



Town of Fountain Hills, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2019

**TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of Town of Fountain Hills, Arizona for the year ended June 30, 2019, and the related notes to the report. The Town of Fountain Hills, Arizona's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 8, 2019

**TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART I
YEAR ENDED JUNE 30, 2019**

1. Economic Estimates Commission expenditure limitation	<u>\$ 28,954,251</u>
2. Voter-approved alternative expenditure limitation (approved N/A)	<u>0</u>
3. Enter applicable amount from line 1 or line 2	<u>\$ 28,954,251</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>22,279,108</u>
5. Amount under the expenditure limitation	<u>\$ 6,675,143</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting

Signature of Finance Director 

Name and Title: David Pock, Finance Director

Telephone Number: 480-816-5162 Date: October 8, 2019

See accompanying notes to report.

TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2019

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 27,424,907	\$ -	\$ -	\$ -	27,424,907
B. Less exclusions claimed:					
1 Bond proceeds					
Debt service requirements on bonded indebtedness	1,972,850				1,972,850
Proceeds from other long-term obligations					-
Debt service requirements on other long-term obligations					-
2 Dividends, interest, and gains on the sale or redemption of investment securities	524,998				524,998
3 Trustee or custodial					-
4 Grants and aid from the federal government					-
5 Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of tax:	133,197				133,197
6 Amounts received from the State of Arizona	71,338				71,338
7 Quasi-external interfund transactions	8,388				8,388
8 Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvement					-
9 Highway user revenues in excess of those received in fiscal year 1979-8	2,362,032				2,362,032
10 Contracts with other political subdivisions					-
11 Refunds, reimbursements, and other recoveries	72,996				72,996
12 Voter-approved exclusions not identified above					-
13 Prior years carryforward					-
14 Total exclusions claimed	5,145,799	-	-	-	5,145,799
C. Amounts subject to expenditure limitation	\$ 22,279,108	\$ -	\$ -	\$ -	22,279,108

See accompanying notes to report.

TOWN OF FOUNTAIN HILLS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2019

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 28,276,029	\$ -	\$ -	\$ -	\$ 28,276,029
B. Subtractions:					
1. Items not requiring the use of working capital -					
Depreciation					-
Loss on disposal of capital assets					-
Bad debt expense					-
Other postemployment benefits expense					-
Claims incurred but not reported					-
Pension expense					-
Landfill closure and postclosure care costs					-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	792,151				792,151
3. Required fees paid to the Arizona Department of Revenue	58,971				58,971
4. Involuntary court judgments					-
5. Total subtractions	<u>851,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,122</u>
C. Additions:					
1. Principal payments on long-term debt					-
2. Acquisition of capital assets					-
3. Other postemployment benefits paid in the current year but reported as expenses in previous years					-
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years					-
5. Pension contributions paid in the current year					-
6. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years					-
7. Total additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D. Amounts reported on Part II, Line A	<u>\$ 27,424,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,424,907</u>

See accompanying notes to report.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

	Governmental
Municipal Property Corporation Debt Service Fund	\$ 381,854
Cottonwoods Maintenance Fund	4,530
Eagle Mountain Debt Service Fund	405,767
	\$ 792,151

NOTE 3 - The subtraction of \$58,971 for required fees paid to Arizona state agencies was paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs incurred in providing administrative and tax collection services to the Town.

NOTE 4 - The exclusions claimed for debt service requirements on bonded indebtedness in the Governmental Funds consisted of principal retirement, interest and fiscal fees in the General Obligation Debt Service Fund.

NOTE 5 - The exclusions claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds consisted of investment earnings. The current year exclusion utilized is as follows:

	Governmental
Carryforward exclusions as of 6/30/18	\$ 61,206
Investment earnings	554,549
Current year exclusion utilized	524,998
Carryforward exclusions as of 6/30/19	\$ 90,757

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

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

Proposition 202	\$	90,000
Contributions		38,096
Sponsorships		5,101
Current year exclusion utilized	\$	<u>133,197</u>

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

Proposition 302	\$	35,127
Local Transportation Assistance Fund		36,211
Current year exclusion utilized	\$	<u>71,338</u>

NOTE 8 - Quasi-external interfund transactions are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current year exclusion is \$8,388 related to the Town's environmental fee paid from the General Fund to the Environmental Fee Fund.

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

HURF Fund Intergovernmental Revenue	\$	2,741,035
Less: Vehicle License Tax Revenues		<u>(1,061,441)</u>
Excludable revenue	\$	<u>1,679,594</u>
Carryforward HURF funds as of 6/30/18	\$	2,600,533
HURF Fund expenditures		4,662,485
Less: expenditures of Vehicle License Tax		(1,061,441)
Less: expenditures of non-excludable revenue		(1,039,012)
Less: amounts transferred from the Capital Projects Fund		(200,000)
HURF eligible expenditures in current year		2,362,032
Less: current year HURF Funds utilized		<u>(2,362,032)</u>
Carryforward HURF Funds as of 6/30/19	\$	<u>1,918,095</u>

NOTE 10 - Refunds, reimbursements, and other recoveries are claimed as exclusions in the year the expenditure occurs and any unused amounts are carried forward for future years. The current exclusions utilized was \$72,996.