



Town of Fountain Hills, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2022

**TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

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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, 2022, 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.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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
October 31, 2022

TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2022

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 26,969,304	\$ -	\$ 43,971	\$ -	\$ 27,013,275
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					-
3 Trustee or custodian					-
4 Grants and aid from the federal government	4,208,150				4,208,150
5 Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	193,194				193,194
6 Amounts received from the State of Arizona	163,245				163,245
7 Quasi-external interfund transactions			43,971		43,971
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	1,125,640				1,125,640
10 Contracts with other political subdivisions					-
11 Refunds, reimbursements, and other recoveries	72,512				72,512
12 Voter-approved exclusions not identified above					-
13 Prior years carryforward					-
14 Total exclusions claimed	<u>5,762,741</u>	<u>-</u>	<u>43,971</u>	<u>-</u>	<u>5,806,712</u>
C. Amounts subject to expenditure limitation	\$ <u>21,206,563</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>21,206,563</u>

See accompanying notes to report.

TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2022

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	\$ 27,035,171	\$ -	\$ 43,971	\$ -	\$ 27,079,142
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	598				598
3. Required fees paid to the Arizona Department of Revenue	65,269				65,269
4. Involuntary court judgments					-
5. Total subtractions	<u>65,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,867</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>26,969,304</u>	\$ <u>-</u>	\$ <u>43,971</u>	\$ <u>-</u>	\$ <u>27,013,275</u>

See accompanying notes to report.

**TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

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 subtraction 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 and the Eagle Mountain Debt Service Fund.

	<u>Governmental</u>
Municipal Property Corporation Debt Service Fund	\$ 10
Eagle Mountain Debt Service Fund	588
	\$ 598

NOTE 3 – The subtraction of \$65,269 for required fees paid to Arizona state agencies was paid to the Municipal Firefighter Cancer Reimbursement Fund.

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 6/30/21	\$ 107,448	\$ 11
Investment earnings	12,239	218
Carryforward exclusions as of 6/30/22	\$ 119,687	\$ 229

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022

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 \$4,208,150 is related to the Coronavirus State and Local Fiscal Relief Funds 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	\$ 115,064
Contributions	31,790
Sponsorships	46,340
Current year exclusion utilized	\$ 193,194

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	\$ 28,985
LTA II	100,260
Maricopa Association of Governments	34,000
Current year exclusion utilized	\$ 163,245

NOTE 8 – The exclusion of \$43,971 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	\$ 2,681,119
Less: Vehicle License Tax Revenues	(826,070)
Excludable revenue	1,855,049
Carryforward HURF funds as of 6/30/21	486,129
HURF Fund expenditures	3,207,526
Less: expenditures of Vehicle License Tax	(826,070)
Less: expenditures of non-excludable revenue	(1,255,816)
HURF eligible expenditures in current year	1,125,640
Less: current year HURF Funds utilized	(1,125,640)
Carryforward HURF Funds as of 6/30/22	\$ 1,215,538

TOWN OF FOUNTAIN HILLS, ARIZONA
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YEAR ENDED JUNE 30, 2022

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 \$72,512.

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, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 107,459	\$ 12,467	\$	\$ 119,926
Highway user revenues in excess of those received in fiscal year 1979-80	486,129	729,409		1,215,538
Grants, aid, and contributions		7,145		7,145
Total carryforward	<u>\$ 593,588</u>	<u>\$ 749,021</u>	<u>\$ 0</u>	<u>\$ 1,342,609</u>