

**NOTICE OF THE REGULAR MEETING
OF THE CAREFREE TOWN COUNCIL**

WHEN: TUESDAY, NOVEMBER 10, 2020

WHERE: ZOOM ONLINE*

TIME: 5:00 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council of the Town of Carefree, Arizona and to the general public that the members of the Town Council will hold a meeting open to the public. For any item listed on the agenda, the Council may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

Members of the Council are participating by technological means or methods pursuant to A.R.S. §38-431(4).

The agenda for the meeting is as follows:

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

CONSENT AGENDA

All items listed hereunder are considered to be routine by the Town Council and will be enacted by one motion. There will be no separate discussion of these items unless a council member so requests, in which event the item will be removed from the consent agenda and will be discussed separately:

ITEM #1 Approval of the September 1, 2020 Town Council Regular Meeting Minutes.

ITEM #2 Approval of the October 6, 2020 Town Council Regular Meeting Minutes.

ITEM #3 Approval of the October 13, 2020 Strategic Planning Workshop Meeting Minutes.

ITEM #4 Acceptance into the public record of the October, 2020 paid bills.

ITEM #5 Acceptance of the cash receipts and disbursements report for September, 2020.

REGULAR AGENDA:

- ITEM #6** Call to the Public: Public comments can be provided in written format by email to Kandace@Carefree.org. Please limit your comments to not more than 1 page, double spaced, 12 point type. Comments may not be read that exceed three minute.
- ITEM #7** Current Events.
- ITEM #8** Review, discussion and possible action to accept the findings of the 2019-2020 Fiscal Year audit for the Town of Carefree and the Carefree – Cave Creek Consolidated Court.
A representative from the firm of Heinfeld Meech will attend.
- ITEM #9** Review, discussion and possible action to approve of Resolution 2020-09, a preliminary plat request approving the request to subdivide approximately 7.55 net acres zoned R1-35 Single Family Residential into 6 residential lots for a new subdivision named Estates at Carefree.
- ITEM #10** Presentation regarding COVID precaution plan for Thunderbird Artists' Fine Art and Wine Festivals January 15-17 and March 12-14, 2020.
- ITEM #11** Review, discussion and possible action to approve a temporary street closure for the Desert Foothills Theater production of Sound of Music on November 12 -14, 2020 and November 19-21, 2020.
- ITEM #12** Adjournment.

DATED this 6th day of November, 2020.

TOWN OF CAREFREE

BY: 
Kandace French Contreras, Town Clerk

*Due to the risks to public health caused by the possible spread of the COVID-19 virus at public gatherings, the Town of Carefree has determined that public meetings will be indefinitely held through technological means. Meetings will be also open to the public through technological means. In reliance on, and compliance with, the March 13, 2020 Opinion issued by Attorney General Mark Brnovich, the Town of Carefree Town Council provides this special advance notice of the technological means through which public meetings may be accessed. While this special notice is in effect, public comment at meetings will only be accepted through written submissions, which may nor may not be read aloud during meetings.

Join Zoom Meeting:

Click on the following link or cut and paste it into your browser:

<https://us02web.zoom.us/j/3229729660>

Or go to <https://www.zoom.us/join> Meeting ID: 322 972 9660

A password is not required.

By phone:

Please call 1-253-215-8782



FOR SPECIAL ACCOMMODATIONS

Please contact the Town Clerk, 8 Sundial Circle (PO Box 740), Carefree, AZ 85377; (480) 488-3686, at least three working days prior to the meeting if you require special accommodations due to a disability.



**MINUTES OF THE GENERAL MEETING
OF THE CAREFREE TOWN COUNCIL**

WHEN: TUESDAY, SEPTEMBER 1, 2020

WHERE: ZOOM WEB <https://us02web.zoom.us/j/3229729660>
MEETING ID: 322 972 9660

TIME: 5:00 P.M.

Town Council Attending:

- Mayor Les Peterson
- Vice Mayor John Crane
- Vince D'Aliesio
- Stephen Hatcher
- Michael Krahe
- Cheryl Kroyer
- Gene Orrico

Town Council Absent:

Tony Geiger – Council Elect

Staff Present:

Gary Neiss, Town Administrator; Michael Wright, Town Attorney; Stacey Bridge-Denzak, Director of Planning & Zoning; Stephen Prokopek, Economic Development Director; Kandace French, Town Clerk/Treasurer.

Mayor Peterson called the meeting to order at 5:00 p.m.

Stephen Hatcher led the Council in the Pledge of Allegiance.

CONSENT AGENDA

- ITEM #1** Approval of the August 11, 2020 Town Council Meeting Minutes.
- ITEM #2** Approval of the August 20, 2020 Town Council Special Meeting Minutes.
- ITEM #3** Acceptance into the public record of the August, 2020 paid bills.
- ITEM #4** Acceptance of the cash receipts and disbursements report for July, 2020.

Mayor Peterson announced the Consent Agenda and asked if there were any questions by the Council. There being no questions, Mayor Peterson asked for a Motion.

Vice Mayor Crane moved to approve the Consent Agenda as presented. There was a second by Council Member Krahe. The motion carried unanimously.

REGULAR AGENDA:

ITEM #5 Call to the Public

Mayor Peterson announced the agenda item and asked if there were any public comment submitted to the Town Clerk. There was no public comment submitted.

ITEM #6 Current Events.

Mayor Peterson announced the agenda item and presented an update on the Liberty Sewer rate case.

Council Members Vince D'Aliesio and Cheryl Kroyer and Vice Mayor John Crane provided an update on the 2020 Census conducted in the Town of Carefree. Council Member D'Aliesio provided information on the video that was produced by the Carefree Complete Count Committee to bring awareness to the residents of the ease of reporting online.

Council Member Kroyer described the mailer that was designed and sent out to the residents with Census information as well as manning a table in the post office building. She requested additional volunteers to man the table and provide information to residents and answer questions.

Vice Mayor Crane gave updated percentages of the response rate in Carefree and explained there were numerators going door-to-door to contact those that haven't responded. Mayor Peterson explained that Town of Carefree is the lowest response rate in the County and the closing was drawing near. He reminded everyone how important it is for the residents to respond.

There was additional discussion regarding the steps being taken to reach everyone.

Mayor Peterson and Town Administrator, Gary Neiss, presented information on the upcoming Strategic Vision Workshops by the members of the Town Council. He explained that plan to look at the long term priorities and needs for the Town.

Vice Mayor Crane provided an update on the Veteran's Memorial being constructed in the Carefree Desert Garden. He described the placement of the major stones and the upcoming placement of the pavers, benches, and other details as well as the anticipated completion dates.

There was additional discussion regarding the fundraising needs.

Council Member Vince D'Aliesio presented information on the installation of the Gerry Jones boulder and plaque by the Sundial to honor Gerry Jones. He described that the 3 ton boulder was selected by Gerry Jones and his wife and came from Mr. Jones' own property. He described the donation of the crane time and labor to have the boulder placed. Cave Creek Museum is donating the plaque and Gerry Jones is designing the plaque. Council Member D'Aliesio lives in the first home built by Gerry Jones in the Town of Carefree.

Mayor Peterson presented an update on the Carefree Cares program and the Cave Creek Unified School District honoring staff and faculty. He provided background on the program. A pin and a gift certificate are provided to the selected staff and teachers. He explained that the Council Members have volunteered to fund the awards presented. As a result of COVID, there hasn't been any recent presentation and they look forward to resurrecting the program.

Council Member D'Aliesio gave additional information and Council Member Hatcher provided information regarding the opening of the schools in the district.

ITEM #7 Review, discussion and possible action to extend the expiration date of the Easy Street Road closure between the Hampton Inn and The View Carefree and add the limited closure of Carefree Drive.

Mayor Peterson announced the agenda item and introduced the Director of Planning and Zoning, Stacey Bridge – Denzak.

Ms. Bridge Denzak provided a Power Point and a short history of the temporary road closure and the need to extend the timeline for the closure and include a limited closure of Carefree Drive for the safety of the public.

(Council Member D'Aliesio left the meeting).

There was additional discussion by the Council.

Council Member Orrico stated that it would stymie the project if it was not approved.

Gary Neiss provided additional information.

Vice Mayor Crane asked that any business that might be affected by the closure be contacted and provided information on the time line for the closure.

Council Member Orrico **moved** to approve the agenda item as presented. There was a **second** by Council Member Hatcher. The motion **carried** unanimously.

ITEM #8 Review discussion and possible action to amend a Special Event Permit to include Friday morning road closures of Ho-Hum Road (behind the amphitheater) for the Farmer's Market.

Mayor Peterson announced the agenda item and introduced the Director of Economic Development, Steve Prokopek.

Mr. Prokopek presented information regarding the impact of COVID and the current layout of the Farmer's Market. By looking at HoHum and moving the Farmer's Market onto that small section of the road as well as connecting the two sections of the Garden. He spoke with the businesses at 100 Easy Street and does not anticipate any problems. Additionally, it brings more foot traffic to

the area. He asked that the approval expire on December 18th with the possibility to revisit the option to approve further closure.

Council Member Krahe **moved** to approve the agenda item as set forth with the conditions for approval in the staff report. There was a **second** by Council Member Kroyer. The motion **carried** unanimously.

ITEM #9 Adjournment.

Mayor Peterson announced the agenda item and asked for a motion to adjourn.

Council Member Krahe **moved** to adjourn. There was a **second** by Council Member Kroyer. The motion **carried** unanimously.

The meeting ended at 5:47 p.m.

DATED this 2nd day of September, 2020.

TOWN OF CAREFREE

BY: _____
Kandace French Contreras, Town Clerk

TOWN OF CAREFREE

Les Peterson, Mayor

Attest:

Kandace French Contreras, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the Regular Meeting of the Town of Carefree held September 1, 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Town Clerk

Check Register Report

ALL CHECKS OCTOBER 2020



Date: 10/30/2020
Time: 11:06 am
Page: 1

Town Of Carefree

BANK: NATIONAL BANK OF ARIZONA

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
NATIONAL BANK OF ARIZONA Checks							
46749	10/02/2020	Printed		1753	BERTRAM SIGNS & GRAPHICS	Change Restaurant Wk Signs	564.31
46750	10/02/2020	Printed		0389	CAREFREE WATER COMPANY, INC	Oct 20 Water All Depts	2,579.96
46751	10/02/2020	Printed		0389	CAREFREE WATER COMPANY, INC	Oct 20 Town Engineer Service	2,476.81
46752	10/02/2020	Printed		3299	CIRCLE K UNIVERSAL	Sep 2020 Gasoline All	696.38
46753	10/02/2020	Printed		1329	COLONIAL SUPPLEMENTAL INS	Sep 2020 Supplemental Ins	111.56
46754	10/02/2020	Printed		1058	DAILY JOURNAL CORPORATION	Legal Ad P&Z 20-02-PP	3.12
46755	10/02/2020	Printed		3421	ECO-LOGIC MGMT INC	Remove Wasps from Gardens	210.00
46756	10/02/2020	Printed		3210	ECOBLU ENTERPRISES. INC.	Oct 20 Fountain Srv & Seal Rpr	857.81
46757	10/02/2020	Printed		1320	KARSTEN'S ACE HARDWARE	Gardens Kiosk Supplies	49.10
46758	10/02/2020	Printed		0010	MARICOPA COUNTY	Oct 2020 MCSO Sheriff's Patrol	38,299.46
46759	10/02/2020	Printed		3015	NOTHING BUT NET	Oct 20 Comp Maint Agreements	1,373.12
46760	10/02/2020	Printed		3226	TECH 4 LIFE COMPUTERS	Update visitcarefree.com	295.00
46761	10/02/2020	Printed		3051	ZUMAR INDUSTRIES, INC.	Town Signs & Anchors - 10	777.68
46762	10/08/2020	Printed		1470	BROWN & ASSOCIATES	Sep 20 Build Inspect 47.5 Hrs	3,685.00
46763	10/08/2020	Printed		3463	BUSTAMANTE & KUFFNER PC	Sep 20 Town Prosecutor Serv	3,240.00
46764	10/08/2020	Printed		0389	CAREFREE WATER COMPANY, INC	Oct 20 missed Acct	200.00
46765	10/08/2020	Printed		3229	COMMERCIAL REFRIGERATION	Fire Station Ice Machine Serv	375.13
46766	10/08/2020	Printed		1460	COX COMMUNICATIONS	Oct 20 Town Internet&Phones	998.90
46767	10/08/2020	Printed		0136	FOOTHILLS GRANITE, LLC	Mad Gold&River Rock Shoulder	160.85
46768	10/08/2020	Printed		3047	L.N. CURTIS & SONS	Fire Eagle Compressor Serv	1,485.39
46769	10/08/2020	Printed		3397	LANGUAGE LINE SERVICES, INC.	Court Interpreting Sep 20	16.52
46770	10/08/2020	Printed		0010	MARICOPA COUNTY	Sep 20 MCSO Jail Service	793.96
46771	10/08/2020	Printed		0091	MARICOPA COUNTY TREASURER	Sep 20 Court Remittance	738.64
46772	10/08/2020	Printed		3221	NATIONAL BANK OF ARIZONA	P&Z Laptop, Pub Wrks Trk Rpr	3,082.93
46773	10/08/2020	Printed		3221	NATIONAL BANK OF ARIZONA	Sep 20 Admin Car Maint	73.01
46774	10/08/2020	Printed		2081	O'REILLY AUTO PARTS, INC	Sep 20 Pub Wrks Veh Maint.	143.90
46775	10/08/2020	Printed		3053	QUADIANT, INC	Postage Meter Lease	108.18
46776	10/08/2020	Printed		3425	RAGHT	Oct 20 Med,DentalVision All	13,693.54
46777	10/08/2020	Printed		0668	RURAL METRO FIRE DEPT.	Sep 20 Fire Truck Maint	1,659.94
46778	10/08/2020	Printed		1075	SHERMAN & HOWARD LLC	General Legal - Lib Util Case	17,160.00
46779	10/08/2020	Printed		0021	STATE TREASURER	Sep 20 Court Remittance	4,401.32
46780	10/08/2020	Printed		3265	TRACTOR SUPPLY CO	Sep 20 Pub Wrks Matis	83.57
46781	10/08/2020	Printed		352	WESTERN STATES PETROLEUM INC.	Sep 20 Pub Wrks Diesel	455.51
46782	10/16/2020	Printed		3504	AAA SMART HOME	Nov20-Jan21 Shop Sec Sys Maint	505.20
46783	10/16/2020	Printed		3107	ARIZ DEPT ADMINISTRATION	FY21 OpenBooks Renewal	1,000.00
46784	10/16/2020	Printed		0300	ARIZ PUBLIC SERVICE	Oct20 Electric All	2,590.51
46785	10/16/2020	Printed		1900	ARIZONA REPUBLIC - LEGAL	Ad Receptionist 9-26 to 10-25	665.12
46786	10/16/2020	Printed		1326	ARIZONA REPUBLIC - SUBSCRIBE	Nov 20 Newspaper Subscription	57.14
46787	10/16/2020	Printed		673	BLACK MOUNTAIN SEWER	Sep 20 Sewer Gardens	771.83
46788	10/16/2020	Printed		3417	COE & VAN LOO II LLC	Water ENG Neigh A,B,C 8/31/20	35,527.20
46789	10/16/2020	Printed		1460	COX COMMUNICATIONS	Oct 20 Internet 33 Easy St	129.00
46790	10/16/2020	Printed		1880	EMPIRE SOUTHWEST	Town Share 25% Backhoe Repair	227.68
46791	10/16/2020	Printed		3520	JENNINGS STROUSS & SALMON, PLC	Legal Serv Water Acquis Sep20	60,144.51
46792	10/16/2020	Printed		1876	LOWE'S	Sep20 Pub Wrks Supplies	736.48
46793	10/16/2020	Printed		983	MARICOPA COUNTY ANIMAL CONTROL	FY21 2nd Qtr animal Control	687.50
46794	10/16/2020	Printed		3189	OLOHAN, STEPHANIE	Oct 20 Town Magistrate Serv	4,517.92
46795	10/16/2020	Printed		3543	PATRICK, LORIE	Judge Pro Tem 10-13-20	110.00
46796	10/16/2020	Printed		3053	QUADIANT, INC	Postage Machine Lease Oct-Jan	97.71
46797	10/16/2020	Printed		3010	REPUBLIC SERVICES #753	Oct 20 8 Sundial Trash PU	377.44
46798	10/16/2020	Printed		3010	REPUBLIC SERVICES #753	Oct 20 Shop 40Yd Rolloff	173.73
46799	10/16/2020	Printed		0668	RURAL METRO FIRE DEPT.	October 20 Fire Contract	126,294.38
46800	10/16/2020	Printed		1691	SPARKLETTS	Sep20 Bottled Water All	86.84
46801	10/16/2020	Printed		0088	TYLER TECHNOLOGIES	Fundbalance Maint FY2021	3,783.80



**MINUTES OF THE GENERAL MEETING
OF THE CAREFREE TOWN COUNCIL**

WHEN: TUESDAY, SEPTEMBER 1, 2020
WHERE: ZOOM WEB <https://us02web.zoom.us/j/3229729660>
MEETING ID: 322 972 9660
TIME: 5:00 P.M.

Town Council Attending:

Mayor Les Peterson
Vice Mayor John Crane
Vince D'Aliesio
Stephen Hatcher
Michael Krahe
Cheryl Kroyer

Town Council Absent:

Gene Orrico

Staff Present:

Gary Neiss, Town Administrator; Michael Wright, Town Attorney; Stephen Prokopek, Economic Development Director; Kandace French, Town Clerk/Treasurer.

Mayor Peterson called the meeting to order at 5:00 p.m.

John Crane led the Council in the Pledge of Allegiance.

CONSENT AGENDA

- ITEM #1** Approval of the September 1, 2020 Town Council Meeting Minutes.
- ITEM #2** Approval of the September 29, 2020 Town Council Special Meeting and Strategic Workshop Minutes.
- ITEM #3** Acceptance into the public record of the September, 2020 paid bills.
- ITEM #4** Acceptance of the cash receipts and disbursements report for August, 2020.
- ITEM #5** Approval of a Proclamation declaring November 1, 2020 to be Extra Mile Day.
- ITEM #6** Approval of a Proclamation declaring the month of October Domestic Violence Awareness Month.

Mayor Peterson announced the agenda item and explained that Agenda Item #1 was deferred to the next regular council meeting.

He asked if there were any questions regarding the remaining Consent Agenda Items 2 through 6? There were none.

Council Member Krahe **moved** to approve Consent Agenda items #2 through #6. There was a **second** by Council Member Kroyer. The motion **carried** unanimously.

REGULAR AGENDA:

ITEM #7 Call to the Public

Mayor Peterson announced the agenda item and asked if there were any public comment submitted to the Town Clerk. There was no public comment submitted.

ITEM #8 Current Events.

Mayor Peterson announced the agenda item and asked the Town Clerk to update the Council on the upcoming election.

Kandace French Contreras provided an update to the in-person voting locations at the Spirit in the Desert in Carefree and the Cave Creek Town Hall locations. She also explained the November 15th extended deadline for voter registration due to the lawsuit filed. Ms. French-Contreras explained that voters do not have assigned polling locations this election.

Mayor Peterson then provided information on the two vacancies on the Planning & Zoning Commission. Applications are being accepted and several qualified applicants have applied. The Mayor and Council appreciate the interest extended in these open seats and encouraged continued submissions.

Mayor Peterson then provided an update to the extended deadline for the Census count to October 31st. He explained that has been another moving target as a result of the challenges created by COVID-19. Due to a concerted effort there has been an increase in the responses from Carefree households.

Mayor Peterson then addressed the ongoing conversations with the Maricopa County Sheriff's office regarding Carefree traffic enforcement. There has been an increase in traffic stops from 18 to 82. He also addressed the status and attention to the upcoming Bike Week in Cave Creek and Scottsdale. The MCSO captain is also looking at Bike Week and plan to provide additional cars in our area.

The Mayor referenced there is also discussion regarding the possibility of photo radar. Law enforcement vehicles are only effective when they are present and they cannot be there 24/7. Photo radar could be the solution.

Vice Mayor Crane reiterated that the citizens can expect a much stronger police presence during bike week, to include a DUI taskforce.

Council Krahe asked Gary Neiss if the residents were aware of the stronger police presence during Bike Week.

Gary Neiss explained the notification steps that have been taken. He also referenced COVID-19 and the effect it has had on Bike Week as well as the concern by business owners to not want to risk their liquor license due to violations.

There were additional questions and discussion regarding the times and dates for the DUI taskforce. Mr. Neiss reminded the Council that this was a hybrid Bike Week that usually takes place in April. The November event is a "catch up" event and not as much activity is expected.

Mayor Peterson announced that the Carefree Kiwanis was out in Carefree doing a photo shoot. He commended the Kiwanis on the tremendous good they do for the community and the children in the area.

Mayor Peterson then updated the Council on the four legal matters and stated in general, they are moving forward as well as can be expected.

Vice Mayor Crane described the Veterans' Day program and Veterans' Memorial in Carefree. He explained the reduced program due to COVID-19 and the program will run all day long so the attendees can be spread out over sunrise to about 3:00 p.m. He described some of the events taking place throughout the day. The 11:00 a.m., 1:00p.m., and 3:00 p.m. will be the highlighted events.

He further stated the Memorial was at 80% to 85% contribution to the goal for fundraising. He detailed some of the donors, including Patricia at Happy Fitness. He referenced some of the sources from neighborhood communities and reminded everyone that the Memorial is for everyone, not just Veterans in Carefree.

ITEM #9 Presentation, discussion and possible action for approval of street closures for walking/running routes, as set forth on the attached application and maps, for the AT&T Veterans Day Charity Three Miler on November 7, 2020 from 7:00 a.m. to 1:00 p.m. Kelsey Hughes, with AT&T Veterans, will appear and speak in regarding to the safety and COVID -19 precautions being implemented for the event.

Mayor Peterson announced the agenda item and introduced Kelsey Hughes for the AT&T Veterans Run.

Kelsey described the current state of the fundraising to benefit Veterans and the success thus far in addition to the status of the sign-up totals for runners and walkers. She expects a big push through November. She said a virtual attendance is also an options. She described the outdoor event and the steps taken to address COVID-19 concerns, including staggered start times.

She described the volunteers, how they will be spread throughout the course and how the layout and barricades will be placed throughout the Town.

Council Member Hatcher asked about the fundraising success from the prior year.

Kelsey responded that it went very well. They were able to donate \$3,000 and retain \$3,000 to cover costs. This year they have already raised \$7,000.00.

Vice Mayor Crane described the run route will be the same as the one last year.

Vice Mayor Crane **moved** to approve the road closing as set out in the agenda item. There was a **second** by Council Member Kroyer. The motion **carried** unanimously.

ITEM #10 **Approval of street closures for Thunderbird Artists' 28th Annual Winter Carefree Fine Art & Wine Festival Friday, January 15 through Sunday, January 17, 2021 from 10:00 a.m. to 5:00 p.m. with set-up beginning January 14th at 5:00 p.m. and tear down on January 17th at 5:15 p.m. Road closures include Hum and HoHum Road, Easy Street, and Sundial Circle as shown in the attached map. Council approval tentative based upon COVID-19 state guidelines.**

Mayor Peterson announced the agenda item and introduced Stephen Prokopek, Economic Development Director for the Town of Carefree.

Mr. Prokopek provided information and updated evaluation of the events with the Thunderbird Artists. He described all the work he and the applicant has worked together on parking, social distancing and other safety matters. He provided additional information regarding discussion with property owners to avoid conflicts.

There was additional discussion regarding CDC guidelines and other safety matters, including face coverings, limiting entries, etc.

Council Member Krahe **moved** to give conditional approval to Agenda Item #10 as presented with the condition that the matter be reviewed again prior to the January show due to the unknown status of COVID-19 and how the Thunderbird Artists will address social distancing and COVID-19 concerns. There was a **second** by Council Member Kroyer. The motion **carried** unanimously.

ITEM #11 **Approval of street closures for Thunderbird Artists' 26th Annual Spring Carefree Fine Art & Wine Festival Friday, March 12 through Sunday, March 14, 2021 from 10:00 a.m. to 5:00 p.m. with set-up beginning March 11 at 5:00 p.m. and tear down on March 14 at 5:15 p.m. Road closures include Hum and HoHum Road, Easy Street, and Sundial Circle as shown in the attached map. Council approval tentative based upon COVID-19 state guidelines.**

Mayor Peterson announced the agenda item and introduced Stephen Prokopek, Economic Development Director for the Town of Carefree.

Council Member D'Aliesio **moved** to give conditional approval to Agenda Item #11 as presented with the same conditions as #10 above, that the matter be reviewed again prior to the January show due to the unknown status of COVID-19 and how the Thunderbird Artists will address social distancing and COVID-19 concerns. There was a **second** by Vice Mayor Crane. The motion **carried** unanimously.

ITEM #12 **Presentation of the “Carefree Cares” / CCUSD Excellence Award in conjunction with Cave Creek Unified School District, honoring a teacher from each school in the district each quarter.**

Mayor Peterson announced the agenda item and introduced Council Member Cheryl Kroyer.

Council Member Kroyer gave a brief history of the program and explained the qualities and requirements to be nominated for the award. She then introduced those individuals who were nominated and selected for this quarter’s recognition:

- Andrew Cupo – Theater Teacher, Cactus Shadows High School
- Shannon Griffith – 7th Grade Teacher, Sonoran Trails Middle School
- Katherine Herr – 4th Grade Teacher, Lone Mountain Elementary School
- Christine Huguley – 3rd Grade Teacher, Desert Sun Academy
- Sue Jeffer – Kindergarten Teacher, Desert Willow Elementary School
- Madison Jones – 6th Grade Teacher, Black Mountain Elementary School
- Kathy Schutza – 5th Grade Teacher, Horseshoe Elementary School

All the teachers were congratulated and the appreciation of the Council was extended to them for their dedication and hard work on behalf of the students.

Dr. Burdick thanked the Town and Council for providing the ability to recognize the teachers for their devotion.

ITEM #13 **Presentation of information regarding the new Ambassador Program for the Town of Carefree**

Mayor Peterson announced the agenda item and again introduced Council Member Kroyer.

Council Member Kroyer presented the Ambassador Program idea and reminded the Council that the idea was the brainchild of Stephen Prokopek. She also thanked Steve for his ideas and efforts to move things forward despite the COVID-19 challenges. The change in energy is noticed and appreciated.

The Ambassador Program can be recognized to being like a docent program at museums. They can be considered living sign posts to help visitors within the Town. They will be trained to the area and the businesses, as well as being able to guide visitors to key points of interests and applicable businesses. They will have a developed 2 to 3 minute message and a comprehensive guide to help

them doing their job enthusiastically. They will be experts on Carefree's rich history. She also explained the Visitors Center as their home office and that the Visitor's Center was the brainchild of Gary Neiss.

Gary Neiss explained that the Green Room will be built out and converted to be a space for the Communications Coordinator and the Ambassadors for the Town. The Green Room can be better positioned to a Visitor's Center due to the location of the bathrooms, pavilion and garden. He explained the signage and touch points to allow people to communicate their needs. This provides a better mechanism to utilize communication with businesses, visitors and residents.

There were questions and additional discussion. The idea was supported by all the Council.

ITEM #9 Adjournment.

Mayor Peterson announced the agenda item and asked for a motion to adjourn.

Council Member Orrico **moved** to adjourn. There was a **second** by Council Member Krahe. The motion **carried** unanimously.

The meeting ended at 6:11 p.m.

DATED this 2nd day of November, 2020.

TOWN OF CAREFREE

BY: _____
Kandace French Contreras, Town Clerk

TOWN OF CAREFREE

Les Peterson, Mayor

Attest:

Kandace French Contreras, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the Regular Meeting of the Town of Carefree held October 6, 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Town Clerk



**Combined Trial Balance - All Funds
September 30, 2020**

Assets

Checking - National Bank of AZ	1,094,286
Local Gov't Investment Pool - AZ	10,326,444
Petty Cash	700
Advances to the Water Company	3,728,267
Total Assets	\$ 15,149,698

Liabilities

Accounts Payable	138,195
Bonds	36,510
Sales Tax Remittance	0
Long Term Deferred Revenue	3,728,267
Total Liabilities	\$3,902,972

Fund Balance

Fund Balance-Beginning of Year	10,925,889
Year-to-date change in Fund Balance	320,837
Total Fund Balance	11,246,726
Total Liabilities and Fund Balance	\$ 15,149,698

Contingency Reserve Fund	\$2,500,000
Capital Fund	\$8,541,371
Total	\$11,041,371

Town of Carefree Reconciled Cash Receipts and Cash Disbursements as of September 30, 2020

Revenues		FY2019	FY2020	FY2021	2020 vs 2021	Budget	Sep 20	% of Budget
		YTD Sep	YTD Sep	Y-T-D	% (+/-)			
Local Sales Taxes	(1 month lag)	\$409,216	\$493,626	\$ 418,865	-15.1%	1,800,000	55,703	23.3%
State Sales Taxes	(1 month lag)	76,023	77,403	86,308	11.5%	300,000	8,753	28.8%
Building Fees		127,382	68,087	102,188	50.1%	300,000	41,068	34.1%
State Income Tax		114,528	125,306	140,306	12.0%	563,000	46,769	24.9%
Fines		17,976	13,710	20,290	48.0%	120,000	10,326	16.9%
Court Service Fees		39,924	41,522	57,578	38.7%	172,734	28,789	33.3%
Town Clerk-Misc. Sales		220	140	56	0.0%	500	8	11.2%
Town Clerk-Permits & Sol Fees		200	375	25	-93.3%	1,000	25	2.5%
Water Company Reimbursements		172,651	172,651	173,026	0.2%	690,605	57,675	25.1%
33 Easy St Rent		3,766	3,766	3,900	0.0%	15,600	1,300	25.0%
Miscellaneous Income & Donations		75,100	41,530	41,660	0.3%	43,000	16,640	96.9%
Interest Income		33,831	56,152	9,568	-83.0%	110,820	8,095	8.6%
Utility Franchise Fees	(1 month lag)	56,735	57,567	58,057	0.9%	343,000	-63,364	16.9%
County Lieu Tax	(1 month lag)	34,928	36,663	42,822	16.8%	150,000	7,544	28.5%
General Fund & All Funds Reserve Contribution(Below)		0	0	0	0.0%	5,053,540	0	0.0%
Special Events		35,300	44,425	21,020	-52.7%	70,000	12,360	30.0%
County & State Grants		0	1,233	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF		11,394	1,864	2,751	47.6%	22,700	636	12.1%
HURF	(1 month lag)	40,550	239,694	44,367	-81.5%	256,500	3,046	17.3%
Cemetery		0	0	100	0.0%	600	100	16.7%
CPR Ed Fund		430	668	0	0.0%	900	0	0.0%
AZ CARES Fund Grants		0	0	450,846	0.0%	0	0	0.0%
Utility Capital Improvement Fund		0	0	0	0.0%	22,500	-6,485	0.0%
Fire Reimb Income & Ins Reimb		27,121	25,431	25,638	0.0%	60,100	8,357	42.7%
Fire Fund-L Sales Tax	(1 month lag)	204,608	246,813	209,434	-15.1%	900,000	27,853	23.3%
Total Revenues		1,481,883	1,748,626	1,908,806	9.2%	11,197,099	265,199	17.0%
Expenses								
Mayor & Council		3,719	3,137	2,188	-30.3%	212,075	2,021	1.0%
Town Clerk		73,320	79,802	61,202	-23.3%	299,381	21,309	20.4%
Court		62,925	67,314	68,727	2.1%	285,762	20,168	24.1%
Administration		92,995	115,943	103,397	-10.8%	434,381	24,478	23.8%
Claims & Losses		0	0	400	100.0%	5,000	0	8.0%
Legal		21,202	54,763	51,666	-5.7%	260,000	17,160	19.9%
Risk Management		29,811	33,403	16,169	-51.6%	128,313	8,038	12.6%
Planning & Development		37,814	48,630	48,593	-0.1%	255,063	16,922	19.1%
Building Safety		41,223	45,993	47,670	3.6%	220,552	15,462	21.6%
Law Enforcement		113,970	120,134	128,180	6.7%	558,677	42,333	22.9%
Code Enforcement		11,637	12,930	11,409	-11.8%	54,217	3,770	21.0%
Engineering		48,333	15,010	7,430	-50.5%	129,722	2,477	5.7%
Public Works - Streets & Gardens		146,258	161,070	190,321	18.2%	731,024	50,799	26.0%
Debt Service WIFA		223,773	227,509	231,385	1.7%	244,378	0	94.7%
33 Easy St		18,111	6,756	7,073	0.0%	27,708	2,262	25.5%
Capital Improvement Program	(See Below)	0	0	0	0.0%	-	0	0.0%
Public Safety Fire General Fund		0	0	0	0.0%	619,934	0	0.0%
Town Center-Economic Development		109,380	260,180	37,218	-85.7%	241,993	13,058	15.4%
Contingencies		15,196	0	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF		0	0	0	0.0%	12,550	0	0.0%
HURF	(See Below)	0	0	0	0.0%	-	0	0.0%
Cemetery		0	0	0	0.0%	600	0	0.0%
CPR - Education Fund		0	0	0	0.0%	970	0	0.0%
AZ CARES Fund Exp		0	0	378,883	0.0%	-	126,294	0.0%
Utility Capital Improvement Fund	(See Below)	0	0	0	0.0%	-	0	0.0%
Transfers Out		0	0	100	0.0%	-	0	0.0%
Fire Fund		377,796	380,656	15,161	-96.0%	974,100	4,644	1.6%
Total Expenses without Capital Expense		1,427,463	1,633,230	1,407,171	-13.8%	5,896,400	371,194	23.9%
Net without Capital Expense		\$ 54,420	\$ 115,396	\$ 501,634		\$ 5,300,699	\$ (105,995)	9.5%
All Capital Projects		0	120,789	180,797	49.7%	5,289,500	95,672	3.4%
Total Expenses with Capital Expense		1,427,463	1,754,019	1,587,969	-9.5%	\$11,185,900	\$466,866	14.2%



TOWN OF CAREFREE
 P.O. Box 740
 Carefree, AZ 85377
 (480) 488-3686 FAX (480) 488-3845

TO: Town Council

FROM: Kandace French Contreras, Jim Keen

DATE: November 10, 2020

RE: Fiscal Year 2019-20 Audit Acceptance and restated Financial Reports

First, the Final Audit Comparison showing how the Town Financial Statement Departments are categorized on the Official Audit at June 30, 2020.

Next is Page 30 of the Heinfeld Meech Fiscal Year 2019-20 Comprehensive Annual Financial Report. Compare these to the Reconciled Cash Receipts and Cash Disbursements as of June 30, 2020 with Auditor's Adjusting Entries Report that follows.

Next is the Combined Trial Balance – All Funds June 30, 2020 with Auditors Adjusting Entries.

Last are the restated Town Financial Statements for June 2020 through August 2020 reflecting the reversal of the previous year revenue accruals which were:

Local Sales Tax	\$194,920
State Sales Tax	\$ 21,502
County Lieu Tax	\$ 7,902
HURF	\$ 19,806
Utility Franchise Fees	\$ 69,848
Fill the GAP Court	\$ 224
Deferred Revenue	\$ 14,318
Total	\$328,520

The total auditor's adjusting entries were \$41,694.00.

The adjustments were as follows:

1. An adjustment of \$27,797.00 in Local Sales Taxes.
2. An adjustment of \$13,987.00 in Fire Fund Local Sales Taxes

The items that have changed since the August 11, 2020 Town Council Meeting's acceptance of the June 2020 Financial Reports were:

On the **Combined Trial Balance All Funds Report**

Under Assets:

1. Changed Local Sales Taxes up \$41,694 from \$202,660 to \$244,354.
2. Changed Total Assets up \$41,694 from \$15,107,325 to \$15,149,019.

Year-to-date change in Fund Balance up \$41,694 from \$637,908 to \$679,602.

1. **Total Liabilities and Fund Balance** up \$41,694 from \$15,107,325 to \$15,149,019.

On the Reconciled Cash Receipts and Cash Disbursements Report

Under Revenues:

1. Changed Local Sales Tax \$27,797 from \$2,397,634 to \$2,425,431.
2. Changed Local Sales Tax \$13,897 from \$1,198,817 to \$1,212,714.
3. Total Revenues up \$41,694 from \$7,595,642 to \$7,637,336.

Net with Capital Expenses up \$41,694 from \$637,908 to \$679,602.

Town of Carefree - Final Audit Comparison

General Ledger 6/30/2020

Audit Page 30

Revenues

Taxes	3,996,532	2,425,431 Local Sales Taxes 1,212,714 Local Sales Taxes Public Safety 328,165 Utility Franchise Fees 30,222 Utility Capital Improvement Fund 3,996,532
Intergovernmental	1,710,109	400,795 State Sales Taxes 501,223 State Income Tax 164,941 Vehicle License Tax 451,158 HURF 166,088 Cave Creek Court Service fees 11,252 County & State Grants 14,651 Fire ins Reimb 1,710,109
Fines & Forfeitures	120,666	106,968 Fines 13,698 Court Enhancement, GAP, MJCEF 120,666
Licenses & permits	398,819	21,920 Business Licenses 376,299 Building Fees 601 Town Clerk-Misc. Sales 398,820
Charges for services	332,735	550 Cemetery 554 Town Clerk-Misc. Sales 15,368 33 Easy St. 316,263 Special Events 332,735
Investment Earning(loss)	197,362	197,362 Interest Income
Other	881,106	767 CPR ED Fund Donations 74,644 Special Events 80,922 Miscellaneous Income Donations 33,551 Fire Ambulance Reimb 691,221 Water Co Rents, Capital Lease 881,106
Revenue Total	7,637,329	7,637,329

**Town of Carefree - Final Audit Comparison
General Ledger 6/30/2020**

Audit Page 30

Expenditures		Dept
General Government	2,988,526	15,497 Mayor & Council 291,528 Town Clerk 260,007 Court 10,000 Claims & Losses 415,156 Administration 299,961 Legal 64,491 Risk Management 7,107 Contingencies 10,831 Court Enhancement, GAP, MJCEF 671,481 Town Center-Marketing 25,507 33 Easy St 916,961 Water Project 2,988,526
Public Safety	2,270,908	472,134 Law Enforcement 53,775 Code Enforcement 1,247,205 Public Safety - Fire Fund 279,668 Public Safety - Fire General Fund 218,126 Building Safety 2,270,908
Highways and Streets	1,038,813	611,812 Public Works - Streets Dept 402,000 HURF Street Maint Project 25,000 Utility Capital Improvement Street Maint. Project 1,038,812
Public Works	231,440	194,388 Planning & Development 37,052 Engineering 231,440
Capital Outlay	183,517	1,234 Court Enhancement Security Upgrades 150,054 Truck & Tractor Public Works 21,093 Ped Crossings 11,137 General Fund Street 183,517
Debt Service		
Principal retirement	206,618	206,618 Debt Service WIFA Prin
Interest and fiscal charges	37,905	37,905 Debt Service WIFA Int
		244,524
<hr/>		
Total Expenditures	6,957,727	6,957,727
Net		679,603

TOWN OF CAREFREE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 3,966,310	\$ 30,222	\$ 3,996,532
Intergovernmental	1,258,951	451,158	1,710,109
Fines and forfeitures	120,666		120,666
Licenses, permits and fees	398,819		398,819
Charges for services	332,735		332,735
Investment income	186,840	10,522	197,362
Other	881,106		881,106
Total revenues	<u>7,145,427</u>	<u>491,902</u>	<u>7,637,329</u>
Expenditures:			
Current -			
General government	2,988,526		2,988,526
Public safety	2,270,908		2,270,908
Public works	231,440		231,440
Highways and streets	611,813	427,000	1,038,813
Capital outlay	183,517		183,517
Debt service -			
Principal retirement	206,618		206,618
Interest and fiscal charges	37,905		37,905
Total expenditures	<u>6,530,727</u>	<u>427,000</u>	<u>6,957,727</u>
Changes in fund balances	<u>614,700</u>	<u>64,902</u>	<u>679,602</u>
Fund balances, beginning of year	9,616,127	630,162	10,246,289
Fund balances, end of year	<u>\$ 10,230,827</u>	<u>\$ 695,064</u>	<u>\$ 10,925,891</u>

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

**Town of Carefree Reconciled Cash Receipts and Cash Disbursements as of June 30, 2020
With Auditor's Adjustment**

Revenues	FY2018	FY2019	FY2020	2019 vs 2020	Budget	June 20	% of Budget
	YTD June	YTD June	Y-T-D	% (+/-)			
Local Sales Taxes (1 month lag)	\$2,376,632	\$2,556,417	\$ 2,425,431	-5.1%	2,400,000	317,024	101.1%
State Sales Taxes (1 month lag)	358,203	381,302	400,795	5.1%	397,500	45,978	100.8%
Building Fees	460,201	357,379	376,299	5.3%	375,000	28,607	100.3%
State Income Tax	461,253	458,121	501,223	9.4%	500,700	41,769	100.1%
Fines	165,114	118,266	106,968	-9.6%	140,000	8,053	76.4%
Court Service Fees	155,132	159,697	166,088	4.0%	166,088	13,841	100.0%
Town Clerk-Misc. Sales	155	483	554	0.0%	500	0	110.8%
Town Clerk-Permits & Sol Fees	3,625	912	600	-34.2%	1,000	0	60.0%
Water Company Reimbursements	276,264	690,605	691,221	0.1%	690,605	57,675	100.1%
33 Easy St Rent	14,406	15,198	15,368	0.0%	15,600	1,167	98.5%
Miscellaneous Income & Donations	49,383	92,550	80,922	-12.6%	43,000	137	188.2%
Interest Income	70,562	236,453	197,366	-16.5%	112,770	20,492	175.0%
Utility Franchise Fees (1 month lag)	337,712	337,443	328,165	-2.7%	343,000	63,364	95.7%
County Lieu Tax (1 month lag)	154,674	163,809	164,941	0.7%	173,000	21,024	95.3%
General Fund & All Funds Reserve Contribution(Below)	0	0	0	0.0%	3,510,026	0	0.0%
Special Events	147,528	197,365	412,827	109.2%	687,050	(495)	60.1%
County & State Grants	10,157	20,420	11,252	0.0%	200,000	0	5.6%
Court Enhancement, GAP, MJCEF	18,655	17,288	13,699	-20.8%	23,405	1,231	58.5%
HURF (1 month lag)	301,771	258,855	451,158	74.3%	392,000	36,136	115.1%
Cemetery	400	100	550	0.0%	600	0	91.7%
CPR Ed Fund	1,267	610	768	0.0%	800	(100)	96.1%
Utility Capital Improvement Fund	30,568	33,169	30,222	-8.9%	22,500	6,485	134.3%
Fire Reimb Income & Ins Reimb	52,536	69,582	48,203	0.0%	57,100	2,382	84.4%
Fire Fund-L Sales Tax (1 month lag)	1,188,316	1,278,208	1,212,714	-5.1%	1,200,000	158,511	101.1%
Total Revenues	6,634,514	7,444,232	7,637,336	2.6%	11,452,244	823,281	66.7%
Expenses							
Mayor & Council	21,007	17,999	15,497	-13.9%	113,875	528	13.6%
Town Clerk	262,774	271,255	291,528	7.5%	303,787	19,177	96.0%
Court	249,424	241,294	260,007	7.8%	273,852	20,325	94.9%
Administration	335,861	391,677	415,156	6.0%	449,791	26,378	92.3%
Claims & Losses	0	0	10,000	100.0%	5,000	10,000	200.0%
Legal	32,005	148,939	299,961	101.4%	160,000	35,380	187.5%
Risk Management	131,399	95,327	64,491	-32.3%	105,210	0	61.3%
Planning & Development	200,791	169,338	194,388	14.8%	241,551	16,251	80.5%
Building Safety	189,849	178,551	218,126	22.2%	218,552	17,585	99.8%
Law Enforcement	425,176	438,412	472,134	7.7%	536,643	39,214	88.0%
Code Enforcement	47,466	50,251	53,778	7.0%	52,156	3,782	103.1%
Engineering	47,083	23,177	37,054	59.9%	429,242	2,437	8.6%
Public Works - Streets & Gardens	558,276	626,946	761,866	21.5%	867,432	49,320	87.8%
Debt Service WIFA	244,799	244,663	244,523	-0.1%	244,523	0	100.0%
33 Easy St	37,783	19,685	25,507	0.0%	27,798	2,415	91.8%
Capital Improvement Program (See Below)	0	0	0	0.0%	-	0	0.0%
Public Safety Fire General Fund	343,784	388,656	279,668	0.0%	279,668	0	100.0%
Town Center-Marketing	516,937	514,387	671,481	30.5%	714,847	17,332	93.9%
Contingencies	89,333	29,872	7,107	-76.2%	200,000	0	3.6%
Court Enhancement, GAP, MJCEF	20,000	17,684	12,067	0.0%	12,605	0	95.7%
HURF (See Below)	0	0	0	0.0%	402,000	0	0.0%
Cemetery	0	0	0	0.0%	600	0	0.0%
CPR - Education Fund	600	480	0	0.0%	870	0	0.0%
Utility Capital Improvement Fund (See Below)	0	2,791	0	0.0%	25,000	0	0.0%
Transfers Out	0	0	0	0.0%	-	0	0.0%
Fire Fund	1,098,459	1,114,214	1,247,205	11.9%	1,271,100	125,030	98.1%
Total Expenses without Capital Expense	4,852,806	4,985,598	5,581,543	12.0%	6,936,102	385,154	80.5%
Net without Capital Expense	\$ 1,781,708	\$ 2,458,634	\$ 2,055,792		\$ 4,516,142	\$ 438,127	45.5%
All Capital Projects	357,618	1,189,368	1,376,191	15.7%	4,500,000	227,058	30.6%
Total Expenses with Capital Expense	5,210,424	6,174,966	6,957,734	12.7%	\$11,436,102	\$612,212	60.8%
Net with Capital Expense	1,424,090	1,269,266	679,602	-46.5%	16,142	211,069	4210.1%

**Combined Trial Balance - All Funds
June 30, 2020
With Auditors Adjusting Entries**

Assets

Checking - National Bank of AZ	1,076,600
Local Gov't Investment Pool - AZ	9,878,307
Petty Cash	700
Receivables	69,848
Intergovernmental Receivables	244,354
Advances to the Water Company	3,879,210
Total Assets	\$ 15,149,019

Liabilities

Accounts Payable	294,092
Bonds	35,510
Sales Tax Remittance	0
Deferred Revenue	14,318
Long Term Deferred Revenue	3,879,210
Total Liabilities	\$4,223,130

Fund Balance

Fund Balance-Beginning of Year	10,246,287
Year-to-date change in Fund Balance	679,602
Total Fund Balance	10,925,889
Total Liabilities and Fund Balance	\$ 15,149,019

Contingency Reserve Fund	\$2,500,000
Capital Fund	\$8,295,331
Total	\$10,795,331

Town of Carefree Reconciled Cash Receipts and Cash Disbursements as of July 31, 2020

With Auditor's Adjusting Entries

Revenues		FY2019	FY2020	FY2021	2020 vs 2021		July 20	% of Budget
		YTD July	YTD July	Y-T-D	% (+/-)	Budget		
Local Sales Taxes	(1 month lag)	\$59,526	\$107,925	\$ 67,462	-37.5%	1,800,000	67,462	3.7%
State Sales Taxes	(1 month lag)	14,634	14,834	20,774	40.0%	300,000	20,774	6.9%
Building Fees		25,647	12,917	31,797	146.2%	300,000	31,797	10.6%
State Income Tax		38,175	41,769	46,769	12.0%	563,000	46,769	8.3%
Fines		5,048	4,170	4,918	17.9%	120,000	4,918	4.1%
Court Service Fees		13,308	27,681	14,394	-48.0%	172,734	14,394	8.3%
Town Clerk-Misc. Sales		0	120	48	0.0%	500	48	9.6%
Town Clerk-Permits & Sol Fees		200	300	0	0.0%	1,000	0	0.0%
Water Company Reimbursements		57,550	57,550	57,675	0.2%	690,605	57,675	8.4%
33 Easy St Rent		1,300	1,166	1,300	0.0%	15,600	1,300	8.3%
Miscellaneous Income & Donations		25,000	25,000	25,020	0.1%	43,000	25,020	58.2%
Interest Income		10,090	14,334	821	-94.3%	110,820	821	0.7%
Utility Franchise Fees	(1 month lag)	56,735	50,333	58,057	15.3%	343,000	58,057	16.9%
County Lieu Tax	(1 month lag)	7,032	9,414	8,675	-7.8%	150,000	8,675	5.8%
General Fund & All Funds Reserve Contribution(Below)		0	0	0	0.0%	5,053,540	0	0.0%
Special Events		17,900	28,720	19,360	-32.6%	70,000	19,360	27.7%
County & State Grants		0	0	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF		999	446	623	39.7%	22,700	623	2.7%
HURF	(1 month lag)	0	0	0	0.0%	256,500	0	0.0%
Cemetery		0	0	0	0.0%	600	0	0.0%
CPR Ed Fund		270	668	0	0.0%	900	0	0.0%
AZ CARES Fund Grants		0	0	450,846	0.0%	0	450,846	
Utility Capital Improvement Fund		0	0	0	0.0%	22,500	0	0.0%
Fire Reimb Income & Ins Reimb		21,686	19,849	20,013	0.0%	60,100	20,013	33.3%
Fire Fund-L Sales Tax	(1 month lag)	29,763	53,962	33,732	-37.5%	900,000	33,732	3.7%
Total Revenues		384,863	471,158	862,284	83.0%	11,197,099	862,284	7.7%
Expenses								
Mayor & Council		504	221	101	-54.2%	212,075	101	0.0%
Town Clerk		22,986	23,062	18,950	-17.8%	299,381	18,950	6.3%
Court		19,680	21,343	21,340	0.0%	285,762	21,340	7.5%
Administration		45,963	49,459	47,418	-4.1%	434,381	47,418	10.9%
Claims & Losses		0	0	400	100.0%	5,000	400	8.0%
Legal		0	1,783	34,506	1835.3%	260,000	34,506	13.3%
Risk Management		109	33,353	8,041	-75.9%	128,313	8,041	6.3%
Planning & Development		12,434	14,308	16,617	16.1%	255,063	16,617	6.5%
Building Safety		14,609	15,928	16,516	3.7%	220,552	16,516	7.5%
Law Enforcement		35,557	38,938	42,209	8.4%	558,677	42,209	7.6%
Code Enforcement		3,513	3,636	3,655	0.5%	54,217	3,655	6.7%
Engineering		9,739	2,437	2,477	1.6%	129,722	2,477	1.9%
Public Works - Streets & Gardens		48,774	64,265	44,527	-30.7%	731,024	44,527	6.1%
Debt Service WIFA		223,773	227,509	231,385	1.7%	244,378	231,385	94.7%
33 Easy St		1,060	2,159	2,496	0.0%	27,708	2,496	9.0%
Capital Improvement Program	(See Below)	0	0	0	0.0%	-	0	0.0%
Public Safety Fire General Fund		0	0	0	0.0%	619,934	0	0.0%
Town Center-Economic Development		52,289	58,285	12,215	-79.0%	241,993	12,215	5.0%
Contingencies		520	0	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF		0	0	0	0.0%	12,550	0	0.0%
HURF	(See Below)	0	0	0	0.0%	-	0	0.0%
Cemetery		0	0	0	0.0%	600	0	0.0%
CPR - Education Fund		0	0	0	0.0%	970	0	0.0%
AZ CARES Fund Expense		0	0	126,294	0.0%	0	126,294	0.0%
Utility Capital Improvement Fund	(See Below)	0	0	0	0.0%	-	0	0.0%
Transfers Out		0	0	0	0.0%	-	0	0.0%
Fire Fund		132,435	126,396	3,920	-96.9%	974,100	3,920	0.4%
Total Expenses without Capital Expense		623,945	683,082	633,069	-7.3%	5,896,400	633,069	10.7%
Net without Capital Expense		\$ (239,082)	\$ (211,924)	\$ 229,216		\$ 5,300,699	\$ 229,216	4.3%
All Capital Projects		0	0	49,556	0.0%	5,289,500	49,556	0.9%
Total Expenses with Capital Expense		623,945	683,082	682,624	-0.1%	\$11,185,900	\$682,624	6.1%

Combined Trial Balance - All Funds
July 31, 2020
After Auditors Adjusting Entries

Assets

Checking - National Bank of AZ	1,229,898
Local Gov't Investment Pool - AZ	10,020,000
Petty Cash	700
Advances to the Water Company	3,828,945
<u>Total Assets</u>	<u>\$ 15,079,543</u>

Liabilities

Accounts Payable	109,539
Bonds	35,510
Sales Tax Remittance	0
Long Term Deferred Revenue	3,828,945
<u>Total Liabilities</u>	<u>\$3,973,994</u>

Fund Balance

Fund Balance-Beginning of Year	10,925,889
Year-to-date change in Fund Balance	<u>179,660</u>
Total Fund Balance	<u>11,105,549</u>
Total Liabilities and Fund Balance	<u>\$ 15,079,543</u>

Contingency Reserve Fund	\$2,500,000
Capital Fund	\$8,149,777
<u>Total</u>	<u>\$10,649,777</u>

Town of Carefree Reconciled Cash Receipts and Cash Disbursements as of August 31, 2020

With Auditor's Adjusting Entries

Revenues	FY2019	FY2020	FY2021	2020 vs 2021	Budget	Aug 20	% of Budget
	YTD Aug	YTD Aug	Y-T-D	% (+/-)			
Local Sales Taxes (1 month lag)	\$284,697	\$253,017	\$ 233,215	-7.8%	1,800,000	165,753	13.0%
State Sales Taxes (1 month lag)	46,850	50,574	56,053	10.8%	300,000	35,278	18.7%
Building Fees	106,330	43,825	61,120	39.5%	300,000	29,322	20.4%
State Income Tax	76,351	83,537	93,537	12.0%	563,000	46,769	16.6%
Fines	11,276	7,139	9,964	39.6%	120,000	5,046	8.3%
Court Service Fees	39,924	41,522	28,789	-30.7%	172,734	14,394	16.7%
Town Clerk-Misc. Sales	220	140	48	0.0%	500	0	9.6%
Town Clerk-Permits & Sol Fees	200	350	0	0.0%	1,000	0	0.0%
Water Company Reimbursements	115,101	115,101	115,351	0.2%	690,605	57,675	16.7%
33 Easy St Rent	2,600	2,466	2,600	0.0%	15,600	1,300	16.7%
Miscellaneous Income & Donations	25,100	25,000	25,020	0.1%	43,000	0	58.2%
Interest Income	20,542	27,991	1,473	-94.7%	110,820	652	1.3%
Utility Franchise Fees (1 month lag)	56,735	50,333	58,057	15.3%	343,000	0	16.9%
County Lieu Tax (1 month lag)	22,006	23,860	27,377	14.7%	150,000	18,702	18.3%
General Fund & All Funds Reserve Contribution(Be	0	0	0	0.0%	5,053,540	0	0.0%
Special Events	22,381	37,708	20,100	-46.7%	70,000	740	28.7%
County & State Grants	0	1,233	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF	10,191	1,325	1,891	42.7%	22,700	1,268	8.3%
HURF (1 month lag)	20,311	220,177	21,515	-90.2%	256,500	21,515	8.4%
Cemetery	0	0	0	0.0%	600	0	0.0%
CPR Ed Fund	430	668	0	0.0%	900	0	0.0%
AZ CARES Fund Grants	0	0	450,846	0.0%	0	0	0.0%
Utility Capital Improvement Fund	0	0	0	0.0%	22,500	0	0.0%
Fire Reimb Income & Ins Reimb	24,261	19,990	20,013	0.0%	60,100	0	33.3%
Fire Fund-L Sales Tax (1 month lag)	142,349	126,508	116,609	-7.8%	900,000	82,877	13.0%
Total Revenues	1,027,855	1,132,464	1,343,576	18.6%	11,197,099	481,292	12.0%
Expenses							
Mayor & Council	2,887	2,848	167	-94.1%	212,075	66	0.1%
Town Clerk	49,790	51,097	39,815	-22.1%	299,381	20,865	13.3%
Court	40,056	45,614	48,559	6.5%	285,762	27,219	17.0%
Administration	67,240	83,360	78,918	-5.3%	434,381	31,500	18.2%
Claims & Losses	0	0	400	100.0%	5,000	0	8.0%
Legal	11,890	24,470	34,506	41.0%	260,000	0	13.3%
Risk Management	109	33,353	8,131	-75.6%	128,313	90	6.3%
Planning & Development	25,013	33,871	31,670	-6.5%	255,063	15,053	12.4%
Building Safety	28,706	31,343	32,208	2.8%	220,552	15,692	14.6%
Law Enforcement	71,453	76,929	85,846	11.6%	558,677	43,637	15.4%
Code Enforcement	7,703	8,620	7,639	-11.4%	54,217	3,984	14.1%
Engineering	40,678	4,874	4,954	1.6%	129,722	2,477	3.8%
Public Works - Streets & Gardens	93,055	108,364	139,522	28.8%	731,024	94,994	19.1%
Debt Service WIFA	223,773	227,509	231,385	1.7%	244,378	0	94.7%
33 Easy St	16,726	2,969	4,811	0.0%	27,708	2,315	17.4%
Capital Improvement Program (See Below)	0	0	0	0.0%	-	0	0.0%
Public Safety Fire General Fund	0	0	0	0.0%	619,934	0	0.0%
Town Center-Economic Development	75,156	91,752	24,161	-73.7%	241,993	11,946	10.0%
Contingencies	520	0	0	0.0%	200,000	0	0.0%
Court Enhancement, GAP, MJCEF	0	0	0	0.0%	12,550	0	0.0%
HURF (See Below)	0	0	0	0.0%	-	0	0.0%
Cemetery	0	0	0	0.0%	600	0	0.0%
CPR - Education Fund	0	0	0	0.0%	970	0	0.0%
AZ CARES Fund Exp	0	0	252,589	0.0%	-	126,294	0.0%
Utility Capital Improvement Fund (See Below)	0	0	0	0.0%	-	0	0.0%
Transfers Out	0	0	100	0.0%	-	100	0.0%
Fire Fund	255,944	257,714	10,448	-95.9%	974,100	6,528	1.1%
Total Expenses without Capital Expense	1,010,699	1,084,687	1,035,830	-4.5%	5,896,400	402,762	17.6%
Net without Capital Expense	\$ 17,156	\$ 47,777	\$ 307,746		\$ 5,300,699	\$ 78,530	5.8%
All Capital Projects	0	49,080	85,126	73.4%	5,289,500	35,570	1.6%
Total Expenses with Capital Expense	1,010,699	1,133,767	1,120,956	-1.1%	\$11,185,900	\$438,332	10.0%
Net with Capital Expense	17,156	(1,303)	222,620	-17185.2%	11,199	42,960	1987.9%

**Combined Trial Balance - All Funds
August 31, 2020
After Auditors Adjusting Entries**

Assets

Checking - National Bank of AZ	1,054,042
Local Gov't Investment Pool - AZ	10,170,249
Petty Cash	700
Advances to the Water Company	3,778,630
Total Assets	\$ 15,003,621

Liabilities

Accounts Payable	40,472
Bonds	36,010
Sales Tax Remittance	0
Long Term Deferred Revenue	3,778,630
Total Liabilities	\$3,855,113

Fund Balance

Fund Balance-Beginning of Year	10,925,889
Year-to-date change in Fund Balance	222,620
Total Fund Balance	11,148,509
Total Liabilities and Fund Balance	\$ 15,003,621

Contingency Reserve Fund	\$2,500,000
Capital Fund	\$8,317,835
Total	\$10,817,835



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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members of the Town Council
Town of Carefree, Arizona

We have examined the Town of Carefree, Arizona's (Town) compliance as to whether highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town, were used solely for authorized transportation purposes during the year ended June 30, 2020. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance 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 the Town's compliance with the requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with the requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance of the report, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town of Carefree, Arizona complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 27, 2020

TOWN OF CAREFREE, ARIZONA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Town of Carefree, Arizona

**Financial Statements
Year Ended June 30, 2020**

**Issued by:
Finance Department**

TOWN OF CAREFREE, ARIZONA

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TOWN OF CAREFREE, ARIZONA

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Carefree, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Carefree, Arizona (Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carefree, Arizona, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of Town of Carefree, 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 Carefree, 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 Carefree, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 27, 2020

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

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**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

The Carefree Town Council and Staff are pleased to present the Management's Discussion and Analysis (MD&A) to supplement the financial statements for the year ended June 30, 2020. This discussion and analysis is intended to be an easily readable breakdown of the Town of Carefree and the Utilities Community Facilities District's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations compared to previous years and should be read in combination with the financial statements that follow.

Overview

- The assets and deferred outflows of the Town's governmental activities exceeded its liabilities and deferred inflows at June 30, 2020 by \$25,097,881. Of this amount, \$11,651,142 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. Of that \$11,651,142, unrestricted cash and cash equivalents are \$10,955,608.
- The assets of the Town's business-type activities exceeded its liabilities at June 30, 2020 by \$4,028,817. The Utilities Community Facilities District (UCFD) has invested in water infrastructure to meet their customers' present and future needs.
- As of June 30, 2020 the Town's combined fund balances of \$10,925,891 showed an increase of \$679,602 in comparison with the last fiscal year 2018-19 ending fund balances of \$10,246,289 due in part to retaining fund balance for more Water Infrastructure Projects in fiscal year 2020-21.
- General Fund expenditures included:
 - \$148,763 for a New Case Tractor and a Ford Truck with Dump Bed for Public Works.
 - \$402,000 for the Street Preventative Maintenance Project from the HURF Fund.
 - \$25,000 for the Street Preventative Maintenance Project from the Utility Capital Improvement Fund.
 - \$1,454 for more Security upgrades and COVID-19 related barriers for the Carefree-Cave Creek Consolidated Court from a grant to the Court Enhancement Fund from the State of Arizona Courts.
 - \$1,109,244 for a continuing Water Infrastructure project.
 - \$21,093 for Pedestrian Crosswalk Design.
 - \$5,070 for a new Engine Bay Garage Door.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

- The General Fund entered into a 30 year Capital Lease Agreement with the Water Fund twelve years ago to pay for the 1 million gallon water tank as shown on Page 48. The Water Fund made payments of \$244,764, on this Capital Lease which covers the Town's total WIFA payments in this fiscal year. The assets that were transferred under the Capital Lease were valued at \$3,332,280. The Town pays the Water Infrastructure Financing Authority its loan as a 20 year note, shown on Page 47.
- Twelve years ago the General Fund entered into an Aid in Advance of Construction agreement to transfer other water infrastructure assets to the Water Fund in the amount of \$2,303,125. Eight years ago \$914,229 more in assets were transferred under this agreement bringing the total to \$3,217,354. The Water Fund paid off their Revenue Bonds in 2018. They have been paying for these transferred assets monthly in the amount of \$34,528, for 8 years, from 2018 until 2026, with the last monthly payment being \$6,269.
- The Town entered into a Town wide contract for fire service with Rural Metro Fire in January of 2007 to staff the Town's fire station and fire truck. Starting July 1, 2019 the monthly payments were \$120,208.81 for a fiscal year total of \$1,442,505.71. Additionally, the fee structure includes an annual inflationary adjustment based upon the five year average of the local (Phoenix-Mesa) Consumer Price Index (CPI- U/W) for labor plus 1%. Furthermore, a maximum 2.5% and a minimum 1.5% cap are established for any annual increase. The fiscal year 2020 monthly contract went up 2.5% with a monthly amount of \$123,214.03, an annual total of \$1,478,568.36. The fiscal year 2021 monthly contract went up 2.5% with a monthly amount of \$126,294.38 and an annual total of \$1,515,532.56. Of this amount, \$450,846 was paid out of the AZCARES Covid-19 Fund with Federal relief fund due to the Covid-19 pandemic.
- In October, 2013 the Towns of Carefree and Cave Creek entered into an Intergovernmental Agreement (IGA) to consolidate their respective municipal courts on January 1, 2014. The intent of this consolidation was to share the ongoing operational costs, create an economy of scale and provide each community a significant savings. In general, the main terms of the IGA which were endorsed by both communities, the Administrative Office of the Court and the Maricopa County Presiding Judge were:
 1. The consolidated court would operate in space provided by the Town of Cave Creek.
 2. The Town of Carefree would provide all staffing for the court and have management responsibility for the court.
 3. All costs associated with the operation of the court would be directly paid by the Town of Carefree while all cost associated with the operation and maintenance of the Town of Cave Creek facility would be borne by Cave Creek.
 4. The IGA outlined a cost recovery approach to cover the typical operational expenses of the court. These operational costs include, but are not limited to, staff salaries and benefits, magistrate services, public defender, prosecutor services, interpreter services, incarceration fees, and supporting office hardware, software and materials. This cost recovery model included a court service base fee of \$12,183.00 which the Town of Cave Creek pays the Town of Carefree the first of each month. The base fee

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

is subject to an annual inflationary index beginning and assessed every year thereafter on July 1. There is a minimum cap of 2% and a maximum cap of 4%. The court service base fee for fiscal year 2021 was increased by 4% to \$14,394.47.

- In October, 2013 an agreement was executed for the naming rights of the Town's amphitheater with Sanderson Lincoln. Under this agreement, Sanderson pays the Town of Carefree \$25,000 per year for a term of ten years. The funds generated by this agreement will be used to reimburse the Town for the improvements to the amphitheater which include but are not limited to new shade structures, new stage lighting, new audio-visual equipment and a mister system. In the seventh year of this agreement \$25,000 was paid by Sanderson Lincoln.
- In September of 2015, an agreement was executed for the naming rights of the Town's New Scorpion Splash Pad in the Carefree Desert Gardens with the Kiwanis Club of Carefree. Under this agreement, the Kiwanis Club of Carefree pays the Town of Carefree \$20,000 the first year and \$16,429 per year for a term of seven years for a total of \$135,000 ending in 2022. The funds generated by this agreement are used to reimburse the Town for the construction of the Splash Pad.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), this report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds, and supplementary information.

The first several statements are highly condensed and present a government-wide view of the Town of Carefree's finances and operations. Within this view, all Town of Carefree operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services like public safety, streets, public works and general governmental administration. Business-type activities include the water services that is provided through the legally separate Utilities Community Facilities District which owns and operates the Carefree Water Company. The government-wide statements include the Statement of Net Position and Statement of Activities.

Statement of Net Position

The Statement of Net Position presents the unrestricted assets of governmental and business-type activities. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities report capital assets and long-term liabilities.

Net position (acquisition costs minus accumulated depreciation) provides a measure of the Town of Carefree's financial strength, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. It is also important to consider other non-financial factors such as changes in the Town of Carefree's sales tax collection, the condition of the streets, and water availability issues to accurately assess the overall health of the Town of Carefree.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Statement of Activities

The Statement of Activities presents the major program costs and matches major resources to each program. To the extent that direct charges do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-sustaining and/or supported by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements support information in the government-wide financial statements or provide additional information. For each major fund, a Budgetary Comparison Schedule is presented. Users who want to obtain information on nonmajor funds can find it in the Combining and Individual Fund Statements and Schedules section of this report.

The MD&A explains significant changes in the financial position and differences in operations between current and prior years. Significant changes from the prior year operations are explained in the paragraphs that follow.

The Town of Carefree as a Whole

Comparison to the prior year with percentage of change is as follows. This section will outline significant differences between the previous year and present year. A condensed version of the Statement of Net Position at June 30, 2020 versus June 30, 2019 follows.

Table 1

Net Position at year-end FY2020 vs. FY2019						
	Governmental Activities			Business-type Activities		
	FY2020	FY2019	% Change	FY2020	FY2019	% Change
Current and other assets	15,149,020	8,561,603	77%	-1,226,439	-2,066,579	-41%
Capital and intangible assets, net	12,703,486	13,289,210	-4%	5,427,725	5,690,351	-5%
Total assets	27,852,506	21,850,813	27%	4,201,286	3,623,772	16%
Total Deferred Outflows of Resources	163,746	211,130	-22%			
Current and other liabilities	343,920	132,884	159%	136,047	121,601	12%
Long-term liabilities	2,430,754	2,638,653	-8%	36,422	33,460	9%
Total liabilities	2,774,674	2,771,537	0%	172,469	155,061	11%
Total Deferred Inflows of Resources	143,697	192,384	-25%			
Net Position:						
Net Investment in capital assets	12,703,486	12,175,634	4%	1,425,067	1,079,164	32%
Restricted	743,253	650,059	14%			
Unrestricted	11,651,142	12,572,329	-7%	2,603,750	2,389,547	9%
Total Net Position	25,097,881	25,398,022	-1%	4,028,817	3,468,711	16%

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Statement of Net Position at June 30, 2020:

During fiscal year 2019-20 the balance of net position decreased due in part to the loss in sales tax revenues from March 2020 through June 2020 due to the global pandemic.

The Town of Carefree's financial position changed slightly during the year as reflected in the 1% increase in the net position. The unrestricted net position of the governmental activities amounted to \$11.7 million (versus \$12.6 million in fiscal year 2018-19). The unrestricted net position of the Business-type activities is \$2.6 million (9% more available unrestricted assets than fiscal year 2018-19). This view of the unrestricted net position provides a useful measure of the Town of Carefree's net position available for spending at the end of the fiscal year.

There are restrictions of \$743,253 in restricted net position of Government activities. \$695,064 represents funds that are restricted to highway and streets project use. These restricted funds have been accumulated for our Pavement Preventative Maintenance Plan in Fiscal Year 2020-21. The remaining net position is restricted for court use.

Table 2

Net Position at year-end FY2020 vs. FY2019			
Total Government Combined			
	FY2020	FY2019	% Change
Current and other assets	13,922,581	12,795,024	9%
Capital and intangible assets, net	18,131,211	18,979,561	-4%
Total assets	32,053,792	31,774,585	1%
Total Deferred Outflows of Resources	163,746	211,130	-22%
Current and other liabilities	479,967	254,485	89%
Long-term liabilities	2,467,176	2,672,113	-8%
Total liabilities	2,947,143	2,926,598	1%
Total Deferred Inflows of Resources	143,697	192,384	-25%
Net Position:			
Net investment in capital assets	14,128,553	13,254,798	7%
Restricted	743,253	650,059	14%
Unrestricted	14,254,892	14,961,876	-5%
Total Net Position	29,126,698	28,866,733	1%

Total Governmental Activities

Total net position went up 1%. The non-land portion of improvements is depreciated and the accumulated depreciation governmental activities at year-end were \$10.7 million. The accumulated depreciation for the business-type activities at year-end is \$10.0 million.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

For the year ended June 30, 2020, the Town recognized pension expense for Arizona State Retirement System of \$116,085. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to future ASRS contributions required of the Town. This is a requirement of the Government Accounting Standards Board (GASB). A full explanation of the calculation of these deferred inflows and outflows of resources starts on Page 53.

Statement of Activities for the Year Ended June 30, 2020:

This year we report governmental activities comparing them to the prior year.

**Table 3
For the Fiscal Year ended June 30, 2020 vs. June 30, 2019**

	Governmental Activities			Business-type Activities		
	2020	2019	% Change	2020	2019	% Change
Revenues						
Program Revenues						
Charges for services	1,196,517	785,945	52%	2,975,386	2,723,523	9%
Operating grants and contributions	478,981	480,226	0%			
Capital grants and contributions	41,922	92,550	-55%			
Total program revenue	1,717,420	1,358,721	26%	2,975,386	2,723,523	9%
General Revenue						
Taxes:						
City sales taxes	3,638,145	3,834,625	-5%			
State sales taxes	400,795	381,302	5%			
Vehicle license tax	164,941	163,809	1%			
State income tax – rev sharing	501,223	458,121	9%			
Franchise taxes	358,387	337,443	6%			
Investment Income	257,021	302,963	-15%	5,861	5,766	2%
Other						
Gain/Loss on disposal of capital assets				2,721		
Total general revenues	5,320,512	5,478,263	-3%	8,582	5,766	49%
Total Revenues	7,037,932	6,836,984	3%	2,983,968	2,729,289	9%
Expenses						
General government	3,123,831	1,759,308	78%			
Public safety	2,354,190	2,233,461	5%			
Highways and Streets	546,381	1,480,207	-63%			
Public works	1,275,766	656,851	94%			
Interest on Long Term Debt	37,905	56,449	-33%			
Water				2,423,862	2,442,540	-1%
Total Expense	7,338,073	6,186,276	19%	2,423,862	2,442,540	-1%
Beginning Net Position	25,398,022	24,747,314	3%	3,468,711	3,181,962	9%
Incr/Decrease in Net Position	-300,141	650,708	-146%	560,106	286,749	95%
Ending Net Position	25,097,881	25,398,022	-1%	4,028,817	3,468,711	16%

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Governmental Activities

The actual revenue was \$7.0 million, \$5.3 million was expended to provide services of which \$1.7 million of these expenses was paid for by those who directly benefited from or contributed to the programs. Capital improvements were completed for \$169,856 for equipment and pedestrian crosswalk design. \$427,000 was expended for the 2nd Phase of the Pavement Maintenance project and \$1,109,244 for Water Infrastructure projects. The decrease in net position of \$300,141 was due to our ongoing street maintenance projects. Town of Carefree general sales taxes financed \$3.6 million of the expenditures. Other governmental revenues, including inter-governmental aid and interest, amounted to \$1.7 million.

Business-type Activities

The revenue of the Business-type activities was \$3.0 million and \$2.4 million was expended to provide service. \$2.9 million of these expenses were paid for by those who received service. There was an increase in net position of \$560,106.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the Town of Carefree had invested \$23.4 million in capital assets as reflected in the following table. Of the \$442,755 total additions reflected below, \$272,899 represents water line replacements and new fire hydrant installations. The Governmental activities assets decreased by 4% due to the depreciation of assets. The Business-type activities assets went down 5% due to the depreciation of assets. The total assets decreased by 4%. The following table reconciles the changes in capital assets.

Table 4

Change in Capital Assets			
	Governmental Activities	Business Type Activities	Total
Beginning Balance	13,289,210	5,557,770	18,846,980
Additions	169,856	272,899	442,755
Deductions		-688	-688
Transfers	-27,954	-17,693	-45,647
Depreciation	-727,626	-508,002	-1,235,628
Ending Balance	12,703,486	5,304,286	18,007,772

Additional information on the Town of Carefree's capital assets can be found in the notes to the financial statements.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Debt Administration

As of year-end, the governmental activities had \$2.5 million in outstanding long-term liabilities compared with \$2.7 million as of last year as shown in Table 5. The additions of \$140,914 in long-term liabilities to the Governmental Activities resulted from accrual of compensated absences payable during the year. Reductions included employees utilizing compensated absences balances of \$124,158 during the fiscal year, the payment made on the WIFA Loan of \$206,618 and the reduction of \$18,037 in net pension and OPEB liabilities. The decrease from last year's total long-term liabilities to this year's was 8%.

The Business-type activities had \$36,422 in long-term liabilities outstanding compared to \$33,460 last year. The addition of \$7,675 in long-term liabilities resulted from the accrual of compensated absences during the year. The reduction of \$4,713 in long-term liabilities resulted from employees utilizing compensated absences balances during the year. The increase from last year's total long-term liabilities to this year's was 9%.

Two internal fund transfers of assets occurred 11 years ago. The Water Fund entered into a Capital Lease Purchase Agreement to purchase the 1 million gallon water tank from the General Fund and also entered into an Aid in Advance of Construction Agreement to purchase other water infrastructure assets. Since these were internal transfers they do not change the outstanding debt at year-end. The total long-term liabilities in Governmental & Business-type activities decreased 8% from last year.

Table 5

Long-term Liabilities at Year-end			
	Governmental Activities	Business-type Activities	Total
Beginning Balance	2,638,653	33,460	2,672,113
Additions	140,914	7,675	148,589
Retirements	-348,813	-4,713	-353,526
Ending Balance	2,430,754	36,422	2,467,176

Long-term Liabilities at Year-end		
	2020	2019
Governmental Activities:		
WIFA Loan – 20 Year 4%	906,958	1,113,576
Compensated absences payable	81,776	65,020
Net Pension Liability	1,442,020	1,454,618
Net OPEB Liability		5,439
Business-type Activities:		
Accrued Compensated Absences	36,422	33,460
Total	2,467,176	2,672,113

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Additional information on the Town of Carefree's long-term debt can be found in the notes to the financial statements.

Economic Factors

Governmental Funds

The Town of Carefree relies on state-shared revenues and local sales tax. In years past we have saved more money than we have spent as reflected in the table below. We have used these savings for capital projects that benefit the citizens of Carefree. These projects have included building the Town Center Desert Gardens, installing fire hydrants, building a 1 million gallon water tank, maintaining roads, building a fire station, acquiring two Town office buildings, acquiring open space land, installing 2 gateways and pedestrian lighting downtown. Local sales taxes were higher this year due to an improved economy, new businesses, and the increased construction of homes with the sale of those completed homes. Due to accruing reserves to complete the next phase in our Pavement Preventative Maintenance Plan in Fiscal Year 2020-21, the Fund Balance this last fiscal year increased \$679,602, leaving a total in all fund balances of \$10.9 million.

Table 6

Town of Carefree 10 Year Revenue vs. Expenditures¹ 2011 through 2020					
Year Ended June 30,	Revenues	Expenditures		Net Added or (Subtracted) from Fund Balance	Ending Fund Balance
2020	7,637,329	6,957,727	1	679,602	10,925,891
2019	7,429,577	6,174,967	2	1,254,610	10,246,289
2018	6,634,514	5,210,422	3	1,424,092	8,991,679
2017	5,695,882	5,101,891	4	593,991	7,567,587
2016	6,449,172	6,420,600	5	28,572	6,973,596
2015	6,031,736	5,069,601	6	962,135	6,945,024
2014	5,407,765	5,485,460	7	(77,695)	5,982,889
2013	4,997,639	5,543,196	8	(545,557)	6,060,584
2012	4,857,176	4,869,402	9	(12,226)	6,606,141
2011	5,479,838	4,927,923		551,915	6,618,368
Total added to Fund Balance last 10 yrs.			2010	4,859,439	6,066,453
¹ Source: Official Town Audits – Statement of Revenues & Expenditures, Page 30					
² Paid off 33 Easy Street----- \$371,629					
³ Gateways and Bike Path projects completion ----- \$326,091					
⁴ Town Center Improvements ----- \$950,030					
⁵ Pavement Maintenance Plan Phase 3 ----- \$521,307					
Town Center Improvements ----- \$151,390					
⁶ Pavement Maintenance Plan Phase 2 ----- \$1,048,262					
⁷ Open Space Land Acquisition ----- \$281,666					
⁸ Pavement Maintenance Plan Phase 1 ----- \$993,667					
⁹ Paid off 8 Sundial Circle & Fire Truck ----- \$749,821					

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

The Town of Carefree has incurred little debt since incorporating in 1984. We have \$25 million in assets and \$2.4 million in long-term liabilities at June 30, 2020. Of these liabilities, \$906,958 is the WIFA Loan for a water tank; \$81,776 for accrued compensated absences; \$1.4 million for net pension liabilities.

During the year, 75% of the general revenues were derived from state-shared revenues and local sales tax. The retail picture provided sufficient sales tax revenues to sustain the operational costs of general government. We show a decrease in revenue in local sales tax of \$208,705 due to the Global pandemic which shut some of our business down for the last quarter of the fiscal year. Fifteen new home building permits were received in fiscal year 2019-20 versus eighteen single family permits for the previous fiscal year. This affects building fees and construction sales tax which was down in fiscal year 2019-20 by 41% because of the new subdivision completed in fiscal year 2018-19. It is important to note that construction sales tax is paid after the completion of a home so funds received are delayed. Total local sales tax decreased by 5% and state shared revenues increased 19% from the previous year due to State withheld HURF funds finally being distributed to us. A new Hampton Inn Hotel is being construction in the downtown Carefree and should help increase foot traffic to our businesses downtown.

The Town's revenues increased 3%, and the expenses increased 13% compared to the last fiscal year 2019-20. Water Infrastructure expenses accounted for \$916,961, while the second year Pavement Maintenance Project costs were \$427,000.

The Town has been focused on projects to help drive economic development and to generate sales taxes as the Town approaches buildout. The Town hired an Economic Development Director in this fiscal year to help diversify the businesses in Town and help attract more businesses to the Town. The Hampton Inn by Hilton is an example of the town beginning to diversify its businesses and tax base.

Proprietary Funds

Carefree Water Company, through the UCFD, continues to be in sound financial condition and in full compliance with our repayment obligations. Our repayment of the Bond Purchase that financed the original acquisition of the Water Company was retired at the end of fiscal year 2017-18, with the final payment made just after the beginning of fiscal year 2018-19. This same payment amount has shifted to repay an outstanding Town loan, making it a seamless transition for the Water Company's budget and our customer's rates. The Water Company also continues to make payments to the Town for a Water Infrastructure Financing Authority (WIFA) loan that will be retired in fiscal year 2026-27.

Water Company revenues from the sale of water and from other sources during fiscal year 2019-20 increased moderately from the prior fiscal year because of an increase in water usage and development fees. The COVID-19 pandemic overall had only a slight impact on the Water Company's revenue stream, exemplifying the resiliency of our customer base. The Water Company did work with customers who experienced financial hardship during the pandemic by

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

setting up payment plans, waiving late fees and interest, and instituting a temporary no-shutoff policy.

Moving into the future, we anticipate a continued slow, sustained growth in the local economy and in our customer base over the next 5 to 10 years with a planned spike in our customer base upon acquisition of those customers currently served potable water by the Town of Cave Creek. Our budget for the upcoming fiscal year reflects the continuing trend of only slightly increasing sales, reflecting successful water conservation efforts. As costs continue to increase, we also anticipate increasing rates to maintain our current level of service.

Our customers continue to respond positively to our efforts to help conserve water. Water conservation has been advantageous in increasing the underground water storage levels within the Carefree aquifer. This has a significant, long-term benefit as the sustainable use of our groundwater resources is an important part of the Water Company's water supply portfolio. Currently, the Water Company has the ability to supply water to our customers during emergency conditions even without dependence on the Central Arizona Project and our neighboring water providers of Scottsdale and Cave Creek.

In fiscal year 2016-17, the Water Company began offering to our customers, on a subscription basis, water meters that communicate water usage data via cellular technology. These meters provide both the Water Company and our customers with convenient access to this water use information using daily internet or smartphone updates. Water conservation and cost savings through early detection of leaks and identification of high water use are benefits that the Water Company has identified as significant customer benefits. Currently, over 140 customers have signed up for this service.

This cellular technology complements our automated meter reading program. Currently, all but a handful of water meters are read with cellular or "drive-by" technology. Our auto-read meters have made it possible to accurately read meters in less time and to download that data directly into our billing software, thereby eliminating manual data entry. An additional benefit of the auto-read meters is being able to provide our customers with historic hourly water usage data to help them address high water usage and water leaks on their property.

In fiscal year 2019-20, and consistent with our CIP, the Water Company completed the replacement of 3 non-standard, hard to operate fire hydrants. In the next fiscal year, we plan to focus our fire hydrant efforts on both replacing old non-standard and difficult to operate hydrants as well as installing new hydrants to improve fire-fighting capabilities to our existing service area.

During future fiscal years, we will continue to update our utility infrastructure mapping by using the Global Positioning System (GPS) and Geographic Information System (GIS) technology. This will give us the ability to accurately locate water facilities within our service area on aerial photographs. A subsequent step will be to build the database into an asset management system that will track maintenance and repair activities so we can better manage the infrastructure of the Water Company. GIS mapping and asset management information is available to our field

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

personnel via tablets in their vehicles so that infrastructure information can be immediately accessed without having to travel back to the office. This system will also provide us information to meet regulatory requirements for submitting updated mapping of our distribution system each year.

Next Year's Budget and Rates

The fiscal year 2020-21 budget includes a total of \$1.5 million for Street Maintenance Projects and \$3,500,000 million for Water Infrastructure projects. We have kept the revenues expected from sales taxes flat but have more new home building and home rehabilitations this fiscal year.

In fiscal year 2020-21's budget, budgeted revenues decreased 2% over this year's budget, from \$11.4 million this year to \$11.2 million and are 47% higher than this year's final actual totals of \$7.6 million. This decrease in revenue budgeted is due to the possible impact of the Global pandemic on our local businesses.

The fiscal year 2020-21 expenditures budget totals \$11.2 million with a 2% decrease over last year's budgeted expenses of \$11.4 million and 61% more than last year's final actual totals of \$7.0 million. This decrease in budgeted expenses is due to cutting expenses due to the Global pandemic to make sure we have available resources going forward.

Table 7 shows the percentages described above.

**Table 7
Town of Carefree FY2021 Adopted Budget**

	FY 2019 ACTUAL	FY 2020 BUDGET	FY 2020 YE ACTUAL	FY 2021 BUDGET ADOPTED	Budget /YE % (+/-)	Budget/Budget % (+/-)
Grand Total REVENUES	7,429,577	11,452,244	7,637,329	11,197,099	47%	-2%
Grand Total EXPENSES	6,174,967	11,436,103	6,957,727	11,185,900	-61%	-2%
NET	1,254,610	16,141	679,602	11,199	-98%	-31%

In this budget, Human Resources account for 10%, Operations 4%, Capital Assets 32%. Citizen safety remains a high priority in this budget. 20% percent of the expenses budgeted are for Police and Fire protection. The Town is protected by our contract with the Maricopa County Sheriff's Office and Master Contract with Rural Metro.

Maintaining our roads is a must to save expensive repairs in the future. 20 percent of the expenses budgeted are for street improvements and maintenance in Town. Six percent of the expenses budgeted are for legal representation and municipal insurance to protect us from liability.

**TOWN OF CAREFREE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

The fiscal year 2020-2021 capital budget within the General Fund is as follows:

- \$41,000 for a Street Maintenance Tree Brush Chipper.
- \$750,000 for a possible Street Maintenance project
- \$750,000 for a possible Pedestrian Crosswalk work in Progress.
- \$3,500,000 for a Water Infrastructure project.

Development Fees for new development in Carefree were repealed on January 3, 2012. This was done because Senate Bill 1525 made extensive amendments to A.R.S. §9-463.05, Arizona's municipal development fee enabling statute. These amendments restricted the purpose for which development fees had been historically collected. To be in compliance with this state statute, the Town did not assess any development fees on or after January 1, 2012. In fiscal year 2014-15, all remaining funds within the development fee accounts were used for the purposes for which they were collected and the accounts were all closed.

Financial Contact

The Town of Carefree's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with a general overview of the Town of Carefree's finances and to demonstrate the Town of Carefree's accountability. If you have questions about the report or need additional financial information, please contact the Town of Carefree's Town Administrator, Gary Neiss, or Town Clerk/Treasurer, Kandace French Contreras at P.O. Box 740, 8 Sundial Circle, Carefree, Arizona 85377.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF CAREFREE, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 10,955,608	\$ 2,081,281	\$ 13,036,889
Cash and investments - restricted		21,395	21,395
Accounts receivable	69,849	307,049	376,898
Due from governmental entities	244,354		244,354
Internal balances	3,879,209	(3,879,209)	
Inventory		182,798	182,798
Prepaid items		60,247	60,247
Total current assets	15,149,020	(1,226,439)	13,922,581
Noncurrent assets:			
Capital assets, non-depreciable	7,134,146	1,084,563	8,218,709
Capital assets, depreciable (net)	5,569,340	4,219,724	9,789,064
Intangible assets (net)		123,438	123,438
Total noncurrent assets	12,703,486	5,427,725	18,131,211
Total assets	27,852,506	4,201,286	32,053,792
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension plan items	163,746		163,746
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	294,092	66,553	360,645
Accrued payroll and employee benefits		12,901	12,901
Due to other governments		24,558	24,558
Other current liabilities	35,510	10,840	46,350
Customer deposits		21,195	21,195
Compensated absences payable	81,776	36,422	118,198
Unearned revenue	14,318		14,318
Loans payable	214,370		214,370
Total current liabilities	640,066	172,469	812,535
Noncurrent liabilities:			
Loans payable	692,588		692,588
Net pension liability	1,442,020		1,442,020
Total noncurrent liabilities	2,134,608		2,134,608
Total liabilities	2,774,674	172,469	2,947,143
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension plan items	143,697		143,697
<u>NET POSITION</u>			
Net investment in capital assets	12,703,486	1,425,067	14,128,553
Restricted	743,253		743,253
Unrestricted	11,651,142	2,603,750	14,254,892
Total net position	\$ 25,097,881	\$ 4,028,817	\$ 29,126,698

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

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**TOWN OF CAREFREE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 3,123,831	\$ 786,667	\$ 13,171	\$ 41,922	\$ (2,282,071)
Public safety	2,354,190	33,551	14,652		(2,305,987)
Public works	546,381	376,299			(170,082)
Highways and streets	1,275,766		451,158		(824,608)
Interest on long term debt	37,905				(37,905)
Total governmental activities	7,338,073	1,196,517	478,981	41,922	(5,620,653)
Business-type activities:					
Water	2,423,862	2,975,386			
Total business-type activities	2,423,862	2,975,386			
Total primary government	\$ 9,761,935	\$ 4,171,903	\$ 478,981	\$ 41,922	(5,620,653)

General revenues:

Taxes:

City sales taxes	3,638,145
State sales taxes	400,795
Vehicle license tax	164,941
State income tax - revenue sharing	501,223
Franchise taxes	358,387
Investment income	257,021
Gain on sale of equipment	
Total general revenues	5,320,512

Changes in net position (300,141)

Net position, beginning of year 25,398,022

Net position, end of year \$ 25,097,881

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

Net (Expense) Revenue and
Changes in Net Position

Business-type Activities	Totals
\$	\$ (2,282,071) (2,305,987) (170,082) (824,608) <u>(37,905)</u> <u>(5,620,653)</u>
551,524	551,524
551,524	551,524
551,524	<u>(5,069,129)</u>
	3,638,145 400,795 164,941 501,223 358,387 5,861 262,882 <u>2,721</u> <u>8,582</u> 5,329,094
560,106	259,965
3,468,711	28,866,733
\$ 4,028,817	\$ 29,126,698

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FUND FINANCIAL STATEMENTS

TOWN OF CAREFREE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 10,286,835	\$ 668,773	\$ 10,955,608
Accounts receivable	63,364	6,485	69,849
Due from governmental entities	224,548	19,806	244,354
Advances to other funds	3,879,209		3,879,209
Total assets	\$ 14,453,956	\$ 695,064	\$ 15,149,020
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 294,092	\$	\$ 294,092
Other current liabilities	35,510		35,510
Unearned revenue	14,318		14,318
Total liabilities	343,920		343,920
Deferred inflows of resources:			
Unavailable revenues - other	3,879,209		3,879,209
Fund balances:			
Restricted	48,189	695,064	743,253
Committed	19,205		19,205
Unassigned	10,163,433		10,163,433
Total fund balances	10,230,827	695,064	10,925,891
Total liabilities, deferred inflows of resources and fund balances	\$ 14,453,956	\$ 695,064	\$ 15,149,020

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

TOWN OF CAREFREE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total governmental fund balances **\$ 10,925,891**

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	\$ 23,449,321	
Less accumulated depreciation	<u>(10,745,835)</u>	12,703,486

Some other receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		3,879,209
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	163,746	
Deferred inflows of resources related to pensions	<u>(143,697)</u>	20,049

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

Compensated absences payable	(81,776)	
Net pension liability	(1,442,020)	
Loans payable	<u>(906,958)</u>	<u>(2,430,754)</u>

Net position of governmental activities **\$ 25,097,881**

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

TOWN OF CAREFREE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 3,966,310	\$ 30,222	\$ 3,996,532
Intergovernmental	1,258,951	451,158	1,710,109
Fines and forfeitures	120,666		120,666
Licenses, permits and fees	398,819		398,819
Charges for services	332,735		332,735
Investment income	186,840	10,522	197,362
Other	881,106		881,106
Total revenues	<u>7,145,427</u>	<u>491,902</u>	<u>7,637,329</u>
Expenditures:			
Current -			
General government	2,988,526		2,988,526
Public safety	2,270,908		2,270,908
Public works	231,440		231,440
Highways and streets	611,813	427,000	1,038,813
Capital outlay	183,517		183,517
Debt service -			
Principal retirement	206,618		206,618
Interest and fiscal charges	37,905		37,905
Total expenditures	<u>6,530,727</u>	<u>427,000</u>	<u>6,957,727</u>
Changes in fund balances	<u>614,700</u>	<u>64,902</u>	<u>679,602</u>
Fund balances, beginning of year	9,616,127	630,162	10,246,289
Fund balances, end of year	<u>\$ 10,230,827</u>	<u>\$ 695,064</u>	<u>\$ 10,925,891</u>

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

TOWN OF CAREFREE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Changes in fund balances - total governmental funds **\$ 679,602**

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

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

Expenditures for capitalized assets	\$ 141,902	
Less current year depreciation	<u>(727,626)</u>	(585,724)

Repayments from the Water Fund of capital advance principal and capital lease principal that became available in the current year and were recorded as revenue in the the Statement of Revenues, Expenditures, and Changes in Fund Balance were already recognized as revenue in the Statement of Activities in a prior period. (599,397)

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 206,618

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	131,601	
Pension expense	<u>(116,085)</u>	15,516

Compensated absence 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. (16,756)

Changes in net position in governmental activities **\$ (300,141)**

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

TOWN OF CAREFREE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Enterprise Funds</u>
	Water
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 2,081,281
Cash and investments - restricted	21,395
Accounts receivable	307,049
Inventory	182,798
Prepaid items	60,247
Total current assets	2,652,770
Noncurrent assets:	
Capital assets, non-depreciable	1,084,563
Capital assets, depreciable (net)	4,219,724
Intangible assets (net)	123,438
Total noncurrent assets	5,427,725
Total assets	8,080,495
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	66,553
Accrued payroll and employee benefits	12,901
Advances from other funds	414,340
Due to other governments	24,558
Other current liabilities	10,840
Customer deposits	21,195
Compensated absences payable	36,422
Capital leases payable	192,121
Total current liabilities	778,930
Noncurrent liabilities:	
Advances from other funds	1,974,333
Capital leases payable	1,298,415
Total noncurrent liabilities	3,272,748
Total liabilities	4,051,678
<u>NET POSITION</u>	
Net investment in capital assets	1,425,067
Unrestricted	2,603,750
Total net position	\$ 4,028,817

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

TOWN OF CAREFREE, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Funds</u>
	<u>Water</u>
Operating revenues:	
Charges for services	\$ 2,927,403
Other	47,983
Total operating revenues	<u>2,975,386</u>
Operating expenses:	
Cost of sales and services	885,941
Salaries	418,537
Employee benefits	183,474
Services, supplies and other	358,841
Depreciation and amortization	517,144
Total operating expenses	<u>2,363,937</u>
Operating income (loss)	<u>611,449</u>
Nonoperating revenues (expenses):	
Investment income	5,861
Gain on sale of equipment	2,721
Interest expense and fiscal charges	(59,925)
Total nonoperating revenues (expenses)	<u>(51,343)</u>
Changes in net position	<u>560,106</u>
Total net position, beginning of year	3,468,711
Total net position, end of year	<u>\$ 4,028,817</u>

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

TOWN OF CAREFREE, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Water
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from customers, service fees	\$ 2,883,292
Cash received from customers, other	47,983
Cash payments to suppliers for goods and services	(1,274,899)
Cash payments to employees	(591,291)
Net cash provided by/used for operating activities	1,065,085
Cash flows from investing activities:	
Investment income	5,861
Net cash provided by/used for investing activities	5,861
Cash flows from capital and related financing activities:	
Purchase of capital assets	(272,899)
Disposal of capital assets	21,102
Principal paid on long-term debt	(599,397)
Interest paid	(59,925)
Net cash provided by/used for noncapital financing activities	(911,119)
Net increase/decrease in cash and cash equivalents	159,827
Cash and cash equivalents, beginning of year	1,942,849
Cash and cash equivalents, end of year	\$ 2,102,676
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>	
Cash and investments	\$ 2,081,281
Cash and investments - restricted	21,395
Total cash and cash equivalents	\$ 2,102,676
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>	
Operating income/loss	\$ 611,449
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation and amortization expense	517,144
Changes in assets and liabilities:	
Increase/decrease in customer deposits	(100)
Increase/decrease in accounts receivable	(44,111)
Increase/decrease in inventory	(30,492)
Increase/decrease in prepaid items	(6,313)
Increase/decrease in payables	(7,014)
Increase/decrease in accrued liabilities	10,720
Increase/decrease in compensated absences payable	2,962
Increase/decrease in other liabilities	10,840
Total adjustments	453,636
Net cash provided by/used for operating activities	\$ 1,065,085

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

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carefree, 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 is a municipal corporation organized under Section 9-101 of the Arizona Revised Statutes (A.R.S.) and is governed by the Town Council (Council). Management of the Town is independent of other state or local governments. The Town's major operations include public works, public safety, highways and streets, water utility, and general administrative services.

The Council consists of seven members elected by the public: a mayor, vice-mayor, and five council members. The Council has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

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 because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, 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 board is financially accountable.

Blended Component Unit – Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town of Carefree, Arizona Utilities Community Facilities District (District) was organized under the laws of the State of Arizona to purchase a local, privately-owned water company. The Council serves as the District's Board of Directors; therefore, the Town has the ability to exercise control. As a result, for financial reporting purposes, transactions of the District are included as if they were part of the Town's operations within an enterprise fund.

Complete audited financial statements for the component unit may be obtained at the Town of Carefree, Arizona's administrative offices – 8 Sundial Circle, Carefree, Arizona, 85377.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 nonfiduciary activities of the Town and its component unit. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Sales taxes are recognized as revenues in the year in which the underlying transaction occurs. 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 CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sales taxes, state shared revenues, franchise taxes, licenses and permits, charges for services, fines and forfeitures, and investment income 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. 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.

Receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

Separate financial statements are presented for governmental funds and proprietary funds. 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. Non-major funds are aggregated and presented in a single column.

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following proprietary fund:

Water Fund – The Water Fund is used to account for the acquisition and distribution of water to residents and commercial users of the Town.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 were cash on hand, cash in bank, restricted cash, and cash and investments held by the State Treasurer.

Cash and investments are pooled, except for investments that are restricted under provisions of debt 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. All investments are stated at fair value.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. 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 deposit 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.

Certain resources that are set aside for the repayment of customer deposits are classified as cash and investments – restricted on the statements of net position due to the refundable nature of the deposits.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is presented separately in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

Advances between funds, as reported in the fund financial statements, are offset by a deferred inflow of resources in applicable governmental funds to indicate that they are not available and are not expendable available financial resources.

All receivables are shown net of any allowance for uncollectibles.

G. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for water infrastructure repairs and maintenance. Inventories are recorded as expenses when consumed on the government-wide and proprietary fund financial statements.

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. Prepaid items are recorded as expenses when consumed in the government-wide and proprietary fund financial statements.

I. Capital Assets

Capital assets, which include land and improvements; infrastructure; buildings and improvements; machinery, vehicles, and equipment; water plant; water rights; and construction in progress, are reported in the government-wide and proprietary funds financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost in excess of \$1,000 (\$5,000 for infrastructure) and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Governmental capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings and improvements	20 – 40 years
Vehicles and equipment	5 – 10 years

Business-type capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water plant	28 – 50 years
Machinery and equipment	7 – 28 years

J. Intangible Assets

Intangible assets are determined based upon the excess of the purchase price over the fair value of the net position being acquired. Intangible assets are amortized using the straight-line method over the estimated useful life of the respective assets.

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

L. Compensated Absences

The Town's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund and Water Fund are used to pay for compensated absences.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Pensions

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Obligations

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

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

O. 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 and after nonoperating revenues/expenses in proprietary funds.

P. Net Position Flow Assumption

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

Q. Estimates

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

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, and unrestricted, which includes 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 are 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 Council. Those committed amounts cannot be used for any other purpose unless the 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 Council or a management official delegated that authority by the formal Governing Board action. The Town does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

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

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

**TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	Non-Major Governmental Funds
Fund Balances:		
Restricted:		
Municipal court	\$ 48,189	
Highways and streets		695,064
Committed:		
Municipal court	19,205	
Unassigned	10,163,433	
Total fund balances	\$ 10,230,827	\$ 695,064

NOTE 3 – RESTRICTED NET POSITION

The table below provides detail of the major components of the Town’s restricted net position at year end.

	Governmental Activities
Restricted Net Position:	
Highways and streets	\$ 695,064
Municipal court	48,189
Total	\$ 743,253

NOTE 4 – 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 \$3,179,096 and the bank balance was \$3,274,581. At year end, \$581,581 of the Town’s deposits were covered by collateral held by the pledging financial institution in the Town’s name. In addition, the Town had cash on hand of \$880.

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

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – CASH AND INVESTMENTS

Valuation Techniques. Mutual fund and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The State Treasurer’s pool, Local Government Investment Pool-Government (Pool 7), is an external investment pool with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pool is reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pool 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, the Town’s investments consisted of the following:

<u>Investment Type</u>	<u>Average Maturities</u>	<u>Fair Value</u>	<u>Category</u>
Mutual Funds	4.1 years	\$ 1,907,285	Level 1
State Treasurer’s investment pool 7	44 days	<u>7,971,023</u>	Not Applicable
Total		<u>\$ 9,878,308</u>	

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no investment policy that would further limit its investment choices. The State Treasurer’s investment pool 7 had a weighted average rating of AAA at year end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government. The underlying investments that comprise the mutual funds that the Town has invested in were rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s.

Custodial Credit Risk - Investments. 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. The Town places no limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town’s investments are in the VSGDX mutual fund. These investments are 19 percent of the Town’s total investments.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the Town's individual major funds and non-major governmental funds in the aggregate were directly related to receivable from the State of Arizona.

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,308,526	\$	\$	\$ 2,308,526
Construction in progress	27,954	21,093	27,954	21,093
Total capital assets, not being depreciated	<u>2,336,480</u>	<u>21,093</u>	<u>27,954</u>	<u>2,329,619</u>
Capital assets, being depreciated:				
Buildings and improvements	13,568,790			13,568,790
Equipment and vehicles	2,610,293	148,763	12,671	2,746,385
Infrastructure	4,804,527			4,804,527
Total capital assets being depreciated	<u>20,983,610</u>	<u>148,763</u>	<u>12,671</u>	<u>21,119,702</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,016,467)	(513,410)		(7,529,877)
Equipment and vehicles	(2,379,357)	(94,103)	(12,671)	(2,460,789)
Infrastructure	(635,056)	(120,113)		(755,169)
Total accumulated depreciation	<u>(10,030,880)</u>	<u>(727,626)</u>	<u>(12,671)</u>	<u>(10,745,835)</u>
Total capital assets, being depreciated, net	10,952,730	(578,863)		10,373,867
Governmental activities capital assets, net	<u>\$ 13,289,210</u>	<u>\$(557,770)</u>	<u>\$ 27,954</u>	<u>\$12,703,486</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – CAPITAL ASSETS

<u>Business-type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 203,778	\$	\$	\$ 203,778
Water allocation rights	784,605			784,605
Construction in progress	17,693	96,180	17,693	96,180
Total capital assets, not being depreciated	<u>1,006,076</u>	<u>96,180</u>	<u>17,693</u>	<u>1,084,563</u>
Capital assets, being depreciated:				
Machinery and equipment	478,232	100,663	1,857	577,038
Water plant	13,633,842	76,056	49,387	13,660,511
Total capital assets being depreciated	<u>14,112,074</u>	<u>176,719</u>	<u>51,244</u>	<u>14,237,549</u>
Less accumulated depreciation for:				
Machinery and equipment	(335,598)	(43,899)	(1,857)	(377,640)
Water plant	(9,224,782)	(464,103)	(48,699)	(9,640,186)
Total accumulated depreciation	<u>(9,560,380)</u>	<u>(508,002)</u>	<u>(50,556)</u>	<u>(10,017,826)</u>
Total capital assets, being depreciated, net	<u>4,551,694</u>	<u>(331,283)</u>	<u>688</u>	<u>4,219,723</u>
Governmental activities capital assets, net	<u>\$ 5,557,770</u>	<u>\$(235,103)</u>	<u>\$ 18,381</u>	<u>\$ 5,304,286</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 98,631
Public safety	82,943
Highways and streets	236,407
Public works	309,645
Total depreciation expense – governmental activities	<u>\$ 727,626</u>

Business-type activities:

Water	<u>\$ 508,002</u>
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Construction Commitments – At year end, the Town had contractual commitments related to various capital projects for the construction of crosswalks. At year end the Town had spent \$21,093 on the projects and had estimated remaining contractual commitments of \$750,000. These projects are being funded by the General Fund.

NOTE 7 – INTANGIBLE ASSETS

The intangible asset balance at June 30, 2020 consisted of the following goodwill and associated amortization:

Customer lists	\$ 260,582
Less: Accumulated amortization	(137,144)
Total	<u>\$ 123,438</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – LOANS PAYABLE

Loans payable at year end consisted of a direct borrowing with the Water Infrastructure Financing Authority of Arizona (WIFA) for the construction of a high-capacity, underground water tank. Excise taxes from the General Fund are pledged and used for repayment. In the event of default, the lender may take action, including legal proceedings, to collect amounts due. The Town is also responsible for the lender's attorney fees and other reasonable expenses if action is taken under default.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2020	Due Within One Year
Governmental activities:					
Direct borrowing:					
WIFA Loan	\$ 3,332,280	3.752%	7/1/20-23	\$ 906,658	\$ 214,370

Annual debt service requirements to maturity on direct borrowings at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	WIFA Loan	
	Principal	Interest
2021	\$ 214,370	\$ 30,008
2022	222,413	21,813
2023	230,758	13,311
2024	239,417	4,491
Total	<u>\$ 906,958</u>	<u>\$ 69,623</u>

NOTE 9 – 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:					
Loans payable:					
Direct borrowing	\$ 1,113,576	\$	\$ 206,618	\$ 906,958	\$ 214,370
Net OPEB liability	5,439		5,439		
Net pension liability	1,454,618		12,598	1,442,020	
Compensated absences payable	65,020	140,914	124,158	81,776	81,775
Governmental activity long-term liabilities	<u>\$ 2,638,653</u>	<u>\$ 140,914</u>	<u>\$ 348,813</u>	<u>\$ 2,430,754</u>	<u>\$ 296,145</u>
Business-type activities:					
Compensated absences payable	\$ 33,460	\$ 7,675	\$ 4,713	\$ 36,422	\$ 36,422
Business-type activity long-term liabilities	<u>\$ 33,460</u>	<u>\$ 7,675</u>	<u>\$ 4,713</u>	<u>\$ 36,422</u>	<u>\$ 36,422</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

At year end, interfund balances consisted of advances to and from other funds. The General Fund and Water Fund entered into long-term financing agreements for the transfer of water infrastructure assets in prior years and classified one transaction as a capital lease and one transaction as a capital advance. The interfund balances were as follows:

	<u>Water Fund – Capital Advance</u>	<u>Water Fund – Capital Lease</u>	<u>Total Advances to Other Funds</u>
General Fund	\$ 2,388,683	\$ 1,490,536	\$ 3,879,209

Capital Advance – The General Fund transferred water facilities under the provisions of a long-term agreement classified as a capital advance with a zero percent interest rate. The lease agreement qualifies as a capital advance for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date. Charges for services from the Water Fund are used to repay the capital advance. Amortization of assets within the Water Fund acquired under the capital advance is included with depreciation expense.

The future minimum capital advance obligations and the net present value of these minimum capital advance payments at year end were as follows:

Year Ending June 30:	
	2021 \$ 414,340
	2022 414,340
	2023 414,340
	2024 414,340
	2025 414,340
	2026 316,973
Total minimum payments	<u>\$ 2,388,673</u>
Due within one year	<u>\$ 414,340</u>

Capital Lease – The General Fund transferred a high-capacity water tank to the Water Fund under the provisions of a long-term lease agreement classified as a capital lease with an interest rate of 3.75 percent. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Charges for services from the Water Fund are used to pay the capital lease obligation. Amortization of assets within the Water Fund acquired under the capital lease is included with depreciation expense.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The assets acquired through capital leases that meet the Town’s capitalization threshold are as follows:

	Business-type Activities
Asset:	
Water plant	\$ 3,762,395
Less: Accumulated depreciation	(2,295,061)
Total	\$ 1,467,334

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

	Business-type Activities
Year Ending June 30:	
2021	\$ 244,765
2022	244,764
2023	244,764
2024	244,764
2025	244,764
2026-27	471,034
Total minimum lease payments	1,694,855
Less: amount representing interest	204,318
Present value of minimum lease payments	\$ 1,490,537
Due within one year	\$ 192,121

NOTE 11 – CONTINGENT LIABILITIES

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.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 – 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.

The Town joined the Rural Arizona Group Health Trust (RAGHT) for risks of loss related to employee health and accident claims. RAGHT is a public entity risk pool currently operating as a common risk management and insurance program for municipalities in the State. The Town pays monthly premiums to RAGHT for its employee health and accident insurance coverage. The agreement provides that RAGHT will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

NOTE 13 – PENSIONS

Plan Description. Town employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSIONS

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the Town's financial statements.

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2020 were \$131,601.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSIONS

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The Town was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The Town’s pension plan contributions are paid by the same funds as the employee’s salary, which is the General Fund for all employees participating in the plan.

Pension Liability. The net pension liability was measured as of June 30, 2019. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The Town’s proportion of the net liability was based on the Town’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2019.

At June 30, 2020, the Town reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2019, the Town’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2018 was:

<u>Net Liability</u>	<u>Town % Proportion</u>	<u>Increase (Decrease)</u>
\$ 1,442,020	0.010	(0.001)

Pension Expense and Deferred Outflows/Inflows of Resources. The Town has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The Town’s pension expense for the year ended June 30, 2020 was \$116,085.

TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSIONS

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,050	\$ 271
Changes of assumptions or other inputs	6,095	57,424
Net difference between projected and actual earnings on pension investments		32,412
Changes in proportion and differences between contributions and proportionate share of contributions		53,590
Contributions subsequent to the measurement date	131,601	
Total	\$ 163,746	\$ 143,697

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2021	\$	(51,578)
2022		(62,431)
2023		(6,224)
2024		8,681

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Inflation	2.3%
Projected salary increases	2.7-7.2%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

**TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSIONS

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20	5.36
Interest rate sensitive bonds	10	1.62
Real estate	20	5.85
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF CAREFREE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSIONS

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Net liability	\$2,052,329	\$1,442,020	\$ 931,959

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

NOTE 14 – RETIREMENT PLANS

The employees of the Water Fund participate in a SIMPLE Individual Retirement Account. Employee contributions up to three percent of the employees pay are matched by the District. The District withholds the employee contributions and remits it along with the matching contribution to a third party custodian for the retirement accounts. The SIMPLE IRA belongs to the employee and is fully vested at the time the third party custodian credits to the receipt of the contribution to each employee’s account. Matching contributions made by the District for the fiscal years ended June 30, 2020, 2019, and 2018 were \$48,252, \$48,329, and \$45,890, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CAREFREE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,943,000	\$ 3,943,000	\$ 3,966,310	\$ 23,310
Intergovernmental	1,473,388	1,473,388	1,258,951	(214,437)
Fines and forfeitures	142,405	142,405	120,666	(21,739)
Licenses, permits and fees	396,000	396,000	398,819	2,819
Charges for services	116,700	116,700	332,735	216,035
Investment income	100,270	100,270	186,840	86,570
Other	1,343,455	1,343,455	881,106	(462,349)
Total revenues	<u>7,515,218</u>	<u>7,515,218</u>	<u>7,145,427</u>	<u>(369,791)</u>
Expenditures:				
Current -				
General government	5,367,366	5,367,366	2,988,526	2,378,840
Public safety	2,358,989	2,358,989	2,270,908	88,081
Public works	670,793	670,793	231,440	439,353
Highways and streets	867,432	867,432	611,813	255,619
Capital outlay	1,500,000	1,500,000	183,517	1,316,483
Debt service -				
Principal retirement	206,618	206,618	206,618	
Interest and fiscal charges	37,905	37,905	37,905	
Total expenditures	<u>11,009,103</u>	<u>11,009,103</u>	<u>6,530,727</u>	<u>4,478,376</u>
Changes in fund balances	<u>(3,493,885)</u>	<u>(3,493,885)</u>	<u>614,700</u>	<u>4,108,585</u>
Fund balances, beginning of year			9,616,127	9,616,127
Fund balances (deficits), end of year	<u>\$ (3,493,885)</u>	<u>\$ (3,493,885)</u>	<u>\$ 10,230,827</u>	<u>\$ 13,724,712</u>

See accompanying notes to this schedule.

TOWN OF CAREFREE, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Town's proportion of the net pension (assets) liability	0.01%	0.01%	0.01%	0.01%	0.01%
Town's proportionate share of the net pension (assets) liability	\$ 1,442,020	\$ 1,454,618	\$ 1,631,022	\$ 1,701,262	\$ 1,633,115
Town's covered payroll	\$ 1,044,928	\$ 1,036,239	\$ 1,021,391	\$ 1,022,995	\$ 890,964
Town's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	138.00%	140.37%	159.69%	166.30%	183.30%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%

2015

Measurement date	June 30, 2014
Town's proportion of the net pension (assets) liability	0.01%
Town's proportionate share of the net pension (assets) liability	\$ 1,404,083
Town's covered payroll	\$ 855,072
Town's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	164.21%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**TOWN OF CAREFREE, ARIZONA
SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 131,601	\$ 116,823	\$ 112,950	\$ 110,106	\$ 110,995
Contributions in relation to the actuarially determined contribution	<u>131,601</u>	<u>116,823</u>	<u>112,950</u>	<u>110,106</u>	<u>110,995</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,149,354	\$ 1,044,928	\$ 1,036,239	\$ 1,021,391	\$ 1,022,995
Contributions as a percentage of covered payroll	11.45%	11.18%	10.90%	10.78%	10.85%

	<u>2015</u>
Actuarially determined contribution	\$ 97,026
Contributions in relation to the actuarially determined contribution	<u>97,026</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered payroll	\$ 890,964
Contributions as a percentage of covered payroll	10.89%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

TOWN OF CAREFREE, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

1. In accordance with Arizona Revised Statutes, the Town Administrator 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 fiscal year.
2. Public hearings are conducted to obtain citizen comments.
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. The Town follows a voter-approved permanent base increase to the expenditure limitation that was adopted on November 3, 1998.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For administrative purposes, the Town adopts a budget by department for the General Fund and in total by funds for other funds. The Town Administrator, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between department or activity. The adopted budget cannot be amended in any way without Town Council approval. No supplementary budgetary appropriations were made during the year.
6. Formal budgetary integration is employed as a management control device during the year for the General and Highway User Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

NOTE 2 – PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

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

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Highway User Revenue - to account for the Town's share of motor fuel tax revenue that are restricted for the maintenance, repair, and upgrade of highways and streets.

Utility Capital Improvements - to account for the franchise taxes collected that are restricted to be spent on highways and streets purposes.

TOWN OF CAREFREE, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Highway User Revenue	Utility Capital Improvements	Totals
<u>ASSETS</u>			
Cash and investments	\$ 626,036	\$ 42,737	\$ 668,773
Accounts receivable		6,485	6,485
Due from governmental entities	19,806		19,806
Total assets	\$ 645,842	\$ 49,222	\$ 695,064
<u>LIABILITIES AND FUND BALANCES</u>			
Fund balances:			
Restricted	\$ 645,842	\$ 49,222	\$ 695,064
Total fund balances	645,842	49,222	695,064
Total liabilities and fund balances	\$ 645,842	\$ 49,222	\$ 695,064

TOWN OF CAREFREE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020

	Highway User Revenue	Utility Capital Improvements	Totals
Revenues:			
Taxes	\$	\$ 30,222	\$ 30,222
Intergovernmental	451,158		451,158
Investment income	9,967	555	10,522
Total revenues	461,125	30,777	491,902
Expenditures:			
Current -			
Highways and streets	402,000	25,000	427,000
Total expenditures	402,000	25,000	427,000
Changes in fund balances	59,125	5,777	64,902
Fund balances, beginning of year	586,717	43,445	630,162
Fund balances, end of year	\$ 645,842	\$ 49,222	\$ 695,064

TOWN OF CAREFREE, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Highway User Revenue</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	256,500	451,158	194,658
Investment income	10,000	9,967	(33)
Total revenues	<u>266,500</u>	<u>461,125</u>	<u>194,625</u>
Expenditures:			
Current -			
Highways and streets	402,000	402,000	
Total expenditures	<u>402,000</u>	<u>402,000</u>	
Changes in fund balances	<u>(135,500)</u>	<u>59,125</u>	<u>194,625</u>
Fund balances, beginning of year		586,717	586,717
Fund balances (deficits), end of year	<u>\$ (135,500)</u>	<u>\$ 645,842</u>	<u>\$ 781,342</u>

Utility Capital Improvements			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 22,500	\$ 30,222	\$ 7,722	\$ 22,500	\$ 30,222	\$ 7,722
			256,500	451,158	194,658
<u>2,500</u>	<u>555</u>	<u>(1,945)</u>	<u>12,500</u>	<u>10,522</u>	<u>(1,978)</u>
<u>25,000</u>	<u>30,777</u>	<u>5,777</u>	<u>291,500</u>	<u>491,902</u>	<u>200,402</u>
<u>25,000</u>	<u>25,000</u>		<u>427,000</u>	<u>427,000</u>	
<u>25,000</u>	<u>25,000</u>		<u>427,000</u>	<u>427,000</u>	
	<u>5,777</u>	<u>5,777</u>	<u>(135,500)</u>	<u>64,902</u>	<u>200,402</u>
	<u>43,445</u>	<u>43,445</u>		<u>630,162</u>	<u>630,162</u>
<u>\$</u>	<u>\$ 49,222</u>	<u>\$ 49,222</u>	<u>\$ (135,500)</u>	<u>\$ 695,064</u>	<u>\$ 830,564</u>

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**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members of the City/Town Council
Town of Carefree, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Carefree, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Carefree, Arizona's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Carefree, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Carefree, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Carefree, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Carefree, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 27, 2020



Town of Carefree, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2020

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2020**

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Notes to Annual Expenditure Limitation Report	5

INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Town Council
of the Town of Carefree, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Carefree, Arizona for the year ended June 30, 2020, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

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

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 26, 2020

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART I
YEAR ENDED JUNE 30, 2020**

- | | |
|----------------------------------------------------------------------------------------|----------------------|
| 1. Economic Estimates Commission expenditure limitation | <u>\$ 10,802,858</u> |
| 2. Enter applicable amount from line 1 or line 2 | <u>\$ 10,802,858</u> |
| 3. Amount subject to the expenditure limitation
(total amount from Part II, Line B) | <u>6,957,727</u> |
| 4. Amount under the expenditure limitation | <u>\$ 3,845,131</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 system.

Signature of Chief Fiscal Officer



Name and Title: Kandace French Contreras, Town Clerk/Treasurer

Telephone Number: 480-488-3686

Date: 10-26-2020

**TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART II
YEAR ENDED JUNE 30, 2020**

<u>Description</u>	<u>Governmental Funds</u>
A. Amounts reported on the reconciliation, line C	<u>\$ 6,957,727</u>
B. Amounts subject to the expenditure limitation	<u>\$ 6,957,727</u>

TOWN OF CAREFREE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – RECONCILIATION
YEAR ENDED JUNE 30, 2020

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 6,957,727	\$ 2,423,778	\$ 9,381,505
B. Subtractions			
2. Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.)	<u> </u>	<u>2,423,778</u>	<u>2,423,778</u>
9. Total subtractions	<u> </u>	<u>2,423,778</u>	<u>2,423,778</u>
C. Amounts reported on part II, line A	<u>\$ 6,957,727</u>	<u>\$</u>	<u>\$ 6,957,727</u>

TOWN OF CAREFREE, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2020

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, and in accordance with the voter-approved permanent base adjustment of \$1,047,314 adopted November 3, 1998, as authorized by the Arizona Constitution, Article IX, §20(6).

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

NOTE 2 – RECONCILIATION OF SUBTRACTIONS AND ADDITIONS

The subtraction of \$2,423,778 for separate legal entities established under Arizona Revised Statutes consists of expenditures of the Town of Carefree Utilities Community Facilities District included within the Town's reporting entity as an enterprise fund in the fund financial statements, but not included in the Economic Estimates Commission base limit calculations.

Town of Carefree Utilities Community Facilities District:	
General government	\$2,363,853
Interest and other charges	<u>59,925</u>
Total	<u>\$2,423,778</u>

NOTE 3 – EXCLUSIONS

The Town has not claimed any exclusions in part II of the report. The Town's expenditures subject to the expenditure limitation are significantly under the limit before any exclusions.



Carefree-Cave Creek Consolidated Court
Report on Applying Agreed-Upon Procedures
for the Period from July 1, 2019 through June 30, 2020

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Arizona Supreme Court, Administrative Office of the Courts

Presiding Judge, The Honorable Stephanie Olohan, of the Carefree-Cave Creek Consolidated Court

We have performed the procedures enumerated below, which were agreed to by the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, solely to assist the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, in evaluating the Carefree-Cave Creek Consolidated Court's compliance with the requirements set forth in the Arizona Code for Judicial Administration Section 1-401, Minimum Accounting Standards (MAS) for the period from July 1, 2019 through June 30, 2020. Carefree-Cave Creek Consolidated Court's management is responsible for the compliance with those specified requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

We have applied the procedures outlined by the Arizona Supreme Court, Administrative Office of the Courts in the Guide for Independent Review (See Appendix A).

No exceptions were noted as a result of applying these procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Arizona Supreme Court, Administrative Office of the Courts and the management of the Carefree-Cave Creek Consolidated Court, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
August 18, 2020

APPENDIX A

GUIDE FOR INDEPENDENT REVIEW

Court Name: _____ Date: _____

NOTE: Document names may vary from court to court.

Administrative Requirements

Procedure

1. Determine if all financial transactions are recorded in an automated cash receipts journal and include:
 - a. Date payment was received;
 - b. Amount received;
 - c. Receipt/transaction number; and
 - d. Payment distribution by type (fine, criminal justice enhancement fund, medical services enhancement fund, bond, etc.).

2. Verify if the court has posted the financial policies required by MAS in a conspicuous location in the court's main lobby accessible to the general public or next to each customer service station and includes the following:
 - a. A statement regarding the methods of payment that the court accepts, such as but not limited to, cash, certified checks, money orders, or credit cards;
 - b. A statement that a receipt will be provided for every payment made in person to the court;
 - c. A statement that the receipt provided by the court is proof of payment; and
 - d. A statement regarding the court's dishonored payment policy.

Safeguarding Monies and Financial Records

Procedure

1. Determine through interviews, observation and by taking an inventory of the contents of the safe if the court safeguards accounting records such as receipts, checks, and monies received by the court as follows:
 - a. Store monies in a secure location from the moment they are received until they are deposited with the bank or local treasurer;
 - b. Retain, count, and handle all monies in a secure location that is not accessible to the public and is only accessible to authorized personnel until monies are deposited with the bank or local treasurer;
 - c. Maintain physical restrictions between the public and the areas where court monies and financial records are stored and allow only authorized access to those areas.
 - d. Display signs limiting admittance to areas where monies and financial records are stored, unless access is restricted by electronic access control.

- e. Change safe keys and/or combinations upon either:
 - i. Termination of employment of a person who was granted full access to a safe, unless access to the court or area where the safe is located is restricted by electronic access control or;
 - ii. Change of responsibility of an employee who was granted full access to a safe, unless the area where the safe is located is restricted by electronic access control;
- f. Assign each cashier a unique user identification. The user identification shall only be used by the assigned user;
- g. Each cashier shall individually secure the assigned cash drawer fund in a separate lockable drawer or locking bank bag at all times prior to reconciliation and verification;
- h. Secure blank checks and credit card invoices in a safe, locked cabinet or secured area;
- i. Secure all manual receipt books and ensure they are accessible only to authorized individuals;
- j. Prohibit the use of signature stamps when signing financial documents such as checks. Courts may use a check signing machine to imprint authorized signatures on checks;
- k. Keep cash drawers or bank bags, safes and vaults locked at all times when not in use;
- l. Store monies overnight in a locked, immovable and fireproof safe or vault with restricted access;
- m. Use locking bags or tamper-proof plastic bags to transfer court monies to the bank or local treasurer;
- n. Court employees and authorized personnel who issue receipts on behalf of the court shall not keep court monies with their own personal funds, deposit court monies in a personal bank account or take court monies home with them upon departure;
- o. Court staff shall not cash personal checks or purchase supplies using monies from the cash drawer fund;
- p. Court staff shall not commingle personal monies with court monies including making personal change from the cash drawer fund or court monies or making change for court payments with personal monies; and
- q. Court staff shall investigate any shortage or overage of monies within one business day. If there is still a discrepancy, court staff shall document the discrepancy and report it to court management.
- r. Court staff shall not correct an original entry to any financial documents and/or instruments such as, but not limited to, a check or receipt by erasing or masking (correction tape/fluid) the entry. When correcting errors, court staff shall strikethrough the original entry, initial the correction entry, and obtain a second person's verification to validate the correct. Documentation of the verification shall clearly contain the second person's initials.

Independent Review by Auditors

Procedure

1. Review the last independent review report to determine if the court date stamped the final report. (Effective on and after 4/11/2018).
2. Review the final reports issued for the last independent review and for the last operational review conducted by the AOC to determine if the court has addressed all financial findings noted in the reports.

Segregation of Duties

Procedure

1. Through interviews, observation and review of documentation determine the following:
 - a. A second authorized person, other than the person performing that duty, verifies disbursements, deposits, voided receipts and daily and monthly reconciliations and documents the verification in a method that identifies the verifier such as initials, signature or other electronic identifiers.
 - b. A second authorized person, other than the person performing that duty, reviews all manual receipts issued on a daily basis and that the documentation of the review clearly contains the initials of the court employee who issued or voided the manual receipt as well as the authorized person who verified the issuance or voiding; and
 - c. Verify that a second authorized person signs checks prepared by someone else unless the check requires two signatures. For courts with manual checks, verify that a second authorized person signs checks prepared by someone else unless the check requires two signatures. For courts with online checks (the bank prepares the paper check and mails it out), verify that the person who entered the check online is not the same person who verified and authorized the online check.

Cash Handling

Procedure

Acceptance of Payment

1. Observe the court's practice for accepting payments to determine if only court authorized personnel or electronic interfaces receipts payments on behalf of the court.
2. Determine if payments received from defensive driving schools are received in the form of business check, money order, wire transfer or electronic fund transfer.

Endorsements

3. During count of cash drawers or cash bags and when staff opens the daily mail, determine if all checks and money orders payable to the court are properly and clearly endorsed with a restrictive endorsement stamp that reads "For Deposit Only – Payable To (account's name)" upon receipt.
4. Determine through interviews and observations if checks and money orders payable to another court are not endorsed, and are sent to the proper court within two business days.

Unidentified Monies

5. Determine if the court has a process to identify the defendant and case number when cash, checks, money orders are received without identifying information; and, that the court receipts the unidentifiable funds into a suspense or hold account within the automated financial management system and deposits into the bank within one business day.
6. Review the court's "Unidentified Monies" file and verify if:
 - a. Copies or an electronic image of the checks or money orders, receipts and supporting documentation are retained by the court; and
 - b. Unidentified monies are reported and remitted as unclaimed funds pursuant to statute.

Receipting

7. Determine if the court is receipting monies received no later than the next business day.
8. Determine if the receipts generated by the court reflect the date the monies were receipted.
9. Select a random sample of at least 20 individual receipts (for bonds, fines, fees, surcharges, and restitution for all court levels; add child support, probate, and other trust monies for superior court) using the cash receipts journal as the source document. Determine if the individual receipts contain the following information (as applicable):
 - a. Name of court;
 - b. Case number;
 - c. Defendant's name;
 - d. Plaintiff's name;
 - e. Date payment was receipted;
 - f. Amount received;
 - g. Name and address of the third party payer making the payment (if available) and if not included on the case financial record;
 - h. Identification of person receiving the payment;
 - i. Method of payment such as cash, check, payment card or electronic fund transfer;
 - j. Unique sequential receipt/transaction number.
10. Sample 10 defensive driving school payments and verify if the monies from the defensive driving schools were receipted by the end of the next business day and payment was recorded in each defendant's case financial record.
11. Determine if the court is receipting overpayments as an overpayment and not as a fine, surcharge, bond, or restitution.

Manual Receipts

12. Determine if manual receipts are only used when the court's automated financial system is inoperable and manual receipts are entered into the automated management system by the end of the business day or as soon as the system is operable.
13. Review the court's manual receipt book and sample 10 manual receipts to verify the following:
 - a. Manual receipts are at least two-part forms, pre-printed with unique sequential numbers and the name of the court on each receipt. Receipts are issued in sequence within each book;
 - b. Manual receipts are entered into the financial automated system and are cross-referenced; the automated receipt number is referenced on the manual receipt and the manual receipt number is referenced on the automated receipt or recorded in a docket entry in the case management system;
 - c. A second person reviews the manual receipts and verifies receipts are issued in sequence, are recorded in the financial management system, and all receipts are accounted for and have actually been issued or voided;
 - d. There is documentation that a second person reviewed the manual receipts such as initials or signature; and
 - e. The court has an established written policy, procedure or guidelines to account for all unissued manual receipts at least quarterly.

Voided Receipts

14. Select a sample of 10 automated and 10 manual voided receipts to determine that all voided receipts are not altered in any way, and if an error is made or a correction is needed, the receipt is marked "VOID" and the reason for voiding the receipt is noted on the receipt, unless the reason is indicated on the case financial record. Verify that all copies of voided manual receipts are retained in the manual receipt book. Verify if a new receipt was issued for each voided receipt and that the voided receipt number is referenced on the replacement receipt.

Online Transactions

15. Determine if the court has a manual retrieval process for online transactions. If so, the court must retrieve and receipt the transactions to the case financial management system no later than the end of the next business day.
16. Determine if the court has an automated retrieval process for online transactions. If so, the court must receipt the transactions to the case financial management system no later than the end of the next business day.
17. Verify receipts associated with online transactions contain the following additional elements in the case financial record: online transaction date, online transaction number, and name and address of cardholder, if available; however, there shall be at a minimum, an audit trail to identify the cardholder's information for disbursement purposes.

Disbursements

Procedure

1. Sample at least 10 disbursements to determine if disbursements were made only in the form of a check, credit to the payment card originally used to make the payment or an electronic fund transfer and that all checks and/or approved payment card adjustments or reversals were only signed by authorized signers.
2. Verify checks issued by the court are pre-printed with sequential numbers, or electronically assigned and disbursed in sequential order.
3. Sample 10 bond disbursements and verify bond monies were disbursed according to written court order and only to the individual who posted the bond or to the third party authorized to receive monies by the person posting the bond.
4. Sample 10 restitution payments and verify restitution payments were disbursed to victims within the time requirements of ACJA § 5-204.
5. Determine if the court has established written guidelines for refunding and disbursing overpayments and bonds.
6. For all sampled disbursements, verify the disbursements were recorded in the court's automated financial management system by the end of the next business day and disbursed within the time period prescribed in the court's written policies and procedures.
7. For all sampled disbursements, verify each automated disbursement record contains the following: case number, party names, date check issued, check amount and/or converted amount, name of payee, check number, payment distribution (fines, surcharges, restitution, bond, etc.), amount disbursed and electronic fund transaction number, if applicable.
8. Verify the court's disbursement journal contains the following at a minimum: date check issued, amount disbursed, name of payee, court check number, method of payment distribution, and electronic fund transaction number, if applicable.
9. Verify voided checks are marked "VOID" on the face of the check and all voided checks are retained. For courts with online checks (the bank prepares the paper check and mails it out and places a stop payment on the check if not cashed by the expiration date or returned as undeliverable and the bank retains the check), verify that the check is flagged "void/stop payment" in the court's automated financial system.
10. Verify when the court deems a check has been lost or stolen that the court placed a stop payment on the check.

11. Verify when the court issues replacement checks, the new check is issued following normal disbursement procedures, and the court cross-references both the new check number and canceled check number on all accounting records.
12. If the court uses a petty cash fund, verify the court is following local policies and procedures regarding usage and reimbursement of the petty cash funds.

Bank Accounts and Deposits

Procedure

1. Examine a recent bank statement(s) for each account and verify that all bank and investment accounts are established under the name of the court, unless these accounts are maintained by the city, county or in the case of appellate courts, the state treasurer and are established in the name of the city, county or state.
2. Determine if the court maintains a current list of all checking, investment and other bank accounts which includes the name and address of the banking institution, the account number, the account name, and the names of those authorized to sign checks or make withdrawals.
3. Determine if the court maintains current signature cards/agreements for all bank and investment accounts involving court monies, unless the accounts are maintained by the city, county, or, in the case of appellate courts, the state treasurer and are established in the name of the city, county, or state.
4. Determine if the court deposits cash, checks and money orders with the local treasurer or bank by the next business day the court and the treasurer are open when receipts exceed \$300.00 or at least weekly if receipts totaled less than \$300.00.
5. Compare bank deposits to the cash receipts journal to determine if funds were deposited in the same form as received.

Reconciliation of Financial Records

Note: Select one month of financial records and consistently use the same month to review reconciliations.

Procedure

Daily Reconciliations

1. Determine through interviews and observation that each court employee responsible for a cash drawer fund verifies the beginning cash fund before usage.

2. Determine through interviews and observation each court employee responsible for a cash drawer fund reconciles and balances all monies received after each shift with the cash receipts journal. Verify the clerk initialed/signed the daily cash receipts summary report used to document the reconciliation and that a second person verified the clerk's reconciliation and initialed/signed the report.
3. Perform count of each cash drawer and reconcile total daily receipts to cash receipts journal for each clerk responsible for a cash drawer.
4. Observe and verify preparation of the daily deposit and the reconciliation of the total daily receipts to the cash receipts journal and determine the daily cash receipts summary report or deposit ticket is initialed/signed by the person preparing the deposit and by the second person reviewing and verifying the deposit and that documentation supporting the deposit is retained.
5. Using the cash receipts journal as the source document, verify total receipts for each day to the validated deposit ticket and credit card detail report, as applicable, and to the bank account statement. If monies are deposited with the local treasurer (city, county or state as applicable), verify total receipts for each day to the daily funds transmittal report and to the receipt issued by the local treasurer.
6. Determine if the court retains the records of daily reconciliations performed and supporting documentation as required by the records retention schedule.

Monthly Reconciliations

1. Review and verify the reconciliation of the receipts journal for the month to the monthly remittance report submitted to the local treasurer (city, county or state as applicable) and compare to the disbursement check issued.
2. Review and verify the reconciliation of all bank accounts maintained by the court. Reconcile deposits with the receipts journal and checks written with the disbursements journal.
3. Review and verify the reconciliation of the court's record of open/outstanding bonds to the automated financial management system report and to all bank accounts and cash balances.
4. Review and verify the reconciliation of the petty cash fund, if used by the court.
5. Review all reconciliations and supporting documentation and determine if the reconciliations are performed monthly and accurately, are initialed/signed by the person performing the reconciliation, and are initialed/signed by the second person reviewing and verifying the reconciliation.
6. Determine if the court retains the following records for each bank account and reconciliations as required by the records retention schedule:
 - a. Copy of the bank reconciliation;

- b. Record of outstanding checks;
- c. Record of deposits in transit;
- d. Bank statements;
- e. Canceled checks;
- f. Canceled deposit slips;
- g. Bank issued debit and credit memos;
- h. Monthly financial reconciliations and supporting documentation; and
- i. Any documentation that requests the adjustment or void of a case financial record.

Outstanding Checks

Procedure

1. Determine if the court investigates all court checks, manual or online, outstanding for more than six months on a monthly basis, unless maintained by a city, county, or state financial agency. Determine if the court documents action taken or disposition of outstanding checks investigated and retains documentation in accordance with the records retention schedule, if the investigation is performed by the court.
2. Determine if the court places a stop payment on outstanding court checks, unless the check indicates a date or number of days after which the check becomes void and then determine if the court has remitted outstanding checks as unclaimed funds to the county or state pursuant to statute. Determine if the court retains documentation of outstanding checks reported and remitted to the Department of Revenue or County Treasurer as unclaimed funds and review the report for the prior year.

Bonds

Procedure

1. Determine if the court reviews monthly pending and outstanding bonds posted more than 90 days. Sample 5 bonds posted more than 90 days to verify the court took action on the bonds, i.e. reviewed by judge and ordered to hold bond, refund bond, forfeit bond, etc.

Reporting

Procedure

1. Select one month's remittance report and determine if the report and monies are remitted to the local treasurer (city, county or state as applicable) and that the court received documentation acknowledging the submission of the report.



Agenda Item #

**TOWN OF CAREFREE
INFORMATION SUMMARY
MEETING DATE: November 10, 2020**

SUBJECT

Preliminary Plat, Case #20-02-PP:

Discussion and possible action to consider a request to subdivide approximately 8 gross acres (7.55 net acres) zoned R1-35 Single Family Residential into 6 residential lots for a new subdivision named Estates at Carefree. The property is generally located west of the northwest corner of Stagecoach Pass and Pima Road. The property is more specifically described as Maricopa County Assessor's Parcel Numbers 216-26-887. This is a public meeting and comments will be taken.

The Estates at Carefree project encompasses approximately 8 gross acres (7.55 net acres) of previously developed, but mostly vacant, properties and is located west of the northwest corner of Stagecoach Pass and Pima Road.



Source: Maricopa County Assessor, 2020



The parcels are bounded by the Eastwood subdivision to the north; Stagecreek Estates to the west (platted only); a private residential parcel Zoned Rural-43 to the east; and, Stagecoach Pass right-of-way to the south. Stagecoach Pass is a City of Scottsdale Minor Collector Rural Street. The property was initially rezoned from Rural-43 to R1-35 Single Family Residential in June of 2019.

PRELIMINARY PLAT FOR ESTATES AT CAREFREE CAREFREE, ARIZONA 85337

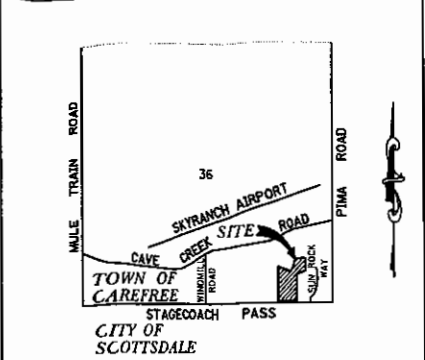
LOCATED IN A PORTION OF THE SOUTHEAST QUARTER OF
SECTION 36, TOWNSHIP 6 NORTH,
RANGE 4 EAST OF THE GILA AND SALT RIVER MERIDIAN,
MARICOPA COUNTY, ARIZONA

TRACT AREA, USE/EASEMENT, & R/W TABLE		
TRACT	AREA	USE
A	0.49 AC	PRIVATE ACCESSWAY, GATES, PUBLIC WATER EASEMENT, REFUSE COLLECTION, DRAINAGE, PUE & EMERGENCY SERVICE VEHICLE ACCESS.
R/W (EXISTING)	0.22 AC	RIGHT-OF-WAY (EXISTING)
R/W (TO BE DEDICATED)	0.16 AC	RIGHT-OF-WAY (TO BE DEDICATED TO SCOTTSDALE)
TOTAL	0.87 AC	

LOT TABLE		
LOT#	AREA (SF)	AREA (ACRES)
1	35,414	0.81
2	42,647	0.98
3	78,677	1.81
4	80,499	1.85
5	35,185	0.81
6	35,013	0.80
TOTAL	307,345	7.06

ABANDONMENT TABLE	
DOCKET OR BK/PG	DESCRIPTION
BK. 738/PG. 4	30' INGRESS/EGRESS & PUE
BK. 1086/PG. 24	20' INGRESS/EGRESS & UTILITY EASEMENT
MODIFIED BY 2015-509713	
AND	
2016-0243920	
BK. 1135/PG. 14	20' PUE
2005-245340	20' INGRESS/EGRESS & PUE
MODIFIED BY 2015-509713	
AND	
2016-0243920	

*DEDICATIONS SHOWN ON THIS TABLE SHALL BE ABANDONED WITHIN THE BOUNDARIES OF THIS PLAT UPON APPROVAL BY THE CAREFREE TOWN COUNCIL.



VICINITY MAP
N.T.S.

CLIENT/DEVELOPER:
URI SCHUM
8550 E STAGECOACH PASS
CAREFREE, ARIZONA 85337

CONTACT: URI SCHUM
PHONE: (602) 697-6949
EMAIL: BEEMERGUYRT@GMAIL.COM

ENGINEER:
3 ENGINEERING
6370 E THOMAS ROAD, SUITE 200
SCOTTSDALE, ARIZONA 85251

CONTACT: MATTHEW J. MANCINI, P.E.
PHONE: (602) 334-4387
EMAIL: MATT@3ENGINEERING.COM

PROJECT DESCRIPTION:
THIS PROJECT IS PROPOSED AS A DETACHED SINGLE FAMILY RESIDENTIAL DEVELOPMENT WITH A GROSS DENSITY OF 0.76 DU/AC. STANDARD LOT SIZES VARY WITH A MINIMUM LOT SIZE OF 35,000 S.F.. THE PROJECT PROPOSES A TOTAL OF 6 LOTS WITH PRIVATE STREETS.

UTILITIES:
TELEPHONE: CENTURY LINK / COX COMMUNICATIONS
ELECTRIC: ARIZONA PUBLIC SERVICE
GAS: SOUTHWEST GAS COMPANY
CABLE TV: COX COMMUNICATIONS
SEWER: SEPTIC
WATER: CAREFREE WATER CO.
POLICE: MARICOPA COUNTY
FIRE: RURAL METRO
REFUSE: CONTRACTED VENDOR

BENCHMARK:
MARICOPA COUNTY BRASSCAP IN HANDHOLE
DOWN 0.5' NO STAMPING AT THE INTERSECTION
OF PIMA ROAD AND STAGECOACH ROAD
ELEVATION = 2561.45 (888 DATUM)

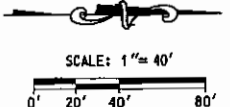
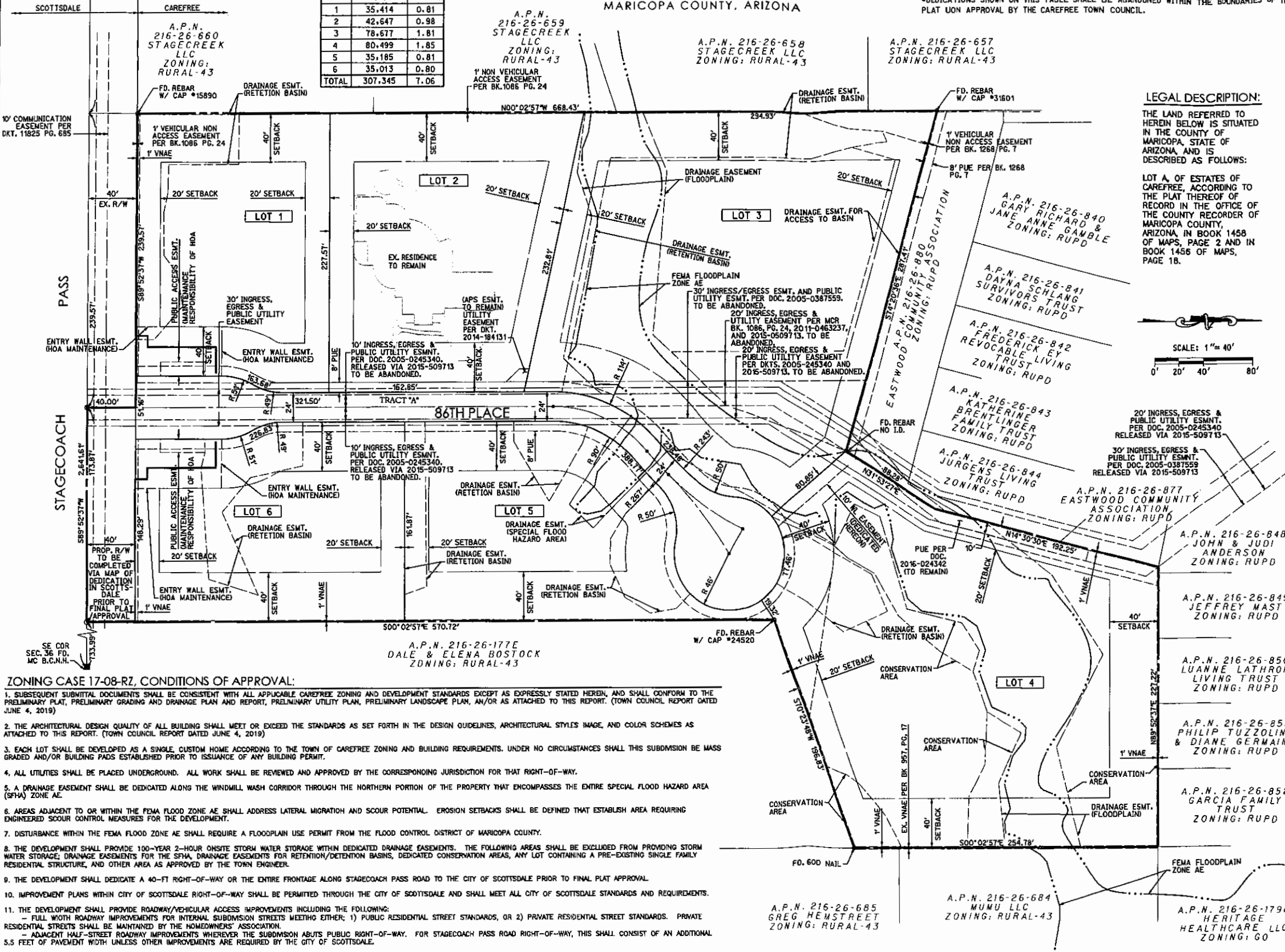
BASIS OF BEARING:
SOUTH LINE OF THE SOUTHEAST QUARTER OF
SECTION 36, WHICH BEARS S88°52'37"W PER LOT
SPLIT RECORDED IN BOOK 736 OF MAPS PAGE 5
M.C.R.

SITE DATA:

PARCEL #S	216-26-887
TOTAL LOTS	6
GROSS AREA	7.93 ACRES
(INC. STAGECOACH PASS)	
NET AREA	7.55 ACRES
GROSS DENSITY	0.76 DU/AC
MAX. BLDG. HEIGHT	24'
AREA OF LOTS	7.06 ACRES
AREA OF PUBLIC R/W	0.38 ACRES
(EXISTING 0.22 ACRES)	
(PROPOSED 0.16 ACRES)	
AREA OF PRIVATE ACCESSWAY	0.49 ACRES
LOT SALES PROPOSED	YES
ZONING	R1-35

NOTES:

- ALL LOTS SHALL BE ON SEPTIC SYSTEMS. SEPTIC SYSTEMS TO BE APPROVED BY MCDSON ON AN INDIVIDUAL LOT BASIS.
- ALL EASEMENTS ON-SITE SHALL REMAIN IN-PLACE UNLESS NOTED TO BE ABANDONED.
- R/W DEDICATION WITH STAGECOACH PASS SHALL BE COMPLETED THROUGH THE CITY OF SCOTTSDALE VIA SEPARATE INSTRUMENT, APPROVAL, AND PERMITTING.
- DRAINAGE ESMTS FOR RETENTION BASINS AND FLOODPLAIN SHALL BE THE MAINTENANCE RESPONSIBILITY OF THE HOA. THE TOWN SHALL ALSO BE ABLE TO ACCESS AND MAINTAIN THE BASINS IF THE HOA FAILS TO PROPERLY MAINTAIN THEM.
- VERBIAGE SHALL BE PROVIDED AT THE TIME OF FINAL PLAT FOR THE WINDMILL WASH SPECIAL FLOOD HAZARD AREA DRAINAGE EASEMENT. GENERALLY, THE DEDICATION IS INTENDED TO LEAVE THE WASH IN A NATURAL CONDITION; HOWEVER, THE RESPONSIBILITY FOR ANY REQUIRED MAINTENANCE OR DEBRIS/SEDIMENT REMOVAL SHALL BE WITH EITHER THE HOA OR INDIVIDUAL PROPERTY OWNER. THE DEDICATION SHALL NOT PRECLUDE A PUBLIC AGENCY FROM IMPLEMENTING A FLOOD CONTROL/FLOOD PROTECTION PROJECT WITHIN THE LIMITS OF THE DRAINAGE EASEMENT.
- ALL DRAINAGE EASEMENTS AND CONSERVATION AREA EASEMENTS SHALL BE LEGALLY DESCRIBED ON THE FINAL PLAT.
- NO NATURAL GRASS OR TURF SHALL BE PLANTED ON ANY PORTION OF THE PROPERTY.
- ALL EXISTING FENCES/WALLS SHALL BE RECONFIGURED AND/OR REMOVED TO MEET ZONING ORDINANCES PRIOR TO THE FINAL PLAT BEING BROUGHT FORWARD TO TOWN COUNCIL.
- DEDICATION LANGUAGE SHALL BE PROVIDED ON FINAL PLAT PER TOWN OF CAREFREE STANDARDS.
- VNAE-VEHICULAR NON-ACCESS EASEMENT (DOES NOT APPLY TO UTILITY MAINTENANCE VEHICLES)



- ZONING CASE 17-08-RZ, CONDITIONS OF APPROVAL:**
- SUBSEQUENT SUBMITTAL DOCUMENTS SHALL BE CONSISTENT WITH ALL APPLICABLE CAREFREE ZONING AND DEVELOPMENT STANDARDS EXCEPT AS EXPRESSLY STATED HEREIN, AND SHALL CONFORM TO THE PRELIMINARY PLAT, PRELIMINARY GRADING AND DRAINAGE PLAN AND REPORT, PRELIMINARY UTILITY PLAN, PRELIMINARY LANDSCAPE PLAN, AND/OR AS ATTACHED TO THIS REPORT. (TOWN COUNCIL REPORT DATED JUNE 4, 2019)
 - THE ARCHITECTURAL DESIGN QUALITY OF ALL BUILDING SHALL MEET OR EXCEED THE STANDARDS AS SET FORTH IN THE DESIGN GUIDELINES, ARCHITECTURAL STYLES IMAGE, AND COLOR SCHEMES AS ATTACHED TO THIS REPORT. (TOWN COUNCIL REPORT DATED JUNE 4, 2019)
 - EACH LOT SHALL BE DEVELOPED AS A SINGLE CUSTOM HOME ACCORDING TO THE TOWN OF CAREFREE ZONING AND BUILDING REQUIREMENTS. UNDER NO CIRCUMSTANCES SHALL THIS SUBDIVISION BE MASS GRADED AND/OR BUILDING PADS ESTABLISHED PRIOR TO ISSUANCE OF ANY BUILDING PERMIT.
 - ALL UTILITIES SHALL BE PLACED UNDERGROUND. ALL WORK SHALL BE REVIEWED AND APPROVED BY THE CORRESPONDING JURISDICTION FOR THAT RIGHT-OF-WAY.
 - A DRAINAGE EASEMENT SHALL BE DEDICATED ALONG THE WINDMILL WASH CORRIDOR THROUGH THE NORTHERN PORTION OF THE PROPERTY THAT ENCOMPASSES THE ENTIRE SPECIAL FLOOD HAZARD AREA (SFHA) ZONE AE.
 - AREAS ADJACENT TO OR WITHIN THE FEMA FLOOD ZONE AE SHALL ADDRESS LATERAL MIGRATION AND SCOUR POTENTIAL. EROSION SETBACKS SHALL BE DEFINED THAT ESTABLISH AREAS REQUIRING ENGINEERED SCOUR CONTROL MEASURES FOR THE DEVELOPMENT.
 - DISTURBANCE WITHIN THE FEMA FLOOD ZONE AE SHALL REQUIRE A FLOODPLAIN USE PERMIT FROM THE FLOOD CONTROL DISTRICT OF MARICOPA COUNTY.
 - THE DEVELOPMENT SHALL PROVIDE 100-YEAR 2-HOUR ONSITE STORM WATER STORAGE WITHIN DEDICATED DRAINAGE EASEMENTS. THE FOLLOWING AREAS SHALL BE EXCLUDED FROM PROVIDING STORM WATER STORAGE; DRAINAGE EASEMENTS FOR THE SFHA, DRAINAGE EASEMENTS FOR RETENTION/DETENTION BASINS, DEDICATED CONSERVATION AREAS, ANY LOT CONTAINING A PRE-EXISTING SINGLE FAMILY RESIDENTIAL STRUCTURE, AND OTHER AREA AS APPROVED BY THE TOWN ENGINEER.
 - THE DEVELOPMENT SHALL DEDICATE A 40-FT RIGHT-OF-WAY OR THE ENTIRE FRONTAGE ALONG STAGECOACH PASS ROAD TO THE CITY OF SCOTTSDALE PRIOR TO FINAL PLAT APPROVAL.
 - IMPROVEMENT PLANS WITHIN CITY OF SCOTTSDALE RIGHT-OF-WAY SHALL BE PERMITTED THROUGH THE CITY OF SCOTTSDALE AND SHALL MEET ALL CITY OF SCOTTSDALE STANDARDS AND REQUIREMENTS.
 - THE DEVELOPMENT SHALL PROVIDE ROADWAY/VEHICULAR ACCESS IMPROVEMENTS INCLUDING THE FOLLOWING:
- FULL WIDTH ROADWAY IMPROVEMENTS FOR INTERNAL SUBDIVISION STREETS MEETING EITHER: 1) PUBLIC RESIDENTIAL STREET STANDARDS, OR 2) PRIVATE RESIDENTIAL STREET STANDARDS. PRIVATE RESIDENTIAL STREETS SHALL BE MAINTAINED BY THE HOMEOWNERS' ASSOCIATION.
- ADJACENT HALF-STREET ROADWAY IMPROVEMENTS WHEREVER THE SUBDIVISION ABUTS PUBLIC RIGHT-OF-WAY. FOR STAGECOACH PASS ROAD RIGHT-OF-WAY, THIS SHALL CONSIST OF AN ADDITIONAL 5.5 FEET OF PAVEMENT WIDTH UNLESS OTHER IMPROVEMENTS ARE REQUIRED BY THE CITY OF SCOTTSDALE.
 - THE OWNER SHALL MAINTAIN ALL ON-SITE AND ADJACENT RIGHT-OF-WAY LANDSCAPING.

ESTATES AT CAREFREE
CAREFREE, ARIZONA 85377

PRELIMINARY PLAT

EXPIRES: 12/31/2021

3eengineering

civil engineering

1300 N. WILSON AVENUE
SUITE 100
SCOTTSDALE, ARIZONA 85257
PHONE: (602) 334-4387
FAX: (602) 334-4387
WWW.3EENGINEERING.COM

DATE: 7/24/20

PROJECT NO:
5052

SHEET NO:
PP01
1 of 1

This is the next step in the subdivision process that establishes the street network, lot sizes, and common areas. It also looks more closely at the constructability of the infrastructure, which includes drainage. The site is in compliance with the approved rezone stipulations.

This preliminary plat consists of 6 lots for detached single-family residential development, tracts for its gated street, vehicular access, landscaping, and utility, drainage, and conservation easements. See Exhibits.

PRELIMINARY PLAT

The Preliminary Plat proposes 6 lots including 1 tract. The chart that follows illustrates the lot size (in square feet and acres).

LOT TABLE	
Lot #	Area (SF/AC)
1	35,414 / 0.81
2	42,647 / 0.98
3	78,677 / 1.81
4	80,499 / 1.85
5	35,185 / 0.81
6	35,013 / 0.80
Total	6 Lots / 307,435 SF / 7.06 AC

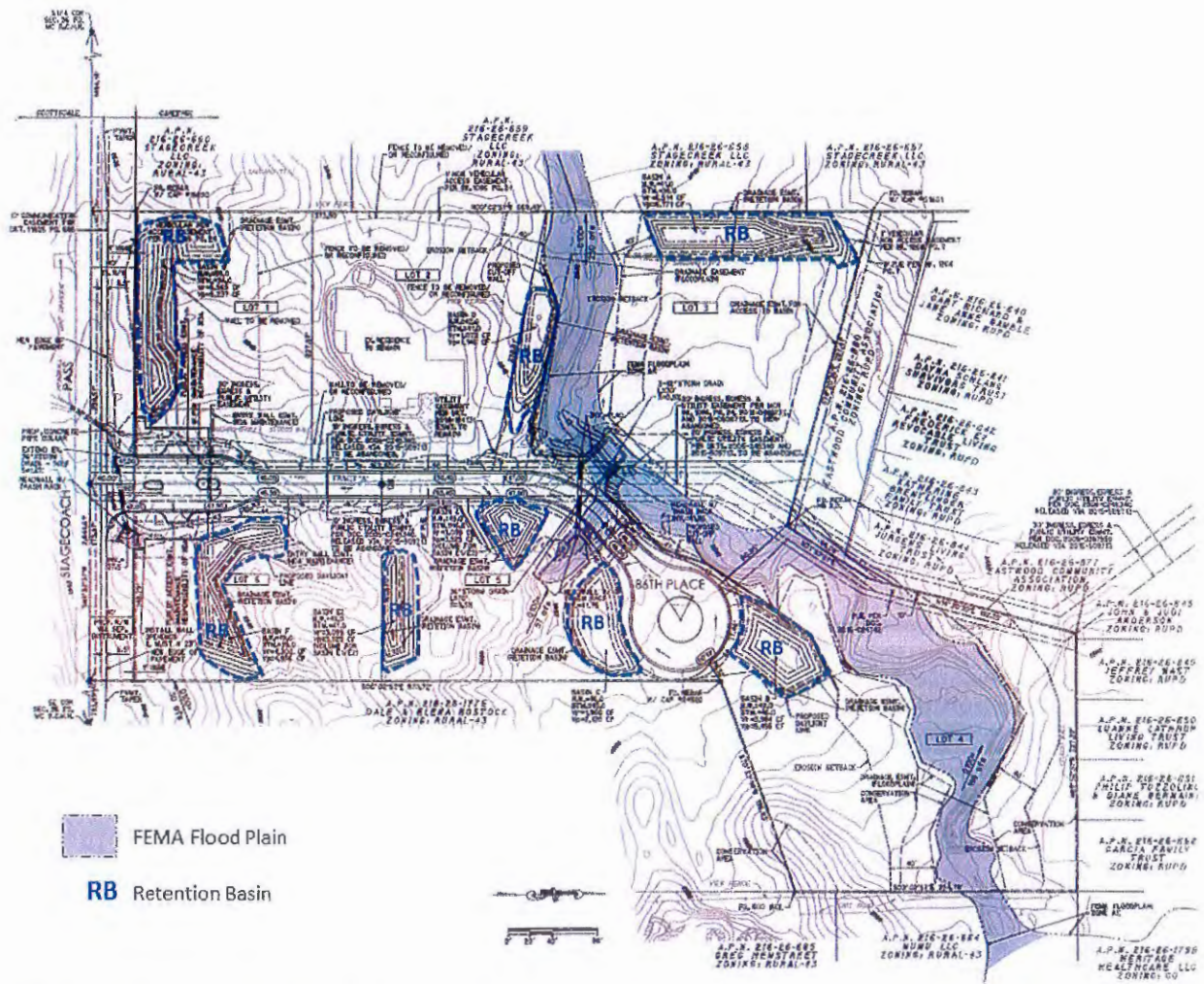
The lots range from 35,013 square feet to 80,499 square feet, and comply with the development standards as set forth in the *Carefree Zoning Ordinance*.

The chart below illustrates the tract conditions:

TRACT TABLE	
Tract	Use
A	PRIVATE ACCESSWAY, GATE, PUBLIC WATER EASEMENT, REFUSE COLLECTION, DRAINAGE, PUE, & EMERGENCY SERVICE VEHICLE ACCESS
Total	21,344 / 0.49 AC

The Site is designed as a single cul-de-sac with lot frontages directly adjacent to the private drive. The internal street will contain a wall and gate near the subdivision access located off Stagecoach Pass. Streets are designed with roll curb and will drain to retention basins to remove silts and oils from exiting the property. A cutoff wall is proposed along the cul-de-sac where the roadway encroaches into the erosion setback. This cutoff wall will be required to be at scour depth of the wash. The Homeowners Association will maintain the street and tract associated with the development.

Storm water retention shall be provided for this project and be designed for the 100-year 2-hour storm event. This retention requirement shall only apply for the portions of the site that are planned to be developed (both disturbed and undisturbed). Areas within the special flood hazard area (FEMA flood plain shaded in blue), drainage easements, the existing developed lot and driveway, and any areas deemed as Dedicated Conservation Area shall not be subject to this retention requirement. As each lot develops, it will be responsible for its own on-site retention as well as modifying existing basins as needed to maintain current retention requirements. While we typically see one large community basin, finding a workable location at this development was challenging. Working with the Town's Engineer, several smaller basins per lot were located in areas with topography conducive to provide for runoff storage.



Offsite traffic improvements to Stagecoach Pass will include at a minimum adding 5.5 feet of pavement width. Also, at the time of Final Plat, 40 feet of outstanding right-of-way shall be dedicated to the City of Scottsdale.

Each lot will provide its own septic system for wastewater as allowed by the Maricopa County Environmental Services Department. Subdivisions of this lot size and quantity served by a public water supply are permitted to install septic in lieu of connecting to sewer.

The Carefree Water Company will serve the subdivision. The applicant is currently working on obtaining its 100-year assured water supply certificate from the Arizona Department of Water

Resources. This certification shall be required prior to the approval of the Final Plat. The following additional utilities and services apply:

- Refuse – Contracted Vendor
- Police – Maricopa County Sheriff's Office
- Fire – Rural Metro Fire Department
- Cable – COX Communications
- Communications – COX Communications and CenturyLink
- Power – APS
- Gas – Southwest Gas

The Town can continue to expect a well-designed development that is compatible with the surrounding area as design guidelines have been created. These standards were approved with the Rezone, and carry through as conditions for this phase of the project. Included is a plant salvage assessment to be integrated with all on-site and off-site improvements. The intent is to maintain a Sonoran Desert feel to the property. This development is a typical high quality, low density subdivision we see in Carefree today.

PUBLIC PARTICIPATION

As a requirement of the Preliminary Plat process, the applicant is required to conduct a neighborhood meeting and provide a Citizen Participation Report detailing the results of the meeting.

The applicant held the meeting via Zoom on June 8, 2020. The applicant notified all property owners within a 500 foot radius of the site. Approximately 6 members of the public were present. The project team was on hand to answer questions/concerns raised at that time. Attendees questioned the location of the cul-de-sac, possible locations of homes, and potential building heights. Attendees were satisfied with the answers they received, and there was no stated opposition to the project.

When the application was ready to move forward to a Planning and Zoning Commission agenda, notice was placed in the *Record Reporter* on September 25, 2020 as well as noticed on the Town's web site and at Town Hall for both the Commission and Council meetings. Required posting of the site was completed prior to this meeting also. Before the Commission's meeting, staff received a call from an Eastwood resident asking if anything had changed since the Rezone case. Staff answered no. No other feedback in support or opposition to this case was received from the public prior to the Commission's October 12th meeting.

At the meeting, one Commissioner asked about the 40-foot right-of-way dedication to the City of Scottsdale. Staff answered that this small piece of dedication never happened, and this was the appropriate time to address the matter. Another Commissioner asked if the erosion setback requirements the Town enforces limit the buildability of the adjacent lots. Staff responded that due to the potential lateral migration of washes, this erosion setback zone requires additional engineering measures to protect foundations from being undermined during a storm event. It does not limit the buildable area, but it may impact the design of the project. The Commission's Chair asked about the nature of the smaller basins as discussed earlier in this report. These on-site basins shall be in easements that restrict these areas for drainage purposes only.

At this meeting, the Planning and Zoning Commission recommended 7-0 approval of the Preliminary Plat with conditions.

SUMMARY

The applicant has fulfilled the necessary Town requirements to obtain Preliminary Plat approval. If Town Council should decide to approve, the attached Conditions for Approval are included for the Council's consideration.

ATTACHMENTS

Exhibit A. Draft Resolution #2020-09

Exhibit B. Preliminary Plat

ACTION NEEDED FOR RECOMMENDATION

Proposed is draft of approved Resolution #2020-09 including Conditions of Approval. See Exhibit B.

EXHIBIT I.

**TOWN OF CAREFREE, ARIZONA
RESOLUTION #2020-09**

**A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF
THE TOWN OF CAREFREE, MARICOPA COUNTY, ARIZONA,
APPROVING APPLICATION 20-02-PP, A PRELIMINARY PLAT OF
A SUBDIVISION KNOWN AS ESTATES AT CAREFREE; AND
IMPOSING CONDITIONS UPON SUCH APPROVAL.**

WHEREAS, On May 29, 2020, 3 Engineering (the "Applicant") and Mr. Uri Schumm (the "Owner") filed an application to subdivide approximately 8 acres into 6 single-family residential lots for a new subdivision named Estates at Carefree. The property is generally located west of the northwest corner of Stagecoach Pass and Pima Road. The property is more specifically described as Maricopa County Assessor's Parcel Number 216-26-887, and;

WHEREAS, Said Application and supporting documents have been on file in the Town Hall offices at 8 Sundial Circle in Carefree for review by members of the general public, and;

WHEREAS, The Town of Carefree's Planning and Zoning Commission held a Public Meeting on October 12, 2020 in regards to the Application at which time comments were received from the general public, and;

WHEREAS, The Town of Carefree's Planning and Zoning Commission, on October 12, 2020, considered the issues, voted to recommend approval of the Application, and forward such recommendation to the Town Council, and;

WHEREAS, The Town of Carefree Town Council met on November 10, 2020, considered the issues relating thereto and approved the Preliminary Plat of a subdivision known as Estates at Carefree which is attached to this Resolution as Exhibit A and incorporated herein by this reference subject to the conditions attached as Exhibit B, and;

NOW, THEREFORE BE IT RESOLVED by the Mayor and Common Council of the Town of Carefree, Maricopa County, Arizona, as follows:

Section 1. The Preliminary Plat for Eastwood attached as Exhibit A, is hereby approved subject to the Conditions of Approval attached as Exhibit B.

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Carefree, Arizona, this _____ day of November, 2020.

Ayes ____ Noes ____ Abstentions ____ Absent ____

TOWN OF CAREFREE, an
Arizona Municipal Corporation

Les Peterson, Mayor

ATTEST:

Kandace French, Town Clerk

APPROVED AS TO FORM:

Michael W. Wright, Town Attorney

EXHIBIT "B"

CONDITIONS FOR APPROVAL

20-02-PP

1. As per Section 2.20 of the Subdivision Ordinance, the Final Plat shall be in substantial conformance with the approved Preliminary Plat and meet the requirements of Sections 2.35 through 2.40.
2. All improvements including, but not limited to, streets, storm drainage and water lines shall be constructed as per Town of Carefree and MAG specifications. Pursuant to the Subdivision Ordinance waiver allowance, the private streets terminating in a cul-de-sac shall be allowed to exceed the length of 400 feet and no sidewalks or alleys shall be required.
3. All utilities shall be placed underground.
4. A drainage easement shall be dedicated along the Windmill Wash corridor through the northern portion of the property that encompasses the entire Special Flood Hazard Area (SFHA) Zone AE.
5. Areas adjacent to or within the FEMA Flood Zone AE shall address lateral migration and scour potential. Erosion setbacks shall be defined that establish areas requiring engineered scour control measures for all development improvements.
6. Disturbance within the FEMA Flood Zone AE shall require a Floodplain Use Permit from the Flood Control District of Maricopa County.
7. The development shall provide 100-year 2-hour onsite stormwater storage within dedicated drainage easements. The following areas shall be excluded from providing stormwater storage; drainage easements for the SFHA, drainage easements for retention/detention basins, dedicated conservation areas, any lot containing a pre-existing single family residential structure, and other areas as approved by the Town Engineer.
8. The development shall dedicate a 40 ft. right-of-way for the entire fronting footage along Stagecoach Pass Road to the City of Scottsdale prior to final plat approval.

9. Improvement plans within City of Scottsdale right-of-way shall be permitted through the City of Scottsdale and shall meet all City of Scottsdale standards and requirements.
10. The development shall provide roadway/vehicular access improvements including the following:
 - Full-width roadway improvements for internal subdivision streets meeting either; 1) public residential street standards, or 2) private residential street standards. Private residential streets shall be maintained by the Homeowner's Associations.
 - Adjacent half-street roadway improvements wherever the subdivision abuts public right-of-way. For the Stagecoach Pass Road right-of-way, this shall consist of a minimum additional 5.5 feet of pavement width unless other improvements are required by the City of Scottsdale.
11. Subsequent submittal documents shall be consistent with all applicable Carefree zoning standards except as expressly stated herein, and shall substantially conform to the Preliminary Plat, Design Guidelines and Color Schemes, Grading and Drainage Plan and Report, and Landscape and Entry Gate Plans.
12. All existing fences/walls shall be reconfigured and/or removed to meet the Zoning Ordinance and Building Code prior to the Final Plat being brought forward to Town Council.
13. To restrict access, a one (1) foot vehicular non-access easement (VNAE) shall be dedicated along the perimeter of the parcel at the time of the recording of the Final Plat. The subdivision access point as illustrated on the plat shall be excluded from this dedication.
14. The Final Plat shall provide for all public utility easements including, but not limited to, water, electrical, sewer, telephone, natural gas, and cable television service. Such easements shall be dedicated and recorded with the Final Plat.
15. The following note shall appear on the Final Plat, "Residential fire sprinklers shall be installed in all residences."
16. Rural/Metro Fire Department or current fire protection service provider shall approve any fire hydrant locations and such hydrants shall be part of the Subdivision Infrastructure Improvement Plans.
17. Declarations of Covenants, Conditions, and Restrictions (CC&Rs) shall be submitted and reviewed by the Town Council and recorded with the Final Plat.

18. The Final Plat may be considered at a regular meeting of the Town Council per the Subdivision Ordinance. The Town shall be in receipt of the Arizona Department of Water Resources 100-year assured water supply certificate prior to the meeting.
19. Prior to the issuance of building permits, the developer shall obtain the required permits to comply with Maricopa County dust control standards and Arizona Department of Environmental Quality storm water management standards and policies.
20. Pursuant to the Subdivision Ordinance and Subdivision Improvement Agreement, the developer shall give the Town assurance in the form of 110% money or bond in the amount of the engineer's estimate of the construction cost for the on-site and off-site improvements.
21. The Town's Subdivision Improvement Agreement shall be executed by the applicant, approved by the Town Council, and recorded with the Final Plat.
22. After approval and prior to recording of the Final Plat, three (3) sets of the following documents shall be given to the Town :
 - a. The approved and signed Final Plat map.
 - b. The approved and signed Subdivision Improvement Agreement.
 - c. The approved and signed CC&R's with Design Guidelines.
 - d. One electronic copy of all documents.
23. After recording, the applicant shall file one copy of the above information with the County, one with the Town of Carefree and retain one copy for their records.

EXHIBIT II.

TOWN OF CAREFREE
INFORMATION SUMMARY



MEETING DATE:
November 10, 2020

SUBJECT:
COVID 19 Plan for Thunderbird Fine Art and Wine Festivals January and March 2021

ATTACHMENTS:
▪ Thunderbird Artist Fine Art and Wine Festival COVID-19 Plan

SUMMARY:

On October 6, 2020, the Carefree Town Council approved the street closures requested by The Thunderbird Artists for the upcoming Thunderbird Fine Art and Wine Festivals in January and March of 2021.

As part of this approval, Town Council conditioned the approval regarding the ongoing threat of COVID-19, and the need to further cancel shows if required for public safety. Additionally, the Town Council is sensitive to the Thunderbird Artists costs to market and produce the show, and that, the timing of a decision, for any show cancellation, may cause unrecoverable financial hardship.

Thunderbird Artists is aware of this the conditional decision, and understands, that because of any uncertainty regarding the ongoing pandemic, any funds spent towards the show is at their risk. However, the Town has made a commitment to work with the Thunderbird Artists to mitigate this risk, as much as possible, including the creation of a COVID-19 Mitigation Plan for the event.

Upon research of other similar events, including the Fountain Hills Festival of Fine Arts and Crafts, November 13-15, 2020, Thunderbird Artists with input from staff would like to share the attached COVID-19 Plan to seek further Council input.

Key elements of the plan are the elimination of wine, required face coverings, socially distanced set up, attendee limitations, scaled back food court, socially distanced set up in Sanderson Lincoln Pavilion, signage and periodic announcement of rules, enhanced security to enforce rules.

There is no formal action requested or this item. Based upon the provided plan, and the status of COVID-19 in Arizona, staff is still in support of hosting the event in Carefree. Staff is willing to provide an additional update in December.

Thunderbird Artists Covid-19 Plan

Sanitization

- Complimentary hand sanitizing stands will be provided throughout the event.
- All vendors must bring their own hand sanitizer for their booth. Thunderbird Artists will provide complimentary refills. Artists are encouraged to utilize a UV sanitizing wand.
- Staff will clean common areas hourly throughout the event.

Social Distancing

- '6 Feet Apart' stickers will be placed on the ground in front of common areas.
- Food court area/pavilion will have socially distanced seating for entertainment.
- Artist booth sizes range from 10' x 10', 10' x 15', 10' x 20' to 10' x 30'. Corner booths have a 10' break between them.
- Artists will be required to remain inside of their booth space and limit the number of patrons in their booth at one time (4-6) when possible.
- 6 feet apart stickers placed at all entrances. 30 people admitted on the hour at each entrance. (Volunteers will be provided with an electronic clicker).
- Entrances and exits will be physically separate at each location.

Signage

- Signage will be placed throughout the festival and will read: We have taken enhanced health and safety measures for you, our patrons, vendors and staff—and we ask that you follow all posted instructions while enjoying the festival. Signage will require face masks, social distancing and frequent hand washing.
- Removal of event program guide. We will post enlarged maps with artist booth numbers throughout the event, which will notate all hand sanitizing stations, restrooms and Information booth – with a QR code.
- Patrons will be encouraged to walk in a single direction, on the right side of the street.

Layout

- Enclosed booths will be urged to have an open panel in the back for air flow and for artists to step back into for patrons to browse. We urge artists to adjust panels to allow people to easily pass through.

Miscellaneous

- All staff, artists, volunteers and guests will wear face masks per Maricopa County mask ordinance. (We are offering complimentary disposable masks, if needed, while supplies last.)
- All volunteers will be provided with gloves, for exchanging money, and required to change them hourly.
- Additional security personnel to enforce new aforementioned rules and regulations.
- We are working with the Maricopa County Health Dept. to determine our protocol for food vendors.
- We are removing the wine tasting/micro-brew tasting program for all events this season.
- Announcement of Covid rules will be made every half hour on Sanderson Pavilion speakers.
- VIP patrons will have early admission (9am) to minimize crowds and waiting.

Participating artists/vendors must agree to the following terms in order to take part in the festival.

Artist/Vendor Terms

- I will wear a mask during all hours of the show according to the Maricopa Mask Ordinance. (If I have a medical condition that prohibits wearing a mask, I will post publicly.)
- I will not open my booth for customers if I am showing signs of Covid-19 symptoms, such as fatigue, coughing, fever, aches, etc.
- I will take my temperature daily before the opening of the show. If my temperature is over 100 degrees, I will not open my booth for the day.
- I will provide a clean and sanitized booth for customers; this includes wiping down and sanitizing touched/shared surfaces such as payment systems, counters and merchandise.
- I will keep traffic in my booth to a minimum at one time and enforce the Maricopa Mask Ordinance within my booth.
- I will respect the event staff and volunteers who are responsible for enforcing the above conditions.

Patrons of the Arts

- If you are feeling ill, showing any cold/flu like symptoms and/or have a temperature of 100.4 or more, please do not attend the Carefree Fine Art & Wine Festival.
- If you have been in contact with someone who has tested positive for Covid-19 in the last 21 days or have shown symptoms of Covid-19 within 21 days of the event, please do not attend the festival.
- Face coverings required at all times per Maricopa County Mask Mandate. Thunderbird Artists will give a complimentary disposable facemask, if needed and while supplies last.
- Wash hands frequently with soap and water for at least 20 seconds/or use 60% alcohol-based hand sanitizer often.
- Avoid physical contact including handshakes, high fives, embraces, etc.
- Never touch your face.
- Please be mindful of everyone's personal space. Practice distancing of at least 6 feet.
- If gloves are worn, please use 60% alcohol-based hand sanitizer often or replace gloves often.
- If you are at higher risk of developing severe illness from Covid-19 or are an individual in contact with higher-risk patients (residents in the same household, long term care facility employees) please do not attend the Carefree Fine Art & Wine Festival.

There will be enhanced and thorough cleaning and sanitization of common areas in the festival, such as restrooms, information booth and seating areas.