

POPULAR ANNUAL FINANCIAL REPORT (PAFR)

FISCAL YEAR ENDED
JUNE 30, 2019



December 5th, 2019

What is a PAFR

In the spirit of transparency and full disclosure, the Finance office is pleased to present the Paradise Valley's second Popular Annual Financial Report ("PAFR").

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

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



The statements contained in this PAFR condenses and simplifies information derived from the Town's 2019 Comprehensive Annual Financial Report (CAFR). The CAFR is audited, conforms to U.S. Generally Accepted Accounting Principles and comprised of more than 130 pages of detailed financial statements, note disclosures, supplemental schedules and statistical tables.

This PAFR does not contain the level of detail that is found in the CAFR. But... the friendly PAFR is easier to read.

Hard copies are anticipated to be available for distribution by:

December 31, 2019



2019

TOWN OF PARADISE VALLEY

POPULAR ANNUAL FINANCIAL REPORT

**For the Fiscal Year
Ended June 30, 2019**

WWW.PARADISEVALLEYAZ.GOV

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Welcome

Introduction

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

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

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This **PAFR** does not contain the level of detail that is found in the CAFR. But... the friendly **PAFR** is easier to read.

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

I hope this PAFR sparks your interests in the Town's finances.

Respectfully,



Douglas W. Allen
Chief Financial Officer



OVERVIEW

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

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

BASIC FACTS

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

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

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

HISTORY

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

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

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

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

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

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



TOWN GOVERNMENT

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



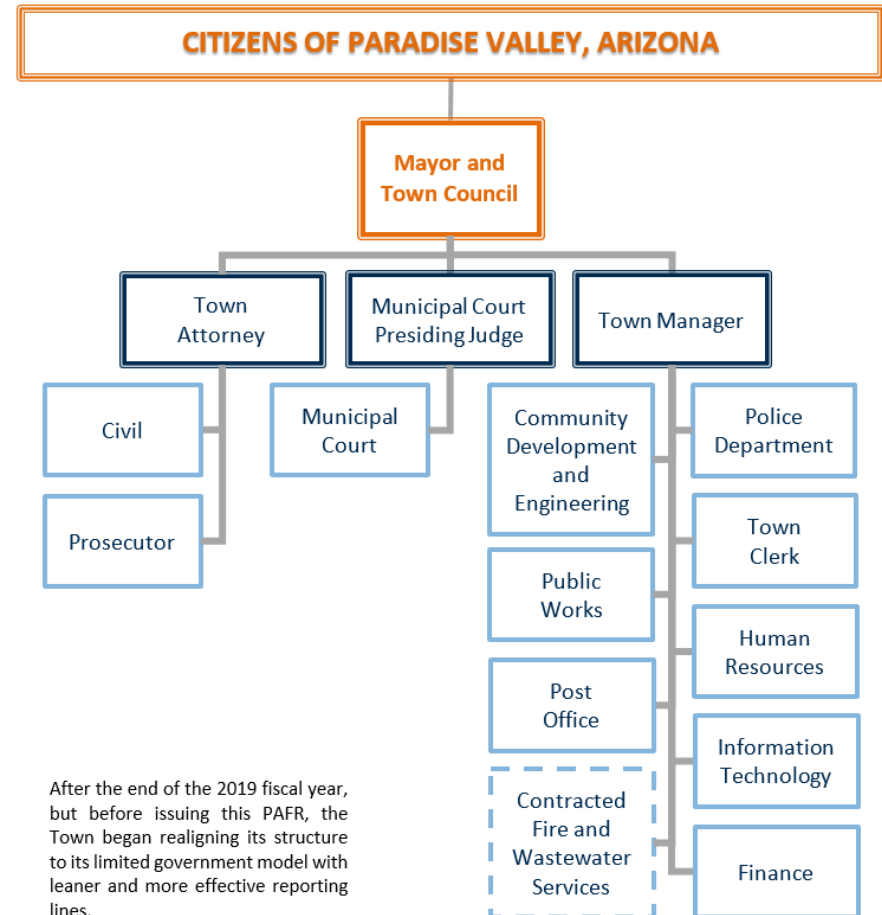
The Town Council is responsible for, but not limited to, the adoption of local ordinances, the Town budget, the development of citizen advisory committees, and the appointment of the Town Manager, Town Attorney and the Municipal Court Presiding Judge. The Town Manager is responsible for implementation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



TOWN SERVICES

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

ORGANIZATION CHART



WHERE THE MONEY COMES FROM...

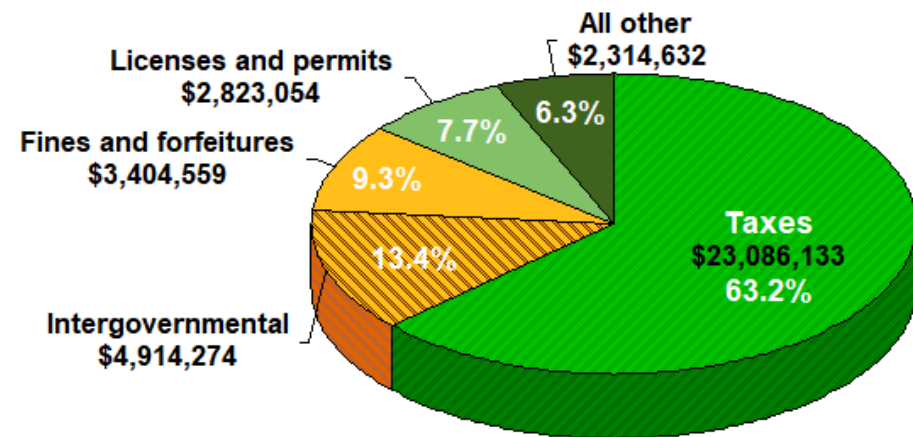
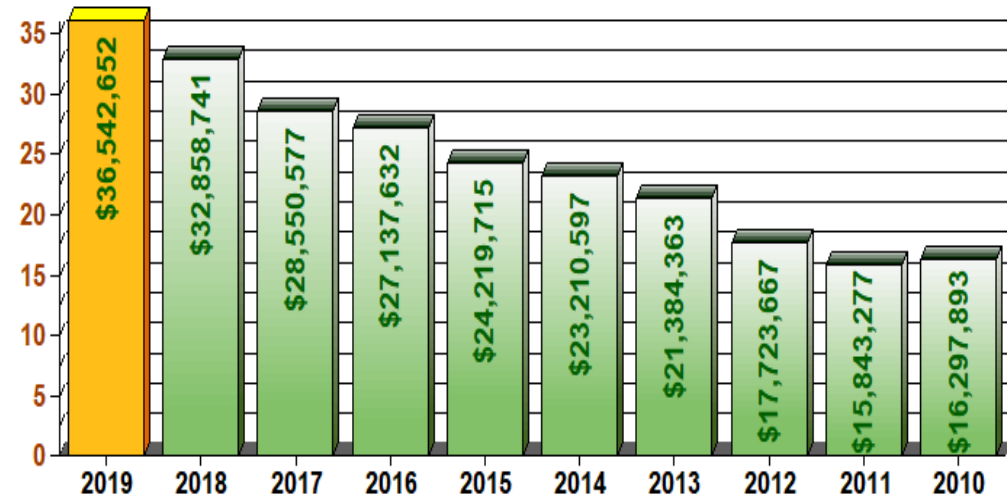
For fiscal year 2019, total revenues for the Town's governmental operations were \$36,542,652. Revenue categories are:

- **Taxes** account for the majority of governmental revenue (63%). This includes the “**transaction privilege (sales) tax**” and the “occupancy (bed) tax”. The Town does not have a “Town property tax”.
- **Intergovernmental** is the second largest revenue category (13%). This includes the state shared sales tax, income tax, and vehicle tax; the highway user fund revenue (HURF); and federal and state grants.
- **Fines and forfeitures** are various public safety fees such as impound, process service, jail and defense fees.
- **Licenses and permits** include building, grading, evacuation, sub division, right-of-way, and special use permits, plan review, fire marshal, development and hillside application fees.
- **All other** is any revenue not categorized above.

The chart below and bar graph to the right show a 10-year history of governmental revenue by category. The pie graph to the right breaks out revenues for 2019 by category.

REVENUE by TYPE	Fiscal Year			
	2019	2018	2017	2016
Taxes	\$23,086,133	\$20,565,163	\$18,576,603	\$15,699,670
Intergovernmental	4,914,274	4,825,303	4,712,850	4,393,807
Fines and forfeitures	3,404,559	2,881,561	2,364,100	3,697,261
Licenses and permits	2,823,054	2,712,910	2,285,398	2,071,846
All other	2,314,632	1,873,804	611,626	1,275,048
Total revenues	\$36,542,652	\$32,858,741	\$28,550,577	\$27,137,632

GOVERNMENTAL REVENUE



Fiscal Year					
2015	2014	2013	2012	2011	2010
\$15,602,093	\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403	\$ 9,051,417
4,074,853	3,791,372	3,537,464	3,251,086	3,692,516	4,272,612
2,085,650	1,161,685	2,346,166	801,897	1,201,432	1,133,627
1,426,883	1,322,052	1,203,370	1,021,911	1,080,207	982,740
1,030,236	2,737,503	1,272,103	966,116	916,719	857,497
\$24,219,715	\$23,210,597	\$21,384,363	\$17,723,667	\$15,843,277	\$16,297,893

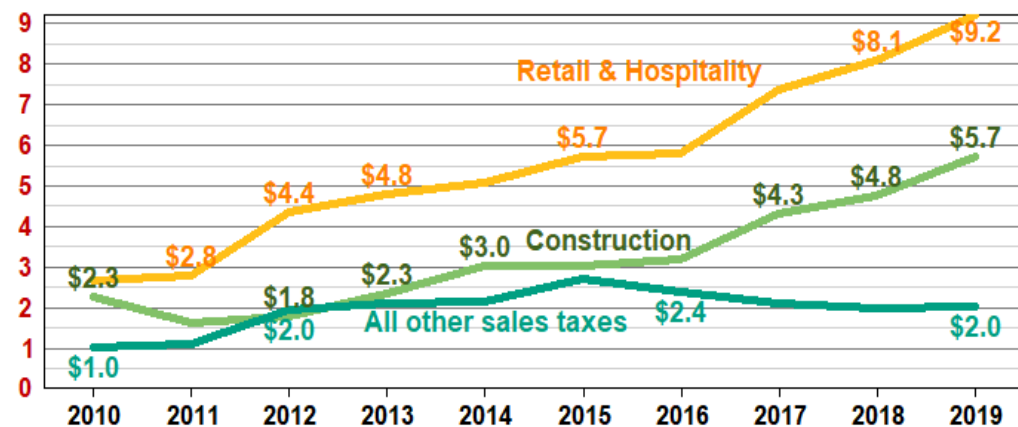
SALES TAX COLLECTIONS AND POLICIES

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

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

Retail & Hospitality has recently become a significant category with recent growth from new retail opportunities and other amenities.

The line graph below shows the three (3) main categories for local sales tax from 2010-2019 (**in millions**).



TAXES by Category	Fiscal Year			
	2019	2018	2017	2016
Construction	\$ 5,718,854	\$ 4,762,342	\$ 4,327,639	\$ 3,181,485
Retail & hospitality	9,213,158	8,088,233	7,370,408	5,788,062
All other	2,032,371	1,982,947	2,120,271	2,376,355
Sales tax	16,964,383	14,833,522	13,818,318	11,345,902
Occupancy	4,847,777	4,443,281	3,701,738	3,207,626
Franchise fee	1,273,973	1,288,360	1,056,547	1,146,142
Taxes	\$23,086,133	\$20,565,163	\$18,576,603	\$15,699,670

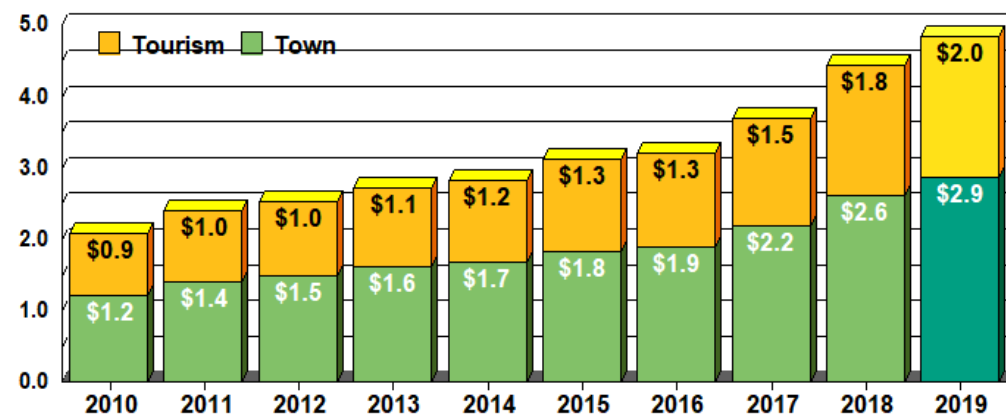
INVESTMENT IN TOURISM

Retail & Hospitality is a critical element that contributes greatly to the Town's character. These services generate a growing portion of the Town's operating revenue. The room tax charged in hotels, known as the **Occupancy (bed) tax** has more than doubled since 2010.

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

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

The graph below displays the bed tax collections since 2010 and the portion set-aside for Tourism and used for the Town's operations.



Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 3,049,241	\$ 3,048,856	\$ 2,340,481	\$ 1,780,801	\$ 1,645,850	\$ 2,250,756
5,705,830	5,096,252	4,789,447	4,362,912	2,808,614	2,688,109
2,692,314	2,155,702	2,105,715	1,960,183	1,089,350	1,033,887
11,447,385	10,300,810	9,235,643	8,103,896	5,543,814	5,972,752
3,117,450	2,835,515	2,727,892	2,523,288	2,400,955	2,078,880
1,037,258	1,061,660	1,061,725	1,055,473	1,007,634	999,785
\$15,602,093	\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403	\$ 9,051,417

Staffing Levels

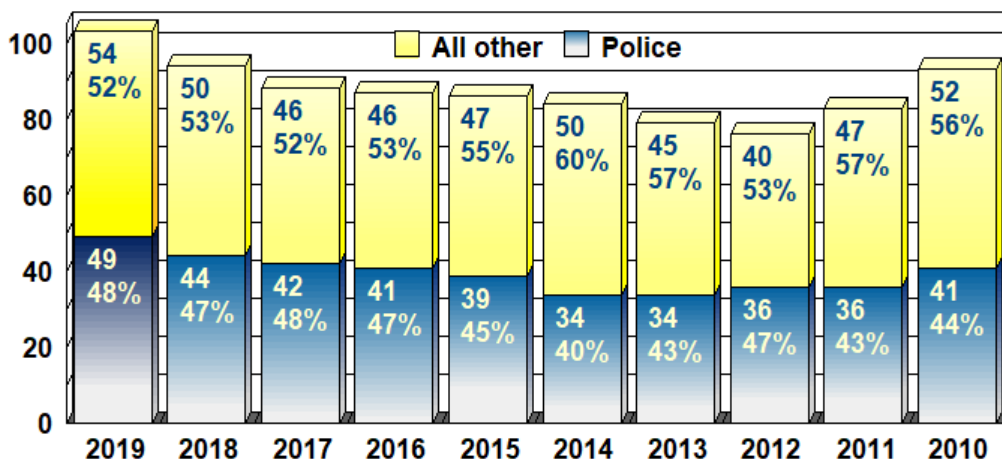
ALL TOWN SERVICES

Staffing levels are measured in *full-time equivalents* ("FTEs"). In 2019, the Town employed a workforce of **103 FTEs** with the **Police department** being 48% of total staffing. The Town utilizes contract service providers for fire and wastewater with private companies providing water, ambulance and garbage services.

Routine maintenance by Police & Information technology (below)



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



FULL TIME EQUIVALENT by FUNCTION	Fiscal Year 20xx									
	19	18	17	16	15	14	13	12	11	10
Police department	49	44	42	41	41	39	34	34	36	41
Development & engineering	16	15	13	13	13	13	11	10	11	14
Public works	13	13	13	13	13	13	15	14	15	16
Courts	7	6	5	5	5	5	5	5	5	6
All other	18	16	15	15	14	14	14	13	16	16
Total expenditures	103	94	88	87	86	84	79	76	83	93

Public Safety Retirement

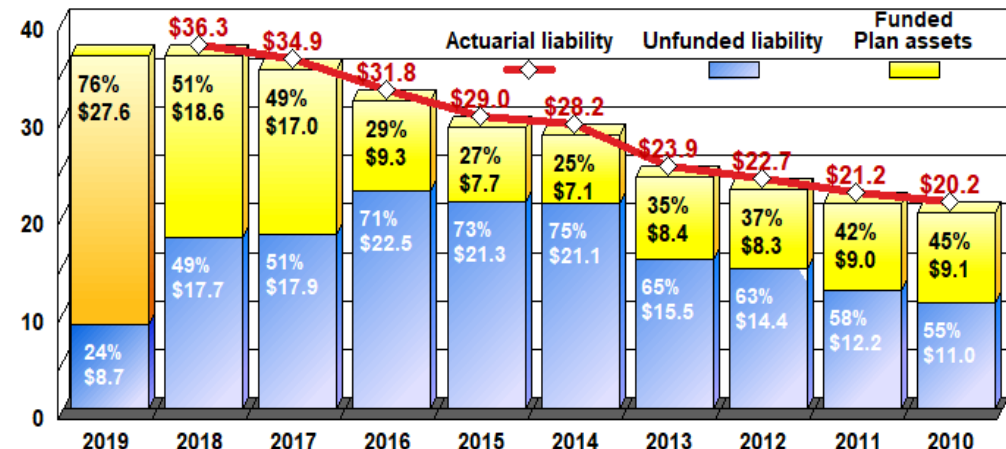
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Sworn police officers participate in the Public Safety Personnel Retirement System ("PSPRS"). The Town Council adopted resolution 2016-19 to reduce the **unfunded liability** as "quickly as reasonably possible".

In measurement year 2018, when the Town's **actuarial liability** increased to \$36.3 million, the **plan assets** increased to 49% and the **unfunded liability** decreased to \$17.7 million which is 49% of the total.

The Town's 2019 CAFR reports the most recent PSPRS audit from 2018 as the "measurement year" for PSPRS financial information.

In fiscal year 2019, the Town contributed \$9 million to pay down the unfunded liability. This will be recognized by PSPRS in their 2019 reporting and will be reported as the "measurement year" is in the Town's 2020 CAFR. This is represented in the **orange** column below in the chart and graph illustrating the impact of this lump payment.



PSPRS Measurement Year is one year arrears	Fiscal 19	Measurement Year 20xx								
		18	17	16	15	14	13	12	11	10
Town's plan assets	\$27.6	\$18.6	\$17.0	\$ 9.3	\$ 7.7	\$ 7.1	\$ 8.4	\$ 8.3	\$ 9.0	\$ 9.1
Unfunded liability	8.7	17.7	17.9	22.5	21.3	21.1	15.5	14.4	12.2	11.0
Actuarial liability	\$36.3	\$36.3	\$34.9	\$31.8	\$29.0	\$28.2	\$23.9	\$22.7	\$21.2	\$20.2
Percentage funded	76%	51%	49%	29%	27%	25%	35%	37%	42%	45%
Percentage unfunded	24%	49%	51%	71%	73%	75%	65%	63%	58%	55%
Contribution rate teir 1/2	59%	59%	67%	70%	72%	60%	50%	49%	38%	32%

Expenditures

WHERE THE MONEY GOES TO...

The chart below and bar graph to the right illustrate a 10-year history of the Town's expenditures for governmental operations. The pie graph to the right displays the Town's spending in fiscal year 2019.

- ▶ **General government** includes services from the Town manager's office, Community Development, Engineering, Finance, Information Technology, Town Clerk, Town Attorney, Municipal Court, Post Office, Facilities, Fleet Management, and investments in tourism.
- ▶ **Public safety** is solely the police department in the 2019 financial statements. This includes functions of patrol, investigations, dispatch, administration, and all other services provided by the police department. Expenditures include personnel, purchasing and maintaining equipment, facilities, technology and vehicles
- ▶ **Highway and streets** is managed by the Public Works department. Expenditures are associated with the Town's maintenance program for 145 linear miles of paved asphalt streets. The Town is divided into 15 maintenance sections, averaging 9.4 linear miles each. Generally, surface treatment maintenance is applied to three sections each year. All pavement is monitored through a Pavement Conditions Index to assist staff in determining which pavement treatment is required.
- ▶ **Capital outlay** is the construction and purchase of capital assets that are not part of a department's operating budget.
- ▶ **Debt service** are costs of paying leases and long-term bonds.

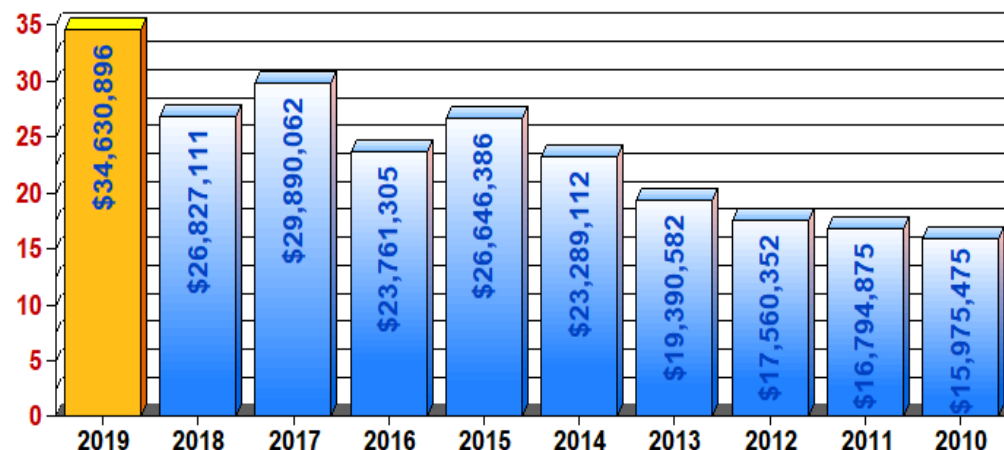
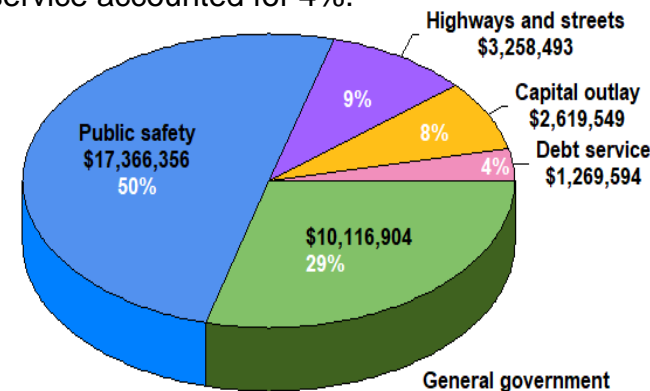
EXPENDITURES by FUNCTION	Fiscal Year			
	2019	2018	2017	2016
General government	\$10,116,904	\$ 9,159,411	\$ 7,925,090	\$ 7,794,295
Public safety	17,366,356	8,883,377	13,930,804	8,972,593
Highways and streets	3,258,493	4,372,002	2,860,702	2,786,005
Capital outlay	2,619,549	3,223,563	3,924,735	2,737,601
Debt service	1,269,594	1,188,758	1,248,731	1,470,811
Total expenditures	\$34,630,896	\$26,827,111	\$29,890,062	\$23,761,305

Expenditures

GOVERNMENTAL OPERATIONS

In 2019, governmental expenditures totaled \$34,360,896 with General government and Public safety combine for 79%. Highways and streets, and Capital outlay accounted for 9% and 8%, respectively; and Debt service accounted for 4%.

Expenditures spikes in fiscal years 2017 and 2019 are mainly due to paying the PSPRS unfunded liability by \$5 million and \$9 million, respectively. This trend is expected to continue in 2020.



Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 6,963,210	\$ 6,700,704	\$ 6,168,281	\$ 5,581,346	\$ 5,987,892	\$ 5,686,505
7,291,649	6,215,932	6,816,444	7,594,737	7,504,468	7,864,339
3,014,861	2,635,007	2,677,491	1,204,634	1,444,530	1,616,151
8,080,876	6,522,394	2,699,004	2,149,953	832,181	128,752
1,295,790	1,215,075	1,029,362	1,029,682	1,025,804	679,728
\$26,646,386	\$23,289,112	\$19,390,582	\$17,560,352	\$16,794,875	\$15,975,475

Financial Statements

STATEMENT OF NET POSITION

Governmental funds	Fiscal year		Change	
	2019	2018	\$	%
ASSETS				
Cash and investments	\$ 43,607,442	\$ 43,029,174	\$ 578,268	1.3%
Current and other assets	9,523,736	9,487,391	36,345	0.4%
Capital assets, net depreciation	82,385,342	83,225,426	(840,084)	-1.0%
Total assets (A)	135,516,520	135,741,991	(225,471)	-0.2%
Deferred outflows of resource (B)	14,283,641	6,398,388	7,885,253	123.2%
LIABILITIES				
Current liabilities	4,557,919	5,948,416	(1,390,497)	-23.4%
Long-term liabilities	32,709,340	33,922,189	(1,212,849)	-3.6%
Total liabilities (C)	37,267,259	39,870,605	(2,603,346)	-6.5%
Deferred inflows of resource (D)	886,350	477,646	408,704	85.6%
NET POSITION				
Investment in capital assets (1)	75,320,342	76,859,341	(1,538,999)	-2.0%
Restricted (2)	1,133,666	784,098	349,568	44.6%
Unrestricted (3)	35,192,544	24,148,689	11,043,855	45.7%
Total net position (A+B-C-D=1+2+3)	\$111,646,552	\$101,792,128	\$ 9,854,424	9.7%

- **ASSETS = Current and other assets:** Assets expected to convert to cash or use within one year. **Capital assets:** The Town's investment of long term assets that are depreciated over their estimated useful life.
- **LIABILITIES = Current liabilities:** Primarily debts that will be paid within one year. **Long-term liabilities:** This represents debt and other obligations that are payable in more than one year.
- **Deferred outflows / inflows of resources** are expense and revenues that have been incurred / received but are not yet being recognized until a future period.
- **NET POSITION = Total Net Position** for 2019 was \$111,646,552. This is 9.7% higher than last year. The reduction in **Investment in capital assets** is attributed to depreciation of existing assets. **Restricted net position** represent resources set aside and designated for a specific purpose. **Unrestricted net position** is the value of available resources for the Town if no additional revenue or resources are obtained.

Financial Statements

OPERATING STATEMENT

Governmental funds	Fiscal year		Change	
	2018	2018	\$	%
REVENUE				
Taxes	\$23,086,133	\$ 20,565,163	\$2,520,970	12.3%
Intergovernmental	4,914,274	4,825,303	88,971	1.8%
Fines and forfeitures	3,404,559	2,881,561	522,998	18.1%
Licenses and permits	2,823,054	2,712,910	110,144	4.1%
All other	2,314,632	1,873,804	440,828	23.5%
Total revenues (U)	36,542,652	32,858,741	3,683,911	11.2%
EXPENDITURE				
General government	10,116,904	9,159,411	957,493	10.5%
Public safety (and reducing PSPRS liability)	17,366,356	8,883,377	8,482,979	95.5%
Highways and streets	3,258,493	4,372,002	(1,113,509)	-25.5%
Capital outlay	2,619,549	3,223,563	(604,014)	-18.7%
Debt service	1,269,594	1,188,758	80,836	6.8%
Total expenditures (V)	34,630,896	26,827,111	7,803,785	29.1%
Excess (deficiency) of revenue over expenditure (W)=(U-V)	1,911,756	6,031,630	(4,119,874)	n/a
Net transfer from enterprises (X)	-	184,200	(184,200)	n/a
Change in fund balance (Y)=(W+X)	1,911,756	6,215,830	(4,304,074)	n/a
FUND BALANCE				
Beginning of year, July 1 (Z)	46,248,702	40,032,872	6,215,830	15.5%
End of year, June 30 (Y+Z)	\$48,160,458	\$ 46,248,702	\$1,911,756	4.1%

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

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

BUDGET COMPLIANCE

A department is not permitted to exceed its final Council approved spending authority. Overall, the Town used 70.3% of its \$49,247,374 final governmental budget. All unspent resources from 2019 are not lost; they have been carried into the next fiscal year 2020.

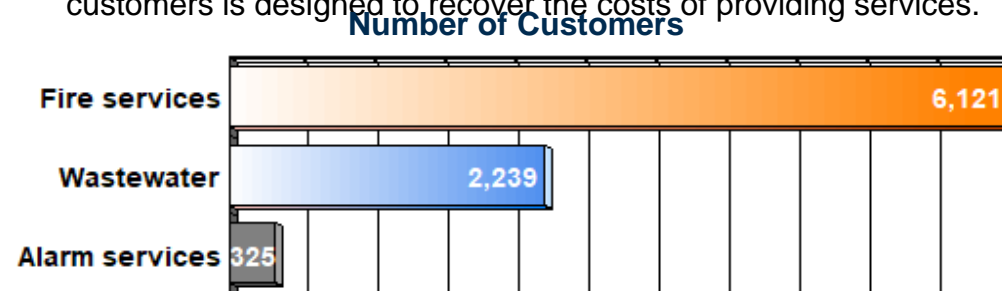
The chart below demonstrates that all Town departments ended the fiscal year within their legal spending authority limits (Budget).

GOVERNMENTAL OPERATIONS	Final (Audited)		(Over) / Under	
	Budget	Actual	\$	%
General government				
Community development	\$ 1,931,293	\$ 1,914,637	\$ 16,656	99.1%
Engineering	750,403	704,540	45,863	93.9%
Finance	582,203	535,493	46,710	92.0%
Information technology	1,897,327	1,740,720	156,607	91.7%
Mayor and Council	189,200	189,140	60	100.0%
Municipal court	1,046,742	925,469	121,273	88.4%
Public works	885,562	815,228	70,334	92.1%
Tourism and promotion	1,514,011	1,514,011	-	100.0%
Town attorney's office	613,447	561,345	52,102	91.5%
Town manager's office	1,111,403	1,099,213	12,190	98.9%
Contingency	1,850,503	-	1,850,503	0.0%
Public safety				
Police operations	17,885,951	17,193,450	692,501	96.1%
Highways and streets				
Public works	3,358,212	3,285,493	72,719	97.8%
Debt service				
Leases	-	-	-	n/a
Bonds	1,257,673	1,257,669	4	100.0%
Capital outlay				
Operating capital	432,438	274,939	157,499	63.6%
Capital improvement program	13,941,006	2,619,549	11,321,457	18.8%
Total expenditures	\$49,247,374	\$34,630,896	\$14,616,478	70.3%

BUSINESS-TYPE OPERATIONS

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

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



Enterprises

STATEMENT OF NET POSITION

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
ASSETS			
Cash and investments	\$ 3,006,829	\$ 769,520	\$ 512,076
Current and other assets	167,173	270,382	-
Capital assets, net depreciation	6,148,719	20,396,054	16,582
Total assets (A)	9,322,721	21,435,956	528,658
LIABILITIES			
Current liabilities	694,286	1,116,481	317
Due to general fund	-	1,164,870	-
Total liabilities (B)	694,286	2,281,351	317
NET POSITION			
Investment in capital assets (1)	6,148,719	20,396,054	-
Unrestricted (2)	2,479,716	(1,241,449)	528,341
Total net position (A-B=1+2)	\$ 8,628,435	\$ 19,154,605	\$ 528,341

► **ASSETS = Current and other assets:** Assets expected to convert to cash or use within one year. **Capital assets:** The Enterprise's investment of long term assets that are depreciated over their estimated useful lives.

► **LIABILITIES = Current liabilities:** Primarily debts that will be paid within one year. **Due to general fund:** This represents a loan from the general fund being repaid over the course of multiple years.

► **NET POSITION = Investment in capital assets** is the investment each enterprise has in its capital assets. **Unrestricted net position** is the value of available resources for each Enterprise if no additional revenue or resources are obtained.

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

Enterprises

OPERATING STATEMENT

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
OPERATING REVENUE			
Charges for services	\$ 3,086,406	\$ 2,689,762	\$ 143,073
OPERATING EXPENSES			
Cost of sales and services	2,771,257	2,324,920	10,580
Administrative charges	165,602	134,030	257,468
Depreciation	182,159	251,394	-
Total operating expenses	3,119,018	2,710,344	268,048
Operating income (loss)	(32,612)	(20,582)	(124,975)
NONOPERATING REVENUE (EXPENSE)			
New construction impact fee	-	201,880	-
Rental and investment income	79,326	-	12,610
Debt related income (expense)	-	11,461	-
Total operating revenue (expense)	79,326	213,341	12,610
Income (loss) before transfers	46,714	192,759	(112,365)
Transfer in from governmental funds	-	-	-
Transfer out to governmental funds	-	-	-
Change in net position	46,714	192,759	(112,365)
NET POSITION			
Beginning of year, July 1, 2018	8,581,721	18,961,846	640,706
End of year, June 30, 2019	\$ 8,628,435	\$19,154,605	\$ 528,341

► **OPERATING REVENUE:** Income from providing services to customers.

► **OPERATING EXPENSES:** Costs associated with providing services.

► **NONOPERATING REVENUE (EXPENSE):** Revenue and costs not directly associated with providing services to customers.

► **NET TRANSFERS:** Amount transferred "from" or "to" the Town's governmental funds.

► **CHANGE IN NET POSITION:** Revenues – Expenditures.

► **NET POSITION:** The residual of all elements presented in the financial statements.

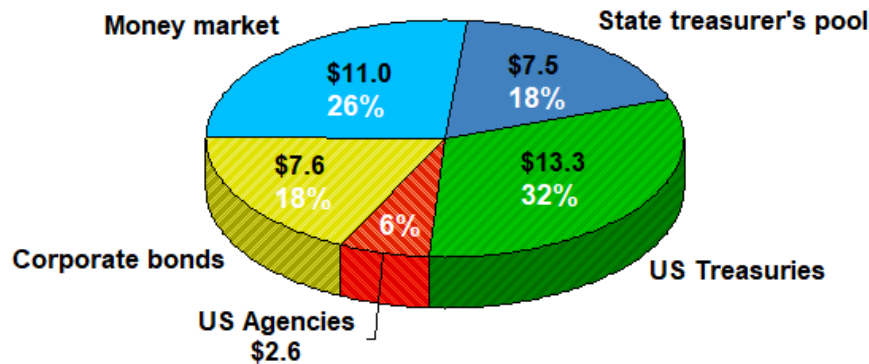
Cash and Investments

POLICY AND OBJECTIVES

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

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

The pie chart below shows investments for 2019 and the table below has an eight-year history, by investment type at fiscal year end.



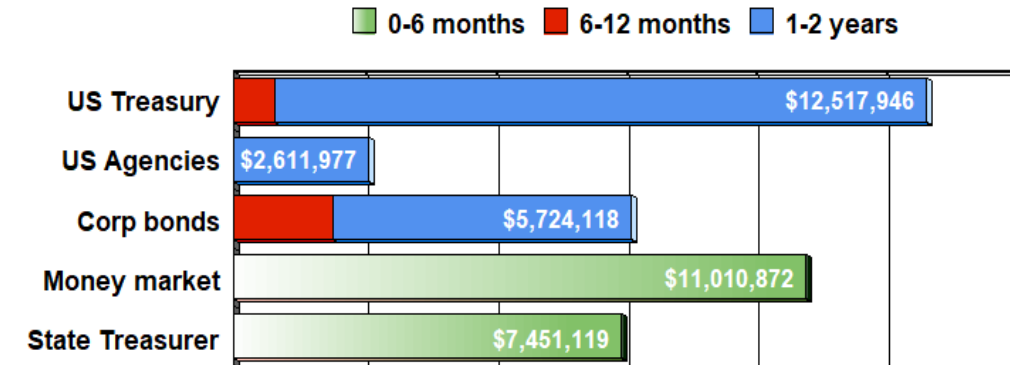
Investment type	Fair Value at Fiscal Year End			
	2019	2018	2017	2016
U.S. Treasuries	\$13,315,322	\$ 6,720,095	\$ 2,454,377	\$10,483,503
U.S. Agencies	2,611,977	6,385,866	13,180,689	12,140,405
Corporate Bonds	7,638,794	9,022,387	5,532,987	-
Commercial paper	-	-	895,631	-
Money Markets	11,010,872	1,440,431	5,556,132	5,609,698
Supra-National Agencies	-	567,497	577,105	-
State Treasurer's Pool	7,451,119	16,215,062	6,024,395	3,985,048
Total Investments	\$42,028,084	\$40,351,338	\$34,221,316	\$32,218,654
Cash in bank / trustee	10,481,644	11,549,124	6,821,805	11,932,184
Restricted cash	(5,386,381)	(5,473,155)	(6,885,134)	(6,883,581)
Cash & Investments	\$47,123,347	\$46,427,307	\$34,157,987	\$37,267,257

Cash and Investments

COMPOSITION OF INVESTMENTS AND EARNINGS

Investment type	Investment Maturity			
	Fair Value	0-6 months	6-12 months	1-2 years
U.S. Treasuries	\$13,315,322	-	\$ 797,376	\$12,517,946
U.S. Agencies	2,611,977	-	-	2,611,977
Corporate Bonds	7,638,794	-	1,914,676	5,724,118
Money Markets	11,010,872	\$11,010,872	-	-
State Treasurer's Pool	7,451,119	7,451,119	-	-
Total Investments	\$42,028,084	\$18,461,991	\$ 2,712,052	\$20,854,041

The graph below shows investments by maturities at June 30, 2019 and the chart below-right lists earning for the last ten years.



Fair Value at Fiscal Year End				Earnings by Year	
2015	2014	2013	2012	Fiscal Year	Investment Earnings
-	-	-	-	2019	\$ 1,330,269
-	\$ 1,003,822	\$13,066,313	\$20,110,590	2018	250,226
-	-	-	-	2017	185,141
-	-	-	-	2016	274,390
-	-	-	-	2015	91,159
\$20,454,326	13,435,115	3,422,370	3,357,470	2014	94,521
\$20,454,326	\$14,438,937	\$16,488,683	\$23,468,060	2013	174,833
11,979,771	19,822,758	17,991,742	9,144,523	2012	161,897
(1,492,602)	(621,571)	(149,577)	(176,448)	2011	231,090
\$30,941,495	\$33,640,124	\$34,330,848	\$32,436,135	2010	358,326

Capital Financing

EXCISE TAX REVENUE OBLIGATIONS, SERIES 2016

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

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

In 2019, all projects were completed with the majority of the projects finishing significantly under budget by an aggregate of \$1.3 million. This amount was transferred to the trustee for future bond payments

MPC REFUNDING BONDS, SERIES 2009

The Paradise Valley Municipal Corporation ("PVMPC") is a non profit corporation incorporated under the laws of Arizona formed for the sole purpose of assisting the Town in obtaining financing for Town projects. In 2009, the PVMPC issued excise tax revenue bonds for \$11,050,000 to pay for two fire stations and sewer capacity.

In 2019, the Town made the final payment to fully pay and retire the PVMPC Excise Tax Refunding Bond Obligations, series 2009.

Below is the remaining payments for the excise tax revenue obligations, series 2016 at June 30, 2019.

Date	Principal	Interest	Payment
12/15/2019	\$ 1,365,000	\$ 59,699	\$ 1,424,699
6/15/2020	-	48,165	48,165
12/15/2020	1,390,000	48,165	1,438,165
6/15/2021	-	36,420	36,420
12/15/2021	1,415,000	36,420	1,451,420
6/15/2022	-	24,463	24,463
12/15/2022	1,435,000	24,463	1,459,463
6/15/2023	-	12,337	12,337
12/15/2023	1,460,000	12,337	1,472,337
Balance	\$ 7,065,000	\$ 427,444	\$ 8,152,444

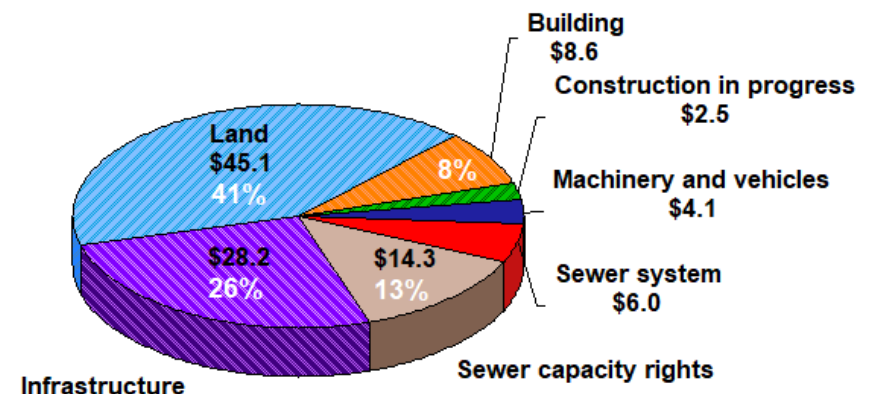
Capital Assets

COMPOSITION OF CAPITAL ASSETS

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

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

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



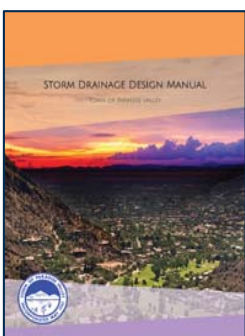
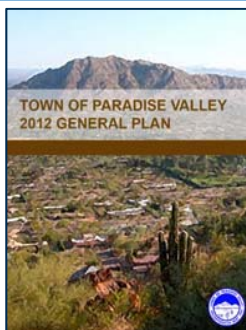
Capital Assets, by type	Value at Fiscal Year End (in millions)				
	2019	2018	2017	2016	2015
Land	\$ 45.1	\$ 45.2	\$ 45.0	\$ 45.1	\$ 45.2
Buildings	8.6	9.2	7.4	7.9	8.3
Construction in Progress	2.5	2.2	4.4	1.7	4.7
Machinery and Vehicles	4.1	4.6	2.9	3.6	3.6
Sewer System	6.0	6.3	6.5	6.8	7.0
Sewer Capacity Rights	14.3	14.3	14.3	14.3	14.3
Infrastructure	28.2	28.4	29.2	29.6	25.5
Total Capital Assets	\$ 108.8	\$ 110.2	\$ 109.7	\$ 109.0	\$ 108.6

Other Information

FOUND ON THE TOWN'S WEBSITE

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

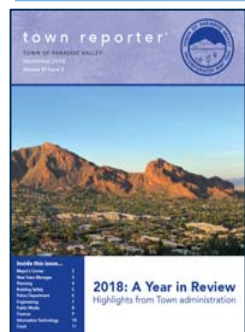
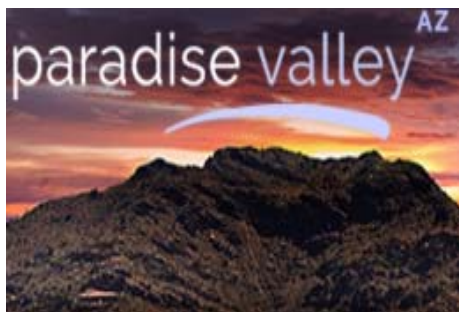
On March 13, 2012, Paradise Valley voters approved the General Plan with 80% of the vote.



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

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

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



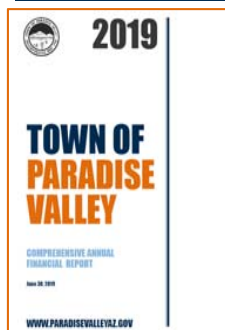
The **Town Reporter** is a periodic newsletter that is sent to every resident of the Town.

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

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

Financial Documents & Awards

www.paradisevalleyaz.gov

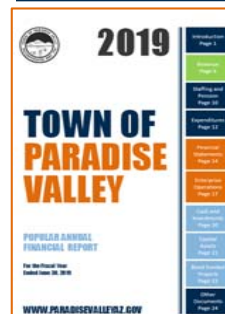


The Town's **Comprehensive Annual Financial Reports (CAFRs)** are audited and are comprised of more than 130 pages of detailed financial statements, note disclosures, supplemental schedules and statistical tables.

Since 2009, the Town's CAFRs have received the Governmental Finance Officer Association's (GFOA) "Certificate for Excellence in Financial Reporting".

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

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



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

This **PAFR** is not comprehensive like the CAFR. But... the **PAFR** is easier to read!

The Town's first GFOA "PAFR award" was received for the 2017/18 PAFR.

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

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

MISSION & VISION STATEMENTS

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

LEADERSHIP

Mayor: Jerry Bien-Willner

Vice Mayor: Scott Moore

Councilmembers:

Paul Dembow

Julie Pace

Mark Stanton

Anna Thomasson

Ellen Andeen

Town Manager: Jill Keimach

Town Attorney: Andrew M. Miller

Presiding Judge: J. Tyrrell Taber

Chief of Police: Peter Wingert

Public Works Director: Brent Skoglund

Town Engineer: Paul Mood

Community Development Director: Jeremy Knapp

Municipal Court Director: Jeanette Wiesenhofer

Chief Financial Officer: Douglas W. Allen, CPA

Chief Information Officer: Steven Brunasso

Human Resources: Jinnett Hancock

Town Clerk: Duncan Miller

Recommended Action: Approve Res. 2019-24

RESOLUTION NUMBER 2019-24

**A RESOLUTION OF THE MAYOR AND
COUNCIL OF THE TOWN OF PARADISE
VALLEY, ARIZONA ACCEPTING THE FY
2018-19 POPULAR ANNUAL FINANCIAL
REPORT (PAFR)**



POPULAR ANNUAL FINANCIAL REPORT (PAFR)

FISCAL YEAR ENDED
JUNE 30, 2019



December 5th, 2019