



2019

TOWN OF  
PARADISE  
VALLEY

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

June 30, 2019

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

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Mr. Jerry Bien-Willner  
*Mayor*

Mr. Scott Moore  
*Vice Mayor*

*Councilmembers*

Ms. Ellen Andeen

Mr. Paul Dembow

Ms. Julie Pace

Mr. Mark Stanton

Ms. Anna Thomasson

Mr. Brian Dalke  
*Interim Town Manager*

Prepared by:  
Finance Department

Douglas W Allen, CPA, Chief Financial Officer  
Cathy Spinella, Sr. Finance and Budget Analyst  
Carl Muntz, Financial Services Analyst  
Catherine McGovern, Financial Services Analyst

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## **INTRODUCTORY SECTION**



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November 21, 2019

The Honorable Mayor, Members of the Town Council, and Citizens of the Town of Paradise Valley, Arizona:

The Comprehensive Annual Financial Report (“CAFR”) of the Town of Paradise Valley, Arizona (the “Town”) for the fiscal year ended June 30, 2019, is hereby submitted in accordance with State law (Arizona Revised Statutes 9-481). Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls designed both to protect the Town’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town’s financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, performed the annual independent audit. The independent audit is to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2019, are free of material misstatements. The independent auditors concluded, based upon the audit, that the Town’s financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with generally accepted accounting principles (GAAP). This is the most favorable conclusion and is commonly known as an unmodified (“clean”) opinion. The independent auditors’ report is located at the front of the financial section of this report.

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

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## **CAFR COMPOSITION**

A CAFR consists of three main sections: the introductory section, the financial section, and the statistical section.

The **Introductory Section** includes this letter of transmittal and an organizational chart that lists the major division, components, and mechanisms of the Town. This section is intended to familiarize the reader with the Town’s organizational structure, nature and scope of provided services, and specifics of its operating environment. The information in this section should provide adequate background and sufficient context to assist the reader with the financial section of this CAFR.

The **Financial Section** contains all financial statements and supplemental information required to be disclosed by Accounting Principles Generally Accepted in the United States of America (GAAP) and Arizona State Law, as well as information on all individual funds. Also, in this section is other useful supplementary information that is not required by GAAP or Arizona State Law to represent a financial overview of the Town.

This section is parceled into five parts:

- 1) Independent Auditors' Report
- 2) Management's Discussion and Analysis (MD&A)
- 3) The Basic Financial Statements
- 4) Notes to the Financial Statements
- 5) Other Supplemental Information - Combining, Individual Fund Financial Statements and Schedules

The **Statistical Section** is unaudited. It includes various tables and charts that reflect financial, economic, social, and demographic information about the Town that are interesting and relevant to assessing the Town's financial condition and operation. This section is intended to assist the reader in understanding the environment in which the Town operates.

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## **PROFILE**

Paradise Valley was incorporated in May 1961. The Town is centrally located in Maricopa County and is surrounded by the cities of Phoenix and Scottsdale. It has land area of approximately 17 square miles.

Paradise Valley is an Arizona municipal corporation, acting as a general law town as 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 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 and Town Attorney. The Town Manager is responsible for implementation of the policies of the Town Council and administering Town operations. The Town Manager appoints all positions except the Town Attorney and Municipal Judges.

The Town provides a limited range of services, including police protection, construction and maintenance of streets, and 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. The City of Phoenix owns the sewer lines and provides sewer service to the remaining 40% of the geographic area of the Town. Water services are provided by the City of Phoenix and two private water companies. Solid waste services are provided by private companies. Ambulance service is provided by a private company.

The annual budget serves as the foundation for the Town's financial planning and control. The Town Council formally adopts the budget and legally appropriates available monies to the Town's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. Prior to the third Monday in July, the Town Manager presents the preliminary budget to the Town Council. The budget includes proposed expenditures and the means of financing them. The preliminary budget sets the limit for expenditures during the fiscal year. A public hearing is held prior to the budget's final adoption.

The expenditure appropriations in the adopted budget are by department in the General Fund and by fund for all other funds. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. The Town Manager is responsible for developing and administering procedures to amend the budget. Management control of budgets is further maintained at a line item level within each department.

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## **FACTORS AFFECTING FINANCIAL CONDITION**

### Local Economy

Tourism is Paradise Valley's most vibrant industry and major contributor to the Town's economy. The Town's resorts continue to position themselves to remain a desirable destination and construction is well underway at the 5-star site that includes a Ritz Carlton resort, planned to open in 2020.

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Construction sales tax made up about 34% of the Town's sales tax and 16% of the Town's total general fund revenue in fiscal year 2018-19. Per the Town's financial policies, construction sales tax in excess of \$500,000 is transferred to the Capital Improvement Program ("CIP") fund to provide dedicated "CIP" funding.

### Major Initiatives

The Town continues to focus on preserving the quality of life inherent in the Paradise Valley community and value of limited government, while enhancing the hospitality industry through the development and redevelopment of Paradise Valley luxury resorts.

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## **NEXT YEAR'S BUDGET**

The FY 2019-20 budget balances important resource requests while remaining cautious about revenue streams. It provides funding to maintain and enhance Town services and road improvements surrounding the 5-Star project, and aggressively pay down of the Public Safety Personnel Retirement System (PSPRS) unfunded liability.

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## **LONG-TERM FINANCIAL PLANNING**

Long-term financial planning is a key element in the Town's budgeting process. The financial forecast and strategic revenue plan set the trajectory for financial, operational, and infrastructure sustainability by clearly defining current and projected needs and anticipated resources. These plans take into account the completion of major developments, aggressive payment of pension liabilities, maintenance of infrastructure, replacement of fire trucks, economic cycles, pending legislation, and other major influences on the Town's revenues and expenditures. The long-term financial plan is a critical tool used by staff, council, and the public alike in making informed decisions.

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## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Paradise Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the **tenth** year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the Town received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2018 from GFOA for our budget presentation effectively meeting national guidelines. This is the **second** year the Town has received this award.

The Town was also recognized with the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended June 30, 2018. This is the **first** year the Town has received this award from GFOA. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, the government must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

Each GFOA award is valid for a period of one year only. We believe that our current CAFR, Budget and PAFR continues to meet their respective award program requirements and we are submitting to GFOA to determine their eligibility for another certificate.

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### **ACKNOWLEDGEMENTS**

The presentation of this report would not have been possible without the efficient, effective and dedicated services of the entire finance staff. Their bestowed efforts to enhance procedures, ensure accuracy, improve systems, and conduct extensive research have allowed for the completion of this annual audit and report. I would also like to thank other departments in the Town who responded so positively to the requests for detailed information that accompanies each annual audit.

We also extend our appreciation to the Mayor, Town Council and the Town Manager for their leadership and support in planning and conducting the financial affairs of the Town in a responsible and prudent manner, and for maintaining and strengthening the utmost standards of professionalism in the management of the Town.

Respectfully Submitted,



Douglas W Allen, CPA  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Paradise Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

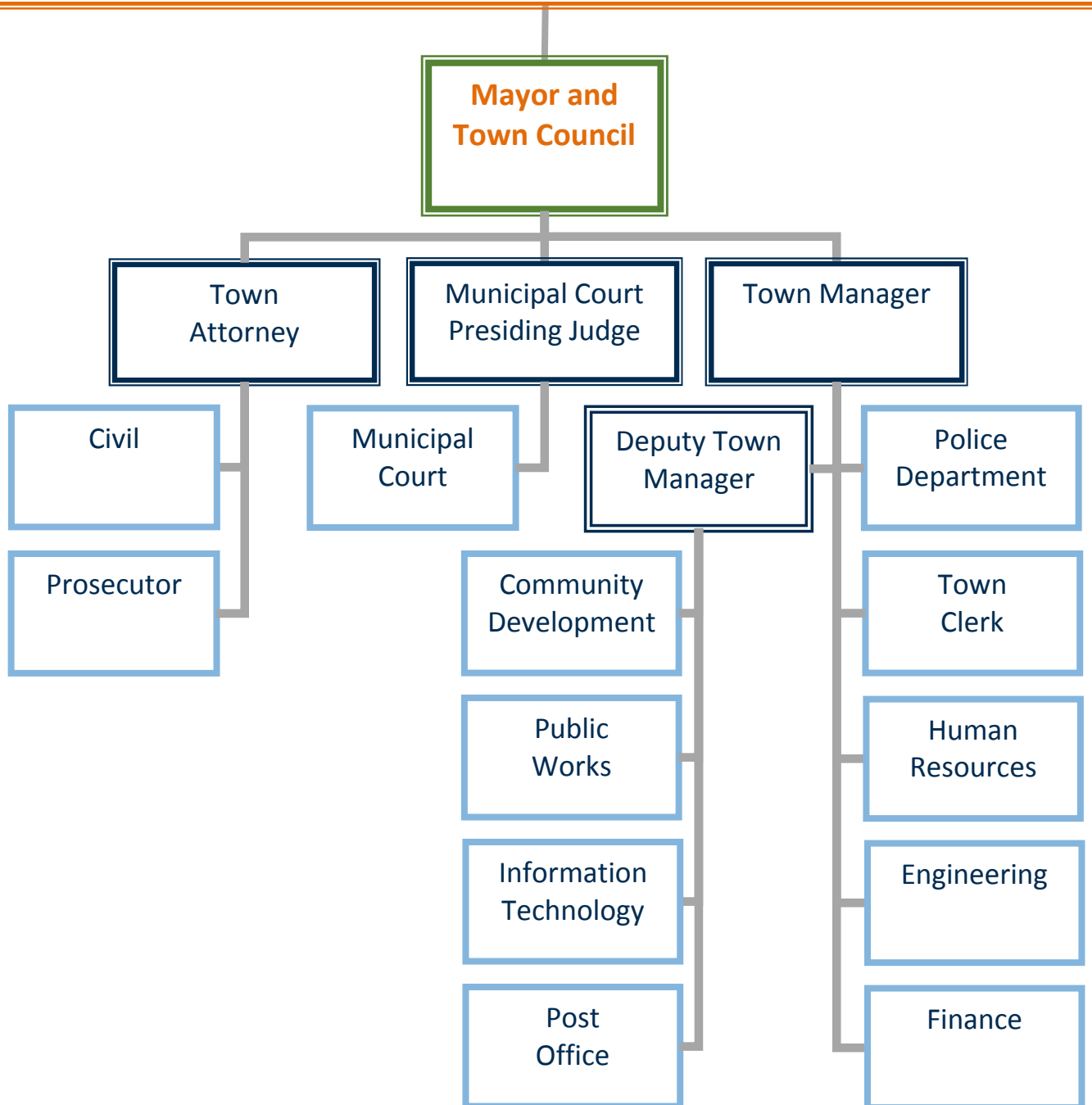
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# ORGANIZATION CHART

## CITIZENS OF PARADISE VALLEY, ARIZONA



Effective: September 14, 2017

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Council  
Town of Paradise Valley, Arizona  
Paradise Valley, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (the Town), as of and for the year ended June 30, 2019, 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.

### ***Auditors' 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. 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 auditors' 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 Town'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 Town'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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund and HURF Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

The Town restated beginning net position in the governmental activities government-wide financial statements for a correction of an error (see Note 4.B.) Our auditors' opinion was not modified with respect to the restatement.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension schedules, as noted within 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. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Mayor and Town Council  
Town of Paradise Valley, Arizona

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 21, 2019

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal years 2019 and 2018 are as follows:

- ◆ The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2019 and 2018 by \$140.0 million and \$130.0 million (net position), respectively. Of these amounts, \$37.0 million and \$25.6 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net position increased by \$10.0 million during fiscal year 2019 and increased \$8.3 million during fiscal year 2018.
- ◆ As of June 30, 2019 and 2018, the Town's governmental funds reported combined ending fund balances of \$48.2 million and \$46.2 million, respectively, which were comprised of nonspendable, restricted, assigned, and unassigned fund balances.
- ◆ At the close of fiscal year 2019, unassigned fund balance for the General Fund was \$31.2 million, or 114.2% of actual General Fund operating expenditures. At the close of the fiscal year 2018, the unassigned fund balance for the General Fund was \$32.8 million, or 122.1% of operating expenditures.
- ◆ During fiscal year 2019, the Town's total bonded debt decreased by \$1.3 million due to scheduled debt payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements, and
3. Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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



**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported at the time the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected court fines and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include basic services such as general government, public safety, and streets. The business-type activities of the Town include sewer, fire service, and alarm operations.

The government-wide financial statements include not only the Town itself (known as the primary government), but also two legally separate nonprofit entities: the Paradise Valley Mountain Preserve Trust and the Paradise Valley Municipal Property Corporation (MPC). Although legally separate from the Town, these component units are blended with the primary government because of their governance or financial relationship to the Town.

The government-wide financial statements can be found beginning on page 20 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be divided into the following two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near future to fund the Town's programs.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The Town maintains nine individual governmental funds organized according to their type (general fund, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, and Capital Projects Fund, which are considered to be major funds. Data from the remaining six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in a separate section of this report. The basic governmental fund financial statements begin on page 22 of this report.

*Proprietary Funds* – Proprietary funds are generally used to account for services for which the Town charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains only one type of proprietary fund – enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the sewer, fire service, and alarm operations of the Town.

The proprietary fund financial statements begin on page 28 of this report.

#### **Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to basic financial statements begin on page 31 of this report.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. This information can be found beginning on page 62 of this report.

#### **Combining Statements**

The combining statements referred to earlier, in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

#### **Government-Wide Financial Analysis**

##### **Net Position**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

Net position may serve as a useful indicator of a government's financial position. Net position was \$140.0 million and \$130.0 million at the close of the fiscal year 2019 and 2018, respectively.

**Table A-1  
The Town's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (Restated)	2019	2018	2019	2018 (Restated)
<b>ASSETS</b>						
Current and Other Assets	\$ 53,131,178	\$ 52,516,565	\$ 3,577,692	\$ 2,915,235	\$ 56,708,870	\$ 55,431,800
Capital Assets						
Non-Depreciable	44,337,407	44,048,038	17,203,392	17,203,392	61,540,799	61,251,430
Depreciable (Net)	38,047,935	39,177,388	9,341,381	9,774,934	47,389,316	48,952,322
Total Assets	135,516,520	135,741,991	30,122,465	29,893,561	165,638,985	165,635,552
Deferred Outflows of Resources	14,283,641	6,398,388	-	-	14,283,641	6,398,388
<b>LIABILITIES</b>						
Other Liabilities	4,557,919	5,948,416	1,811,084	1,482,867	6,369,003	7,431,283
Non-Current Liabilities:						
Due Within One Year	1,992,660	1,761,671	-	226,421	1,992,660	1,988,092
Due in More Than One Year	30,716,680	32,160,518	-	-	30,716,680	32,160,518
Total Liabilities	37,267,259	39,870,605	1,811,084	1,709,288	39,078,343	41,579,893
Deferred Inflows of Resources	886,350	477,646	-	-	886,350	477,646
<b>Net Position</b>						
Net Investment in						
Capital Assets	75,320,342	76,859,341	26,544,773	26,751,905	101,865,115	103,611,246
Restricted	1,133,666	784,098	-	-	1,133,666	784,098
Unrestricted	35,192,544	24,148,689	1,766,608	1,432,368	36,959,152	25,581,057
Total Net Position	\$ 111,646,552	\$ 101,792,128	\$ 28,311,381	\$ 28,184,273	\$ 139,957,933	\$ 129,976,401

Deferred outflows of resources increased \$7.9 million during the current year due to the Town making additional payment towards the unfunded liability prior to fiscal year-end.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure) less depreciation and any related debt used to acquire those assets, of \$101.9 million (72.8%) and \$103.6 million (79.7%) for the fiscal years 2019 and 2018, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

An additional portion of the Town's net position, \$1.1 million (less than 1%) for fiscal year 2019 and \$0.8 million (less than 1%) for fiscal year 2018, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2019 and 2018, \$37.0 million (26.4%) and \$25.6 million (19.7%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of both the current and previous fiscal years, the Town was able to report positive balances in all three categories of net position for the government as a whole, as well as for the business-type activities.

**Changes in Net Position**

The Town's net position increased by \$10.0 million and \$8.3 million during the fiscal years 2019 and 2018, respectively. These changes are explained in the government and business-type activities discussion below.

**Table A-2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (Restated)	2019	2018	2019	2018 (Restated)
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 7,104,939	\$ 6,178,534	\$ 6,157,121	\$ 5,968,101	\$ 13,262,060	\$ 12,146,635
Operating Grants and Contributions	1,140,106	1,065,863	-	-	1,140,106	1,065,863
Capital Grants and Contributions	674,197	1,178,960	-	-	674,197	1,178,960
General Revenues:						
Local Taxes	23,086,133	20,565,163	-	-	23,086,133	20,565,163
State Shared Revenues	3,787,181	3,752,169	-	-	3,787,181	3,752,169
Investment Income	1,330,269	250,226	55,936	-	1,386,205	250,226
Total Revenues	<u>37,122,825</u>	<u>32,990,915</u>	<u>6,213,057</u>	<u>5,968,101</u>	<u>43,335,882</u>	<u>38,959,016</u>
<b>EXPENSES</b>						
General Government	10,566,002	9,995,805	-	-	10,566,002	9,995,805
Public Safety	10,755,292	9,755,591	-	-	10,755,292	9,755,591
Highways and Streets	5,835,417	5,154,182	-	-	5,835,417	5,154,182
Interest and Fiscal Charges	111,690	146,463	-	-	111,690	146,463
Sewer System	-	-	2,698,883	2,114,532	2,698,883	2,114,532
Fire Service	-	-	3,119,018	3,247,709	3,119,018	3,247,709
Alarm Monitor System	-	-	268,048	279,499	268,048	279,499
Total Expenses	<u>27,268,401</u>	<u>25,052,041</u>	<u>6,085,949</u>	<u>5,641,740</u>	<u>33,354,350</u>	<u>30,693,781</u>
<b>CHANGES IN NET POSITION BEFORE TRANSFERS</b>						
	9,854,424	7,938,874	127,108	326,361	9,981,532	8,265,235
Transfers	-	184,200	-	(184,200)	-	-
<b>CHANGES IN NET POSITION</b>						
	9,854,424	8,123,074	127,108	142,161	9,981,532	8,265,235
Net Position - Beginning of Year	<u>101,792,128</u>	<u>93,669,054</u>	<u>28,184,273</u>	<u>28,042,112</u>	<u>129,976,401</u>	<u>121,711,166</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 111,646,552</u>	<u>\$ 101,792,128</u>	<u>\$ 28,311,381</u>	<u>\$ 28,184,273</u>	<u>\$ 139,957,933</u>	<u>\$ 129,976,401</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

*Governmental Activities* – In fiscal year 2019, governmental activities increased the net position of the Town by \$9.9 million. Total revenues increased \$4.1 million (12.5%) from fiscal year 2018. Local taxes increased by \$2.5 million (12.3%) primarily due to an improved economy which included increased consumer spending. Fines, fees, and charges for services increased \$0.9 million (15.0%) due to an increase in traffic citations issued and paid during the current year. Furthermore, there was an increase of \$1.1 million for investment income due to an increase in interest rates and minimized idle cash. Capital grants and contributions decreased \$0.5 million as the Town received less capital contributions for street improvements in the current year versus the prior year.

The change in operating grants and contributions and state shared revenues was not significant during the current year.

Expenses increased \$2.2 million, or 8.8%. Highways and Streets expenses increased \$0.7 million due to an increase in spending for street repairs and resurfacing. General Government expenses increased \$0.6 million and Public Safety expenses increased \$1.0 million due to increases in salaries and related expenses. Interest Income did not change significantly.

*Business-Type Activities* – Business-type activities increased the Town's net position by \$0.1 million in fiscal year 2019. Income from operations increased \$0.2 million and expenses increased \$0.4 million. Overall increase was due to an increase in customers during the current year.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* – Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The major governmental funds reported by the Town include the General Fund, Highway User Revenue Fund (HURF), and Capital Projects Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$48.2 million, an increase of \$1.9 million, or a 4.1% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2018 were \$46.2 million.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The General Fund is the chief operating fund of the Town. At June 30, 2019, the unassigned fund balance of the General Fund was \$31.2 million, or 64.7% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2018 was \$32.8 million, or 70.8% of the combined governmental fund balance. As a measure of the General Fund's liquidity, it may be useful to compare General Fund unassigned fund balance to General Fund expenditures. The General Fund unassigned balance of \$31.2 million represents 114.2% of General Fund expenditures.

The General Fund fund balance decrease of \$0.6 million from fiscal year 2018 is the net result of increased revenues in sales tax, fines and forfeitures, licenses and permits and investment income and increased expenditures. The General Fund expenditures increased due to a \$9.0 million contribution to the unfunded Public Safety Personnel Retirement System pension liability in the current fiscal year. Sales and franchise tax revenue increased \$2.5 million due to an increase in economic conditions and consumer spending. Fines and Forfeitures increased \$0.5 million due to an increase in traffic citation activity. Licenses and Permits increased \$0.1 million due to increases in permit activity with the increased volume of construction within the Town borders. Investment income increased \$1.1 million due to an increase in interest rates and minimized idle cash. The excess of revenues over expenditures was offset by transfers totaling \$8.1 million in order to pay for related HURF expenditures, capital projects, and debt service.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2019 was \$0.6 million and was all assigned due to unspent transfers from the General Fund. The HURF Fund received a transfer of \$2.0 million from the General Fund to supplement the cost of street improvement projects. HURF expenditures decreased \$1.2 million in comparison with the prior year mainly due to significant street resurfacing improvements and the purchase of street vehicles in the prior year.

The Capital Projects Fund increased \$1.5 million as there were numerous capital projects occurring at the Town that had been previously planned. Overall, capital outlay expenditures totaled \$2.6 million during the year, which was partially offset by a transfer of \$5.2 million from the General Fund. Capital outlay expenditures decreased \$0.6 million due to the nature and timing of project expenditures and related completion dates. The Town continues to fund capital improvements and will continue to have significant capital outlay expenditures.

The nonmajor governmental funds reported an increase in fund balance of \$1.2 million. This increase was largely due to, court enhancement funds that will be used for future projects and a transfer from the capital projects fund to the debt service fund for unspent bond proceeds that will be used to pay down the debt, net of the use of MPC Debt Service Funds to make the final payment due on the outstanding bonds.

*Proprietary Funds* – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position was a negative \$1.2 million for the Sewer Fund, \$2.5 million for the Fire Service Fund and \$0.5 million for the Nonmajor Alarm Fund.

The total change in net position for the enterprise funds was a positive \$0.1 million for fiscal year 2019. The change was primarily due to strong fiscal management over fees for services. The Town monitors costs in order to provide reasonable fees to customers for services.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly local sales taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Actual revenues of \$34.8 million exceeded the \$31.9 million final budget amount by \$2.9 million, or 9.2%. The \$2.9 million variance was mainly comprised of sales tax revenue, licenses and permits, and investment income exceeding budget. Sales tax revenue had a \$1.5 million positive variance with the budget due to changes in the economy that lead to greater than expected sales tax revenue. Licenses and permits had a positive variance with the final budget of \$0.6 million due to an increase in filings for licenses and various permits. In addition, investment income had a positive variance with the final budget of \$0.5 million due to more than expected investment income. The \$27.3 million of actual expenditures were 90% of the final budget. All departments were under the final budget during the current year.

Actual revenues exceeded expenditures by \$7.5 million which was \$5.9 million more than the final revised budget.

Budgeted revenues remained consistent between the original and final budget. Budgeted expenditures increased by \$2.6 million due to a budget adjustment with an increase to the General Fund and a decrease to Capital Improvements Fund. Additionally, there were various shifts in line items between general government, public safety, and contingencies to fund a payment to pension unfunded liability. Overall general government increased \$1.9 million while public safety increased by \$8.5 million due to a \$1.6 million transfer from General Government to Public Safety and a \$2.6 million transfer from the Capital Improvement Fund, both towards payment of the pension unfunded liability payment.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2019 and 2018 amount to \$108.9 million and \$110.2 million, respectively (net of accumulated depreciation). The net decrease in capital assets (net of accumulated depreciation) was \$1.3 million. The decrease was due to the net effect of \$2.4 million of depreciation expense in the governmental activities, a CIP deletion in the governmental activities of \$1.1 million, additions in the governmental activities of \$2.8 million, \$0.4 million in depreciation expense in the business-type activities and no business-type activities additions during the current fiscal year.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.4 to the Financial Statements for further information regarding capital assets. Table A-3 provides a summary of 2019 and 2018 assets, net of depreciation.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Table A-3  
Capital Assets (Net)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Improvements	\$ 42,263,207	\$ 42,346,876	\$ 2,853,626	\$ 2,853,626	\$ 45,116,833	\$ 45,200,502
Infrastructure	28,180,424	28,418,990	-	-	28,180,424	28,418,990
Buildings and Improvements	5,314,647	5,689,165	3,283,495	3,461,900	8,598,142	9,151,065
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	6,046,288	6,297,682	6,046,288	6,297,682
Machinery, Equipment and Vehicles	4,124,821	4,557,521	11,598	15,352	4,136,419	4,572,873
Construction in Progress	2,502,243	2,212,874	-	-	2,502,243	2,212,874
Total Capital Assets	\$ 82,385,342	\$ 83,225,426	\$ 26,544,773	\$ 26,978,326	\$ 108,930,115	\$ 110,203,752

The most significant capital asset acquisitions during the fiscal year were as follows:

- Lincoln, Mockingbird, & Indian Bend Improvements
- Sidewalk Improvements
- Completion of the Information Technology Upgrades
- Public Safety and Public Works Vehicles and Equipment

**Debt Administration**

At the end of the fiscal years 2019 and 2018, the Town had total long-term obligations outstanding of \$8.2 million and \$9.5 million respectively. Of these amounts, \$7.1 million and \$8.4 million respectively are for the 2009 Municipal Property Corporation Excise Tax Refunding Bonds and 2016 Excise Tax Revenue Bond. The Town refunded its 1998 Municipal Property Corporation bonds and capital leases in fiscal year 2009 to take advantage of favorable interest rates. In fiscal year 2016, the Town issued new Excise Tax Revenue Bonds which totaled \$7,880,000 in order to fund the operations in the Capital Projects Fund. Additional information on the Town's long-term obligations can be found in Note 3.E. Long-term Obligations to the Financial Statements.

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds	\$ 7,065,000	\$ 8,188,998	\$ -	\$ 211,002	\$ 7,065,000	\$ 8,400,000
Bond Premium	-	33,906	-	15,419	-	49,325
Capital Lease	-	-	-	-	-	-
Compensated Absences	1,163,249	1,085,504	-	-	1,163,249	1,085,504
Total Outstanding Debt	\$ 8,228,249	\$ 9,308,408	\$ -	\$ 226,421	\$ 8,228,249	\$ 9,534,829



**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The FY 2019-2020 budget is based upon a relatively specific revenue portfolio. The Town has no local property tax. The Town's limited demographics of residential and resort mean that the Town is highly reliant on hotel and bed tax, construction sales tax, and state shared revenues. The Town's sales tax rate is 2.5% and with this revenue stream, especially the amounts derived from construction activities, has allowed the Town Council to continue the aggressive capital improvement plan as well as generate funding for the replenishment of infrastructure, such as roads, buildings, and technology.

The FY 2019-20 budget forecast the local economy as stable. Budgeted operating revenues total \$33.4 million. Additionally, FY 2019-20 budget operating expense total \$27.5 million (excluding contingencies). A transfer of \$5.3 million will be made to the Capital Improvements Fund and the Debt Service Fund from the General Fund.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Finance Department at:

Town of Paradise Valley  
6401 E. Lincoln Drive  
Paradise Valley, AZ 85253

Or visit our website at: <http://www.paradisevalleyaz.gov/townhall>

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 43,607,442	\$ 3,515,905	\$ 47,123,347
Receivables, Net:			
Accounts Receivable	3,332,728	454,137	3,786,865
Note Receivable	6,475	-	6,475
Intergovernmental Receivables	171,897	-	171,897
Interest Receivable	168,592	-	168,592
Inventories	48,119	-	48,119
Internal Activity	1,164,870	(1,164,870)	-
Restricted Cash and Investments	4,613,861	772,520	5,386,381
OPEB Asset	17,194	-	17,194
Capital Assets:			
Nondepreciable	44,337,407	17,203,392	61,540,799
Depreciable (Net)	38,047,935	9,341,381	47,389,316
Total Assets	<u>135,516,520</u>	<u>30,122,465</u>	<u>165,638,985</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow Related to Pension Liability	14,160,479	-	14,160,479
Deferred Outflow Related to OPEB Liability	123,162	-	123,162
Total Deferred Outflows of Resources	<u>14,283,641</u>	<u>-</u>	<u>14,283,641</u>
<b>LIABILITIES</b>			
Accounts Payable	792,786	330,187	1,122,973
Accrued Wages and Benefits	357,169	-	357,169
Interest Payable	59,699	-	59,699
Customer Deposits Payable	3,286,271	10,435	3,296,706
Unearned Revenue	61,994	1,470,462	1,532,456
Noncurrent Liabilities:			
Net Pension Liability	24,271,373	-	24,271,373
OPEB Liability	209,718	-	209,718
Due Within One Year	1,992,660	-	1,992,660
Due in More Than One Year	6,235,589	-	6,235,589
Total Liabilities	<u>37,267,259</u>	<u>1,811,084</u>	<u>39,078,343</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Liability	801,561	-	801,561
Deferred Inflow Related to OPEB Liability	84,789	-	84,789
Total Deferred Inflows of Resources	<u>886,350</u>	<u>-</u>	<u>886,350</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	75,320,342	26,544,773	101,865,115
Restricted for:			
Court Enhancement	1,062,403	-	1,062,403
Special Projects	71,263	-	71,263
Unrestricted	35,192,544	1,766,608	36,959,152
Total Net Position	<u>\$ 111,646,552</u>	<u>\$ 28,311,381</u>	<u>\$ 139,957,933</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 10,566,002	\$ 6,995,777	\$ 93,000	\$ 674,197	\$ (2,803,028)		\$ (2,803,028)
Public Safety	10,755,292	109,162	70,780	-	(10,575,350)		(10,575,350)
Highways and Streets	5,835,417	-	976,326	-	(4,859,091)		(4,859,091)
Interest and Fiscal Charges	111,690	-	-	-	(111,690)		(111,690)
Total Governmental Activities	27,268,401	7,104,939	1,140,106	674,197	(18,349,159)		(18,349,159)
Business-Type Activities:							
Sewer System	2,698,883	2,891,642	-	-		\$ 192,759	192,759
Alarm Monitor System	268,048	143,073	-	-		(124,975)	(124,975)
Fire Service	3,119,018	3,122,406	-	-		3,388	3,388
Total Business-Type Activities	6,085,949	6,157,121	-	-		71,172	71,172
Totals	\$ 33,354,350	\$ 13,262,060	\$ 1,140,106	\$ 674,197	(18,349,159)	71,172	(18,277,987)
General Revenues:							
Taxes:							
					21,812,160	-	21,812,160
					1,273,973	-	1,273,973
					1,730,880	-	1,730,880
					1,439,438	-	1,439,438
					616,863	-	616,863
					1,330,269	55,936	1,386,205
					28,203,583	55,936	28,259,519
					9,854,424	127,108	9,981,532
					101,792,128	28,184,273	129,976,401
					\$ 111,646,552	\$ 28,311,381	\$ 139,957,933

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 30,003,439	\$ 831,422	\$ 11,095,200	\$ 1,677,381	\$ 43,607,442
Restricted Cash and Investments	3,272,949	-	13,322	1,327,590	4,613,861
Receivables, Net:					
Accounts Receivable	3,404,859	87,285	7,212	5,269	3,504,625
Note Receivable	6,475	-	-	-	6,475
Interest Receivable	168,592	-	-	-	168,592
Due from Other Funds	1,164,870	-	-	-	1,164,870
Advances to Other Funds	405,000	-	-	-	405,000
Inventory	48,119	-	-	-	48,119
Total Assets	<u>\$ 38,474,303</u>	<u>\$ 918,707</u>	<u>\$ 11,115,734</u>	<u>\$ 3,010,240</u>	<u>\$ 53,518,984</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 432,182	\$ 273,824	\$ 85,129	\$ 1,651	\$ 792,786
Accrued Wages and Benefits	331,573	25,596	-	-	357,169
Interest Payable	-	-	-	59,699	59,699
Unearned Revenue	40,570	-	-	21,424	61,994
Advances from Other Funds	-	-	-	405,000	405,000
Customer Deposits Payable	3,272,949	-	13,322	-	3,286,271
Total Liabilities	<u>4,077,274</u>	<u>299,420</u>	<u>98,451</u>	<u>487,774</u>	<u>4,962,919</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>395,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,607</u>
Fund Balances:					
Nonspendable:					
Inventory	48,119	-	-	-	48,119
Advances to Other Funds	405,000	-	-	-	405,000
Note Receivable	6,475	-	-	-	6,475
Restricted	-	-	-	1,133,666	1,133,666
Assigned	2,363,500	619,287	11,017,283	1,388,800	15,388,870
Unassigned	31,178,328	-	-	-	31,178,328
Total Fund Balances	<u>34,001,422</u>	<u>619,287</u>	<u>11,017,283</u>	<u>2,522,466</u>	<u>48,160,458</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					
	<u>\$ 38,474,303</u>	<u>\$ 918,707</u>	<u>\$ 11,115,734</u>	<u>\$ 3,010,240</u>	<u>\$ 53,518,984</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

Fund Balances - Total Governmental Funds \$ 48,160,458

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 41,835,164	
Construction in Progress	2,502,243	
Land Improvements	2,037,352	
Infrastructure	38,756,842	
Buildings and Improvements	11,856,304	
Machinery, Equipment, and Vehicles	11,160,670	
Total Capital Assets	108,148,575	
Less: Accumulated Depreciation	(25,763,233)	82,385,342

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources. 395,607

OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the governmental funds. 17,194

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the governmental funds.

Deferred outflows of resources related to pensions		14,160,479
Deferred inflows of resources related to pensions		(801,561)
Deferred outflows of resources related to OPEB		123,162
Deferred inflows of resources related to OPEB		(84,789)

Long-term liabilities that pertain to governmental funds, including pensions/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Revenue Bonds	(7,065,000)	
Net Pension Liability	(24,271,373)	
OPEB Liability	(209,718)	
Compensated Absences	(1,163,249)	
	(32,709,340)	(32,709,340)

Total Net Position of Governmental Activities \$ 111,646,552

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales Taxes	\$ 21,812,160	\$ -	\$ -	\$ -	\$ 21,812,160
Franchise Taxes	1,273,973	-	-	-	1,273,973
Intergovernmental Revenue	3,874,400	976,326	-	63,548	4,914,274
Fines and Forfeitures	2,982,413	-	-	422,146	3,404,559
Licenses and Permits	2,823,054	-	-	-	2,823,054
Charges for Services	406,865	-	-	-	406,865
Rents and Royalties	101,924	-	-	-	101,924
Contributions and Donations	-	-	193,109	16,178	209,287
Investment Income	1,283,231	-	17,800	29,238	1,330,269
Other	266,287	-	-	-	266,287
<b>Total Revenues</b>	<b>34,824,307</b>	<b>976,326</b>	<b>210,909</b>	<b>531,110</b>	<b>36,542,652</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	9,968,584	-	-	148,320	10,116,904
Public Safety	17,339,143	-	-	27,213	17,366,356
Highways and Streets	-	3,258,493	-	-	3,258,493
<b>Debt Service:</b>					
Principal Retirement	-	-	-	1,123,998	1,123,998
Interest on Long-Term Debt	-	-	-	145,596	145,596
Capital Outlay	-	-	2,619,549	-	2,619,549
<b>Total Expenditures</b>	<b>27,307,727</b>	<b>3,258,493</b>	<b>2,619,549</b>	<b>1,445,127</b>	<b>34,630,896</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,516,580</b>	<b>(2,282,167)</b>	<b>(2,408,640)</b>	<b>(914,017)</b>	<b>1,911,756</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	2,065,400	5,218,854	2,119,553	9,403,807
Transfers Out	(8,074,230)	-	(1,329,577)	-	(9,403,807)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,074,230)</b>	<b>2,065,400</b>	<b>3,889,277</b>	<b>2,119,553</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(557,650)</b>	<b>(216,767)</b>	<b>1,480,637</b>	<b>1,205,536</b>	<b>1,911,756</b>
<b>Fund Balance:</b>					
Beginning of Year	34,559,072	836,054	9,536,646	1,316,930	46,248,702
End of Year	<u>\$ 34,001,422</u>	<u>\$ 619,287</u>	<u>\$ 11,017,283</u>	<u>\$ 2,522,466</u>	<u>\$ 48,160,458</u>

See accompanying Notes to Basic Financial Statements.



**TOWN OF PARADISE VALLEY, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 1,911,756

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	\$ 1,828,417	
Capital Contributions	481,088	
Depreciation Expense	<u>(2,458,467)</u>	(148,962)

Loss on Disposal of Capital Assets		(691,122)
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Accounts receivables, net of allowance, recorded as revenue in the government-wide statement of net position, but not yet available.

Accounts Receivable - June 30, 2018	(296,522)	
Accounts Receivable - June 30, 2019	<u>395,607</u>	99,085

Governmental funds report pension/OPEB contributions as expenditures when made. However, in the Statement of Activities, pension/OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension Contributions	11,280,692	
Pension Expense	(3,661,903)	
OPEB Contributions	57,222	
OPEB Expense	<u>(72,503)</u>	7,603,508

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Premium	33,906	
Bonds Payable	<u>1,123,998</u>	1,157,904

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

		<u>(77,745)</u>
Change in Net Position of Governmental Activities	\$	<u><u>9,854,424</u></u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 20,817,292	\$ 21,557,292	\$ 23,086,133	\$ 1,528,841
Intergovernmental Revenue	3,834,903	3,959,903	3,874,400	(85,503)
Fines and Forfeitures	2,725,120	2,825,120	2,982,413	157,293
Licenses and Permits	3,739,100	2,259,100	2,823,054	563,954
Charges for Services	-	365,000	406,865	41,865
Rents and Royalties	310,000	98,000	101,924	3,924
Investment Income	100,000	750,000	1,283,231	533,231
Other	400,000	77,000	266,287	189,287
Total Revenues	<u>31,926,415</u>	<u>31,891,415</u>	<u>34,824,307</u>	<u>2,932,892</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
Mayor and Council	182,200	189,200	189,140	60
Tourism and Promotion	1,514,011	1,514,011	1,514,011	-
Town Manager	1,075,822	1,095,340	1,088,808	6,532
Town Attorney	609,048	613,447	561,345	52,102
Municipal Court	789,633	834,142	809,012	25,130
Public Works	820,510	829,992	781,845	48,147
Engineering	737,605	750,403	704,540	45,863
Community Development	1,698,626	1,931,293	1,914,637	16,656
Finance	570,652	582,203	535,493	46,710
Information Technology	1,711,521	1,897,327	1,740,720	156,607
Contingency	3,949,667	1,850,503	-	1,850,503
Total General Government	<u>13,659,295</u>	<u>12,087,861</u>	<u>9,839,551</u>	<u>2,248,310</u>
<b>Public Safety</b>				
Police	13,624,067	17,819,245	17,193,237	626,008
Capital Outlay	382,000	382,000	274,939	107,061
Total Expenditures	<u>27,665,362</u>	<u>30,289,106</u>	<u>27,307,727</u>	<u>2,981,379</u>
Excess (Deficiency) of Revenues over Expenditures	4,261,053	1,602,309	7,516,580	5,914,271
<b>Other Financing Sources (Uses):</b>				
Transfers In	216,158	216,158	-	(216,158)
Transfers Out	(9,150,163)	(9,150,163)	(8,074,230)	1,075,933
Total Other Financing Sources (Uses)	<u>(8,934,005)</u>	<u>(8,934,005)</u>	<u>(8,074,230)</u>	<u>859,775</u>
Net Change in Fund Balance	(4,672,952)	(7,331,696)	(557,650)	6,990,204
<b>Fund Balance:</b>				
Beginning of Year	-	-	34,559,072	34,559,072
End of Year	<u>\$ (4,672,952)</u>	<u>\$ (7,331,696)</u>	<u>\$ 34,001,422</u>	<u>\$ 41,549,276</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USER REVENUE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 917,768	\$ 952,768	\$ 976,326	\$ 23,558
Expenditures:				
Current:				
Highways and Streets	3,125,754	3,316,367	3,258,493	57,874
Excess (Deficiency) of Revenues Over Expenditures	(2,207,986)	(2,363,599)	(2,282,167)	81,432
Other Financing Sources (Uses):				
Transfers In	2,065,400	2,065,400	2,065,400	-
Net Change in Fund Balance	(142,586)	(298,199)	(216,767)	81,432
Fund Balance:				
Beginning of Year	-	-	836,054	836,054
End of Year	<u>\$ (142,586)</u>	<u>\$ (298,199)</u>	<u>\$ 619,287</u>	<u>\$ 917,486</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ -	\$ 3,003,829	\$ 512,076	\$ 3,515,905
Restricted Cash and Investments	769,520	3,000	-	772,520
Receivables, Net				
Accounts Receivable (Net)	270,382	167,173	16,582	454,137
Total Current Assets	<u>1,039,902</u>	<u>3,174,002</u>	<u>528,658</u>	<u>4,742,562</u>
Noncurrent Assets:				
Capital Assets				
Nondepreciable	14,349,766	2,853,626	-	17,203,392
Depreciable (Net)	6,046,288	3,295,093	-	9,341,381
Total Noncurrent Assets	<u>20,396,054</u>	<u>6,148,719</u>	<u>-</u>	<u>26,544,773</u>
Total Assets	21,435,956	9,322,721	528,658	31,287,335
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	321,478	8,709	-	330,187
Due to Other Funds	1,164,870	-	-	1,164,870
Unearned Revenue	787,568	682,577	317	1,470,462
Customer Deposits Payable	7,435	3,000	-	10,435
Total Liabilities	<u>2,281,351</u>	<u>694,286</u>	<u>317</u>	<u>2,975,954</u>
<b>Net Position</b>				
Net Investment in Capital Assets	20,396,054	6,148,719	-	26,544,773
Unrestricted	(1,241,449)	2,479,716	528,341	1,766,608
Total Net Position	<u>\$ 19,154,605</u>	<u>\$ 8,628,435</u>	<u>\$ 528,341</u>	<u>\$ 28,311,381</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
Operating Revenues:				
Charges for Services	\$ 2,689,762	\$ 3,086,406	\$ 143,073	\$ 5,919,241
Operating Expenses:				
Cost of Sales and Services	2,324,920	2,771,257	10,580	5,106,757
Administrative Charges	134,030	165,602	257,468	557,100
Depreciation	251,394	182,159	-	433,553
Total Operating Expenses	<u>2,710,344</u>	<u>3,119,018</u>	<u>268,048</u>	<u>6,097,410</u>
Operating Loss	(20,582)	(32,612)	(124,975)	(178,169)
Nonoperating Revenues (Expense):				
Development Fees	201,880	-	-	201,880
Rental Revenue	-	36,000	-	36,000
Investment Earnings	-	43,326	12,610	55,936
Debt Related Interest Income/(Expense)	11,461	-	-	11,461
Total Nonoperating Revenues (Expenses)	<u>213,341</u>	<u>79,326</u>	<u>12,610</u>	<u>305,277</u>
Changes in Net Position	192,759	46,714	(112,365)	127,108
Total Net Position, Beginning of Year	<u>18,961,846</u>	<u>8,581,721</u>	<u>640,706</u>	<u>28,184,273</u>
Total Net Position, End of Year	<u>\$ 19,154,605</u>	<u>\$ 8,628,435</u>	<u>\$ 528,341</u>	<u>\$ 28,311,381</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Nonmajor			Totals
	Sewer	Fire Service	Business-Type Alarm	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,895,666	\$ 3,108,023	\$ 138,921	\$ 6,142,610
Payments to Suppliers	(2,147,235)	(2,779,362)	(18,676)	(4,945,273)
Administrative Charges	(134,030)	(165,602)	(257,468)	(557,100)
Customer Deposits	(53,024)	(2,104)	-	(55,128)
Net Cash Flows from Operating Activities	<u>561,377</u>	<u>160,955</u>	<u>(137,223)</u>	<u>585,109</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received from Interfund Borrowing	(363,768)	-	-	(363,768)
Rental Revenue	-	36,000	-	36,000
Development Fees	201,880	-	-	201,880
Net Cash Flows from Noncapital Financing Activities	<u>(161,888)</u>	<u>36,000</u>	<u>-</u>	<u>(125,888)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Capital Debt	(211,002)	-	-	(211,002)
Interest Paid on Capital Debt	(7,914)	-	-	(7,914)
Net Cash Flows from Capital and Related Financing Activities	<u>(218,916)</u>	<u>-</u>	<u>-</u>	<u>(218,916)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	-	43,326	12,610	55,936
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	180,573	240,281	(124,613)	296,241
Cash and Investments - Beginning of Year	<u>588,947</u>	<u>2,766,548</u>	<u>636,689</u>	<u>3,992,184</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b> (Including \$7,435 of Restricted Cash in the Sewer Fund and \$3,000 of Restricted Cash in the Fire Fund)	<u>\$ 769,520</u>	<u>\$ 3,006,829</u>	<u>\$ 512,076</u>	<u>\$ 4,288,425</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>				
Operating Loss	\$ (20,582)	\$ (32,612)	\$ (124,975)	\$ (178,169)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	251,394	182,159	-	433,553
Change in Assets and Liabilities:				
Receivables, Net	(19,357)	21,213	(4,304)	(2,448)
Accounts Payable	177,685	(8,105)	(8,096)	161,484
Unearned Revenue	225,261	404	152	225,817
Customer Deposits Payable	(53,024)	(2,104)	-	(55,128)
Net Cash Provided/(Used) in Operating Activities	<u>\$ 561,377</u>	<u>\$ 160,955</u>	<u>\$ (137,223)</u>	<u>\$ 585,109</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

The Town amortized \$15,419 of bond premiums in the Sewer Fund during the fiscal year.

See accompanying Notes to Basic Financial Statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**



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**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Paradise Valley, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Financial Reporting Entity**

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations.

The Town includes the following blended component units within the reporting entity:

*MPC Debt Service Fund.* The MPC Debt Service Fund consists of the Paradise Valley Municipal Property Corporation (PVMPC) of which the Board of Directors consists of seven members who are appointed by the Town Council. The PVMPC, which is a nonprofit corporation incorporated under the laws of the state of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has an obligation for the repayment of the Paradise Valley Municipal Property Corporation's bonds.

*The Paradise Valley Mountain Preserve Trust.* The Paradise Valley Mountain Preserve Trust (PVMPT) board of trustees consists of five members who are appointed by the Town Council. The PVMPT was created for charitable purposes as defined in the Internal Revenue Code section 501(c)(3). The Town established and created beneficial interest in the PVMPT to acquire, maintain, preserve and protect in perpetuity undeveloped real property and developed real property that can be returned to its natural state, and interests therein, including scenic and conservation easements, on and around the Paradise Valley Mountain Preserve in the Town of Paradise Valley. The Town Council authorized the Town Manager and appropriate officers of the Town to have operational responsibility over PVMPT by executing an agreement between the Town and PVMPT to provide in-kind and direct expenditures for support services to the PVMPT, including but not limited to the accounting, legal, clerical, property maintenance and management, insurance, real estate transaction expense, promotional, donor and trust estate costs. The Paradise Valley Mountain Preserve Trust cannot be part of another financial reporting entity.

Separate financial statements are not issued for the component units.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component units.

The effect of interfund activity has been removed from these statements except for interfund services provided and used are not eliminated in the consolidation. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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 and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of general long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major governmental funds:

*The 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 another fund.

*Highway User Revenue Fund* - The Highway User Revenue Special Revenue Fund accounts for the Town's share of restricted motor fuel tax revenues and lottery proceeds.

*Capital Projects Fund* - The Capital Projects Fund accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Town reports the following major proprietary funds:

*Sewer System Fund* - The Sewer System Fund accounts for the costs to operate construct and finance the Town's sewer system.

*Fire Service Fund* - The Fire Service Fund accounts for the costs to operate fire services for the Town.

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.

When both restricted and unrestricted resources are available for use, for governmental activities the Town uses restricted resources first, when appropriate, then unrestricted resources as they are needed.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

**1. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the state treasurer, and highly liquid investments with maturities of three years or less from the date of acquisition.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)**

**1. Deposits and Investments (Continued)**

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the state of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

**2. Receivables**

All trade receivables are shown net of an allowance for uncollectible.

**3. Interfund Receivables/Payables**

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

The Town also reports advances to and advances from other funds on the balance sheet of the fund financial statements for long-term interfund borrowings between funds (more than a year).

**4. Inventories**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as an expenditure in the governmental funds and as an expense in the governmental activities, business-type activities and proprietary funds when the resources are used.

**5. Restricted Cash and Investments**

The Town reports restricted cash in the Debt Service Fund for cash held with a paying agent. The Town also reports restricted cash and investments in the General Fund, Capital Projects Fund, Nonmajor Governmental Funds, and Enterprise Funds for the resort payment reserve, customer deposits, and unspent sewer development fees, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)**

**6. Capital Assets**

Capital assets (including property, plant, and equipment) are reported in the governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar assets are recorded at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	25 Years
Land Improvements	25 Years
Sewer Lines	50 Years
Infrastructure	30 to 50 Years
Machinery, Furniture, Equipment and Vehicles	5 to 20 Years

**7. Deferred Outflows of Resources**

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits.

**8. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consist of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)**

**9. Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary type statement of net position. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium. Bond issuance costs are expensed at the time of issuance.

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

**10. Pension Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. 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.

**11. Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2019 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The Town also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)**

**12. Net Position**

In the government-wide financial statements, net position is reported in three categories: Net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because these assets are not available for future spending. Restricted net position account for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

**13. Fund Balance Classifications**

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

The nonspendable fund balance classification include amounts that cannot be spent because they are either not in spendable form such as inventories, advances to other funds, other long-term notes receivable, and prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on its usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the Town Council through ordinance, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances through formal resolution. Fund balances must be committed before the end of the fiscal year.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager or his designee to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the General Fund and includes all amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. It is the Town's policy to use restricted fund balance first, then committed, assigned, and lastly unassigned amounts. The Town has also established a fund balance policy whereas the unassigned fund balance in the operating budget be equal to at least 90%, and not more than 110% of expenditures.



**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. A public hearing is conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provides the Town with a final expenditure limit for the coming fiscal year. 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 financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Paradise Valley Mountain Preserve Trust Fund).
5. Legal budgets are adopted for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures with the exception of the Paradise Valley Mountain Trust Nonmajor Governmental Fund in which an adopted budget is not prepared.

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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2019 consist of the following:

Deposits:	
Cash on Hand	\$ 15,243
Cash in Bank	9,138,811
Cash Held by Trustee	1,327,590
Investments:	
U.S. Treasury Bonds	13,315,322
Corporate Bonds and Notes	7,638,794
U.S. Agency Securities	2,611,977
Money Market Funds	11,010,872
State Treasurer's Investment	7,451,119
Total Cash and Investment	<u>52,509,728</u>
Less: Restricted Cash and Investments	<u>(5,386,381)</u>
Total Cash and Investments	<u><u>\$ 47,123,347</u></u>

**Deposits**

The Town's deposits at June 30, 2019 had a carrying balance of \$9,138,811 and a bank balance of \$9,425,491. Of the bank balance, \$289,520 was covered by federal depository insurance, and \$9,135,171 was covered by collateral held by the Town's custodial bank in the Town's name. Therefore, the Town's deposits were not exposed to any custodial credit risk.

**Investments**

The State Investment Board provides oversight for the state treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. All other investments of the Town are uninsured and unregistered with the securities held by the counterparty's trust department or agent in the Town's name.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

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

	6/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
<b>Investments by Fair Value Level</b>				
Debt Securities:				
U.S. Treasury Bonds	\$ 13,315,322	\$ 13,315,322	\$ -	\$ -
Corporate Bonds and Notes	7,638,794	-	7,638,794	-
U.S. Agency Securities	2,611,977	-	2,611,977	-
Total Investments by Fair Value Level	23,566,093	<u>\$ 13,315,322</u>	<u>\$ 10,250,771</u>	<u>\$ -</u>
<b>Investments Measured at Fair Value</b>				
State Treasurer's Investment	7,451,119			
Money Market Funds	11,010,872			
Total Investments Measured at Fair Value	18,461,991			
Total Investments	<u>\$ 42,028,084</u>			

Debt securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level II of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town did not report any investments classified as Level III investments.

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Town's investment policy, the Town manages its exposure to declines in fair values by limiting its investments to U.S. government securities with maturities of less than three years.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

The table below summarizes the Town's interest rate risk, based on maturity dates of various instruments:

Investment Type	Investment Maturity			Total
	Less than 0-6 Months	Less than 6-12 Months	12+ Months	
U.S. Treasury Bonds	\$ -	\$ 797,376	\$ 12,517,946	\$ 13,315,322
Corporate Bonds and Notes	-	1,914,676	5,724,118	7,638,794
U.S. Agency Securities	-	-	2,611,977	2,611,977
Money Market Funds	11,010,872	-	-	11,010,872
State Treasurer's Investment	7,451,119	-	-	7,451,119
<b>Total Investments</b>	<b>\$ 18,461,991</b>	<b>\$ 2,712,052</b>	<b>\$ 20,854,041</b>	<b>\$ 42,028,084</b>

*Credit Risk* – The Town limits its investments to the State Treasurer's Investment Pool and Federal Agency Securities. The investment in the money market is on hand at the end of the fiscal year in order to make the required principal and interest payments on outstanding bonds. The funds are on deposit with a trustee for less than one month and do not pose a credit risk to the Town. The Town's investments consist of U.S. Treasury Bonds, Corporate Bonds and Notes, U.S. Agency Securities, Money Market Funds and the State Treasurer's Investment Pool. The Town's investment rating based on investment type is shown below:

Investment Type	Rating	Agency	Amount
U.S. Treasury Bonds	AA+/Aaa	S&P/Moody's	\$ 13,315,322
Corporate Bonds and Notes	AA+/Aaa	S&P/Moody's	224,550
Corporate Bonds and Notes	A/A1	S&P/Moody's	1,037,802
Corporate Bonds and Notes	A/A2	S&P/Moody's	220,396
Corporate Bonds and Notes	A/A3	S&P/Moody's	758,008
Corporate Bonds and Notes	A+/A1	S&P/Moody's	410,432
Corporate Bonds and Notes	A-1/A2	S&P/Moody's	903,753
Corporate Bonds and Notes	AA/A1	S&P/Moody's	66,148
Corporate Bonds and Notes	AA/AA2	S&P/Moody's	158,382
Corporate Bonds and Notes	AA-/A1	S&P/Moody's	208,854
Corporate Bonds and Notes	AA-/AA3	S&P/Moody's	288,311
Corporate Bonds and Notes	AA+/Aa1	S&P/Moody's	134,715
Corporate Bonds and Notes	AA+/Aaa	S&P/Moody's	150,874
Corporate Bonds and Notes	BBB+/A3	S&P/Moody's	831,477
Corporate Bonds and Notes	N/A	S&P/Moody's	2,245,092
Money Market	AAAm/Aaa-mf	S&P/Moody's	11,010,872
U.S. Agency Securities	AA+/Aaa	S&P/Moody's	2,611,977
State Treasurer's Investment	AAA	Moody's	7,451,119
<b>Total</b>			<b>\$ 42,028,084</b>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Concentration of Credit Risk* - The Town places no limit on the amount the Town may invest in any one investment type. See the following table summarizing the Town's investments.

Investment Type	Amount	Percent of Town Investments
U.S. Treasury Bonds	\$ 13,315,322	31.7%
Corporate Bonds and Notes	7,638,794	18.2%
U.S. Agency Securities	2,611,977	6.2%
Money Market Funds	11,010,872	26.2%
State Treasurer's Investment	7,451,119	17.7%
Total	<u>\$ 42,028,084</u>	<u>100.0%</u>

**2. Restricted Cash and Investments**

Restricted cash and investments at June 30, 2019 consist of the following:

	Governmental Activities	Business-Type Activities	Total
Cash with Paying Agent	\$ 1,327,590	\$ -	\$ 1,327,590
Resort Payment Reserve	500,000	-	500,000
Customer Deposits	2,786,271	772,520	3,558,791
Total	<u>\$ 4,613,861</u>	<u>\$ 772,520</u>	<u>\$ 5,386,381</u>

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2019 was for the court receivable (\$631,437), all other receivables are deemed to be collectible.

The Sewer System, Fire Service Fee, and Alarm Monitor System Enterprise Funds reported accounts receivable, net of the allowance for uncollectible (\$29,142 in the Sewer Fund, \$16,845 in the Fire Service Fund, and \$642 in Alarm Fund) of \$270,382, \$167,173, and \$16,582 due from residents, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Receivables (Continued)**

Receivables of the governmental funds consist of the following:

	General	HURF	Capital Projects Fund	Nonmajor Governmental	Total
Office of the State Treasurer:					
Highway User Revenue	\$ -	\$ 87,285	\$ -	\$ -	\$ 87,285
State Sales Tax	48,582	-	-	-	48,582
Town Sales Tax	2,506,984	-	-	-	2,506,984
County Treasurer:					
Auto Lieu Tax	24,807	-	-	-	24,807
Franchise Fees:					
Arizona Pubic Service	144,270	-	-	-	144,270
Cox Cable	72,426	-	-	-	72,426
Southwest Gas	25,435	-	-	-	25,435
Court Receivable	1,020,569	-	-	5,269	1,025,838
Grant Receivable	5,954	-	-	-	5,954
Capital Project Reimbursement	-	-	7,212	-	7,212
Miscellaneous	187,269	-	-	-	187,269
Less: Allowance for Uncollectibles	(631,437)	-	-	-	(631,437)
Total	<u>\$ 3,404,859</u>	<u>\$ 87,285</u>	<u>\$ 7,212</u>	<u>\$ 5,269</u>	<u>\$ 3,504,625</u>
Note Receivable	<u>\$ 6,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,475</u>
Interest	<u>\$ 168,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,592</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund:		
Court Fines Receivable	\$ 389,132	\$ -
Miscellaneous Unearned	6,475	40,570
Nonmajor Governmental Funds:		
Grants Receivable	-	21,424
Total	<u>\$ 395,607</u>	<u>\$ 61,994</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,835,164	\$ -	\$ -	\$ 41,835,164
Construction in Progress	2,212,874	1,427,406	(1,138,037)	2,502,243
Total Capital Assets, Not Being Depreciated	<u>44,048,038</u>	<u>1,427,406</u>	<u>(1,138,037)</u>	<u>44,337,407</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,037,352	-	-	2,037,352
Infrastructure	37,942,296	831,166	(16,620)	38,756,842
Buildings and Improvements	11,834,564	36,151	(14,411)	11,856,304
Machinery, Equipment, and Vehicles	11,478,436	461,697	(779,463)	11,160,670
Total Capital Assets, Being Depreciated	<u>63,292,648</u>	<u>1,329,014</u>	<u>(810,494)</u>	<u>63,811,168</u>
Accumulated Depreciation for:				
Land Improvements	(1,525,640)	(83,669)	-	(1,609,309)
Infrastructure	(9,523,306)	(1,069,732)	16,620	(10,576,418)
Buildings and Improvements	(6,145,399)	(410,669)	14,411	(6,541,657)
Machinery, Equipment, and Vehicles	(6,920,915)	(894,397)	779,463	(7,035,849)
Total Accumulated Depreciation	<u>(24,115,260)</u>	<u>(2,458,467)</u>	<u>810,494</u>	<u>(25,763,233)</u>
Total Capital Assets, Being Depreciated, Net	<u>39,177,388</u>	<u>(1,129,453)</u>	<u>-</u>	<u>38,047,935</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,225,426</u>	<u>\$ 297,953</u>	<u>\$ (1,138,037)</u>	<u>\$ 82,385,342</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 672,627
Public Safety	970,370
Highways and Streets	815,470
Total Depreciation Expense, Governmental Activities	<u>\$ 2,458,467</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,853,626	\$ -	\$ -	\$ 2,853,626
Sewer Capacity Rights	14,349,766	-	-	14,349,766
Total Capital Assets, Not Being Depreciated	<u>17,203,392</u>	<u>-</u>	<u>-</u>	<u>17,203,392</u>
Capital Assets, Being Depreciated:				
Sewer System	12,569,671	-	-	12,569,671
Buildings and Improvements	4,460,117	-	-	4,460,117
Machinery, Equipment, and Vehicles	1,207,212	-	(2,611)	1,204,601
Total Capital Assets, Being Depreciated	18,237,000	-	(2,611)	18,234,389
Accumulated Depreciation for:				
Sewer System	(6,271,989)	(251,394)	-	(6,523,383)
Buildings and Improvements	(998,217)	(178,405)	-	(1,176,622)
Machinery, Equipment, and Vehicles	(1,191,860)	(3,754)	2,611	(1,193,003)
Total Accumulated Depreciation	<u>(8,462,066)</u>	<u>(433,553)</u>	<u>2,611</u>	<u>(8,893,008)</u>
Total Capital Assets, Being Depreciated, Net	9,774,934	(433,553)	-	9,341,381
Business-Type Activities Capital Assets, Net	<u>\$ 26,978,326</u>	<u>\$ (433,553)</u>	<u>\$ -</u>	<u>\$ 26,544,773</u>

Depreciation expense was charged to functions/programs as follows:

<b>Business-Type Activities:</b>	
Sewer Fund	\$ 251,394
Fire Service Fund	182,159
Total Depreciation Expense, Business-Type Activities	<u>\$ 433,553</u>

**B. Construction Commitments**

At June 30, 2019, the Town has the following active construction commitments:

Project	Governmental Activities	
	Spent-to-Date	Remaining Commitment
Lincoln Mockingbird & Indian Bend Improvements	\$ 854,476	\$ 108,467
Lincoln sidewalks	421,174	25,792
Town Hall Remodel	37,598	589,377
Total	<u>\$ 1,313,248</u>	<u>\$ 723,636</u>



**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Transfers In	Transfers Out		Total
	General Fund	Capital Projects Fund	
HURF Fund	\$ 2,065,400	\$ -	\$ 2,065,400
Capital Projects Fund	5,218,854	-	5,218,854
Nonmajor Governmental Funds	789,976	1,329,577	2,119,553
Total	<u>\$ 8,074,230</u>	<u>\$ 1,329,577</u>	<u>\$ 9,403,807</u>

The transfer of \$2,065,400 from the General Fund to the HURF Fund was recorded to fund street projects. The transfer of \$5,218,854 from the General Fund to the Capital Projects Fund was recorded to fund various capital projects being constructed by the Town. The transfer of \$789,976 from the General Fund to the Nonmajor Governmental Funds was to fund principal and interest payments on the Excise Tax Revenue Obligations, Series 2016. The Capital Projects Fund transferred \$1,329,577 to the Nonmajor Governmental Funds to transfer interest earned on the acquisition fund and transfer the unspent bond proceeds upon completion of the project to the debt service fund.

**D. Interfund Receivables/Payables**

Short-term borrowings between funds are reported as due to/due from other funds and long-term borrowings between funds are reported as advances to and advances from other funds.

At June 30, 2019, the Town reported the following due to/due from other funds:

Due To	Due From Sewer Fund
General Fund	<u>\$ 1,164,870</u>

The \$1,164,870 due from the Sewer Fund to the General Fund was for short-term borrowings to cover deficit cash in the Sewer Fund.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Receivables/Payables (Continued)**

Interfund advances for the year ended June 30, 2019 consisted of the following:

Advance To	Advance From Nonmajor Governmental Funds
General Fund	\$ 405,000

The advance from the General Fund to the Nonmajor Governmental Funds was recorded to advance the Court Enhancement Fund monies for the construction of a new court building. The advance will be repaid over a 10-year period beginning July 1, 2013. The first principal payment was recorded during fiscal year 2014 and the current year principal payment was \$90,000. The interest rate is 2.50%. The Court Enhancement Fund paid a total of \$11,925 in interest on the advance during the current fiscal year.

**E. Long-Term Obligations**

The Town has long-term bonds payable issued to refund previous bonds used to provide funds for the acquisition of sewer capacity and to retire a capital lease used for the acquisition and construction of fire stations. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Bonds payable at June 30, 2019, were as follows:

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2019
Revenue Bonds			
Excise Tax Revenue Obligations, Series 2016			
\$7,880,000	1/1/2020-2024	1.690%	\$ 7,065,000

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$11,055,000 in excise tax revenue refunding bonds and \$7,880,000 in excise tax revenue bonds.

The Town made the final payment on the MPC Excise Tax Refunding Bond (original issue \$11,055,000) during the current fiscal year.

The remaining principal balance of \$7,065,000 is for the outstanding debt on the Excise Tax Revenue Obligations. The Excise Tax Revenue Obligations, Series 2016, bond proceeds were used to fund projects in the Capital Project Funds and the total proceeds were deposited to the associated fund. All payments however will be made through the Debt Service Fund. Total principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. Total remaining principal and interest required on the bonds is \$7.4 million, payable through 2024. In the current year, total principal and interest paid were \$0.8 million on the Excise Tax Revenue Obligations Series 2016 and \$0.5 million on the MPC Excise Tax Refunding Bond Series 2009.

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 8,188,998	\$ -	\$ (1,123,998)	\$ 7,065,000	\$ 1,365,000
Bond Premium	33,906	-	(33,906)	-	-
Compensated Absences	1,085,504	762,584	(684,839)	1,163,249	627,660
Total Governmental Activities	<u>\$ 9,308,408</u>	<u>\$ 762,584</u>	<u>\$ (1,842,743)</u>	<u>\$ 8,228,249</u>	<u>\$ 1,992,660</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 211,002	\$ -	\$ (211,002)	\$ -	\$ -
Bond Premium	15,419	-	(15,419)	-	-
Total Business-Type Activities	<u>\$ 226,421</u>	<u>\$ -</u>	<u>\$ (226,421)</u>	<u>\$ -</u>	<u>\$ -</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Year	Governmental Activities	
	Principal	Interest
2020	\$ 1,365,000	\$ 107,864
2021	1,390,000	84,585
2022	1,415,000	60,882
2023	1,435,000	36,800
2024	1,460,000	12,337
Totals	<u>\$ 7,065,000</u>	<u>\$ 302,468</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION**

**A. Fund Balance**

The following represents the classifications of the Town's fund balance for fiscal year ended June 30, 2019:

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable:					
Inventory	\$ 48,119	\$ -	\$ -	\$ -	\$ 48,119
Advances to Other Funds	405,000	-	-	-	405,000
Notes Receivable	6,475	-	-	-	6,475
Restricted:					
Contributions and Donations	-	-	-	30,872	30,872
Court Enhancement	-	-	-	1,062,403	1,062,403
Paradise Valley Mountain Preserve Trust	-	-	-	40,391	40,391
Assigned:					
Highways and Streets	-	619,287	-	-	619,287
Contributions and Donations	-	-	-	5,736	5,736
Debt Service	-	-	-	1,383,064	1,383,064
Capital Projects	2,363,500	-	11,017,283	-	13,380,783
Unassigned:	31,178,328	-	-	-	31,178,328
Total Fund Balance	<u>\$ 34,001,422</u>	<u>\$ 619,287</u>	<u>\$ 11,017,283</u>	<u>\$ 2,522,466</u>	<u>\$ 48,160,458</u>

**B. Restatement for a Correction of an Error**

During the year ended June 30, 2018, the Town made contributions to the Public Safety Personnel Retirement System pension plan in excess of the required contributions. The June 30, 2018 financial statements reported the PSPRS pension liability using a measurement date of June 30, 2017. As a result, the additional contributions should have been recorded as a deferred outflow of resource. The additional contribution was recorded as an expense in error. This error requires a restatement of the June 30, 2018, net position of the governmental activities as follows:

	Net Position as Previously Stated	Restatement for Payments to PSPRS That Should Have Been Reported as Deferred Outflows	Net Position As Restated
Governmental Activities	<u>\$ 100,790,965</u>	<u>\$ 1,001,163</u>	<u>\$ 101,792,128</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Risk Management**

The Town of Paradise Valley, Arizona, 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, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The aggregate excess coverage is for an additional \$18,000,000, excluding land use liability claims, on a follow form, claims made basis. The excess land use liability aggregate is \$5,000,000. No settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention 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 is also insured by Arizona Municipal Risk Retention Pool for potential worker related accidents.

**D. Commitments and Contingencies**

**Contingencies** – The Town is a defendant in various lawsuits. In the opinion of the Town's legal counsel, the status of the lawsuits are either not presently determinable or in the event of an unfavorable decision, would not significantly impact the Town.

**Commitments** – The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication, and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities, the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$2.5 million for the year ended June 30, 2019.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans**

**Cost-Sharing and Agent Multiple Employer Pension Plans**

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers. The plans are component units of the state of Arizona.

At June 30, 2019, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities		
	ASRS	PSPRS	Total
Net Pension Liability	\$ 6,535,321	\$ 17,736,052	\$ 24,271,373
Deferred Outflows of Resources	1,476,424	12,684,055	14,160,479
Deferred Inflows of Resources	801,561	-	801,561
Pension Expense	427,619	3,234,284	3,661,903

The Town reported accrued payroll and employee benefits of \$81,866 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2019. Also, the Town reported \$11,280,692 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System**

**Plan Description** – Town employees not covered by the other pension plans described on the following pages 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); 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. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at [www.azasrs.gov](http://www.azasrs.gov).

The OPEB plan disclosures are not included as they are not significant to the Town.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**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 year 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 Consecutive Months of Last 120 Months	Highest 60 Consecutive Months of Last 120 Months
Benefit Percentage 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 year ended June 30, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.64% of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.18% of the active members' annual covered payroll.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.41% of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2019, was \$546,098.

During the fiscal year ended June 30, 2019, the Town paid for ASRS pension contributions as follows: 86% from the General Fund and 14% from the HURF Fund.

**Pension Liability** – At June 30, 2019, the Town reported a liability of \$6,535,321 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018.

The net pension liability measured as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8% to 7.5%, changing the projected salary increases from 3-6.75% to 2.7-7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

The Town's reported liability at June 30, 2019, increased by \$70,430 from the Town's prior year liability of \$6,464,891 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on the Town's FY 2018 contributions. The Town's proportion measured as of June 30, 2018, was 0.04697%, which was an increase of 0.0055 from its proportion measured as of June 30, 2017.



**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2019, the Town recognized pension expense for ASRS of \$427,619. At June 30, 2019, 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	\$ 180,043	\$ 36,028
Changes of Assumptions or Other Inputs	172,937	579,446
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	157,159
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	577,346	28,928
Town Contributions Subsequent to the Measurement Date	546,098	-
Total	\$ 1,476,424	\$ 801,561

The \$546,098 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 324,359
2021	113,285
2022	(238,399)
2023	(70,480)

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

Actuarial Valuation Date	June 30, 2017
Actuarial Roll Forward Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.5%
Projected Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis
Equity	50%	5.50%
Fixed Income	30%	3.83%
Real Estate	20%	5.85%
Total	<u>100%</u>	

**Discount Rate** – At June 30, 2018, the discount rate used to measure the total pension liability was 7.5%, which is a decrease of 0.5% from the discount rate used as of June 30, 2017. 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 9,316,250	\$ 6,535,321	\$ 4,211,899

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided** – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
Years of Service and Age Required to Receive Benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final Average Salary is Based on	Highest 36 Consecutive Months of last 20 years	Highest 60 Consecutive Months of last 20 years
Benefit Percentage Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

Survivor Benefit	
Retired Members	80-100% of retired member's pension benefit
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

**Employees Covered by Benefit Terms** – At June 30, 2019, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Police</u>
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	43
Inactive Employees Entitled to but Not Yet Receiving Benefits	5
Active Employees	<u>32</u>
 Total	 <u><u>80</u></u>

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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. Contributions rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>
Active Members - Pension	7.65% - 9.68%
Town	
PSPRS Tier 1/2	59.18%
PSPRS Tier 3	54.65%

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

For the agent plans, the Town's contributions to the pension plan for the year ended June 30, 2019, was:

	PSPRS Police
Pension Contributions Made	\$ 10,734,594

During the fiscal year 2019, the Town paid pension contributions 100% from the General Fund.

**Pension Liability** – At June 30, 2019, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Police	\$ 17,736,052

The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	7.40%
Wage Inflation	3.50%
Price Inflation	2.50%
Permanent Benefit Increase	Included
Mortality Rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. 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 Real Rate of Return
U.S. Equity	16%	7.60%
Non-U.S. Equity	14%	8.70%
Private Equity	12%	5.83%
Fixed Income	5%	1.25%
Private Credit	16%	6.75%
GTS	12%	3.96%
Real Assets	9%	4.52%
Real Estate	10%	3.75%
Risk Parity	4%	5.00%
Short-Term Investments	2%	0.25%
Total	100%	

**Discount Rate** – The discount rate at June 30, 2018 used to measure the PSPRS total pension liability was the same as the discount rate used as of June 30, 2017 and was as follows:

	PSPRS
	Police
Discount Rates	7.40%

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Changes in the Agent Plans Net Pension Liability** – The following tables present changes in the Town’s net pension liability for the PSPRS – Police pension plans as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	\$ 34,948,185	\$ 16,999,937	\$ 17,948,248
Changes for the Year:			
Service Cost	653,388	-	653,388
Interest on the Total Pension Liability	2,526,602	-	2,526,602
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	477,835	-	477,835
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	2,971,262	(2,971,262)
Contributions - Employee	-	237,556	(237,556)
Net Investment Income	-	1,121,032	(1,121,032)
Benefit Payments, Including Refunds of Employee Contributions	(2,263,213)	(2,263,213)	-
Administrative Expenses	-	(17,762)	17,762
Other Changes	-	(442,067)	442,067
Net Changes	<u>1,394,612</u>	<u>1,606,808</u>	<u>(212,196)</u>
Balances as of June 30, 2019	<u>\$ 36,342,797</u>	<u>\$ 18,606,745</u>	<u>\$ 17,736,052</u>

**Sensitivity of the Town’s Net Pension Liability (Asset) to Changes in the Discount Rate** – The following table presents the Town’s net pension liability calculated using the discount rates noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police: Net Pension Liability	\$ 22,362,231	\$ 17,736,052	\$ 13,924,432

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Pension Expense** – For the year ended June 30, 2019, the Town recognized the following pension expense:

		<u>Pension Expense</u>
PSPRS Police	\$	3,234,284

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 810,262	\$ -
Changes of Assumptions or Other Inputs	986,052	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	153,147	-
City Contributions Subsequent to the Measurement Date	10,734,594	-
Total	\$ 12,684,055	\$ -

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>
2020	\$ 1,169,371
2021	670,077
2022	55,717
2023	54,296



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## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COST SHARING PENSION PLANS  
JUNE 30, 2019**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
Town's Proportion of the Net Pension Liability	0.04697%	0.04150%
Town's Proportionate Share of the Net Pension Liability	\$ 6,535,321	\$ 6,464,891
Town's Covered Payroll	\$ 4,491,377	\$ 3,883,764
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.51%	166.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%

*See accompanying Notes to the Required Supplementary Information.*

Reporting Fiscal Year  
(Measurement Date)

	2017 (2016)	2016 (2015)	2015 (2014)
	0.04197%	0.04041%	0.03913%
\$	6,774,380	\$ 6,294,396	\$ 5,789,961
\$	3,811,031	\$ 3,699,764	\$ 3,983,759
	177.76%	170.13%	145.34%
	67.06%	68.35%	69.49%

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SCHEDULE OF CHANGES IN THE TOWN'S  
NET PENSION LIABILITY AND RELATED RATIOS  
AGENT PENSION PLANS  
JUNE 30, 2019**

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
Total Pension Liability		
Service Cost	\$ 653,388	\$ 625,699
Interest on the Total Pension Liability	2,526,602	2,325,975
Changes of Benefit Terms	-	388,150
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	477,835	572,004
Changes of Assumptions or Other Inputs	-	1,461,598
Benefit Payments, Including Refunds of Employee Contributions	(2,263,213)	(2,250,789)
Net Change in Total Pension Liability	1,394,612	3,122,637
Total Pension Liability - Beginning	34,948,185	31,825,548
Total Pension Liability - Ending (a)	36,342,797	34,948,185
Plan Fiduciary Net Position		
Contributions - Employer	2,971,262	8,029,673
Contributions - Employee	237,556	320,063
Net Investment Income	1,121,032	1,380,854
Benefit Payments, Including Refunds of Employee Contributions	(2,263,213)	(2,250,789)
Administrative Expenses	(17,762)	(12,618)
Other Changes	(442,067)	182,874
Net Change in Plan Fiduciary Net Position	1,606,808	7,650,057
Plan Fiduciary Net Position - Beginning	16,999,937	9,349,880
Plan Fiduciary Net Position - Ending (b)	18,606,745	16,999,937
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 17,736,052</u>	<u>\$ 17,948,248</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.20%	48.64%
Covered Payroll	\$ 2,929,989	\$ 2,757,599
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	605.33%	650.87%

See accompanying Notes to the Required Supplementary Information.

Reporting Fiscal Year  
(Measurement Date)

2017 (2016)	2016 (2015)	2015 (2014)
\$ 503,757	\$ 413,268	\$ 359,518
2,201,463	2,160,197	1,795,059
745,131	-	710,651
692,654	24,766	514,325
1,116,822	-	3,303,865
(2,453,037)	(1,782,549)	(2,335,144)
2,806,790	815,682	4,348,274
29,018,758	28,203,076	23,854,802
31,825,548	29,018,758	28,203,076
3,056,411	1,708,529	1,045,144
312,821	411,948	303,349
57,574	307,573	917,883
(2,453,037)	(1,782,549)	(2,335,144)
(8,686)	(7,885)	(7,393)
679,608	(5,169)	34,308
1,644,691	632,447	(41,853)
7,705,189	7,072,742	7,114,595
9,349,880	7,705,189	7,072,742
<u>\$ 22,475,668</u>	<u>\$ 21,313,569</u>	<u>\$ 21,130,334</u>

29.38%                      26.55%                      25.08%

\$ 2,706,916    \$ 2,290,190    \$ 2,200,151

830.31%                      930.65%                      960.40%

**TOWN OF PARADISE VALLEY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**SCHEDULE OF TOWN PENSION CONTRIBUTIONS**  
**JUNE 30, 2019**

**Arizona State Retirement System**

	Reporting Fiscal Year		
	2019	2018	2017
Statutorily Required Contribution	\$ 546,098	\$ 489,371	\$ 416,736
Town's Contribution in Relation to the Statutorily Required Contribution	546,098	489,371	416,736
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 4,884,600	\$ 4,491,377	\$ 3,883,764
Town's Contributions as a Percentage of Covered Payroll	11.18%	10.90%	10.73%

**PSPRS Police**

	Reporting Fiscal Year		
	2019	2018	2017
Actuarially Determined Contribution	\$ 1,748,183	\$ 1,968,946	\$ 1,737,912
Town's Contribution in Relation to the Actuarially Determined Contribution	10,734,594	2,944,164	8,009,063
Town's Contribution Deficiency (Excess)	<u>\$ (8,986,411)</u>	<u>\$ (975,218)</u>	<u>\$ (6,271,151)</u>
Town's Covered Payroll	\$ 2,929,989	\$ 2,862,125	\$ 2,757,599
Town's Contributions as a Percentage of Covered Payroll	366.37%	102.87%	290.44%

Reporting Fiscal Year

2016	2015	2014
\$ 465,354	\$ 405,309	\$ 377,424
465,354	405,309	377,424
\$ -	\$ -	\$ -
\$ 3,811,031	\$ 3,699,764	\$ 3,983,759
12.21%	10.95%	9.47%

Reporting Fiscal Year

2016	2015	2014
\$ 1,708,137	\$ 1,220,161	\$ 1,126,297
3,042,273	1,708,529	1,126,297
\$ (1,334,136)	\$ (488,368)	\$ -
\$ 2,706,916	\$ 2,290,190	\$ 2,200,151
112.39%	74.60%	51.19%



**TOWN OF PARADISE VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 NOTES TO PENSION SCHEDULES  
 JUNE 30, 2019**

**NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES**

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent-of-pay, closed for Tier 1 & 2 Level dollar closed for Tier 3
Remaining Amortization Period as of the 2016 Actuarial Valuation	18 years for unfunded actuarial accrued liability, 20 years for excess for Tier 1 & 2 10 years for Tier 3
Asset Valuation Method	7-year smoothed market value; 80%/120% market for Tier 1 & 2 5-year smoothed market value, 80%/120% market for Tier 3
Actuarial Assumptions	
Investment Rate of Return	7.40% for Tier 1 & 2 7.00% for Tier 3
Projected Salary Increases	3.50% - 7.50%
Wage Growth	3.50%
Permanent Benefit Increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.

**NOTE 2 INFORMATION PRIOR TO MEASUREMENT DATE**

Ten years of information is required; however, information prior to the measurement date (June 30, 2014) was not available.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Donations Fund* - accounts for contributions and donations received by the Town.

*Grants Fund* - accounts for all grants received by the Town.

*Court Enhancement Fund* - The Court Enhancement Fund is a special revenue fund that accounts for restricted court funds received to improve the Town court.

*Paradise Valley Mountain Preserve Trust Fund* - accounts for the activity of the Mountain Preserve Trust including acquiring, maintaining, preserving, and protecting undeveloped property on and around the Preserve.

### **DEBT SERVICE FUNDS**

*Debt Service Fund* - accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for newly issued debt.

*MPC Debt Service Fund* - accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Special Revenue Funds			
	Donations Fund	Grants Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust
<b>ASSETS</b>				
Cash and Investments	\$ 36,608	\$ 21,424	\$ 1,463,785	\$ 40,391
Restricted Cash and Investments	-	-	-	-
Accounts Receivable (Net)	-	-	5,269	-
Total Assets	<u>\$ 36,608</u>	<u>\$ 21,424</u>	<u>\$ 1,469,054</u>	<u>\$ 40,391</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 1,651	\$ -
Interest Payable	-	-	-	-
Unearned Revenue	-	21,424	-	-
Advances to Other Funds	-	-	405,000	-
Total Liabilities	<u>-</u>	<u>21,424</u>	<u>406,651</u>	<u>-</u>
Fund Balances:				
Restricted	30,872	-	1,062,403	40,391
Assigned	5,736	-	-	-
Total Fund Balances	<u>36,608</u>	<u>-</u>	<u>1,062,403</u>	<u>40,391</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 36,608</u>	<u>\$ 21,424</u>	<u>\$ 1,469,054</u>	<u>\$ 40,391</u>

Debt Service Funds

Total Special Revenue Funds	Debt Service Fund	MPC Debt Service Fund	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ 1,562,208	\$ 115,173	\$ -	\$ 115,173	\$ 1,677,381
-	1,327,590	-	1,327,590	1,327,590
5,269	-	-	-	5,269
<u>\$ 1,567,477</u>	<u>\$ 1,442,763</u>	<u>\$ -</u>	<u>\$ 1,442,763</u>	<u>\$ 3,010,240</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,651
-	59,699	-	59,699	59,699
21,424	-	-	-	21,424
405,000	-	-	-	405,000
<u>428,075</u>	<u>59,699</u>	<u>-</u>	<u>59,699</u>	<u>487,774</u>
1,133,666	-	-	-	1,133,666
5,736	1,383,064	-	1,383,064	1,388,800
<u>1,139,402</u>	<u>1,383,064</u>	<u>-</u>	<u>1,383,064</u>	<u>2,522,466</u>
<u>\$ 1,567,477</u>	<u>\$ 1,442,763</u>	<u>\$ -</u>	<u>\$ 1,442,763</u>	<u>\$ 3,010,240</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			
	Donations Fund	Grants Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust
<b>REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ 63,548	\$ -	\$ -
Contribution and Donations	16,178	-	-	-
Fines and Forfeitures	-	-	422,146	-
Investment Income	-	-	20,567	92
Total Revenues	<u>16,178</u>	<u>63,548</u>	<u>442,713</u>	<u>92</u>
<b>EXPENDITURES</b>				
Current:				
General Government	10,405	33,383	104,532	-
Public Safety	213	27,000	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Long-Term Debt	-	-	11,925	-
Total Expenditures	<u>10,618</u>	<u>60,383</u>	<u>116,457</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	5,560	3,165	326,256	92
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	5,560	3,165	326,256	92
<b>FUND BALANCES</b>				
Beginning of Year	31,048	(3,165)	736,147	40,299
End of Year	<u>\$ 36,608</u>	<u>\$ -</u>	<u>\$ 1,062,403</u>	<u>\$ 40,391</u>

Debt Service Funds

Total Special Revenue Funds	Debt Service Fund	MPC Debt Service Fund	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ 63,548	\$ -	\$ -	\$ -	\$ 63,548
16,178	-	-	-	16,178
422,146	-	-	-	422,146
20,659	8,579	-	8,579	29,238
<u>522,531</u>	<u>8,579</u>	<u>-</u>	<u>8,579</u>	<u>531,110</u>
148,320	-	-	-	148,320
27,213	-	-	-	27,213
-	660,000	463,998	1,123,998	1,123,998
11,925	124,976	8,695	133,671	145,596
<u>187,458</u>	<u>784,976</u>	<u>472,693</u>	<u>1,257,669</u>	<u>1,445,127</u>
335,073	(776,397)	(472,693)	(1,249,090)	(914,017)
<u>-</u>	<u>2,119,553</u>	<u>-</u>	<u>2,119,553</u>	<u>2,119,553</u>
335,073	1,343,156	(472,693)	870,463	1,205,536
804,329	39,908	472,693	512,601	1,316,930
<u>\$ 1,139,402</u>	<u>\$ 1,383,064</u>	<u>\$ -</u>	<u>\$ 1,383,064</u>	<u>\$ 2,522,466</u>



**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Investment Income	\$ -	\$ -	\$ 17,800	\$ 17,800
Contributions and Donations	303,176	303,176	193,109	(110,067)
Other	5,960,000	5,960,000	-	(5,960,000)
Total Revenues	<u>6,263,176</u>	<u>-</u>	<u>210,909</u>	<u>(6,052,267)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>17,189,563</u>	<u>13,941,006</u>	<u>2,619,549</u>	<u>11,321,457</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,229,563)	(13,941,006)	(2,408,640)	5,379,257
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	6,728,987	6,294,787	5,218,854	(1,075,933)
Transfers Out	-	(1,329,577)	(1,329,577)	-
Total Other Financing Sources (Uses)	<u>6,728,987</u>	<u>4,965,210</u>	<u>3,889,277</u>	<u>(1,075,933)</u>
Net Change in Fund Balance	(4,500,576)	(8,975,796)	1,480,637	4,303,324
<b>FUND BALANCE</b>				
Beginning of Year	-	-	9,536,646	9,536,646
End of Year	<u>\$ (4,500,576)</u>	<u>\$ (8,975,796)</u>	<u>\$ 11,017,283</u>	<u>\$ 19,993,079</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DONATIONS FUND  
YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Contributions and Donations	\$ 15,000	\$ 16,178	\$ 1,178
<b>EXPENDITURES</b>			
Current:			
General Government	16,063	10,405	5,658
Public Safety	39,706	213	39,493
Total Expenditures	55,769	10,618	45,151
Excess (Deficiency) of Revenues Over Expenditures	(40,769)	5,560	46,329
<b>FUND BALANCE</b>			
Beginning of Year	-	31,048	31,048
End of Year	\$ (40,769)	\$ 36,608	\$ 77,377

**TOWN OF PARADISE VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GRANTS FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Intergovernmental	\$ 106,845	\$ 63,548	\$ (43,297)
<b>EXPENDITURES</b>			
Current:			
General Government	55,570	33,383	22,187
Public Safety	41,845	-	41,845
Capital Outlay	27,000	27,000	-
Total Expenditures	<u>124,415</u>	<u>60,383</u>	<u>64,032</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,570)	3,165	20,735
<b>FUND BALANCE</b>			
Beginning of Year	-	(3,165)	(3,165)
End of Year	<u>\$ (17,570)</u>	<u>\$ -</u>	<u>\$ 17,570</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**COURT ENHANCEMENT FUND**  
**YEAR ENDED JUNE 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Fines and Forfeitures	\$ 263,038	\$ 422,146	\$ 159,108
Investment Income	-	20,567	20,567
Total Revenues	<u>263,038</u>	<u>442,713</u>	<u>179,675</u>
Expenditures:			
Current:			
General Government	198,400	80,178	118,222
Debt Service:			
Interest on Long-Term Debt	14,200	11,925	2,275
Capital Outlay	50,438	24,354	26,084
Total Expenditures	<u>263,038</u>	<u>116,457</u>	<u>146,581</u>
Excess (Deficiency) of Revenues Over Expenditures	-	326,256	326,256
Fund Balance:			
Beginning of Year	-	736,147	736,147
End of Year	<u>\$ -</u>	<u>\$ 1,062,403</u>	<u>\$ 1,062,403</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 8,579	\$ 8,579
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	660,000	660,000	660,000	-
Interest on Long-Term Debt	129,976	124,976	124,976	-
Total Expenditures	<u>789,976</u>	<u>784,976</u>	<u>784,976</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(789,976)	(784,976)	(776,397)	8,579
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>789,976</u>	<u>2,119,553</u>	<u>2,119,553</u>	<u>-</u>
Net Change in Fund Balance	-	1,334,577	1,343,156	8,579
<b>FUND BALANCE</b>				
Beginning of Year	-	-	39,908	39,908
End of Year	<u>\$ -</u>	<u>\$ 1,334,577</u>	<u>\$ 1,383,064</u>	<u>\$ 48,487</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MPC DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	\$ 463,998	\$ 463,998	\$ 463,998	\$ -
Interest on Long-Term Debt	3,699	8,699	8,695	4
Total Expenditures	<u>467,697</u>	<u>472,697</u>	<u>472,693</u>	<u>4</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (467,697)	 (472,697)	 (472,693)	 4
<b>FUND BALANCE</b>				
Beginning of Year	-	-	472,693	472,693
End of Year	<u>\$ (467,697)</u>	<u>\$ (472,697)</u>	<u>\$ -</u>	<u>\$ 472,697</u>

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## **STATISTICAL SECTION (UNAUDITED)**

This section of the Town of Paradise Valley, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

### **Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, sales tax.*

### **Debt Capacity**

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

*See the table of contents for page numbers of the schedules that encompass the above sections.*



**TOWN OF PARADISE VALLEY, ARIZONA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year			
	2010	2011	2012	2013
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 70,077,412	\$ 69,676,668	\$ 69,407,881	\$ 68,209,762
Restricted	2,595,469	1,786,639	1,221,024	608,907
Unrestricted	<u>22,373,381</u>	<u>22,487,936</u>	<u>23,627,937</u>	<u>20,852,943</u>
Total Governmental Activities Net Position	<u>\$ 95,046,262</u>	<u>\$ 93,951,243</u>	<u>\$ 94,256,842</u>	<u>\$ 89,671,612</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 16,176,951	\$ 16,757,765	\$ 17,292,596	\$ 25,706,810
Restricted	2,746,466	2,075,256	1,362,476	567,431
Unrestricted	<u>3,855,763</u>	<u>4,194,195</u>	<u>4,736,253</u>	<u>5,402,355</u>
Total Business-Type Activities Net Position	<u>\$ 22,779,180</u>	<u>\$ 23,027,216</u>	<u>\$ 23,391,325</u>	<u>\$ 31,676,596</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 86,254,363	\$ 86,434,433	\$ 86,700,477	\$ 93,916,572
Restricted	5,341,935	3,861,895	2,583,500	1,176,338
Unrestricted	<u>26,229,144</u>	<u>26,682,131</u>	<u>28,364,190</u>	<u>26,255,298</u>
Total Primary Government Net Position	<u>\$ 117,825,442</u>	<u>\$ 116,978,459</u>	<u>\$ 117,648,167</u>	<u>\$ 121,348,208</u>

Source: Town's Finance Department.

Fiscal Year

2014	2015	2016	2017	Restated 2018	2019
\$ 73,318,948	\$ 79,895,872	\$ 78,383,694	\$ 79,851,973	\$ 76,859,341	\$ 75,320,342
102,778	53,739	224,308	455,140	784,098	1,133,666
5,908,977	3,338,007	10,434,716	13,495,213	24,148,689	35,192,544
<u>\$ 79,330,703</u>	<u>\$ 83,287,618</u>	<u>\$ 89,042,718</u>	<u>\$ 93,802,326</u>	<u>\$ 101,792,128</u>	<u>\$ 111,646,552</u>
\$ 26,022,037	\$ 26,446,442	\$ 26,904,413	\$ 26,808,710	\$ 26,751,905	\$ 26,544,773
-	-	-	-	-	-
901,947	999,604	1,034,839	1,233,402	1,432,368	1,766,608
<u>\$ 26,923,984</u>	<u>\$ 27,446,046</u>	<u>\$ 27,939,252</u>	<u>\$ 28,042,112</u>	<u>\$ 28,184,273</u>	<u>\$ 28,311,381</u>
\$ 99,340,985	\$ 106,342,314	\$ 105,288,107	\$ 106,660,683	\$ 103,611,246	\$ 101,865,115
102,778	53,739	224,308	455,140	784,098	1,133,666
6,810,924	4,337,611	11,469,555	14,728,615	25,581,057	36,959,152
<u>\$ 106,254,687</u>	<u>\$ 110,733,664</u>	<u>\$ 116,981,970</u>	<u>\$ 121,844,438</u>	<u>\$ 129,976,401</u>	<u>\$ 139,957,933</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year			
	2010	2011	2012	2013
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 5,857,493	\$ 6,826,239	\$ 7,708,607	\$ 7,289,224
Public Safety	8,040,162	7,787,743	7,628,580	7,055,389
Highways and Streets	2,151,001	2,225,274	2,076,040	3,346,762
Interest on Long-Term Debt	301,622	267,022	239,802	282,387
Total Governmental Activities Expenses	<u>16,350,278</u>	<u>17,106,278</u>	<u>17,653,029</u>	<u>17,973,762</u>
Business-Type Activities:				
Sewer	2,207,903	2,144,491	2,111,254	2,264,536
Fire Service	-	-	-	1,414,177
Alarm Monitor System	125,529	117,568	108,520	85,698
Total Business-Type Activities	<u>2,333,432</u>	<u>2,262,059</u>	<u>2,219,774</u>	<u>3,764,411</u>
Total Primary Government Expenses	<u>\$ 18,683,710</u>	<u>\$ 19,368,337</u>	<u>\$ 19,872,803</u>	<u>\$ 21,738,173</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 2,564,613	\$ 2,748,788	\$ 2,540,900	\$ 4,111,615
Public Safety	143,867	221,550	303,571	210,837
Highways and Streets	53,349	-	-	-
Operating Grants and Contributions	856,445	844,615	746,903	763,844
Capital Grants and Contributions	152,699	-	27,321	118,064
Total Governmental Activities Program Revenues	<u>3,770,973</u>	<u>3,814,953</u>	<u>3,618,695</u>	<u>5,204,360</u>
Business-Type Activities:				
Charges for Services:				
Sewer System	2,066,141	2,254,806	2,292,392	2,258,513
Fire Service	-	-	-	1,538,314
Alarm Monitor System	245,390	265,656	253,253	242,072
Capital Grants and Contributions	31,500	92,500	-	198,000
Total Business-Type Activities Program Revenues	<u>2,343,031</u>	<u>2,612,962</u>	<u>2,545,645</u>	<u>4,236,899</u>
Total Primary Government Program Revenues	<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>	<u>\$ 6,164,340</u>	<u>\$ 9,441,259</u>

Source: The Town's Finance Department.

Fiscal Year					
2014	2015	2016	2017	Restated 2018	2019
\$ 7,276,076	\$ 7,776,745	\$ 8,605,414	\$ 9,458,609	\$ 9,995,805	\$ 10,566,002
6,286,763	8,745,404	9,054,408	10,249,410	9,755,591	10,755,292
3,201,369	3,669,224	3,568,394	3,669,088	5,154,182	5,835,417
182,224	147,314	281,348	192,227	146,463	111,690
16,946,432	20,338,687	21,509,564	23,569,334	25,052,041	27,268,401
2,351,590	2,324,369	2,185,714	2,124,328	2,114,532	2,698,883
2,961,269	3,045,071	2,921,260	3,037,830	3,247,709	3,119,018
103,975	59,277	100,719	128,521	279,499	268,048
5,416,834	5,428,717	5,207,693	5,290,679	5,641,740	6,085,949
\$ 22,363,266	\$ 25,767,404	\$ 26,717,257	\$ 28,860,013	\$ 30,693,781	\$ 33,354,350
\$ 5,189,006	\$ 4,290,508	\$ 6,845,255	\$ 4,648,109	\$ 6,119,735	\$ 6,995,777
124,464	37,395	82,694	71,787	58,799	109,162
-	-	-	-	-	-
807,404	874,773	1,121,420	1,144,233	1,065,863	1,140,106
10,000	234,000	-	208,085	1,178,960	674,197
6,130,874	5,436,676	8,049,369	6,072,214	8,423,357	8,919,242
2,227,314	2,498,749	2,250,608	2,415,051	2,661,503	2,891,642
3,112,850	3,099,652	3,101,634	3,121,961	3,138,471	3,122,406
231,984	217,953	199,750	190,727	168,127	143,073
-	80,000	76,875	-	-	-
5,572,148	5,896,354	5,628,867	5,727,739	5,968,101	6,157,121
\$ 11,703,022	\$ 11,333,030	\$ 13,678,236	\$ 11,799,953	\$ 14,391,458	\$ 15,076,363

(Continued)

**TOWN OF PARADISE VALLEY, ARIZONA  
CHANGES IN NET POSITION (CONCLUDED)  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

(Concluded)	Fiscal Year			
	2010	2011	2012	2013
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (12,579,305)	\$ (13,291,325)	\$ (14,034,334)	\$ (12,769,402)
Business-Type Activities	9,599	350,903	325,871	472,488
Total Primary Government Net Expense	\$ (12,569,706)	\$ (12,940,422)	\$ (13,708,463)	\$ (12,296,914)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 8,051,632	\$ 7,944,769	\$ 10,627,184	\$ 11,963,535
Franchise Taxes	999,785	1,007,634	1,055,473	1,061,725
State Shared Revenue	2,807,201	2,402,963	2,083,775	2,358,876
Auto Lieu Tax Revenue Sharing	465,343	453,010	411,604	429,075
Investment Income	358,326	231,090	161,897	174,833
Special Item - Capital Asset Moved to Fire Fund	-	-	-	(7,803,872)
Transfers	121,508	156,840	-	-
Total Governmental Activities	12,803,795	12,196,306	14,339,933	8,184,172
Business-Type Activities:				
Investment Income	66,451	53,973	38,238	8,911
Capital Contributions	-	-	-	198,000
Special Item - Capital Asset Moved to Fire Fund	-	-	-	7,803,872
Transfers	(121,508)	(156,840)	-	-
Total Business-Type Activities	(55,057)	(102,867)	38,238	8,010,783
Total Primary Government	\$ 12,748,738	\$ 12,093,439	\$ 14,378,171	\$ 16,194,955
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 224,490	\$ (1,095,019)	\$ 305,599	\$ (4,585,230)
Business-Type Activities	(45,458)	248,036	364,109	8,908,064
Total Primary Government	\$ 179,032	\$ (846,983)	\$ 669,708	\$ 4,322,834

Source: The Town's Finance Department.

Fiscal Year					
2014	2015	2016	2017	Restated 2018	2019
\$ (10,815,558)	\$ (14,902,011)	\$ (13,460,195)	\$ (17,497,120)	\$ (16,628,684)	\$ (18,349,159)
155,314	467,637	421,174	437,060	326,361	71,172
<u>\$ (10,660,244)</u>	<u>\$ (14,434,374)</u>	<u>\$ (13,039,021)</u>	<u>\$ (17,060,060)</u>	<u>\$ (16,302,323)</u>	<u>\$ (18,277,987)</u>
\$ 13,136,325	\$ 14,564,835	\$ 14,553,528	\$ 17,151,386	\$ 19,276,803	\$ 21,812,160
1,061,660	1,037,258	1,146,142	1,056,547	1,288,360	1,273,973
2,544,840	2,723,544	2,760,822	2,980,931	3,156,391	3,170,318
457,878	490,206	530,413	548,523	595,778	616,863
94,521	91,159	274,390	185,141	250,226	1,330,269
-	-	-	-	-	-
4,915,177	(48,076)	(50,000)	334,200	184,200	-
<u>22,210,401</u>	<u>18,858,926</u>	<u>19,215,295</u>	<u>22,256,728</u>	<u>24,751,758</u>	<u>28,203,583</u>
7,251	6,349	22,032	-	-	55,936
-	-	-	-	-	-
-	-	-	-	-	-
(4,915,177)	48,076	50,000	(334,200)	(184,200)	-
<u>(4,907,926)</u>	<u>54,425</u>	<u>72,032</u>	<u>(334,200)</u>	<u>(184,200)</u>	<u>55,936</u>
<u>\$ 17,302,475</u>	<u>\$ 18,913,351</u>	<u>\$ 19,287,327</u>	<u>\$ 21,922,528</u>	<u>\$ 24,567,558</u>	<u>\$ 28,259,519</u>
\$ 11,394,843	\$ 3,956,915	\$ 5,755,100	\$ 4,759,608	\$ 8,123,074	\$ 9,854,424
(4,752,612)	522,062	493,206	102,860	142,161	127,108
<u>\$ 6,642,231</u>	<u>\$ 4,478,977</u>	<u>\$ 6,248,306</u>	<u>\$ 4,862,468</u>	<u>\$ 8,265,235</u>	<u>\$ 9,981,532</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
PROGRAM REVENUES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>					
General Government	\$ 2,592,630	\$ 2,767,852	\$ 2,671,657	\$ 4,288,121	\$ 5,275,399
Public Safety	149,236	255,768	305,350	214,512	131,761
Highways and Streets	1,029,107	791,333	641,688	701,727	723,714
Subtotal Governmental Activities	<u>3,770,973</u>	<u>3,814,953</u>	<u>3,618,695</u>	<u>5,204,360</u>	<u>6,130,874</u>
<b>Business-Type Activities:</b>					
Sewer System	2,097,641	2,347,306	2,292,392	2,258,513	2,227,314
Fire Service	-	-	-	1,538,314	3,112,850
Alarm Monitor System	245,390	265,656	253,253	242,072	231,984
Subtotal Business-Type Activities	<u>2,343,031</u>	<u>2,612,962</u>	<u>2,545,645</u>	<u>4,038,899</u>	<u>5,572,148</u>
Total Primary Government	<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>	<u>\$ 6,164,340</u>	<u>\$ 9,243,259</u>	<u>\$ 11,703,022</u>

Source: The Town's Finance Department.

Fiscal Year				
2015	2016	2017	2018	2019
\$ 4,600,325	\$ 6,950,634	\$ 4,913,534	\$ 7,370,286	\$ 7,762,974
42,579	269,877	188,098	120,038	179,942
793,772	828,858	970,582	933,033	976,326
5,436,676	8,049,369	6,072,214	8,423,357	8,919,242
2,578,749	2,327,483	2,415,051	2,661,503	2,891,642
3,099,652	3,101,634	3,121,961	3,138,471	3,122,406
217,953	199,750	190,727	168,127	143,073
5,896,354	5,628,867	5,727,739	5,968,101	6,157,121
<u>\$ 11,333,030</u>	<u>\$ 13,678,236</u>	<u>\$ 11,799,953</u>	<u>\$ 14,391,458</u>	<u>\$ 15,076,363</u>



**TOWN OF PARADISE VALLEY, ARIZONA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	<u>Fiscal Year</u>
	<u>2010</u>
General Fund:	
Unreserved	<u>\$ 14,865,748</u>

All Other Governmental Funds:	
Unreserved, Reported in:	
Special Revenue Funds	\$ 2,444,644
Debt Service Funds	6,314,592
Capital Projects Funds	<u>1,864,879</u>
Total All Other Governmental Funds	<u>\$ 10,624,115</u>

	<u>Fiscal Year</u>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:						
Nonspendable	\$ 6,972	\$ 143,415	\$ 1,039,473	\$ 1,157,133	\$ 818,308	\$ 709,554
Assigned	-	-	-	-	-	-
Unassigned	<u>13,995,539</u>	<u>14,393,182</u>	<u>14,206,372</u>	<u>23,391,719</u>	<u>25,421,178</u>	<u>29,666,433</u>
Total General Fund	<u>\$ 14,002,511</u>	<u>\$ 14,536,597</u>	<u>\$ 15,245,845</u>	<u>\$ 24,548,852</u>	<u>\$ 26,239,486</u>	<u>\$ 30,375,987</u>
All Other Governmental Funds:						
Nonspendable						
Prepaid Items	\$ -	\$ -	\$ 16,025	\$ -	\$ -	\$ 6,528
Restricted	1,786,369	1,221,024	592,882	102,778	53,739	5,694,934
Assigned	8,905,955	9,268,513	11,165,163	8,274,256	3,821,554	4,960,708
Unassigned	<u>(16,600)</u>	<u>-</u>	<u>-</u>	<u>(619,309)</u>	<u>(282,949)</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 10,675,724</u>	<u>\$ 10,489,537</u>	<u>\$ 11,774,070</u>	<u>\$ 7,757,725</u>	<u>\$ 3,592,344</u>	<u>\$ 10,662,170</u>

Source: The Town's Finance Department.

Note: During the fiscal year 2011, the Town implemented GASB Statement No 54. Therefore, starting in the fiscal year ended June 30, 2011, governmental fund balances will be presented based on the GASB Statement No. 54 hierarchy.

2017	2018	2019
\$ 2,748,409	\$ 628,372	\$ 459,594
494,500	1,168,500	2,363,500
26,547,108	32,762,200	31,178,328
<u>\$ 29,790,017</u>	<u>\$ 34,559,072</u>	<u>\$ 34,001,422</u>

\$ -	\$ -	\$ -
5,921,497	2,143,013	1,133,666
4,337,958	9,549,782	13,025,370
(16,600)	(3,165)	-
<u>\$ 10,242,855</u>	<u>\$ 11,689,630</u>	<u>\$ 14,159,036</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year			
	2010	2011	2012	2013
<b>REVENUES</b>				
Taxes	\$ 9,051,417	\$ 8,952,403	\$ 11,682,657	\$ 13,025,260
Intergovernmental	4,272,612	3,692,516	3,251,086	3,537,464
Fines and Forfeitures	1,133,627	1,201,432	801,897	2,346,166
Licenses and Permits	982,740	1,080,207	1,021,911	1,203,370
Charges for Services	490,095	356,650	427,269	328,019
Indirect Charges	-	-	-	-
Rents and Royalties	-	320,907	325,220	307,987
Investment Income	358,326	231,090	161,897	174,833
Other	9,076	8,072	51,730	461,264
Total Revenues	<u>16,297,893</u>	<u>15,843,277</u>	<u>17,723,667</u>	<u>21,384,363</u>
<b>EXPENDITURES</b>				
General Government	5,686,505	5,987,892	5,581,346	6,168,281
Public Safety	7,864,339	7,504,468	7,594,737	6,816,444
Highways and Streets	1,616,151	1,444,530	1,204,634	2,677,491
Capital Outlay	128,752	832,181	2,149,953	2,699,004
Debt Service:				
Issuance Costs	-	-	-	-
Principal Retirement	388,383	773,329	800,825	824,885
Interest on Long-Term Debt	291,345	252,475	228,857	204,477
Total Expenditures	<u>15,975,475</u>	<u>16,794,875</u>	<u>17,560,352</u>	<u>19,390,582</u>
Excess of Revenues				
Over (Under) Expenditures	322,418	(951,598)	163,315	1,993,781
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	6,289,267	2,584,469	3,481,659	6,293,189
Transfers Out	(6,167,759)	(2,427,629)	(3,481,659)	(6,293,189)
Issuance of Long-Term Debt	-	-	-	-
Premium on Issuance of Long-Term Debt	-	-	-	-
Payment of Escrow Agent	-	-	-	-
Payment on Capital Leases	-	-	-	-
Proceeds from Capital Leases	-	-	167,714	-
Total Other Financing Sources (Uses)	<u>121,508</u>	<u>156,840</u>	<u>167,714</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ 443,926</u>	<u>\$ (794,758)</u>	<u>\$ 331,029</u>	<u>\$ 1,993,781</u>
Debt Service as a Percentage of Noncapital Expenditures	4.5%	6.6%	6.4%	6.0%

Source: The Town's Management Services

Source: The Town's Finance Department.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 14,197,985	\$ 15,602,093	\$ 15,699,670	\$ 18,576,603	\$ 20,565,163	\$ 23,086,133
3,791,372	4,074,853	4,393,807	4,712,850	4,825,303	4,914,274
1,161,685	2,085,650	3,697,261	2,364,100	2,881,561	3,404,559
1,322,052	1,426,883	2,071,846	2,285,398	2,712,910	2,823,054
354,680	259,689	261,829	-	309,900	406,865
322,000	-	-	-	-	-
154,220	158,410	159,360	307,779	123,101	101,924
94,521	91,159	274,390	185,141	250,226	1,330,269
1,812,082	520,978	579,469	118,706	1,190,577	475,574
<u>23,210,597</u>	<u>24,219,715</u>	<u>27,137,632</u>	<u>28,550,577</u>	<u>32,858,741</u>	<u>36,542,652</u>
6,700,704	6,963,210	7,794,295	7,925,090	9,159,411	10,116,904
6,215,932	7,291,649	8,972,593	13,930,804	8,883,377	17,366,356
2,635,007	3,014,861	2,786,005	2,860,702	4,372,002	3,258,493
6,522,394	8,080,876	2,737,601	3,924,735	3,223,563	2,619,549
-	-	125,697	-	-	-
998,944	1,114,569	1,155,556	1,022,598	1,008,389	1,123,998
216,131	181,221	189,558	226,133	180,369	145,596
<u>23,289,112</u>	<u>26,646,386</u>	<u>23,761,305</u>	<u>29,890,062</u>	<u>26,827,111</u>	<u>34,630,896</u>
(78,515)	(2,426,671)	3,376,327	(1,339,485)	6,031,630	1,911,756
9,685,071	6,593,422	4,831,055	6,446,038	9,018,440	9,403,807
(4,769,894)	(6,641,498)	(4,881,055)	(6,111,838)	(8,834,240)	(9,403,807)
450,000	-	7,880,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,365,177</u>	<u>(48,076)</u>	<u>7,830,000</u>	<u>334,200</u>	<u>184,200</u>	<u>-</u>
<u>\$ 5,286,662</u>	<u>\$ (2,474,747)</u>	<u>\$ 11,206,327</u>	<u>\$ (1,005,285)</u>	<u>\$ 6,215,830</u>	<u>\$ 1,911,756</u>
7.3%	6.9%	6.4%	4.7%	5.0%	3.9%

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**TOWN OF PARADISE VALLEY, ARIZONA  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
2010	\$ 5,972,752	\$ 2,078,880	\$ 999,785	\$ 9,051,417
2011	5,543,814	2,400,955	1,007,634	8,952,403
2012	8,103,896	2,523,288	1,055,473	11,682,657
2013	9,235,643	2,727,892	1,061,725	13,025,260
2014	10,300,810	2,835,515	1,061,660	14,197,985
2015	11,447,385	3,117,450	1,037,258	15,602,093
2016	11,345,902	3,207,626	1,146,142	15,699,670
2017	13,818,317	3,701,739	1,056,547	18,576,603
2018	14,833,522	4,443,281	1,288,360	20,565,163
2019	16,964,383	4,847,777	1,273,973	23,086,133

Source: The Town's Finance Department.

**TOWN OF PARADISE VALLEY, ARIZONA  
LOCAL TAXES COLLECTED BY CATEGORY  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	Fiscal Year				
	2010	2011	2012	2013	2014
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 499,069	\$ 459,650	\$ 829,653	\$ 881,141	\$ 890,417
Construction	2,250,756	1,645,850	1,780,801	2,340,481	3,048,856
Manufacturing	85,959	81,724	119,098	133,431	128,060
Retail Trade	223,429	281,128	355,717	451,136	559,294
Finance, Insurance and Real Estate	165,509	201,843	251,196	262,889	288,739
Hospitality	2,464,680	2,527,486	4,007,195	4,338,311	4,536,958
Services	147,522	154,748	224,531	268,514	320,097
Other	135,828	191,385	535,705	559,740	528,389
Total	<u>\$ 5,972,752</u>	<u>\$ 5,543,814</u>	<u>\$ 8,103,896</u>	<u>\$ 9,235,643</u>	<u>\$ 10,300,810</u>
Bed Tax Collected	<u>\$ 2,078,880</u>	<u>\$ 2,400,955</u>	<u>\$ 2,523,288</u>	<u>\$ 2,727,892</u>	<u>\$ 2,835,515</u>

Source: Arizona Department of Revenue

(1) Sales tax increased from 1.2% to 1.4% effective January 1, 1999, and from 1.4% to 1.65% effective September 1, 2004, and from 1.65% to 2.50% effective August 1, 2011 (Temporarily until August 1, 2014). Use tax of 1.4% added effective April 1, 1999.

(2) Bed tax increased from 3.0% to 3.4% effective August 1, 2010.

Fiscal Year

2015	2016	2017	2018	2019
\$ 922,244	\$ 965,755	\$ 957,578	\$ 1,019,237	\$ 954,873
3,049,241	3,181,485	4,327,639	4,762,342	5,718,854
135,788	158,886	44,432	42,372	33,311
724,235	856,216	2,082,847	3,682,628	4,277,634
375,473	341,602	397,083	523,693	747,190
4,981,595	4,931,846	5,287,561	4,405,605	4,935,524
333,592	313,346	13	2	(98)
925,217	596,766	721,164	397,643	297,095
<u>\$ 11,447,385</u>	<u>\$ 11,345,902</u>	<u>\$ 13,818,317</u>	<u>\$ 14,833,522</u>	<u>\$ 16,964,383</u>
<u>\$ 3,117,450</u>	<u>\$ 3,207,626</u>	<u>\$ 3,701,739</u>	<u>\$ 4,443,281</u>	<u>\$ 4,847,777</u>



**TOWN OF PARADISE VALLEY, ARIZONA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**Privilege (Sales) Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2010	1.65%	0.70%	6.60%
2011	1.65%	0.70%	6.60%
2012	2.50%	0.70%	6.60%
2013	2.50%	0.70%	5.60%
2014	2.50%	0.70%	5.60%
2015	2.50%	0.70%	5.60%
2016	2.50%	0.70%	5.60%
2017	2.50%	0.70%	5.60%
2018	2.50%	0.70%	5.60%
2019	2.50%	0.70%	5.60%

**Use Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2010	1.65%	0.00%	6.60%
2011	1.65%	0.00%	6.60%
2012	2.50%	0.00%	6.60%
2013	2.50%	0.00%	5.60%
2014	2.50%	0.00%	5.60%
2015	2.50%	0.00%	5.60%
2016	2.50%	0.00%	5.60%
2017	2.50%	0.00%	5.60%
2018	2.50%	0.00%	5.60%
2019	2.50%	0.00%	5.60%

**Bed Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2010	3.00%	1.77%	6.50%
2011	3.40%	1.77%	6.50%
2012	3.40%	1.77%	6.50%
2013	3.40%	1.77%	5.50%
2014	3.40%	1.77%	5.50%
2015	3.40%	1.77%	5.50%
2016	3.40%	1.77%	5.50%
2017	3.40%	1.77%	5.50%
2018	3.40%	1.77%	5.50%
2019	3.40%	1.77%	5.50%

Source: Maricopa County Treasurer.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	Note Payable	Capital Leases	Excise Tax Revenue Bonds	Note Payable			
2010	\$ 7,516,026	\$ -	\$ 1,072,687	\$ 3,417,905	\$ 2,628,548	\$ 14,635,166	\$ 997	14,686
2011	6,708,790	-	798,457	3,050,815	2,234,778	12,792,840	998	12,820
2012	5,874,058	-	599,774	2,671,221	1,824,454	10,969,507	846	12,972
2013	5,015,266	-	432,287	2,280,687	1,396,398	9,124,638	696	13,106
2014	4,132,415	300,000	347,227	1,879,212	950,089	7,608,943	573	13,282
2015	3,222,068	150,000	259,098	1,465,233	485,153	5,581,552	415	13,457
2016	10,153,914	-	167,789	1,034,061	-	11,355,764	832	13,653
2017	9,192,013	-	73,186	596,637	-	9,861,836	708	13,930
2018	8,188,994	-	-	211,006	-	8,400,000	585	14,355
2019	7,065,000	-	-	-	-	7,065,000	491	14,400

Source: The Town's Finance Department.

**TOWN OF PARADISE VALLEY, ARIZONA  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

Fiscal Year	Excise Tax Revenue Bonds			Coverage
	Excise Tax*	Principal	Interest	
2010	\$ 11,861,417	\$ 565,000	\$ 414,083	12.11 %
2011	11,358,227	1,125,000	367,288	7.61
2012	13,769,632	1,165,000	332,938	9.19
2013	15,527,974	1,200,000	297,463	10.37
2014	16,889,747	1,235,000	260,938	11.29
2015	18,475,808	1,275,000	216,913	12.38
2016	18,610,585	1,330,000	214,382	12.05
2017	21,709,229	1,350,000	237,635	13.67
2018	23,728,328	1,290,000	179,875	16.14
2019	26,261,151	1,335,000	137,628	17.83

\*Excise Tax revenue is comprised of local taxes, franchise fees, business licenses, state shared sales tax and state shared income taxes.

Source: The Town's Finance Department.

**TOWN OF PARADISE VALLEY, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2019  
(UNAUDITED)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid with Property Taxes</b>			
Maricopa County	None	1.38%	None
Maricopa County Special Health Care District	\$ 459,125,000	2.17%	\$ 9,963,013
Maricopa County Community College District	312,450,000	2.17%	6,780,165
East Valley Institute of Technology District No. 401	None	4.87%	None
Creighton Unified School District No. 14	28,455,000	13.41%	3,815,816
Phoenix Union High School District No. 210	389,120,000	1.16%	4,513,792
Scottsdale Unified School District No. 48	224,046,250	15.54%	34,816,787
Subtotal, Overlapping Debt			<u>59,889,572</u>
Town of Paradise Valley Direct Debt (Including Bonds and Capital Leases)			<u>7,065,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 59,889,572</u></u>

Source: The various jurisdictions

<sup>a</sup> The percentage of overlapping debt applicable to the Town is calculated based on the Town's net limited assessed property valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction .

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

**TOWN OF PARADISE VALLEY, ARIZONA  
POPULATION STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Population	Median Household Income	Per Capita Income
2010	14,686	(a)	(a)
2011	12,820	(a)	(a)
2012	12,972	(a)	(a)
2013	13,106	(a)	(a)
2014	13,282	(a)	(a)
2015	13,457	(a)	(a)
2016	13,653	(a)	(a)
2017	13,930	(a)	(a)
2018	14,355	(a)	(a)
2019	14,400	(a)	(a)

Source: U.S. Census Bureau and Arizona Economic Estimates Commission.

Source: Median household income and per capita incomes are estimates provided by City-Data.com. The state of Arizona does not track personal income or unemployment data for populations of less than 25,000.

(a) Information was not available.

**TOWN OF PARADISE VALLEY, ARIZONA  
PRINCIPAL EMPLOYERS  
2018 AND 2009  
(UNAUDITED)**

	2018		2009	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Camelback Inn	620	15.3%	860	19.2%
Omni Scottsdale Resort & Spa (Formerly InterContinental Montelucia Resort & Joya Spa)	374	9.2%	300	6.7%
Sanctuary on Camelback Mountain	311	7.7%	357	8.0%
Scottsdale Plaza Resort	270	6.7%	392	8.7%
Hermosa Inn	202	5.0%	92	2.0%
Marriott's Mountain Shadows	189	4.7%	-	
Double Tree Paradise Valley Resort	160	4.0%	180	4.0%
Phoenix Country Day School	148	3.7%	155	3.5%
Paradise Valley Country Club	110	2.7%	141	3.1%
Town of Paradise Valley	108	2.7%	-	
Scottsdale Cottonwoods Hotel	-	0.0%	99	2.2%
Early Learning Childhood Center	-	0.0%	90	2.0%
Total	2,492	61.6%	2,666	59.4%
 Total Town Employment	 4,047		 4,489	

Source: Maricopa Association of Governments 2018 Employer Database.

Note: 2018 and 2009 is the most recent information available.

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Full-Time Equivalent Employees										
Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Town Manager	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Town Attorney	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Finance	7.0	7.0	4.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
Information Technology	-	-	-	-	3.0	3.0	3.0	3.0	4.0	5.0
Community Development	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0
Court	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0	7.0
Engineering	2.0	1.0		1.0	3.0	3.0	4.0	4.0	4.0	5.0
Public Works	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Police:										
Officers	30.0	23.0	25.0	27.0	27.0	33.0	33.0	34.0	34.0	34.0
Civilians	11.0	13.0	9.0	7.0	12.0	8.0	8.0	8.0	10.0	15.0
Highways and Streets	13.0	12.0	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0
Sewer System	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Alarm Monitoring System	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>93.0</u>	<u>83.0</u>	<u>76.0</u>	<u>79.0</u>	<u>84.0</u>	<u>86.0</u>	<u>87.0</u>	<u>88.0</u>	<u>94.0</u>	<u>103.0</u>

Source: Town's Finance Department.



**TOWN OF PARADISE VALLEY, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function	Fiscal Year				
	2010	2011	2012	2013	2014
General Government:					
Building Permits Issued	499	536	517	559	638
Value of Building Permits Issued	\$ 54,467,751	\$ 59,607,205	\$ 68,448,551	\$ 74,147,285	\$ 85,481,811
Police:					
Physical Arrests	240	199	258	218	378
Parking Violations	1,789	1,142	1,199	445	529
Traffic Violations	2,203	2,049	1,995	1,914	2,399
Other Public Works:					
Street Resurfacing (Miles)	-	-	7	19.78	12.80
Potholes Repaired	17	23	10	11	14
Sewer System:					
Number of Customers	2,086	2,094	2,095	2,115	2,136

Source: The Town of Paradise Valley.

Fiscal Year

2015	2016	2017	2018	2019
615	706	649	667	659
\$ 88,396,985	\$ 142,370,728	\$ 122,718,034	\$ 181,737,513	\$ 221,618,999
456	206	351	336	565
567	408	362	162	134
1,940	1,829	3,036	5,532	6,395
27.90	27.9	26.4	19.4	18.7
18	10	7	13	19
2,165	2,162	2,173	2,191	2,210

**TOWN OF PARADISE VALLEY, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function	Fiscal Year				
	2010	2011	2012	2013	2014
Police:					
Stations	1	1	1	1	1
Patrol and Detective Vehicles	25	25	25	24	24
Fire Service:					
Stations	2	2	2	2	2
Fire Pumpers, Support Vehicles	4	3	3	3	3
Other Public Works:					
Streets (Miles)	140	140	140	140	147
Traffic Signals	12	12	12	12	12
Wastewater:					
Sanitary Sewers (Feet)	325,029	325,029	325,029	326,349	326,349
Treatment Capacity (Thousands of Gallons)	1,026	1,026	1,026	1,026	1,026

Source: The Town of Paradise Valley.

Fiscal Year

2015	2016	2017	2018	2019
1	1	1	1	1
20	20	20	20	20
2	2	2	2	2
3	3	3	3	3
147	147	147	147	147
12	12	12	12	12
326,649	327,624	327,624	327,624	327,624
1,026	1,026	1,026	1,026	1,026

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