exclusions as of 6/30/21	\$ 107,448	\$ 11

**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 5** – Grants and aid from the federal government are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current year grant exclusion utilized is \$2,893,126 is related to the Coronavirus Relief Fund grant.

**NOTE 6** – Grant revenues, contributions and sponsorships from private organizations are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current year grant exclusion utilized is a follows:

Proposition 202	\$ 45,000
Contributions	19,340
Sponsorships	<u>4,389</u>
Current year exclusion utilized	<u><u>\$ 68,729</u></u>

**NOTE 7** – State grant revenues are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current year state grant exclusion utilized is a follows:

Proposition 302	\$ 96,648
Maricopa Association of Governments	<u>98,469</u>
Current year exclusion utilized	<u><u>\$ 195,117</u></u>

**NOTE 8** – The exclusion of \$19,224 in the Internal Service Fund relates to charges for services paid to the Internal Service Fund for technology replacement. The interfund charges are included in “Charges for Services” in the Internal Service Fund and as a current expenditure in various departments in the Governmental Funds.

**NOTE 9** – The highway user revenue (HURF) earned in excess of the amounts received in fiscal year 1979-80 is as follows:

HURF Fund Intergovernmental Revenue	\$ 2,584,538
Less: Vehicle License Tax Revenues	<u>(837,338)</u>
Excludable revenue	<u><u>1,747,200</u></u>
Carryforward HURF funds as of 6/30/20	1,216,974
HURF Fund expenditures	4,419,313
Less: expenditures of Vehicle License Tax	(837,338)
Less: expenditures of non-excludable revenue	(1,098,118)
Less: current year investment earnings exclusion utilized	(734)
Less: amounts transferred from the Capital Projects Fund	(5,078)
HURF eligible expenditures in current year	2,478,045
Less: current year HURF Funds utilized	(1,747,200)
Less: prior year HURF Funds utilized	<u>(730,845)</u>
Carryforward HURF Funds as of 6/30/21	<u><u>\$ 486,129</u></u>



**TOWN OF FOUNTAIN HILLS, ARIZONA**  
**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 10** – Refunds, reimbursements, and other recoveries are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current exclusions utilized was \$79,232.

**NOTE 11** – Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the revenue sources and the changes in those balances is shown in the table below:

<u>Description</u>	<u>Balance June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 107,337	\$ 49,665	\$ 49,543	\$ 107,459
Highway user revenues in excess of those received in fiscal year 1979-80	1,216,974		730,845	486,129
Total carryforward	<u>\$ 1,324,311</u>	<u>\$ 49,665</u>	<u>\$ 780,388</u>	<u>\$ 593,588</u>