



TOWN OF PARADISE VALLEY

POPULAR ANNUAL FINANCIAL REPORT

**For the Fiscal Year
Ended June 30, 2018**

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Introduction
Page 1

Revenue
Page 6

Staffing and
Pension
Page 10

Expenditures
Page 12

Financial
Statements
Page 14

Enterprise
Operations
Page 17

Cash and
Investments
Page 20

Capital
Assets
Page 21

Bond Funded
Projects
Page 22

Other
Documents
Page 24

INTRODUCTION	<u>PAGE</u>
Welcome letter	1
Town Profile	
Overview	2
Basic facts	2
History	3
Town government	4
Town services	5
Organization chart	5
REVENUE	
Where the money comes from -- Governmental revenue	6
Sales tax collections and policies	8
Investment in tourism	9
EXPENDITURES	
Where the money goes -- Governmental operations	10
Staffing levels	12
Public safety personnel retirement system (PSPRS)	13
FINANCIAL STATEMENTS	
Statement of net position -- Governmental operations	14
Operating statement -- Governmental operations	15
Budget compliance -- Governmental operations	16
ENTERPRISES	
Business-type operations	17
Financial Statements	
Statement of net position -- Enterprises	18
Operating statement -- Enterprises	19
CASH AND ASSETS	
Cash and investments	20
Capital assets	21
Bond funded projects	22
OTHER DOCUMENTS	
Other information	24
Other financial documents	25

Greetings:

Welcome to your Town’s transparency in Financial reporting. In the spirit of transparency and full disclosure, I am pleased to present the **Paradise Valley’s** first **Popular Annual Financial Report (“PAFR”)**.

This **PAFR** summarizes the financial activities of the Town with brief analysis of where the Town’s revenues come from, where those dollars are spent and trends in the local economy.

This **PAFR** is being introduced as means of increasing and maintaining public confidence and trust in the Town’s government. The **PAFR** is specially designed to be a reader friendly financial report that we believe you will find transparent, relevant and hopefully interesting.

The statements contained in this **PAFR** condenses and simplifies information taken from the Town’s 2018 **Comprehensive Annual Financial Report (CAFR)**. The **CAFR** is audited and comprised of more than 130 pages of detailed financial statements, note disclosures, supplemental schedules and statistical tables.

This **PAFR** is not audited and does not conform to U.S. Generally Accepted Accounting Principals and governmental reporting standards as the **CAFR** is required to. But... the **PAFR** is easier to read.

As you review this report, we invite you to share any questions, concerns or comments you may have. We also encourage you to review the Town’s Comprehensive Annual Financial Report (CAFR), the Budget and other financial documents accessed from the Town’s website at paradisevalleyaz.gov/finance.

Respectfully,



Douglas W. Allen
Chief Financial Officer



OVERVIEW

Named by **Time Magazine** as the “*Best Place to Live*” in Arizona, the Town of Paradise Valley is a small suburb nestled in the mountains between Scottsdale and Phoenix. The Town is predominantly comprised of residential and resort properties. Paradise Valley’s highly educated residents are actively engaged in the community and its local government. The Town has as many volunteer positions as employees, including its all-volunteer Council and Municipal Court judges.

Paradise Valley is home to many world-class destinations: El Chorro Lodge, Doubletree Paradise Valley, Hermosa Inn, Hyatt ANdAZ, JW Marriott Camelback Inn, Mountain Shadows Resort Omni Montelucia, Scottsdale Plaza, Sanctuary of Camelback, Smoke Tree, and coming soon, the Paradise Valley Ritz Carlton.

BASIC FACTS

Date of incorporation:	May 21, 1961
Elevation:	1,165 miles
Population:	14,400 (2017 estimated)
Land area:	16.5 square miles
Median household income:	\$134,097 (Maricopa Assc. Govts.)
Single-family homes	6,113
Owner-occupied	4,860

Climate		Areas of interest	
Rainfall (inches)	7.3	Resorts	9
Snowfall	-0-	Places of worship	15
Sunny days	294	Golf courses	3
Average High (July)	104F	Medical centers	4
Average Low (Jan)	35.9F		

Education (graduated)		Age & gender (2010 census)	
High school	97.5%	Male	6,370
Bachelors	69.8%	Female	6,450
Graduate	34.5%	Under 18	2,873
		18 and over	9,947

HISTORY

During the late 1800s, cattle grazed in the area surrounded by the McDowell Mountains to the east and Camelback Mountain to the south. In the 1880s, the Rio Verde Canal Company turned this open grazing area into irrigated farmland. In 1889, the Rio Verde Canal Company sent three surveyors to this area who were so taken by the beauty and tranquility of the desert landscape that they named this area Paradise Valley.

Settlement in Paradise Valley did not begin in earnest until post World War II. Paradise Valley, which is in Maricopa County, was a rural residential area with few commercial entities. Though the homes were modest in size and style, they were on large parcels of land, usually one to five acres.

In the late 1950s, Phoenix and Scottsdale were looking to expand their respective boundaries. Residents who lived in Paradise Valley area feared that they would lose the rural lifestyle they had become accustomed to and would soon be swallowed up by Phoenix or Scottsdale, and eventually subdivisions, shopping centers, new zoning laws and property taxes would be a commonality.

These concerned residents formed a “Citizens Committee for the Incorporation of the Town of Paradise Valley, Arizona”, who set out with petitions urging residents to join them in their attempt to incorporate Paradise Valley. The residents’ main goals were to keep zoning to a one house per acre minimum; to keep the area entirely residential; and to keep government regulations to a minimum. In April 1961, the Citizens Committee for Incorporation presented their petition to the Maricopa County Board of Supervisors. On May 24, 1961, incorporation was granted and the Town of Paradise Valley was established.

Throughout the Town’s 50-plus-year history, the residents have strived to preserve the Town’s original mission –

“to maintain a residential community in a quiet and country-like setting with little government intervention.”



TOWN GOVERNMENT

As a general law town prescribed in the Arizona Revised Statutes, the Town government operates under the Council-Manager form of government. Policy making, and legislative authority are vested in the Town Council, which consists of seven Council members. The Mayor is elected by voters to a two-year term and the six Council members are elected to staggered four-year terms. The Council selects the Vice-Mayor.



Right-to-left: Councilmembers Scott Moore & Paul Dembow; Vice Mayor Jerry Bien-Willner; Mayor Michael Collins; Councilmembers Julie Pace, David A. Sherf, and Mark Stanton

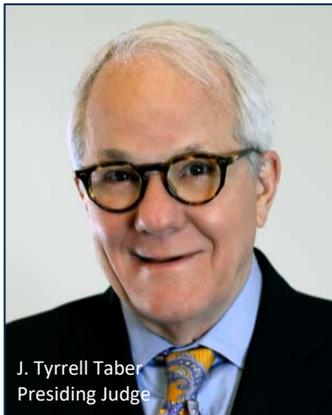
The Town Council is responsible for, but not limited to, the adoption of local ordinances, the Town budget, the development of citizen advisory committees, and the appointment of the Town Manager, Town Attorney and the Municipal Court Presiding Judge. The Town Manager is responsible for implementation of the policies of the Town Council and administering day-to-day Town operations.



Brian Dalke
Interim Town Manager



Andrew Miller
Town Attorney

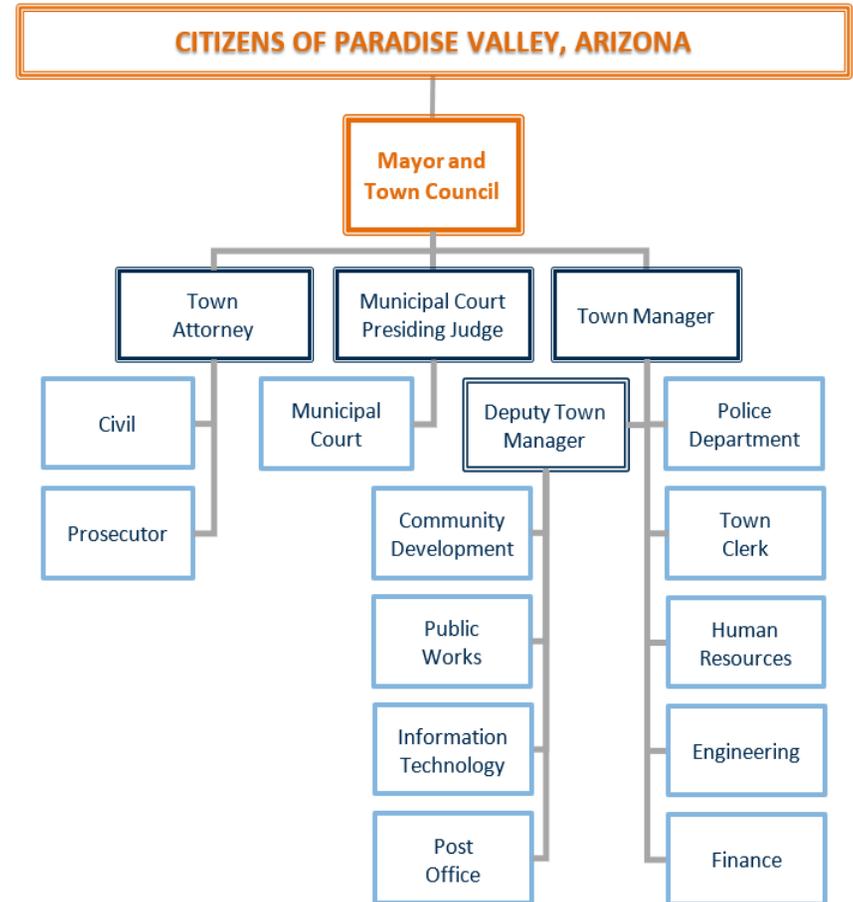


J. Tyrrell Taber
Presiding Judge

TOWN SERVICES

The Town provides a *limited* range of services, including **police**, **courts**, construction and maintenance of **streets**, **planning** and **building** services. **Fire** protection services are provided through an intergovernmental agreement with the City of Phoenix. The City of Scottsdale provides **wastewater** treatment services through an intergovernmental agreement for approximately 60% of the geographic area of the Town and the City of Phoenix provides sewer service to the remaining 40%. **Water** services are provided by the City of Phoenix and two private water companies. **Solid waste** and **Ambulance** services are provided by private companies.

ORGANIZATION CHART



WHERE THE MONEY COMES FROM...

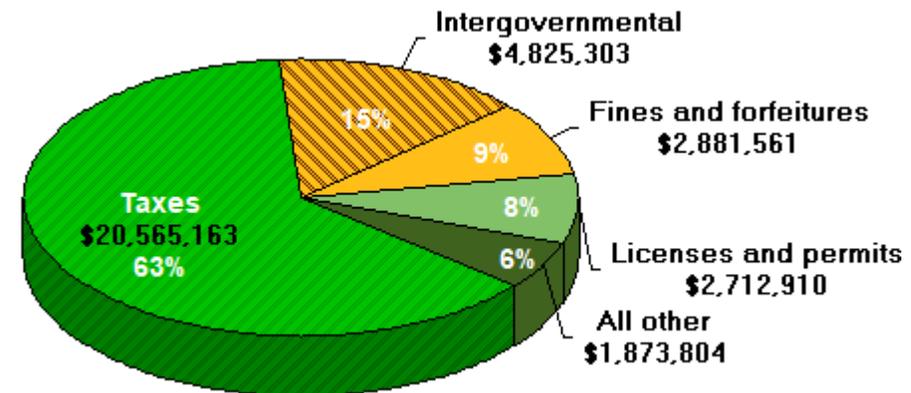
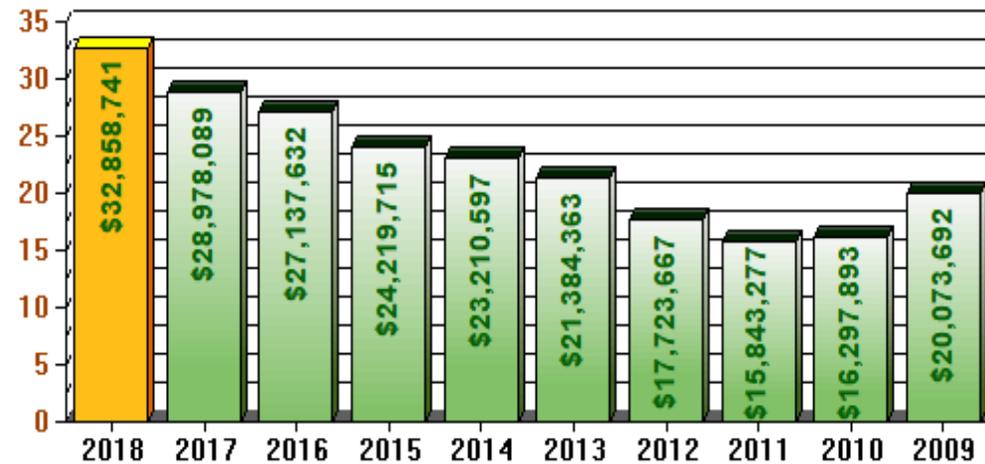
For fiscal year 2018, total revenues for the Town's governmental operations were \$32,858,741. Revenue categories are:

- ▶ **Taxes** account for the majority of governmental revenue (63%). This includes the “**transaction privilege (sales) tax**” and the “occupancy (bed) tax”. The Town does not have a “Town property tax”.
- ▶ **Intergovernmental** is the second largest revenue category (15%). This includes the state shared sales tax, income tax, and vehicle tax; the highway user fund revenue (HURF); and federal and state grants.
- ▶ **Fines and forfeitures** are various public safety fees such as impound, process service, jail and defense fees.
- ▶ **Licenses and permits** include building, grading, evacuation, sub-division, right-of-way and special use permits; and plan review, fire marshal, development and hillside application fees.
- ▶ **All other** are all other revenue not categorized above.

The chart below and bar graph to the right and chart below shows a 10-year history of governmental revenue by category. The pie graph to the right shows revenues for 2018 by category.

REVENUE by TYPE	Fiscal Year			
	2018	2017	2016	2015
Taxes	\$20,565,163	\$18,576,603	\$15,699,670	\$15,602,093
Intergovernmental	4,825,303	4,712,850	4,393,807	4,074,853
Fines and forfeitures	2,881,561	2,364,100	3,697,261	2,085,650
Licenses and permits	2,712,910	2,285,398	2,071,846	1,426,883
All other	1,873,804	611,626	1,275,048	1,030,236
Total revenues	\$32,858,741	\$28,550,577	\$27,137,632	\$24,219,715

GOVERNMENTAL REVENUE



Fiscal Year	Fiscal Year					
	2014	2013	2012	2011	2010	2009
Taxes	\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403	\$ 9,051,417	\$10,387,438
Intergovernmental	3,791,372	3,537,464	3,251,086	3,692,516	4,272,612	4,835,686
Fines and forfeitures	1,161,685	2,346,166	801,897	1,201,432	1,133,627	1,351,919
Licenses and permits	1,322,052	1,203,370	1,021,911	1,080,207	982,740	1,159,347
All other	2,737,503	1,272,103	966,116	916,719	857,497	2,339,302
Total revenues	\$23,210,597	\$21,384,363	\$17,723,667	\$15,843,277	\$16,297,893	\$20,073,692

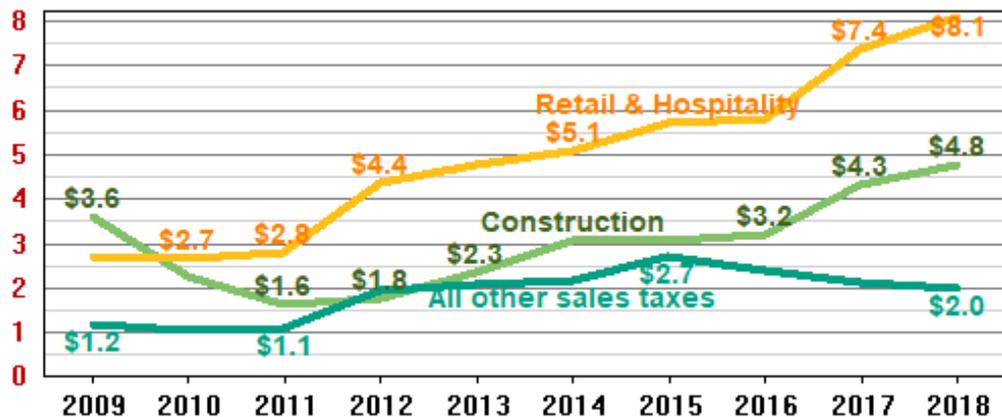
SALES TAX COLLECTIONS AND POLICIES

There are numerous categories and taxable activities within the local transaction privilege (**sales**) tax, but is best separated in three (3) distinguished categories: Construction, Retail & Hospitality, and All Other.

Construction is generally considered a one-time revenue, because once the construction is completed and the tax is collected the activity is done. Per Town policy, all construction sales tax received in excess of \$500,000 is transferred to the Capital Improvement Program.

Retail & Hospitality has recently become a significant category with its recent growth and potential to be increasing year-to-year.

The line graph below shows the three (3) main categories for local sales tax from 2009-2018 (**in millions**).



TAXES by Category	Fiscal Year			
	2018	2017	2016	2015
Construction	\$ 4,762,342	\$ 4,327,639	\$ 3,181,485	\$ 3,049,241
Retail & hospitality	8,088,233	7,370,408	5,788,062	5,705,830
All other	1,982,947	2,120,271	2,376,355	2,692,314
Sales tax	14,833,522	13,818,318	11,345,902	11,447,385
Occupancy	4,443,281	3,701,738	3,207,626	3,117,450
Franchise fee	1,288,360	1,056,547	1,146,142	1,037,258
Taxes	\$20,565,163	\$18,576,603	\$15,699,670	\$15,602,093

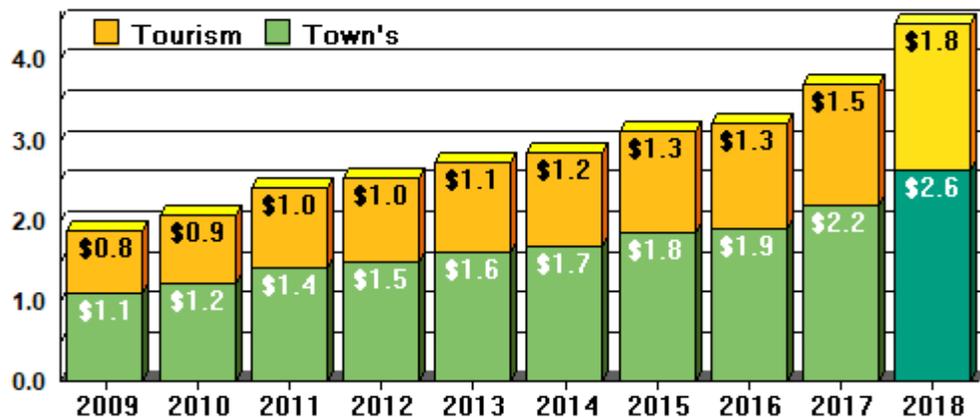
INVESTMENT IN TOURISM

Retail & Hospitality is a critical element and contributes greatly to the Town's character. These services generate a growing portion of the Town's operating revenue. The room tax charged in hotels, known as the **Occupancy (bed) tax** has more than doubled since 2009.

The Town and Scottsdale dedicate significant resources to invest in tourism promotion through a contract with "Experience Scottsdale".

- ▶ When preparing the annual budget, the Town commits to invest 40.9% of its most recent audited Occupancy (bed) tax collections.
- ▶ For example in audit year 2017, the Town collected \$3,701,738 in bed taxes; then 40.9% was invested in budget 2019 (\$1,514,011).

The graph below displays the bed tax collections since 2005 and the portion set-aside for Tourism and used for the Town's operations.



Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 3,048,856	\$ 2,340,481	\$ 1,780,801	\$ 1,645,850	\$ 2,250,756	\$ 3,622,160
5,096,252	4,789,447	4,362,912	2,808,614	2,688,109	2,729,256
2,155,702	2,105,715	1,960,183	1,089,350	1,033,887	1,166,987
10,300,810	9,235,643	8,103,896	5,543,814	5,972,752	7,518,403
2,835,515	2,727,892	2,523,288	2,400,955	2,078,880	1,867,932
1,061,660	1,061,725	1,055,473	1,007,634	999,785	1,001,103
\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403	\$ 9,051,417	\$10,387,438

Staffing Levels

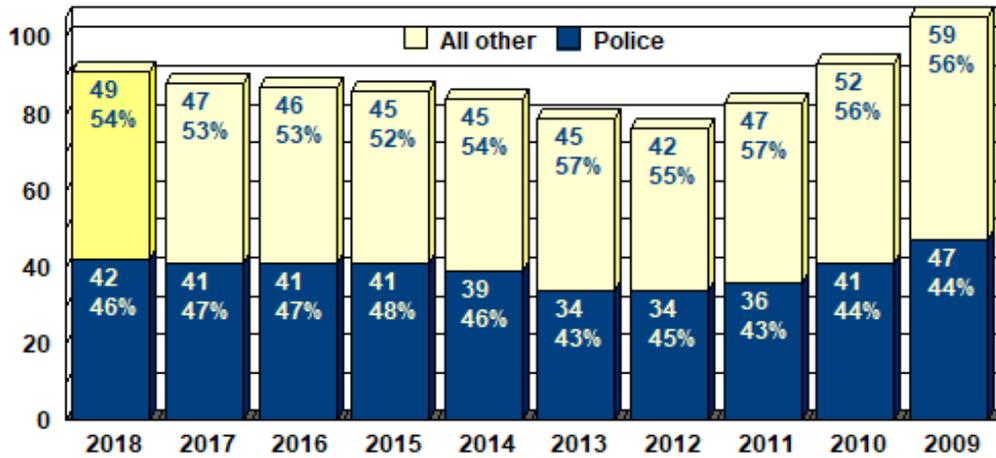
ALL TOWN SERVICES

Staffing levels are measured in *full-time equivalents* (“FTEs”). In 2018, the Town employed a workforce of **91 FTEs** with the **Police department** being 46% of total staffing. The Town utilizes contract service providers for fire, water, wastewater, ambulance and garbage services. The graph below shows a 10-history of FTEs.

Routine maintenance by Police & Information technology (below)



Public works performing landscaping (left) and mill overlay (top)



FULL TIME EQUIVALENT by FUNCTION	Fiscal Year 20xx									
	18	17	16	15	14	13	12	11	10	09
Police department	42	41	41	41	39	34	34	36	41	47
Development & engineering	14	13	13	13	13	11	10	11	14	16
Public works	13	13	13	13	13	15	14	15	16	18
Courts	6	5	5	5	5	5	5	5	6	6
All other	16	16	15	14	14	14	13	16	16	19
Total expenditures	91	88	87	86	84	79	76	83	93	106

Public Safety Retirement

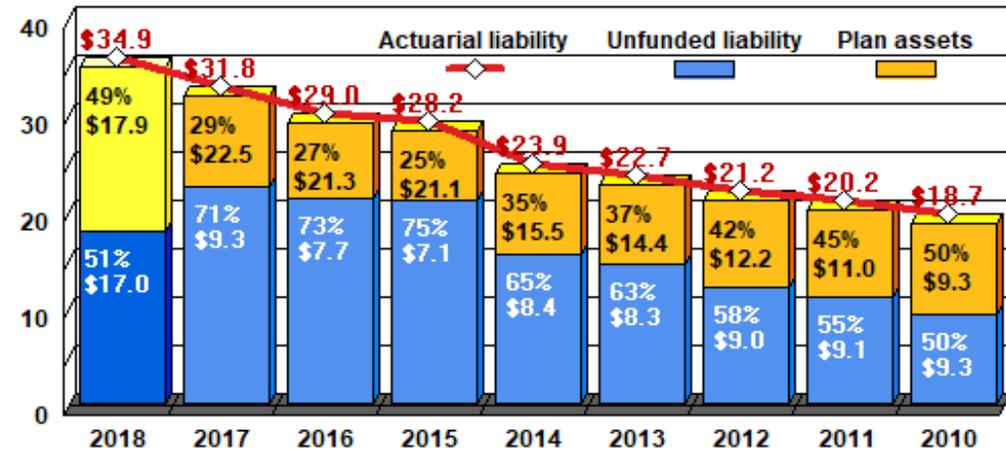
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Sworn police officers participate in the Public Safety Personnel Retirement System (“PSPRS”).

In 2016, the Town’s total **actuarial liability** was \$29.0 million; the Town’s **unfunded liability** was \$21.3 million (73% of the total); with the percentage of **plan assets** (funded liability) of 27% of the total liability.

The Town Council adopted resolution 2016-19 to reduce the **unfunded liability** as “quickly as reasonably possible”. In 2018, though the Town’s **actuarial liability** increased to \$34.9 million, the **plan assets** increased to 49% and the **unfunded liability** decreased to 51% of the total.

The graph below compares the **unfunded liability** and **plan assets**. The chart below also includes the Town’s required rate that is expected to decrease as the **unfunded liability** is reduced.



Town's proportionate share in PSPRS	Fiscal Year 20xx									
	18	17	16	15	14	13	12	11	10	09
Town's plan assets	\$17.0	\$9.3	\$7.7	\$7.1	\$8.4	\$8.3	\$9.0	\$9.1	\$9.3	\$9.3
Unfunded liability	17.9	22.5	21.3	21.1	15.5	14.4	12.2	11.0	9.3	9.3
Actuarial liability	\$34.9	\$31.8	\$29.0	\$28.2	\$23.9	\$22.7	\$21.2	\$20.2	\$18.7	\$18.7
Percentage funded	49%	29%	27%	25%	35%	37%	42%	45%	50%	50%
Percentage unfunded	51%	71%	73%	75%	65%	63%	58%	55%	50%	50%
Town's contribution rate	67%	70%	72%	60%	50%	49%	38%	32%	31%	31%

Expenditures

WHERE THE MONEY GOES TO...

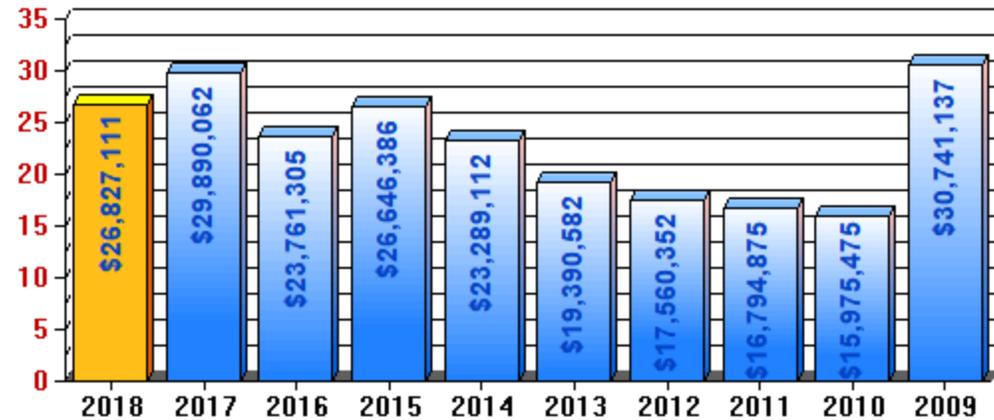
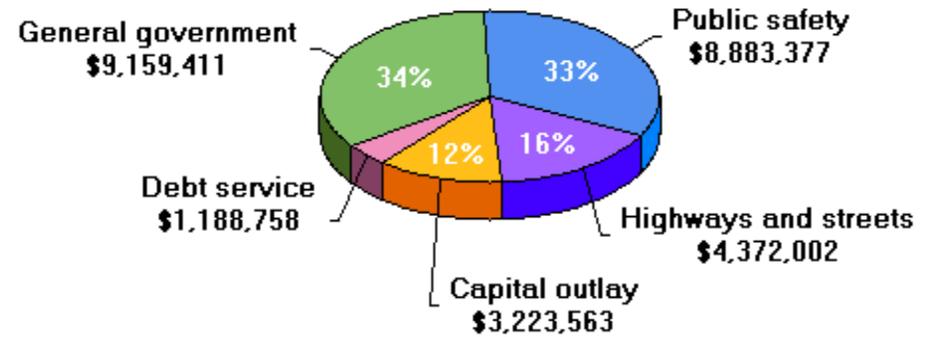
The chart below and bar graph to the right illustrate a 10-year history of the Town's expenditures for governmental operations. The pie graph to the right displays the Town's spending in fiscal year 2018.

- ▶ **General government** includes services from the Town manager's office, Community Development, Engineering, Finance, Information Technology, Town Clerk, Town Attorney, Municipal Court, Post Office, Facilities, Fleet Management, and investments in tourism.
- ▶ **Public safety** is solely the police department in the 2018 financial statements. This includes functions of patrol, investigations, dispatch, administration, and all other services provided by the police department. Expenditures include personnel, purchasing and maintaining equipment, facilities, technology and vehicles
- ▶ **Highway and streets** is managed by the Public Works department. Expenditures are associated with the Town's maintenance program for 145 linear miles of paved asphalt streets. The Town is divided into 15 maintenance sections, averaging 9.4 linear miles each. Generally, surface treatment maintenance is applied to three sections each year. All pavement is monitored through a Pavement Conditions Index to assist staff in determining which pavement treatment is required.
- ▶ **Capital outlay** is the construction and purchase of capital assets that are not part of a departments operating budget.
- ▶ **Debt service** are costs of paying leases and long-term bonds.

Expenditures

GOVERNMENTAL OPERATIONS

For fiscal year 2018, two-thirds of expenditures are in the General government and Public safety combined. Highways and streets, and Capital outlay account for 16% and 12%, respectively; and Debt service accounts for 5%.



EXPENDITURES by FUNCTION	Fiscal Year			
	2018	2017	2016	2015
General government	\$ 9,159,411	\$ 7,925,090	\$ 7,794,295	\$ 6,963,210
Public safety	8,883,377	13,930,804	8,972,593	7,291,649
Highways and streets	4,372,002	2,860,702	2,786,005	3,014,861
Capital outlay	3,223,563	3,924,735	2,737,601	8,080,876
Debt service	1,188,758	1,248,731	1,470,811	1,295,790
Total expenditures	\$26,827,111	\$29,890,062	\$23,761,305	\$26,646,386

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 6,700,704	\$ 6,168,281	\$ 5,581,346	\$ 5,987,892	\$ 5,686,505	\$ 7,346,335
6,215,932	6,816,444	7,594,737	7,504,468	7,864,339	8,968,496
2,635,007	2,677,491	1,204,634	1,444,530	1,616,151	2,077,779
6,522,394	2,699,004	2,149,953	832,181	128,752	11,155,915
1,215,075	1,029,362	1,029,682	1,025,804	679,728	1,192,612
\$23,289,112	\$19,390,582	\$17,560,352	\$16,794,875	\$15,975,475	\$30,741,137

Financial Statements

STATEMENT OF NET POSITION

Governmental funds	Fiscal year		Change	
	2018	2017	\$	%
ASSETS				
Cash and investments	\$ 43,029,174	\$ 30,796,852	\$ 12,232,322	39.7%
Current and other assets	9,487,391	13,333,233	(3,845,842)	-28.8%
Capital assets, net depreciation	83,225,426	82,338,802	886,624	1.1%
Total assets (A)	135,741,991	126,468,887	9,273,104	7.3%
Deferred outflows of resource (B)	5,397,225	12,124,582	(6,727,357)	-55.5%
LIABILITIES				
Current liabilities	5,948,416	4,309,781	1,638,635	38.0%
Long-term liabilities	33,922,189	39,656,915	(5,734,726)	-14.5%
Total liabilities (C)	39,870,605	43,966,696	(4,096,091)	-9.3%
Deferred inflows of resource (D)	477,646	824,447	(346,801)	-42.1%
NET POSITION				
Investment in capital assets (1)	76,859,341	79,851,973	(2,992,632)	-3.7%
Restricted (2)	784,098	455,140	328,958	72.3%
Unrestricted (3)	23,147,526	13,495,213	9,652,313	71.5%
Total net position (A+B-C-D=1+2+3)	\$100,790,965	\$ 93,802,326	\$ 6,988,639	7.5%

- ▶ **ASSETS = Current and other assets:** Assets expected to convert to cash or use within one year. **Capital assets:** The Town's investment of long term assets that are depreciated over their estimated useful life.
- ▶ **LIABILITIES = Current liabilities:** Primarily debts that will be paid within one year. **Long-term liabilities:** This represents debt and other obligations that are payable in more than one year.
- ▶ **Deferred outflows / inflows of resources** are expense and revenues that have been incurred / received but are not yet being recognized until a future period.
- ▶ **NET POSITION = Total Net Position** for 2018 was \$100,790,965. This is 7.5% higher than last year. The reduction in **Investment in capital assets** is attributed to depreciation of existing assets. **Restricted net position** represent resources set aside and designated for a specific purpose. **Unrestricted net position** is the value of available resources for the Town if no additional revenue or resources are obtained.

Financial Statements

OPERATING STATEMENT

Governmental funds	Fiscal year		Change	
	2018	2017	\$	%
REVENUE				
Taxes	\$20,565,163	\$18,576,603	\$1,988,560	10.7%
Intergovernmental	4,825,303	4,712,850	112,453	2.4%
Fines and forfeitures	2,881,561	2,364,100	517,461	21.9%
Licenses and permits	2,712,910	2,285,398	427,512	18.7%
All other	1,873,804	611,626	1,262,178	206.4%
Total revenues (U)	32,858,741	28,550,577	4,308,164	15.1%
EXPENDITURE				
General government	9,159,411	7,925,090	1,234,321	15.6%
Public safety (and reducing PSPRS liability)	8,883,377	13,930,804	(5,047,427)	-36.2%
Highways and streets	4,372,002	2,860,702	1,511,300	52.8%
Capital outlay	3,223,563	3,924,735	(701,172)	-17.9%
Debt service	1,188,758	1,248,731	(59,973)	-4.8%
Total expenditures (V)	26,827,111	29,890,062	(3,062,951)	-10.2%
Excess (deficiency) of revenue over expenditure (W)=(U-V)	6,031,630	(1,339,485)	7,371,115	n/a
Net transfer from enterprises (X)	184,200	334,200	(150,000)	-44.9%
Change in fund balance (Y)=(W+X)	6,215,830	(1,005,285)	7,221,115	n/a
FUND BALANCE				
Beginning of year, July 1 (Z)	40,032,872	41,038,157	(1,005,285)	-2.4%
End of year, June 30 (Y+Z)	\$46,248,702	\$40,032,872	\$6,215,830	15.5%

- ▶ **REVENUE:** The Town's sources (inflow) used to pay for Town services.
- ▶ **EXPENDITURE:** The Town's uses of sources (outflow).
- ▶ **NET TRANSFERS:** Sources moved from or (to) the Town's Enterprises. A positive number is an inflow and brackets is outflow.
- ▶ **CHANGE IN FUND BALANCE:** Revenue–Expenditure +/- Net Transfer.
- ▶ **FUND BALANCE:** The amount the Town carries forward to next year.

These financial statements derived from the Town's Comprehensive Annual Financial Report (CAFR) that is accessible via the Town's website.

BUDGET COMPLIANCE

A department is not permitted to exceed its final Council approved spending authority. Overall, the Town used 58.1% of its \$46,196,900 final budget. Unused portions of the 2018 budget are not lost. All unspent resources from 2018 have carried into next fiscal year 2019.

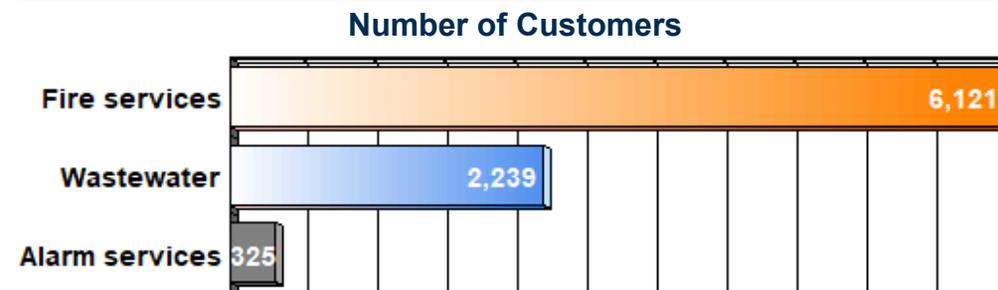
The chart below demonstrates that all Town departments ended the fiscal year within their legal spending authority limits (Budget).

GOVERNMENTAL OPERATIONS	Final (Audited)		(Over) / Under	
	Budget	Actual	\$	%
General government				
Community development	\$ 2,018,450	\$ 1,936,038	\$ 82,412	95.9%
Engineering	533,183	533,170	13	100.0%
Finance	701,248	529,434	171,814	75.5%
Information technology	1,547,462	1,518,214	29,248	98.1%
Mayor and Council	157,000	156,946	54	100.0%
Municipal court	908,858	859,480	49,378	94.6%
Public works	804,370	804,184	186	100.0%
Tourism and promotion	1,338,900	1,311,918	26,982	98.0%
Town attorney	586,704	566,393	20,311	96.5%
Town manager	972,480	943,634	28,846	97.0%
Contingency	5,161,078	-	5,161,078	0.0%
Public safety				
Police operations	9,006,713	8,883,377	123,336	98.6%
Highways and streets				
Public works	4,750,154	4,372,002	378,152	92.0%
Debt service				
Leases	178,700	88,692	90,008	49.6%
Bonds	1,101,400	1,100,066	1,334	99.9%
Capital outlay				
Operating capital	483,800	38,774	445,026	8.0%
Capital improvement program	15,946,400	3,184,789	12,761,611	20.0%
Total expenditures	\$ 46,196,900	\$ 26,827,111	\$ 19,369,789	58.1%

BUSINESS-TYPE OPERATIONS

The Town's "Enterprises" are considered "Proprietary funds" and use an accounting basis that is similar to businesses. The Enterprises distinguish operating from nonoperating items. Operating revenue and expenses result from providing services and producing and delivering products in connection with an Enterprise's principal ongoing purpose. The Town has three (3) Enterprises:

- ▶ **FIRE SERVICES:** The Town has contracted with the City of Phoenix to provide fire services. The Town constructed and maintains two fire stations. Emergency medical services are provided by a private company which operates from leased Town property. Fire service rates were designed to recover operating costs, but not construct fire stations. There are residential and commercial rates based on the zoned use of the property.
- ▶ **WASTEWATER:** The Town provides wastewater services to both residential and commercial customers who are connected to the Town-owned sewer system that covers 60% of the Town's geographical area. The Town contracts the City of Scottsdale to operate and provide maintenance and treatment services to the system. The City bills the Town for these services; and the Town bills its customers directly. Customer bills include a base rate charge and a commodity charge which is based upon winter water consumption. Services provided by Phoenix are directly billed to the customers and is not included as a Town Enterprise.
- ▶ **ALARM SERVICES:** The Town provides alarm system monitoring services. The rate structure for both residential and commercial customers is designed to recover the costs of providing services.



STATEMENT OF NET POSITION

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
ASSETS			
Cash and investments	\$ 2,766,548	\$ 588,947	\$ 636,689
Current and other assets	188,386	251,025	-
Capital assets, net depreciation	6,330,878	20,647,448	12,278
Total assets (A)	9,285,812	21,487,420	648,967
LIABILITIES			
Current liabilities	704,091	996,936	8,261
Due to general fund	-	1,528,638	-
Total liabilities (B)	704,091	2,525,574	8,261
NET POSITION			
Investment in capital assets (1)	6,330,878	20,421,027	-
Unrestricted (2)	2,250,843	(1,459,181)	640,706
Total net position (A-B=1+2)	\$ 8,581,721	\$ 18,961,846	\$ 640,706

- ▶ **ASSETS = Current and other assets:** Assets expected to convert to cash or use within one year. **Capital assets:** The Enterprise's investment of long term assets that are depreciated over their estimated useful lives.
- ▶ **LIABILITIES = Current liabilities:** Primarily debts that will be paid within one year. **Due to general fund:** This represents a loan from the general fund being repaid over the course of multiple years.
- ▶ **NET POSITION = Investment in capital assets** is the investment each enterprise has in its capital assets. **Unrestricted net position** is the value of available resources for each Enterprise if no additional revenue or resources are obtained.

Enterprises use "full accrual" basis for accounting. This is virtually the same accounting basis used by businesses. These financial statements are not audited and derived from the Town's audited Comprehensive Annual Financial Report (CAFR). The CAFR can be accessed via the Town's website.

OPERATING STATEMENT

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
OPERATING REVENUE			
Charges for services	\$ 3,138,471	\$ 2,471,599	\$ 168,127
OPERATING EXPENSES			
Cost of sales and services	2,891,521	1,729,521	22,031
Administrative charges	165,602	134,030	257,468
Depreciation	190,586	251,394	-
Total operating expenses	3,247,709	2,114,945	279,499
Operating income (loss)	(109,238)	356,654	(111,372)
NONOPERATING REVENUE (EXPENSE)			
New construction impact fee	-	189,904	-
Interest income	-	413	-
Total operating revenue (expense)	-	190,317	-
Income (loss) before transfers	(109,238)	546,971	(111,372)
Transfer in from governmental funds	50,000	-	-
Transfer out to governmental funds	-	(234,200)	-
Change in net position	(59,238)	312,771	(111,372)
NET POSITION			
Beginning of year, July 1	8,640,959	18,649,075	752,078
End of year, June 30	\$ 8,581,721	\$18,961,846	\$ 640,706

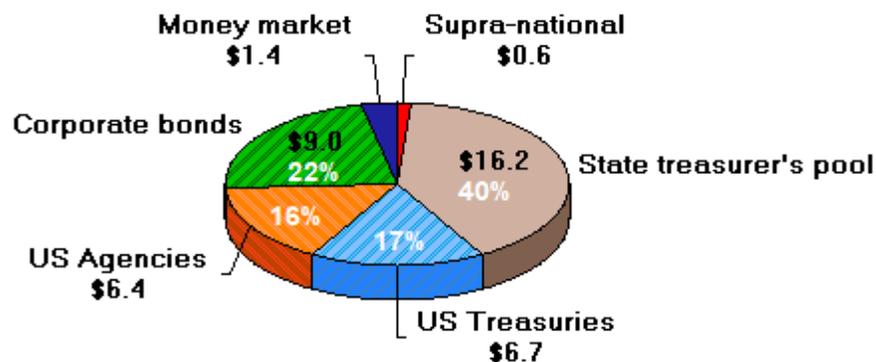
- ▶ **OPERATING REVENUE:** Income from providing services to customers.
- ▶ **OPERATING EXPENSES:** Costs associated with providing services.
- ▶ **NONOPERATING REVENUE (EXPENSE):** Revenue and costs not directly associated with providing services to customers.
- ▶ **NET TRANSFERS:** Amount transferred "from" or "to" the Town's governmental funds.
- ▶ **CHANGE IN NET POSITION:** Revenues – Expenditures.
- ▶ **NET POSITION:** The residual of all elements presented in the financial statements.

POLICY AND OBJECTIVES

The Town's investment policies are based on Arizona state law and prudent governmental management of public money. The primary objectives of the Town's investment policy are:

- ▶ **Compliance:** Only invest as allowed under law;
- ▶ **Security:** Preserve and protect public funds;
- ▶ **Liquidity:** Access to cash as needed; *while maintaining:*
- ▶ **Diversification:** Mitigate market risks; and *then,*
- ▶ **Yield:** Market value return of investment.

The graph below shows investments for 2018 and the chart below has a five-year history, by investment type (in millions).



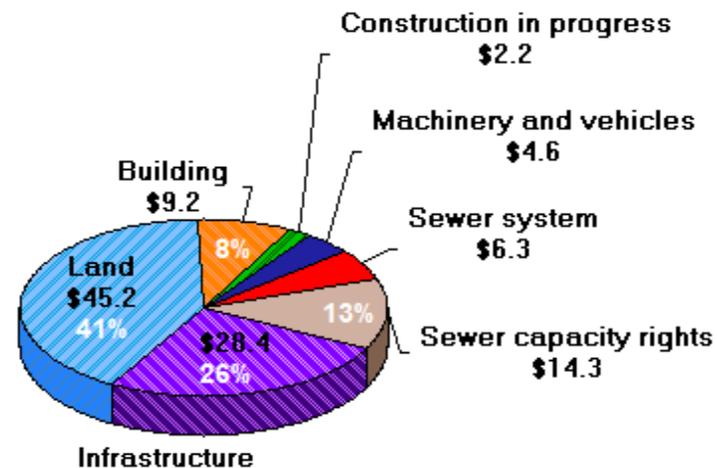
Investments, by type	Fair Value at Fiscal Year End (in millions)				
	2018	2017	2016	2015	2014
U.S. Treasuries	\$ 6.7	\$ 2.5	\$ 10.5	-	-
U.S. Agencies	6.4	13.2	12.1	-	\$ 1.0
Corporate Bonds	9.0	5.5	-	-	-
Commercial paper	-	0.9	-	-	-
Money Markets	1.4	5.6	5.6	-	-
Supra-National Agencies	0.6	0.6	-	-	-
State Treasurer's Pool	16.2	6.0	4.0	\$ 20.5	13.4
Total Investments	\$ 40.3	\$ 34.2	\$ 32.2	\$ 20.5	\$ 14.4
Cash in bank	11.5	6.8	11.9	12.0	19.8
Restricted cash	(5.5)	(6.9)	(6.9)	(1.5)	(0.6)
Total Cash & Investments	\$ 46.3	\$ 34.2	\$ 37.3	\$ 30.9	\$ 33.6

COMPOSITION OF CAPITAL ASSETS

Capital assets are assets with an initial cost in excess of \$5,000 and has an estimated useful life of more than one year. Depreciation is allocated to the asset each year over its estimated useful life, reducing its value. Estimated useful lives for depreciation are:

- ▶ Land **Not** depreciated
- ▶ Sewer capacity rights **Not** depreciated
- ▶ Land and building improvements **25** years
- ▶ Infrastructure and sewer lines **50** years
- ▶ Machinery, equipment and vehicles **3 to 20** years

The graph below shows capital assets for 2018 and the chart below has a five-year history, by capital asset type (in millions).



Capital Assets, by type	Value at Fiscal Year End (in millions)				
	2018	2017	2016	2015	2014
Land	\$ 45.2	\$ 45.0	\$ 45.1	\$ 45.2	\$ 45.3
Buildings	9.2	7.4	7.9	8.3	8.8
Construction in Progress	2.2	4.4	1.7	4.7	2.0
Machinery and Vehicles	4.6	2.9	3.6	3.6	2.1
Sewer System	6.3	6.5	6.8	7.0	7.1
Sewer Capacity Rights	14.3	14.3	14.3	14.3	14.3
Infrastructure	28.4	29.2	29.6	25.5	23.1
Total Cash & Investments	\$ 110.2	\$ 109.7	\$ 109.0	\$ 108.6	\$ 102.7

Bond Funded Projects

EXCISE TAX REVENUE OBLIGATIONS, SERIES 2016

In 2016, the Town issued general obligation debt for the construction of the public safety tower, street improvements, and other projects. This was done through a direct placement loan (revenue obligations) with an interest rate of 1.69% payable semi-annually.

This pledged revenue structure is not subject to debt limitations; and use of the bond proceeds are exempt from the State's mandated expenditure limitation.

Several projects have been completed significantly under budget. The Town will have the opportunity to benefit from this low interest rate to possibly fund other needed capital in the Town. A current project listing is presented below.

Project	Actual (audited spending)		
	2016 & prior	2017	2018
Echo Canyon Parking	\$150,000	-	-
Public Safety Tower	1,175,615	\$1,897,031	\$1,197,236
Traffic Signal Upgrades	17,341	-	-
Wastewater Master Plan	-	-	-
56th Street Improvements	145,342	-	-
Fixed License Plate Readers	253,465	-	-
Card Readers	176,737	8,481	-
WW Pipe/Meter	-	108,443	-
52nd Street Improvements	26,904	23,096	-
Watershed Studies	211,187	125,399	29,157
Ped/Bicycle Study	12,253	99,765	28,530
Iconic Corridor Study	-	83,901	46,665
Lincoln & Tatum Marquee	8,974	161,135	-
Asphalt Sidewalks	429,887	-	-
Unallocated	-	-	-
Total projects expenditures	\$ 2,607,705	\$ 2,507,251	\$ 1,301,588
Total Use of bond proceeds	\$ 2,286,052	\$ -	\$ 4,107,442

Bond Funded Projects

REPAYMENT SCHEDULE

The Town's **remaining** repayment schedule is as follows:

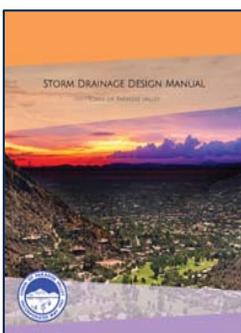
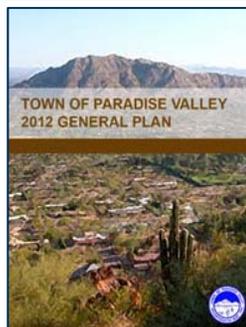
Date	Principal	Interest	Payment
12/15/2018	\$ 660,000	\$ 65,276	\$ 725,276
6/15/2019	-	59,699	59,699
12/15/2019	1,365,000	59,699	1,424,699
6/15/2020	-	48,165	48,165
12/15/2020	1,390,000	48,165	1,438,165
6/15/2021	-	36,420	36,420
12/15/2021	1,415,000	36,420	1,451,420
6/15/2022	-	24,463	24,463
12/15/2022	1,435,000	24,463	1,459,463
6/15/2023	-	12,337	12,337
12/15/2023	1,460,000	12,337	1,472,337
Balance	\$ 7,725,000	\$ 427,444	\$ 8,152,444

Actual Total	Balance to Complete	Final Project		(Over) / Under
		Spending	Budget	
\$150,000	-	\$150,000	\$150,000	-
4,269,882	-	4,269,882	5,000,000	\$730,118
17,341	-	17,341	17,341	-
-	-	-	50,000	50,000
145,342	-	145,342	145,342	-
253,465	-	253,465	253,465	-
185,218	-	185,218	200,000	14,782
108,443	-	108,443	300,000	191,557
50,000	-	50,000	50,000	-
365,743	\$134,257	500,000	500,000	-
140,548	9,452	150,000	150,000	-
130,566	19,434	150,000	150,000	-
170,109	-	170,109	250,000	79,891
429,887	-	429,887	530,000	100,113
-	-	-	6,258	6,258
\$ 6,416,544	\$ 163,143	\$ 6,579,687	\$ 7,752,406	\$ 1,172,719
\$ 6,393,494	\$ 186,193	\$ 6,579,687	\$ 7,752,406	\$ 1,172,719

FOUND ON THE TOWN'S WEBSITE

The **General Plan** is the primary tool for guiding the future of the town in its efforts to enhance a livable and sustainable environment that is sensitive to issues which impact the people who live, learn, work and play in Paradise Valley.

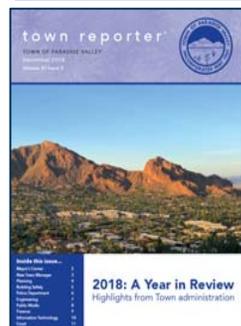
On March 13, 2012, Paradise Valley voters approved the General Plan with 80% of the vote.



The **Stormwater drainage design manual** provides guidance for complying with specific federal, state, county and town regulations applicable to floodplain management, water quality, and stormwater management.

It presents guidance for preparing drainage reports and grading plans using the design standards adopted by the Town, County, State, and Federal.

The **Town Council** meets on the second and fourth Thursdays of each month, except for November and December when they meet on the first and third Thursdays. All meetings are streamed live. Agendas, minutes and minutes are available on the Town's website.

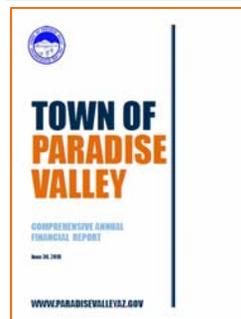


The **Town Reporter** is a periodical newsletter that is sent to every resident of the town.

The Town Reporter is composed of recent information and happenings within the Town.

The Town Reporter has been published by the Town every year since 1961.

www.paradisevalleyaz.gov

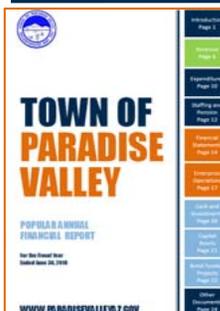


The Town's **Comprehensive Annual Financial Reports (CAFRs)** are audited and are comprised of more than 130 pages of detailed financial statements, note disclosures, supplemental schedules and statistical tables.

The Town's *CAFRs* have received the GFOA Certificate for Excellence in Financial Reporting each year since 2009.

The **Budget Documents** are adopted annually and serve a role as a Policy document, Financial plan, Operations guide and Communication medium. The budget document represents an effort by the entire organization to provide transparency in the Town's operations and financial plans.

The GFOA Distinguished Budget Award was first received for the 2017/18 budget document.



The Town's **Popular Annual Financial Report** is derived from the **CAFR** and designed to be a reader friendly financial report that we believe you will find transparent, relevant, and hopefully interesting.

This **PAFR** is not audited unlike the **CAFR**. But... the **PAFR** is easier to read!

The 2018 **PAFR** is being reviewed by GFOA to determine eligibility for their **PAFR** award program

The **Expenditure Limitation Report (ELR)** and the **Highway User Revenue Fund (HURF) compliance letter** are two reports required by Arizona law. The **ELR** reports on the Town's standing on the State's mandated Expenditure limitation. The **HURF** letter validates the Town's compliance with Arizona's regulations for the expending of HURF funding.

Both reports are examined by an independent auditing firm who issues an opinion on the Town's representations in these reports.

MISSION & VISION STATEMENTS

Providing high quality public service to a community which values limited government; making every effort to enhance the community's unique character for its residents and people from around the world.

LEADERSHIP

Mayor: Michael Collins

Vice Mayor: Jerry Bien-Willner

Councilmembers:

Paul Dembow

Scott Moore

Julie Pace

David A. Sherf

Mark Stanton

Town Manager (Interim): Brian Dalke

Town Attorney: Andrew M. Miller

Presiding Judge: J. Tyrrell Taber

Deputy Town Manager: Dawn Marie Buckland

Chief of Police: Peter Wingert

Public Works Director: Brent Skoglund

Town Engineer: Paul Mood

Community Development Director: Jeremy Knapp

Municipal Court Director: Jeanette Wiesenhofer

Chief Financial Officer: Douglas W. Allen, CPA

Chief Information Officer: Steven Brunasso

Human Resources: Jinnett Hancock

Town Clerk: Duncan Miller
