

# TOWN OF PARADISE VALLEY ARIZONA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2017



**TOWN OF PARADISE VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2017**

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Mr. Michael Collins  
*Mayor*

Mr. Jerry Bien-Willner  
*Vice Mayor*

*Councilmembers*

Mr. Scott Moore

Mr. Paul Dembow

Ms. Julie Pace

Mr. Mark Stanton

Mr. David Sherf

Mr. Kevin Burke  
*Town Manager*

Prepared by:  
Finance Department

Dawn Marie Buckland, Director of Administration and Government Affairs  
Christine Covell-Granberg, CFE, CPA, Senior Financial/Management Analyst  
Carl Muntz, Accounting Specialist  
Catherine McGovern, Accounting Specialist

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## **INTRODUCTORY SECTION**

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November 28, 2017

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

The Comprehensive Annual Financial Report of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2017 is hereby submitted in accordance with State law (Arizona Revised Statutes 9-481). Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Town of Paradise Valley, Arizona's financial statements for the year ended June 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

## **PROFILE**

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

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

The Town Council is responsible for, but not limited to, the adoption of local ordinances, the Town budget, the development of citizen advisory committees, and the appointment of the Town Manager and Town Attorney. The Town Manager is responsible for implementation of the policies of the Town Council and administering Town operations. The Town Manager appoints all positions except the Town Attorney and Municipal Judges.

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

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the basic financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

### Local Economy

The economy in the Phoenix-metro area continues to improve. The hospitality industry (eight resorts) is the largest source of revenue in the operating budget (General and Highway User Revenue Fund), making up about 55% of all operating revenues. In FY 2016-17, direct local sales and bed taxes from the hospitality industry totaled about \$9.0 million.

The Town's resorts continue to re-invest in themselves to remain a desirable destination. ANdAZ opened in the former Cottonwoods resort location, and Mountain Shadows resort completed its redevelopment, opening to the public this spring. Grading and drainage is well underway at the Ritz Carlton site, and the resort is on track to open in 2019.

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Construction sales tax makes up about 25% of the Town's sales tax and 13% of the Town's total operating revenue.

## Operating Reserves

The Town's Financial Policies are intended to help ensure the financial resiliency of the Town. Specifically, the operating budget contains two contingency provisions. The first is an operating contingency of about \$200,000. Per policy, this amount is established between 1% and 3% of the annual operating expenses and is funded from current revenues.

## Major Initiatives

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

## **NEXT YEAR'S BUDGET**

In August 2014, the Town Council set the sales tax rate at 2.5% permanently. This action preserved approximately \$3.2 million in lost sales tax revenues which would have occurred if the temporary rate would have expired. This revenue stream has allowed the Town Council to continue the aggressive capital improvement plan as well as generate funding for the replenishment of infrastructure such as roads, buildings, and technology.

The FY 2017-18 budget provides for the completion of the public safety radio tower, road improvements surrounding the Ritz Carlton project, and an aggressive paydown of the Public Safety Personnel Retirement System (PSPRS) unfunded liability. The additional payment of \$5,000,000 reduces the mandatory 8% assessment by \$400,000, a significant savings to taxpayers.

## **Long-Term Financial Planning**

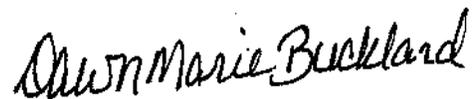
Long-term financial planning is a key element in the Town's budgeting process. The ten-year plan sets the trajectory for financial, operational, and infrastructure sustainability by clearly defining current and projected needs and anticipated resources. The ten-year plan takes into account the completion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

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Paradise Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the eighth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance Department, and through the competent service of our independent auditors. We also wish to express our sincere appreciation to the Town Council and the Town Manager for their interest and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner.

Respectfully Submitted,

A handwritten signature in black ink that reads "Dawn Marie Buckland". The signature is written in a cursive, flowing style.

Dawn Marie Buckland  
Director of Administration and Governmental Affairs



Government Finance Officers Association

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

Presented to

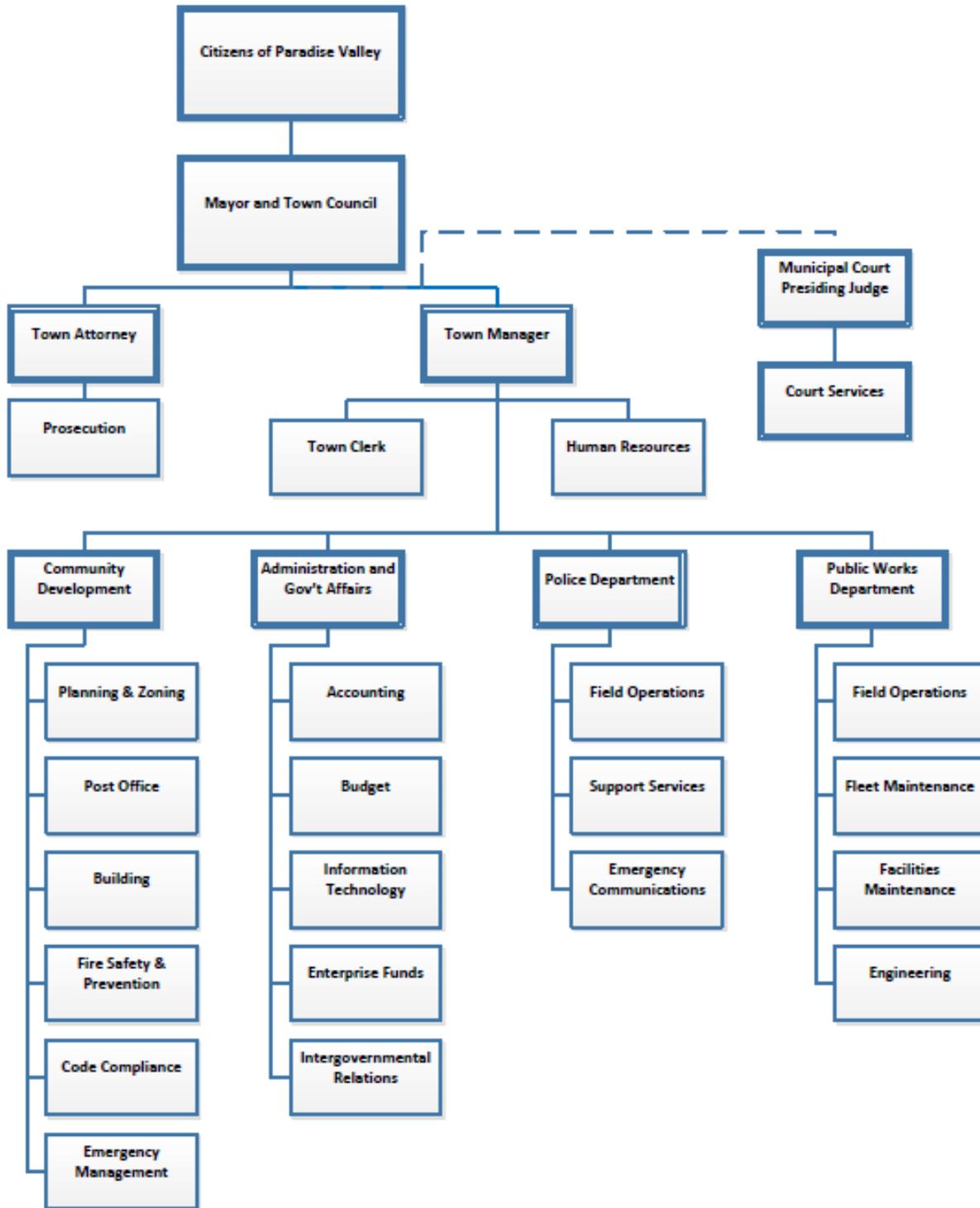
**Town of Paradise Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

**TOWN OF PARADISE VALLEY, ARIZONA  
ORGANIZATIONAL CHART  
JUNE 30, 2017**



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund, HURF Fund and the Court Enhancement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 28, 2017

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal years 2017 and 2016 are as follows:

- ◆ The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017 and 2016 by \$121.8 million and \$117.0 million (net position), respectively. Of these amounts, \$14.7 million and \$11.5 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net position increased by \$4.9 million during fiscal year 2017 and increased \$6.2 million during fiscal year 2016.
- ◆ As of June 30, 2017 and 2016, the Town's governmental funds reported combined ending fund balances of \$40.0 million and \$41.0 million, respectively, which were comprised of nonspendable, restricted, assigned, and unassigned fund balances.
- ◆ At the close of fiscal year 2017, unassigned fund balance for the General Fund was \$26.5 million, or 122% of actual General Fund operating expenditures. At the close of the fiscal year 2016, the unassigned fund balance for the General Fund was \$29.7 million, or 178% of operating expenditures.
- ◆ During fiscal year 2017, the Town's total bonded debt decreased by \$1.4 million due to scheduled debt payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Government-Wide Financial Statements**

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

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

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

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

**Fund Financial Statements**

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

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

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

The proprietary fund financial statements begin on page 29 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 32 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. This information can be found beginning on page 68 of this report.

### **Combining Statements**

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

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

#### **Net Position**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

Net position may serve as a useful indicator of a government's financial position. Net position was \$121.8 million and \$117.0 million at the close of the fiscal year 2017 and 2016, respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current and Other Assets	\$ 44,130,085	\$ 44,676,696	\$ 2,467,155	\$ 2,465,074	\$ 46,597,240	\$ 47,141,770
Capital Assets						
Non-Depreciable	45,957,432	43,234,293	17,203,392	17,203,392	63,160,824	60,437,685
Depreciable (Net)	36,381,370	37,726,564	10,201,955	10,735,082	46,583,325	48,461,646
Total Assets	126,468,887	125,637,553	29,872,502	30,403,548	156,341,389	156,041,101
Deferred Outflows of Resources	12,124,582	5,895,523	-	-	12,124,582	5,895,523
<b>LIABILITIES</b>						
Other Liabilities	4,309,781	2,733,931	1,233,753	1,430,235	5,543,534	4,164,166
Non-Current Liabilities:						
Due Within One Year	1,568,898	1,594,484	370,216	437,429	1,939,114	2,031,913
Due in More Than One Year	38,088,017	37,405,217	226,421	596,632	38,314,438	38,001,849
Total Liabilities	43,966,696	41,733,632	1,830,390	2,464,296	45,797,086	44,197,928
Deferred Inflows of Resources	824,447	756,726	-	-	824,447	756,726
<b>Net Position</b>						
Net Investment in Capital Assets	79,851,973	78,383,694	26,808,710	26,904,413	106,660,683	105,288,107
Restricted	455,140	224,308	-	-	455,140	224,308
Unrestricted	13,495,213	10,434,716	1,233,402	1,034,839	14,728,615	11,469,555
Total Net Position	\$ 93,802,326	\$ 89,042,718	\$ 28,042,112	\$ 27,939,252	\$ 121,844,438	\$ 116,981,970

Deferred outflows of resources increased \$6.2 million (106%) during the current year as the Town paid an additional \$5.0 million towards the unfunded liability prior to fiscal year end.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure) less depreciation and any related debt used to acquire those assets, of \$106.7 million (88%) and \$105.3 million (90%) for the fiscal years 2017 and 2016, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

An additional portion of the Town's net position, \$0.5 million (less than 1%) for fiscal year 2017 and \$0.2 million (less than 1%) for fiscal year 2016, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2017 and 2016, \$14.7 million (12%) and \$11.5 million (10%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Changes in Net Position**

The Town's net position increased by \$4.9 million and \$6.2 million during the fiscal years 2017 and 2016, respectively. These changes are explained in the government and business-type activities discussion below.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,719,896	\$ 6,927,949	\$ 5,727,739	\$ 5,551,992	\$ 10,447,635	\$ 12,479,941
Operating Grants and Contributions	1,144,233	1,121,420	-	-	1,144,233	1,121,420
Capital Grants and Contributions	208,085	-	-	76,875	208,085	76,875
General Revenues:						
Local Taxes	18,207,933	15,699,670	-	-	18,207,933	15,699,670
State Shared Revenues	3,529,454	3,291,235	-	-	3,529,454	3,291,235
Investment Income	185,141	274,390	-	22,032	185,141	296,422
Total Revenues	<u>27,994,742</u>	<u>27,314,664</u>	<u>5,727,739</u>	<u>5,650,899</u>	<u>33,722,481</u>	<u>32,965,563</u>
<b>EXPENSES</b>						
General Government	9,458,609	8,605,414	-	-	9,458,609	8,605,414
Public Safety	10,249,410	9,054,408	-	-	10,249,410	9,054,408
Highways and Streets	3,669,088	3,568,394	-	-	3,669,088	3,568,394
Interest and Fiscal Charges	192,227	281,348	-	-	192,227	281,348
Sewer System	-	-	2,124,328	2,185,714	2,124,328	2,185,714
Fire Service	-	-	3,037,830	2,921,260	3,037,830	2,921,260
Alarm Monitor System	-	-	128,521	100,719	128,521	100,719
Total Expenses	<u>23,569,334</u>	<u>21,509,564</u>	<u>5,290,679</u>	<u>5,207,693</u>	<u>28,860,013</u>	<u>26,717,257</u>
<b>CHANGES IN NET POSITION BEFORE TRANSFERS</b>						
	4,425,408	5,805,100	437,060	443,206	4,862,468	6,248,306
Transfers	334,200	(50,000)	(334,200)	50,000	-	-
<b>CHANGES IN NET POSITION</b>	<u>4,759,608</u>	<u>5,755,100</u>	<u>102,860</u>	<u>493,206</u>	<u>4,862,468</u>	<u>6,248,306</u>
Net Position - Beginning of Year	89,042,718	83,287,618	27,939,252	27,446,046	116,981,970	110,733,664
<b>NET POSITION - END OF YEAR</b>	<u>\$ 93,802,326</u>	<u>\$ 89,042,718</u>	<u>\$ 28,042,112</u>	<u>\$ 27,939,252</u>	<u>\$ 121,844,438</u>	<u>\$ 116,981,970</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

*Governmental Activities* – In fiscal year 2017, governmental activities increased the net position of the Town by \$4.8 million. Total revenues increased \$0.7 million (2%) from fiscal year 2016. Local taxes increased by \$2.5 million (16%) primarily due to an improved economy which included increased consumer spending. Fines, fees, and charges for services decreased \$2.2 million (32%) due to a reduction in traffic citations issued and paid during the current year. Furthermore, there was an increase of \$0.2 million for capital grants and contributions as the Town received further grant funding related to the flood damages that occurred in a previous year and other miscellaneous grant activity. A transfer to the governmental activities from the business-type activities occurred in order to pay for capital expenditures incurred during the year.

State shared revenues increased approximately \$0.2 million (7%) compared to fiscal year 2016. The increase was largely due to an increase in urban revenue sharing funding and state sales tax funding.

The change in operating grants and contributions and interest income was not significant during the current year.

Expenses increased \$2.1 million, or 10%. Public Safety spending increased by \$1.2 million (13%) primarily due to an increase in salaries and related benefits as well as an increase in grant related expenses. General Government expenses increased \$0.9 million (10%) due to increases in salaries and related benefits and an increase in the payment to the Scottsdale Convention and Visitors Bureau from increased bed tax activity. The increase in Highway and Streets expenses was not significant during the current year.

*Business-Type Activities* – Business-type activities increased the Town's net position by \$0.1 million in fiscal year 2017. Income from operations increased \$76,840 and expenses increased by a similar amount (\$82,986). Overall increase was due to an increase in customers within the sewer and fire services and an increase in sewer rates during the current year.

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

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$40.0 million, a decrease of \$1.0 million, or a 2% decrease in comparison with the prior year. The combined ending fund balances for fiscal year 2016 were \$41.0 million.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The General Fund is the chief operating fund of the Town. At June 30, 2017, the unassigned fund balance of the General Fund was \$26.5 million, or 66% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2016 was \$29.7 million, or 72% 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 \$26.5 million represents 122% of General Fund expenditures.

The General Fund fund balance decrease of \$0.6 million from fiscal year 2016 is the result of decreased revenues in fines and forfeitures and the prepayment of PSPRS expenses, which were offset by an increase in sales tax revenue. Sales tax revenue increased \$3.0 million due to an increase in economic conditions and consumer spending. Fines and Forfeitures decreased \$1.1 million due to a decline in traffic citation activity. Additionally, expenditures increased from the prior year by \$5.1 million. Overall, the increase was due to the Town prepaying the unfunded liability for PSPRS for \$5.0 million. The excess of revenues over expenditures was offset by transfers totaling \$6.0 million in order to pay for related HURF expenditures and capital projects.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2017 was \$0.4 million and was all assigned due to unspent transfers from the General Fund. The HURF Fund received a transfer of \$2.1 million from the General Fund to supplement the cost of street improvement projects.

The Court Enhancement Fund increased \$0.2 million due to an increase in fine revenue when compared to operating expenditures. The ending fund balance of \$0.4 million, was reported as restricted as it is for court enhancement purposes.

The Capital Projects Fund increased \$0.2 million as there were numerous capital projects occurring at the Town that had been previously planned. Overall, capital outlay expenditures totaled \$3.9 million during the year, which was partially offset by a transfer of \$4.2 million from the General Fund. Capital outlay expenditures increased \$1.2 million as a result of increased activity for the public safety communication towers, street preservation, and other miscellaneous capital projects.

The nonmajor governmental funds reported a decrease in fund balance of \$1.0 million. This change was a result of the scheduled principal and interest payments on outstanding debt.

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

At the end of the fiscal year, the unrestricted net position was a negative \$1.7 million for the Sewer Fund, \$2.1 million for the Fire Service Fund and \$0.8 million for the Nonmajor Alarm Fund.

The total change in net position for the enterprise funds was a positive \$0.1 million for fiscal year 2017. The increase was primarily due to an increase in customers for sewer and fire services and an increase in sewer rates during the current year.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly local sales taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Actual revenues of \$27.2 million exceeded the \$25.0 million final budget amount by \$2.1 million, or 9%. The \$2.1 million variance was mainly comprised of sales tax revenue and licenses and permits exceeding budget. Sales tax revenue had a \$3.0 million positive variance with the budget due to changes in the economy that lead to greater than expected sales tax revenue. Licenses and permits had a positive variance with the final budget of \$0.6 million due to an increase in filings for licenses and various permits. In addition, other income was below final budget by \$0.5 million due to the Town not receiving funding from additional sources that were expected during the budgeting process. Finally, fines and forfeitures were below budget by \$1.2 million due to decreased citation activity.

The \$21.8 million of actual expenditures were 94% of the final budget. All departments were under the final budget during the current year.

Actual revenues exceeded expenditures by \$5.4 million which was more than the \$2.0 million excess reflected in the final revised budget.

Budgeted revenues remained consistent between the original and final budget. Budgeted expenditures decreased by \$4.0 million, mainly due to a budget transfer that increased the public safety budget to reflect the increase in contributions to prepay the PSPRS liability. Additionally, there were various shifts in line items between general government and public safety. Overall general government decreased \$1.0 million while public safety increased by \$5.0 million due to shifts in spending needs for the year, mainly from the increase in PSPRS to prepay the liability.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2017 and 2016 amount to \$109.7 million and \$108.9 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$0.8 million, due primarily to an increase in infrastructure from completed construction in progress which was offset by depreciation expense for the fiscal year. Capital assets include land and improvements, infrastructure, building and improvements, sewer systems, sewer capacity rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.4 to the Financial Statements for further information regarding capital assets. Table A-3 provides a summary of 2017 and 2016 assets, net of depreciation.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 42,168,843	\$ 42,252,512	\$ 2,853,626	\$ 2,853,626	\$ 45,022,469	\$ 45,106,138
Infrastructure	29,160,692	29,561,971	-	-	29,160,692	29,561,971
Buildings and Improvements	3,742,338	4,049,803	3,640,305	3,818,709	7,382,643	7,868,512
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	6,549,076	6,800,469	6,549,076	6,800,469
Machinery, Furniture and Fixtures, Equipment and Vehicles	2,882,959	3,435,740	12,574	115,904	2,895,533	3,551,644
Construction in Progress	4,383,970	1,660,831	-	-	4,383,970	1,660,831
Total Capital Assets	<u>\$ 82,338,802</u>	<u>\$ 80,960,857</u>	<u>\$ 27,405,347</u>	<u>\$ 27,938,474</u>	<u>\$ 109,744,149</u>	<u>\$ 108,899,331</u>

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

- Public Safety Communication Tower
- Ritz-Carlton Development Street Improvements
- Sidewalk Improvements
- Information Technology Upgrades
- Miscellaneous Public Safety Equipment

**Debt Administration**

At the end of the fiscal years 2017 and 2016, the Town had total long-term obligations outstanding of \$11.0 million and \$12.4 million respectively. Of these amounts, \$9.8 million and \$11.2 million respectively are for the 2009 Municipal Property Corporation Excise Tax Refunding Bonds and 2016 Excise Tax Revenue Bond. The Town refunded its 1998 Municipal Property Corporation bonds and capital leases in fiscal year 2009 to take advantage of favorable interest rates. In fiscal year 2016, the Town issued new Excise Tax Revenue Bonds which totaled \$7,880,000 in order to fund the operations in the Capital Projects Fund. Additional information on the Town's long-term obligations can be found in Note 3.F. Long-term Obligations to the Financial Statements.

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 9,124,201	\$ 10,052,196	\$ 565,799	\$ 987,804	\$ 9,690,000	\$ 11,040,000
Bond Premium	67,812	101,718	30,838	46,257	98,650	147,975
Capital Lease	73,186	167,789	-	-	73,186	167,789
Compensated Absences	1,141,668	1,070,033	-	-	1,141,668	1,070,033
Total Outstanding Debt	<u>\$ 10,406,867</u>	<u>\$ 11,391,736</u>	<u>\$ 596,637</u>	<u>\$ 1,034,061</u>	<u>\$ 11,003,504</u>	<u>\$ 12,425,797</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

The FY 2017-2018 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%, which was made permanent by the Town Council in August 2014. This action preserved approximately \$3.2 million in sales tax revenues which would have been lost had the temporary rate expired. 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.

With the approval of the permanent base adjustment in November 2016, the Town's expenditure limitation was increased. The updated expenditure limitation still requires the Town to operate within the confines of a balanced budget, but provides the flexibility for the Town Council to approve the use of available revenues to pay down pension and debt liabilities and address infrastructure needs.

The FY 2017-18 budget forecast assumes the economy will continue its improvement. Budgeted operating revenues total \$42.7 million. Additionally, FY 2017-18 budget operating expense total \$51.3 million (excluding contingencies). A transfer of \$8.6 million will be made to the Capital Improvements Fund from the General Fund to pay for an aggressive capital improvement program.

**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 Director at:

Town of Paradise Valley  
6401 E. Lincoln Drive  
Paradise Valley, AZ 85253  
480-348-3555

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

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 30,796,852	\$ 3,361,129	\$ 34,157,981
Receivables, Net:			
Accounts Receivable	2,873,067	438,172	3,311,239
Note Receivable	12,583	-	12,583
Interest Receivable	84,477	-	84,477
Prepaid Items	2,145,826	-	2,145,826
Internal Activity	1,857,837	(1,857,837)	-
Restricted Cash and Investments	6,359,443	525,691	6,885,134
Capital Assets:			
Non-Depreciable	45,957,432	17,203,392	63,160,824
Depreciable (Net)	36,381,370	10,201,955	46,583,325
Total Assets	<u>126,468,887</u>	<u>29,872,502</u>	<u>156,341,389</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow Related to Pension Liability	12,124,582	-	12,124,582
<b>LIABILITIES</b>			
Accounts Payable	2,573,322	21,753	2,595,075
Accrued Wages and Benefits	334,955	-	334,955
Interest Payable	90,890	11,052	101,942
Intergovernmental Payable	29,262	-	29,262
Customer Deposits Payable	801,170	60,459	861,629
Unearned Revenue	53,486	1,140,489	1,193,975
Claims and Judgements Payable	426,696	-	426,696
Noncurrent Liabilities:			
Net Pension Liability	29,250,048	-	29,250,048
Due Within One Year	1,568,898	370,216	1,939,114
Due in More Than One Year	8,837,969	226,421	9,064,390
Total Liabilities	<u>43,966,696</u>	<u>1,830,390</u>	<u>45,797,086</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Liability	824,447	-	824,447
<b>NET POSITION</b>			
Net Investment in Capital Assets	79,851,973	26,808,710	106,660,683
Restricted for:			
Court Enhancement	386,941	-	386,941
Special Projects	68,199	-	68,199
Unrestricted	13,495,213	1,233,402	14,728,615
Total Net Position	<u>\$ 93,802,326</u>	<u>\$ 28,042,112</u>	<u>\$ 121,844,438</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 9,458,609	\$ 4,648,109	\$ 130,780	\$ 134,645	\$ (4,545,075)		\$ (4,545,075)
Public Safety	10,249,410	71,787	116,311	-	(10,061,312)		(10,061,312)
Highways and Streets	3,669,088	-	897,142	73,440	(2,698,506)		(2,698,506)
Interest and Fiscal Charges	192,227	-	-	-	(192,227)		(192,227)
Total Governmental Activities	23,569,334	4,719,896	1,144,233	208,085	(17,497,120)		(17,497,120)
Business-Type Activities:							
Sewer System	2,124,328	2,415,051	-	-		\$ 290,723	290,723
Alarm Monitor System	128,521	190,727	-	-		62,206	62,206
Fire Service	3,037,830	3,121,961	-	-		84,131	84,131
Total Business-Type Activities	5,290,679	5,727,739	-	-		437,060	437,060
Totals	\$ 28,860,013	\$ 10,447,635	\$ 1,144,233	\$ 208,085	(17,497,120)	437,060	(17,060,060)
General Revenues:							
Taxes:							
					17,151,386	-	17,151,386
					1,056,547	-	1,056,547
					1,703,256	-	1,703,256
					1,277,675	-	1,277,675
					548,523	-	548,523
					185,141	-	185,141
					334,200	(334,200)	-
					22,256,728	(334,200)	21,922,528
					4,759,608	102,860	4,862,468
					89,042,718	27,939,252	116,981,970
					\$ 93,802,326	\$ 28,042,112	\$ 121,844,438

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and Investments	\$ 23,670,651	\$ 877,501	\$ 974,669	\$ 3,918,115	\$ 1,355,916	\$ 30,796,852
Restricted Cash and Investments	682,468	-	-	5,585,059	91,916	6,359,443
Receivables, Net:						
Accounts Receivable	2,628,743	82,728	2,816	134,645	24,135	2,873,067
Note Receivable	12,583	-	-	-	-	12,583
Interest Receivable	84,477	-	-	-	-	84,477
Due from Other Funds	1,868,529	-	-	-	-	1,868,529
Advances to Other Funds	590,000	-	-	-	-	590,000
Prepaid Items	2,145,826	-	-	-	-	2,145,826
<b>Total Assets</b>	<b>\$ 31,683,277</b>	<b>\$ 960,229</b>	<b>\$ 977,485</b>	<b>\$ 9,637,819</b>	<b>\$ 1,471,967</b>	<b>\$ 44,730,777</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 687,350	\$ 523,287	\$ 544	\$ 1,359,794	\$ 2,347	\$ 2,573,322
Accrued Wages and Benefits	285,344	49,611	-	-	-	334,955
Interest Payable	-	-	-	-	90,890	90,890
Intergovernmental Payable	-	-	-	29,262	-	29,262
Due to Other Funds	-	-	-	-	10,692	10,692
Unearned Revenue	40,570	-	-	-	12,916	53,486
Advances from Other Funds	-	-	590,000	-	-	590,000
Customer Deposits Payable	682,468	-	-	118,702	-	801,170
<b>Total Liabilities</b>	<b>1,695,732</b>	<b>572,898</b>	<b>590,544</b>	<b>1,507,758</b>	<b>116,845</b>	<b>4,483,777</b>
Deferred Inflows of Resources:						
Unavailable Revenues	197,528	-	-	-	16,600	214,128
Fund Balances:						
Nonspendable:						
Prepaid Items	2,145,826	-	-	-	-	2,145,826
Advances to Other Funds	590,000	-	-	-	-	590,000
Note Receivable	12,583	-	-	-	-	12,583
Restricted	-	-	386,941	5,466,357	68,199	5,921,497
Assigned	494,500	387,331	-	2,663,704	1,286,923	4,832,458
Unassigned	26,547,108	-	-	-	(16,600)	26,530,508
<b>Total Fund Balances</b>	<b>29,790,017</b>	<b>387,331</b>	<b>386,941</b>	<b>8,130,061</b>	<b>1,338,522</b>	<b>40,032,872</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 31,683,277</b>	<b>\$ 960,229</b>	<b>\$ 977,485</b>	<b>\$ 9,637,819</b>	<b>\$ 1,471,967</b>	<b>\$ 44,730,777</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

Fund Balances - Total Governmental Funds \$ 40,032,872

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

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

Land	\$ 41,573,462	
Construction in Progress	4,383,970	
Land Improvements	2,037,352	
Infrastructure	37,841,513	
Buildings and Improvements	9,526,653	
Machinery, Equipment, and Vehicles	8,832,364	
Total Capital Assets	104,195,314	
Less: Accumulated Depreciation	(21,856,512)	82,338,802

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources. 214,128

Claims and judgements payable are not accrued in governmental funds, but rather are recognized as an expenditure when due. (426,696)

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

Deferred outflows of resources related to pensions		12,124,582
Deferred inflows of resources related to pensions		(824,447)

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

Revenue Bonds	(9,124,201)	
Bond Premium	(67,812)	
Net Pension Liability	(29,250,048)	
Capital Leases	(73,186)	
Compensated Absences	(1,141,668)	
	(39,656,915)	(39,656,915)

Total Net Position of Governmental Activities \$ 93,802,326

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>Revenues:</b>						
<b>Taxes:</b>						
Sales Taxes	\$ 17,520,056	\$ -	\$ -	\$ -	\$ -	\$ 17,520,056
Franchise Taxes	1,056,547	-	-	-	-	1,056,547
Intergovernmental Revenue	3,654,369	897,142	-	-	161,339	4,712,850
Fines and Forfeitures	2,059,642	-	304,458	-	-	2,364,100
Licenses and Permits	2,285,398	-	-	-	-	2,285,398
Rents and Royalties	307,779	-	-	-	-	307,779
Contributions and Donations	-	-	-	-	17,677	17,677
Investment Income	182,683	-	-	2,439	19	185,141
Other	101,029	-	-	-	-	101,029
<b>Total Revenues</b>	<b>27,167,503</b>	<b>897,142</b>	<b>304,458</b>	<b>2,439</b>	<b>179,035</b>	<b>28,550,577</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	7,810,908	-	62,664	-	51,518	7,925,090
Public Safety	13,865,603	-	-	-	65,201	13,930,804
Highways and Streets	-	2,787,262	-	-	73,440	2,860,702
<b>Debt Service:</b>						
Principal Retirement	94,603	-	-	-	927,995	1,022,598
Interest on Long-Term Debt	4,720	-	16,438	-	204,975	226,133
Capital Outlay	-	-	-	3,924,735	-	3,924,735
<b>Total Expenditures</b>	<b>21,775,834</b>	<b>2,787,262</b>	<b>79,102</b>	<b>3,924,735</b>	<b>1,323,129</b>	<b>29,890,062</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,391,669</b>	<b>(1,890,120)</b>	<b>225,356</b>	<b>(3,922,296)</b>	<b>(1,144,094)</b>	<b>(1,339,485)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	-	2,100,000	-	4,211,839	134,199	6,446,038
Transfers Out	(5,977,639)	-	-	(134,199)	-	(6,111,838)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,977,639)</b>	<b>2,100,000</b>	<b>-</b>	<b>4,077,640</b>	<b>134,199</b>	<b>334,200</b>
<b>Net Change in Fund Balance</b>	<b>(585,970)</b>	<b>209,880</b>	<b>225,356</b>	<b>155,344</b>	<b>(1,009,895)</b>	<b>(1,005,285)</b>
<b>Fund Balance:</b>						
Beginning of Year	30,375,987	177,451	161,585	7,974,717	2,348,417	41,038,157
End of Year	<u>\$ 29,790,017</u>	<u>\$ 387,331</u>	<u>\$ 386,941</u>	<u>\$ 8,130,061</u>	<u>\$ 1,338,522</u>	<u>\$ 40,032,872</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITY  
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ (1,005,285)

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

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

Expenditures for Capital Assets	\$ 3,302,340	
Donated Assets	134,645	
Depreciation Expense	<u>(2,059,040)</u>	1,377,945

Accounts receivables, net of allowance, recorded as revenue in the government-wide statement of net position, but not yet available.

Accounts Receivables - June 30, 2016	904,608	
Accounts Receivables - June 30, 2017	<u>214,128</u>	(690,480)

The governmental funds do not report claims and judgements payable until they are due. The judgement was settled during the year, and therefore accrued in the government-wide statements, but was not paid until the following fiscal year and therefore not recorded within the governmental funds. (426,696)

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

Pension Contributions	8,425,799	
Pension Expense	<u>(3,906,544)</u>	4,519,255

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

Capital Lease	94,603	
Bond Premium	33,906	
Bonds Payable	<u>927,995</u>	1,056,504

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2017, compensated absence payable changed. (71,635)

Change in Net Position of Governmental Activities		<u>\$ 4,759,608</u>
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See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 15,581,027	\$ 15,581,027	\$ 18,576,603	\$ 2,995,576
Intergovernmental Revenue	3,473,645	3,473,644	3,654,369	180,725
Fines and Forfeitures	3,297,490	3,297,490	2,059,642	(1,237,848)
Licenses and Permits	1,702,050	1,702,050	2,285,398	583,348
Rents and Royalties	310,343	310,343	307,779	(2,564)
Investment Income	75,000	75,000	182,683	107,683
Other	598,861	598,861	101,029	(497,832)
<b>Total Revenues</b>	<u>25,038,416</u>	<u>25,038,415</u>	<u>27,167,503</u>	<u>2,129,088</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
Mayor and Council	157,200	157,200	150,436	6,764
Tourism and Promotion	1,351,037	1,351,037	1,325,037	26,000
Town Manager	817,473	826,702	786,775	39,927
Town Attorney	560,849	567,921	567,921	-
Municipal Court	728,432	728,843	687,140	41,703
Public Works	1,374,520	1,375,095	1,295,531	79,564
Community Development	1,324,316	1,325,138	1,279,530	45,608
Finance	2,064,562	2,065,138	1,718,538	346,600
Contingency	1,260,009	248,269	-	248,269
<b>Total General Government</b>	<u>9,638,398</u>	<u>8,645,343</u>	<u>7,810,908</u>	<u>834,435</u>
<b>Public Safety</b>				
Police	9,282,926	14,325,158	13,865,603	459,555
<b>Debt Service</b>				
Principal Retirement	94,603	94,603	94,603	-
Interest on Long-Term Debt	4,720	4,720	4,720	-
<b>Total Expenditures</b>	<u>19,020,647</u>	<u>23,069,824</u>	<u>21,775,834</u>	<u>1,293,990</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	6,017,769	1,968,591	5,391,669	3,423,078
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(2,100,000)</u>	<u>(5,150,000)</u>	<u>(5,977,639)</u>	<u>(827,639)</u>
<b>Net Change in Fund Balance</b>	3,917,769	(3,181,409)	(585,970)	2,595,439
<b>Fund Balance:</b>				
Beginning of Year	-	-	30,375,987	30,375,987
End of Year	<u>\$ 3,917,769</u>	<u>\$ (3,181,409)</u>	<u>\$ 29,790,017</u>	<u>\$ 32,971,426</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USER REVENUE FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ 813,639	\$ 813,639	\$ 897,142	\$ 83,503
Expenditures:				
Current:				
Highways and Streets	<u>2,937,204</u>	<u>2,938,026</u>	<u>2,787,262</u>	<u>150,764</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,123,565)	(2,124,387)	(1,890,120)	234,267
Other Financing Sources (Uses):				
Transfers In	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>-</u>
Net Change in Fund Balance	(23,565)	(24,387)	209,880	234,267
Fund Balance:				
Beginning of Year	-	-	177,451	177,451
End of Year	<u>\$ (23,565)</u>	<u>\$ (24,387)</u>	<u>\$ 387,331</u>	<u>\$ 411,718</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COURT ENHANCEMENT FUND  
YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Fines and Forfeitures	\$ 771,500	\$ 304,458	\$ (467,042)
Expenditures:			
Current:			
General Government	98,000	62,664	35,336
Debt Service:			
Principal Payment	90,000	-	90,000
Interest on Long-Term Debt	16,438	16,438	-
Total Expenditures	204,438	79,102	125,336
Excess (Deficiency) of Revenues Over Expenditures	567,062	225,356	(341,706)
Fund Balance:			
Beginning of Year	-	161,585	161,585
End of Year	\$ 567,062	\$ 386,941	\$ (180,121)

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ -	\$ 2,624,366	\$ 736,763	\$ 3,361,129
Restricted Cash and Investments	525,691	-	-	525,691
Accounts Receivable (Net)	245,521	177,336	15,315	438,172
Total Current Assets	<u>771,212</u>	<u>2,801,702</u>	<u>752,078</u>	<u>4,324,992</u>
Noncurrent Assets:				
Capital Assets				
Non-Depreciable	14,349,766	2,853,626	-	17,203,392
Depreciable (Net)	6,549,076	3,652,879	-	10,201,955
Total Noncurrent Assets	<u>20,898,842</u>	<u>6,506,505</u>	<u>-</u>	<u>27,405,347</u>
Total Assets	21,670,054	9,308,207	752,078	31,730,339
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,388	20,365	-	21,753
Interest Payable	11,052	-	-	11,052
Due to Other Funds	1,857,837	-	-	1,857,837
Unearned Revenue	493,606	646,883	-	1,140,489
Customer Deposits Payable	60,459	-	-	60,459
Bonds Payable	370,216	-	-	370,216
Total Current Liabilities	<u>2,794,558</u>	<u>667,248</u>	<u>-</u>	<u>3,461,806</u>
Noncurrent Liabilities:				
Bonds Payable	226,421	-	-	226,421
Total Liabilities	<u>3,020,979</u>	<u>667,248</u>	<u>-</u>	<u>3,688,227</u>
<b>Net Position</b>				
Net Investment in Capital Assets	20,302,205	6,506,505	-	26,808,710
Unrestricted	(1,653,130)	2,134,454	752,078	1,233,402
Total Net Position	<u>\$ 18,649,075</u>	<u>\$ 8,640,959</u>	<u>\$ 752,078</u>	<u>\$ 28,042,112</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
Operating Revenues:				
Charges for Services	\$ 2,286,405	\$ 3,121,961	\$ 190,727	\$ 5,599,093
Operating Expenses:				
Cost of Sales and Services	1,723,717	2,595,078	32,521	4,351,316
Administrative Charges	132,000	161,000	96,000	389,000
Depreciation	251,375	281,752	-	533,127
Total Operating Expenses	<u>2,107,092</u>	<u>3,037,830</u>	<u>128,521</u>	<u>5,273,443</u>
Operating Income (Loss)	179,313	84,131	62,206	325,650
Nonoperating Revenues (Expense):				
Development Fees	128,646	-	-	128,646
Interest Expense	(17,236)	-	-	(17,236)
Total Nonoperating Revenues (Expenses)	<u>111,410</u>	<u>-</u>	<u>-</u>	<u>111,410</u>
Income (Loss) Before Transfers	290,723	84,131	62,206	437,060
Transfers In	-	50,000	-	50,000
Transfers Out	<u>(384,200)</u>	<u>-</u>	<u>-</u>	<u>(384,200)</u>
Changes in Net Position	(93,477)	134,131	62,206	102,860
Total Net Position, Beginning of Year	18,742,552	8,506,828	689,872	27,939,252
Total Net Position, End of Year	<u>\$ 18,649,075</u>	<u>\$ 8,640,959</u>	<u>\$ 752,078</u>	<u>\$ 28,042,112</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Sewer	Fire Service	Nonmajor Business-Type Alarm	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,202,865	\$ 3,004,965	\$ 171,974	\$ 5,379,804
Payments to Suppliers	(2,020,159)	(2,589,203)	(32,521)	(4,641,883)
Administrative Charges	(132,000)	(161,000)	(96,000)	(389,000)
Net Cash Flows from Operating Activities	<u>50,706</u>	<u>254,762</u>	<u>43,453</u>	<u>348,921</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received from Interfund Borrowing	769,185	-	-	769,185
Transfers In	-	50,000	-	50,000
Transfers Out	(384,200)	-	-	(384,200)
Development Fees	128,646	-	-	128,646
Net Cash Flows from Noncapital Financing Activities	<u>513,631</u>	<u>50,000</u>	<u>-</u>	<u>563,631</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Capital Debt	(422,005)	-	-	(422,005)
Interest Paid on Capital Debt	(43,206)	-	-	(43,206)
Net Cash Flows from Capital and Related Financing Activities	<u>(465,211)</u>	<u>-</u>	<u>-</u>	<u>(465,211)</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	99,126	304,762	43,453	447,341
Cash and Investments - Beginning of Year	<u>426,565</u>	<u>2,319,604</u>	<u>693,310</u>	<u>3,439,479</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b> (Including \$525,691 of Restricted Cash in the Sewer Fund)	<u>\$ 525,691</u>	<u>\$ 2,624,366</u>	<u>\$ 736,763</u>	<u>\$ 3,886,820</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 179,313	\$ 84,131	\$ 62,206	\$ 325,650
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	251,375	281,752	-	533,127
Change in Assets and Liabilities:				
Receivables, Net	(181,170)	(128,309)	(14,446)	(323,925)
Accounts Payable	(296,442)	5,875	-	(290,567)
Unearned Revenue	97,630	11,313	(4,307)	104,636
Net Cash Provided by Operating Activities	<u>\$ 50,706</u>	<u>\$ 254,762</u>	<u>\$ 43,453</u>	<u>\$ 348,921</u>

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

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

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

Included within the reporting entity:

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

*The Mummy Mountain Preserve Trust.* The Mummy Mountain Preserve Trust (MMPT) board of trustees consists of five members who are appointed by the Town Council. The MMPT 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 MMPT 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 Mummy 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 MMPT by executing an agreement between the Town and MMPT to provide in-kind and direct expenditures for support services to the MMPT, 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 Mummy Mountain Preserve Trust cannot be part of another financial reporting entity.

Separate financial statements are not issued for the component units.

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

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of general long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

The Town reports the following major governmental funds:

*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.

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

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

The Town reports the following major proprietary funds:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**1. Deposits and Investments**

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

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

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

**2. Receivables**

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

**3. Interfund Receivables/Payables**

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

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

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. The Town recognizes the expense/expenditure in the government-wide and fund financial statements at the time the benefit is received and not at the time of the outlay.

**5. Restricted Cash and Investments**

The Town reports restricted cash in the Debt Service Fund and Sewer Fund for cash held with a paying agent. The Town also reports restricted cash and investments in the General Fund, Capital Outlay Fund and Sewer Fund for customer deposits and unspent sewer development fees, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

**6. Capital Assets**

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

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

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

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

**7. Deferred Outflows of Resources**

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

**8. Compensated Absences**

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

**9. Claims and Judgements Payable**

The liability for claims and judgements payable is reported in the government-wide financial statements. This liability is related to the Parker-Hall Public Safety Personnel Retirement System (PSPRS) litigation that was incurred during the year, but not yet paid.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

**10. Long-Term Obligations**

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

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

**11. Pension Plans**

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

**12. Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2017 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

**13. Net Position**

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

**14. Fund Balance Classifications**

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

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

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

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**A. Deficit Fund Balance**

At fiscal year end June 30, 2017, the Town reported a deficit fund balance in the nonmajor governmental fund Grants Fund of \$16,600. This deficit was due to costs that had been incurred, but not yet collected within 60 days and therefore reported as deferred inflows of resources. The Town submitted claims for those grant funds and will receive them in the subsequent year.

**B. Budgetary Information**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. A public hearing is conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provides the Town with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the state each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Mummy 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 Mummy Mountain Trust Nonmajor Governmental Fund in which an adopted budget is not prepared.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. Budgetary Information (Continued)**

For fiscal year ended June 30, 2017, the Town reported an over-expenditure in the following categories:

	<u>Overexpenditure</u>
<b>Nonmajor Governmental Funds</b>	
Grants Fund	\$ 139,939
Debt Service Fund	16,973

The Grants Fund over-expenditure was due to the Town receiving grants that were not anticipated during the year. The Debt Service Fund over-expenditure was due to a higher interest payment than budgeted. Cash was available to meet all of the over-expenditures listed.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2017 consist of the following:

Deposits:	
Cash on Hand	\$ 11,419
Cash in Bank	6,775,030
Cash Held by Trustee	35,356
Investments:	
U.S. Treasury Bonds	2,454,377
Commercial Paper	895,631
Corporate Bonds and Notes	5,532,981
Supra-National Agency Bonds	577,105
U.S. Agency Securities	13,180,689
Money Market Funds	5,556,132
State Treasurer's Investment	6,024,395
Total Cash and Investment	<u>41,043,115</u>
Less: Restricted Cash and Investments	<u>(6,885,134)</u>
Total Cash and Equivalents	<u>\$ 34,157,981</u>

**Deposits**

The Town's deposits at June 30, 2017 had a carrying balance of \$6,810,386 and a bank balance of \$7,139,725. Of the bank balance, \$324,768 was covered by federal depository insurance, and \$6,814,957 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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

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

**Investments**

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

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

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
<b>Investments by Fair Value Level</b>				
Debt Securities:				
U.S. Treasury Bonds	\$ 2,454,377	\$ 2,454,377	\$ -	\$ -
Commercial Paper	895,631	-	895,631	-
Corporate Bonds and Notes	5,532,981	-	5,532,981	-
Supra-National Agency Bonds	577,105	-	577,105	-
U.S. Agency Securities	13,180,689	-	13,180,689	-
Total Investments by Fair Value Level	<u>22,640,783</u>	<u>\$ 2,454,377</u>	<u>\$ 20,186,406</u>	<u>\$ -</u>
<b>Investments Measured at Fair Value</b>				
State Treasurer's Investment	6,024,395			
Money Market Funds	<u>5,556,132</u>			
Total Investments Measured at Fair Value	<u>11,580,527</u>			
Total Investments	<u>\$ 34,221,310</u>			

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**A. Assets (Continued)**

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

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

Investment Type	Investment Maturity			Total
	Less than 0-6 Months	Less than 6-12 Months	12+ Months	
U.S. Treasury Bonds	\$ -	\$ -	\$ 2,454,377	\$ 2,454,377
Commercial Paper	449,766	445,865	-	895,631
Corporate Bonds and Notes	-	-	5,532,981	5,532,981
Supra-National Agency Bonds	-	-	577,105	577,105
U.S. Agency Securities	-	-	13,180,689	13,180,689
Money Market Funds	5,556,132	-	-	5,556,132
State Treasurer's Investment	6,024,395	-	-	6,024,395
<b>Total Investments</b>	<b>\$ 12,030,293</b>	<b>\$ 445,865</b>	<b>\$ 21,745,152</b>	<b>\$ 34,221,310</b>

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

Investment Type	Rating	Agency	Amount
U.S. Treasury Bonds	AA+/Aaa	S&P/Moody's	\$ 2,454,377
Commercial Paper	A-1/P-1	S&P/Moody's	895,631
Corporate Bonds and Notes	AA/Aa2	S&P/Moody's	523,583
Corporate Bonds and Notes	A+/A1	S&P/Moody's	1,194,940
Corporate Bonds and Notes	A/A1	S&P/Moody's	751,305
Corporate Bonds and Notes	A+/Aa3	S&P/Moody's	1,055,250
Corporate Bonds and Notes	A/A2	S&P/Moody's	741,699
Corporate Bonds and Notes	A-/A2	S&P/Moody's	223,785
Corporate Bonds and Notes	A-/A3	S&P/Moody's	225,698
Corporate Bonds and Notes	A+/A2	S&P/Moody's	269,668
Corporate Bonds and Notes	AA-/Aa2	S&P/Moody's	125,088
Corporate Bonds and Notes	AA+/Aa1	S&P/Moody's	200,500
Corporate Bonds and Notes	AAA/Aaa	S&P/Moody's	110,286
Corporate Bonds and Notes	BBB+/A3	S&P/Moody's	111,166
Supra National Agency Bonds	AAA/Aaa	S&P/Moody's	577,118
Money Market	AAAm	S&P	5,556,132
U.S. Agency Securities	AA+/Aaa	S&P/Moody's	13,180,689
State Treasurer's Investment	AAA	Moody's	6,024,395
			<b>\$ 34,221,310</b>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

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

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

Investment Type	Amount	Percent of Town Investments
U.S. Treasury Bonds	\$ 2,454,377	7.2%
Commercial Paper	895,631	2.6%
Corporate Bonds and Notes	5,532,981	16.2%
Supra-National Agency Bonds	577,105	1.7%
U.S. Agency Securities	13,180,689	38.5%
Money Market Funds	5,556,132	16.2%
State Treasurer's Investment	6,024,395	17.6%
	<u>\$ 34,221,310</u>	<u>100.0%</u>

**2. Restricted Cash and Investments**

Restricted cash and investments at June 30, 2017 consist of the following:

	Governmental Activities	Business-Type Activities	Total
Cash with Paying Agent	\$ 210,618	\$ -	\$ 210,618
Sewer Impact Fees	-	454,180	454,180
Unspent Bond Proceeds	5,466,357	-	5,466,357
Customer Deposits	682,468	71,511	753,979
Total	<u>\$ 6,359,443</u>	<u>\$ 525,691</u>	<u>\$ 6,885,134</u>

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2017 was for the court receivable (\$478,598), all other receivables are deemed to be collectible.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

**3. Receivables (Continued)**

Receivables consist of the following:

	General	HURF	Court Enhancement Fund	Capital Projects Fund	Nonmajor Governmental	Total
Office of the State Treasurer:						
Highway User Revenue	\$ -	\$ 82,728	\$ -	\$ -	\$ -	\$ 82,728
State Sales Tax	112,777	-	-	-	-	112,777
Town Sales Tax	1,848,657	-	-	-	-	1,848,657
County Treasurer:						
Auto Lieu Tax	21,250	-	-	-	-	21,250
Franchise Fees:						
Arizona Pubic Service	156,405	-	-	-	-	156,405
Cox Cable	65,434	-	-	-	-	65,434
Southwest Gas	25,667	-	-	-	-	25,667
Court Receivable	663,553	-	2,816	-	-	666,369
Grant Receivable	-	-	-	-	24,135	24,135
Capital Project Reimbursement	-	-	-	134,645	-	134,645
Miscellaneous	213,598	-	-	-	-	213,598
Less: Allowance for Uncollectibles	(478,598)	-	-	-	-	(478,598)
Total	<u>\$ 2,628,743</u>	<u>\$ 82,728</u>	<u>\$ 2,816</u>	<u>\$ 134,645</u>	<u>\$ 24,135</u>	<u>\$ 2,873,067</u>
Note Receivable	<u>\$ 12,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,583</u>
Interest	<u>\$ 84,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,477</u>

The Sewer System, Fire Service Fee, and Alarm Monitor System Enterprise Funds reported accounts receivable, net of the allowance for uncollectible (\$28,728 in the Sewer Fund, \$14,100 in the Fire Service Fund, and \$645 in Alarm Fund) of \$245,521, \$177,336, and \$15,315 due from residents, respectively.

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

	Unavailable	Unearned
General Fund:		
Court Fines Receivable	\$ 184,955	\$ -
Grants Receivable	12,573	-
Miscellaneous Unearned	-	40,570
Nonmajor Governmental Funds:		
Grants Receivable	16,600	12,916
	<u>\$ 214,128</u>	<u>\$ 53,486</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,573,462	\$ -	\$ -	\$ 41,573,462
Construction in Progress	1,660,831	3,591,707	(868,568)	4,383,970
Total Capital Assets, Not Being Depreciated	<u>43,234,293</u>	<u>3,591,707</u>	<u>(868,568)</u>	<u>45,957,432</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,037,352	-	-	2,037,352
Infrastructure	37,408,384	433,129	-	37,841,513
Buildings and Improvements	9,526,653	-	-	9,526,653
Machinery, Equipment, and Vehicles	8,551,647	280,717	-	8,832,364
Total Capital Assets, Being Depreciated	<u>57,524,036</u>	<u>713,846</u>	<u>-</u>	<u>58,237,882</u>
Accumulated Depreciation for:				
Land Improvements	(1,358,302)	(83,669)	-	(1,441,971)
Infrastructure	(7,846,413)	(834,408)	-	(8,680,821)
Buildings and Improvements	(5,476,850)	(307,465)	-	(5,784,315)
Machinery, Equipment, and Vehicles	(5,115,907)	(833,498)	-	(5,949,405)
Total Accumulated Depreciation	<u>(19,797,472)</u>	<u>(2,059,040)</u>	<u>-</u>	<u>(21,856,512)</u>
Total Capital Assets, Being Depreciated, Net	<u>37,726,564</u>	<u>(1,345,194)</u>	<u>-</u>	<u>36,381,370</u>
Governmental Activities Capital Assets, Net	<u>\$ 80,960,857</u>	<u>\$ 2,246,513</u>	<u>\$ (868,568)</u>	<u>\$ 82,338,802</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,853,626	\$ -	\$ -	\$ 2,853,626
Sewer Capacity Rights	14,349,766	-	-	14,349,766
Total Capital Assets, Not Being Depreciated	17,203,392	-	-	17,203,392
Capital Assets, Being Depreciated:				
Sewer System	12,569,671	-	-	12,569,671
Buildings and Improvements	4,460,117	-	-	4,460,117
Machinery and Equipment	1,185,443	-	-	1,185,443
Furniture and Fixtures	35,081	-	-	35,081
Total Capital Assets, Being Depreciated	18,250,312	-	-	18,250,312
Accumulated Depreciation for:				
Sewer System	(5,769,202)	(251,393)	-	(6,020,595)
Buildings and Improvements	(641,408)	(178,404)	-	(819,812)
Machinery and Equipment	(1,081,483)	(98,450)	-	(1,179,933)
Furniture and Fixtures	(23,137)	(4,880)	-	(28,017)
Total Accumulated Depreciation	(7,515,230)	(533,127)	-	(8,048,357)
Total Capital Assets, Being Depreciated, Net	10,735,082	(533,127)	-	10,201,955
Business-Type Activities Capital Assets, Net	<u>\$ 27,938,474</u>	<u>\$ (533,127)</u>	<u>\$ -</u>	<u>\$ 27,405,347</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 703,201
Public Safety	581,462
Highways and Streets	774,377
Total Depreciation Expense, Governmental Activities	<u>\$ 2,059,040</u>

**Business-Type Activities:**

Sewer Fund	\$ 251,375
Fire Service Fund	281,752
Total Depreciation Expense, Business-Type Activities	<u>\$ 533,127</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Construction Commitments**

At June 30, 2017, the Town has the following active construction commitments:

<u>Project</u>	<u>Governmental Activities</u>	
	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Safety Tower	\$ 3,074,696	\$ 1,458,987
Ped/Bike Study	110,793	31,677
Lincoln sidewalks	116,003	441,237
Ritz Carlton Development	647,438	1,167,375
Total	<u>\$ 3,948,930</u>	<u>\$ 3,099,276</u>

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Sewer Fund</u>	
HURF Fund	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
Capital Projects Fund	3,827,639	-	384,200	4,211,839
Nonmajor Governmental Funds	-	134,199	-	134,199
Fire Service Fund	50,000	-	-	50,000
Total	<u>\$ 5,977,639</u>	<u>\$ 134,199</u>	<u>\$ 384,200</u>	<u>\$ 6,496,038</u>

The transfer of \$2,100,000 from the General Fund to the HURF Fund was recorded to fund street projects. The transfer of \$3,827,639 from the General Fund to the Capital Projects Fund was recorded to fund various capital projects being constructed by the Town. The transfer of \$50,000 from the General Fund to the Fire Service Fund was recorded to supplement the Fire Service Fund operations. The Sewer Fund transferred \$384,200 to the Capital Projects Funds for capital related expenditures. The Capital Projects Fund transferred \$134,199 to the Nonmajor Governmental Funds to make the interest payment on the Excise Tax Revenue Obligations, Series 2016.

**D. Interfund Receivables/Payables**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

At June 30, 2017, the Town reported the following due to/due from other funds:

Due To	Sewer Fund	Due From Nonmajor Governmental Funds	Total
General Fund	\$ 1,857,837	\$ 10,692	\$ 1,868,529

The \$1,857,837 due from the Sewer Fund to the General Fund was for short-term borrowings to cover deficit cash in the Sewer Fund. The \$10,692 due from the Nonmajor Governmental Funds to the General Fund was also for short-term borrowings to eliminate deficit cash.

Interfund advances for the year ended June 30, 2017 consisted of the following:

Advance To	Advance From Court Enhancement Fund
General Fund	\$ 590,000

The advance from the General Fund to the Court Enhancement Fund was recorded to advance the Court Enhancement Fund monies for the construction of a new court building. The advance will be repaid over a ten-year period beginning July 1, 2013. The first principal payment was recorded during fiscal year 2014 and the current year principal payment was \$90,000. The interest rate is 2.50%. The Court Enhancement Fund paid a total of \$16,438 in interest on the advance during the current fiscal year.

**E. Obligations Under Leases**

Capital Leases

The Town has acquired various equipment and vehicles under the provision of long-term lease agreements classified as capital leases. The principal amount of the assets totaling \$853,230 is capitalized in the Governmental Activities, if it meets the Town's capitalization policy of \$5,000. The leases provide for bargain purchase options. The amortization of these assets is included in depreciation expense reported in the Government-wide financial statements in the Governmental Activities.

The assets acquired through capital leases are as follows:

Capital Assets Being Depreciated:	Governmental Activities
Machinery, Equipment and Vehicles	\$ 853,230
Less: Accumulated Depreciation	(767,907)
Total Capital Assets, Net	\$ 85,323

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**E. Obligations Under Leases (Continued)**

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2018	\$ 74,492
Less: Amount Representing Interest	(1,306)
Present Value of Minimum Lease Amounts	<u>\$ 73,186</u>

**F. Long-Term Obligations**

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

Bonds payable at June 30, 2017, were as follows:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2017</u>
Revenue Bonds			
Municipal Property Corporation Excise Tax Refunding Bond, Series 2009; original issue \$11,055,000	1/1/2018-2019	3.00-5.00%	\$ 1,810,000
Excise Tax Revenue Obligations, Series 2016 \$7,880,000	1/1/2018-2024	1.690%	7,880,000
Total Outstanding Revenue Bonds			<u>\$ 9,690,000</u>

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$11,055,000 in excise tax revenue refunding bonds and \$7,880,000 in excise tax revenue bonds. The remaining principal balance is \$9,690,000. Proceeds from the MPC Excise Tax Revenue Refunding Bonds, Series 2009 were used 32% to refund prior bonds in the Sewer Fund and 68% for refunding prior bonds and retiring debt on a capital lease in the governmental activities. The MPC bonds are payable from excise tax revenues transferred to the MPC Debt Service Fund in the governmental funds and developer fee revenues in the Sewer Fund through 2019. The Excise Tax Revenue Obligations, Series 2016, bond proceeds were used to fund projects in the Capital Project Funds and the total proceeds were deposited to the associated fund. All payments however will be made through the Debt Service Fund. Total principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. Total remaining principal and interest required on the bonds is \$10.3 million, payable through 2024. In the current year, total principal and interest paid were \$1.6 million.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 10,052,196	\$ -	\$ (927,995)	\$ 9,124,201	\$ 935,203
Bond Premium	101,718	-	(33,906)	67,812	33,906
Capital Leases	167,789	-	(94,603)	73,186	48,574
Compensated Absences	1,070,033	695,858	(624,223)	1,141,668	551,215
Total Governmental Activities	<u>\$ 11,391,736</u>	<u>\$ 695,858</u>	<u>\$ (1,680,727)</u>	<u>\$ 10,406,867</u>	<u>\$ 1,568,898</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 987,804	\$ -	\$ (422,005)	\$ 565,799	\$ 354,797
Bond Premium	46,257	-	(15,419)	30,838	15,419
Total Business-Type Activities	<u>\$ 1,034,061</u>	<u>\$ -</u>	<u>\$ (437,424)</u>	<u>\$ 596,637</u>	<u>\$ 370,216</u>

Debt service requirements on long-term debt at June 30, 2017 are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 935,203	\$ 164,866	\$ 354,797	\$ 15,009
2019	1,123,998	133,675	211,002	3,956
2020	1,365,000	107,864	-	-
2021	1,390,000	84,585	-	-
2022	1,415,000	60,882	-	-
2023-24	2,895,000	49,137	-	-
Totals	<u>\$ 9,124,201</u>	<u>\$ 601,009</u>	<u>\$ 565,799</u>	<u>\$ 18,965</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION**

**A. Fund Balance**

The following represents the classifications of the Town's fund balance for fiscal year ended June 30, 2017:

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable:						
Prepays	\$ 2,145,826	\$ -	\$ -	\$ -	\$ -	\$ 2,145,826
Advances to Other Funds	590,000	-	-	-	-	590,000
Notes Receivable	12,583	-	-	-	-	12,583
Restricted:						
Unspent Bond Proceeds	-	-	-	5,466,357	-	5,466,357
Contributions and Donations	-	-	-	-	27,948	27,948
Court Enhancement	-	-	386,941	-	-	386,941
Mummy Mountain Trust	-	-	-	-	40,251	40,251
Assigned:						
Highways and Streets	-	387,331	-	-	-	387,331
Debt Service	-	-	-	-	1,286,923	1,286,923
Capital Projects	494,500	-	-	2,663,704	-	3,158,204
Unassigned:	26,547,108	-	-	-	(16,600)	26,530,508
Total Fund Balance	<u>\$ 29,790,017</u>	<u>\$ 387,331</u>	<u>\$ 386,941</u>	<u>\$ 8,130,061</u>	<u>\$ 1,338,522</u>	<u>\$ 40,032,872</u>

**B. 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.

**C. Commitments and Contingencies**

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Commitments and Contingencies (Continued)**

**Commitments** – The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication, and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$2.3 million for the year ended June 30, 2017.

**D. Retirement Plans**

**Defined Contribution Pension Plan**

Prior to July 1, 2013, all Town employees who worked more than 30 hours per week were eligible to participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the Town employees covered by this plan for the year ended June 30, 2017 was \$3,843,009. The Town's total payroll was \$6,881,786. Effective July 1, 2013, the Town discontinued employer contribution to the plan, but employee contributions continued. New employees hired after July 1, 2013 were not eligible to participate in the plan. The Town is discontinuing the 401(a) plan effective June 30, 2018.

A 401(a) plan is a defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code. This means that the employee's retirement benefit is based upon the total contributions made by the participating employee and employer plus investment earnings on those contributions. The employer decides on the method of the participant's contribution. The most common method is mandatory participant contributions made on a pre-tax basis, which is how the Town's 401(a) has been designed. Because the contributions are mandatory and made on a pre-tax basis, the employee cannot change the amount being contributed nor may the employee discontinue making contributions as long as he/she is eligible under the plan. Further, eligible employees had a one-time decision to enroll in the plan. These are rules under the Internal Revenue Code.

Employees that leave employment of the Town are entitled to their contributions and the vested portion of the prior Town's contributions, plus investment earnings. During fiscal year 2016-2017, the Town did not contribute to the 401(a) plan. The employees' contributions totaled \$73,115.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2016-2017 or as of the close of the fiscal year.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

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

At June 30, 2017, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>
Net Pension Liability	\$ 29,250,048
Deferred Outflows of Resources	12,124,582
Deferred Inflows of Resources	824,447
Pension Expense	3,906,544

The Town reported accrued payroll and employee benefits of \$-0- for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the Town reported \$8,425,799 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System**

**Plan Description** – Town employees not covered by the other pension plans described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at [www.azasrs.gov](http://www.azasrs.gov).

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

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

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of years and age equals 80 10 years age 62 5 year age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final Average Salary is Based on:	Highest 36 Consecutive Months of Last 120 Months	Highest 60 Consecutive Months of Last 120 Months
Benefit Percentage per Year of Service	2.1% to 2.3 %	2.1% to 2.3 %

\* With Actuarially Reduced Benefits

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% 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 11.48% (10.78% for retirement, 0.56% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.47% (9.17% for retirement, 0.21% for the health insurance premium benefit, and 0.09% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2017, was \$416,736. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2017	\$ 21,649	\$ 5,412
2016	20,286	4,869
2015	21,959	4,466

During the fiscal year ended June 30, 2017, the Town paid for ASRS pension and OPEB contributions as follows: 86% from the General Fund and 14% from the HURF Fund.

**Pension Liability** – At June 30, 2017, the Town reported a liability of \$6,774,380 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's reported liability at June 30, 2017, increased by \$479,984 from the Town's prior year liability of \$6,294,396 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on the Town's FY 2016 contributions. The Town's proportion measured as of June 30, 2016, was 0.04197%, which was an increase of 0.00156 from its proportion measured as of June 30, 2015.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$536,334. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 41,167	\$ 466,028
Changes of Assumptions or Other Inputs	-	358,419
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	734,117	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	263,977	-
Town Contributions Subsequent to the Measurement Date	416,736	-
Total	<u>\$ 1,455,997</u>	<u>\$ 824,447</u>

The \$416,736 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ (164,376)
2019	(141,829)
2020	315,176
2021	205,843

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Discount Rate	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale Bf

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity	58%	6.79%	3.90%
Fixed Income	25%	3.70%	0.93%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Multi-Asset Class	5%	3.41%	0.17%
Total	100%		5.50%
Inflation			3.25%
Expected arithmetic nominal return			8.75%

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.75%. 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 statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8%, 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 (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's Proportionate Share of the Net Pension Liability	\$ 8,637,848	\$ 6,774,380	\$ 5,280,285

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

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

**Plan Description** – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). 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.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**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:

<b>PSPRS</b>	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability		
Years of Service	20 years any age	25 years and age 52.5
and Age Required to Receive Benefit	15 years age 62	
Final Average Salary is Based on	Highest 36 Consecutive Months of last 20 years	Highest 60 Consecutive Months of last 20 years
Benefit Percentage Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

**Employees Covered by Benefit Terms** – At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive Employees or Beneficiaries Currently Receiving Benefits	40
Inactive Employees Entitled to but Not Yet Receiving Benefits	3
Active Employees	32
Total	75

**Contributions and Annual OPEB Cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active Members - Pension	11.65%
PSPRS members with an initial membership date on or before July 19, 2011	
July 2016 through March 2017	11.65%
April 2017 through June 2017	7.65%
Town	
Pension	70.16%
Health Insurance Premium Benefit	0.57%

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

		PSPRS Police
Pension		
Contributions Made	\$	8,009,063
Health Insurance Premium Benefit		
Annual OPEB Cost		14,119
Contributions Made		64,544

During the fiscal year 2017, the Town paid for PSPRS and OPEB contributions 100% from the General Fund.

**Pension Liability** – At June 30, 2017, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Police	\$ 22,475,668

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return assumption was decreased from 7.85% to 7.50% for PSPRS.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liability as a result of these changes is not known.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

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

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	7.50%
Projected Salary Increases	4.0% - 8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Rate of Return
U.S. Equity	16%	6.23%
Non-U.S. Equity	14%	8.25%
Private Equity	11%	9.50%
Fixed Income	7%	2.92%
Credit Opportunities	13%	7.08%
Absolute Return	5%	4.11%
Real Assets	8%	4.77%
Real Estate	10%	4.48%
Risk Parity	4%	5.13%
GTAA	10%	4.38%
Short-Term Investments	2%	0.75%
Total	100%	

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Pension Discount Rates** – The following discount rates were used to measure the total pension liabilities:

	PSPRS Police
Discount Rates	7.50%

At June 20, 2016, the discount rate used to measure the total pension liability was 7.50% which was a decrease of 0.35% from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the PSPRS 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 29,018,758	\$ 7,705,189	\$ 21,313,569
Changes for the Year:			
Service Cost	503,757	-	503,757
Interest on the Total Pension Liability	2,201,463	-	2,201,463
Changes of Benefit Terms	745,131	-	745,131
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	692,654	-	692,654
Changes of Assumptions or Other Inputs	1,116,822	-	1,116,822
Contributions - Employer	-	3,056,411	(3,056,411)
Contributions - Employee	-	312,821	(312,821)
Net Investment Income	-	57,574	(57,574)
Benefit Payments, Including Refunds of Employee Contributions	(2,453,037)	(2,453,037)	-
Administrative Expenses	-	(8,686)	8,686
Other Changes	-	679,608	(679,608)
Net Changes	2,806,790	1,644,691	1,162,099
Balances as of June 30, 2017	\$ 31,825,548	\$ 9,349,880	\$ 22,475,668

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Sensitivity of the Town's Net Pension Liability (Asset) to Changes in the Discount Rate** – The following table presents the Town's net pension liability calculated using the discount rates noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police:			
Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 26,343,901	\$ 22,475,668	\$ 19,263,251

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

**Pension Expense** – For the year ended June 30, 2017, the Town recognized the following pension expense:

PSPRS Police	Pension Expense \$ 3,370,210
--------------	------------------------------------

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS - Police</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 636,570	\$ -
Changes of Assumptions or Other Inputs	1,529,171	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	493,781	-
City Contributions Subsequent to the Measurement Date	8,009,063	-
Total	<u>\$ 10,668,585</u>	<u>\$ -</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>
2018	\$ 1,372,016
2019	565,654
2020	599,938
2021	121,914

**Agent Plan OPEB Actuarial Assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**PSPRS - OPEB Contribution Requirements**

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/20% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

**Agent Plan OPEB Trend Information** – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 14,119	457%	\$ -
2016	15,706	199%	-
2015	39,959	139%	-

The Town reported a net OPEB asset during the current year as the Town has been contributing excess contributions to fund the related net pension liability. As this net OPEB asset was not significant during the current year, further disclosure on the ARC, interest and adjustments were not reported.

**Agent Plan OPEB Funded Status** – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016 is as follows:

**Agent OPEB Plan Funded Status**

	<u>PSPRS Police</u>
Actuarial Value of Assets (a)	\$ 463,745
Actuarial Accrued Liability (b)	586,531
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	122,786
Funded Ratio (a) / (b)	79.10%
Annual Covered Payroll (c)	2,706,916
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	4.54%

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

**PSPRS - OPEB Funded Status**

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COST SHARING PENSION PLANS  
JUNE 30, 2017 AND TWO YEARS PRIOR**

	(Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.04197%	0.04041%	0.03913%
Town's Proportionate Share of the Net Pension Liability	\$ 6,774,380	\$ 6,294,396	\$ 5,789,961
Town's Covered Payroll	\$ 3,811,031	\$ 3,699,764	\$ 3,983,759
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	177.76%	170.13%	145.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	68.35%	69.49%

*See accompanying Notes to the Required Supplementary Information.*

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SCHEDULE OF CHANGES IN THE TOWN'S  
NET PENSION LIABILITY AND RELATED RATIOS  
AGENT PENSION PLANS  
JUNE 30, 2017 AND TWO YEARS PRIOR**

**Agent Pension Plans**

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	\$ 503,757	\$ 413,268	\$ 359,518
Interest on the Total Pension Liability	2,201,463	2,160,197	1,795,059
Changes of Benefit Terms	745,131	-	710,651
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	692,654	24,766	514,325
Changes of Assumptions or Other Inputs	1,116,822	-	3,303,865
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,453,037)</u>	<u>(1,782,549)</u>	<u>(2,335,144)</u>
Net Change in Total Pension Liability	2,806,790	815,682	4,348,274
Total Pension Liability - Beginning	<u>29,018,758</u>	<u>28,203,076</u>	<u>23,854,802</u>
Total Pension Liability - Ending (a)	<u>31,825,548</u>	<u>29,018,758</u>	<u>28,203,076</u>
Plan Fiduciary Net Position			
Contributions - Employer	3,056,411	1,708,529	1,045,144
Contributions - Employee	312,821	411,948	303,349
Net Investment Income	57,574	307,573	917,883
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,453,037)</u>	<u>(1,782,549)</u>	<u>(2,335,144)</u>
Administrative Expenses	(8,686)	(7,885)	(7,393)
Other Changes	<u>679,608</u>	<u>(5,169)</u>	<u>34,308</u>
Net Change in Plan Fiduciary Net Position	1,644,691	632,447	(41,853)
Plan Fiduciary Net Position - Beginning	<u>7,705,189</u>	<u>7,072,742</u>	<u>7,114,595</u>
Plan Fiduciary Net Position - Ending (b)	<u>9,349,880</u>	<u>7,705,189</u>	<u>7,072,742</u>
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 22,475,668</u>	<u>\$ 21,313,569</u>	<u>\$ 21,130,334</u>

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	29.38%	26.55%	25.08%
Covered Payroll	\$ 2,706,916	\$ 2,290,190	\$ 2,200,154
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	830.31%	930.65%	960.40%

See accompanying Notes to the Required Supplementary Information.

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2017 AND THREE YEARS PRIOR**

**Arizona State Retirement System**

	Reporting Fiscal Year			
	2017	2016	2015	2014
Statutorily Required Contribution	\$ 416,736	\$ 465,354	\$ 405,309	\$ 377,424
Town's Contribution in Relation to the Statutorily Required Contribution	416,736	465,354	405,309	377,424
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 3,883,764	\$ 3,811,031	\$ 3,699,764	\$ 3,983,759
Town's Contributions as a Percentage of Covered Payroll	10.73%	12.21%	10.95%	9.47%

**PSPRS Police**

	Reporting Fiscal Year			
	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 3,056,411	\$ 1,780,529	\$ 1,220,161	\$ 1,126,297
Town's Contribution in Relation to the Actuarially Determined Contribution	8,009,063	3,042,273	1,708,529	1,126,297
Town's Contribution Deficiency (Excess)	<u>\$ (4,952,652)</u>	<u>\$ (1,261,744)</u>	<u>\$ (488,368)</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 3,017,666	\$ 2,706,916	\$ 2,290,190	\$ 2,200,151
Town's Contributions as a Percentage of Covered Payroll	265.41%	112.39%	74.60%	51.19%

**TOWN OF PARADISE VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 NOTES TO PENSION SCHEDULES  
 JUNE 30, 2017**

**NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES**

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2015 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were from 4.5%-8.5% to 4.0%-8.0%
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%
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	RP-2000 mortality table (adjusted by 105% for both males and females)

**NOTE 2 FACTORS THAT AFFECT TRENDS**

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS and CORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date of 2014) in the schedule of changes in the Town's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of Town pension contributions.

Additionally, in the current year, the Town reported a \$5.0 million payment to the PSPRS unfunded liability. This payment will affect future year required contributions, assumptions and total net pension liability.

**NOTE 3 INFORMATION PRIOR TO MEASUREMENT DATE**

Information prior to the measurement date (June 30, 2014) was not available.

**NOTE 4 PENSION CONTRIBUTIONS**

The Town prepaid June 30, 2017 required contributions, resulting in pension contributions exceeding the required contributions.

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
JUNE 30, 2017**

**Other Postemployment Benefit (Health Insurance Subsidy)**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2012	\$ -	\$ 552,772	0.0%	\$ (552,772)	\$ 2,035,841	-27.2%
2013	-	531,952	0.0%	(531,952)	1,848,061	-28.8%
2014	415,682	566,330	73.4%	(150,648)	2,200,151	-6.8%
2015	454,063	552,438	82.2%	(98,375)	2,290,190	-4.3%
2016	463,745	586,531	79.1%	(122,786)	2,706,916	-4.5%

See accompanying Notes to the Schedule of Agent OPEB Plans' Funding Progress.

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
NOTES TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
JUNE 30, 2017**

**NOTE 1    FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS**

Beginning in Fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

### **DEBT SERVICE FUNDS**

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	Special Revenue Funds			Total Special Revenue Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>ASSETS</b>				
Cash and Investments	\$ 29,768	\$ -	\$ 40,251	\$ 70,019
Restricted Cash and Investments	-	-	-	-
Accounts Receivable (Net)	-	24,135	-	24,135
Total Assets	\$ 29,768	\$ 24,135	\$ 40,251	\$ 94,154
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 1,820	\$ 527	\$ -	\$ -
Interest Payable	-	-	-	-
Unearned Revenue	-	12,916	-	12,916
Due to Other Funds	-	10,692	-	10,692
Total Liabilities	1,820	24,135	-	25,955
Deferred Inflows of Resources:				
Unavailable Revenues	-	16,600	-	16,600
Fund Balances:				
Restricted	27,948	-	40,251	68,199
Assigned	-	-	-	-
Unassigned	-	(16,600)	-	(16,600)
Total Fund Balances	27,948	(16,600)	40,251	51,599
Total Liabilities, Deferred inflows of Resources, and Fund Balances	\$ 29,768	\$ 24,135	\$ 40,251	\$ 94,154

Debt Service Funds

Debt Service Fund	MPC Debt Service Fund	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ 1,285,897	\$ 1,285,897	\$ 1,355,916
67,612	24,304	91,916	91,916
-	-	-	24,135
<u>\$ 67,612</u>	<u>\$ 1,310,201</u>	<u>\$ 1,377,813</u>	<u>\$ 1,471,967</u>
\$ -	\$ -	\$ -	\$ 2,347
66,586	24,304	90,890	90,890
-	-	-	12,916
-	-	-	10,692
<u>66,586</u>	<u>24,304</u>	<u>90,890</u>	<u>116,845</u>
-	-	-	16,600
-	-	-	68,199
1,026	1,285,897	1,286,923	1,286,923
-	-	-	(16,600)
<u>1,026</u>	<u>1,285,897</u>	<u>1,286,923</u>	<u>1,338,522</u>
<u>\$ 67,612</u>	<u>\$ 1,310,201</u>	<u>\$ 1,377,813</u>	<u>\$ 1,471,967</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			Total Special Revenue Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ 161,339	\$ -	\$ 161,339
Contribution and Donations	17,677	-	-	17,677
Investment Income	-	-	19	19
Total Revenues	17,677	161,339	19	179,035
<b>EXPENDITURES</b>				
Current:				
General Government	10,315	41,203	-	51,518
Public Safety	1,905	63,296	-	65,201
Highway and Streets	-	73,440	-	73,440
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
Total Expenditures	12,220	177,939	-	190,159
Excess (Deficiency) of Revenues Over Expenditures	5,457	(16,600)	19	(11,124)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Net Change in Fund Balances	5,457	(16,600)	19	(11,124)
<b>FUND BALANCES</b>				
Beginning of Year	22,491	-	40,232	62,723
End of Year	\$ 27,948	\$ (16,600)	\$ 40,251	\$ 51,599

Debt Service Funds

<u>Debt Service Fund</u>	<u>MPC Debt Service Fund</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 161,339
-	-	-	17,677
-	-	-	19
<u>-</u>	<u>-</u>	<u>-</u>	<u>179,035</u>
-	-	-	51,518
-	-	-	65,201
-	-	-	73,440
-	927,995	927,995	927,995
133,173	71,802	204,975	204,975
<u>133,173</u>	<u>999,797</u>	<u>1,132,970</u>	<u>1,323,129</u>
(133,173)	(999,797)	(1,132,970)	(1,144,094)
<u>134,199</u>	<u>-</u>	<u>134,199</u>	<u>134,199</u>
1,026	(999,797)	(998,771)	(1,009,895)
-	2,285,694	2,285,694	2,348,417
<u>\$ 1,026</u>	<u>\$ 1,285,897</u>	<u>\$ 1,286,923</u>	<u>\$ 1,338,522</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Investment Income	\$ -	\$ -	\$ 2,439	\$ 2,439
<b>EXPENDITURES</b>				
Capital Outlay	8,862,069	4,812,069	3,924,735	887,334
Excess (Deficiency) of Revenues Over Expenditures	(8,862,069)	(4,812,069)	(3,922,296)	889,773
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	3,384,200	4,211,839	827,639
Transfers Out	-	(116,200)	(134,199)	(17,999)
Total Other Financing Sources (Uses)	-	3,268,000	4,077,640	809,640
Net Change in Fund Balance	(8,862,069)	(1,544,069)	155,344	1,699,413
<b>FUND BALANCE</b>				
Beginning of Year	-	-	7,974,717	7,974,717
End of Year	<u>\$ (8,862,069)</u>	<u>\$ (1,544,069)</u>	<u>\$ 8,130,061</u>	<u>\$ 9,674,130</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DONATIONS FUND  
YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Contributions and Donations	\$ 15,000	\$ 17,677	\$ 2,677
<b>EXPENDITURES</b>			
Current:			
General Government	10,000	10,315	(315)
Public Safety	5,000	1,905	3,095
Total Expenditures	15,000	12,220	2,780
Excess (Deficiency) of Revenues Over Expenditures	-	5,457	5,457
<b>FUND BALANCE</b>			
Beginning of Year	-	22,491	22,491
End of Year	\$ -	\$ 27,948	\$ 27,948

**TOWN OF PARADISE VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GRANTS FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 161,339	\$ 161,339
<b>EXPENDITURES</b>			
Current:			
General Government	38,000	41,203	(3,203)
Highways and Streets	-	73,440	(73,440)
Public Safety	-	63,296	(63,296)
Total Expenditures	<u>38,000</u>	<u>177,939</u>	<u>(139,939)</u>
Excess (Deficiency) of Revenues Over Expenditures	(38,000)	(16,600)	21,400
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>5,393</u>	<u>-</u>	<u>(5,393)</u>
Net Change in Fund Balance	(32,607)	(16,600)	16,007
<b>FUND BALANCE</b>			
Beginning of Year	-	-	-
End of Year (Deficit)	<u>\$ (32,607)</u>	<u>\$ (16,600)</u>	<u>\$ 16,007</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>			
Debt Service:			
Interest on Long-term Debt	\$ 116,200	\$ 133,173	\$ (16,973)
Excess (Deficiency) of Revenues Over Expenditures	(116,200)	(133,173)	(16,973)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	116,200	134,199	17,999
Net Change in Fund Balance	-	1,026	1,026
<b>FUND BALANCE</b>			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ 1,026</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MPC DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>				
Debt Service:				
Miscellaneous	\$ 116,200	\$ -	\$ -	\$ -
Principal Retirement	927,900	927,990	927,995	(5)
Interest on Long-term Debt	71,807	71,807	71,802	5
Total Expenditures	<u>1,115,907</u>	<u>999,797</u>	<u>999,797</u>	<u>-</u>
Net Change in Fund Balance	(1,115,907)	(999,797)	(999,797)	-
<b>FUND BALANCE</b>				
Beginning of Year	-	-	2,285,694	2,285,694
End of Year	<u>\$ (1,115,907)</u>	<u>\$ (999,797)</u>	<u>\$ 1,285,897</u>	<u>\$ 2,285,694</u>

## **STATISTICAL SECTION (UNAUDITED)**

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 65,329,267	\$ 70,546,752	\$ 70,077,412	\$ 69,676,668
Restricted	4,179,307	3,498,527	2,595,469	1,786,639
Unrestricted	29,279,737	20,776,493	22,373,381	22,487,936
Total Governmental Activities	<u>98,788,311</u>	<u>94,821,772</u>	<u>95,046,262</u>	<u>93,951,243</u>
Net Position	<u>\$ 98,788,311</u>	<u>\$ 94,821,772</u>	<u>\$ 95,046,262</u>	<u>\$ 93,951,243</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 14,937,435	\$ 15,875,113	\$ 16,176,951	\$ 16,757,765
Restricted	3,639,972	3,393,316	2,746,466	2,075,256
Unrestricted	3,876,571	3,556,209	3,855,763	4,194,195
Total Business-Type Activities	<u>22,453,978</u>	<u>22,824,638</u>	<u>22,779,180</u>	<u>23,027,216</u>
Net Position	<u>\$ 22,453,978</u>	<u>\$ 22,824,638</u>	<u>\$ 22,779,180</u>	<u>\$ 23,027,216</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 80,266,702	\$ 86,421,865	\$ 86,254,363	\$ 86,434,433
Restricted	7,819,279	6,891,843	5,341,935	3,861,895
Unrestricted	33,156,308	24,332,702	26,229,144	26,682,131
Total Primary Government	<u>121,242,289</u>	<u>117,646,410</u>	<u>117,825,442</u>	<u>116,978,459</u>
Net Position	<u>\$ 121,242,289</u>	<u>\$ 117,646,410</u>	<u>\$ 117,825,442</u>	<u>\$ 116,978,459</u>

Source: Town's Finance Department.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 69,407,881	\$ 68,209,762	\$ 73,318,948	\$ 79,895,872	\$ 78,383,694	\$ 79,851,973
1,221,024	608,907	102,778	53,739	224,308	455,140
23,627,937	20,852,943	5,908,977	3,338,007	10,434,716	13,495,213
<u>\$ 94,256,842</u>	<u>\$ 89,671,612</u>	<u>\$ 79,330,703</u>	<u>\$ 83,287,618</u>	<u>\$ 89,042,718</u>	<u>\$ 93,802,326</u>
\$ 17,292,596	\$ 25,706,810	\$ 26,022,037	\$ 26,446,442	\$ 26,904,413	\$ 26,808,710
1,362,476	567,431	-	-	-	-
4,736,253	5,402,355	901,947	999,604	1,034,839	1,233,402
<u>\$ 23,391,325</u>	<u>\$ 31,676,596</u>	<u>\$ 26,923,984</u>	<u>\$ 27,446,046</u>	<u>\$ 27,939,252</u>	<u>\$ 28,042,112</u>
\$ 86,700,477	\$ 93,916,572	\$ 99,340,985	\$ 106,342,314	\$ 105,288,107	\$ 106,660,683
2,583,500	1,176,338	102,778	53,739	224,308	455,140
28,364,190	26,255,298	6,810,924	4,337,611	11,469,555	14,728,615
<u>\$ 117,648,167</u>	<u>\$ 121,348,208</u>	<u>\$ 106,254,687</u>	<u>\$ 110,733,664</u>	<u>\$ 116,981,970</u>	<u>\$ 121,844,438</u>

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

	Fiscal Year			
	2008	2009	2010	2011
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 7,504,799	\$ 9,318,797	\$ 5,857,493	\$ 6,826,239
Public Safety	8,578,890	9,127,589	8,040,162	7,787,743
Highways and Streets	3,698,363	6,150,305	2,151,001	2,225,274
Interest on Long-Term Debt	190,310	424,849	301,622	267,022
Total Governmental Activities Expenses	19,972,362	25,021,540	16,350,278	17,106,278
Business-Type Activities:				
Sewer	2,141,828	2,327,149	2,207,903	2,144,491
Fire Service	-	-	-	-
Alarm Monitor System	135,774	129,335	125,529	117,568
Total Business-Type Activities Expenses	2,277,602	2,456,484	2,333,432	2,262,059
Total Primary Government Expenses	\$ 22,249,964	\$ 27,478,024	\$ 18,683,710	\$ 19,368,337
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 3,956,275	\$ 3,185,130	\$ 2,564,613	\$ 2,748,788
Public Safety	105,585	102,323	143,867	221,550
Highways and Streets	16,036	-	53,349	-
Operating Grants and Contributions	1,156,860	929,564	856,445	844,615
Capital Grants and Contributions	400,000	502,684	152,699	-
Total Governmental Activities Program Revenues	5,634,756	4,719,701	3,770,973	3,814,953
Business-Type Activities:				
Charges for Services:				
Sewer System	2,827,143	2,469,706	2,066,141	2,254,806
Fire Service	-	-	-	-
Alarm Monitor System	218,940	216,459	245,390	265,656
Capital Grants and Contributions	409,800	681,569	31,500	92,500
Total Business-Type Activities Program Revenues	3,455,883	3,367,734	2,343,031	2,612,962
Total Primary Government Program Revenues	\$ 9,090,639	\$ 8,087,435	\$ 6,114,004	\$ 6,427,915

Source: The Town's Finance Department.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 7,708,607	\$ 7,289,224	\$ 7,276,076	\$ 7,776,745	\$ 8,605,414	\$ 9,458,609
7,628,580	7,055,389	6,286,763	8,745,404	9,054,408	10,249,410
2,076,040	3,346,762	3,201,369	3,669,224	3,568,394	3,669,088
239,802	282,387	182,224	147,314	281,348	192,227
17,653,029	17,973,762	16,946,432	20,338,687	21,509,564	23,569,334
2,111,254	2,264,536	2,351,590	2,324,369	2,185,714	2,124,328
-	1,414,177	2,961,269	3,045,071	2,921,260	3,037,830
108,520	85,698	103,975	59,277	100,719	128,521
2,219,774	3,764,411	5,416,834	5,428,717	5,207,693	5,290,679
\$ 19,872,803	\$ 21,738,173	\$ 22,363,266	\$ 25,767,404	\$ 26,717,257	\$ 28,860,013
\$ 2,540,900	\$ 4,111,615	\$ 5,189,006	\$ 4,290,508	\$ 6,845,255	\$ 4,648,109
303,571	210,837	124,464	37,395	82,694	71,787
-	-	-	-	-	-
746,903	763,844	807,404	874,773	1,121,420	1,144,233
27,321	118,064	10,000	234,000	-	208,085
3,618,695	5,204,360	6,130,874	5,436,676	8,049,369	6,072,214
2,292,392	2,258,513	2,227,314	2,498,749	2,250,608	2,415,051
-	1,538,314	3,112,850	3,099,652	3,101,634	3,121,961
253,253	242,072	231,984	217,953	199,750	190,727
-	198,000	-	80,000	76,875	-
2,545,645	4,236,899	5,572,148	5,896,354	5,628,867	5,727,739
\$ 6,164,340	\$ 9,441,259	\$ 11,703,022	\$ 11,333,030	\$ 13,678,236	\$ 11,799,953

(Continued)

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

(Concluded)	Fiscal Year			
	2008	2009	2010	2011
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (14,337,606)	\$ (20,301,839)	\$ (12,579,305)	\$ (13,291,325)
Business-Type Activities	1,178,281	911,250	9,599	350,903
Total Primary Government Net Expense	<u>\$ (13,159,325)</u>	<u>\$ (19,390,589)</u>	<u>\$ (12,569,706)</u>	<u>\$ (12,940,422)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 10,499,929	\$ 9,386,335	\$ 8,051,632	\$ 7,944,769
Franchise Taxes	1,003,231	1,001,103	999,785	1,007,634
State Shared Revenue	3,225,005	3,180,361	2,807,201	2,402,963
Auto Lieu Tax Revenue Sharing	557,250	504,145	465,343	453,010
Investment Income	1,406,610	1,569,907	358,326	231,090
Special Item - Capital Asset Moved to Fire Fund	-	-	-	-
Transfers	-	693,449	121,508	156,840
Total Governmental Activities	<u>16,692,025</u>	<u>16,335,300</u>	<u>12,803,795</u>	<u>12,196,306</u>
Business-Type Activities:				
Investment Income	294,179	152,859	66,451	53,973
Capital Contributions	-	-	-	-
Special Item - Capital Asset Moved to Fire Fund	-	-	-	-
Transfers	-	(693,449)	(121,508)	(156,840)
Total Business-Type Activities	<u>294,179</u>	<u>(540,590)</u>	<u>(55,057)</u>	<u>(102,867)</u>
Total Primary Government	<u>\$ 16,986,204</u>	<u>\$ 15,794,710</u>	<u>\$ 12,748,738</u>	<u>\$ 12,093,439</u>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 2,354,419	\$ (3,966,539)	\$ 224,490	\$ (1,095,019)
Business-Type Activities	1,472,460	370,660	(45,458)	248,036
Total Primary Government	<u>\$ 3,826,879</u>	<u>\$ (3,595,879)</u>	<u>\$ 179,032</u>	<u>\$ (846,983)</u>

Source: The Town's Finance Department.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ (14,034,334)	\$ (12,769,402)	\$ (10,815,558)	\$ (14,902,011)	\$ (13,460,195)	\$ (17,497,120)
325,871	472,488	155,314	467,637	421,174	437,060
<u>\$ (13,708,463)</u>	<u>\$ (12,296,914)</u>	<u>\$ (10,660,244)</u>	<u>\$ (14,434,374)</u>	<u>\$ (13,039,021)</u>	<u>\$ (17,060,060)</u>
\$ 10,627,184	\$ 11,963,535	\$ 13,136,325	\$ 14,564,835	\$ 14,553,528	\$ 17,151,386
1,055,473	1,061,725	1,061,660	1,037,258	1,146,142	1,056,547
2,083,775	2,358,876	2,544,840	2,723,544	2,760,822	2,980,931
411,604	429,075	457,878	490,206	530,413	548,523
161,897	174,833	94,521	91,159	274,390	185,141
-	(7,803,872)	-	-	-	-
-	-	4,915,177	(48,076)	(50,000)	334,200
<u>14,339,933</u>	<u>8,184,172</u>	<u>22,210,401</u>	<u>18,858,926</u>	<u>19,215,295</u>	<u>22,256,728</u>
38,238	8,911	7,251	6,349	22,032	-
-	198,000	-	-	-	-
-	7,803,872	-	-	-	-
-	-	(4,915,177)	48,076	50,000	(334,200)
<u>38,238</u>	<u>8,010,783</u>	<u>(4,907,926)</u>	<u>54,425</u>	<u>72,032</u>	<u>(334,200)</u>
<u>\$ 14,378,171</u>	<u>\$ 16,194,955</u>	<u>\$ 17,302,475</u>	<u>\$ 18,913,351</u>	<u>\$ 19,287,327</u>	<u>\$ 21,922,528</u>
\$ 305,599	\$ (4,585,230)	\$ 11,394,843	\$ 3,956,915	\$ 5,755,100	\$ 4,759,608
364,109	8,908,064	(4,752,612)	522,062	493,206	102,860
<u>\$ 669,708</u>	<u>\$ 4,322,834</u>	<u>\$ 6,642,231</u>	<u>\$ 4,478,977</u>	<u>\$ 6,248,306</u>	<u>\$ 4,862,468</u>

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

Function/Program	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>					
General Government	\$ 4,467,270	\$ 3,217,704	\$ 2,592,630	\$ 2,767,852	\$ 2,671,657
Public Safety	134,211	150,885	149,236	255,768	305,350
Highways and Streets	1,033,275	1,351,112	1,029,107	791,333	641,688
Subtotal Governmental Activities	<u>5,634,756</u>	<u>4,719,701</u>	<u>3,770,973</u>	<u>3,814,953</u>	<u>3,618,695</u>
<b>Business-Type Activities:</b>					
Sewer System	3,236,943	3,151,275	2,097,641	2,347,306	2,292,392
Fire Service	-	-	-	-	-
Alarm Monitor System	218,940	216,459	245,390	265,656	253,253
Subtotal Business-Type Activities	<u>3,455,883</u>	<u>3,367,734</u>	<u>2,343,031</u>	<u>2,612,962</u>	<u>2,545,645</u>
Total Primary Government	<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>	<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>	<u>\$ 6,164,340</u>

Source: The Town's Finance Department.

Fiscal Year				
2013	2014	2015	2016	2017
\$ 4,288,121	\$ 5,275,399	\$ 4,600,325	\$ 6,950,634	\$ 4,913,534
214,512	131,761	42,579	269,877	188,098
701,727	723,714	793,772	828,858	970,582
5,204,360	6,130,874	5,436,676	8,049,369	6,072,214
2,258,513	2,227,314	2,578,749	2,327,483	2,415,051
1,538,314	3,112,850	3,099,652	3,101,634	3,121,961
242,072	231,984	217,953	199,750	190,727
4,038,899	5,572,148	5,896,354	5,628,867	5,727,739
\$ 9,243,259	\$ 11,703,022	\$ 11,333,030	\$ 13,678,236	\$ 11,799,953

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

	Fiscal Year		
	2008	2009	2010
General Fund:			
Unreserved	<u>\$ 26,023,277</u>	<u>\$ 19,055,184</u>	<u>\$ 14,865,748</u>
All Other Governmental Funds:			
Unreserved, Reported in:			
Special Revenue Funds	\$ 4,199,455	\$ 3,147,999	\$ 2,444,644
Debt Service Funds	232	1,712,329	6,314,592
Capital Projects Funds	<u>4,069,161</u>	<u>1,130,425</u>	<u>1,864,879</u>
Total All Other Governmental Funds	<u>\$ 8,268,848</u>	<u>\$ 5,990,753</u>	<u>\$ 10,624,115</u>

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
General Fund:							
Nonspendable	\$ 6,972	\$ 143,415	\$ 1,039,473	\$ 1,157,133	\$ 818,308	\$ 709,554	\$ 2,748,409
Assigned	-	-	-	-	-	-	494,500
Unassigned	<u>13,995,539</u>	<u>14,393,182</u>	<u>14,206,372</u>	<u>23,391,719</u>	<u>25,421,178</u>	<u>29,666,433</u>	<u>26,547,108</u>
Total General Fund	<u>\$ 14,002,511</u>	<u>\$ 14,536,597</u>	<u>\$ 15,245,845</u>	<u>\$ 24,548,852</u>	<u>\$ 26,239,486</u>	<u>\$ 30,375,987</u>	<u>\$ 29,790,017</u>
All Other Governmental Funds:							
Nonspendable							
Prepaid Items	\$ -	\$ -	\$ 16,025	\$ -	\$ -	\$ 6,528	\$ -
Restricted	1,786,639	1,221,024	592,882	102,778	53,739	5,694,934	5,921,497
Assigned	8,905,955	9,268,513	11,165,163	8,274,256	3,821,554	4,960,708	4,337,958
Unassigned	<u>(16,600)</u>	<u>-</u>	<u>-</u>	<u>(619,309)</u>	<u>(282,949)</u>	<u>-</u>	<u>(16,600)</u>
Total All Other Governmental Funds	<u>\$ 10,675,994</u>	<u>\$ 10,489,537</u>	<u>\$ 11,774,070</u>	<u>\$ 7,757,725</u>	<u>\$ 3,592,344</u>	<u>\$ 10,662,170</u>	<u>\$ 10,242,855</u>

Source: The Town's Finance Department.

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

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

	Fiscal Year			
	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes	\$ 11,503,160	\$ 10,387,438	\$ 9,051,417	\$ 8,952,403
Intergovernmental	4,921,207	4,835,686	4,272,612	3,692,516
Fines and Forfeitures	1,630,753	1,351,919	1,133,627	1,201,432
Licenses and Permits	2,197,361	1,159,347	982,740	1,080,207
Charges for Services	-	-	490,095	356,650
Indirect Charges	-	-	-	-
Rents and Royalties	-	-	-	320,907
Investment Income	1,406,610	1,569,914	358,326	231,090
Other	302,014	769,388	9,076	8,072
Total Revenues	<u>21,961,105</u>	<u>20,073,692</u>	<u>16,297,893</u>	<u>15,843,277</u>
<b>EXPENDITURES</b>				
General Government	7,661,674	7,346,335	5,686,505	5,987,892
Public Safety	8,836,058	8,968,496	7,864,339	7,504,468
Highways and Streets	1,901,078	2,077,779	1,616,151	1,444,530
Capital Outlay	3,946,895	11,155,915	128,752	832,181
Debt Service:				
Issuance Costs	-	130,596	-	-
Principal Retirement	151,842	715,506	388,383	773,329
Interest on Long-Term Debt	101,896	346,510	291,345	252,475
Total Expenditures	<u>22,599,443</u>	<u>30,741,137</u>	<u>15,975,475</u>	<u>16,794,875</u>
Excess of Revenues				
Over (Under) Expenditures	(638,338)	(10,667,445)	322,418	(951,598)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	4,455,825	10,985,963	6,289,267	2,584,469
Transfers Out	(4,455,825)	(10,292,514)	(6,167,759)	(2,427,629)
Issuance of Long-Term Debt	-	7,599,249	-	-
Premium on Issuance of Long-Term Debt	-	339,067	-	-
Payment of Escrow Agent	-	(2,032,486)	-	-
Payment on Capital Leases	-	(5,770,711)	-	-
Proceeds from Capital Leases	7,037,011	592,689	-	-
Total Other Financing Sources (Uses)	<u>7,037,011</u>	<u>1,421,257</u>	<u>121,508</u>	<u>156,840</u>
Net Changes in Fund Balance	<u>\$ 6,398,673</u>	<u>\$ (9,246,188)</u>	<u>\$ 443,926</u>	<u>\$ (794,758)</u>
Debt Service as a Percentage of Non-Capital Expenditures	1.3%	4.3%	4.5%	6.6%

Source: The Town's Finance Department.

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 11,682,657	\$ 13,025,260	\$ 14,197,985	\$ 15,602,093	\$ 15,699,670	\$ 18,576,603
3,251,086	3,537,464	3,791,372	4,074,853	4,393,807	4,712,850
801,897	2,346,166	1,161,685	2,085,650	3,697,261	2,364,100
1,021,911	1,203,370	1,322,052	1,426,883	2,071,846	2,285,398
427,269	328,019	354,680	259,689	261,829	-
-	-	322,000	-	-	-
325,220	307,987	154,220	158,410	159,360	307,779
161,897	174,833	94,521	91,159	274,390	185,141
51,730	461,264	1,812,082	520,978	579,469	118,706
<u>17,723,667</u>	<u>21,384,363</u>	<u>23,210,597</u>	<u>24,219,715</u>	<u>27,137,632</u>	<u>28,550,577</u>
5,581,346	6,168,281	6,700,704	6,963,210	7,794,295	7,925,090
7,594,737	6,816,444	6,215,932	7,291,649	8,972,593	13,930,804
1,204,634	2,677,491	2,635,007	3,014,861	2,786,005	2,860,702
2,149,953	2,699,004	6,522,394	8,080,876	2,737,601	3,924,735
-	-	-	-	125,697	-
800,825	824,885	998,944	1,114,569	1,155,556	1,022,598
228,857	204,477	216,131	181,221	189,558	226,133
<u>17,560,352</u>	<u>19,390,582</u>	<u>23,289,112</u>	<u>26,646,386</u>	<u>23,761,305</u>	<u>29,890,062</u>
163,315	1,993,781	(78,515)	(2,426,671)	3,376,327	(1,339,485)
3,481,659	6,293,189	9,685,071	6,593,422	4,831,055	6,446,038
(3,481,659)	(6,293,189)	(4,769,894)	(6,641,498)	(4,881,055)	(6,111,838)
-	-	450,000	-	7,880,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
167,714	-	-	-	-	-
<u>167,714</u>	<u>-</u>	<u>5,365,177</u>	<u>(48,076)</u>	<u>7,830,000</u>	<u>334,200</u>
<u>\$ 331,029</u>	<u>\$ 1,993,781</u>	<u>\$ 5,286,662</u>	<u>\$ (2,474,747)</u>	<u>\$ 11,206,327</u>	<u>\$ (1,005,285)</u>
6.4%	6.0%	7.3%	6.9%	6.4%	4.7%

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

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
2008	\$ 8,401,809	\$ 2,098,120	\$ 1,003,231	\$ 11,503,160
2009	7,518,403	1,867,932	1,001,103	10,387,438
2010	5,972,752	2,078,880	999,785	9,051,417
2011	5,543,814	2,400,955	1,007,634	8,952,403
2012	8,103,896	2,523,288	1,055,473	11,682,657
2013	9,235,643	2,727,892	1,061,725	13,025,260
2014	10,300,810	2,835,515	1,061,660	14,197,985
2015	11,447,385	3,117,450	1,037,258	15,602,093
2016	11,345,902	3,207,626	1,146,142	15,699,670
2017	13,818,317	3,701,739	1,056,547	18,576,603

Source: The Town's Finance Department.

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 467,913	\$ 442,206	\$ 499,069	\$ 459,650	\$ 829,653
Construction	4,420,843	3,622,160	2,250,756	1,645,850	1,780,801
Manufacturing	101,628	85,475	85,959	81,724	119,098
Retail Trade	311,592	218,354	223,429	281,128	355,717
Finance, Insurance and Real Estate	377,621	226,801	165,509	201,843	251,196
Hospitality	2,253,947	2,510,902	2,464,680	2,527,486	4,007,195
Services	206,628	200,520	147,522	154,748	224,531
Other	261,637	211,986	135,828	191,385	535,705
Total	<u>\$ 8,401,809</u>	<u>\$ 7,518,404</u>	<u>\$ 5,972,752</u>	<u>\$ 5,543,814</u>	<u>\$ 8,103,896</u>
Bed Tax Collected	<u>\$ 2,098,120</u>	<u>\$ 1,867,932</u>	<u>\$ 2,078,880</u>	<u>\$ 2,400,955</u>	<u>\$ 2,523,288</u>

Source: Arizona Department of Revenue

- (1) Sales tax increased from 1.2% to 1.4% effective January 1, 1999, and from 1.4% to 1.65% effective September 1, 2004, and from 1.65% to 2.50% effective August 1, 2011 (Temporarily until August 1, 2014). Use tax of 1.4% added effective April 1, 1999.
- (2) Bed tax increased from 3.0% to 3.4% effective August 1, 2010.

Fiscal Year

2013	2014	2015	2016	2017
\$ 881,141	\$ 890,417	\$ 922,244	\$ 965,755	\$957,578
2,340,481	3,048,856	3,049,241	3,181,485	4,327,639
133,431	128,060	135,788	158,886	44,432
451,136	559,294	724,235	856,216	2,082,847
262,889	288,739	375,473	341,602	397,083
4,338,311	4,536,958	4,981,595	4,931,846	5,287,561
268,514	320,097	333,592	313,346	13
559,740	528,389	925,217	596,766	721,164
<u>\$ 9,235,643</u>	<u>\$ 10,300,810</u>	<u>\$ 11,447,385</u>	<u>\$ 11,345,902</u>	<u>\$ 13,818,317</u>
<u>\$ 2,727,892</u>	<u>\$ 2,835,515</u>	<u>\$ 3,117,450</u>	<u>\$ 3,207,626</u>	<u>\$ 3,701,739</u>

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

**Privilege (Sales) Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%
2011	1.65%	0.00%	6.60%
2012	2.50%	0.00%	6.60%
2013	2.50%	0.00%	5.60%
2014	2.50%	0.00%	5.60%
2015	2.50%	0.00%	5.60%
2016	2.50%	0.00%	5.60%
2017	2.50%	0.00%	5.60%

**Use Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%
2011	1.65%	0.00%	6.60%
2012	2.50%	0.00%	6.60%
2013	2.50%	0.00%	5.60%
2014	2.50%	0.00%	5.60%
2015	2.50%	0.00%	5.60%
2016	2.50%	0.00%	5.60%
2017	2.50%	0.00%	5.60%

**Bed Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2008	3.00%	1.77%	5.50%
2009	3.00%	1.77%	5.50%
2010	3.00%	1.77%	6.50%
2011	3.40%	1.77%	6.50%
2012	3.40%	1.77%	6.50%
2013	3.40%	1.77%	5.50%
2014	3.40%	1.77%	5.50%
2015	3.40%	1.77%	5.50%
2016	3.40%	1.77%	5.50%
2017	3.40%	1.77%	5.50%

Source: Maricopa County Treasurer.

**TOWN OF PARADISE VALLEY, ARIZONA  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(DOLLARS IN THOUSANDS EXCEPT PER CAPITA AND POPULATION)  
(UNAUDITED)**

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	Note Payable	Capital Leases	Excise Tax Revenue Bonds	Note Payable				
2008	\$ 2,192	\$ -	\$ 8,045	\$ 3,798	\$ 3,369	\$ 17,404	\$ 1,224	14,215	
2009	7,938	-	1,595	3,610	3,006	15,656	1,084	14,444	
2010	7,516	-	1,073	3,418	2,628	14,191	966	14,686	
2011	6,709	-	798	3,050	2,235	12,792	998	12,820	
2012	5,874	-	600	2,671	1,824	10,969	846	12,972	
2013	5,015	-	432	2,281	1,396	8,828	674	13,106	
2014	4,133	300	347	1,879	951	7,610	573	13,282	
2015	3,222	-	259	1,466	485	5,234	389	13,457	
2016	10,154	-	168	1,034	-	11,356	832	13,653	
2017	9,192	-	73	597	-	9,862	708	13,930	

Source: The Town's Finance Department.

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

Fiscal Year	Excise Tax Revenue Bonds				Coverage
	Excise Tax*	Principal	Interest		
2008	\$ 17,483	\$ 415	\$ 278		25.23
2009	14,727	435	261		21.16
2010	12,841	565	414		13.12
2011	12,436	1,125	367		8.36
2012	14,787	1,165	333		9.90
2013	17,199	1,200	297		11.50
2014	18,065	1,235	261		12.20
2015	19,899	1,275	217		13.34
2016	20,679	1,330	227		13.40
2017	23,883	1,350	238		15.04

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

Source: The Town's Finance Department.

**TOWN OF PARADISE VALLEY, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2017  
(UNAUDITED)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid with Property Taxes</b>			
Maricopa County	None	2.19%	None
Maricopa County Special Health Care District	\$ 37,000,000	2.19%	\$ 810,300
Maricopa County Community College District	445,570,000	2.19%	9,757,983
East Valley Institute of Technology District No. 401 <sup>b</sup>	None	4.93%	None
Creighton Unified School District No. 14	38,105,000	14.50%	5,525,225
Phoenix Union High School District No. 210	263,185,000	1.13%	2,973,991
Scottsdale Unified School District No. 48	220,988,750	15.57%	34,407,948
<b>Other Debt</b>			
Maricopa County <sup>c</sup>	None	2.19%	None
Maricopa County Hospital District No. 1	None	2.19%	None
Maricopa County Community College District - revenue bonds	None	2.19%	None
East Valley Institute of Technology District No. 401 <sup>b</sup>	None	4.93%	None
Creighton Unified School District No. 14	None	14.50%	None
Phoenix Union High School District No. 210	None	1.13%	None
Scottsdale Unified School District No. 48	None	15.57%	None
Subtotal, Overlapping Debt			53,475,447
Town of Paradise Valley Direct Debt (Including Bonds and Capital Leases)			9,861,836
Total Direct and Overlapping Debt			<u>\$ 53,475,447</u>

Source: The various jurisdictions

<sup>a</sup> Proportion applicable to the Town of Paradise Valley, Arizona is computed on the ratio of secondary assessed valuation for fiscal year 2015/16.

<sup>b</sup> Based on the East Valley Institute of Technology's secondary assessed valuation and does not include amount of secondary assessed valuation in Pinal County.

<sup>c</sup> Includes Public Finance Corporation lease revenue bonds outstanding in the aggregate principal amount of \$80,705,000 and Stadium District revenue bonds outstanding in the aggregate principal amount of \$14,660,000.

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

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

Fiscal Year	Population	Median Household Income	Per Capita Income
2008	14,215	\$ 187,128	\$ 100,251
2009	14,444	(a)	(a)
2010	14,686	(a)	(a)
2011	12,820	(a)	(a)
2012	12,972	(a)	(a)
2013	13,106	(a)	(a)
2014	13,282	(a)	(a)
2015	13,457	(a)	(a)
2016	13,673	(a)	(a)
2017	13,930	(a)	(a)

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

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

(a) Information was not available.

**TOWN OF PARADISE VALLEY, ARIZONA  
PRINCIPAL EMPLOYERS  
2016 AND 2003  
(UNAUDITED)**

	2016		2003	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Camelback Inn	648	17.9%	580	24.3%
Doubletree of Phoenix (Formerly InterContinental Montelucia Resort and Joya Spa)	300	8.3%	-	0.0%
Sanctuary on Camelback Mountain	300	8.3%	250	10.5%
Scottsdale Plaza Resort	292	8.1%	388	16.3%
Marriott's Mountain Shadows	-	0.0%	307	12.9%
Doubletree La Posada Resort	-	0.0%	207	8.7%
Phoenix County Day School	144	4.0%	138	5.8%
Hermosa Inn	92	2.5%	100	4.2%
Town of Paradise Valley	92	2.5%	95	4.0%
Early Learning Childhood Center	82	2.3%	-	0.0%
Total	2,230	61.5%	2,385	100.0%
Total Town Employment	3,626			

Source: Maricopa Association of Governments 2016 Employer Database.

Note: 2016 and 2003 is the most recent information available.

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

Function	Full-Time Equivalent Employees									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Town Manager	3.0	4.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Town Attorney	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	7.2	8.2	7.0	7.0	4.0	5.0	7.0	7.0	7.0	7.0
Community Development	13.0	13.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Court	5.7	5.9	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Engineering	3.0	3.0	2.0	1.0	-	1.0	3.0	3.0	4.0	4.0
Public Works	3.0	4.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0
Police:										
Officers	36.0	36.0	30.0	23.0	25.0	27.0	27.0	33.0	33.0	33.0
Civilians	10.5	10.5	11.0	13.0	9.0	7.0	12.0	8.0	8.0	8.0
Fire Service:										
Civilians	1.0	1.0	-	-	-	-	-	-	-	-
Highways and Streets	14.0	14.0	13.0	12.0	12.0	12.0	10.0	10.0	10.0	10.0
Sewer System	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Alarm Monitoring System	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Total	<u>102.4</u>	<u>105.6</u>	<u>93.0</u>	<u>83.0</u>	<u>76.0</u>	<u>79.0</u>	<u>79.0</u>	<u>86.0</u>	<u>87.0</u>	<u>87.00</u>

Source: Town's Finance Department.

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General Government:					
Building Permits Issued	950	665	499	536	517
Value of Building Permits Issued	\$ 177,127,174	\$ 86,505,523	\$ 54,467,751	\$ 59,607,205	\$ 68,448,551
Police:					
Physical Arrests	270	242	240	199	258
Parking Violations	582	285	1,789	1,142	1,199
Traffic Violations	2,529	1,509	2,203	2,049	1,995
Other Public Works:					
Street Resurfacing (Miles)	9	31	-	-	7
Sidewalks (Linear Feet)	24,725	-	-	-	216
Potholes Repaired	115	70	17	23	10
Sewer System:					
Number of Customers	2,016	2,065	2,086	2,094	2,095

Source: The Town of Paradise Valley.

Fiscal Year

2013	2014	2015	2016	2017
559	638	615	706	649
\$ 74,147,285	\$ 85,481,811	\$ 88,396,985	\$ 142,370,728	\$ 122,718,034
218	378	456	206	351
445	529	567	408	362
1,914	2,399	1,940	1,829	3,036
19.78	12.80	27.90	27.9	26.4
24	2,333	2,333	2,333	2,333
11	14	18	10	7
2,115	2,136	2,165	2,162	2,173

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Police:					
Stations	1	1	1	1	1
Patrol and Detective Vehicles	25	28	25	25	25
Fire Service:					
Stations	2	2	2	2	2
Fire Pumpers, Support Vehicles	4	4	3	3	3
Other Public Works:					
Streets (Miles)	140	140	140	140	140
Traffic Signals	12	12	12	12	12
Wastewater:					
Sanitary Sewers (Feet)	320,890	325,029	325,029	325,029	325,029
Treatment Capacity (Thousands of Gallons)	1,026	1,026	1,026	1,026	1,026

Source: The Town of Paradise Valley.

Fiscal Year				
2013	2014	2015	2016	2017
1	1	1	1	1
24	24	20	20	20
2	2	2	2	2
3	3	3	3	3
140	147	147	147	147
12	12	12	12	12
326,349	326,349	326,649	327,624	327,624
1,026	1,026	1,026	1,026	1,026

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