



Town of Fountain Hills, Arizona



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

Town of Fountain Hills, Arizona

**Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2024**

Issued by:
Administration Department
Finance Division

Town of Fountain Hills, Arizona

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Town of Fountain Hills, Arizona

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Introductory Section

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TOWN OF FOUNTAIN HILLS

16705 E. Avenue of the Fountains, Fountain Hills, AZ 85268

480.816.5100 | Fax: 480.837.3145

October 31, 2024

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, 2024.

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

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2024, 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, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

Over the past thirty years, Fountain Hills has grown from 10,030 residents to a town of about 24,000 in 2023. On June 5, 2006, the Town of Fountain Hills became twenty square miles and about ten percent larger by annexing 1,300 acres of State Trust Land. The process to annex the State Trust Land occurred over a two- and a-half-year period, and development of the land may occur in the years to come. Annexing this property into the Town ensures that its possible future development will be of the highest quality under Town standards.

The Town offers a wide range of living accommodations, from small condominium complexes to large custom homes. Fountain Hills also offers recreational and cultural programs and services that contribute to a high quality of life for its residents. The community consists of primarily residential property and open space; of the total 20.32 square miles of land, only 2.5% of the total is zoned commercial and/or industrial, 24.7% is preserved as open space and 48.5% is residential.



The Town's Mission Statement

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

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

To serve, respect, and provide trust and stewardship.

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 105 full-time equivalent (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 is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding;

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

The concept of reasonable assurance recognizes:

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

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

Budgetary Controls

The budget process is a cyclical process and begins each year with the preparation of the base budget by each department 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, Capital Projects Funds, and Internal Service Funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. In April/May, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing on July 1st. The budget includes proposed expenditures and the 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 to obtain comments from local residents. The budget is legally enacted through passage of a resolution and is prepared by fund and department. The resolution sets the limit for expenditures during the fiscal year. The Town Manager may authorize transfers between departments; however, all inter-fund transfers are approved by Town Council. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article IX, Section 20.

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

To ensure compliance with the state-imposed expenditure limitation, a uniform expenditure report must be filed with the state's Auditor General each year. This report reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the state's uniform expenditure reporting system (ARS Section 41-1279.07) and reduces total expenditures by expenditures that are not subject to the expenditure limitation.

The appropriated budget is prepared by fund and department. Department heads may make transfers of non-personnel appropriations within their department and all appropriations lapse at year-end. Transfers of appropriations between departments require Town Manager approval, and all inter-fund transfers require Town Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. Budget-to-actual comparisons for the General Fund, Streets Fund, and Grants Fund are presented in the Required Supplementary Information and all other funds are presented in Combining and Individual Fund Financial Statements and Schedules.

Local Economy

The Town of Fountain Hills relies mostly on its Transaction Privilege Tax (Sales Tax) and State Shared

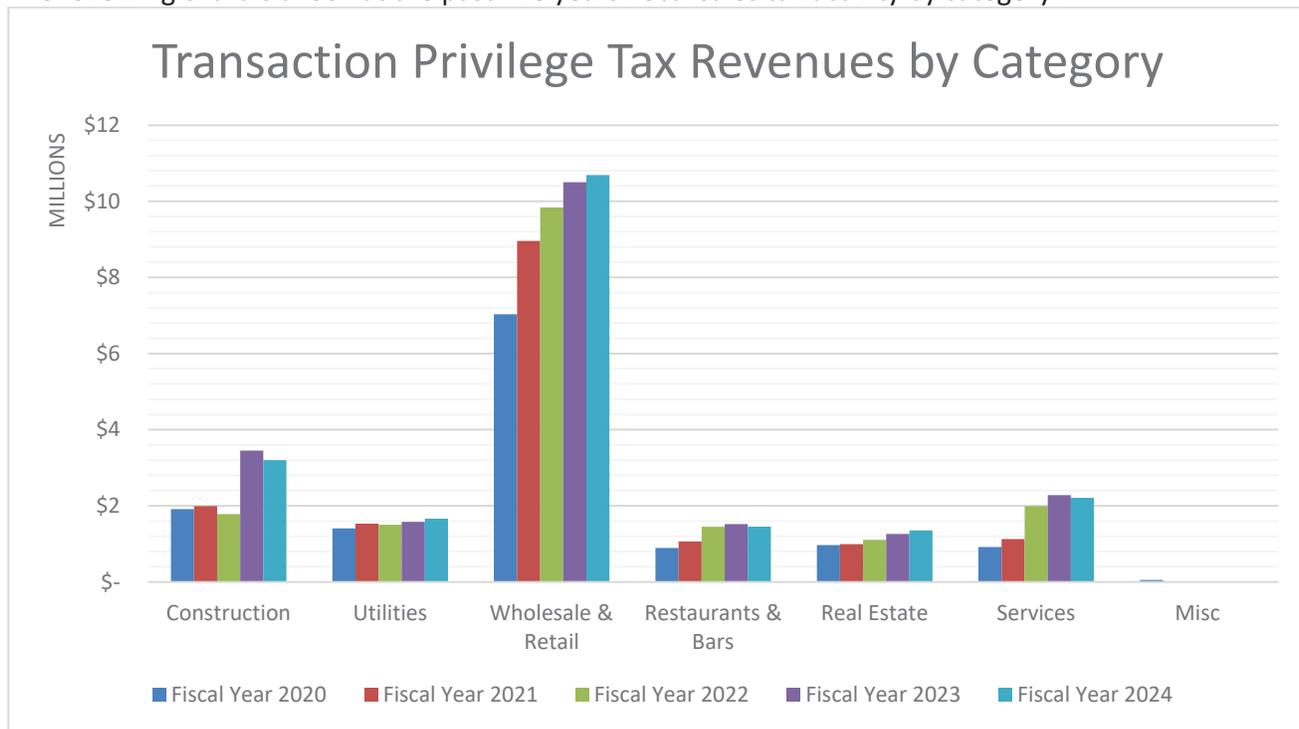


Revenue collections to fund nearly 90% of its General Fund (Operating) expenditures. During the past fiscal year, the Town's revenue collections from these sources exceeded the budgeted expectations.

Sales tax revenues continued to grow or remained stable during the fiscal year, and state shared revenues were mostly in line with expectations, with some slowdown in certain categories of local sales taxes. With

the possibility of a recession in the coming fiscal year, the Town will be closely monitoring these revenue sources and make adjustments as needed.

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 are beginning to show signs of slowing growth but have maintained relative stability across most categories. Retail sales, the largest category of sales tax revenue, experienced a 2% increase over the prior year. Restaurant/Bar and Services revenue showed slight decreases of 4% and 3%, respectively, compared to FY23. These trends of decreasing revenues may be a sign of a slowing local economy and will be monitored each year by Finance staff. Construction sales tax, a one-time revenue source, is driven entirely by development activity in the community and decreased by 7% from the prior year but maintained substantially higher revenues than previous fiscal years 2020 through 2022. These increased sustained revenue levels show that development and construction activity may coincide with the State's increased level of development activities. The Transportation/Communication/Utility category also increased slightly during the year. Although Real Estate increased by 7% from the prior year, about half of this category will no longer be collected once the State of Arizona's ban on long-term residential rental taxes becomes effective during the next fiscal year.

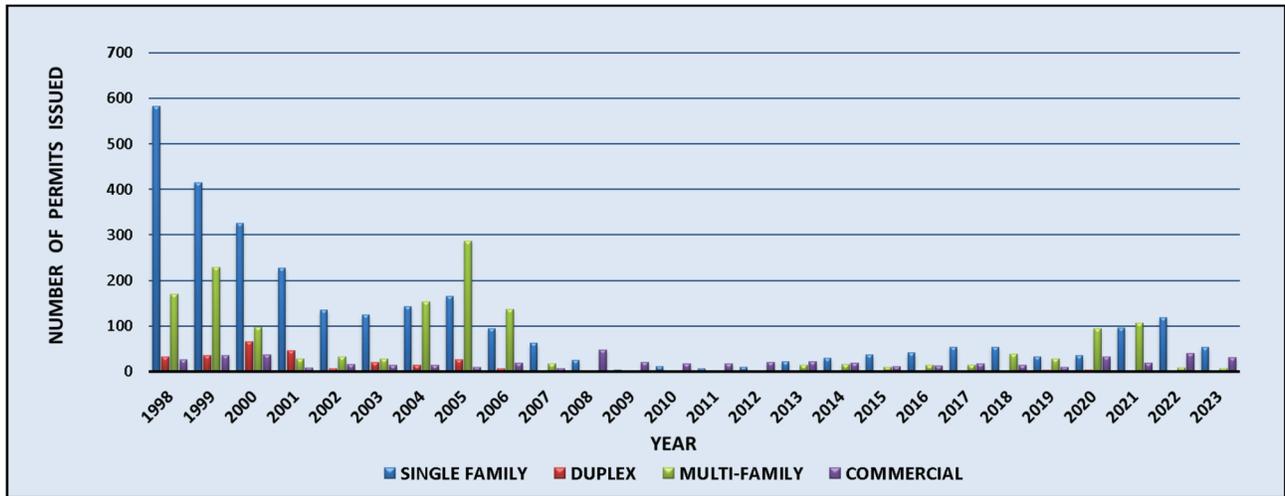
Construction activity provides revenue to the Town through sales taxes based on the value of the project, 50% of these proceeds are utilized for general operations and the other 50% for capital expenditures. Since this funding source is rarely enough to meet capital project needs, the Town must find additional funds to pay for necessary infrastructure projects.

State-shared revenues are derived as a proportionate share of state sales, income and vehicle license taxes which are distributed based on the Town's population compared to all other incorporated cities and towns in Arizona (currently 0.40%). State shared income tax revenue is based on personal and corporate earnings from two years ago. Revenue from this category increased by 39.5% in fiscal year 2023-24 due to delayed tax collections from COVID. However, Town projections show that these revenues will stabilize and decrease next fiscal year. State shared sales tax has increased over the past several years, and this year continued the trend by increasing revenue by 1.8% compared to the prior year.

Other local activity has remained fairly consistent during the period. The opportunity to further expand the retail tax base in Fountain Hills is limited by the lack of available commercial land – over 81% of the currently available commercial lots are already developed.

Development Activity

Town-Wide Building Permits Issued



Year	Single Family	Duplex		Multi-Family		Total Dwelling Units	Commercial	Other
		Bldg.	Total Units	Bldg.	Total Units			
1998	582	16	32	36	170	784	26	995
1999	415	18	36	34	229	680	36	947
2000	326	33	66	23	97	489	37	892
2001	227	23	46	6	28	301	8	707
2002	135	3	6	4	33	174	16	622
2003	124	10	20	10	28	172	14	689
2004	143	7	14	64	154	311	14	664
2005	165	13	26	184	287	478	9	777
2006	95	3	6	102	137	238	19	745
2007	62	0	0	18	18	80	7	589
2008	25	1	2	2	2	29	48	489
2009	4	1	2	0	0	6	21	328
2010	11	0	0	0	0	11	18	366
2011	6	0	0	0	0	6	17	319
2012	10	0	0	0	0	10	21	106
2013	22	0	0	14	14	36	22	143
2014	30	0	0	16	16	46	19	194
2015	37	0	0	8	10	47	11	186
2016	41	0	0	8	14	55	12	238
2017	54	1	2	15	13	69	17	377
2018	54	0	0	39	39	93	14	454
2019	33	3	6	28	28	67	9	448
2020	35	2	4	94	94	133	33	434
2021	96	1	2	107	107	205	19	521
2022	119	0	0	8	8	127	40	669
2023	53	0	0	6	11	64	31	569
26 Year Total	2904	135	270	826	1537	4711	538	13468
26 Year Avg	111.7	5.2	10.4	31.8	59.1	181.2	20.7	518.0

Economic Outlook

Retail Sales – Not having a property tax, the Town of Fountain Hills relies heavily on transaction privilege taxes (TPT), sometimes called a sales tax. Overall, Town TPT revenues provided almost 55% of the General Fund revenues in FY2024. On November 1, 2019, the Town’s TPT rate went up 0.3% to the current rate of 2.9%. Hospitality-related collections are the most susceptible to changes in economic conditions. Construction TPT is also highly tied to the health of the economy and is equally divided between the General Fund and the Capital Projects Fund.

State Shared Revenues – The Town of Fountain Hills receives significant revenue allocations from the State. These State shared revenues, include allocations of the state-collected income tax, sales tax, fuel tax and vehicle license taxes. All but the fuel tax and 70% of the vehicle license taxes are placed in the Town's General Fund, where it is used to sustain a large portion of the Town's day-to-day activities. Ultimately, each of these revenue sources will be negatively affected by inflation, as well as the Federal Reserve’s fight against it.

Streets Fund (HURF) – The Town receives a proportionate share of the fuel tax collected in Maricopa County. These revenues are placed in the Streets Fund to be used specifically for street maintenance and related activity. Although the State shared revenue formula generally allocates revenues based on official census data, in recent years, the Town’s population has slightly decreased which has resulted in relatively-flat shared revenues. Therefore, recent increased budgeted expenditures must be replaced by existing fund balance and transfers from the General Fund, which increases pressure to maintain operations across the Town.

Long-term Financial Planning

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

The Town’s Financial Policies have helped weather the uncertainty encountered during the pandemic and the years that have followed. This policy continues to require the Town to retain an amount equal to 20% of the average actual General Fund revenues for the preceding five fiscal years as part of its General Fund balance. This amount is estimated to cover approximately 60 days of General Fund expenditures and is considered a “Rainy Day” fund.

Additionally, a reserve of 20% of the average actual General Fund revenues for the preceding five fiscal years will be maintained as Unassigned Fund Balance. This additional fund balance reserve will provide increased flexibility in the event of 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 2020, the Strategic Planning Advisory Commission (SPAC) began the process of gathering public input to update the Strategic Plan's vision, confirm residents' values, and create a fresh structure for the Strategic Plan revision. However, the pandemic delayed this effort. Subsequently, *Strategic Plan 2022* was built upon the foundation of four Strategic Priorities, eleven Signature Strategies, and twenty-three Supporting Tasks. Based on citizen input, the Strategic Plan is designed to guide our future decisions grounded on these common priorities:

1. Targeted Collaborative Economic Development
2. Promote the Long-Term Financial Sustainability of Town Infrastructure, Environmental, and Social Resources
3. Continue to Improve the Public Health, Well-Being, and Safety of Our Town
4. Maintain Current Infrastructure While Preparing the Town for Emerging Trends that Increase Public Safety and Quality of Life

MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS

The Town of Fountain Hills' adopted budget for fiscal year 2023-24 reflected a cautious approach to the continued recovery from the pandemic and increasing inflation. Due to the uncertain economic conditions ahead, the Town approached revenue projections cautiously and kept expenditure levels low as well. Throughout FY22 and FY23, the American Rescue Plan Act (ARPA) provided resources to local governments through the State of Arizona. These resources allowed the Town to save \$8.4 million 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.

As Pavement Management has been a priority for many years, Council approved transfers of \$8.4 million from the General Fund to the Streets Fund related to General Fund savings. Council also approved another \$2.0 million of transfers from the General Fund into the Streets Fund in FY24 through the FY25 budget process that will be processed early next fiscal year. Although these infusions will not resolve all the pavement issues in Town, it will provide available fund balances for future expenditures while other options are researched and implemented.

For the Year

The following list depicts the continued commitment of the Town of Fountain Hills to make the community a better place to live. Fiscal year 2023-24 goals attained are summarized within this list of accomplishments:

- Transitioned a contracted vendor into a fully operational in-house Fire Department
- Completed over 8.98 miles of paved roadways within the Town
- Applied 8,800 linear feet of crack seal, 6,640 square yards of asphalt repair, and 353,130 square yards of preservative treatment to improve streets
- Installed 1,500 linear feet of new sidewalk
- Secured grant funding from the Arizona Office of Tourism - Proposition 302
- Secured grant funding from Salt River Pima-Maricopa Indian Community - Proposition 202
- Adopted the 2023-2026 Community Economic Development Strategy
- Community Services awarded Best Event (Spooky Blast) and Outstanding Facility (Fountain Park Playground) by the Arizona Parks and Recreation Association

- Added new parks improvements such as outdoor fitness equipment at Desert Vista Park and a 3,000 square foot picnic area at Fountain Park
- Delivered almost 6,000 meals provided through the Home Delivered Meal program
- Provided 376 rides to residents through Give a Lift program for medical appointments

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fountain Hills for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This was the twenty-eighth 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 2024 Certificate.

In addition, the government received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2023. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the twenty-second consecutive year that the Town has received the award.

Acknowledgments

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the efficient and dedicated services of the entire Finance Division. I also wish to extend my appreciation to the Mayor and members of Town Council for their leadership and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner. Each employee of the Town has my sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Rachael Goodwin
Town Manager

**Town of Fountain Hills, Arizona
List of Principal Officials
June 30, 2024**

Elected Officials

Ginny Dickey, Mayor

Brenda Kalivianakis, Vice-Mayor

Gerry Friedel, Councilmember

Sharron Grzybowski, Councilmember

Peggy McMahon, Councilmember

Allen Skillicorn, Councilmember

Hannah Toth, Councilmember

Town Manager & Directors

Rachael Goodwin, Town Manager

David Trimble, Deputy Town Manager/Administrative Services Director

Linda Mendenhall, Town Clerk

Kevin Snipes, Community Services Director

John Wesley, Development Services Director

Amanda Jacobs, Economic Development Director

Dave Ott, Fire Chief

Paul Soldinger, Chief Financial Officer

Justin Weldy, Public Works Director

Aaron Arnson, Pierce Coleman PLLC, Town Attorney

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

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

Robert Melton, Presiding Judge



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Fountain Hills
Arizona**

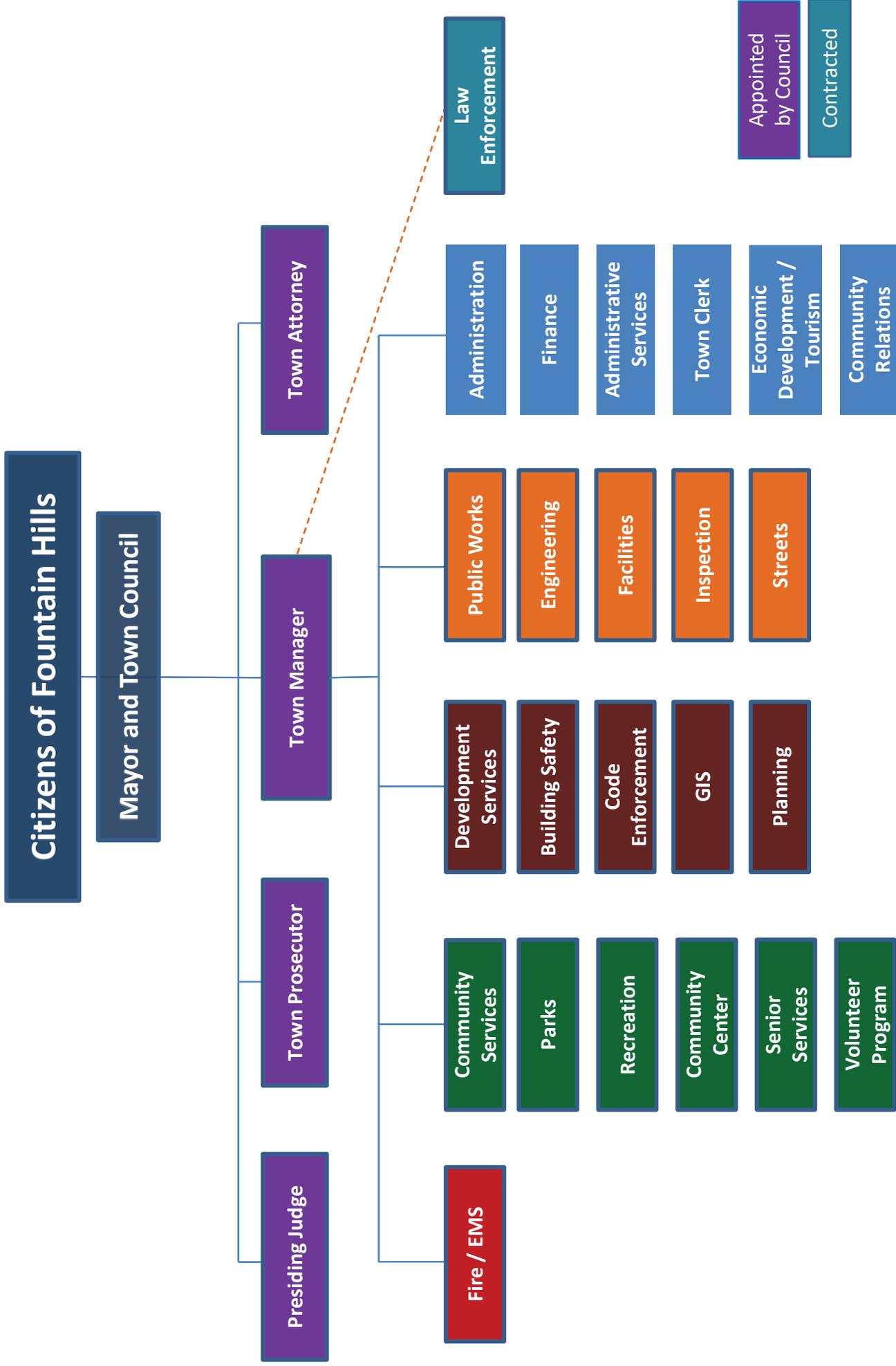
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

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, 2024, 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, 2024, 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 October 31, 2024, on our consideration of Town of Fountain Hills, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fountain Hills, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fountain Hills, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 31, 2024

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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, 2024

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, 2024. 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 \$6.9 million to \$150.3 million, representing a 4.8 percent increase of the total net position.
- General revenues from governmental activities accounted for \$34.6 million in revenue, or 86 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.6 million or 14 percent of total governmental activities revenues.
- The Town had \$33.3 million in expenses related to governmental activities, an increase of 5.0 percent from the prior fiscal year, primarily due to increased payroll and contractual costs.
- Among the major governmental funds, the General Fund had \$30.8 million in current fiscal year revenues, which consisted primarily of transaction privilege (sales) tax and intergovernmental revenues. The total expenditures of the General Fund were \$21.7 million. The General Fund's fund balance increased \$1.9 million to \$17.6 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, 2024

Overview of Financial Statements – continued

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

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

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

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

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

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

Internal service funds. These types of funds are classified as proprietary funds, and are used to report activity in the Technology Replacement Fund and the Vehicle and Equipment Replacement Fund. These funds provide goods and services to other funds and departments on a cost-reimbursement basis. The activity is intended to operate on an essentially "break-even" basis over time.

Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024

Overview of Financial Statements – continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Highway User Revenue (HURF), Grants, and Capital Projects Funds, all of which are considered major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

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

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

Government-Wide Financial Analysis

While this document contains information about the funds used by the Town to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the Town, as a whole, did financially throughout the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's assets and the changes in those assets. The change in assets is important because it tells the reader whether the financial position of the Town as a whole has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of the Town's capital assets will also need to be evaluated.

Town of Fountain Hills, Arizona
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2024

Government-Wide Financial Analysis – continued

Analysis of Net Position. Over time, net position may serve as a useful indicator of a government’s financial position. In the case of the Town, assets related to governmental activities exceeded liabilities by \$150.3 million at the end of the fiscal year.

The largest portion of the Town’s governmental activities net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, machinery and equipment and construction in progress); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As the Town does not currently have any outstanding debt, the reported amount represents the total invested in capital assets. In addition, a portion of the Town’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the Town’s ongoing obligations to its citizens and creditors.

The following table presents a summary of the Town’s net position for the fiscal years ended June 30, 2024 and June 30, 2023.

	Governmental Activities	
	As of June 30, 2024	As of June 30, 2023
Current and other assets	\$ 53,009,050	\$ 46,708,494
Capital assets, net	101,990,127	101,838,463
Total assets	154,999,177	148,546,957
Current and other liabilities	2,838,171	3,087,313
Long-term liabilities	553,757	284,016
Total liabilities	3,391,928	3,371,329
Deferred inflows	1,274,470	1,734,697
Net position		
Net investment in capital assets	101,990,127	101,838,463
Restricted	9,474,160	9,646,597
Unrestricted	38,868,492	31,955,871
Total net position	\$ 150,332,779	\$ 143,440,931

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, 2024

Government-Wide Financial Analysis – continued

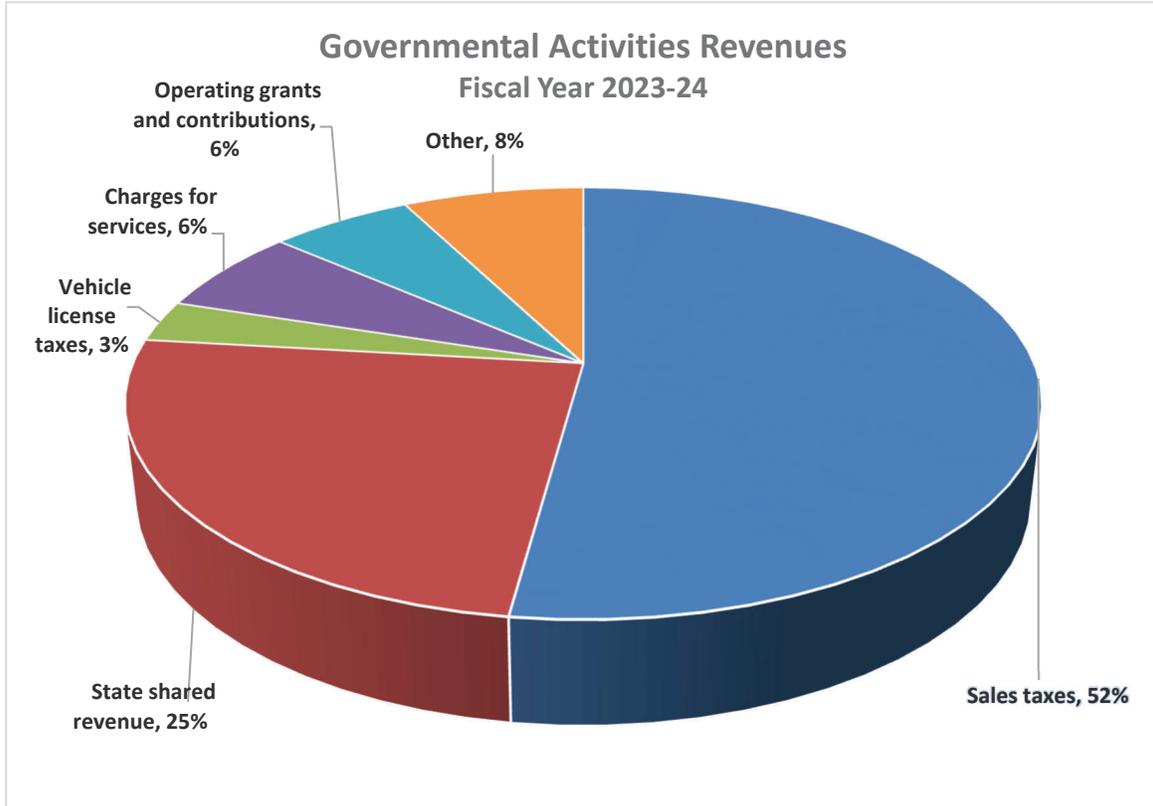
The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Changes in net position. The Town's total revenues for the current fiscal year were \$40.2 million. The total cost of all programs and services was \$33.3 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2024 and June 30, 2023.

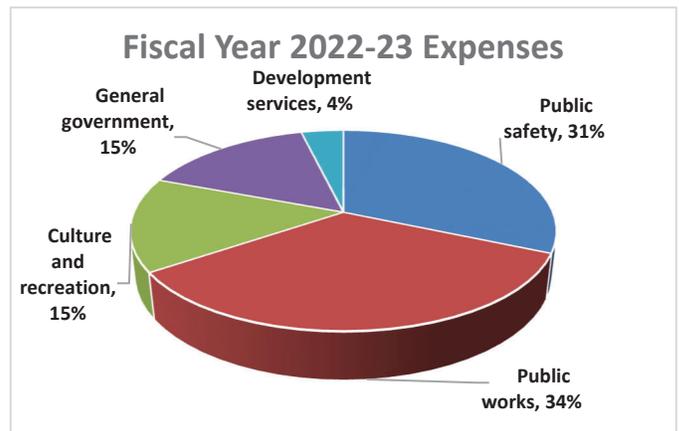
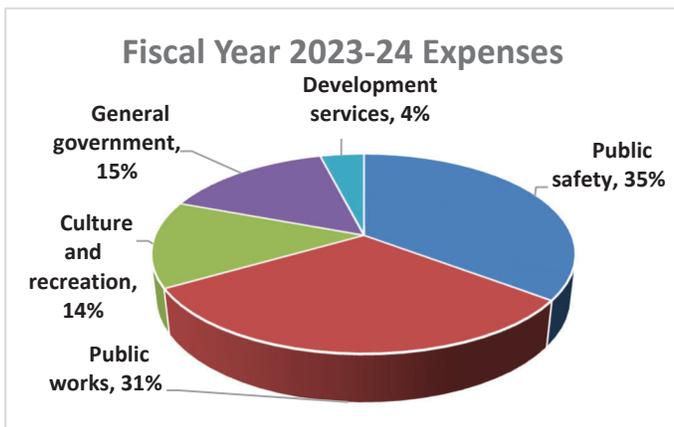
	Governmental Activities	
	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023
Revenues		
Program revenues:		
Charges for services	\$ 2,717,731	\$ 2,415,721
Operating grants and contributions	2,383,786	6,729,883
Capital grants and contributions	520,867	259,266
General revenues		
Property taxes		9,854
Sales taxes	20,559,928	20,586,294
Franchise taxes	351,118	382,948
State-sales and income tax revenue	9,888,965	8,039,448
Vehicle License taxes	1,242,636	1,182,243
Investment earnings	2,345,106	1,099,525
Miscellaneous	191,629	226,049
Total revenues	\$ 40,201,766	\$ 40,931,231
Expenses		
General government	\$ 5,106,646	\$ 4,890,912
Development services	1,324,892	1,206,991
Public safety	11,746,913	9,930,356
Public works	10,455,071	10,792,078
Culture and recreation	4,676,396	4,776,903
Total expenses	33,309,918	31,597,240
Changes in net position	6,891,848	9,333,991
Net position, beginning	143,440,931	134,106,940
Net position, ending	\$150,332,779	\$143,440,931

**Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024**

Government-Wide Financial Analysis – continued



The charts below compare the governmental expenses from fiscal years 2023-24 and 2022-23.



Town of Fountain Hills, Arizona
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2024

Government-Wide Financial Analysis – continued

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

- Revenues from state-shared revenues increased substantially for the fiscal year and accounted for approximately \$1.8 million more than the prior fiscal year. The Town received its final American Rescue Plan Act (ARPA) payment during the prior fiscal year, which resulted in a significant decrease in operating grants and contributions from the prior year.
- Expenses were up five percent across all prior year governmental functions, with the highest percentage increase seen within the Public Safety function. This was a result of the Town's transition from a contracted vendor to an in-house Fire Department.
- Investment income increased \$1.2 million as a result of increases to short-term investment rates within the State Treasurer's local government investment pool 7.

The following table presents the cost of the Town’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the Town by each of these functions.

	Year Ended June 30, 2024		Year Ended June 30, 2023	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,106,646	\$ (4,131,998)	\$ 4,890,912	\$ (3,751,754)
Development services	1,324,892	(630,242)	1,206,991	(444,062)
Public safety	11,746,913	(11,546,893)	9,930,356	(5,523,668)
Public works	10,455,071	(7,481,840)	10,792,078	(8,504,075)
Culture and recreation	4,676,396	(3,896,561)	4,776,903	(3,968,811)
Total expenses	\$ 33,309,918	\$ (27,687,534)	\$ 31,597,240	\$ (22,192,370)

- The cost of all governmental activities this year was \$33.3 million.
- Federal, State, county, and tribal governments and charges for services subsidized certain governmental programs with revenues of \$5.6 million.
- The net cost of the Town’s governmental activities was \$27.7 million, which was funded primarily by general revenues. General revenues consisted primarily of \$20.6 million in sales taxes and \$11.1 million in State-shared revenues.

Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024

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 \$6.5 million in the combined fund balance from \$39.8 million to \$46.3 million.

The General Fund comprises 38.0 percent of the total fund balance. Approximately \$13.1 million, or 74.4 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 \$1.9 million to \$17.6 million as of fiscal year end. General Fund revenues increased \$2.5 million primarily due the increase in state-shared revenues and investment earnings discussed earlier. General Fund expenditures increased by \$6.3 million primarily due to the Town's transition from a contracted vendor to an in-house Fire Department and the impact from moving grant-funded public safety expenditures back to the General Fund in the current fiscal year.

The Highway User Revenue Fund comprises 20.7 percent of total fund balance. The fund balance increased \$2.6 million from the prior year due to transfers from the General Fund discussed earlier and will continue to be used to fund the pavement management program in the next fiscal year.

Fund balance of the Grants Fund increased \$6,435 due to collection of opioid settlement revenues in excess of opioid abatement expenditures.

The Capital Projects Fund comprises 30.6 percent of the total fund balance. All of the fund balance is assigned to capital projects. The fund balance increased \$1.7 million due to transfers from the General Fund and decreased capital outlay expenditures.

The Technology Replacement Fund and Vehicle and Equipment Replacement Fund are the Town's proprietary funds. Unrestricted net position of these funds at the end of the fiscal year amounted to \$2.7 million. This was an increase of \$514,107 that was due to the Town charging funds in excess of actual vehicle and technology replacement expenditures and significantly higher investment earnings.

Town of Fountain Hills, Arizona
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2024

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 a large transfer of General Fund contingency to the Capital Projects Fund for a streets widening project. However, the project was delayed to a subsequent year.

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 \$5.2 million in overall revenues is primarily due to strong actual revenues performance compared to conservative internal revenue projections.
- The favorable total expenditures variance of \$1.3 million is due primarily to lower than expected expenditures throughout all departments.

Capital Assets and Debt Administration

Capital Assets. As of the end of the current fiscal year, the Town had invested \$102.0 million in capital assets, including buildings, facilities, vehicles, computers, equipment, infrastructure and artwork. This amount represents a net increase, prior to depreciation, of \$3.4 million from the prior fiscal year. The increase was primarily due to various capital improvement projects, including community center improvements, upgrades to park amenities, and a sidewalk infill project. Total depreciation expense for the current fiscal year was \$3.3 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2024 and June 30, 2023.

	Governmental Activities	
	As of June 30, 2024	As of June 30, 2023
Capital assets – non-depreciable	\$ 34,761,936	\$ 36,231,449
Capital assets – depreciable, net	67,228,191	65,607,014
Total	\$ 101,990,127	\$ 101,838,463

The estimated construction commitments amount is \$136,575.

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

Town of Fountain Hills, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024

Capital Assets and Debt Administration – continued

Debt Administration. The Town does not currently have any outstanding debt. Therefore, there were not any town-wide taxes levied in fiscal year 2024.

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 \$166.3 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 \$49.9 million.

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

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Division, Town of Fountain Hills, 16705 East Avenue of the Fountains, Fountain Hills, Arizona 85268 or visit our website at www.fountainhillsaz.gov.

Basic Financial Statements

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Government-Wide Financial Statements

Town of Fountain Hills, Arizona
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 49,708,197
Accounts receivable	147,676
Intergovernmental receivable	1,679,102
Leases receivable	1,313,858
Interest receivable	107,078
Inventory, at cost	5,099
Prepaid items	48,040
Total current assets	53,009,050
Noncurrent assets:	
Capital assets not being depreciated	34,761,936
Capital assets, net of accumulated depreciation	67,228,191
Total noncurrent assets	101,990,127
Total assets	154,999,177
Liabilities	
Current liabilities:	
Accounts payable	1,683,533
Accrued wages and benefits	420,311
Other liabilities	2,777
Customer deposits	54,892
Compensated absences payable	445,406
Unearned revenues	231,252
Total current liabilities	2,838,171
Noncurrent liabilities:	
Non-current portion of long-term obligations	553,757
Total noncurrent liabilities	553,757
Total liabilities	3,391,928
Deferred inflows of resources	
Leases	1,274,470
Total deferred inflows of resources	1,274,470
Net position	
Net investment in capital assets	101,990,127
Restricted for:	
Public works	6,237,208
Local court enhancement	439,487
Opioid abatement	390,988
Capital outlay	2,348,186
Debt service	58,291
Unrestricted	38,868,492
Total net position	\$ 150,332,779

**Town of Fountain Hills, Arizona
Statement of Activities
For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenue		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 5,106,646	\$ 548,921	\$ 409,931	\$ 15,796	\$ (4,131,998)
Development services	1,324,892	694,650			(630,242)
Public safety	11,746,913	108,633	91,387		(11,546,893)
Public works	10,455,071	736,967	1,850,986	385,278	(7,481,840)
Culture and recreation	4,676,396	628,560	31,482	119,793	(3,896,561)
Total governmental activities	<u>\$ 33,309,918</u>	<u>\$ 2,717,731</u>	<u>\$ 2,383,786</u>	<u>\$ 520,867</u>	<u>(27,687,534)</u>
General revenues					
Taxes:					
Sales taxes					20,559,928
Franchise taxes					351,118
State sales & income tax revenue sharing - unrestricted					9,888,965
Vehicle license tax revenue sharing - unrestricted					1,242,636
Investment earnings					2,345,106
Miscellaneous					191,629
Total general revenues					<u>34,579,382</u>
Changes in net position					6,891,848
Net position, beginning of year					<u>143,440,931</u>
Net position, end of year					<u>\$ 150,332,779</u>

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Fund Financial Statements

Town of Fountain Hills, Arizona
Balance Sheet
Governmental Funds
June 30, 2024

	Highway User			
	General	Revenue	Grants	Capital Projects
Assets				
Cash and investments	\$ 17,425,328	\$ 9,411,340	\$ 290,388	\$ 14,760,917
Accounts receivable	122,260	25,416		
Intergovernmental receivable	954,380	285,500	390,988	15,796
Leases receivable	1,313,858			
Interest receivable	35,229	16,062		54,074
Inventory, at cost	5,099			
Prepaid items	33,080		13,500	
Total assets	<u>19,889,234</u>	<u>9,738,318</u>	<u>694,876</u>	<u>14,830,787</u>
Liabilities				
Accounts payable	548,647	131,147	318	660,396
Accrued wages and benefits	391,451	22,754		
Other liabilities	752	174	15	1,730
Customer deposits	54,892			
Unearned revenues	22,099		209,153	
Total liabilities	<u>1,017,841</u>	<u>154,075</u>	<u>209,486</u>	<u>662,126</u>
Deferred inflows of resources				
Unavailable revenues - intergovernmental			364,358	
Unavailable revenues - other	2,856	24,614		15,796
Leases	1,292,985			
Total deferred inflows of resources	<u>1,295,841</u>	<u>24,614</u>	<u>364,358</u>	<u>15,796</u>
Fund balances				
Nonspendable	38,179		13,500	
Restricted		6,223,708	26,630	
Committed	4,466,782			
Assigned		3,335,921	80,902	14,152,865
Unassigned	13,070,591			
Total fund balances	<u>17,575,552</u>	<u>9,559,629</u>	<u>121,032</u>	<u>14,152,865</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,889,234</u>	<u>\$ 9,738,318</u>	<u>\$ 694,876</u>	<u>\$ 14,830,787</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 5,177,221	\$ 47,065,194
	147,676
32,438	1,679,102
	1,313,858
1,713	107,078
	5,099
1,460	48,040
<u>5,212,832</u>	<u>50,366,047</u>
338,556	1,679,064
6,106	420,311
	2,671
	54,892
	231,252
<u>344,662</u>	<u>2,388,190</u>
	364,358
	43,266
	<u>1,292,985</u>
	<u>1,700,609</u>
1,460	53,139
2,845,964	9,096,302
	4,466,782
2,020,746	19,590,434
	13,070,591
<u>4,868,170</u>	<u>46,277,248</u>
\$ <u>5,212,832</u>	\$ <u>50,366,047</u>

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Town of Fountain Hills, Arizona
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances - governmental funds **\$ 46,277,248**

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	\$ 243,271,396	
Less accumulated depreciation	<u>(141,366,722)</u>	
		101,904,674

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

Leases	18,515	
Intergovernmental	364,358	
Other	<u>43,266</u>	
		426,139

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

Capital assets	85,453	
Net positions of other remaining balance	<u>2,638,428</u>	
		2,723,881

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

(999,163)

Net position of governmental activities **\$ 150,332,779**

Town of Fountain Hills, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	<u>General</u>	<u>Highway User Revenue</u>	<u>Grants</u>	<u>Capital Projects</u>
Revenues				
Property taxes	\$	\$	\$	\$
Sales taxes	16,834,517	1,417,926		1,598,522
Franchise taxes	351,118			
Licenses and permits	1,411,600			
Leases and rents	359,479			
Intergovernmental	10,349,568	2,720,831	267,283	376,783
Charges for services	242,182	120		
Other	270,109	47,261		12,000
Fines and forfeitures	227,192			
Investment earnings	728,524	558,549	15,288	671,774
Total revenues	<u>30,774,289</u>	<u>4,744,687</u>	<u>282,571</u>	<u>2,659,079</u>
Expenditures				
Current:				
General government	3,942,569		265,136	506
Development services	1,275,320			
Public safety	11,330,144			
Public works	1,554,076	6,192,221		594,473
Culture and recreation	3,426,968			25,158
Capital outlay	189,436	115,695	11,000	3,070,047
Debt service:				
Fiscal charges				
Total expenditures	<u>21,718,513</u>	<u>6,307,916</u>	<u>276,136</u>	<u>3,690,184</u>
Excess (deficiency) of revenues over expenditures	<u>9,055,776</u>	<u>(1,563,229)</u>	<u>6,435</u>	<u>(1,031,105)</u>
Other financing sources (uses)				
Transfers in	245,884	4,200,000		6,907,884
Transfers out	(7,407,884)			(4,200,000)
Total other financing sources (uses)	<u>(7,162,000)</u>	<u>4,200,000</u>		<u>2,707,884</u>
Changes in fund balances	<u>1,893,776</u>	<u>2,636,771</u>	<u>6,435</u>	<u>1,676,779</u>
Fund balances, beginning of year, previously reported	17,385,544	7,333,267	114,597	12,476,086
Adjustments to beginning fund balances	(1,703,768)	(410,409)		
Fund balances, beginning of year, as restated	<u>15,681,776</u>	<u>6,922,858</u>	<u>114,597</u>	<u>12,476,086</u>
Fund balances, end of year	<u>\$ 17,575,552</u>	<u>\$ 9,559,629</u>	<u>\$ 121,032</u>	<u>\$ 14,152,865</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 9,841	\$ 9,841
708,963	20,559,928
	351,118
325,441	1,737,041
	359,479
119,793	13,834,258
5,000	247,302
3,642	333,012
28,651	255,843
<u>244,814</u>	<u>2,218,949</u>
<u>1,446,145</u>	<u>39,906,771</u>
788,366	4,996,577
	1,275,320
	11,330,144
433,919	8,774,689
31,464	3,483,590
137,399	3,523,577
<u>208</u>	<u>208</u>
<u>1,391,356</u>	<u>33,384,105</u>
<u>54,789</u>	<u>6,522,666</u>
594,253	11,948,021
<u>(340,137)</u>	<u>(11,948,021)</u>
<u>254,116</u>	<u> </u>
<u>308,905</u>	<u>6,522,666</u>
4,494,681	41,804,175
<u>64,584</u>	<u>(2,049,593)</u>
<u>4,559,265</u>	<u>39,754,582</u>
<u>\$ 4,868,170</u>	<u>\$ 46,277,248</u>

Town of Fountain Hills, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Changes in fund balances - total governmental funds **\$ 6,522,666**

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

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

Expenditures for capitalized assets	\$ 3,523,573	
Less current year depreciation	<u>(3,317,963)</u>	
		205,610

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

Leases	18,515	
Intergovernmental	140,648	
Other	<u>15,284</u>	
		174,447

Collections of property tax revenue in the governmental funds exceeded revenues reported in the Statement of Activities. (26,334)

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

Loss on disposal of assets	(139,399)	
Compensated absences	<u>(359,249)</u>	
		(498,648)

The Internal Service Fund is used by management to charge the cost of technology, vehicle and equipment replacement to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities. 514,107

Changes in net position in governmental activities **\$ 6,891,848**

Town of Fountain Hills, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2024

	Governmental Activities
	Internal Service Funds
Assets	
Current assets:	
Cash and investments	\$ 2,643,003
Total current assets	2,643,003
Noncurrent assets:	
Capital assets, net of accumulated depreciation	85,453
Total noncurrent assets	85,453
Total assets	2,728,456
Liabilities	
Current liabilities:	
Accounts payable	4,469
Other liabilities	106
Total current liabilities	4,575
Net position	
Net investment in capital assets	85,453
Unrestricted	2,638,428
Total net position	\$ 2,723,881

Town of Fountain Hills, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Governmental Activities Internal Service Funds
Operating revenues	
Charges for services	\$ 419,994
Total operating revenues	419,994
Operating expenses	
Costs of services	45,000
Depreciation	7,769
Total operating expenses	52,769
Operating income (loss)	367,225
Nonoperating revenues (expenses)	
Investment earnings	126,157
Gain on sale of capital assets	20,725
Total nonoperating revenue (expenses)	146,882
Changes in net position	514,107
Net position, beginning of year, previously reported	160,181
Adjustments to beginning net position	2,049,593
Net position, beginning of year, as restated	2,209,774
Net position, end of year	\$ 2,723,881

Town of Fountain Hills, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Governmental Activities Internal Service Funds
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities	
Cash received from charges for services	\$ 419,994
Cash payments to suppliers for goods and services	(40,425)
Net cash provided by/used for operating activities	379,569
Cash flows from capital activities	
Purchase of property and equipment	(93,222)
Proceeds from sale of capital assets	31,173
Net cash provided by/used for capital activities	(62,049)
Cash flows from investing activities	
Investment income	126,157
Net cash provided by/used for investing activities	126,157
Net increase/decrease in cash and cash equivalents	443,677
Cash and cash equivalents, beginning of year, as restated	2,199,326
Cash and cash equivalents, end of year	\$ 2,643,003
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>	
Operating income/loss	\$ 367,225
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation	7,769
Changes in assets and liabilities:	
Increase/decrease in accounts payable	4,469
Increase/decrease in other liabilities	106
Total adjustments	12,344
Net cash provided by/used for operating activities	\$ 379,569

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

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 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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

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.

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.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

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.

Additionally, the Town reports the following fund type:

Proprietary Fund – The Proprietary Fund is comprised of two Internal Service Funds that account for the operation of technology, vehicle, and equipment replacement services to other Town departments on a cost reimbursement basis.

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

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end was cash and investments in the State Treasurer’s Local Government Investment Pool.

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

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

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

Statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the Town’s investments.

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

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

E. Investment Earnings

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

F. Receivables and Payables

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

G. Inventory

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

H. Prepaid Items

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

I. Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

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

J. 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.

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.

K. Interfund Activity

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

L. Net Position Flow Assumption

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

M. Leases

As lessor, the Town recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate was determined based on the prevailing federal funds rate at the beginning of the lease term, since the Town does not have outstanding debt. This rate reflects the low risk of renting these facilities over a long lease period with multiple renewals.

Note 2 – Fund Balance Classifications

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

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

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

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

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 Chief Financial Officer.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 2 – Fund Balance Classifications

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

The Town generally applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are generally reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. However, the Town may apply unrestricted resources first before restricted resources when necessary to ensure compliance with the State of Arizona's Expenditure Limitation Law for Towns and Cities.

The Town has established a fund balance policy which states that the combined General Fund operating fund balance should be at least 20 percent of the average actual General Fund revenues for the preceding five fiscal years.

The Town has established a stabilization fund (Rainy Day fund) in the Town's fund balance policy. The Rainy Day fund had a balance of \$4,466,782, reported as a committed fund balance at June 30, 2024. 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, 2024

Note 2 – Fund Balance Classifications

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

	General Fund	Highway User Revenue Fund	Grants Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 5,099					\$ 5,099
Prepaid items	33,080		13,500		1,460	48,040
Restricted:						
Capital Projects					18,507	18,507
Debt Service					58,291	58,291
Public works		6,223,708				6,223,708
Local Court Enhancement					439,487	439,487
Opioid abatement			26,630			26,630
Development Fees					2,329,679	2,329,679
Committed:						
Rainy Day	4,466,782					4,466,782
Assigned:						
Capital Projects				14,152,865		14,152,865
Downtown Strategy					691,503	691,503
Economic Development					887,648	887,648
Tourism					37,527	37,527
Public Art					41,023	41,023
Environmental					363,045	363,045
Public works		3,335,921	80,902			3,416,823
Unassigned:	<u>13,070,591</u>					<u>13,070,591</u>
Total fund balances	<u>\$ 17,575,552</u>	<u>\$ 9,559,629</u>	<u>\$ 121,032</u>	<u>\$ 14,152,865</u>	<u>\$ 4,868,170</u>	<u>\$ 46,277,248</u>

Note 3 – Cash and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Town’s deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Town’s deposits was \$1,785,969 and the bank balance was \$3,109,891.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 3 – Cash and Investments

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

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

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

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

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, cash and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 47,921,528
Carrying amount of cash deposits	1,785,969
Cash on hand	700
Total cash and investments	<u>\$ 49,708,197</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 3 – Cash and Investments

At year end, the Town’s investments consisted of the following:

Investment Type	Category	Fair Value	Investment Maturities (in Years)		Credit Rating	
			Less than 1	1-5	S&P	Moody’s
U.S. Government and Agency Notes	Level 1	\$ 9,227,193	\$ 3,890,514	\$ 5,336,679	n/a	N/A, Aaa
Supra-National Notes	Level 1	321,506	143,378	178,128	AAA	Aaa
Federal Agency Notes	Level 1	249,506	249,506		AA+	Aaa
Corporate and Foreign Bonds	Level 2	2,652,460	936,483	1,715,977	BBB+ to AA	Baa1 to A1
Asset Backed Securities	Level 2	565,489		565,489	N/A, AAA	N/A, Aaa
Certificates of Deposit	Level 2	472,663		472,663	n/a	n/a
US Bank Money Market Funds	Level 1	182,192	182,192		n/a	n/a
			<u>\$ 5,402,073</u>	<u>\$ 8,268,936</u>		
State Treasurer’s Investment Pool 7	Not applicable	34,250,519	33 days average maturities			
Total		<u>\$ 47,921,528</u>				

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

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

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 3 – Cash and Investments

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the Town will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The Town does not have an investment policy for custodial credit risk. The Town’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the Town’s portion is not identified with specific investments and is not subject to custodial credit risk.

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

Investment Type	Fair Value	Percent of Town Investments
U.S. Government and Agency Notes	\$ 9,227,193	19.3%
Supra-National Notes	321,506	0.7%
Federal Agency Notes	249,506	0.5%
Corporate and Foreign Bonds	2,652,460	5.5%
Asset Backed Securities	565,489	1.2%
Certificates of Deposit	472,663	1.0%
US Bank Money Market Funds	182,192	0.4%
State Treasurer’s investment pool 7	34,250,519	71.4%
	<u>\$ 47,921,528</u>	

Note 4 – Receivables

Intergovernmental receivables consist of sales taxes and shared revenues of \$1,271,764 receivable from the State, opioid settlement agreement revenues of \$390,988 receivable through Maricopa County, and grant receivables of \$16,350.

Leases receivable of \$1,313,858 consist of revenues from four cell tower land use agreements. Payments under these agreements of \$140,492 were recognized as leases and rents revenues in the current year.

Opioid settlement agreement revenues of \$364,358 and lease revenues of \$1,188,619 are not scheduled to be collected in the subsequent year.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 5 – Capital Assets

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,690,368	\$	\$	\$ 29,690,368
Artwork	2,608,900		10,000	2,598,900
Construction in progress	<u>3,932,181</u>	<u>3,077,709</u>	<u>4,537,222</u>	<u>2,472,668</u>
Total capital assets, not being depreciated	<u>36,231,449</u>	<u>3,077,709</u>	<u>4,547,222</u>	<u>34,761,936</u>
Capital assets, being depreciated:				
Infrastructure	155,656,694	1,922,122		157,578,806
Buildings and building improvements	23,434,482	391,120		23,825,602
Improvements other than buildings	19,604,847	2,132,578		21,737,425
Vehicles, machinery and equipment	<u>5,023,940</u>	<u>501,099</u>	<u>64,190</u>	<u>5,460,849</u>
Total capital assets being depreciated	<u>203,719,963</u>	<u>4,946,909</u>	<u>64,190</u>	<u>208,602,682</u>
Less accumulated depreciation for:				
Infrastructure	(114,553,212)	(1,681,192)		(116,234,404)
Buildings and building improvements	(7,964,931)	(500,313)		(8,465,244)
Improvements other than buildings	(13,151,247)	(703,592)		(13,854,839)
Vehicles, machinery and equipment	<u>(2,443,559)</u>	<u>(440,635)</u>	<u>(64,190)</u>	<u>(2,820,004)</u>
Total accumulated depreciation	<u>(138,112,949)</u>	<u>(3,325,732)</u>	<u>(64,190)</u>	<u>(141,374,491)</u>
Total capital assets, being depreciated, net	<u>65,607,014</u>	<u>1,621,177</u>		<u>67,228,191</u>
Governmental activities capital assets, net	<u>\$ 101,838,463</u>	<u>\$ 4,698,886</u>	<u>\$ 4,547,222</u>	<u>\$ 101,990,127</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 224,616
Development services	19,954
Public safety	337,301
Streets and highways	1,645,098
Culture and recreation	<u>1,098,763</u>
Total depreciation expense	<u>\$ 3,325,732</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 5 – Capital Assets

Construction Commitments – At June 30, 2024, the Town has the following active construction commitments. The resources for these commitments have been accumulated in the Capital Projects Fund.

Project	Governmental Activities	
	Spent-to-Date	Remaining Commitment
Golden Eagle Impoundment Drainage	\$ 339,320	\$ 97,975
Shea Blvd Widening - Palisades to Technology	330,307	15,266
Town-wide Guardrail Replacement	26,105	23,334
Total commitments	<u>\$ 695,732</u>	<u>\$ 136,575</u>

Note 6 – Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 639,914	\$ 794,382	\$ 435,133	\$ 999,163	\$ 445,406
Governmental activity long-term Liabilities	<u>\$ 639,914</u>	<u>\$ 794,382</u>	<u>\$ 435,133</u>	<u>\$ 999,163</u>	<u>\$ 445,406</u>

Note 7 – Interfund Transfers

Interfund transfers for the year ended June 30, 2024 were as follows:

Interfund transfers:

	Transfers out			Total
	General Fund	Capital Projects	Non-Major Governmental Funds	
Transfers in				
General Fund	\$	\$	\$ 245,884	\$ 245,884
Highway User Revenue Fund		4,200,000		4,200,000
Capital Projects Fund	6,907,884			6,907,884
Non-Major Governmental Funds	500,000		94,253	594,253
Total	<u>\$ 7,407,884</u>	<u>\$ 4,200,000</u>	<u>\$ 340,137</u>	<u>\$ 11,948,021</u>

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 7 – Interfund Transfers

The General Fund transferred \$6,907,884 to the Capital Projects Fund for future projects and \$500,000 to the Environmental Fund for continued storm drain and wash maintenance. The Economic Development Fund transferred \$94,253 to the Tourism Fund to provide funding for operating costs of the tourism program. The Development Fee Fund transferred \$245,884 to the General Fund for fire department dispatch telecommunications equipment. The Capital Projects Fund transferred \$4,200,000 to Highway User Revenue Fund for additional pavement maintenance projects.

Note 8 – Contingent Liabilities

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

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

Note 9 – Risk Management

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

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

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 9 – Risk Management

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

Note 10 – Retirement Plans

Defined Contribution Pension Plan

All full-time Town employees participate in a defined contribution pension plan administered by MissionSquare Retirement. The Town Council established and may amend the pension plan's benefit terms, including contribution requirements. The Town and the employee are each required to contribute 11 percent of the employee's gross pay. For the year ended June 30, 2024, the Town recognized pension expense of \$682,701.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions on a pro rata basis over five years. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to reduce the Town's future contributions to the pension plan. For the year ended June 30, 2024, forfeitures reduced the Town's pension expense by \$53,305.

Note 11 – Restatements of Beginning Balances

Change within the Financial Reporting Entity – In fiscal year 2023-24, Town management re-evaluated the presentation and classifications of funds on the financial statements. They considered current use of funds, future use of funds, and reader understandability. In doing so, management made the decision to present the Public Art Fund as its own special revenue fund. Its fund activity was previously reported in the General Fund. Furthermore, management made the decision to present the Vehicle and Equipment Replacement Fund as an internal service fund. Its fund activity was previously reported in the General Fund and Highway User Revenue Fund.

Town of Fountain Hills, Arizona
Notes to Financial Statements
June 30, 2024

Note 11 – Restatements of Beginning Balances

The effect of the matters noted above resulted in adjustments to and restatements of beginning fund balance and fund net position, as follows:

	June 30, 2023, As Previously Reported		Change within the Financial Reporting Entity	June 30, 2023, As Restated
Governmental Funds				
Major Funds:				
General Fund	\$ 17,385,544	\$	(1,703,768)	\$ 15,681,776
Highway User Revenue Fund	7,333,267		(410,409)	6,922,858
Nonmajor Fund				
Public Art Fund			64,584	64,584
Proprietary Funds				
Internal Service Funds				
Vehicle and Equipment Replacement Fund			2,049,593	2,049,593

Required Supplementary Information

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General
For the Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 13,154,799	\$ 13,154,799	\$ 16,834,517	\$ 3,679,718
Franchise taxes	390,000	390,000	351,118	(38,882)
Licenses and permits	770,208	770,208	1,411,600	641,392
Leases and rents	277,278	277,278	359,479	82,201
Intergovernmental	10,387,730	10,387,730	10,349,568	(38,162)
Charges for services	244,215	244,215	242,182	(2,033)
Other revenue	141,575	141,575	270,109	128,534
Fines and forfeitures	200,000	200,000	227,192	27,192
Investment earnings	20,000	20,000	728,524	708,524
Total revenues	25,585,805	25,585,805	30,774,289	5,188,484
Expenditures				
Current:				
General government				
Mayor and council	65,494	75,494	68,215	7,279
Administration	2,948,360	2,948,360	2,741,118	207,242
Non departmental	3,238,088	730,588	640,311	90,277
Municipal court	495,409	495,409	492,925	2,484
Total general government	6,747,351	4,249,851	3,942,569	307,282
Development services	1,318,663	1,318,663	1,275,320	43,343
Public safety				
Fire and emergency	5,589,825	5,402,252	5,104,358	297,894
Law enforcement	6,388,595	6,388,595	6,225,786	162,809
Total public safety	11,978,420	11,790,847	11,330,144	460,703
Public works	1,642,802	1,692,802	1,554,076	138,726
Culture and recreation	3,882,569	3,882,569	3,426,968	455,601
Capital outlay	16,000	66,000	189,436	(123,436)
Total expenditures	25,585,805	23,000,732	21,718,513	1,282,219
Excess (deficiency) of revenues over expenditures		2,585,073	9,055,776	3,906,265
Other financing sources (uses)				
Transfers in			245,884	245,884
Transfers out	(1,000,000)	(1,000,000)	(7,407,884)	(6,407,884)
Total other financing sources (uses)	(1,000,000)	(1,000,000)	(7,162,000)	(6,162,000)
Changes in fund balances	(1,000,000)	1,585,073	1,893,776	(2,255,735)
Fund balances, beginning of year, previously reported	17,385,544	17,385,544	17,385,544	
Adjustments to beginning fund balances	(1,703,768)	(1,703,768)	(1,703,768)	
Fund balances, beginning of year, as restated	15,681,776	15,681,776	15,681,776	
Fund balances, end of year	\$ 14,681,776	\$ 17,266,849	\$ 17,575,552	\$ (2,255,735)

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Highway User Revenue
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 1,064,618	\$ 1,064,618	\$ 1,417,926	\$ 353,308
Intergovernmental	2,703,580	2,703,580	2,720,831	17,251
Charges for services	100,000	100,000	120	(99,880)
Other revenue	31,000	31,000	47,261	16,261
Investment earnings	10,000	10,000	558,549	548,549
Total revenues	<u>3,909,198</u>	<u>3,909,198</u>	<u>4,744,687</u>	<u>835,489</u>
Expenditures				
Current -				
Public works	7,048,280	6,998,280	6,192,221	806,059
Capital outlay		50,000	115,695	(65,695)
Total expenditures	<u>7,048,280</u>	<u>7,048,280</u>	<u>6,307,916</u>	<u>740,364</u>
Excess (deficiency) of revenues over expenditures	<u>(3,139,082)</u>	<u>(3,139,082)</u>	<u>(1,563,229)</u>	<u>1,575,853</u>
Other financing sources (uses)				
Transfers in	4,200,000	4,200,000	4,200,000	
Total other financing sources (uses)	<u>4,200,000</u>	<u>4,200,000</u>	<u>4,200,000</u>	
Changes in fund balances	<u>1,060,918</u>	<u>1,060,918</u>	<u>2,636,771</u>	<u>1,575,853</u>
Fund balances, beginning of year, previously reported	<u>7,333,267</u>	<u>7,333,267</u>	<u>7,333,267</u>	
Adjustments to beginning fund balances	(410,409)	(410,409)	(410,409)	
Fund balances, beginning of year, as restated	<u>6,922,858</u>	<u>6,922,858</u>	<u>6,922,858</u>	
Fund balances, end of year	<u>\$ 7,983,776</u>	<u>\$ 7,983,776</u>	<u>\$ 9,559,629</u>	<u>\$ 1,575,853</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Grants
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,190,000	\$ 1,190,000	\$ 267,283	\$ (922,717)
Investment earnings			15,288	15,288
Total revenues	<u>1,190,000</u>	<u>1,190,000</u>	<u>282,571</u>	<u>(907,429)</u>
Expenditures				
Current -				
General government	1,190,000	650,208	265,136	385,072
Capital outlay		511,000	11,000	500,000
Total expenditures	<u>1,190,000</u>	<u>1,161,208</u>	<u>276,136</u>	<u>885,072</u>
Excess (deficiency) of revenues over expenditures		<u>28,792</u>	<u>6,435</u>	<u>(22,357)</u>
Changes in fund balances		<u>28,792</u>	<u>6,435</u>	<u>(22,357)</u>
Fund balances, beginning of year	<u>114,597</u>	<u>114,597</u>	<u>114,597</u>	
Fund balances, end of year	<u>\$ 114,597</u>	<u>\$ 143,389</u>	<u>\$ 121,032</u>	<u>\$ (22,357)</u>

Town of Fountain Hills, Arizona
Note to Required Supplementary Information
June 30, 2024

Note 1 – Budgetary Basis of Accounting

The Town budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the budget for the Town is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S 41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between departments. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

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

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Governmental Funds

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Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

Cottonwoods Maintenance Fund – accounts for all monies received to pay for maintenance of the Cottonwoods Maintenance District.

Debt Service Funds

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

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

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

Capital Projects Fund

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

Town of Fountain Hills, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2024

Special Revenue Funds

	<u>Downtown Strategy</u>	<u>Economic Development</u>	<u>Tourism</u>	<u>Public Art</u>	<u>Local Court Enhancement</u>
Assets					
Cash and investments	\$ 687,956	\$ 872,256	\$ 42,969	\$ 41,023	\$ 438,933
Intergovernmental receivable	6,377	25,507			554
Interest receivable	1,713				
Prepaid items		675	785		
Total assets	<u>696,046</u>	<u>898,438</u>	<u>43,754</u>	<u>41,023</u>	<u>439,487</u>
Liabilities					
Accounts payable	4,543	4,009	5,442		
Accrued wages and benefits		6,106			
Total liabilities	<u>4,543</u>	<u>10,115</u>	<u>5,442</u>		
Fund balances					
Nonspendable		675	785		
Restricted					439,487
Assigned	691,503	887,648	37,527	41,023	
Total fund balances	<u>691,503</u>	<u>888,323</u>	<u>38,312</u>	<u>41,023</u>	<u>439,487</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 696,046</u>	<u>\$ 898,438</u>	<u>\$ 43,754</u>	<u>\$ 41,023</u>	<u>\$ 439,487</u>

Special Revenue Funds		Debt Service Funds			Capital Projects Fund		Total Non-Major Governmental Funds
Environmental	Cottonwoods Maintenance	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation Debt Service	Development Fees		
\$ 548,588	\$ 19,755	\$ 163,809	\$ 20,208	\$ 12,045	\$ 2,329,679	\$ 5,177,221	
						32,438	
						1,713	
						1,460	
<u>548,588</u>	<u>19,755</u>	<u>163,809</u>	<u>20,208</u>	<u>12,045</u>	<u>2,329,679</u>	<u>5,212,832</u>	
185,543	1,248	137,573	198			338,556	
						6,106	
<u>185,543</u>	<u>1,248</u>	<u>137,573</u>	<u>198</u>			<u>344,662</u>	
						1,460	
	18,507	26,236	20,010	12,045	2,329,679	2,845,964	
<u>363,045</u>						<u>2,020,746</u>	
<u>363,045</u>	<u>18,507</u>	<u>26,236</u>	<u>20,010</u>	<u>12,045</u>	<u>2,329,679</u>	<u>4,868,170</u>	
<u>\$ 548,588</u>	<u>\$ 19,755</u>	<u>\$ 163,809</u>	<u>\$ 20,208</u>	<u>\$ 12,045</u>	<u>\$ 2,329,679</u>	<u>\$ 5,212,832</u>	

Town of Fountain Hills, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2024

Special Revenue Funds

	Downtown Strategy	Economic Development	Tourism	Public Art	Local Court Enhancement
Revenues					
Property taxes	\$	\$	\$	\$	\$
Sales taxes	141,793	567,170			
Licenses and permits					
Intergovernmental			119,793		
Charges for services				5,000	
Other revenue		2,534	1,108		
Fines and forfeitures					28,651
Investment earnings	33,698	38,133	6,626	2,903	158
Total revenues	<u>175,491</u>	<u>607,837</u>	<u>127,527</u>	<u>7,903</u>	<u>28,809</u>
Expenditures					
Current:					
General government	109,910	218,203	317,680		5,000
Public works					
Culture and recreation				31,464	
Capital outlay					
Debt service:					
Fiscal charges					
Total expenditures	<u>109,910</u>	<u>218,203</u>	<u>317,680</u>	<u>31,464</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	<u>65,581</u>	<u>389,634</u>	<u>(190,153)</u>	<u>(23,561)</u>	<u>23,809</u>
Other financing sources (uses)					
Transfers in			94,253		
Transfers out		(94,253)			
Total other financing sources (uses)		<u>(94,253)</u>	<u>94,253</u>		
Changes in fund balances	<u>65,581</u>	<u>295,381</u>	<u>(95,900)</u>	<u>(23,561)</u>	<u>23,809</u>
Fund balances, beginning of year, previously reported	625,922	592,942	134,212		415,678
Adjustments to beginning fund balances				64,584	
Fund balances, beginning of year, as restated	<u>625,922</u>	<u>592,942</u>	<u>134,212</u>	<u>64,584</u>	<u>415,678</u>
Fund balances, end of year	<u>\$ 691,503</u>	<u>\$ 888,323</u>	<u>\$ 38,312</u>	<u>\$ 41,023</u>	<u>\$ 439,487</u>

Special Revenue Funds		Debt Service Funds			Capital Projects	Total Non-Major Governmental Funds
Environmental	Cottonwoods Maintenance	General Obligation Debt Service	Eagle Mountain Debt Service	Municipal Property Corporation	Fund Development Fees	
\$	\$ 9,815	\$ 26	\$	\$	\$	\$ 9,841
						708,963
1,692					323,749	325,441
						119,793
						5,000
						3,642
						28,651
30,492	915	8,509	1,062	628	121,690	244,814
<u>32,184</u>	<u>10,730</u>	<u>8,535</u>	<u>1,062</u>	<u>628</u>	<u>445,439</u>	<u>1,446,145</u>
		137,573				788,366
426,358	7,561					433,919
						31,464
137,399						137,399
			198	10		208
<u>563,757</u>	<u>7,561</u>	<u>137,573</u>	<u>198</u>	<u>10</u>		<u>1,391,356</u>
<u>(531,573)</u>	<u>3,169</u>	<u>(129,038)</u>	<u>864</u>	<u>618</u>	<u>445,439</u>	<u>54,789</u>
500,000						594,253
					(245,884)	(340,137)
<u>500,000</u>					<u>(245,884)</u>	<u>254,116</u>
<u>(31,573)</u>	<u>3,169</u>	<u>(129,038)</u>	<u>864</u>	<u>618</u>	<u>199,555</u>	<u>308,905</u>
394,618	15,338	155,274	19,146	11,427	2,130,124	4,494,681
						64,584
<u>394,618</u>	<u>15,338</u>	<u>155,274</u>	<u>19,146</u>	<u>11,427</u>	<u>2,130,124</u>	<u>4,559,265</u>
<u>\$ 363,045</u>	<u>\$ 18,507</u>	<u>\$ 26,236</u>	<u>\$ 20,010</u>	<u>\$ 12,045</u>	<u>\$ 2,329,679</u>	<u>\$ 4,868,170</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Downtown Strategy
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 106,462	\$ 106,462	\$ 141,793	\$ 35,331
Investment earnings	600	600	33,698	33,098
Total revenues	<u>107,062</u>	<u>107,062</u>	<u>175,491</u>	<u>68,429</u>
Expenditures				
Current -				
General government	85,200	135,200	109,910	25,290
Total expenditures	<u>85,200</u>	<u>135,200</u>	<u>109,910</u>	<u>25,290</u>
Excess (deficiency) of revenues over expenditures	<u>21,862</u>	<u>(28,138)</u>	<u>65,581</u>	<u>93,719</u>
Other financing sources (uses)				
Transfers out	(35,000)	(35,000)		35,000
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>		<u>35,000</u>
Changes in fund balances	<u>(13,138)</u>	<u>(63,138)</u>	<u>65,581</u>	<u>128,719</u>
Fund balances, beginning of year	<u>625,922</u>	<u>625,922</u>	<u>625,922</u>	
Fund balances, end of year	<u>\$ 612,784</u>	<u>\$ 562,784</u>	<u>\$ 691,503</u>	<u>\$ 128,719</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Economic Development
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Sales taxes	\$ 425,847	\$ 567,170	\$ 141,323
Other		2,534	2,534
Investment earnings	240	38,133	37,893
Total revenues	<u>426,087</u>	<u>607,837</u>	<u>181,750</u>
Expenditures			
Current -			
General government	229,630	218,203	11,427
Total expenditures	<u>229,630</u>	<u>218,203</u>	<u>11,427</u>
Excess (deficiency) of revenues over expenditures	<u>196,457</u>	<u>389,634</u>	<u>193,177</u>
Other financing sources (uses)			
Transfers out	(94,253)	(94,253)	
Total other financing sources (uses)	<u>(94,253)</u>	<u>(94,253)</u>	
Changes in fund balances	<u>102,204</u>	<u>295,381</u>	<u>193,177</u>
Fund balances, beginning of year	<u>592,942</u>	<u>592,942</u>	
Fund balances, end of year	<u>\$ 695,146</u>	<u>\$ 888,323</u>	<u>\$ 193,177</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tourism
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 119,793	\$ 54,793
Other			1,108	1,108
Investment earnings	180	180	6,626	6,446
Total revenues	<u>65,180</u>	<u>65,180</u>	<u>127,527</u>	<u>62,347</u>
Expenditures				
Current -				
General government	354,029	382,821	317,680	65,141
Total expenditures	<u>354,029</u>	<u>382,821</u>	<u>317,680</u>	<u>65,141</u>
Excess (deficiency) of revenues over expenditures	<u>(288,849)</u>	<u>(317,641)</u>	<u>(190,153)</u>	<u>127,488</u>
Other financing sources (uses)				
Transfers in	94,253	94,253	94,253	
Total other financing sources (uses)	<u>94,253</u>	<u>94,253</u>	<u>94,253</u>	
Changes in fund balances	<u>(194,596)</u>	<u>(223,388)</u>	<u>(95,900)</u>	<u>127,488</u>
Fund balances, beginning of year	<u>134,212</u>	<u>134,212</u>	<u>134,212</u>	
Fund balances, end of year	<u>\$ (60,384)</u>	<u>\$ (89,176)</u>	<u>\$ 38,312</u>	<u>\$ 127,488</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Art
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Variance with</u>
	<u>Original and Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues			
Charges for services	\$ 100,000	\$ 5,000	\$ (95,000)
Investment earnings	240	2,903	2,663
Total revenues	<u>100,240</u>	<u>7,903</u>	<u>(92,337)</u>
Expenditures			
Current -			
Culture and recreation	41,761	31,464	10,297
Total expenditures	<u>41,761</u>	<u>31,464</u>	<u>10,297</u>
Excess (deficiency) of revenues over expenditures	<u>58,479</u>	<u>(23,561)</u>	<u>(82,040)</u>
Changes in fund balances	<u>58,479</u>	<u>(23,561)</u>	<u>(82,040)</u>
Fund balances, beginning of year, previously reported	<u> </u>	<u> </u>	<u> </u>
Adjustments to beginning fund balances	64,584	64,584	
Fund balances, beginning of year, as restated	<u>64,584</u>	<u>64,584</u>	<u> </u>
Fund balances, end of year	<u>\$ 123,063</u>	<u>\$ 41,023</u>	<u>\$ (82,040)</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Court Enhancement
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Fines and forfeitures	\$ 33,000	\$ 28,651	\$ (4,349)
Investment earnings	300	158	(142)
Total revenues	<u>33,300</u>	<u>28,809</u>	<u>(4,491)</u>
Expenditures			
Current -			
General government	54,600	5,000	49,600
Total expenditures	<u>54,600</u>	<u>5,000</u>	<u>49,600</u>
Excess (deficiency) of revenues over expenditures	<u>(21,300)</u>	<u>23,809</u>	<u>45,109</u>
Changes in fund balances	<u>(21,300)</u>	<u>23,809</u>	<u>45,109</u>
Fund balances, beginning of year	<u>415,678</u>	<u>415,678</u>	
Fund balances, end of year	<u>\$ 394,378</u>	<u>\$ 439,487</u>	<u>\$ 45,109</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Environmental
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Licenses and permits	\$	\$ 1,692	\$ 1,692
Investment earnings	2,400	30,492	28,092
Total revenues	<u>2,400</u>	<u>32,184</u>	<u>29,784</u>
Expenditures			
Current -			
Public works	627,024	426,358	200,666
Capital outlay		137,399	(137,399)
Total expenditures	<u>627,024</u>	<u>563,757</u>	<u>63,267</u>
Excess (deficiency) of revenues over expenditures	<u>(624,624)</u>	<u>(531,573)</u>	<u>93,051</u>
Other financing sources (uses)			
Transfers in	500,000	500,000	
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	
Changes in fund balances	<u>(124,624)</u>	<u>(31,573)</u>	<u>93,051</u>
Fund balances, beginning of year	<u>394,618</u>	<u>394,618</u>	
Fund balances, end of year	<u>\$ 269,994</u>	<u>\$ 363,045</u>	<u>\$ 93,051</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Cottonwoods Maintenance
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Property taxes	\$ 9,768	\$ 9,815	\$ 47
Investment earnings	72	915	843
Total revenues	<u>9,840</u>	<u>10,730</u>	<u>890</u>
Expenditures			
Current -			
Public works	13,488	7,561	5,927
Total expenditures	<u>13,488</u>	<u>7,561</u>	<u>5,927</u>
Excess (deficiency) of revenues over expenditures	<u>(3,648)</u>	<u>3,169</u>	<u>6,817</u>
Changes in fund balances	<u>(3,648)</u>	<u>3,169</u>	<u>6,817</u>
Fund balances, beginning of year	<u>15,338</u>	<u>15,338</u>	
Fund balances, end of year	<u>\$ 11,690</u>	<u>\$ 18,507</u>	<u>\$ 6,817</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Obligation Debt Service
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$	\$	\$ 26	\$ 26
Investment earnings	600	600	8,509	7,909
Total revenues	<u>600</u>	<u>600</u>	<u>8,535</u>	<u>7,935</u>
Expenditures				
Current -				
General government	350	137,923	137,573	350
Total expenditures	<u>350</u>	<u>137,923</u>	<u>137,573</u>	<u>350</u>
Excess (deficiency) of revenues over expenditures	<u>250</u>	<u>(137,323)</u>	<u>(129,038)</u>	<u>8,285</u>
Changes in fund balances	<u>250</u>	<u>(137,323)</u>	<u>(129,038)</u>	<u>8,285</u>
Fund balances, beginning of year	<u>155,274</u>	<u>155,274</u>	<u>155,274</u>	
Fund balances, end of year	<u>\$ 155,524</u>	<u>\$ 17,951</u>	<u>\$ 26,236</u>	<u>\$ 8,285</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Eagle Mountain Debt Service
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Variance with Final Budget</u>
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment earnings	\$ 100	\$ 1,062	\$ 962
Total revenues	<u>100</u>	<u>1,062</u>	<u>962</u>
Expenditures			
Debt service -			
Fiscal charges	18,900	198	18,702
Total expenditures	<u>18,900</u>	<u>198</u>	<u>18,702</u>
Excess (deficiency) of revenues over expenditures	<u>(18,800)</u>	<u>864</u>	<u>19,664</u>
Changes in fund balances	<u>(18,800)</u>	<u>864</u>	<u>19,664</u>
Fund balances, beginning of year	<u>19,146</u>	<u>19,146</u>	
Fund balances, end of year	<u>\$ 346</u>	<u>\$ 20,010</u>	<u>\$ 19,664</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Municipal Property Corporation Debt Service
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Investment earnings	\$ 300	\$ 628	\$ 328
Total revenues	<u>300</u>	<u>628</u>	<u>328</u>
Expenditures			
Debt service -			
Fiscal charges	510	10	500
Total expenditures	<u>510</u>	<u>10</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures	<u>(210)</u>	<u>618</u>	<u>828</u>
Changes in fund balances	<u>(210)</u>	<u>618</u>	<u>828</u>
Fund balances, beginning of year	<u>11,427</u>	<u>11,427</u>	
Fund balances, end of year	<u>\$ 11,217</u>	<u>\$ 12,045</u>	<u>\$ 828</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects
For the Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 685,240	\$ 685,240	\$ 1,598,522	\$ 913,282
Intergovernmental	3,768,079	3,768,079	376,783	(3,391,296)
Other			12,000	12,000
Investment earnings	11,000	11,000	671,774	660,774
Total revenues	<u>4,464,319</u>	<u>4,464,319</u>	<u>2,659,079</u>	<u>(1,805,240)</u>
Expenditures				
Current -				
General government	289,600	239,600	506	239,094
Public works	550,000	550,000	594,473	(44,473)
Culture and recreation			25,158	(25,158)
Capital outlay	6,628,931	9,076,431	3,070,047	6,006,384
Total expenditures	<u>7,468,531</u>	<u>9,866,031</u>	<u>3,690,184</u>	<u>6,175,847</u>
Excess (deficiency) of revenues over expenditures	<u>(3,004,212)</u>	<u>(5,401,712)</u>	<u>(1,031,105)</u>	<u>4,370,607</u>
Other financing sources (uses)				
Transfers in	535,000	535,000	6,907,884	6,372,884
Transfers out	(4,200,000)	(4,200,000)	(4,200,000)	
Total other financing sources (uses)	<u>(3,665,000)</u>	<u>(3,665,000)</u>	<u>2,707,884</u>	<u>6,372,884</u>
Changes in fund balances	<u>(6,669,212)</u>	<u>(9,066,712)</u>	<u>1,676,779</u>	<u>10,743,491</u>
Fund balances, beginning of year	<u>12,476,086</u>	<u>12,476,086</u>	<u>12,476,086</u>	
Fund balances, end of year	<u>\$ 5,806,874</u>	<u>\$ 3,409,374</u>	<u>\$ 14,152,865</u>	<u>\$ 10,743,491</u>

Town of Fountain Hills, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Development Fees
For the Year Ended June 30, 2024

	<u>Budget</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Licenses and permits	\$ 379,550	\$ 323,749	\$ (55,801)
Investment earnings	3,000	121,690	118,690
Total revenues	<u>382,550</u>	<u>445,439</u>	<u>62,889</u>
Excess (deficiency) of revenues over expenditures	<u>382,550</u>	<u>445,439</u>	<u>62,889</u>
Other financing sources (uses)			
Transfers out	<u> </u>	(245,884)	(245,884)
Total other financing sources (uses)	<u> </u>	<u>(245,884)</u>	<u>(245,884)</u>
Changes in fund balances	<u>382,550</u>	<u>199,555</u>	<u>(182,995)</u>
Fund balances, beginning of year	<u>2,130,124</u>	<u>2,130,124</u>	<u> </u>
Fund balances, end of year	<u>\$ 2,512,674</u>	<u>\$ 2,329,679</u>	<u>\$ (182,995)</u>

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Internal Service Funds

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

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

Town of Fountain Hills, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	<u>Technology Replacement</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets:			
Cash and investments	\$ 190,409	\$ 2,452,594	\$ 2,643,003
Total current assets	<u>190,409</u>	<u>2,452,594</u>	<u>2,643,003</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u> </u>	<u>85,453</u>	<u>85,453</u>
Total noncurrent assets	<u> </u>	<u>85,453</u>	<u>85,453</u>
Total assets	<u>190,409</u>	<u>2,538,047</u>	<u>2,728,456</u>
Liabilities			
Current liabilities:			
Accounts payable	4,469		4,469
Other liabilities	<u>106</u>		<u>106</u>
Total current liabilities	<u>4,575</u>		<u>4,575</u>
Net position			
Net investment in capital assets		85,453	85,453
Unrestricted	<u>185,834</u>	<u>2,452,594</u>	<u>2,638,428</u>
Total net position	<u>\$ 185,834</u>	<u>\$ 2,538,047</u>	<u>\$ 2,723,881</u>

Town of Fountain Hills, Arizona
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2024

	Technology Replacement	Vehicle and Equipment Replacement	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 62,000	\$ 357,994	\$ 419,994
Total operating revenues	<u>62,000</u>	<u>357,994</u>	<u>419,994</u>
Operating expenses			
Cost of services	45,000		45,000
Depreciation		7,769	7,769
Total operating expenses	<u>45,000</u>	<u>7,769</u>	<u>52,769</u>
Operating income (loss)	<u>17,000</u>	<u>350,225</u>	<u>367,225</u>
Nonoperating revenues (expenses)			
Investment earnings	8,653	117,504	126,157
Gain on sale of capital assets		20,725	20,725
Total nonoperating revenue (expenses)	<u>8,653</u>	<u>138,229</u>	<u>146,882</u>
Changes in net position	25,653	488,454	514,107
Net position, beginning of year, previously reported	<u>160,181</u>		<u>160,181</u>
Adjustments to beginning net position		2,049,593	2,049,593
Net position, beginning of year, as restated	<u>160,181</u>	<u>2,049,593</u>	<u>2,209,774</u>
Net position, end of year	<u>\$ 185,834</u>	<u>\$ 2,538,047</u>	<u>\$ 2,723,881</u>

Town of Fountain Hills, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2024

	<u>Technology Replacement</u>	<u>Vehicle and Equipment Replacement</u>	<u>Total Internal Service Funds</u>
<u>Increase/Decrease in Cash and Cash Equivalents</u>			
Cash flows from operating activities			
Cash received from charges for services	\$ 62,000	\$ 357,994	\$ 419,994
Cash payments to suppliers for goods and services	(40,425)		(40,425)
Net cash provided by/used for operating activities	<u>21,575</u>	<u>357,994</u>	<u>379,569</u>
Cash flows from capital activities			
Purchase of property and equipment		(93,222)	(93,222)
Proceeds from sale of capital assets		31,173	31,173
Net cash provided by/used for capital activities		<u>(62,049)</u>	<u>(62,049)</u>
Cash flows from investing activities			
Investment income	8,653	117,504	126,157
Net cash provided by/used for investing activities	<u>8,653</u>	<u>117,504</u>	<u>126,157</u>
Net increase/decrease in cash and cash equivalents	30,228	413,449	443,677
Cash and cash equivalents, beginning of year, as restated	<u>160,181</u>	<u>2,039,145</u>	<u>2,199,326</u>
Cash and cash equivalents, end of year	<u>\$ 190,409</u>	<u>\$ 2,452,594</u>	<u>\$ 2,643,003</u>
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>			
Operating income/loss	\$ 17,000	\$ 350,225	\$ 367,225
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:			
Depreciation		7,769	7,769
Changes in assets and liabilities:			
Increase/decrease in accounts payable	4,469		4,469
Increase/decrease in other liabilities	106		106
Total adjustments	<u>4,575</u>	<u>7,769</u>	<u>12,344</u>
Net cash provided by/used for operating activities	<u>\$ 21,575</u>	<u>\$ 357,994</u>	<u>\$ 379,569</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.

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

	Fiscal Year ended June 30			
	2015	2016	2017	2018
Governmental activities:				
Net investment in capital assets	\$ 95,325,824	\$ 95,647,990	\$ 94,909,703	\$ 96,777,854
Restricted	6,310,810	4,530,239	4,471,661	4,589,526
Unrestricted	<u>15,180,582</u>	<u>17,232,506</u>	<u>17,578,068</u>	<u>16,244,169</u>
Total governmental activities net position	<u>\$ 116,817,216</u>	<u>\$ 117,410,735</u>	<u>\$ 116,959,432</u>	<u>\$ 117,611,549</u>

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

Fiscal Year ended June 30

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 104,781,328	\$ 104,004,331	\$ 103,822,185	\$ 102,346,737	\$ 101,838,463	\$ 101,990,127
3,646,449	2,766,041	2,610,178	5,749,726	9,646,597	9,474,160
<u>15,258,797</u>	<u>17,388,168</u>	<u>21,318,351</u>	<u>26,010,477</u>	<u>31,955,871</u>	<u>38,868,492</u>
<u>\$ 123,686,574</u>	<u>\$ 124,158,540</u>	<u>\$ 127,750,714</u>	<u>\$ 134,106,940</u>	<u>\$ 143,440,931</u>	<u>\$ 150,332,779</u>

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

	Fiscal Year Ended June 30			
	2015	2016	2017	2018
Expenses				
Governmental activities:				
General government	\$ 2,479,365	\$ 2,516,966	\$ 3,142,722	\$ 3,431,752
Development services	2,074,611	2,253,208	1,364,378	1,460,967
Public safety	6,816,152	7,178,890	7,563,898	7,567,012
Public works	4,963,979	6,476,688	7,904,577	7,380,663
Culture and recreation	2,822,954	3,124,523	3,375,414	3,311,648
Interest on long-term debt	698,542	241,694	178,749	118,552
Total governmental activities expenses	<u>19,855,603</u>	<u>21,791,969</u>	<u>23,529,738</u>	<u>23,270,594</u>
Program Revenues				
Governmental activities:				
Fines, fees and charges for services:				
General government	337,655	298,737	837,163	295,716
Development services	693,670	1,257,492	1,062,094	1,314,915
Public safety	86,641	90,345	155,454	155,973
Public works	236,706	48,688	216,724	52,465
Culture and recreation	339,158	321,189	393,028	497,914
Operating grants and contributions	1,431,017	1,615,973	1,699,931	1,737,958
Capital grants and contributions	2,874,796	381,011	494,328	304,951
Total governmental activities program revenues	<u>5,999,643</u>	<u>4,013,435</u>	<u>4,858,722</u>	<u>4,359,892</u>
Net (Expenses)/Revenues	(13,855,960)	(17,778,534)	(18,671,016)	(18,910,702)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	904,660	2,569,504	2,296,199	2,263,623
Sales taxes	8,983,049	9,395,667	9,415,151	10,311,577
Franchise taxes	352,673	360,320	367,119	421,682
State shared revenues	5,713,235	5,813,678	6,057,278	6,396,667
Investment earnings	150,358	219,058	55,127	158,860
Miscellaneous	188,251	13,826	28,839	10,410
Special item - Donation of capital assets	-	-	-	-
Total governmental activities	<u>16,292,226</u>	<u>18,372,053</u>	<u>18,219,713</u>	<u>19,562,819</u>
Changes in Net Position				
Governmental activities	<u>\$ 2,436,266</u>	<u>\$ 593,519</u>	<u>\$ (451,303)</u>	<u>\$ 652,117</u>

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

Fiscal Year Ended June 30

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 3,318,477	\$ 3,470,936	\$ 6,687,041	\$ 4,333,863	\$ 4,890,912	\$ 5,106,646
867,725	825,884	968,808	1,068,260	1,206,991	1,324,892
8,142,069	9,003,452	6,321,489	9,487,150	9,930,356	11,746,913
10,263,244	9,961,306	10,175,540	9,780,920	10,792,078	10,455,071
3,767,996	3,490,447	3,601,870	3,999,178	4,776,903	4,676,396
57,054	881	7,544	-	-	-
<u>26,416,565</u>	<u>26,752,906</u>	<u>27,762,292</u>	<u>28,669,371</u>	<u>31,597,240</u>	<u>33,309,918</u>
280,312	533,189	310,411	498,242	516,373	548,921
1,143,871	608,892	693,161	947,431	762,929	694,650
90,774	100,444	104,726	89,140	136,082	108,633
10,214	131,750	355,619	654,434	359,972	736,967
1,151,500	409,651	435,432	641,269	640,365	628,560
1,850,676	2,007,841	4,733,757	6,381,580	6,729,883	2,383,786
181,939	91,245	135,525	161,751	259,266	520,867
<u>4,709,286</u>	<u>3,883,012</u>	<u>6,768,631</u>	<u>9,373,847</u>	<u>9,404,870</u>	<u>5,622,384</u>
(21,707,279)	(22,869,894)	(20,993,661)	(19,295,524)	(22,192,370)	(27,687,534)
2,476,546	2,077,368	402,481	9,728	9,854	-
11,491,123	13,172,390	15,657,292	17,660,758	20,586,294	20,559,928
423,947	434,896	426,260	399,007	382,948	351,118
6,514,470	6,874,771	7,787,184	7,721,123	9,221,691	11,131,601
554,549	545,983	49,665	(419,006)	1,099,525	2,345,106
202,969	236,452	262,953	280,140	226,049	191,629
6,118,700	-	-	-	-	-
<u>27,782,304</u>	<u>23,341,860</u>	<u>24,585,835</u>	<u>25,651,750</u>	<u>31,526,361</u>	<u>34,579,382</u>
<u>\$ 6,075,025</u>	<u>\$ 471,966</u>	<u>\$ 3,592,174</u>	<u>\$ 6,356,226</u>	<u>\$ 9,333,991</u>	<u>\$ 6,891,848</u>

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

	Fiscal Year ended June 30			
	2015	2016	2017	2018
General fund				
Nonspendable				
Inventory	\$ 6,975	\$ 9,272	\$ 5,872	\$ 13,490
Prepaid items	10,655	4,123	16,868	21,945
Committed	2,634,923	2,652,357	2,714,135	2,893,850
Assigned	1,872,492	1,701,086	1,743,768	2,101,574
Unassigned	4,369,457	5,853,806	2,696,999	2,140,434
Total general fund	<u>\$ 8,894,502</u>	<u>\$ 10,220,644</u>	<u>\$ 7,177,642</u>	<u>\$ 7,171,293</u>
All other governmental funds				
Nonspendable				
Cash with escrow agent	\$ 1,645,000	\$ -	\$ -	\$ -
Prepaid items	656	5,055	474	-
Restricted	10,066,786	4,500,044	4,432,710	4,571,263
Committed	1,079,780	1,366,081	8,576,250	7,248,890
Assigned	5,444,124	5,943,364	1,784,761	2,340,683
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 18,236,346</u>	<u>\$ 11,814,544</u>	<u>\$ 14,794,195</u>	<u>\$ 14,160,836</u>

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

Fiscal Year ended June 30

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 5,168	\$ 8,982	\$ 7,117	\$ 14,845	\$ 12,923	\$ 5,099
17,311	2,418	20,170	36,464	44,542	33,080
3,027,804	3,249,354	3,387,433	3,664,240	4,044,890	4,466,782
2,380,653	622,641	1,085,667	1,278,191	1,639,184	-
1,863,722	5,535,499	10,958,643	9,466,833	11,644,005	13,070,591
<u>\$ 7,294,658</u>	<u>\$ 9,418,894</u>	<u>\$ 15,459,030</u>	<u>\$ 14,460,573</u>	<u>\$ 17,385,544</u>	<u>\$ 17,575,552</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	4,253	2,326	14,960
3,579,891	2,708,883	2,541,894	5,701,067	9,368,764	9,096,302
5,868,386	6,068,810	4,430,491	5,511,281	7,458,457	-
2,592,343	2,402,244	1,845,901	6,541,572	7,589,084	19,590,434
-	(66,361)	-	-	-	-
<u>\$ 12,040,620</u>	<u>\$ 11,113,576</u>	<u>\$ 8,818,286</u>	<u>\$ 17,758,173</u>	<u>\$ 24,418,631</u>	<u>\$ 28,701,696</u>

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

	Fiscal Year Ended June 30			
	2015	2016	2017	2018
Revenues				
Taxes	\$ 10,240,382	\$ 12,299,285	\$ 12,069,714	\$ 13,019,341
Licenses and permits	1,043,382	1,372,045	1,310,973	2,004,386
Leases and rents	269,753	258,165	284,090	282,531
Intergovernmental	9,770,048	7,559,436	7,917,651	8,266,028
Charges for services	176,541	197,109	351,476	254,122
Other	188,251	147,662	153,438	207,697
Fines and forfeitures	186,456	209,380	257,727	182,997
Investment earnings	150,358	219,058	55,127	158,860
Total revenues	<u>22,025,171</u>	<u>22,262,140</u>	<u>22,400,196</u>	<u>24,375,962</u>
Expenditures				
Current:				
General government	2,275,124	2,324,026	2,713,548	3,195,936
Development services	2,073,990	2,217,814	1,275,147	1,397,249
Public safety	6,675,874	7,034,887	7,420,032	7,402,227
Public works	1,275,779	2,498,714	3,954,450	3,420,317
Culture and recreation	1,962,585	2,240,865	2,484,940	2,375,758
Capital outlay	8,799,068	6,471,382	1,693,265	4,317,214
Debt service:				
Principal	1,850,000	4,260,000	2,675,000	2,720,000
Interest	454,957	308,106	244,986	185,164
Other debt service	243,585	2,005	2,180	1,805
Total expenditures	<u>25,610,962</u>	<u>27,357,799</u>	<u>22,463,548</u>	<u>25,015,670</u>
Excess (deficiency) of revenues over (under) expenditures	(3,585,791)	(5,095,659)	(63,352)	(639,708)
Other Financing Sources (Uses)				
Transfers in	2,519,774	562,044	5,194,138	4,543,728
Transfers out	(2,519,774)	(562,044)	(5,194,138)	(4,543,728)
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>8,002,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,416,295</u>	<u>\$ (5,095,659)</u>	<u>\$ (63,352)</u>	<u>\$ (639,708)</u>
Expenditures for capitalized assets	\$ 9,067,254	\$ 6,394,346	\$ 1,696,612	\$ 4,293,214
Debt service as a percentage of noncapital expenditures	15.4%	21.8%	14.1%	14.0%

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

Fiscal Year Ended June 30

2019	2020	2021	2022	2023	2024
\$ 14,342,801	\$ 15,694,054	\$ 16,510,939	\$ 18,071,247	\$ 20,978,020	\$ 20,920,887
2,040,622	835,731	1,293,172	2,039,349	1,524,278	1,737,041
280,801	286,391	264,621	333,946	355,607	359,479
8,401,676	8,920,296	12,713,449	14,124,324	15,919,459	13,834,258
181,105	222,947	99,090	171,157	216,438	247,302
347,141	387,225	320,291	431,838	403,305	333,012
130,483	281,704	239,191	223,964	240,844	255,843
554,549	545,983	49,654	(419,224)	1,094,158	2,218,949
<u>26,279,178</u>	<u>27,174,331</u>	<u>31,490,407</u>	<u>34,976,601</u>	<u>40,732,109</u>	<u>39,906,771</u>
3,147,063	3,280,191	6,513,419	4,105,257	4,697,681	4,996,577
858,957	797,513	954,667	1,041,531	1,210,967	1,275,320
6,295,989	8,566,058	8,906,428	9,180,108	9,612,993	11,330,144
7,880,668	6,046,298	6,321,814	5,712,452	7,542,736	8,774,689
2,845,027	2,609,842	2,726,748	3,166,526	3,583,471	3,483,590
4,487,854	2,716,523	4,758,067	3,828,699	4,498,734	3,523,577
2,635,000	2,310,000	400,000	-	-	-
123,871	67,301	7,044	-	-	-
1,600	1,998	500	598	98	208
<u>28,276,029</u>	<u>26,395,724</u>	<u>30,588,687</u>	<u>27,035,171</u>	<u>31,146,680</u>	<u>33,384,105</u>
(1,996,851)	778,607	901,720	7,941,430	9,585,429	6,522,666
3,672,532	1,928,978	3,086,628	11,962,153	10,247,867	11,948,021
(3,672,532)	(1,928,978)	(3,136,628)	(11,962,153)	(10,247,867)	(11,948,021)
-	418,585	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	418,585	(50,000)	-	-	-
<u>\$ (1,996,851)</u>	<u>\$ 1,197,192</u>	<u>\$ 851,720</u>	<u>\$ 7,941,430</u>	<u>\$ 9,585,429</u>	<u>\$ 6,522,666</u>
\$ 4,465,837	\$ 2,689,270	\$ 4,758,055	\$ 3,890,700	\$ 4,497,424	\$ 3,616,795
11.6%	10.0%	1.8%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30	Property Tax	Sales Tax	Franchise Tax	Total
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
2022	11,482	17,660,758	399,007	18,071,247
2023	8,778	20,586,294	382,948	20,978,020
2024	9,841	20,559,928	351,118	20,920,887

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

Town of Fountain Hills, Arizona
Sales Tax Payers by Category
June 30, 2024 and June 30, 2015

	Fiscal Year Ended June 30, 2024			Fiscal Year Ended June 30, 2015		
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Sales category:						
Construction	474	3.22%	\$ 3,197,045	15.55%	\$ 935,694	10.42%
Transportation/utilities	151	1.03%	1,661,398	8.08%	1,405,768	15.65%
Wholesale/retail	10,769	73.12%	10,689,793	52.00%	4,214,119	46.91%
Restaurants/bars	108	0.73%	1,452,328	7.06%	682,180	7.59%
Real estate, rental & leasing	1,071	7.27%	1,351,156	6.57%	617,348	6.87%
Services	681	4.62%	2,206,542	10.73%	604,618	6.73%
Other	1,474	10.01%	1,666	0.01%	523,323	5.83%
Total	14,728	100.00%	\$ 20,559,928	100.00%	\$ 8,983,050	100.00%

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

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

Note: Because of confidentiality statutes, the names of the 10 largest revenue payers cannot be disclosed. The categories presented are intended to provide alternative information regarding the sources of the Town's revenue. The Number of Filers was unavailable for the year ended June 30, 2015.

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

	Fiscal Year Ended June 30			
	2015	2016	2017	2018
Sales category:				
Construction	\$ 935,694	\$ 918,717	\$ 730,164	\$ 1,408,332
Transportation/utilities	1,405,768	1,327,441	1,288,153	1,309,928
Wholesale/retail	4,214,119	4,815,582	4,982,218	5,235,992
Restaurants/bars	682,180	742,540	811,985	829,857
Real estate, rental & leasing	617,348	552,856	636,834	745,171
Services	604,618	779,753	852,675	747,834
Other	523,323	254,378	117,523	34,464
Total	<u>\$ 8,983,050</u>	<u>\$ 9,391,267</u>	<u>\$ 9,419,552</u>	<u>\$ 10,311,578</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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 1,932,716	\$ 1,910,021	\$ 1,990,383	\$ 1,780,123	\$ 3,449,250	\$ 3,197,045
1,290,585	1,405,005	1,529,268	1,501,600	1,576,570	1,661,398
5,464,247	7,031,474	8,956,208	9,834,924	10,500,903	10,689,793
893,595	892,210	1,062,172	1,446,971	1,517,063	1,452,328
842,233	965,124	993,228	1,103,241	1,258,009	1,351,156
1,025,548	916,769	1,125,753	1,992,955	2,278,723	2,206,542
42,200	51,786	280	946	5,776	1,666
<u>\$ 11,491,124</u>	<u>\$ 13,172,389</u>	<u>\$ 15,657,292</u>	<u>\$ 17,660,760</u>	<u>\$ 20,586,294</u>	<u>\$ 20,559,928</u>

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

Fiscal Year Ended June 30	Town Rate	Maricopa County	State Rate	Total Tax Rate
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%
2022	2.90%	0.70%	5.60%	9.20%
2023	2.90%	0.70%	5.60%	9.20%
2024	2.90%	0.70%	5.60%	9.20%

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

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

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

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

Source: The source of this information is the Town's financial records and the U.S. Bureau of Economic Analysis.

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

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

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

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

Fiscal Year	General Obligation Bonds*	Less: Amounts Restricted for Principal	Net General Obligation Bonds	Estimated Actual Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Net General Obligation		Net General Obligation Bonded Debt per Net Limited Assessed Valuation		Municipal Property Corporation Bonds*	Net Municipal Property Corporation Debt per Capita		Total Revenues- All Sources
						Bonds	per Capita	Bonds	per Capita		per Capita	per Capita	
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	0.01%	9	0.05%	-	-	27,586,011			
2021	-	191,594	-	4,909,183,626	-	-	-	-	-	31,354,466			
2022	-	194,344	-	5,435,983,541	-	-	-	-	-	35,025,597			
2023	-	200,754	-	5,721,274,077	-	-	-	-	-	40,931,231			
2024	-	46,427	-	6,057,936,533	-	-	-	-	-	40,071,615			

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, 2024

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Maricopa County Special Healthcare District	\$ 574,205,000	1.11%	\$ 6,373,676
Maricopa County Community College District	135,585,000	1.11%	1,504,994
East Valley Institute of Technology	-	2.27%	-
Fountain Hills Unified School District	\$4,535,000	96.49%	4,375,822
Total Overlapping Debt			<u>12,254,492</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>\$ 12,254,492</u>

Source: The source of this information is the Town's records, the State and County Abstract of the Assessment Roll, the Arizona Department of Revenue Report of Indebtedness and the applicable governmental unit. The Report of Indebtedness is from the most recent fiscal year which is available, which typically will be one year earlier than the current fiscal year.

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

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

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

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

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

	Fiscal Year Ended June 30			
	2015	2016	2017	2018
6% Debt Limit				
Debt limit	\$ 24,199,829	\$ 28,325,296	\$ 30,651,126	\$ 31,459,192
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 24,199,829</u>	<u>\$ 28,325,296</u>	<u>\$ 30,651,126</u>	<u>\$ 31,459,192</u>
 Total debt applicable to the limit as a percentage of debt limit	 -	 -	 -	 -
 20% Debt Limit				
Debt limit	\$ 80,666,095	\$ 94,417,653	\$ 102,170,422	\$ 104,863,974
Total net debt applicable to limit	<u>9,175,000</u>	<u>7,405,000</u>	<u>5,475,000</u>	<u>3,495,000</u>
Legal debt margin	<u>\$ 71,491,095</u>	<u>\$ 87,012,653</u>	<u>\$ 96,695,422</u>	<u>\$ 101,368,974</u>
 Total debt applicable to the limit as a percentage of debt limit	 11%	 8%	 5%	 3%

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 32,400,042	\$ 33,907,227	\$ 35,603,580	\$ 37,800,780	\$ 40,238,671	\$ 49,892,806
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 32,400,042</u>	<u>\$ 33,907,227</u>	<u>\$ 35,603,580</u>	<u>\$ 37,800,780</u>	<u>\$ 40,238,671</u>	<u>\$ 49,892,806</u>
-	-	-	-	-	-
\$ 108,000,140	\$ 113,024,089	\$ 118,678,601	\$ 126,002,599	\$ 134,128,903	\$ 166,309,355
<u>1,615,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 106,385,140</u>	<u>\$ 113,024,089</u>	<u>\$ 118,678,601</u>	<u>\$ 126,002,599</u>	<u>\$ 134,128,903</u>	<u>\$ 166,309,355</u>
1%	-	-	-	-	-

**Town of Fountain Hills, Arizona
Calculation of Legal Debt Margin
as of June 30, 2024**

Net full cash assessed valuation		831,546,774
<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	\$	166,309,355
Net debt applicable to limit		<u>-</u>
20% legal debt margin		<u>166,309,355</u>
<p>All Other General Obligation Bonds</p> <hr/>		
Debt limit - 6% of net full cash assessed valuation		49,892,806
Net debt applicable to limit		<u>-</u>
6% legal debt margin		<u>49,892,806</u>
 Total legal debt margin	 \$	 <u><u>216,202,161</u></u>

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

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

Municipal Facilities Corporation Revenue Bonds					
Fiscal Year Ended June 30	Principal	Interest	Total	Pledged Revenues	Coverage
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
2022	-	-	-	26,453,550	100.0
2023	-	-	-	30,620,545	100.0
2024	-	-	-	33,200,920	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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
Population	23,573	23,899	24,482	24,583	24,987	25,200	23,820	23,906	23,785	23,820
Per capita personal income	\$ 46,619	\$ 48,240	\$ 50,162	\$ 60,531	\$ 54,936	\$ 57,468	\$ 59,791	\$ 57,550	\$ 60,707	\$ 66,756
Median age	53.7	53.8	53.7	53.5	57.5	58.8	59.4	58.6	62.0	60.2
Public school enrollment	1,692	1,619	1,506	1,444	1,380	1,338	1,314	1,267	1,192	1,133
Town of Fountain Hills unemployment rate	5.4%	2.4%	1.9%	1.6%	3.9%	8.7%	4.9%	4.4%	2.8%	2.7%
Land use										
Total acres	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7	13,005.7
Total square miles	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32
Vacant lots	1,165	1,247	1,209	1,175	1,172	1,052	1,158	1,158	1,030	966
Number of units										
Housing	12,981	13,002	13,130	13,176	13,558	13,749	13,875	13,876	14,101	14,330
Lodging	4	4	4	4	4	4	4	4	4	4
Restaurants	43	46	50	52	54	55	55	57	57	55
Shopping centers	20	20	20	20	20	20	20	20	20	20
Schools										
Public	3	3	3	3	3	3	3	3	3	4
Preschool	7	7	7	7	5	5	5	5	5	4
Charter	1	1	1	1	1	1	1	-	-	-
Vocational	-	-	-	1	1	2	2	1	1	-

Sources: The sources of the "Per Capita Personal Income", "Median Age" and "Unemployment Rate" information are Sites USA (2009-2017), U.S. Census Bureau and Arizona Office of Economic Opportunity (beginning in 2018). The source of the "Population" is the U.S. Census Bureau July 1, 2023 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 2023.

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

Employer	2022*			2013	
	Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank
Fountain Hills Unified School District No. 98	280	1	4.6%	327	1
Fountain View Village	140	2	2.3%	150	2
Safeway Stores	130	3	2.1%	88	4
Rural Metro Corporation	110	4	1.8%	N/A	N/A
Firerock Country Club	100	5	1.6%	68	7
Fry's Food Stores	80	6	1.3%	90	3
Target Stores	80	6	1.3%	84	5
Eagle Mountain Golf Club	70	7	1.1%	70	6
Fountain Hills Family Practice PC	70	7	1.1%	N/A	N/A
Fountain Hills Medical Center	70	7	1.1%	N/A	N/A
Town of Fountain Hills	70	7	1.1%	41	12
Golf International Inc	60	8	1.0%	N/A	N/A
Quotemedia Inc	60	8	1.0%	N/A	N/A
Sunridge Canyon Golf Course	60	8	1.0%	59	10
United States Postal Service	60	8	1.0%	64	9
Bashas	60	8	1.0%	67	8
Totals	1,500		24.4%	1,108	
Total Town employment	6,120			4,655	

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

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

* Data for 2023 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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Municipal court	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	4.63	4.63
Administration	11.33	11.63	12.25	13.45	13.70	15.20	15.00	16.00	16.24	17.50
Public works	n/a	n/a	9.80	9.80	10.80	12.43	12.43	12.00	13.00	13.00
Development services	16.30	16.30	7.50	8.50	7.50	9.00	9.00	9.00	10.00	10.00
Community services	21.06	20.76	20.76	20.56	20.56	20.56	22.01	24.02	24.52	25.38
Fire Department	-	-	-	-	-	-	-	-	-	34.00
Total	<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>	<u>64.65</u>	<u>68.39</u>	<u>104.51</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Municipal Court										
Cases filed	1,738	1,593	2,014	1,277	891	2,237	1,324	1,586	1,823	1,862
Hearings/Trials held	1,585	1,564	1,844	676	801	568	1,430	1,378	1,216	1,163
Administration										
FTEs per 1,000 residents	2.2	2.2	2.2	2.3	2.2	2.4	2.6	2.7	2.9	4.4
Registered voters - general election	16,213	none	16,387	none	16,775	none	18,415	none	18,423	none
Voter turnout - general election	40%	none	40%	none	50%	none	90%	none	80%	none
Development Services										
Building permits issued	443	410	509	468	576	547	575	620	730	742
Building inspections conducted	2,448	2,129	2,704	3,707	4,795	4,069	3,652	1,911	5,460	4,947
Number of code violation cases	752	713	669	654	655	690	497	586	656	299
Number of zoning cases	65	72	50	41	11	7	21	73	95	114
Community Services										
Number of Community Center bookings/permits*	3,439	3,124	3,764	4,395	3,857	3,169	1,675	1033*	316**	258
Number of participants in recreational programs	2,249	2,910	3,773	3,794	3,489	1,830	2,892	4,110	5,244	7,093
Number of Senior Services members	1,273	1,326	1,335	1,220	1,313	1,265	1,360	1,175	1,290	1,518
Number of home delivered meals	4,035	3,497	3,920	3,093	3,562	5,215	4,402	4,581	5,449	5,899
Law Enforcement (contracted)										
Physical arrests	445	220	220	214	67	86	56	49	67	55
Traffic violations	1,539	1,215	1,803	1,053	1,248	2,618	2,745	2,568	3,349	2,536
Fire & Emergency Medical (contracted)										
Total incident responses	3,166	3,191	3,425	3,659	4,073	3,896	4,215	4,268	4,709	4,140***
Average response time (in minutes)	3:37	3:57	3:25	3:33	3:32	3:51	4:50	4:38	4:44	5:00***

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

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

*The Community Center was closed from 7/1/22 until 10/3/22 for renovations.

**Beginning in 2023, individual bookings were replaced by single day and recurring permits only.

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

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

Function/Program	Fiscal Year Ended June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (centerline miles)	178.9	178.9	178.9	180.0	180.0	180.0	180.0	180.0	180.0	180.0
Streets (lane miles)	390	391	390.5	391.5	391.5	391.5	391.5	391.5	391.5	391.5
Pedestrian lighting	85	91	91	91	91	91	91	95	95	95
Traffic signals	13	13	13	13	13	13	13	13	13	13
Parks and recreation										
Acreage-developed parks	119	119	119	119	119	119	119	119	119	119
Playgrounds	7	7	7	7	9	9	9	9	9	9
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Preserve acreage	807	807.2	807.2	807.2	889.2	913.2	913.2	913.2	913.2	913.2
Miles of trails	15.80	15.8	18.5	18.5	18.5	18.5	18.5	23.0	23.0	24.5

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

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



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