



Town of Paradise Valley
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2025



Town of Paradise Valley, Arizona

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025

Prepared by:
Finance Department

Town of Paradise Valley, Arizona

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Introductory Section



Town of Paradise Valley

6401 E. Lincoln Drive, Paradise Valley, AZ 85253

December 4, 2025

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

State law requires that local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, the Paradise Valley Finance Department is honored to present the Annual Comprehensive Financial Report of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2025. This report is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial affairs have been included.

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

The Town's financial statements have been audited by Baker Tilly, LLP, a certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2025, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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.

PROFILE OF THE TOWN

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 limited services, including police protection; municipal courts; public works; construction and maintenance of streets; planning, zoning, building and code enforcement services; and general administrative 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 also provided by a private company.

The annual budget serves as the foundation for the Town's financial planning and control. Pursuant to state statutes, the Town Council formally adopts the budget and legally appropriates available monies in the Town's various funds. Budget to actual information is presented for each of these funds. 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 by the Town Council.

The Town is also subject to the State of Arizona's Expenditure Limitation Law for Towns and Cities under the state constitution. This law prohibits the Town from spending in excess of the amount calculated by the Expenditure Estimates Commission. The limitation is applied to the total of the combined funds. To ensure compliance with the state-imposed expenditure limitation, a uniform expenditure report must be filed with the state each year. This report reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the state's uniform expenditure reporting system (ARS Section 41-1279.07).

Appropriations in the adopted budget are programmed by department in the General Fund and by fund for all other funds. Departmental appropriations may be amended during the year; however, the total budget may not be increased. 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. All appropriations lapse at year-end.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The Town remains committed to a frugal and cautious approach to its financial management and will continue to monitor inflation and other economic factors closely to assess their potential impact on our budget and resources. By prioritizing responsible spending and strategic planning, we aim to safeguard our financial stability while ensuring that our residents needs are met.

Tourism is a major contributor to Paradise Valley's economy hosting eight resorts with AAA four diamond ratings. Similar to FY2024-25, the Town continued to see an increase in the local transaction privilege tax. In addition, construction continues at the 5-Star development site which includes a Ritz Carlton resort.

Another major source of revenue for the Town is the construction industry with contributions from construction sales tax and permit revenues. Construction sales tax comprises approximately 29% of the Town's sales tax revenues and 18% of the Town's total general fund revenue in FY2024-25. Construction sales taxes are derived from construction of new homes and resorts within the Town. Construction sales taxes are one-time in nature and as such the Town's financial policies require that at least 50% of construction sales taxes are dedicated to the Capital Improvement Program (CIP).

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.

NEXT YEAR'S BUDGET

The FY 2025-26 budget increased over FY 2024-25 by \$3.5 million (FY26 - \$61.3 million vs FY25 - \$57.8). It provides funding to maintain Town services, the CIP, and road improvements. Some of the \$3.0 million increase was for salary and salary related increases. and a large part was for street maintenance and street projects. The FY 2025-26 budget reflected similar staffing levels to those budgeted in FY 2024-25. The Town projected for an increase in local sales tax revenues in the General Fund, as well as state funding for budgeted capital expenditures.

The Town continues to focus on preserving the quality of life unique to Paradise Valley and the value of limited government, while enhancing the hospitality industry through the development and redevelopment of Paradise Valley luxury resorts. The Town also remains committed to public safety services supporting staffing and services in the Police Department.

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 account for the completion of major developments, 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.

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This was the sixteenth 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 ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Town received the Distinguished Budget Presentation Award for the year July 1, 2024 through June 30, 2025.

The Town was also recognized with the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended June 30, 2024. This is the seventh 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 with contents conforming to program standards of creativity, presentation, understandability, and reader appeal.

Each GFOA award is valid for a period of one year. Management believes that our current Annual Comprehensive Financial Report and Popular Annual Financial Report continue to meet respective award program requirements and Town staff are submitting to GFOA to determine eligibility for another certificate.

ACKNOWLEDGEMENTS

The presentation of this report would not have been possible without the efficient, effective, and dedicated services of the Finance Department staff. Their efforts to enhance procedures, ensure accuracy, improve systems, and conduct research have allowed for the completion of this annual audit and financial report. I would also like to thank staff in other departments who responded positively to the requests for detailed information which 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,

A handwritten signature in black ink, appearing to read 'Leslie DeReche', followed by a horizontal line.

Leslie DeReche, CPA, CPFO, CGFM
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Paradise Valley
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

**Town of Paradise Valley, Arizona
List of Principal Officials
Fiscal Year Ended June 30, 2025**

Elected Officials

Mark Stanton, Mayor
Ellen Andeen-Keller, Vice Mayor
Christine Labelle, Councilmember
Karen Liepmann, Councilmember
Scott Moore, Councilmember
Julie Pace, Councilmember
Anna Thomasson, Councilmember

Mayor and Council Appointed

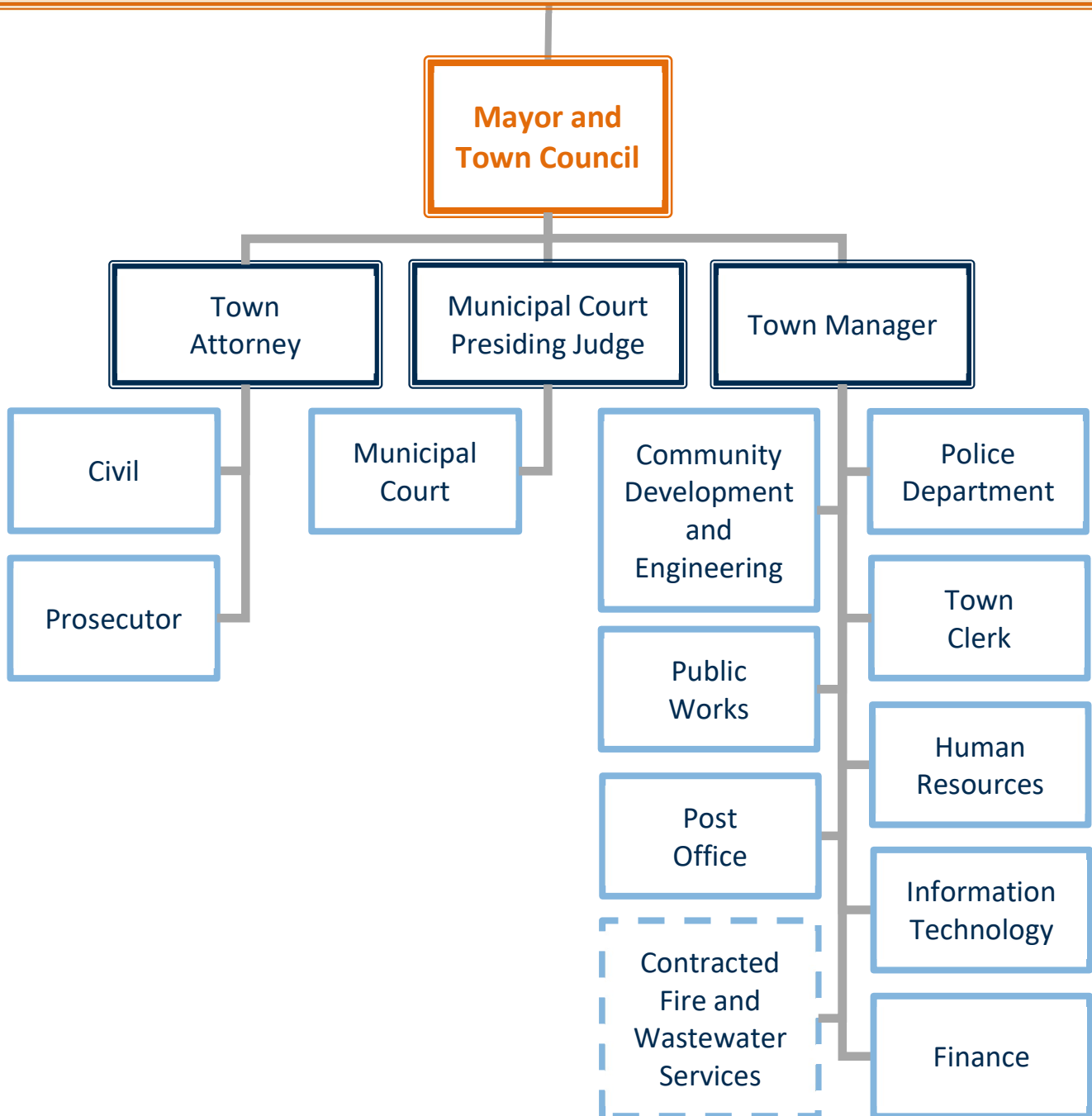
Andrew B. Ching, Town Manager
Andrew McGuire, Town Attorney
J. Tyrrell Taber, Presiding Judge

Principal Staff

Leslie DeReche, Chief Financial Officer
Freeman Carney, Chief of Police
Chad Weaver, Community Development Director
James Bailey, Information Technology Director
Isaac Chavira, Public Works Director
Jeanette Wiesenhofer, Municipal Court Director
Gina Monger, Human Resources Director
Duncan Miller, Town Clerk

ORGANIZATION CHART

CITIZENS OF PARADISE VALLEY, ARIZONA





Financial Section

Independent Auditors Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Supplementary Information



Financial Section

Independent Auditors Report

Independent Auditors' Report

To the Town Council of
Town of Paradise Valley, Arizona

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matters

Compliance Over Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Arizona Auditor General,) the Town's Council and management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Restricted Use Relating to the Other Matter

The communication related to compliance with the aforementioned indenture described in the Other Matter paragraph is intended solely for the information and use of the Arizona State Legislature, management and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Tempe, Arizona
December 4, 2025



Financial Section

Management's Discussion and Analysis



Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

This section of the Town of Paradise Valley's (the Town) Annual Comprehensive Financial Report presents a narrative overview and comparative analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow. The management's discussion and analysis are presented as required supplementary information to supplement the basic financial statements.

Financial Highlights

The Town's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of the fiscal year 2025 and 2024 by \$264.7 million and \$237.8 million (*net position*), respectively. Of these amounts, \$140.2 million and \$119.7 million, respectively, represent unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.

- The Town's total net position increased in fiscal year 2025 by \$26.96 million compared to an increase in net position of \$27.7 million during fiscal year 2024.
- As of June 30, 2025 and 2024, the Town's governmental funds reported combined ending fund balances of \$148.2 million and \$127.0 million, respectively, which were comprised of nonspendable, restricted, assigned, and unassigned fund balances.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$104.4 million, or 377.3% of actual General Fund operating expenditures. At the close of the fiscal year 2024, the unassigned fund balance for the General Fund was \$86.6 million, or 305.9% of operating expenditures.
- The Town's long-term liabilities decreased by \$5.4 million to \$14.4 million during the current fiscal year. This decrease is mainly due to a payment made to reduce the unfunded public safety pension liability.

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 and, accordingly, to provide information about the Town as a whole. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed and what dollar remains for future spending. The major fund financial statements also display the Town's most significant funds.

Statement of Net Position - presents financial information on all 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.

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 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 41 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.

The Town maintains eleven 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 and Highway User Revenue Fund, are major funds. Data from the remaining nine 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 45 of this report.

Town of Paradise Valley, Arizona

Management Discussion and Analysis
June 30, 2025

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 51 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 57 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison schedules for the General Fund and major special revenues funds and the Town's progress in funding its obligation to provide pension benefits to its employees. This information can be found beginning on page 80 of this report.

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

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 did, as a whole, 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.

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.

Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

Analysis of Net Position - Net position may serve as a useful indicator of a government's financial position. In the case of the Town, combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$264.7 million and \$237.8 million at the close of the fiscal years 2025 and 2024, respectively as shown in the following condensed statement of net position.

Town of Paradise Valley, Arizona Condensed Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 156,311,803	\$ 133,898,208	\$ 3,369,196	\$ 4,163,129	\$ 159,680,999	\$ 138,061,337
Capital assets:						
Nondepreciable/ amortized	47,744,965	43,761,459	17,203,392	17,203,392	64,948,357	60,964,851
Depreciable/amortized, net	51,224,105	50,949,896	7,540,795	7,209,843	58,764,900	58,159,739
Total assets	255,280,873	228,609,563	28,113,383	28,576,364	283,394,256	257,185,927
Total deferred outflows of resources	4,430,004	8,554,760	-	-	4,430,004	8,554,760
Liabilities:						
Other liabilities	5,093,707	5,102,757	1,147,879	975,354	6,241,586	6,078,111
Long-term liabilities:						
Due within one year	2,760,578	2,465,004	-	-	2,760,578	2,465,004
Due in more than one year	11,652,967	17,398,013	-	-	11,652,967	17,398,013
Total liabilities	19,507,252	24,965,774	1,147,879	975,354	20,655,131	25,941,128
Total deferred inflows of resources	2,485,365	2,010,305	-	-	2,485,365	2,010,305
Net position:						
Net investment in capital assets	97,232,836	91,514,630	24,744,187	24,413,235	121,977,023	115,927,865
Restricted	2,551,104	2,199,264	-	-	2,551,104	2,199,264
Unrestricted	137,934,320	116,474,350	2,221,317	3,187,775	140,155,637	119,662,125
Total net position	\$ 237,718,260	\$ 210,188,244	\$ 26,965,504	\$ 27,601,010	\$ 264,683,764	\$ 237,789,254

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 \$123.7 million (49%) and \$115.9 million (49%) for the fiscal years 2025 and 2024, 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 Discussion and Analysis

June 30, 2025

An additional portion of the Town's net position, \$2.6 million (less than 1%) for fiscal year 2025 and \$2.2 million (1.0%) for fiscal year 2024, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2025 and 2024, \$140.2 million (54%) and \$119.7 million (50%) 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.

Analysis of Changes in Net Position - Total revenues exceeded total expenses in the current fiscal year, resulting in an increase in the Town's total net position of \$26.9 million in fiscal year 2025 compared to an increase in net position of \$27.7 million during the fiscal years 2024. These changes are explained in the government and business-type activities discussion below.

Town of Paradise Valley, Arizona Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Fees, fines and charges for service	\$ 8,762,080	\$ 7,764,862	\$ 6,269,819	\$ 6,197,626	\$ 15,031,899	\$ 13,962,488
Operating grants and contributions	1,505,479	1,356,130	-	-	1,505,479	1,356,130
Capital grants and contributions	3,697,286	487,432	109,858	306,033	3,807,144	793,465
General revenues:						
Local taxes	36,612,040	36,347,408	-	-	36,612,040	36,347,408
State shared revenues	5,267,070	5,899,002	-	-	5,267,070	5,899,002
Investment earnings	6,466,673	5,931,680	160,324	155,068	6,626,997	6,086,748
Gain on disposal of right-to-use assets	-	56,651	-	-	-	56,651
Miscellaneous	259,951	148,966	-	-	259,951	148,966
Total revenues	62,570,579	57,992,131	6,540,001	6,658,727	69,110,580	64,650,858
Expenses:						
Governmental activities:						
General government	14,535,734	13,689,314	-	-	14,535,734	13,689,314
Public safety	14,508,849	12,146,819	-	-	14,508,849	12,146,819
Highways and streets	4,758,393	3,937,254	-	-	4,758,393	3,937,254
Interest and fiscal charges	37,587	67,181	-	-	37,587	67,181
Business-type activities:						
Sewer system	-	-	3,621,489	2,522,877	3,621,489	2,522,877
Fire services	-	-	4,564,507	4,457,551	4,564,507	4,457,551
Alarm monitor system	-	-	189,511	166,247	189,511	166,247
Total expenses	33,840,563	29,840,568	8,375,507	7,146,675	42,216,070	36,987,243
Transfers in/(out)	(1,200,000)	-	1,200,000	-	-	-
Change in net position	27,530,016	28,151,563	(635,506)	(487,948)	26,894,510	27,663,615
Net position, beginning	210,188,244	182,036,681	27,601,010	28,088,958	237,789,254	210,125,639
Net position, ending	\$ 237,718,260	\$ 210,188,244	\$ 26,965,504	\$ 27,601,010	\$ 264,683,764	\$ 237,789,254

Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

Governmental Activities - Net position for governmental activities increased \$27.5 million during fiscal year 2025 compared to an increase of \$28.2 million in fiscal year 2024. Total revenues increased \$4.6 million from the prior fiscal year and expenses increased \$4.0 million. Overall, revenues exceeded expenses resulting in the increase in net position.

Program revenues total \$10.7 million in fiscal year 2025 compared to \$9.6 million in 2024. Fines, fees and charges for services increased (13.0%) over fiscal year 2024 and is largely due to the development agreement with Five Star. Operating grants remained flat in fiscal year 2025 while Capital Grants increased by \$3.3 million dollars due to a land donation to the Paradise Valley Mountain Preserve Trust.

General revenues such as local taxes, state shared revenue and investment earnings are not shown by program but are used to support program activities town wide. Total general revenues for governmental activities were \$448.6 million in fiscal year 2025 compared to \$48.2 million in 2024. Local taxes increased by \$265 thousand with reflects economic factors and sales. State shared revenue is based on population and tax revenue received by the state. The population in Paradise Valley remained constant while other communities' populations increased, which decreases the Town's share. Investment earnings increased from fiscal year 2024 by \$535 thousand. Investment earnings increased due to increased interest rates in fiscal year 2025 compared to fiscal year 2024, as well as gains reported in most investment securities held by the Town.

Expenses increased from \$29.8 million in fiscal year 2024 to \$33.8 million in fiscal year 2025. General Government increased \$846 thousand over the prior fiscal year mostly due to compensation increase and inflation. Public Safety expenses increased \$2.3 million, this amount is a net increase that includes the compensation increase, some reduced spending, and an additional \$2.5 million dollar payment to the public safety unfunded pension liability. Highways and Streets expenses increased \$821 thousand due to compensation increase and inflation.

Business-Type Activities. Business-type activities decreased the Town's net position by \$0.6 million in fiscal year 2025. Income from charges for services and expenses remained relatively unchanged in fiscal year 2025 over the prior fiscal year; however, fire services expenditures exceeded fire service revenues, resulting in the decrease in net position.

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.

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.

Governmental Funds

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 and the Highway User Revenue Fund (HURF).

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$148.2 million, an increase of \$21.3 million, or a 16.8% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2024 were \$127.0 million.

Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

The General Fund is the chief operating fund of the Town. At June 30, 2025, the general fund balance had a total ending fund balance of \$137.8 million. The unassigned fund balance of the General Fund was \$104.4 million, or 70.5% of the combined governmental fund balance. The unassigned fund balance of the General Fund on June 30, 2024 was \$115.3 million, or 68.2% 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 \$104.4 million represents 377.3% of General Fund expenditures.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The fund balance on June 30, 2025 was \$0.9 million and was all assigned due to unspent transfers from the General Fund. The HURF Fund received a transfer of \$3.0 million from the General Fund to supplement the cost of street improvement projects, the same amount as fiscal year 2024. HURF expenditures increased \$0.5 million in comparison with the prior year.

The nonmajor governmental funds reported a decrease in fund balance of \$1.4 million. This decrease was largely due to an increase in capital spending.

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 \$(0.4) million for the Fire Service Fund, \$2.2 million for the Sewer Fund and \$0.4 million for the Nonmajor Alarm Fund.

The total change in net position for the enterprise funds was a negative \$0.6 million for fiscal year 2025. The change was primarily due to an increase in the fire service intergovernmental agreement with the City of Phoenix. The Town monitors costs in order to provide reasonable fees to customers for services.

General Fund Budgetary Highlights

The Town adopts an annual appropriated budget for its General Fund which is the legally adopted expenditure control document of the Town. A schedule is provided of the budget amounts compared to the Town's actual financial activity for the General Fund in the other required supplementary section of this report. Actual revenues exceeded expenditures by \$22.5 million which was \$16.6 million more than the final revised budget for fiscal year 2025.

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 \$55.8 million exceeded the \$51.4 million final budget amount by \$4.4 million, or 8.6%. The \$13.2 million of actual expenditures were 87.4% of the final budget. All departments were under the final budget during the current year.

Budgeted revenues and expenditures remained consistent between the original and final budget.

Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

Capital Assets and Debt Administration

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2025 and 2024 amount to \$123.7 million and \$119.1 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$4.6 million. The increase was due to increased spending on roadway projects, stormwater projects, IT infrastructure, and vehicles replacements.

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 4 to the Financial Statements for further information regarding capital assets. The table below provides a summary of 2025 and 2024 assets, net of depreciation/amortization:

Town of Paradise Valley, Arizona Capital Assets As of June 30, 2025 and 2024 (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Capital assets not being depreciated/amortized:						
Land and improvements	\$ 45,835,164	\$ 42,535,164	\$ 2,853,626	\$ 2,853,626	\$ 48,688,790	\$ 45,388,790
Construction in progress	1,909,801	1,226,295	-	-	1,909,801	1,226,295
Sewer capacity rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Depreciable/amortized capital assets:						
Infrastructure	40,925,847	41,631,165	-	-	40,925,847	41,631,165
Land improvements	405,976	455,771	-	-	405,976	455,771
Buildings and improvements	5,181,831	5,111,818	2,213,068	2,391,472	7,394,899	7,503,290
Sewer system	-	-	4,593,820	4,818,371	4,593,820	4,818,371
Machinery, equipment and vehicles	4,473,009	3,365,013	733,907	-	5,206,916	3,365,013
Intangibles:						
Right-to-use subscription assets	237,442	386,129	-	-	237,442	386,129
Total	<u>\$ 98,969,070</u>	<u>\$ 94,711,355</u>	<u>\$ 24,744,187</u>	<u>\$ 24,413,235</u>	<u>\$ 123,713,257</u>	<u>\$ 119,124,590</u>

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

- Telecommunications systems update
- Town Hall parking lot resurfacing
- Town Hall mothering room
- Town Hall and Court optimization projects phase 2
- Various road work projects
- Public safety equipment and vehicles
- Public works vehicles

Town of Paradise Valley, Arizona

Management Discussion and Analysis

June 30, 2025

Long-Term Debt

At the end of the fiscal years 2024 and 2023, the Town had total long-term obligations outstanding of \$14.4 million and \$19.9 million respectively. Of these amounts, \$2.0 million are the Excise Tax Revenue Bonds, a decrease of \$1.5 million over 2024, due to scheduled debt payments. Compensated absences increased slightly in fiscal year 2025 to \$1.9 million from \$1.6 million in 2024. Net pension and OPEB liabilities decreased in fiscal year 2025 by \$4.2 million to \$10.1 million, over 2024 of \$14.4 million, due to a payment made to the unfunded pension liabilities. During the fiscal year 2025. Subscription liabilities decreased due to changes in subscription contracts. Additional information on the Town's long-term obligations can be found in Note 5. The table below provides a summary of 2025 and 2024 outstanding debt:

Town of Paradise Valley, Arizona Outstanding Debt As of June 30, 2025 and 2024						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenue bonds	\$ 2,090,000	\$ 3,465,000	\$ -	\$ -	\$ 2,090,000	\$ 3,465,000
Compensated absences	1,927,805	1,642,549	-	-	1,927,805	1,642,549
Subscription liabilities	263,330	337,822	-	-	263,330	337,822
Net pension liabilities	10,131,102	14,369,641	-	-	10,131,102	14,369,641
Net OPEB (asset)/liabilities	(44,137)	48,005	-	-	(44,137)	48,005
Total	<u>\$ 14,368,100</u>	<u>\$ 19,863,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,368,100</u>	<u>\$ 19,863,017</u>

Economic Factors and Next Year's Budget

The FY 2024-2025 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.

Paradise Valley continues a stable fiscal path. On May 22, 2025, the Town Council approved a \$61.3 million budget, which is a 6.1% increase over the prior fiscal year budget of \$57.8 million. The adopted fiscal year 2026 budget includes \$51.2 million for operations, including grants, contingencies, and reserves, and \$10.1 million of capital improvements.

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>



Financial Section

Basic Financial Statements

Government-Wide Financial Statements - include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.

Governmental Funds Financial Statements - include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also includes the reconciliations to the government-wide financial statements.

Proprietary Funds Financial Statements - include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows for the business-type activities that use the accrual basis of accounting for financial reporting.

Notes to the Financial Statements - Supplemental documents that provide additional information about the government's financial statements.



Financial Section

Basic Financial Statements

Government-Wide Financial Statements - Include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.



Town of Paradise Valley, Arizona

Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 145,888,008	\$ 3,127,995	\$ 149,016,003
Receivables, net:			
Accounts receivable	2,027,167	516,998	2,544,165
Intergovernmental receivables	2,766,979	-	2,766,979
Court fines receivable	839,239	-	839,239
Lease receivable	1,021,544	-	1,021,544
Interest receivable	294,708	-	294,708
Inventories	40,689	-	40,689
Restricted cash and investments	2,807,938	-	2,807,938
Internal activity	275,797	(275,797)	-
Net OPEB asset	349,734	-	349,734
Capital assets:			
Not being depreciated/amortized	47,744,965	17,203,392	64,948,357
Depreciated/amortized, net	51,224,105	7,540,795	58,764,900
Total assets	255,280,873	28,113,383	283,394,256
Deferred Outflows of Resources			
Deferred outflows related to pensions and other postemployment benefits	4,430,004	-	4,430,004
Total deferred outflows of resources	4,430,004	-	4,430,004
Liabilities			
Accounts payable	2,520,841	438,577	2,959,418
Accrued payroll and related liabilities	335,751	-	335,751
Interest payable	9,492	-	9,492
Customer deposits payable	2,176,317	-	2,176,317
Unearned revenue	51,306	709,302	760,608
Long-term liabilities:			
Due within one year:			
Compensated absences	1,289,711	-	1,289,711
Subscriptions liability	80,867	-	80,867
Bonds payable	1,390,000	-	1,390,000
Due in more than one year:			
Compensated absences	638,094	-	638,094
Subscriptions liability	182,463	-	182,463
Bonds payable	700,000	-	700,000
Net pension/OPEB liabilities	10,132,410	-	10,132,410
Total liabilities	19,507,252	1,147,879	20,655,131
Deferred Inflows of Resources			
Deferred inflows related to pensions and other postemployment benefits	1,484,047	-	1,484,047
Deferred inflows related to leases	1,001,318	-	1,001,318
Total deferred inflows of resources	2,485,365	-	2,485,365
Net Position			
Net investment in capital assets	97,232,836	24,744,187	121,977,023
Restricted for:			
Debt service	128,045	-	128,045
Capital projects	2,188	-	2,188
Contributions and donations	128,695	-	128,695
Court enhancement	1,609,519	-	1,609,519
Opioid remediation	286,114	-	286,114
Post-employment obligations	349,734	-	349,734
PV Mountain Preserve Trust	46,809	-	46,809
Unrestricted	137,934,320	2,221,317	140,155,637
Total net position	\$ 237,718,260	\$ 26,965,504	\$ 264,683,764

See notes to financial statements

Town of Paradise Valley, Arizona

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General government	\$ 14,535,734	\$ 8,589,725	\$ 111,253	\$ 3,300,000	\$ (2,534,756)	\$ -	\$ (2,534,756)
Public safety	14,508,849	172,355	391,225	-	(13,945,269)	-	(13,945,269)
Highways and streets	4,758,393	-	1,003,001	397,286	(3,358,106)	-	(3,358,106)
Interest and fiscal charges	37,587	-	-	-	(37,587)	-	(37,587)
Total governmental activities	33,840,563	8,762,080	1,505,479	3,697,286	(19,875,718)	-	(19,875,718)
Business-Type Activities							
Sewer system	3,621,489	2,828,147	-	109,858	-	(683,484)	(683,484)
Fire service	4,564,507	3,322,705	-	-	-	(1,241,802)	(1,241,802)
Alarm monitor service	189,511	118,967	-	-	-	(70,544)	(70,544)
Total business-type activities	8,375,507	6,269,819	-	109,858	-	(1,995,830)	(1,995,830)
Total government	<u>\$ 42,216,070</u>	<u>\$ 15,031,899</u>	<u>\$ 1,505,479</u>	<u>\$ 3,807,144</u>	<u>(19,875,718)</u>	<u>(1,995,830)</u>	<u>(21,871,548)</u>
General Revenues							
Taxes:							
Sales tax					35,122,924	-	35,122,924
Franchise tax					1,489,116	-	1,489,116
Intergovernmental:							
State shared sales taxes (unrestricted)					1,917,903	-	1,917,903
Urban revenue sharing (unrestricted)					2,659,525	-	2,659,525
Stated shared vehicle license tax					689,642	-	689,642
Investment earnings							
Interest income					6,052,084	160,324	6,212,408
Change in fair value of investments					414,589	-	414,589
Miscellaneous					259,951	-	259,951
Transfers in (out)					(1,200,000)	1,200,000	-
Total general revenues					47,405,734	1,360,324	48,766,058
Change in net position					27,530,016	(635,506)	26,894,510
Net Position, Beginning					210,188,244	27,601,010	237,789,254
Net Position, Ending					<u>\$ 237,718,260</u>	<u>\$ 26,965,504</u>	<u>\$ 264,683,764</u>

See notes to financial statements

Financial Statements

Basic Financial Statements

Government Funds Financial Statements- include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also includes the reconciliations to the government-wide financial statements.

Major Funds

General Fund - This fund is the general operating fund of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Revenue Fund - This special revenue fund accounts the Town's share of restricted motor fuel tax revenues and lottery proceeds.

Nonmajor Funds - Other governmental funds are the nonmajor funds and are special revenue, capital project, and debt service funds.



Town of Paradise Valley, Arizona

Balance Sheet - Governmental Funds

June 30, 2025

	General	HURF	Nonmajor Funds	Total Funds
Assets				
Cash and cash equivalents	\$ 134,518,564	\$ 2,065,032	\$ 9,304,412	\$ 145,888,008
Receivables, net				
Accounts receivable	2,027,167	-	-	2,027,167
Intergovernmental	2,668,539	98,440	-	2,766,979
Court fines receivable	773,899	-	65,340	839,239
Lease receivable	1,021,544	-	-	1,021,544
Interest receivable	294,708	-	-	294,708
Due from other funds	275,797	-	-	275,797
Inventories	40,689	-	-	40,689
Restricted cash and investments	2,166,053	-	641,885	2,807,938
Total assets	<u>\$ 143,786,960</u>	<u>\$ 2,163,472</u>	<u>\$ 10,011,637</u>	<u>\$ 155,962,069</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 909,232	\$ 1,277,665	\$ 333,944	\$ 2,520,841
Accrued payroll and related liabilities	335,751	-	-	335,751
Unearned revenue	4,500	-	46,806	51,306
Customer deposits payable	2,166,053	-	10,264	2,176,317
Total liabilities	<u>3,415,536</u>	<u>1,277,665</u>	<u>391,014</u>	<u>5,084,215</u>
Deferred Inflows of Resources				
Unavailable revenue	1,563,178	-	65,340	1,628,518
Deferred inflows related to leases	1,001,318	-	-	1,001,318
Total deferred inflows of resources	<u>2,564,496</u>	<u>-</u>	<u>65,340</u>	<u>2,629,836</u>
Fund Balances				
Nonspendable:				
Inventories	40,689	-	-	40,689
Leases	20,226	-	-	20,226
Restricted:				
Debt service	-	-	128,045	128,045
Contributions and donations	-	-	128,695	128,695
Court enhancement	-	-	1,609,519	1,609,519
Opioid remediation	-	-	286,114	286,114
Capital projects	-	-	619,284	619,284
PV Mountain Preserve Trust	-	-	46,809	46,809
Assigned:				
Highways and streets	-	885,807	-	885,807
Debt service	2,117,336	-	-	2,117,336
Public safety	2,000,000	-	-	2,000,000
Facilities	1,463,800	-	-	1,463,800
Pavement preservation	1,414,286	-	-	1,414,286
Capital projects	26,306,872	-	6,736,817	33,043,689
Unassigned	104,443,719	-	-	104,443,719
Total fund balances	<u>137,806,928</u>	<u>885,807</u>	<u>9,555,283</u>	<u>148,248,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 143,786,960</u>	<u>\$ 2,163,472</u>	<u>\$ 10,011,637</u>	<u>\$ 155,962,069</u>

See notes to financial statements

Town of Paradise Valley, Arizona

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2025

Fund Balances - Total Governmental Funds

\$ 148,248,018

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Capital assets, not being depreciated/amortized

\$ 47,744,965

Capital assets, depreciated/amortized (net)

51,224,105

98,969,070

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

1,628,518

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

Net OPEB asset

349,734

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/OPEB

4,430,004

Deferred inflows of resources related to Pensions/OPEB

(1,484,047)

2,945,957

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

Revenue bonds

(2,090,000)

Subscription-based information technology arrangements liability

(263,330)

Net pension liability

(10,131,102)

Net OPEB liability

(1,308)

Compensated absences

(1,927,805)

Accrued interest

(9,492)

(14,423,037)

Total Net Position of Governmental Activities

\$ 237,718,260

Town of Paradise Valley, Arizona**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

Year Ended June 30, 2025

	General Fund	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Sales tax	\$ 35,124,424	\$ -	\$ -	\$ 35,124,424
Franchise tax	1,489,116	-	-	1,489,116
Intergovernmental	5,471,063	1,003,001	758,219	7,232,283
Fines and forfeitures	2,364,621	-	400,291	2,764,912
Licenses and permits	3,810,487	-	-	3,810,487
Charges for services	365,990	-	-	365,990
Rents and royalties	124,923	-	-	124,923
Contributions and donations	-	-	46,195	46,195
Investment earnings:				
Interest income	5,933,213	-	118,871	6,052,084
Change in fair value of investments	414,589	-	-	414,589
Other revenues	737,530	-	-	737,530
Total revenues	55,835,956	1,003,001	1,323,576	58,162,533
Expenditures				
Current:				
General government	12,752,852	-	467,719	13,220,571
Public safety	13,712,594	-	5,637	13,718,231
Highways and streets	-	3,620,871	-	3,620,871
Capital outlay	1,133,245	251,282	2,228,185	3,612,712
Debt service:				
Principal	74,492	-	1,375,000	1,449,492
Interest and fiscal charges	9,797	-	34,035	43,832
Total expenditures	27,682,980	3,872,153	4,110,576	35,665,709
Excess (deficiency) of revenues over (under) expenditures	28,152,976	(2,869,152)	(2,787,000)	22,496,824
Other Financing Sources (Uses)				
Transfers in	-	3,000,000	1,441,205	4,441,205
Transfers out	(5,616,501)	-	(24,704)	(5,641,205)
Total other financing sources (uses)	(5,616,501)	3,000,000	1,416,501	(1,200,000)
Net change in fund balances	22,536,475	130,848	(1,370,499)	21,296,824
Fund Balances, Beginning	115,270,453	754,959	10,925,782	126,951,194
Fund Balances, Ending	\$ 137,806,928	\$ 885,807	\$ 9,555,283	\$ 148,248,018

See notes to financial statements

Town of Paradise Valley, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

to the Statement of Activities

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds

\$ 21,296,824

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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	\$ 3,707,763	
Depreciation/amortization expense	(2,748,675)	959,088

Capital contributions are not reported in the governmental funds

However, in the Statement of Activities, the costs of those assets are reported as capital grants and contributions. 3,300,000

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital asset sold.

Loss on disposal of capital assets (1,373)

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

Court fines		150,328
Developer agreement revenue		958,000
Sales tax		(1,500)

Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability (asset) is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability (assets) adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension/OPEB contributions	2,087,030	
Pension/OPEB expense	(2,388,862)	(301,832)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities.

Principal repaid - bonds	1,375,000	
Principal repaid - Subscription-based information technology arrangements	74,492	1,449,492

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

Compensated absences	(285,256)	
Accrued interest	6,245	(279,011)

Change in Net Position of Governmental Activities

\$ 27,530,016

See notes to financial statements

Financial Statements

Basic Financial Statements

Proprietary Fund's Financial Statements

Sewer System Fund - This fund is used to account for the activities of the Town's sewer utility operations.

Fire Service Fund - This fund is used to account for the activities of the Town's fire services.

Nonmajor Alarm Fund - This fund is used to account for the activities of the Town's alarm services.



Town of Paradise Valley, Arizona

Statement of Net Position - Proprietary Funds

June 30, 2025

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-Type Alarm Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 2,174,856	\$ 541,610	\$ 411,529	\$ 3,127,995
Accounts receivable, net	284,421	209,859	22,718	516,998
Total current assets	2,459,277	751,469	434,247	3,644,993
Noncurrent Assets				
Capital assets:				
Nondepreciable	14,349,766	2,853,626	-	17,203,392
Depreciable, net	4,593,821	2,946,974	-	7,540,795
Total noncurrent assets	18,943,587	5,800,600	-	24,744,187
Total assets	21,402,864	6,552,069	434,247	28,389,180
Liabilities				
Accounts payable	239,062	199,515	-	438,577
Due to other funds	-	275,797	-	275,797
Unearned revenue	8,249	701,053	-	709,302
Total liabilities	247,311	1,176,365	-	1,423,676
Net Position				
Net investment in capital assets	18,943,587	5,800,600	-	24,744,187
Unrestricted	2,211,966	(424,896)	434,247	2,221,317
Total net position	\$ 21,155,553	\$ 5,375,704	\$ 434,247	\$ 26,965,504

See notes to financial statements

Town of Paradise Valley, Arizona

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-Type Alarm Fund	Total
Operating Revenues				
Charges for services	\$ 2,828,147	\$ 3,322,705	\$ 118,967	\$ 6,269,819
Total operating revenue	2,828,147	3,322,705	118,967	6,269,819
Operating Expenses				
Cost of sales and services	3,234,995	3,905,489	46,955	7,187,439
Administrative charges	161,944	297,140	142,556	601,640
Depreciation	224,550	361,878	-	586,428
Total operating expenses	3,621,489	4,564,507	189,511	8,375,507
Operating income (loss)	(793,342)	(1,241,802)	(70,544)	(2,105,688)
Nonoperating Revenues (Expenses)				
Investment earnings	109,754	30,039	20,531	160,324
Total nonoperating revenue (expense)	109,754	30,039	20,531	160,324
Income (loss) before development fees	(683,588)	(1,211,763)	(50,013)	(1,945,364)
Development Fees	109,858	-	-	109,858
Other Financing Sources (Uses)				
Transfers in	-	1,200,000	-	1,200,000
Total other financing sources (uses)	-	1,200,000	-	1,200,000
Change in net position	(573,730)	(11,763)	(50,013)	(635,506)
Net Position, Beginning	21,729,283	5,387,467	484,260	27,601,010
Net Position, Ending	\$ 21,155,553	\$ 5,375,704	\$ 434,247	\$ 26,965,504

See note to financial statements

Town of Paradise Valley, Arizona

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-Type Alarm Fund	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,832,574	\$ 3,372,283	\$ 122,557	\$ 6,327,414
Payments to suppliers	(3,179,751)	(2,846,192)	(46,955)	(6,072,898)
Payments for administrative charges	(161,944)	(297,140)	(142,556)	(601,640)
Net cash flows provided by (used in) operating activities	(509,121)	228,951	(66,954)	(347,124)
Cash Flows From Noncapital Financing Activities				
Transfers in (out)	-	1,200,000	-	1,200,000
Net cash flows provided by (used in) noncapital and related financing activities	-	1,200,000	-	1,200,000
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	-	(917,380)	-	(917,380)
Receipts from development fees	109,858	-	-	109,858
Net cash flows provided by (used in) capital and related financing activities	109,858	(917,380)	-	(807,522)
Cash Flows From Investing Activities				
Cash received from interest income	109,754	30,039	20,531	160,324
Net cash flows provided by (used in) investing activities	109,754	30,039	20,531	160,324
Net change in cash and cash equivalents	(289,509)	541,610	(46,423)	205,678
Cash and Cash Equivalents, Beginning	2,464,365	-	457,952	2,922,317
Cash and Cash Equivalents, Ending	<u>\$ 2,174,856</u>	<u>\$ 541,610</u>	<u>\$ 411,529</u>	<u>\$ 3,127,995</u>

See notes to financial statements

Town of Paradise Valley, Arizona

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-Type Alarm Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net operating income (loss)	\$ (793,342)	\$ (1,241,802)	\$ (70,544)	\$ (2,105,688)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	224,550	361,878	-	586,428
Provision for bad debt	2,528	10,014	176	12,718
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	21,775	41,407	6,331	69,513
Inventory and prepaid items	-	917,380	-	917,380
Increase (decrease) in:				
Accounts payable	55,244	141,917	-	197,161
Unearned revenue	(19,876)	(1,843)	(2,917)	(24,636)
Net cash provided by (used in) operating activities	<u>\$ (509,121)</u>	<u>\$ 228,951</u>	<u>\$ (66,954)</u>	<u>\$ (347,124)</u>

See notes to financial statements

Financial Statements

Notes to Financial Statements



Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

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.

Reporting Entity

The Town of Paradise Valley, Arizona is a municipal government that is governed by an elected mayor, vice-mayor, and five-member governing council (council). 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 are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The following is a brief review of the component unit included in defining the Town's reporting entity. There are no discretely presented component units and one blended component unit.

Individual Component Units - Blended

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 unit.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Interfund services provided and used are not eliminated in the process of consolidation for the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

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.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary fund 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become 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 long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund. Issuances of long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

Sales taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of the 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. Investments are stated at fair value.

Town of Paradise Valley, Arizona

Notes to Financial Statements
June 30, 2025

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable are shown net of an allowance for doubtful accounts.

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).

Inventories and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Cash and Investments

The Town reports restricted cash and investments in the General Fund for the resort payment reserve, customer deposits, in the Debt Service Fund for cash held with a paying agent, and in the capital projects funds for unspent bond proceeds.

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

	<u>Years</u>
Building and improvements	25
Land improvements	25
Sewer lines	50
Infrastructure	30 to 50
Machinery, furniture, equipment and vehicles	5 to 20

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Town is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying information-technology assets.

Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will be recognized as a revenue in future periods.

Compensated Absences

A liability for earned yet unpaid compensated absences is reported in the government-wide financial statements. The balance consists of accumulated vacation leave, sick leave, and compensatory time off which is more likely than not to be used, liquidated or converted in future periods through paid time off payments, termination, or retirement as further defined below.

Eligible employees accumulate 5 to 20 days of vacation leave annually depending on length of service and status as a full-time or part-time employee. Vacation leave balances in excess of twice the annual accrual are forfeited on January 1 of each year. Upon separation, employees are paid for all their unused vacation and compensatory time off.

Eligible employees accumulate 6 to 12 days of sick leave annually depending on their status as a full-time or part-time employee. Accumulated sick leave hours over a 480-hour maximum are reduced by half and converted on December 15 of each year to vacation leave or compensation. At the time of resignation or retirement, employees who have worked for the Town for at least 10 years but fewer than 15 years will receive compensation equal to half the unused sick leave subject to the 480-hour maximum. At the time of resignation or retirement, employees who have worked for the Town for at least 15 years will receive compensation for all their unused sick leave subject to the 480-hour maximum.

Leases and Subscription-Based Information Technology Arrangements

Leases

Lessee: As lessee, the Town recognizes lease liabilities with an initial, individual value of \$100,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the average interest rate of bonds received during the same period as leases.

Lessor: As lessor, the Town recognizes lease receivables with an initial, individual value of \$100,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

At the commencement of the lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements The Town recognizes subscription liabilities with an initial, individual value of \$25,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Pension and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

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.

ASRS and PSPRS net OPEB assets/liabilities have limited disclosures in the notes to the financial statements at June 30, 2025 in accordance with GASB Statement 75, due to the relative insignificance to the Town's financial statements.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the 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 fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

The long-term debt of the Town is serviced by two debt service funds, according to the type of debt and the funds benefiting from that debt.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

The Net Investment in Capital Assets on the Statement of Net Position are calculated as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Asset:		
Nondepreciable/amortized capital assets	\$ 47,744,965	\$ 17,203,392
Other capital assets and right-of-use assets, net of accumulated depreciation/amortization	51,224,105	7,540,795
Cash proceeds restricted for capital projects	617,096	
Less bonds payable outstanding	(2,090,000)	-
Less subscription liability outstanding	(263,330)	-
Total	<u>\$ 97,232,836</u>	<u>\$ 24,744,187</u>

Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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. 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.

Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish "operating" revenues and expenses from "nonoperating" items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end. The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. 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. Expenditures may not legally exceed the expenditure limitation of 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 carry-over 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 Financial Statements

June 30, 2025

Supplementary Budgetary Appropriations Were Necessary During the Year

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Expenditures Over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports found in the required supplementary information and the other supplementary information present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2025, if any.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has issued several statements that have been adopted but are not yet effective for the fiscal year ending June 30, 2025. The Town will implement these standards in future reporting periods as required. Those standards include:

- GASB Statement No. 103, *Financial Reporting Model Improvements*,
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

The Town continues to monitor and evaluate the impact of these new standards, and any future accounting standards issued by GASB, to ensure compliance and accurate financial reporting on its future financial statements. The adoption of these standards is expected to enhance the transparency and comparability of the Town's financial reporting. The Town will provide additional disclosures in the financial statements for the periods in which these standards become effective.

2. Cash and Investments

The following table summarizes the Town's cash and investments at June 30, 2025:

Deposits:	
Cash on hand	\$ 128,080
Cash in bank	95,050,703
Investments:	
U.S. Treasury bonds	18,630,983
Corporate bonds and notes	7,142,011
Negotiable certificate of deposits	706,484
Money market funds	18,522,592
State treasurer's investment	11,643,088
Total cash and investments	151,823,941
Less restricted cash and investments	(2,807,938)
Total cash and equivalents	<u>\$ 149,016,003</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Deposits

The Town's deposits including cash on hand, at June 30, 2025 had a carrying balance of \$95,050,703 and a bank balance of \$94,803,713. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$94,755,343 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 Town invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard & Poors with AAf/S1+.

The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2025, the Town's funds invested with the State Treasurer totaled \$11,643,088.

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. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

Investment Type	Investment Maturity			Total
	Less Than 0-6 Months	Less Than 6-12 Months	12+ Months	
U.S. Treasury bonds	\$ -	\$ -	\$ 18,630,983	\$ 18,630,983
Corporate bonds and notes	-	97,265	7,044,746	7,142,011
U.S. agency securities	-	-	-	-
Negotiable certificate of deposits	250,928	-	455,556	706,484
Money market funds	18,522,593	-	-	18,522,593
State treasurer's investment	11,643,088	-	-	11,643,088
Total investments	\$ 30,416,609	\$ 97,265	\$ 26,131,285	\$ 56,645,159

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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 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	Total
U.S. Treasury bonds	AA+/Aaa	S&P/Moody's	\$ 18,630,983
Corporate bonds and notes	A/A1	S&P/Moody's	731,776
Corporate bonds and notes	A/A2	S&P/Moody's	483,935
Corporate bonds and notes	A/Aa3	S&P/Moody's	171,936
Corporate bonds and notes	A-/A1	S&P/Moody's	614,783
Corporate bonds and notes	A-/A2	S&P/Moody's	706,824
Corporate bonds and notes	A-/A3	S&P/Moody's	376,938
Corporate bonds and notes	A-/Baa1	S&P/Moody's	49,980
Corporate bonds and notes	A+/A1	S&P/Moody's	738,453
Corporate bonds and notes	A+/A2	S&P/Moody's	101,101
Corporate bonds and notes	A+/Aa1	S&P/Moody's	253,545
Corporate bonds and notes	A+/Aa2	S&P/Moody's	759,380
Corporate bonds and notes	A+/Aa3	S&P/Moody's	683,307
Corporate bonds and notes	AA-/Aa3	S&P/Moody's	226,220
Corporate bonds and notes	AA-/A1	S&P/Moody's	217,673
Corporate bonds and notes	AA-/Aa2	S&P/Moody's	729,207
Corporate bonds and notes	BBB+/A1	S&P/Moody's	101,399
Corporate bonds and notes	BBB+/A2	S&P/Moody's	195,553
Negotiable Certificate of Deposit	A/A1	S&P/Moody's	250,928
Negotiable Certificate of Deposit	A+/A1	S&P/Moody's	203,534
Negotiable Certificate of Deposit	A+/Aa3	S&P/Moody's	252,023
Money market	AAAm/Aaa-mf	S&P/Moody's	18,522,593
State treasurer's investment	AAAf	S&P/Moody's	11,643,088
			<u>\$ 56,645,159</u>

Concentration of Credit Risk

At June 30, 2025, the Town's investments are included as follows:

Investment Type - Concentration of Credit Risk	Amount	Percent of Town Investments
U.S. Treasury bonds	\$ 18,630,983	32.9 %
Corporate bonds and notes	7,142,011	12.6
Negotiable certificate of deposit	706,484	1.2
Money market funds	18,522,593	32.7
State treasurer's investment	11,643,088	20.6
Total investments	<u>\$ 56,645,159</u>	<u>100 %</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Fair Value Measurement

Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2025:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	
Investments by fair value level:				
Debt securities:				
U.S. Treasury bonds	\$ 18,630,983	\$ -	\$ -	\$ 18,630,983
Corporate bonds and notes	-	7,142,011	-	7,142,011
Negotiable certificate of deposit	-	706,484	-	706,484
Total investments by fair value level	<u>\$ 18,630,983</u>	<u>\$ 7,848,495</u>	<u>\$ -</u>	<u>26,479,478</u>
Investments measured by fair value level:				
Money market funds				18,522,593
State treasurer's investment				<u>11,643,088</u>
Total investments by fair value level				<u>30,165,681</u>
Total investments				<u>\$ 56,645,159</u>

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 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 3 investments. Investments in the state treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State treasurer's investment pools.

Restricted Cash and Investments

Restricted cash and investments at June 30, 2025 consist of the following:

	Governmental Activities	Business-Type Activities	Total
Cash with paying agent	\$ 24,789	\$ -	\$ 24,789
Cash proceeds for Capital Projects	617,096	-	617,096
Resort payment reserve	500,000	-	500,000
Customer deposits	<u>1,666,053</u>	<u>-</u>	<u>1,666,053</u>
Total	<u>\$ 2,807,938</u>	<u>\$ -</u>	<u>\$ 2,807,938</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

3. Receivables

Intergovernmental Receivables

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues.

Enterprise Fund Receivables

Receivables in the proprietary funds are service billings receivable and are shown net of an allowance for doubtful accounts.

	<u>Sewer Fund</u>	<u>Fire Service Fund</u>	<u>Nonmajor Alarm Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 304,988	\$ 233,438	\$ 23,059	\$ 561,485
Less allowance for uncollectibles	<u>(20,567)</u>	<u>(23,579)</u>	<u>(341)</u>	<u>(44,487)</u>
Net total receivables	<u>\$ 284,421</u>	<u>\$ 209,859</u>	<u>\$ 22,718</u>	<u>\$ 516,998</u>

There were uncollectible amounts related to revenues of the current period in the amount of \$2,528 for the sewer fund, \$10,014 for the fire service fund and \$176 for the Alarm Fund.

Lease Receivables

As of June 30, 2025, the Town is reporting Leases Receivable of \$1,021,544 and Deferred Inflows Related to Leases of \$1,001,318. For the fiscal year 2025, the Town reported lease revenue of \$77,011 and interest revenue of \$15,896, related to lease payments received. From time to time the Town's lease contracts include variable lease payments, including residual value guarantees, that are not included in the lease receivable because they are not fixed in substance. The Town recognized an insignificant amount of revenue related to these variable lease payments and they have not been further disclosed or included in the measurement of the Town's lease receivables. The Town's leases are summarized as follows:

<u>Lease</u>	<u>Lease Receivable</u>	<u>Deferred Inflows Related to Leases</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
AT&T	\$ 510,625	\$ 504,770	\$ 48,458	\$ 8,025
T-Mobile	212,118	206,137	12,493	3,273
Verizon	<u>298,801</u>	<u>290,411</u>	<u>16,060</u>	<u>4,598</u>
Totals	<u>\$ 1,021,544</u>	<u>\$ 1,001,318</u>	<u>\$ 77,011</u>	<u>\$ 15,896</u>

AT&T Lease - Commencing on December 1, 2010, the Town entered into a five-year lease agreement with AT&T for the lease of a building rooftop on Town property. The lease was amended in October 2023, the lease includes options for renewing the lease for four additional five-year terms. The Town is reasonably certain that the lessee will renew this lease for each additional term and is currently in the second of four renewal options. Based on this agreement, the Town is receiving monthly payments through 2035.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

T-Mobile Lease - On January 19, 2007, the Town entered into a five-year lease agreement with T-Mobile for the lease of a building rooftop on Town property. The lease includes options for renewing the lease for five additional five-year terms. The Town is reasonably certain that the lessee will renew this lease for each additional term and is currently in the third of five renewal options. Based on this agreement, the Town is receiving monthly payments through 2042.

Verizon Lease - On August 18, 2008, the Town entered into a five-year lease agreement with Verizon for the lease of a building rooftop on Town property. The lease includes options for renewing the lease for five additional five-year terms. The Town is reasonably certain that the lessee will renew this lease for each additional term and is currently in the second of five renewal options. Based on this agreement, the Town is receiving monthly payments through 2044.

Future payments due to the Town are as follows for the years ending June 30:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 71,543	\$ 14,833	\$ 86,376
2027	72,624	13,752	86,376
2028	73,720	12,656	86,376
2029	74,835	11,541	86,376
2030	75,965	10,411	86,376
2031 - 2035	397,383	34,497	431,880
2036 - 2040	177,109	11,946	189,055
2041 - 2044	78,365	1,617	79,982
Total	<u>\$ 1,021,544</u>	<u>\$ 111,253</u>	<u>\$ 1,132,797</u>

Unavailable Revenue and Unearned Revenue

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 Revenue	Unearned Revenue
General fund:		
Court fines	\$ 563,260	\$ -
Sales tax audit	41,918	-
Developer agreements	958,000	4,500
Nonmajor funds:		
Court fines	65,340	-
Unspent grant funds	-	46,806
Total	<u>\$ 1,628,518</u>	<u>\$ 51,306</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements
June 30, 2025

4. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 42,535,164	\$ 3,300,000	\$ -	\$ 45,835,164
Construction in progress	1,226,296	1,481,627	(798,122)	1,909,801
	<u>43,761,460</u>	<u>4,781,627</u>	<u>(798,122)</u>	<u>47,744,965</u>
Capital assets, being depreciated/amortized:				
Land improvements	2,315,797	-	-	2,315,797
Infrastructure	58,047,108	630,909	-	58,678,017
Buildings and improvements	13,202,594	347,181	-	13,549,775
Machinery, equipment, computers and vehicles	14,517,780	2,046,167	(363,447)	16,200,500
Intangibles:				
Right-to-use subscription assets	679,834	-	(80,235)	599,599
	<u>88,763,113</u>	<u>3,024,257</u>	<u>(443,682)</u>	<u>91,343,688</u>
Accumulated depreciation/ amortization:				
Land improvements	(1,860,026)	(49,795)	-	(1,909,821)
Infrastructure	(16,415,943)	(1,336,225)	-	(17,752,168)
Buildings and improvements	(8,090,776)	(277,168)	-	(8,367,944)
Machinery, equipment, computers and vehicles	(11,152,768)	(936,798)	362,073	(11,727,493)
Intangibles:				
Right-to-use subscription assets	(293,705)	(148,687)	80,235	(362,157)
	<u>(37,813,218)</u>	<u>(2,748,673)</u>	<u>442,308</u>	<u>(40,119,583)</u>
Total capital assets, being depreciated/ amortized, net	<u>50,949,895</u>	<u>275,584</u>	<u>(1,374)</u>	<u>51,224,105</u>
Governmental activities capital assets, net	<u>\$ 94,711,355</u>	<u>\$ 5,057,211</u>	<u>\$ (799,496)</u>	<u>\$ 98,969,070</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements
June 30, 2025

Depreciation/amortization expense was charged to the functions/programs of the Town as follows:

Governmental activities:	
General government	\$ 1,135,041
Public safety	660,038
Highway and streets	<u>953,594</u>
Total depreciation/amortization expense	<u>\$ 2,748,673</u>

The following table summarizes the changes to capital assets for business-type activities during the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,853,626	\$ -	\$ -	\$ 2,853,626
Sewer capacity rights	<u>14,349,766</u>	<u>-</u>	<u>-</u>	<u>14,349,766</u>
	<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	4,460,118	-	-	4,460,118
Machinery, equipment, computers and vehicles	<u>1,204,601</u>	<u>917,380</u>	<u>-</u>	<u>2,121,981</u>
	<u>18,234,390</u>	<u>917,380</u>	<u>-</u>	<u>19,151,770</u>
Accumulated depreciation:				
Sewer system	(7,751,300)	(224,551)	-	(7,975,851)
Buildings and improvements	(2,068,646)	(178,405)	-	(2,247,051)
Machinery, equipment, computers and vehicles	<u>(1,204,601)</u>	<u>(183,472)</u>	<u>-</u>	<u>(1,388,073)</u>
	<u>(11,024,547)</u>	<u>(586,428)</u>	<u>-</u>	<u>(11,610,975)</u>
Total capital assets, being depreciated, net	<u>7,209,843</u>	<u>330,952</u>	<u>-</u>	<u>7,540,795</u>
Business-type activities capital assets, net	<u>\$ 24,413,235</u>	<u>\$ 330,952</u>	<u>\$ -</u>	<u>\$ 24,744,187</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Business-type activities:	
Sewer fund	\$ 224,550
Fire service fund	<u>361,878</u>
Total depreciation expense	<u>\$ 586,428</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

5. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental activities:					
Private placement revenue bonds	\$ 3,465,000	\$ -	\$ (1,375,000)	\$ 2,090,000	\$ 1,390,000
Compensated absences	1,642,549	285,256	-	1,927,805	1,289,711
Subscription liabilities	337,822	-	(74,492)	263,330	80,867
Net pension liabilities	14,369,641	-	(4,238,539)	10,131,102	-
Net OPEB liabilities	48,005	-	(46,697)	1,308	-
Total long-term liabilities	<u>\$ 19,863,017</u>	<u>\$ 285,256</u>	<u>\$ (5,734,728)</u>	<u>\$ 14,413,545</u>	<u>\$ 2,760,578</u>

*The Town had an early extinguishment of a SBITA agreement.

Bonds

Bonds payable at June 30, 2025, were as follows:

Description	Outstanding at June 30, 2025	Interest Rate	Maturity Date
Revenue bonds:			
Excise tax revenue obligation, Series 2020 Issued \$8,140,000	<u>\$ 2,090,000</u>	1.090 %	8/1/2026
Total outstanding revenue bonds	<u>\$ 2,090,000</u>		

The Town has pledged future excise tax revenues, which include, sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$8,140,000 in excise tax revenue bonds.

The remaining principal balance is \$2,090,000 is for the outstanding debt on the Excise Tax Revenue Obligations. The Excise Tax Revenue Obligations, Series 2020, bond proceeds were used to fund projects in the Other Capital Projects Fund and the balance of funds are held in the associated fund. All payments however will be made through the Debt Service Fund. The principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. The total remaining principal and interest required on the bonds is \$2,112,836, payable through 2027. In the current year, total principal and interest paid were \$1,409,035 on the Excise Tax Revenue Obligations.

The Governmental Activities debt service requirements for the Town's bonds payable are as follows:

	Governmental Activities	
	Principal	Interest
Fiscal years ending June 30:		
2026	\$ 1,390,000	\$ 19,021
2027	700,000	3,815
Total	<u>\$ 2,090,000</u>	<u>\$ 22,836</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Subscription-Based Information Technology Arrangements (SBITAs)

The Town has obtained the right to use various IT software under the provisions of various subscription-based information technology arrangements. The terms range from 3 to 30 years, including options that are more likely than not to be exercised. The discount rate applied to the subscription-based technology arrangements are based on actual rates or an estimated incremental borrowing rate, which ranged from 2.84% to 3.94% for all subscription-based technology arrangements reported.

The total of the Town's subscription assets are recorded at cost of \$599,599, less accumulated amortization of \$362,157.

The following schedule details minimum subscription payments to maturity for the Town's subscriptions liability at June 30, 2025:

	Governmental Activities	
	Principal	Interest
Fiscal years ending June 30:		
2026	\$ 80,867	\$ 7,637
2027	87,637	5,291
2028	94,826	2,750
Total	<u>\$ 263,330</u>	<u>\$ 15,678</u>

Variable and Other Payments

From time to time, the Town's leases and SBITAs include variable payments and other payments, such as termination penalties, that are not included in the lease/subscription liabilities because they are either not fixed in substance (variable) or the Town is not reasonably certain the other payments will be required. The Town recognized an insignificant amount of expenses related to these variable and other payments and they have not been further disclosed or included in the measurement of the lease/subscription liabilities.

6. Interfund Receivables, Payables and Transfers

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. Interfund borrowings for the fiscal year June 30, 2025 are as follows:

	Due From Enterprise Funds
Due to:	
General Fund	<u>\$ 275,797</u>
Total	<u>\$ 275,797</u>

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Interfund transfers for the fiscal year ended June 30, 2025 are as follows:

Transfer In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
HURF Fund - fund operations	\$ 3,000,000	\$ -	\$ 3,000,000
Nonmajor Governmental Funds	1,441,205	-	1,441,205
Enterprise Funds	1,175,296	24,704	1,200,000
Total	\$ 5,616,501	\$ 24,704	\$ 5,641,205

The General Fund transferred \$3,000,000 to the HURF Fund to fund street projects. The General Fund transferred \$1,441,205 to Debt Service to make the principal and interest payment on the Excise Tax Revenue Obligations, Series 2020.

7. Pensions

The Town contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2025, 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
Net OPEB asset	\$ (349,734)
Net OPEB liability	1,308
Net pension liabilities	10,131,102
Deferred outflows of resources, pensions/OPEB	4,430,004
Deferred inflows of resources, pensions/OPEB	1,484,047
Pension/OPEB expense	2,338,862

The Town reported \$2,087,030 of pension/OPEB contributions as expenditures in the governmental funds related to all pension/OPEB plans to which it contributes.

Net OPEB asset/liabilities have been recorded in the financial statements in accordance with GASB Statement 75, however, due to their relative insignificance, have not been further disclosed in the notes to the financial statements at June 30, 2025.

Arizona State Retirement System

Plan Description

Town employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. 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.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Benefits Provided

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

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

*with actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. 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, 2025, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2025 were \$883,612, \$5,133 and \$10,999 respectively.

During fiscal year 2025, the Town paid for ASRS pension contributions as follows: 89% from the General Fund and 11% from the HURF Fund.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Pension Liability

At June 30, 2025, the Town reported a liability of \$8,005,553 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The Town's proportion measured as of June 30, 2024, was 0.050034%, which was a decrease of 0.002343% from its proportion measured as of June 30, 2023.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2025, the Town recognized pension expense for ASRS of \$775,033. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS - Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 446,862	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	511,242
Changes in proportion and differences between Town contributions and proportionate share of contributions	269,785	-
Town contributions subsequent to the measurement date	883,612	-
Total	<u>\$ 1,600,259</u>	<u>\$ 511,242</u>

The \$883,612 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, 2026. 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:

Years ending June 30:

2026	\$ (81,615)
2027	510,251
2028	(129,412)
2029	(93,819)
2030	-
Thereafter	-

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Actuarial Assumptions

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

ASRS:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 20, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9% to 8.4% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions 2017 SRA Scale U-MP for pensions and health insurance premium benefit
Mortality rates	2012 GLDT for long-term disability
Recovery rate	N/A
Healthcare cost trend rate	N/A

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44 %	4.48 %
Credit	23	4.40
Real estate	17	6.05
Private equity	10	6.11
Interest rate sensitive	6	(0.45)
Total	100 %	

Discount Rate

At June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0%. 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 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 Financial Statements

June 30, 2025

Sensitivity of 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 7.0%, 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 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 12,258,139	\$ 8,005,553	\$ 4,461,394

Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System

Plan Description

Town police department 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 an agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-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. Employees who are PSPRS members participate in the agent plans.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Public Safety Personnel Retirement System

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:

PSPRS Retirement and Disability	Initial Membership Date		
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017	On or After July 1, 2017
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	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent: 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 services, 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		

Survivor Benefits

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

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.

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	6
Active employees	19
Total	76

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. Contribution rates for the year ended June 30, 2025, are indicated below. Rates are percentage of active members' annual covered payroll.

	PSPRS Police
Active members - pension	7.65 - 11.65 %
Town:	
Pension	46.01 %
Health insurance premium benefit	0.24 %

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.15% for Police of annual covered payroll of retired members who worked for the Town in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

For the agent plans, the Town's contributions to the plans for the year ended June 30, 2024, were:

	PSPRS Police
Pension:	
Contributions made	\$ 3,678,932
Health insurance premium benefit	
Annual OPEB cost contribution made	8,354

During fiscal year 2025, the Town paid 100% of the PSPRS pension and OPEB contributions from the General Fund.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Pension Liability

At June 30, 2025, the Town reported a PSPRS net pension liability of \$2,125,549.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

PSPRS:

Actuarial valuation and measurement date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3 - 6.25% for pensions
Price inflation	2.5% for pensions
Cost of living adjustment	1.85% for pensions
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	N/A

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% 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:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. public entity	24 %	3.62 %
International public entity	16	4.47
Global private equity	27	7.05
Core bonds	6	2.44
Private credit	20	6.24
Diversifying strategies	5	3.15
Cash - Mellon	2	0.89
Total	100 %	

Discount Rates

At June 30, 2024, the discount rate used to measure the PSPRS total pension liabilities was 7.2%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Changes in the Net Pension Liability (Asset)

PSPRS - Police	Pension Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2024	\$ 46,798,068	\$ 40,145,358	\$ 6,652,710
Adjustments to beginning of year			
Changes for the year:	-	-	-
Service cost	672,333	-	672,333
Interest on the total liability	3,313,139	-	3,313,139
Differences between expected and actual experience in the measurement of the liability	1,624,059	-	1,624,059
Changes in assumptions or other inputs	-	-	-
Contributions, employer	-	5,876,787	(5,876,787)
Contributions, employee	-	222,941	(222,941)
Net investment income	-	4,054,978	(4,054,978)
Benefit payments, including refunds of employee contributions	(2,909,168)	(2,909,168)	-
Administrative expense	-	(18,014)	18,014
Other changes	-	-	-
Net changes	2,700,363	7,227,524	(4,527,161)
Balances, at June 30, 2025	\$ 49,498,431	\$ 47,372,882	\$ 2,125,549

Sensitivity of the Town's Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Town's net pension liabilities (assets) calculated using the discount rate of 7.2%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

PSPRS - Police	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability	\$ 8,435,074	\$ 2,125,549	\$ (3,064,444)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense

For the year ended June 30, 2025, the Town recognized \$1,668,997 of PSPRS pension expense.

Town of Paradise Valley, Arizona

Notes to Financial Statements

June 30, 2025

Pension Deferred Outflows/Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,584,514	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	783,023
Town contributions subsequent to the measurement date	3,678,932	-
Total	\$ 5,263,446	\$ 783,023

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 in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Police
Years ending June 30:	
2026	\$ 27,466
2027	1,231,768
2028	(247,683)
2029	(210,060)
2030	-
Thereafter	-

8. Commitments and Contingencies

Commitments

At June 30, 2025, the Town has the following active construction commitments:

	Governmental Activities	
Project	Spent to Date	Remaining Commitment
Mockingbird Lane Storm Drainage	\$ 645,452	\$ 136,432
Mockingbird Lane (56 th to Invergordon)	37,726	9,274
Doubletree Ranch Rd. Entry Monument	38,306	3,350
Miscellaneous Street Improvements	134,200	-
Total	\$ 855,684	\$ 149,056

Town of Paradise Valley, Arizona

Notes to Financial Statements
June 30, 2025

These projects will be financed from operating funds. These contracts will be paid in future periods.

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.

9. 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.



Financial Section

Required Supplementary Information

Budgetary Comparison Schedules

Pension Schedules



Financial Section

Required Supplementary Information

Budgetary Comparison Schedules



Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

General Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes	\$ 37,286,546	\$ 37,286,546	\$ 36,613,540	\$ (673,006)
Intergovernmental revenue	5,458,171	5,458,171	5,471,063	12,892
Fines and forfeitures	2,892,500	2,892,500	2,364,621	(527,879)
Licenses and permits	3,085,100	3,085,100	3,810,487	725,387
Charges for services	390,000	390,000	365,990	(24,010)
Rents and royalties	120,200	120,200	124,923	4,723
Investment earnings:				
Interest income	1,973,300	1,973,300	5,933,213	3,959,913
Change in fair value of investments	(100,000)	(100,000)	414,589	514,589
Other revenue	252,100	252,100	737,530	485,430
Total revenues	51,357,917	51,357,917	55,835,956	4,478,039
Expenditures				
Current:				
General government:				
Mayor and council	494,550	494,550	493,497	1,053
Tourism and promotion	2,490,800	2,490,800	2,194,480	296,320
Town manager	1,948,187	1,948,187	1,727,284	220,903
Town attorney	944,583	944,583	691,778	252,805
Municipal court	990,956	990,956	1,082,594	(91,638)
Public works	1,070,243	1,070,243	1,114,182	(43,939)
Community development	3,975,106	3,973,606	3,204,075	769,531
Finance	1,100,051	1,100,051	988,430	111,621
Information technology	2,062,458	2,062,458	1,666,470	395,988
Total general government	15,076,934	15,075,434	13,162,790	1,912,644
Public safety:				
Police	12,606,545	15,106,545	14,435,901	670,644
Contingency	8,493,244	5,993,244	-	5,993,244
Debt service:				
Principal	-	-	74,492	(74,492)
Interest and fiscal charges	-	-	9,797	(9,797)
Total expenditures	36,176,723	36,175,223	27,682,980	8,492,243
Excess (deficiency) of revenues over expenditures	15,181,194	15,182,694	28,152,976	12,970,282
Other Financing Sources (Uses)				
Transfers out	(9,185,982)	(9,185,982)	(5,616,501)	3,569,481
Total other financing sources (uses)	(9,185,982)	(9,185,982)	(5,616,501)	3,569,481
Net change in fund balances	5,995,212	5,996,712	22,536,475	16,539,763
Fund Balances, Beginning	115,270,453	115,270,453	115,270,453	-
Fund Balances, Ending	\$ 121,265,665	\$ 121,267,165	\$ 137,806,928	\$ 16,539,763

See notes to budgetary schedules

Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Highway User Revenue Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 966,228	\$ 966,228	\$ 1,003,001	\$ 36,773
Total revenues	966,228	966,228	1,003,001	36,773
Expenditures				
Current:				
Highways and streets	3,685,152	3,685,152	3,620,871	64,281
Capital Outlay	243,420	243,420	251,282	(7,862)
Total expenditures	3,928,572	3,928,572	3,872,153	56,419
Excess (deficiency) of revenues over expenditures	(2,962,344)	(2,962,344)	(2,869,152)	93,192
Other Financing Sources (Uses)				
Transfers in	3,000,000	3,000,000	3,000,000	-
Total other financing sources (uses)	3,000,000	3,000,000	3,000,000	-
Net change in fund balances	37,656	37,656	130,848	93,192
Fund Balances, Beginning	754,959	754,959	754,959	-
Fund Balances, Ending	\$ 792,615	\$ 792,615	\$ 885,807	\$ 93,192

See notes to budgetary schedules

Town of Paradise Valley, Arizona

Required Supplementary Information
Notes to Budgetary Schedules
Year Ended June 30, 2025

1. Budgeting and Budgetary Control

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

2. Budgetary Basis of Accounting

The Town's budget is prepared on a basis consistent with generally accepted accounting principles. The General Fund includes actual capital outlay allocated by function and department.



Financial Section

Required Supplementary Information

Pension Schedules



Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of the Town's Proportionate Share of the Net Pension Liability Cost-Sharing Pension Plan - Arizona Retirement System

June 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Town's proportion of the net pension liability	0.050034%	0.047691%	0.047257%	0.048890%	0.052441%	0.046320%	0.046970%	0.041500%	0.041970%	0.040410%
Town's proportionate share of the net pension liability	\$ 8,005,553	\$ 7,716,931	\$ 7,713,882	\$ 6,423,929	\$ 9,086,027	\$ 6,740,099	\$ 6,535,321	\$ 6,464,891	\$ 6,774,380	\$ 6,294,396
Town's covered payroll	6,995,436	6,225,512	5,625,470	5,496,120	5,364,035	4,884,597	4,489,642	3,865,826	4,288,977	3,725,267
Town's proportionate share of the net pension liability as a percentage of its covered payroll	114.44%	123.96%	137.12%	116.88%	169.39%	137.99%	145.56%	167.23%	157.95%	168.96%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

See notes to pension plan schedules

Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios Agent Pension Plan - Public Safety Personnel Retirement System

June 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total Pension Liability										
Service cost	\$ 672,333	\$ 653,979	\$ 716,343	\$ 681,972	\$ 661,624	\$ 671,680	\$ 653,388	\$ 625,699	\$ 503,757	\$ 413,268
Interest on the total pension liability (asset)	3,313,139	3,143,624	3,018,254	2,904,118	2,757,574	2,659,136	2,526,602	2,325,975	2,201,463	2,160,197
Changes on benefit terms	-	-	-	-	-	-	-	388,150	745,131	-
Differences between expected and actual experience in the measurement of the pension liability	1,624,059	1,505,424	917,878	247,996	777,242	(677,490)	477,835	572,004	692,654	24,766
Changes of assumptions or other inputs	-	-	384,422	-	-	1,328,614	-	1,461,598	1,116,822	-
Benefit payments, including refunds of employee contributions	(2,909,168)	(3,024,858)	(2,293,195)	(2,316,715)	(2,101,945)	(2,160,406)	(2,263,213)	(2,250,789)	(2,453,037)	(1,782,549)
Net change in total pension liability (asset)	2,700,363	2,278,169	2,743,702	1,517,371	2,094,495	1,821,534	1,394,612	3,122,637	2,806,790	815,682
Total pension liability, beginning	46,798,068	44,519,899	41,776,197	40,258,826	38,164,331	36,342,797	34,948,185	31,825,548	29,018,758	28,203,076
Total pension liability (asset), ending (a)	<u>\$ 49,498,431</u>	<u>\$ 46,798,068</u>	<u>\$ 44,519,899</u>	<u>\$ 41,776,197</u>	<u>\$ 40,258,826</u>	<u>\$ 38,164,331</u>	<u>\$ 36,342,797</u>	<u>\$ 34,948,185</u>	<u>\$ 31,825,548</u>	<u>\$ 29,018,758</u>
Plan Fiduciary Net Position										
Contributions, employer	\$ 5,876,787	\$ 749,818	\$ 965,554	\$ 3,017,681	\$ 4,645,860	\$ 10,736,527	\$ 2,971,262	\$ 8,029,673	\$ 3,056,411	\$ 1,708,529
Contributions, employee	222,941	249,659	417,235	243,603	235,281	237,748	237,556	320,063	312,821	411,948
Net investment income	4,054,978	2,941,001	(1,668,749)	10,764,133	419,264	1,341,038	1,121,032	1,380,854	57,574	307,573
Benefit payments, including refunds of employee contributions	(2,909,168)	(3,024,858)	(2,293,195)	(2,316,715)	(2,101,945)	(2,160,406)	(2,263,213)	(2,250,789)	(2,453,037)	(1,782,549)
Administrative expense	(18,014)	(14,891)	(30,141)	(42,645)	(34,193)	(24,283)	(17,762)	(12,618)	(8,686)	(7,885)
Other changes	-	(10,047)	-	51,880	27,230	50,956	(442,067)	182,874	679,608	(5,169)
Net change in plan fiduciary net position	7,227,524	890,682	(2,609,296)	11,717,937	3,191,497	10,181,580	1,606,808	7,650,057	1,644,691	632,447
Plan Fiduciary Net position, Beginning	40,145,358	39,254,676	41,863,972	30,146,035	28,775,016	18,606,745	16,999,937	9,349,880	7,705,189	7,072,742
Adjustments to beginning of year	-	-	-	-	(1,820,478)	(13,309)	-	-	-	-
Plan Fiduciary Net Position, Ending (b)	<u>\$ 47,372,882</u>	<u>\$ 40,145,358</u>	<u>\$ 39,254,676</u>	<u>\$ 41,863,972</u>	<u>\$ 30,146,035</u>	<u>\$ 28,775,016</u>	<u>\$ 18,606,745</u>	<u>\$ 16,999,937</u>	<u>\$ 9,349,880</u>	<u>\$ 7,705,189</u>
Town's Net Pension Liability (Asset), Ending (a) - (b)	<u>\$ 2,125,549</u>	<u>\$ 6,652,710</u>	<u>\$ 5,265,223</u>	<u>\$ (87,775)</u>	<u>\$ 10,112,791</u>	<u>\$ 9,389,315</u>	<u>\$ 17,736,052</u>	<u>\$ 17,948,248</u>	<u>\$ 22,475,668</u>	<u>\$ 21,313,569</u>
Plan Fiduciary Net Position as a Percentage of to Total Pension Liability	<u>95.71%</u>	<u>85.78%</u>	<u>88.17%</u>	<u>100.21%</u>	<u>74.88%</u>	<u>75.40%</u>	<u>51.20%</u>	<u>48.64%</u>	<u>29.38%</u>	<u>26.55%</u>
Covered Payroll	<u>\$ 2,547,589</u>	<u>\$ 2,778,030</u>	<u>\$ 3,037,812</u>	<u>\$ 2,926,966</u>	<u>\$ 2,866,163</u>	<u>\$ 2,929,989</u>	<u>\$ 2,862,125</u>	<u>\$ 2,757,599</u>	<u>\$ 2,706,916</u>	<u>\$ 2,290,190</u>
Town's Net Pension Liability (Asset) as a Percentage of Payroll	<u>83.43%</u>	<u>239.48%</u>	<u>173.32%</u>	<u>-3.00%</u>	<u>352.83%</u>	<u>320.46%</u>	<u>619.68%</u>	<u>650.87%</u>	<u>830.31%</u>	<u>930.65%</u>

See notes to pension plan schedules

Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of the Town Pension Contributions - Arizona Retirement System

June 30, 2025

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 883,612	\$ 841,551	\$ 742,081	\$ 675,619	\$ 640,298	\$ 614,182	\$ 546,098	\$ 489,371	\$ 416,736	\$ 465,354
Town's contributions in relation to the statutorily required contribution	883,612	841,551	742,081	675,619	640,298	614,182	546,098	489,371	416,736	465,354
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 7,332,880	\$ 6,995,436	\$ 6,225,512	\$ 5,625,470	\$ 5,496,120	\$ 5,364,035	\$ 4,884,597	\$ 4,489,642	\$ 3,865,826	\$ 4,288,977
Town's contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%

See notes to pension plan schedules

Town of Paradise Valley, Arizona

Required Supplementary Information

Schedule of the Town Pension Contributions - Public Safety Personnel Retirement System

June 30, 2025

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,178,932	\$ 916,630	\$ 749,818	\$ 918,938	\$ 1,121,028	\$ 1,642,025	\$ 1,748,183	\$ 1,968,946	\$ 1,737,912	\$ 1,708,137
Town's contributions in relation to the actuarially determined contribution	3,678,932	5,916,630	749,818	965,554	3,017,681	4,642,025	10,734,594	2,944,164	8,009,063	3,042,273
Town's contribution deficiency (excess)	<u>\$ (2,500,000)</u>	<u>\$ (5,000,000)</u>	<u>\$ -</u>	<u>\$ (46,616)</u>	<u>\$ (1,896,653)</u>	<u>\$ (3,000,000)</u>	<u>\$ (8,986,411)</u>	<u>\$ (975,218)</u>	<u>\$ (6,271,151)</u>	<u>\$ (1,334,136)</u>
Town's covered payroll	<u>\$ 2,562,339</u>	<u>\$ 2,547,589</u>	<u>\$ 2,778,030</u>	<u>\$ 3,037,812</u>	<u>\$ 2,926,966</u>	<u>\$ 2,866,163</u>	<u>\$ 2,929,989</u>	<u>\$ 2,862,125</u>	<u>\$ 2,757,599</u>	<u>\$ 2,706,916</u>
Town's contributions as a percentage of covered payroll	<u>143.58%</u>	<u>232.24%</u>	<u>24.33%</u>	<u>31.78%</u>	<u>103.10%</u>	<u>161.96%</u>	<u>366.37%</u>	<u>102.87%</u>	<u>290.44%</u>	<u>112.39%</u>

See notes to pension plan schedules

Town of Paradise Valley, Arizona

Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2025

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 method	Level percent of pay, closed
Remaining amortization period as of the 2023 actuarial valuation	19 years for under funded 20 years for over funded
Asset valuation method	7-year smoothed fair value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2014 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% to 8.0% to 3.5% to 7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 8.5% to 4.0% to 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 - 6.25% for PSPRS and CORP. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

2. Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plan's pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS - required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS - required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined for 2018 and 2019.

Financial Section

Supplementary Information

Combining Financial Statements Nonmajor Governmental Funds

Special Revenue Funds

Donations Fund - This fund accounts for the Town's contributions and donations received.

Grants Fund - This fund accounts for federal and state grants and other contributions that are restricted for specific use.

Opioid Settlement Fund - This fund accounts for the Town's restricted share of the class action lawsuit received for the opioid settlement.

Court Enhancement Fund - This fund accounts for the Town's restricted court funds received to improve the Town court.

Paradise Valley Mountain Preserve Fund - This fund accounts for the Town's activity of the Mountain Preserve Trust including acquiring, maintaining, preserving, and protecting undeveloped property on and around the Preserve. The Town does not budget for this fund.

Capital Projects Funds

Capital Projects Fund - This fund accounts for the Town's major capital facilities other than those financed by proprietary funds.

Other Capital Projects Fund - This fund accounts for the Town's major capital facilities financed through the 2020 Series Bonds issued.

Debt Service Funds

Debt Service Fund - 2016 - This fund accounts for the Town's accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for newly issued debt.

Debt Service Fund - 2020 - This fund accounts for the Town's accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for newly issued debt.



Town of Paradise Valley, Arizona

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds						Capital Project Funds			Debt Service Funds			
	Donations Fund	Grants Fund	Opioid Settlement Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust	Total Special Revenue Funds	Capital Projects Fund	Other Capital Projects Fund	Total Capital Project Funds	2016 Debt Service Fund	2020 Debt Service Fund	Total Debt Service Funds	Total Nonmajor Governmental Funds
Assets													
Cash and investments	\$ 87,046	\$ 113,926	\$ 286,114	\$ 1,643,486	\$ 46,984	\$ 2,177,556	\$ 7,011,148	\$ 2,188	\$ 7,013,336	\$ 15,696	\$ 97,824	\$ 113,520	\$ 9,304,412
Receivables, net:									-				
Court fines receivable	-	-	-	65,340	-	65,340	-	-	-	-	-	-	65,340
Restricted cash and investments	-	-	-	-	-	-	10,264	617,096	627,360	-	14,525	14,525	641,885
Total assets	<u>\$ 87,046</u>	<u>\$ 113,926</u>	<u>\$ 286,114</u>	<u>\$ 1,708,826</u>	<u>\$ 46,984</u>	<u>\$ 2,242,896</u>	<u>\$ 7,021,412</u>	<u>\$ 619,284</u>	<u>\$ 7,640,696</u>	<u>\$ 15,696</u>	<u>\$ 112,349</u>	<u>\$ 128,045</u>	<u>\$ 10,011,637</u>
Liabilities and Fund Balances													
Liabilities													
Accounts payable	\$ -	\$ 25,471	\$ -	\$ 33,967	\$ 175	\$ 59,613	\$ 274,331	\$ -	\$ 274,331	\$ -	\$ -	\$ -	\$ 333,944
Unearned revenue	-	46,806	-	-	-	46,806	-	-	-	-	-	-	46,806
Customer deposit payable	-	-	-	-	-	-	10,264	-	10,264	-	-	-	10,264
Total liabilities	<u>-</u>	<u>72,277</u>	<u>-</u>	<u>33,967</u>	<u>175</u>	<u>106,419</u>	<u>284,595</u>	<u>-</u>	<u>284,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,014</u>
Deferred Inflows of Resources													
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,340</u>	<u>-</u>	<u>65,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,340</u>
Fund Balances													
Restricted:													
Debt service	-	-	-	-	-	-	-	-	-	15,696	112,349	128,045	128,045
Contributions and donations	87,046	41,649	-	-	-	128,695	-	-	-	-	-	-	128,695
Court enhancement	-	-	-	1,609,519	-	1,609,519	-	-	-	-	-	-	1,609,519
Opioid remediation	-	-	286,114	-	-	286,114	-	-	-	-	-	-	286,114
Capital projects	-	-	-	-	-	-	-	619,284	619,284	-	-	-	619,284
PV Mountain Preserve Trust	-	-	-	-	46,809	46,809	-	-	-	-	-	-	46,809
Assigned:													
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,736,817</u>	<u>-</u>	<u>6,736,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,736,817</u>
Total fund balances	<u>87,046</u>	<u>41,649</u>	<u>286,114</u>	<u>1,609,519</u>	<u>46,809</u>	<u>2,071,137</u>	<u>6,736,817</u>	<u>619,284</u>	<u>7,356,101</u>	<u>15,696</u>	<u>112,349</u>	<u>128,045</u>	<u>9,555,283</u>
Total liabilities and fund balances	<u>\$ 87,046</u>	<u>\$ 113,926</u>	<u>\$ 286,114</u>	<u>\$ 1,708,826</u>	<u>\$ 46,984</u>	<u>\$ 2,242,896</u>	<u>\$ 7,021,412</u>	<u>\$ 619,284</u>	<u>\$ 7,640,696</u>	<u>\$ 15,696</u>	<u>\$ 112,349</u>	<u>\$ 128,045</u>	<u>\$ 10,011,637</u>

Town of Paradise Valley, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds						Capital Project Funds			Debt Service Funds			
	Donations Fund	Grants Fund	Opioid Settlement Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust	Total Special Revenue Funds	Capital Projects Fund	Other Capital Projects Fund	Total Capital Project Funds	2016 Debt Service Fund	2020 Debt Service Fund	Total Debt Service Funds	Total Nonmajor Governmental Funds
Revenues													
Intergovernmental	\$ -	\$ 435,083	\$ 84,520	\$ -	\$ -	\$ 519,603	\$ 238,616	\$ -	\$ 238,616	\$ -	\$ -	\$ -	\$ 758,219
Fines and forfeitures	-	-	-	400,291	-	400,291	-	-	-	-	-	-	400,291
Contributions and donations	40,604	-	-	-	5,591	46,195	-	-	-	-	-	-	46,195
Investment earnings:													
Interest income	-	-	11,324	74,904	495	86,723	-	26,891	26,891	-	5,257	5,257	118,871
Total revenues	40,604	435,083	95,844	475,195	6,086	1,052,812	238,616	26,891	265,507	-	5,257	5,257	1,323,576
Expenditures													
Current:													
General government	13,787	33,566	-	371,572	2,950	421,875	45,844	-	45,844	-	-	-	467,719
Public safety	5,637	-	-	-	-	5,637	-	-	-	-	-	-	5,637
Capital outlay	-	359,868	-	37,743	5,223	402,834	1,825,351	-	1,825,351	-	-	-	2,228,185
Debt service:													
Principal	-	-	-	-	-	-	-	-	-	-	1,375,000	1,375,000	1,375,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	34,035	34,035	34,035
Total expenditures	19,424	393,434	-	409,315	8,173	830,346	1,871,195	-	1,871,195	-	1,409,035	1,409,035	4,110,576
Excess (deficiency) of revenues over (under) expenditures	21,180	41,649	95,844	65,880	(2,087)	222,466	(1,632,579)	26,891	(1,605,688)	-	(1,403,778)	(1,403,778)	(2,787,000)
Other Financing Sources (Uses)													
Transfers in	-	-	-	-	-	-	-	-	-	-	1,441,205	1,441,205	1,441,205
Transfers out	-	-	-	-	-	-	-	(24,704)	(24,704)	-	-	-	(24,704)
Total other financing sources (uses)	-	-	-	-	-	-	-	(24,704)	(24,704)	-	1,441,205	1,441,205	1,416,501
Net change in fund balances	21,180	41,649	95,844	65,880	(2,087)	222,466	(1,632,579)	2,187	(1,630,392)	-	37,427	37,427	(1,370,499)
Fund Balances, Beginning	65,866	-	190,270	1,543,639	48,896	1,848,671	8,369,396	617,097	8,986,493	15,696	74,922	90,618	10,925,782
Fund Balances, Ending	\$ 87,046	\$ 41,649	\$ 286,114	\$ 1,609,519	\$ 46,809	\$ 2,071,137	\$ 6,736,817	\$ 619,284	\$ 7,356,101	\$ 15,696	\$ 112,349	\$ 128,045	\$ 9,555,283

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Donations Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Contributions and donations	\$ 21,500	\$ 21,500	\$ 40,604	\$ 19,104
Expenditures				
Current:				
General government	15,000	15,000	13,787	1,213
Public safety	5,000	5,000	5,637	(637)
Total expenditures	20,000	20,000	19,424	576
Excess (deficiency) of revenues over (under) expenditures	1,500	1,500	21,180	19,680
Fund Balances, Beginning	65,866	65,866	65,866	-
Fund Balances, Ending	\$ 67,366	\$ 67,366	\$ 87,046	\$ 19,680

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Grants Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 95,000	\$ 110,000	\$ 435,083	\$ 325,083
Other	68,400	-	-	-
Total revenues	163,400	110,000	435,083	325,083
Expenditures				
Current:				
General government	30,000	30,000	33,566	(3,566)
Public safety	100,000	100,000	-	100,000
Capital outlay	-	-	359,868	(359,868)
Contingency	50,000	50,000	-	50,000
Total expenditures	180,000	180,000	393,434	(213,434)
Excess (deficiency) of revenues over (under) expenditures	(16,600)	(70,000)	41,649	111,649
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	<u>\$ (16,600)</u>	<u>\$ (70,000)</u>	<u>\$ 41,649</u>	<u>\$ 111,649</u>

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Opioid Settlement Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 84,520	\$ 84,520
Investment earnings	-	-	11,324	11,324
Total revenues	-	-	95,844	95,844
Expenditures				
Current:				
General government	50,000	50,000	-	50,000
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	95,844	145,844
Fund Balances, Beginning	61,199	61,199	190,270	129,071
Fund Balances, Ending	\$ 11,199	\$ 11,199	\$ 286,114	\$ 274,915

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Court Enhancement Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 418,500	\$ 418,500	\$ 400,291	\$ (18,209)
Investment earnings	24,800	24,800	74,904	50,104
Total revenues	443,300	443,300	475,195	31,895
Expenditures				
Current:				
General government	584,852	584,852	409,315	175,537
Excess (deficiency) of revenues over (under) expenditures	(141,552)	(141,552)	65,880	207,432
Fund Balances, Beginning	1,543,639	1,543,639	1,543,639	-
Fund Balances, Ending	<u>\$ 1,402,087</u>	<u>\$ 1,402,087</u>	<u>\$ 1,609,519</u>	<u>\$ 207,432</u>

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Paradise Valley Mountain Preserve Trust Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Contributions and donations	\$ 24,000	\$ 24,000	\$ 5,591	\$ (18,409)
Investment earnings	500	500	495	(5)
Total revenues	24,500	24,500	6,086	(18,414)
Expenditures				
Current:				
General government	15,100	15,100	8,173	6,927
Total expenditures	15,100	15,100	8,173	6,927
Excess (deficiency) of revenues over (under) expenditures	9,400	9,400	(2,087)	(11,487)
Fund Balances, Beginning	48,896	48,896	48,896	-
Fund Balances, Ending	<u>\$ 58,296</u>	<u>\$ 58,296</u>	<u>\$ 46,809</u>	<u>\$ (11,487)</u>

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgeted to Actual

Capital Projects Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 3,617,641	\$ 3,617,641	\$ 238,616	\$ (3,379,025)
Contributions and donations	120,000	-	-	-
Total revenues	3,737,641	3,617,641	238,616	(3,379,025)
Expenditures				
Current:				
General Government	(650,000)	650,000	45,844	604,156
Capital outlay	6,857,122	7,294,000	1,825,351	5,468,649
Total expenditures	6,207,122	7,944,000	1,871,195	6,072,805
Excess (deficiency) of revenues over (under) expenditures	(2,469,481)	(4,326,359)	(1,632,579)	2,693,780
Other Financing Sources (Uses)				
Transfers in	3,569,481	3,569,481	-	(3,569,481)
Net change in fund balances	1,100,000	(756,878)	(1,632,579)	(875,701)
Fund Balances, Beginning	8,369,396	8,369,396	8,369,396	-
Fund Balances, Ending	\$ 9,469,396	\$ 7,612,518	\$ 6,736,817	\$ (875,701)

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in in Fund Balances - Budget to Actual

Other Capital Projects Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 26,891	\$ 26,891
Expenditures				
Capital outlay	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	26,891	26,891
Other Financing Sources (Uses)				
Transfers out	-	-	(24,704)	(24,704)
Net change in fund balances	-	-	2,187	2,187
Fund Balances, Beginning	617,097	617,097	617,097	-
Fund Balances, Ending	<u>\$ 617,097</u>	<u>\$ 617,097</u>	<u>\$ 619,284</u>	<u>\$ 2,187</u>

Town of Paradise Valley, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Debt Service Fund - 2016

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances, Beginning	15,696	15,696	15,696	-
Fund Balances, Ending	<u>\$ 15,696</u>	<u>\$ 15,696</u>	<u>\$ 15,696</u>	<u>\$ -</u>

Town of Paradise Valley, Arizona**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**

Debt Service Fund - 2020

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Investment earnings	\$ 2,000	\$ 2,000	\$ 5,257	\$ 3,257
Expenditures				
Debt service:				
Principal	1,375,000	1,375,000	1,375,000	-
Interest and fiscal charges	41,501	41,501	34,035	7,466
Total expenditures	1,416,501	1,416,501	1,409,035	7,466
Excess (deficiency) of revenues over (under) expenditures	(1,414,501)	(1,414,501)	(1,403,778)	10,723
Other Financing Sources (Uses)				
Transfers in	1,416,501	1,416,501	1,441,205	24,704
Net change in fund balances	2,000	2,000	37,427	35,427
Fund Balances, Beginning	74,922	74,922	74,922	-
Fund Balances, Ending	\$ 76,922	\$ 76,922	\$ 112,349	\$ 35,427

Statistical Section

Contents	Pages
Financial trends: These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	117-121
Revenue capacity: These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and sales and uses taxes.	122-124
Debt capacity: These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	125-127
Demographic and economic statistics: These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	128-129
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.	130-132

Town of Paradise Valley, Arizona

Net Position by Component

Table 1

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net investment in capital assets	\$ 78,383,694	\$ 79,851,973	\$ 76,859,341	\$ 75,320,342	\$ 79,859,462	\$ 87,149,848	\$ 88,151,880	\$ 89,738,887	\$ 91,514,630	\$ 97,232,836
Restricted	224,308	455,140	784,098	1,133,666	1,310,426	1,485,326	1,848,633	2,086,305	2,199,264	2,551,104
Unrestricted	10,434,716	13,495,213	24,148,689	35,192,544	44,200,680	52,315,124	70,282,831	90,211,489	116,474,350	137,934,320
Total governmental activities net position	<u>\$ 89,042,718</u>	<u>\$ 93,802,326</u>	<u>\$ 101,792,128</u>	<u>\$ 111,646,552</u>	<u>\$ 125,370,568</u>	<u>\$ 140,950,298</u>	<u>\$ 160,283,344</u>	<u>\$ 182,036,681</u>	<u>\$ 210,188,244</u>	<u>\$ 237,718,260</u>
Business-Type Activities										
Net investment in capital assets	\$ 26,904,413	\$ 26,808,710	\$ 26,751,905	\$ 26,544,773	\$ 26,111,984	\$ 25,681,256	\$ 25,253,674	\$ 24,830,143	\$ 24,413,235	\$ 24,744,187
Unrestricted	1,034,839	1,233,402	1,432,368	1,766,608	2,076,152	1,993,739	3,414,646	3,258,815	3,187,775	2,221,317
Total business-type activities net position	<u>\$ 27,939,252</u>	<u>\$ 28,042,112</u>	<u>\$ 28,184,273</u>	<u>\$ 28,311,381</u>	<u>\$ 28,188,136</u>	<u>\$ 27,674,995</u>	<u>\$ 28,668,320</u>	<u>\$ 28,088,958</u>	<u>\$ 27,601,010</u>	<u>\$ 26,965,504</u>
Primary Government										
Net investment in capital assets	\$ 105,288,107	\$ 106,660,683	\$ 103,611,246	\$ 101,865,115	\$ 105,971,446	\$ 112,831,104	\$ 113,405,554	\$ 114,569,030	\$ 115,927,865	\$ 121,977,023
Restricted	224,308	455,140	784,098	1,133,666	1,310,426	1,485,326	1,848,633	2,086,305	2,199,264	2,551,104
Unrestricted	11,469,555	14,728,615	25,581,057	36,959,152	46,276,832	54,308,863	73,697,477	93,470,304	119,662,125	140,155,637
Total primary government net position	<u>\$ 116,981,970</u>	<u>\$ 121,844,438</u>	<u>\$ 129,976,401</u>	<u>\$ 139,957,933</u>	<u>\$ 153,558,704</u>	<u>\$ 168,625,293</u>	<u>\$ 188,951,664</u>	<u>\$ 210,125,639</u>	<u>\$ 237,789,254</u>	<u>\$ 264,683,764</u>

Town of Paradise Valley, Arizona

Changes in Net Position

Table 2

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	\$ 8,605,414	\$ 9,458,609	\$ 9,995,805	\$ 10,566,002	\$ 11,125,607	\$ 13,992,812	\$ 13,044,083	\$ 13,049,857	\$ 13,689,314	\$ 14,535,734
Public safety	9,054,408	10,249,410	9,755,591	10,755,292	10,301,269	11,828,735	8,529,786	9,381,733	12,146,819	14,508,849
Highways and streets	3,568,394	3,669,088	5,154,182	5,835,417	2,250,772	1,891,810	4,168,527	5,259,921	3,937,254	4,758,393
Interest on long-term debt	281,348	192,227	146,463	111,690	273,078	176,222	133,035	116,434	67,181	37,587
Total governmental activities expenses	21,509,564	23,569,334	25,052,041	27,268,401	23,950,726	27,889,579	25,875,431	27,807,945	29,840,568	33,840,563
Business-type activities:										
Sewer	2,185,714	2,124,328	2,114,532	2,698,883	2,829,517	3,038,499	2,571,406	2,739,938	2,522,877	3,621,489
Fire service	2,921,260	3,037,830	3,247,709	3,119,018	3,439,910	3,599,090	3,767,565	4,301,947	4,457,551	4,564,507
Alarm monitor system	100,719	128,521	279,499	268,048	130,521	145,924	149,921	131,963	166,247	189,511
Total business-type activities expenses	5,207,693	5,290,679	5,641,740	6,085,949	6,399,948	6,783,513	6,488,892	7,173,848	7,146,675	8,375,507
Total primary government expenses	26,717,257	28,860,013	30,693,781	33,354,350	30,350,674	34,673,092	32,364,323	34,981,793	36,987,243	42,216,070
Program Revenue										
Governmental activities:										
Charges for services:										
General government	6,845,255	4,648,109	6,119,735	6,995,777	5,430,961	5,865,032	6,995,575	6,813,545	7,536,083	8,589,725
Public safety	82,694	71,787	58,799	109,162	120,670	79,235	72,394	90,968	228,729	172,355
Highways and streets	-	-	-	-	9,938	-	-	-	-	-
Operating grants and contributions	1,121,420	1,144,233	1,065,863	1,140,106	1,289,846	7,239,085	3,817,930	1,312,821	1,356,130	1,505,479
Capital grants and contributions	-	208,085	1,178,960	674,197	1,864,973	2,809,088	965,452	-	487,432	3,697,286
Total governmental activities program revenues	8,049,369	6,072,214	8,423,357	8,919,242	8,716,388	15,992,440	11,851,351	8,217,334	9,608,374	13,964,845
Business-type activities:										
Charges for services:										
Sewer system	2,250,608	2,415,051	2,661,503	2,891,642	2,883,464	2,586,842	2,771,162	2,827,694	2,771,079	2,828,147
Fire service	3,101,634	3,121,961	3,138,471	3,122,406	3,238,846	3,227,180	3,206,224	3,235,618	3,300,932	3,322,705
Alarm monitor system	199,750	190,727	168,127	143,073	135,642	128,079	129,282	117,888	125,615	118,967
Capital grants and contributions	76,875	-	-	-	-	320,423	1,367,448	294,209	306,033	109,858
Total business-type activities revenues	5,628,867	5,727,739	5,968,101	6,157,121	6,257,952	6,262,524	7,474,116	6,475,409	6,503,659	6,379,677
Total primary government revenues	13,678,236	11,799,953	14,391,458	15,076,363	14,974,340	22,254,964	19,325,467	14,692,743	16,112,033	20,344,522
Net (expense) revenue:										
Governmental activities	(13,460,195)	(17,497,120)	(16,628,684)	(18,349,159)	(15,234,338)	(11,897,139)	(14,024,080)	(19,590,611)	(20,232,194)	(19,875,718)
Business-type activities	421,174	437,060	326,361	71,172	(141,996)	(520,989)	985,224	(698,439)	(643,016)	(1,995,830)
Total primary government net expense	\$ (13,039,021)	\$ (17,060,060)	\$ (16,302,323)	\$ (18,277,987)	\$ (15,376,334)	\$ (12,418,128)	\$ (13,038,856)	\$ (20,289,050)	\$ (20,875,210)	\$ (21,871,548)

Town of Paradise Valley, Arizona

Changes in Net Position

Table 2

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Sales tax	\$ 14,553,528	\$ 17,151,386	\$ 19,276,803	\$ 21,812,160	\$ 22,400,711	\$ 21,574,254	\$ 30,453,757	\$ 32,611,036	\$ 34,875,255	\$ 35,122,924
Franchise tax	1,146,142	1,056,547	1,288,360	1,273,973	1,252,683	1,264,626	1,369,026	1,374,569	1,472,153	1,489,116
State shared revenue	2,760,822	2,980,931	3,156,391	3,170,318	3,374,400	3,828,265	3,517,268	4,280,460	1,899,770	1,917,903
Urban revenue sharing	-	-	-	-	-	-	-	-	3,340,483	2,659,525
Auto lieu tax revenue	530,413	548,523	595,778	616,863	617,312	694,823	685,471	629,426	658,749	689,642
Investment income	274,390	185,141	250,226	1,330,269	1,313,248	114,901	(731,209)	2,448,457	5,349,341	6,052,084
Change in fair value of investments	-	-	-	-	-	-	-	-	582,339	414,589
Gain on disposal of right of use assets	-	-	-	-	-	-	-	-	56,651	-
Miscellaneous and special items	-	-	-	-	-	-	-	-	149,016	259,951
Transfers	(50,000)	334,200	184,200	-	-	-	-	-	-	(1,200,000)
Total governmental activities	<u>19,215,295</u>	<u>22,256,728</u>	<u>24,751,758</u>	<u>28,203,583</u>	<u>28,958,354</u>	<u>27,476,869</u>	<u>35,294,313</u>	<u>41,343,948</u>	<u>48,383,757</u>	<u>47,405,734</u>
Business-type Activities:										
Taxes	-	-	-	-	-	-	-	-	-	-
Investment income	22,032	-	-	55,936	18,751	7,848	8,101	119,077	155,068	160,324
Transfers	50,000	(334,200)	(184,200)	-	-	-	-	-	-	1,200,000
Total business-type activities	<u>72,032</u>	<u>(334,200)</u>	<u>(184,200)</u>	<u>55,936</u>	<u>18,751</u>	<u>7,848</u>	<u>8,101</u>	<u>119,077</u>	<u>155,068</u>	<u>1,360,324</u>
Total primary government	<u>\$ 19,287,327</u>	<u>\$ 21,922,528</u>	<u>\$ 24,567,558</u>	<u>\$ 28,259,519</u>	<u>\$ 28,977,105</u>	<u>\$ 27,484,717</u>	<u>\$ 35,302,414</u>	<u>\$ 41,463,025</u>	<u>\$ 48,538,825</u>	<u>\$ 48,766,058</u>
Change in net position:										
Governmental activities	\$ 5,755,100	\$ 4,759,608	\$ 8,123,074	\$ 9,854,424	\$ 13,724,016	\$ 15,579,730	\$ 21,270,233	\$ 21,753,337	\$ 28,151,563	\$ 27,530,016
Business-type activities	493,206	102,860	142,161	127,108	(123,245)	(513,141)	993,325	(579,362)	(487,948)	(635,506)
Total primary government	<u>\$ 6,248,306</u>	<u>\$ 4,862,468</u>	<u>\$ 8,265,235</u>	<u>\$ 9,981,532</u>	<u>\$ 13,600,771</u>	<u>\$ 15,066,589</u>	<u>\$ 22,263,558</u>	<u>\$ 21,173,975</u>	<u>\$ 27,663,615</u>	<u>\$ 26,894,510</u>

Town of Paradise Valley, Arizona

Fund Balances of Governmental Funds

Table 3

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nondisposable	\$ 709,554	\$ 2,748,409	\$ 628,372	\$ 459,594	\$ 1,321,377	\$ 873,141	\$ 51,030	\$ 43,280	\$ 55,260	\$ 60,915
Assigned	-	494,500	1,168,500	2,363,500	2,363,500	3,111,055	15,850,747	23,653,933	28,629,205	33,302,294
Unassigned	29,666,433	26,547,108	32,762,200	31,178,328	37,153,444	48,074,318	57,082,287	70,062,345	86,585,988	104,443,719
Total general fund	<u>\$ 30,375,987</u>	<u>\$ 29,790,017</u>	<u>\$ 34,559,072</u>	<u>\$ 34,001,422</u>	<u>\$ 40,838,321</u>	<u>\$ 52,058,514</u>	<u>\$ 72,984,064</u>	<u>\$ 93,759,558</u>	<u>\$ 115,270,453</u>	<u>\$ 137,806,928</u>
All Other Governmental Funds										
Nondisposable	\$ 6,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,694,934	5,921,497	2,143,013	1,133,666	9,313,080	4,079,038	4,208,697	3,027,642	2,556,386	2,818,466
Assigned	4,960,708	4,337,958	9,549,782	13,025,370	13,572,626	10,682,313	8,907,303	8,244,477	9,124,355	7,622,624
Unassigned	-	(16,600)	(3,165)	-	-	3,272	9,573	-	-	-
Total all other governmental funds	<u>\$ 10,662,170</u>	<u>\$ 10,242,855</u>	<u>\$ 11,689,630</u>	<u>\$ 14,159,036</u>	<u>\$ 22,885,706</u>	<u>\$ 14,764,623</u>	<u>\$ 13,125,573</u>	<u>\$ 11,272,119</u>	<u>\$ 11,680,741</u>	<u>\$ 10,441,090</u>

Town of Paradise Valley, Arizona
Changes in Fund Balances of Governmental Funds
Table 4
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 15,699,670	\$ 18,576,603	\$ 20,565,163	\$ 23,086,133	\$ 23,603,226	\$ 22,840,680	\$ 31,824,433	\$ 33,927,438	\$ 36,348,908	\$ 36,613,540
Intergovernmental	4,393,807	4,712,850	4,825,303	4,914,274	5,278,968	9,826,857	8,162,053	6,219,377	7,840,694	7,232,283
Fines and forfeitures	3,697,261	2,364,100	2,881,561	3,404,559	1,763,211	2,143,881	2,602,309	3,130,265	3,073,161	2,764,912
Licenses and permits	2,071,846	2,285,398	2,712,910	2,823,054	3,232,232	3,084,019	3,558,410	3,038,938	3,888,658	3,810,487
Charges for services	261,829	-	309,900	406,865	308,938	283,180	359,055	368,287	364,695	365,990
Rents and royalties	159,360	307,779	123,101	101,924	77,496	80,601	127,655	108,736	113,944	124,923
Contributions and donations	-	-	-	-	-	-	-	88,260	49,255	46,195
Investment income	274,390	185,141	250,226	1,330,269	1,313,248	114,901	(731,209)	2,448,457	5,931,680	6,052,084
Other	579,469	118,706	1,190,577	475,574	316,374	270,096	1,142,360	264,424	263,202	1,152,119
Total revenues	27,137,632	28,550,577	32,858,741	36,542,652	35,893,693	38,644,215	47,045,066	49,594,182	57,874,197	58,162,533
Expenditures										
General government	7,794,295	7,925,090	9,159,411	10,116,904	10,016,895	9,557,350	11,656,135	11,856,238	12,577,910	13,220,571
Public safety	8,972,593	13,930,804	8,883,377	17,366,356	11,148,102	9,818,166	8,472,671	8,829,375	15,144,604	13,718,231
Highways and streets	2,786,005	2,860,702	4,372,002	3,258,493	1,869,376	3,592,139	3,844,232	4,414,702	3,187,046	3,620,871
Capital outlay	2,737,601	3,924,736	3,223,563	2,619,549	3,820,224	10,377,694	916,520	3,284,862	2,046,556	3,612,712
Debt service:										
Issuance cost	125,697	-	-	-	137,600	-	-	-	-	-
Principal retirement	1,155,556	1,022,598	1,008,389	1,123,998	1,365,000	2,040,000	2,730,000	2,929,075	2,925,257	1,449,492
Interest on long-term debt	189,558	226,133	180,369	145,596	112,927	159,756	139,008	122,565	73,357	43,832
Total expenditures	23,761,305	29,890,063	26,827,111	34,630,896	28,470,124	35,545,105	27,758,566	31,436,817	35,954,730	35,665,709
Excess of revenues over (under) expenditures	3,376,327	(1,339,486)	6,031,630	1,911,756	7,423,569	3,099,110	19,286,500	18,157,365	21,919,467	22,496,824
Other Financing Sources (Uses)										
Subscription-based information technology arrangements	-	-	-	-	-	-	-	764,675	-	-
Transfers in	4,831,055	6,446,038	9,018,440	9,403,807	9,238,625	23,836,841	3,813,446	7,520,087	6,421,102	4,441,205
Transfers out	(4,881,055)	(6,111,838)	(8,834,240)	(9,403,807)	(9,238,625)	(23,836,841)	(3,813,446)	(7,520,087)	(6,421,102)	(5,641,205)
Issuance of long-term debt	7,880,000	-	-	-	8,140,000	-	-	-	-	-
Total other financing sources and (uses)	7,830,000	334,200	184,200	-	8,140,000	-	-	764,675	-	(1,200,000)
Net change in fund balances	\$ 11,206,327	\$ (1,005,286)	\$ 6,215,830	\$ 1,911,756	\$ 15,563,569	\$ 3,099,110	\$ 19,286,500	\$ 18,922,040	\$ 21,919,467	\$ 21,296,824
Debt Service as a Percentage of Noncapital Expenditures	7.0%	4.8%	5.0%	4.0%	6.6%	8.7%	10.7%	10.8%	8.8%	4.7%

Town of Paradise Valley, Arizona

General Government Tax Revenues by Source

Table 5

Last Ten Fiscal Years

Fiscal Year	Sale and Use Tax	Occupancy	Franchise	Total
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
2020	18,346,804	4,003,739	1,252,683	23,603,226
2021	17,816,818	3,759,236	1,264,625	22,840,679
2022	23,724,250	6,731,157	1,369,026	31,824,433
2023	25,615,262	6,937,607	1,374,569	33,927,438
2024	28,240,607	6,636,148	1,472,152	36,348,907
2025	28,340,023	6,782,901	1,489,116	36,612,040

Source: Finance Department

Town of Paradise Valley, Arizona

Local Taxes Collected by Category

Table 6

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales and Use Tax by Category (1):										
Communications and utilities	\$ 965,755	\$ 957,578	\$ 1,019,237	\$ 954,873	\$ 966,974	\$ 1,072,183	\$ 1,040,520	\$ 1,121,062	\$ 1,241,069	\$ 1,286,805
Construction	3,181,485	4,327,639	4,762,342	5,718,854	7,566,098	6,995,777	7,474,120	8,304,986	9,952,045	9,343,177
Manufacturing	158,886	44,432	42,372	33,311	23,384	4,992	13,293	10,802	12,319	14,946
Retail Trade	856,216	2,082,847	3,682,628	4,277,634	5,048,564	5,425,364	6,307,316	6,015,520	7,172,802	7,650,929
Finance, insurance and real estate	341,602	397,083	523,693	747,190	593,466	1,026,009	756,324	870,971	882,533	850,378
Hospitality	4,931,846	5,287,561	4,405,605	4,935,524	3,879,600	3,023,336	7,773,420	8,903,300	8,568,478	8,683,607
Services	313,346	13	2	(96)	-	(20)	-	(13)	(6)	-
Other	596,766	721,164	397,643	297,095	268,718	269,177	359,258	388,633	411,366	510,180
Total	\$ 11,345,902	\$ 13,818,317	\$ 14,833,522	\$ 16,964,385	\$ 18,346,804	\$ 17,816,818	\$ 23,724,251	\$ 25,615,261	\$ 28,240,607	\$ 28,340,023
Bed Tax Collected	\$ 3,207,626	\$ 3,701,739	\$ 4,443,281	\$ 4,847,777	\$ 4,003,739	\$ 3,759,236	\$ 6,731,157	\$ 6,937,607	\$ 6,636,148	\$ 6,782,901

Source: Arizona Department of Revenue

Town of Paradise Valley, Arizona

Direct and Overlapping Sales Tax Rates

Table 7

Last Ten Fiscal Years

Fiscal Year	Privilege (Sales) Tax Rates			
	Town Direct Rate	Maricopa County Rate	State Rate	Total
2016	2.50%	0.70%	5.60%	8.80%
2017	2.50%	0.70%	5.60%	8.80%
2018	2.50%	0.70%	5.60%	8.80%
2019	2.50%	0.70%	5.60%	8.80%
2020	2.50%	0.70%	5.60%	8.80%
2021	2.50%	0.70%	5.60%	8.80%
2022	2.50%	0.70%	5.60%	8.80%
2023	2.50%	0.70%	5.60%	8.80%
2024	2.50%	0.70%	5.60%	8.80%
2025	2.50%	0.70%	5.60%	8.80%

Fiscal Year	Use Tax Rates			
	Town Direct Rate	Maricopa County Rate	State Rate	Total
2016	2.50%	0.00%	5.60%	8.10%
2017	2.50%	0.00%	5.60%	8.10%
2018	2.50%	0.00%	5.60%	8.10%
2019	2.50%	0.00%	5.60%	8.10%
2020	2.50%	0.00%	5.60%	8.10%
2021	2.50%	0.00%	5.60%	8.10%
2022	2.50%	0.00%	5.60%	8.10%
2023	2.50%	0.00%	5.60%	8.10%
2024	2.50%	0.00%	5.60%	8.10%
2025	2.50%	0.00%	5.60%	8.10%

Fiscal Year	Bed Tax Rates			
	Town Direct Rate (1)	Maricopa County Rate	State Rate	Total
2016	5.90%	1.77%	5.50%	13.17%
2017	5.90%	1.77%	5.50%	13.17%
2018	5.90%	1.77%	5.50%	13.17%
2019	5.90%	1.77%	5.50%	13.17%
2020	5.90%	1.77%	5.50%	13.17%
2021	5.90%	1.77%	5.50%	13.17%
2022	5.90%	1.77%	5.50%	13.17%
2023	5.90%	1.77%	5.50%	13.17%
2024	5.90%	1.77%	5.50%	13.17%
2025	5.90%	1.77%	5.50%	13.17%

Sources: Arizona Department of Revenue & Model City Tax Code

Town of Paradise Valley, Arizona

Ratio of Outstanding Debt by Type
Table 8
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	SBITA	Note Payable	Capital Leases	Excise Tax Revenue Bonds	Note Payable			
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
2020	13,840,000	-	-	-	-	-	13,840,000	946	14,637
2021	11,800,000	-	-	-	-	-	11,800,000	799	14,769
2022	9,070,000	-	-	-	-	-	9,070,000	714	12,707
2023	6,285,000	-	-	-	-	-	6,285,000	495	12,700
2024	3,465,000	337,882	-	-	-	-	3,802,882	298	12,749
2025	2,090,000	263,330	-	-	-	-	2,353,330	184	12,781

Source: Finance Department

Town of Paradise Valley, Arizona

Pledged Revenue Coverage

Table 9

Last Ten Fiscal Years

(Dollars in Thousands)

Excise Tax Revenue Bonds				
Fiscal Year	Excise Tax *	Principal	Interest	Coverage
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	26,261,153	1,335,000	137,632	17.83
2020	26,980,975	1,365,000	107,864	18.32
2021	26,672,419	2,040,000	159,755	12.13
2022	35,343,776	2,730,000	139,008	12.32
2023	38,209,548	2,785,000	100,456	13.24
2024	41,593,511	2,820,000	76,988	14.36
2025	41,189,468	1,449,492	43,832	27.58

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

Source: Finance Department

Town of Paradise Valley, Arizona

Direct and Overlapping Governmental Activities Debt

Table 10

As of June 30, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable a	Estimated Share of Direct and Overlapping Debt
Debt Repaid With Property Taxes			
Maricopa County Special Health Care District	\$ 544,135,000	2.04%	\$ 11,091,306
Maricopa County Community College District	57,615,000	2.04	1,174,388
East Valley Institute of Technology District No. 401	none	3.89	-
Creighton Unified School District No. 14	54,530,000	12.77	6,963,280
Scottsdale Unified School District No. 48	246,180,000	15.56	38,302,512
Phoenix Union High School District No. 210	364,285,000	1.11	4,034,378
Subtotal, overlapping debt			61,565,864
Town Direct Debt	-	-	2,353,330
Total direct and overlapping debt			\$ 63,919,194

Source: Stifel, Nicolaus & Company, Inc.

^a 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 general obligation debt of those overlapping governments that is borne by the residents and business 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

Table 11

Last Ten Fiscal Years

Fiscal Year	Population (A)	Personal Income (A x B)	Per Capita Personal Income (B)	Unemployment Rate
2016	13,653	\$ 1,283,736,978	\$ 94,026	1.6
2017	13,930	1,432,212,950	102,815	1.9
2018	14,355	1,598,314,410	111,342	2.2
2019	14,400	1,648,008,000	114,445	2.5
2020	14,637	1,853,585,769	126,637	3.1
2021	14,769	1,951,073,514	132,106	3.4
2022	12,707	1,880,623,293	147,999	1.9
2023	12,700	1,805,457,400	142,162	1.7
2024	12,749	1,938,702,183	152,067	1.7
2025	12,781	1,908,433,358	149,318	1.9

Sources: Population information provided by the Maricopa Association of Governments, Per Capita Personal Income data provided by U.S. Census, American Community Survey. Unemployment data provided by the Arizona Office of Economic Opportunity.

Note: Population information is based on an estimate published the fiscal year.
Unemployment Rate is a yearly average.

Town of Paradise Valley, Arizona

Principal Employers

Table 12

2025 and 2016

	2025			2016		
	Employees	Rank	Percentage of Employment	Employees	Rank	Percentage of Employment
JW Marriott Camelback Inn	544	1	10.3%	631	1	17.9%
Sanctuary Camelback Mountain	401	2	7.6%	300	4	8.5%
Omni Resort & Spa at Montelucia	377	3	7.2%	358	2	10.2%
Scottsdale Plaza Resort	230	4	4.4%	332	3	9.4%
Hermosa Inn	178	5	3.4%	109	8	3.1%
Mountain Shadows	160	6	3.0%	-	-	0.0%
Phoenix Country Day School	150	7	2.8%	141	6	4.0%
DoubleTree by Hilton	137	8	2.6%	230	5	6.5%
Scottsdale Unified School District	136	9	2.6%	-	-	0.0%
Paradise Valley Country Club	120	10	2.3%	110	7	3.1%
Town of Paradise Valley	-	-	0.0%	87	10	2.5%
Early Learning Childhood Center	-	-	0.0%	90	9	2.6%
Total	2,433		46.15%	2,388		67.90%
Total town employment	5,272			3,517		

Source: Maricopa Association of Governments 2022 Employer Database

Note: 2022 is the most recent information available.

Town of Paradise Valley, Arizona

Full-time Equivalent Employees by Function

Table 13

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government:										
Town manager	4.0	4.0	5.0	7.0	7.0	6.0	6.0	6.0	4.0	4.0
Town attorney	3.0	3.0	3.0	4.0	4.0	4.0	4.8	5.4	4.4	4.1
Finance	4.0	4.0	4.0	4.0	4.5	4.6	4.6	4.7	5.8	5.8
Information technology	3.0	3.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Community development	10.0	10.0	11.0	9.0	10.0	10.0	13.0	20.0	19.0	19.0
Municipal court	5.0	5.0	6.0	7.0	7.0	8.5	11.0	11.0	11.5	12.0
Engineering	4.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0	-	-
Post office	-	-	-	-	-	-	-	-	2.0	2.0
Public works	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Police:										
Sworn	33.0	33.0	34.0	34.0	34.0	35.0	35.0	37.0	37.0	35.0
Civilians	8.0	8.0	10.0	15.0	15.0	15.0	14.5	15.0	15.0	17.0
Highways and streets	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0	11.0
Total	87.0	87.0	94.0	103.0	105.5	107.1	112.9	124.1	117.7	117.9

Source: Finance Department Budget Document

Town of Paradise Valley, Arizona

Operating Indicators by Function

Table 14

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government:										
Building permits issued	706	649	667	659	708	825	924	1,019	870	825
Value of building permits issued	\$ 142,370,728	\$ 122,718,034	\$ 181,737,513	\$ 221,618,999	\$ 231,442,549	\$ 177,636,337	\$ 237,091,212	\$ 190,036,763	\$ 284,566,350	\$ 273,414,703
Police:										
Physical arrests	206	351	336	565	268	201	171	132	105	121
Parking violations	408	362	162	134	159	224	285	59	33	52
Traffic violations	1,829	3,036	5,532	6,395	3,162	1,818	3,398	2,118	1,992	3,039
Other public works:										
Street resurfacing (miles)	27.90	26.40	19.40	18.65	14.20	5.00	15.00	13.20	11.90	7.50
Potholes repaired	10.00	7.00	13.00	19.00	62.00	26.00	28.00	13.00	16.00	99.00
Sewer system:										
Number of customers	2,162	2,173	2,191	2,210	2,252	2,287	2,322	2,365	2,417	2,452

Source: Town of Paradise Valley

Town of Paradise Valley, Arizona

Capital Asset Statistics

Table 15

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol and detective vehicles	20	20	20	20	20	20	20	20	20	20
Fire service:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire pumpers, support vehicles	3	3	3	3	3	3	3	3	3	3
Other public works:										
Streets (miles)	147	147	147	147	148	148	148	148	148	148
Traffic signals	12	12	12	12	12	13	13	13	13	13
Wastewater:										
Sanitary sewers (feet)	327,624	327,624	327,624	327,624	327,624	327,624	327,624	327,624	327,627	327,627
Treatment capacity (thousands of gallons)	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026

Source: finance department

Compliance Section



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

Independent Auditors' Report

To the Honorable Mayor and Town Council of
Town of Paradise Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the 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 June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The Town's Response to Finding and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Additionally, the Town is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Town's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Baker Tilly US, LLP

Tempe, Arizona
December 4, 2025

Town of Paradise Valley

Schedule of Findings
June 30, 2025

Finding Related to Financial Statements Reported in Accordance With Government Auditing Standards

Finding: 2025-001: Donated Capital Contributions

Criteria - Management is responsible for maintaining effective internal control over financial reporting and ensuring compliance with generally accepted accounting principles (GAAP). This includes designating individuals with suitable skills, knowledge, and experience to record all donated capital contributed assets accepted by the Town through Town resolution in the correct fiscal year and in accordance with GAAP.

Condition/Context - During our audit of the Town of Paradise Valley's financial statements, it was noted that land donated to the Paradise Valley Mountain Preserve Trust in the amount of \$3,300,000 was not recorded in the government-wide Statement of Net Position and Statement of Activities in a timely manner for the fiscal year ended June 30, 2025. The land was accepted by resolution of the governance for the mountain preserve trust, but the transaction was omitted from the Town's capital asset listing originally audited. Because the mountain preserve trust is a non-major fund of the Town, all assets donated to the trust should be recognized when accepted by resolution.

Effect - The omission resulted in an understatement of capital assets and capital contributions on the government-wide financial statements by \$3,300,000. This misstatement could impact users' understanding of the Town's financial position and activities and may affect decision-making by stakeholders.

Cause - The Town did not have adequate internal controls in place to ensure that all donated capital assets accepted through resolution were properly identified, communicated, detected and recorded in the correct fiscal year. Additionally, management did not have a suitable procedure in place to oversee the process between Town finance and governance resolutions from which a central file of all donated capital contributions can be used to reconcile between capital asset additions and resolutions throughout the year.

Recommendation - We recommend that the Town strengthen its internal control procedures by:

- Establishing a formal process to identify and record all donated capital assets upon acceptance by resolution with the help of the Town Clerk's office and the Town's Finance Department.
- Implementing periodic reviews and reconciliations to verify completeness of capital asset records from a centrally located file where all resolutions of accepted assets can be found and recorded in a timely manner.

Views of Responsible Officials and Planned Corrective Action - The Town concurs with the finding. See Corrective Action Plan



Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253

Town of Paradise Valley Corrective Action Plan For the Year Ended June 30, 2025

Finding 2025-001

Condition

During our audit of the Town of Paradise Valley's financial statements, it was noted that land donated to the Paradise Valley Mountain Preserve in the amount of \$3,300,000 was not recorded in the government-wide Statement of Net Position and Statement of Activities in a timely manner for the fiscal year ended June 30, 2025. The land was accepted by resolution from governance of the mountain preserve trust, but the transaction was omitted from the Town's capital asset listing originally audited

Corrective Action Plan

Corrective Action Planned: Town Clerk will forward all resolutions of the Paradise Valley Mountain Preserve Trust to the Finance Director. In addition, prior to fiscal year end, the Finance Department will check with Department Directors to see if any donations have been made.

Name(s) of Contact Person(s) Responsible for Corrective Action: Leslie DeReche,
Director of Finance

Anticipated Completion Date: Effective immediately.