



2020

TOWN OF PARADISE VALLEY

POPULAR ANNUAL FINANCIAL REPORT

**For the Fiscal Year
Ended June 30, 2020**

WWW.PARADISEVALLEYAZ.GOV

**Introduction
Page 3**

**Revenue
Page 8**

**Staffing and
Pension
Page 12**

**Expenditures
Page 14**

**Financial
Statements
Page 16**

**Enterprise
Operations
Page 19**

**Cash and
Investments
Page 22**

**Capital
Financing
Page 24**

**Capital
Assets
Page 25**

**Other
Documents
Page 26**

GFOA Outstanding Achievement in PAFR

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Town of Paradise Valley, Arizona for its Popular Annual Financial Report for the fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Financial Reporting is valid for a period of one year only. The Town of Paradise Valley, Arizona has received a Popular Award for the last two (2) consecutive years (fiscal years ended 2018 and 2019). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another award.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Town of Paradise Valley
Arizona**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell
Executive Director/CEO

In the spirit of transparency and full disclosure in financial reporting, we are pleased to present **Paradise Valley's** third **Popular Annual Financial Report ("PAFR")**.

This **PAFR** serves as a means of increasing and maintaining public confidence and trust in the Town's government. The **PAFR** is specially designed to be a reader-friendly financial report for citizens who want a better understanding of the Town's finances.

The statements contained in this **PAFR** are derived from the Town's 2020 **Comprehensive Annual Financial Report ("CAFR")**. The **CAFR** outlines the Town's financial position and operating activities in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") that includes financial statements and disclosures audited by Henry + Horne, LLP. While the numbers in the **PAFR** are from **CAFR**, they are presented in summarized form to be more accessible and do not include all required disclosures, financial statements, and schedules under GAAP.

As you review this report, we invite you to share any questions, concerns or comments you may have. We also encourage you to review the audited, GAAP-based, full disclosure financial statements in the Town's **CAFR(s)**; along with the Adopted Budgets and other financial documents accessed from the Town's website at www.paradisevalleyaz.gov.

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

Respectfully,



Douglas W. Allen
Chief Financial Officer



OVERVIEW

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

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

BASIC FACTS

Date of incorporation:	May 21, 1961
Elevation:	1,165 feet
Population:	14,637 (2019 estimated)
Land area:	16.5 square miles
Median household income:	\$134,097 (Maricopa Assc. Govts.)
Single-family homes	6,113
Owner-occupied	4,860

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

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

HISTORY

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

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

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

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

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

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

Groundbreaking for Town Hall 1973



TOWN GOVERNMENT

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



Front: Mayor Jerry Bien-Willner and Vice Mayor Scott Moore
Back: Councilmembers Mark Stanton, Ellen Andeen, Julie Pace, Paul Dembow, and Anna Thomasson

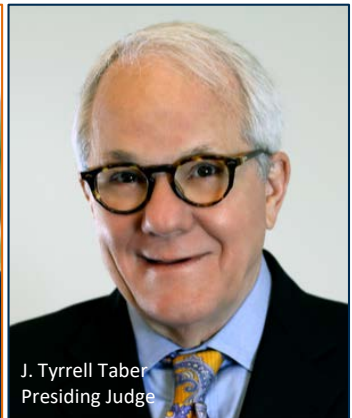
The Town Council is responsible for, but not limited to, the adoption of local ordinances, the Town budget, the development of citizen advisory committees, and the appointment of the Town Manager, Town Attorney and the Municipal Court Presiding Judge. The Town Manager is responsible for implementation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



Jill Keimach
Town Manager



Andrew Miller
Town Attorney

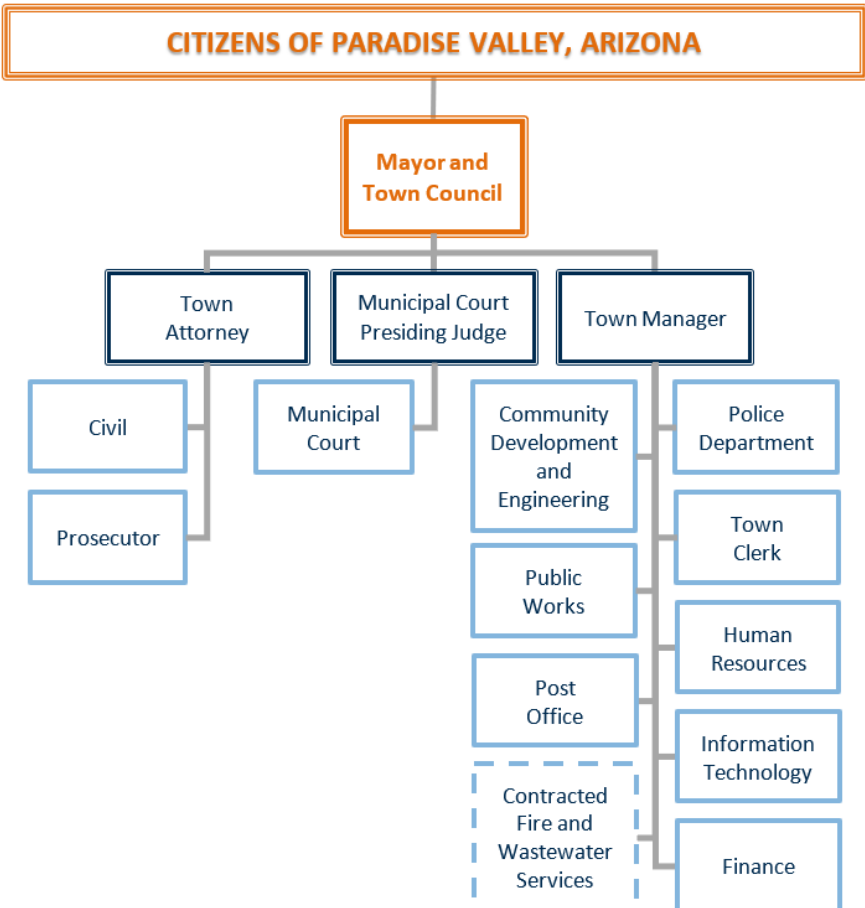


J. Tyrrell Taber
Presiding Judge

TOWN SERVICES

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

ORGANIZATION CHART



WHERE THE MONEY COMES FROM...

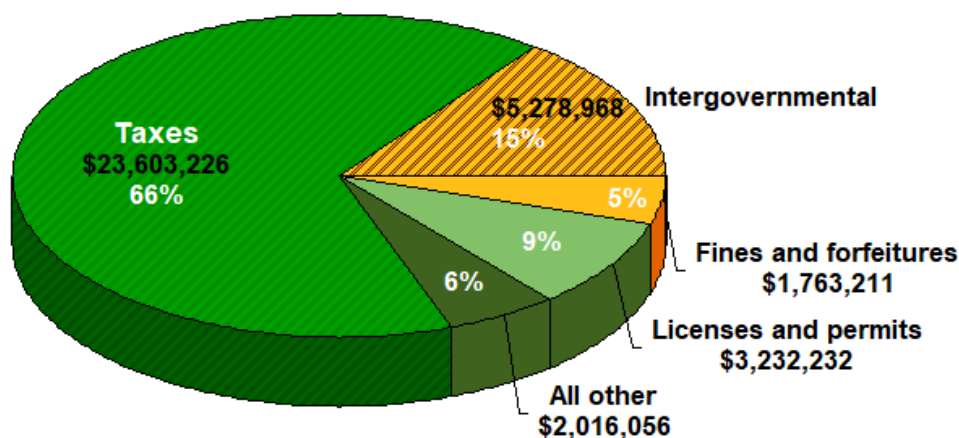
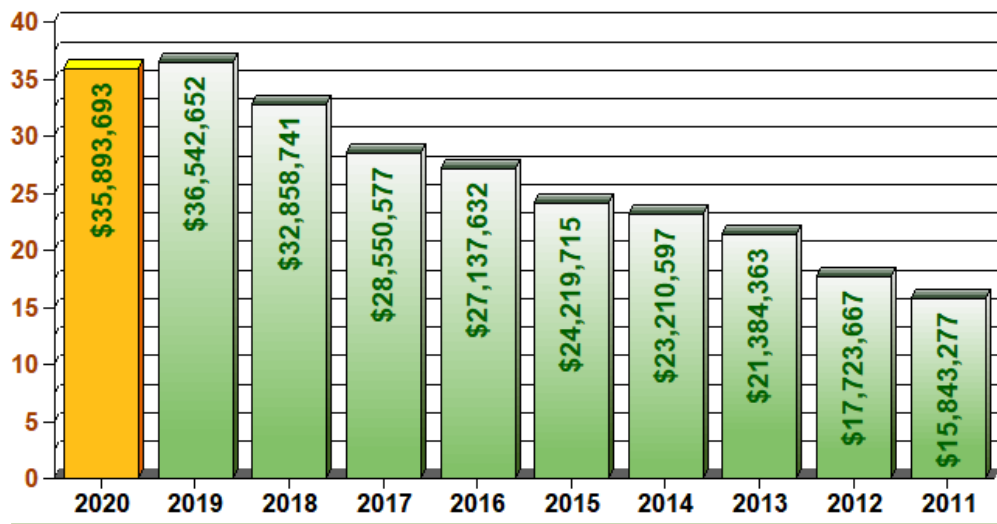
For fiscal year 2020, total revenues for the Town's governmental operations were \$35,893,693. Revenue categories are:

- ▶ **Taxes** account for the majority of governmental revenue (66%). This includes the “**transaction privilege (sales) tax**” and the “occupancy (bed) tax”. The Town does not have a “Town property tax”.
- ▶ **Intergovernmental** is the second largest revenue category (15%). This includes the state shared sales tax, income tax, and vehicle tax; the highway user fund revenue (HURF); and federal and state grants.
- ▶ **Fines and forfeitures** are various public safety fees such as impound, process service, jail and defense fees.
- ▶ **Licenses and permits** include building, grading, evacuation, sub division, right-of-way, and special use permits, plan review, fire marshal, development and hillside application fees.
- ▶ **All other** is any revenue not categorized above.

The chart below and bar graph to the right show a 10-year history of governmental revenue by category. The pie graph to the right breaks out revenues for 2020 by category.

GOVERNMENTAL REVENUE by Type	Fiscal Year			
	2020	2019	2018	2017
Taxes	\$23,603,226	\$23,086,133	\$20,565,163	\$18,576,603
Intergovernmental	5,278,968	4,914,274	4,825,303	4,712,850
Fines and forfeitures	1,763,211	3,404,559	2,881,561	2,364,100
Licenses and permits	3,232,232	2,823,054	2,712,910	2,285,398
All other	2,016,056	2,314,632	1,873,804	611,626
Total revenues	\$35,893,693	\$36,542,652	\$32,858,741	\$28,550,577

GOVERNMENTAL REVENUE



Fiscal Year					
2016	2015	2014	2013	2012	2011
\$15,699,670	\$15,602,093	\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403
4,393,807	4,074,853	3,791,372	3,537,464	3,251,086	3,692,516
3,697,261	2,085,650	1,161,685	2,346,166	801,897	1,201,432
2,071,846	1,426,883	1,322,052	1,203,370	1,021,911	1,080,207
1,275,048	1,030,236	2,737,503	1,272,103	966,116	916,719
\$27,137,632	\$24,219,715	\$23,210,597	\$21,384,363	\$17,723,667	\$15,843,277

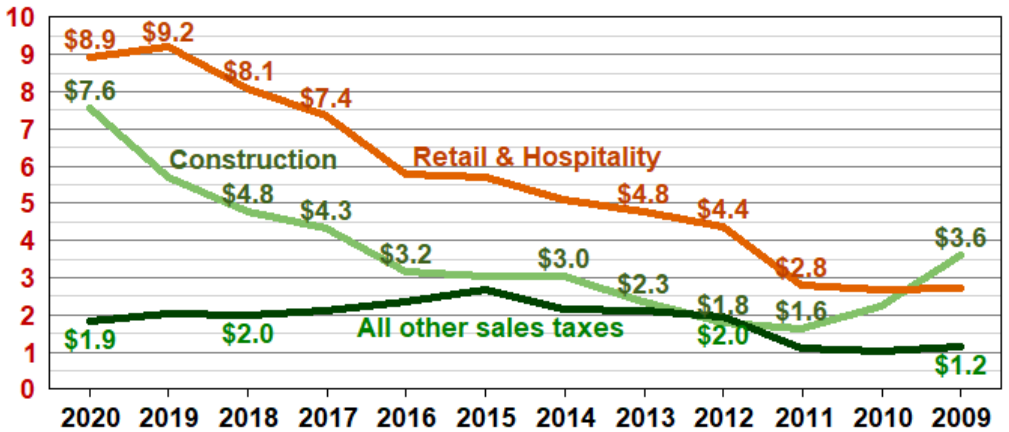
TRANSACTION PRIVILEGE ("SALES") TAX

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

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

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

The line graph below shows the three (3) main categories for local sales tax from 2009-2020 (in millions).



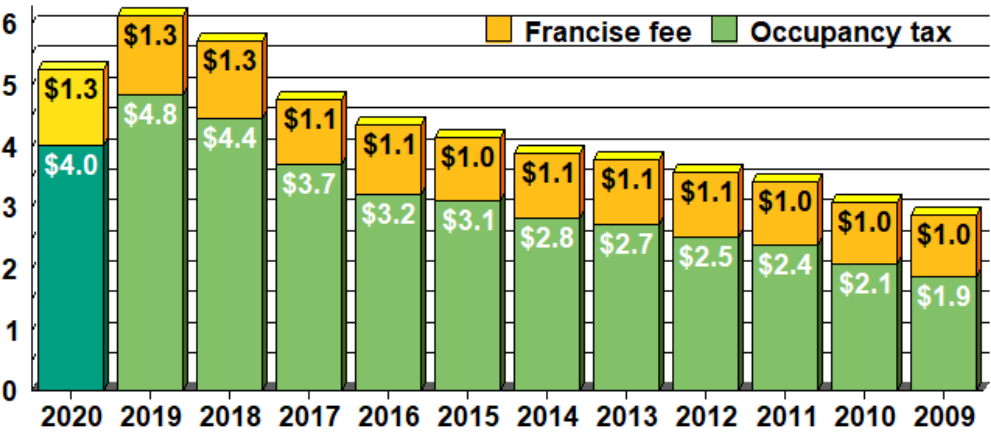
TOTAL TAXES by Category	Fiscal Year			
	2020	2019	2018	2017
Construction	\$ 7,566,099	\$ 5,718,854	\$ 4,762,342	\$ 4,327,639
Retail & hospitality	8,928,164	9,213,158	8,088,233	7,370,408
All other	1,852,541	2,032,371	1,982,947	2,120,271
Sales tax	18,346,804	16,964,383	14,833,522	13,818,318
Occupancy	4,003,739	4,847,777	4,443,281	3,701,738
Franchise fee	1,252,683	1,273,973	1,288,360	1,056,547
Total taxes	\$23,603,226	\$23,086,133	\$20,565,163	\$18,576,603

TRANSIENT LODGING (“OCCUPANCY”) TAX

Hospitality is a critical element that contributes greatly to the Town’s character. These services generate a growing portion of the Town’s operating revenue. The room tax charged in hotels, known as the **Occupancy tax** has more than doubled since 2010. With the onset of covid19 and insuring “shut downs”, the Town’s tourism industry has seen significantly lower activity.

Along with the City of Scottsdale, the Town dedicates significant resources to invest in tourism promotion through a contract with “Experience Scottsdale” as their DMO (Destination Marketing Organization).

The graph below displays the occupancy tax and franchise fee collections from 2009-2020 (in millions).



Fiscal Year					
2016	2015	2014	2013	2012	2011
\$ 3,181,485	\$ 3,049,241	\$ 3,048,856	\$ 2,340,481	\$ 1,780,801	\$ 1,645,850
5,788,062	5,705,830	5,096,252	4,789,447	4,362,912	2,808,614
2,376,355	2,692,314	2,155,702	2,105,715	1,960,183	1,089,350
11,345,902	11,447,385	10,300,810	9,235,643	8,103,896	5,543,814
3,207,626	3,117,450	2,835,515	2,727,892	2,523,288	2,400,955
1,146,142	1,037,258	1,061,660	1,061,725	1,055,473	1,007,634
\$15,699,670	\$15,602,093	\$14,197,985	\$13,025,260	\$11,682,657	\$ 8,952,403

Staffing Levels

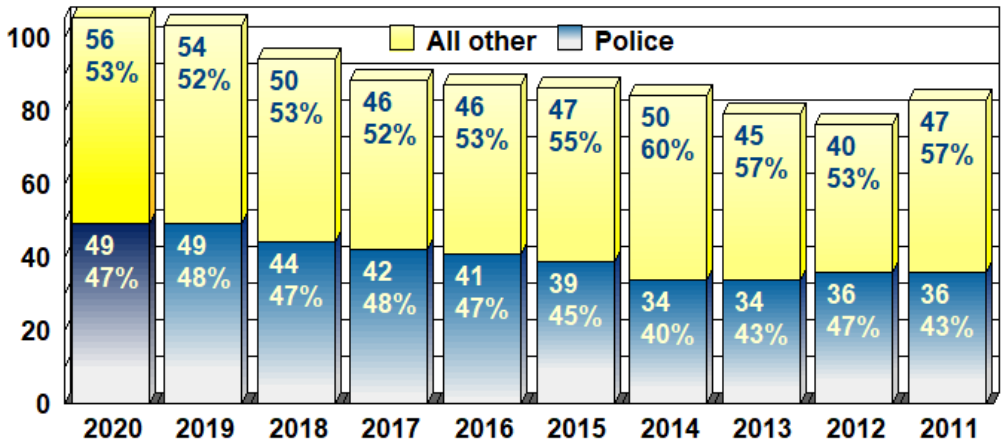
ALL TOWN SERVICES

Staffing levels are measured in *full-time equivalents* (“FTEs”). In 2020, the Town employed a workforce of **105 FTEs** with the **Police department** being 47% of total staffing. The Town utilizes contract service providers for fire and wastewater with private companies providing water, ambulance and garbage services.

Routine maintenance by Police & Information technology (below)



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



FULL TIME EQUIVALENT by FUNCTION	Fiscal Year 20xx									
	20	19	18	17	16	15	14	13	12	11
Police department	49	49	44	42	41	41	39	34	34	36
Development & engineering	18	16	15	13	13	13	13	11	10	11
Public works	13	13	13	13	13	13	13	15	14	15
Courts	7	7	6	5	5	5	5	5	5	5
All other	18	18	16	15	15	14	14	14	13	16
Total full time equivalents	105	103	94	88	87	86	84	79	76	83

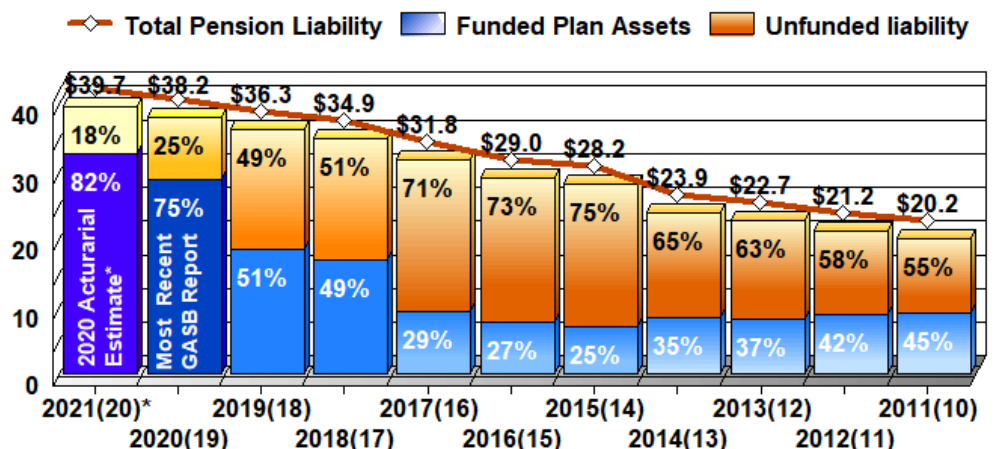
Public Safety Retirement

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Sworn police officers participate in the Public Safety Personnel Retirement System ("PSPRS"). One of the Town Council's primary goals is to pay down the **unfunded liability** as "quickly as reasonably possible".

The Town's 2020 CAFR uses the most recent PSPRS "GASB" reports with the "measurement year 2019". In fiscal year 2020, the Town contributed \$3 million to pay down the unfunded liability. This will be in the 2020 PSPRS Reports that will be used for the Town's 2021 CAFR.

Below shows the years for the CAFR with PSPRS in brackets. The Town's 2020 CAFR (PSPRS 2019) "2020(19)" shows, though the Town's **total pension liability** increased to **\$38.2 million**, the **plan assets** increased to **\$28.8 million** or **75% of the total pension liability** and the **unfunded liability** decreased to **\$9.4 million** which is **25% of the total**. *This does not include payments made in FY2020.* The bottom chart shows in FY2021, the annual contribution rate decreased 38.9% of applicable payroll.



PSPRS GASB Report	Estimate	Town CAFR Date 20xx (PSPRS GASB Report Measurement Date 20xx)									
Is one year arrears	21(20)	20(19)	19(18)	18(17)	17(16)	16(15)	15(14)	14(13)	13(12)	12(11)	
Town's plan assets	\$ 32.7	\$28.8	\$18.6	\$17.0	\$ 9.3	\$ 7.7	\$ 7.1	\$ 8.4	\$ 8.3	\$ 9.0	
Unfunded liability	7.0	9.4	17.7	17.9	22.5	21.3	21.1	15.5	14.4	12.2	
Total pension liability	\$ 39.7	\$38.2	\$36.3	\$34.9	\$31.8	\$29.0	\$28.2	\$23.9	\$22.7	\$21.2	

PSPRS Actuarial Year	Actual	Town Fiscal Year Date 20xx (PSPRS Actuarial Measurement Date 20xx)									
Is two years arrears	21(19)	20(18)	19(17)	18(16)	17(15)	16(14)	15(13)	14(12)	13(11)	12(10)	
Normal base rate	17.5%	14.8%	14.7%	15.0%	11.0%	11.7%	11.9%	12.4%	13.2%	11.9%	
Unfunded liability rate	21.4%	42.5%	44.5%	52.2%	59.2%	60.1%	48.5%	37.8%	35.8%	25.8%	
Total contribution rate	38.9%	57.3%	59.2%	67.2%	70.2%	71.8%	60.4%	50.2%	49.0%	37.7%	

Expenditures

WHERE THE MONEY GOES TO...

The chart below and bar graph to the right illustrate a 10-year history of the Town’s expenditures for governmental operations. The pie graph to the right displays the Town’s spending in fiscal year 2020.

- ▶ **General government** includes services from the Town manager’s office, Community Development, Engineering, Finance, Information Technology, Town Clerk, Town Attorney, Municipal Court, Post Office, Facilities, Fleet Management, and Tourism.
- ▶ **Public safety** includes police department functions of patrol, investigations, dispatch, administration, and all other services provided by the police department. Expenditures include personnel, purchasing and maintaining equipment, facilities, technology and vehicles. Influx in year-to-year expenditures is driven by payments to the Pension system (see page 11).
- ▶ **Highway and streets** is managed by the Public Works department. Expenditures are associated with the Town’s maintenance program for 145 linear miles of paved asphalt streets. The Town is divided into 15 maintenance sections, averaging 9.4 linear miles each. Generally, surface treatment maintenance is applied to three sections each year. All pavement is monitored through a Pavement Conditions Index to assist staff in determining which pavement treatment is required.
- ▶ **Capital outlay** is the construction and purchase of capital assets that are not part of a department’s operating budget.
- ▶ **Debt service** are costs of paying leases and long-term bonds.

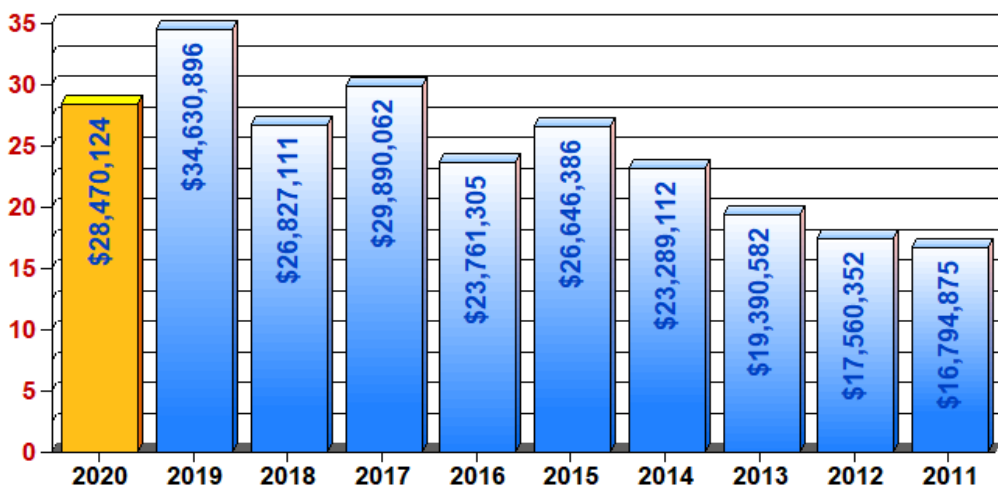
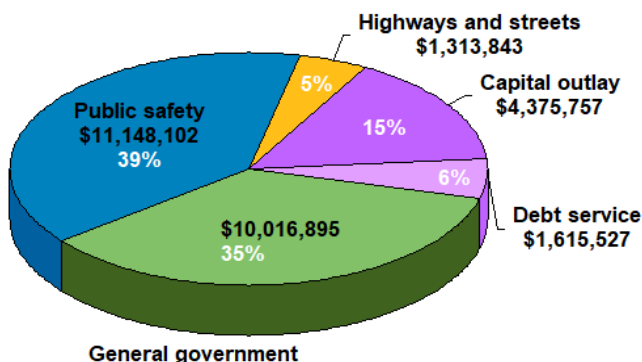
EXPENDITURES by FUNCTION	Fiscal Year			
	2020	2019	2018	2017
General government	\$10,016,895	\$10,116,904	\$ 9,159,411	\$ 7,925,090
Public safety	11,148,102	17,366,356	8,883,377	13,930,804
Highways and streets	1,313,843	3,258,493	4,372,002	2,860,702
Capital outlay	4,375,757	2,619,549	3,223,563	3,924,735
Debt service	1,615,527	1,269,594	1,188,758	1,248,731
Total expenditures	\$28,470,124	\$34,630,896	\$26,827,111	\$29,890,062

Expenditures

GOVERNMENTAL OPERATIONS

In 2020, governmental expenditures totaled \$28,470,124 with General government and Public safety combine for 74%. Highways and streets, and Capital outlay accounted for 5% and 15%, respectively; and Debt service accounted for 6%.

Expenditures spikes in fiscal years 2017 and 2019 are mainly due to paying the PSPRS unfunded liability by \$5 and \$9 million, respectively. Major programs were briefly paused in 2020.



Fiscal Year					
2016	2015	2014	2013	2012	2011
\$ 7,794,295	\$ 6,963,210	\$ 6,700,704	\$ 6,168,281	\$ 5,581,346	\$ 5,987,892
8,972,593	7,291,649	6,215,932	6,816,444	7,594,737	7,504,468
2,786,005	3,014,861	2,635,007	2,677,491	1,204,634	1,444,530
2,737,601	8,080,876	6,522,394	2,699,004	2,149,953	832,181
1,470,811	1,295,790	1,215,075	1,029,362	1,029,682	1,025,804
\$23,761,305	\$26,646,386	\$23,289,112	\$19,390,582	\$17,560,352	\$16,794,875

Financial Statements

STATEMENT OF NET POSITION

Governmental funds	Fiscal year		Change	
	2020	2019	\$	%
ASSETS				
Cash and investments	\$ 52,929,394	\$ 43,607,442	\$ 9,321,952	21.4%
Current and other assets	16,651,676	9,523,736	7,127,940	74.8%
Capital assets, net depreciation	85,696,808	82,385,342	3,311,466	4.0%
Total assets (A)	155,277,878	135,516,520	19,761,358	14.6%
Deferred outflows of resource (B)	8,820,672	14,283,641	(5,462,969)	-38.2%
LIABILITIES				
Current liabilities	5,347,142	4,557,919	789,223	17.3%
Long-term liabilities	31,345,488	32,709,340	(1,363,852)	-4.2%
Total liabilities (C)	36,692,630	37,267,259	(574,629)	-1.5%
Deferred inflows of resource (D)	2,035,155	886,350	1,148,805	129.6%
NET POSITION				
Investment in capital assets (1)	79,859,462	75,320,342	4,539,120	6.0%
Restricted (2)	1,310,426	1,133,666	176,760	15.6%
Unrestricted (3)	44,200,877	35,192,544	9,008,333	25.6%
Total net position (A+B-C-D=1+2+3)	\$125,370,765	\$111,646,552	\$13,724,213	12.3%

- **ASSETS = Current and other assets:** Assets expected to convert to cash or use within one year. **Capital assets:** The Town's investment of long term assets that are depreciated over their estimated useful life.
- **LIABILITIES = Current liabilities:** Primarily debts that will be paid within one year. **Long-term liabilities:** This represents debt and other obligations that are payable in more than one year.
- **Deferred outflows / inflows of resources** are expense and revenues that have been incurred / received but are not yet being recognized until a future period.
- **NET POSITION = Total Net Position** for 2020 was \$125,370,765. This is 12.3% higher than last year. The reduction in **Investment in capital assets** is attributed to depreciation of existing assets. **Restricted net position** represent resources set aside and designated for a specific purpose. **Unrestricted net position** is the value of available resources for the Town if no additional revenue or resources are obtained.

Financial Statements

OPERATING STATEMENT

Governmental funds	Fiscal year		Change	
	2020	2019	\$	%
REVENUE				
Taxes	\$23,603,226	\$23,086,133	\$ 517,093	2.2%
Intergovernmental	5,278,968	4,914,274	364,694	7.4%
Fines and forfeitures	1,763,211	3,404,559	(1,641,348)	-48.2%
Licenses and permits	3,232,232	2,823,054	409,178	14.5%
All other	2,016,056	2,314,632	(298,576)	-12.9%
Total revenues (U)	35,893,693	36,542,652	(648,959)	-1.8%

EXPENDITURE				
General government	10,016,895	10,116,904	(100,009)	-1.0%
Public safety (and reducing PSPRS liability)	11,148,102	17,366,356	(6,218,254)	-35.8%
Highways and streets	1,313,843	3,258,493	(1,944,650)	-59.7%
Capital outlay	4,375,757	2,619,549	1,756,208	67.0%
Debt service	1,615,527	1,269,594	345,933	27.2%
Total expenditures (V)	28,470,124	34,630,896	(6,160,772)	-17.8%

Excess (deficiency) of revenue				
over expenditure (W)=(U-V)	7,423,569	1,911,756	5,511,813	n/a
Net other financing sources (X)	8,140,000	-	8,140,000	n/a
Change in fund balance (Y)=(W+X)	15,563,569	1,911,756	13,651,813	n/a

FUND BALANCE				
Beginning of year, July 1 (Z)	48,160,458	46,248,702	1,911,756	4.1%
End of year, June 30 (Y+Z)	\$63,724,027	\$48,160,458	\$15,563,569	32.3%

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

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

Financial Statements

BUDGET COMPLIANCE

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

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

GOVERNMENTAL OPERATIONS	Final (Audited)		(Over) / Under	
	Budget	Actual	Amount	%
General government				
Community development	\$ 1,528,226	\$ 1,444,149	\$ 84,077	94.5%
Engineering	820,472	764,907	55,565	93.2%
Finance	671,853	645,949	25,904	96.1%
Information technology	1,358,746	1,224,184	134,562	90.1%
Mayor and Council	197,720	132,186	65,534	66.9%
Municipal court	952,078	901,873	50,205	94.7%
Public works	892,643	861,664	30,979	96.5%
Tourism and promotion	1,861,565	1,806,940	54,625	97.1%
Town attorney's office	727,881	726,967	914	99.9%
Town manager's office	1,661,298	1,508,076	153,222	90.8%
Contingency	16,125,586	-	16,125,586	0.0%
Public safety				
Police operations	12,631,893	11,148,102	1,483,791	88.3%
Highways and streets				
Public works	4,508,756	1,869,376	2,639,380	41.5%
Debt service				
Leases	5,063	5,063	-	100.0%
Bonds	1,615,464	1,610,464	5,000	99.7%
Capital outlay				
Operating capital	299,000	283,989	15,011	95.0%
Capital improvement program	15,907,003	3,536,235	12,370,768	22.2%
Total expenditures	\$ 61,765,247	\$ 28,470,124	\$ 33,295,123	46.1%

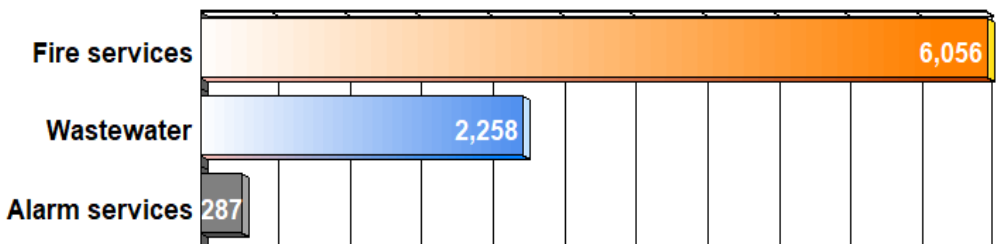
Enterprise Operations

BUSINESS-TYPE OPERATIONS

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

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

Number of Customers



Enterprise Operations

STATEMENT OF NET POSITION

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
ASSETS			
Cash and investments	\$ 3,038,640	\$ -	\$ 521,201
Current and other assets	176,463	2,764,659	15,481
Capital assets, net depreciation	5,967,323	20,144,661	-
Total assets (A)	9,182,426	22,909,320	536,682
LIABILITIES			
Current liabilities	739,381	2,699,145	143
Advances from general fund	-	1,001,623	-
Total liabilities (B)	739,381	3,700,768	143
NET POSITION			
Investment in capital assets (1)	5,967,323	20,144,661	-
Unrestricted (2)	2,475,722	(936,109)	536,539
Total net position (A-B=1+2)	\$ 8,443,045	\$ 19,208,552	\$ 536,539

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

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

Enterprises Operations

OPERATING STATEMENT

Business-type funds	Fiscal year		
	Fire services	Wastewater	Alarm
OPERATING REVENUE			
Charges for services	\$ 3,202,846	\$ 2,563,876	\$ 135,642
OPERATING EXPENSES			
Cost of sales and services	3,010,587	2,456,978	20,063
Administrative charges	247,926	121,146	110,458
Depreciation	181,397	251,393	-
Total operating expenses	3,439,910	2,829,517	130,521
Operating income (loss)	(237,064)	(265,641)	5,121
NONOPERATING REVENUE (EXPENSE)			
New construction impact fee	-	319,588	-
Rental income	36,000	-	-
Investment earnings	15,674	-	3,077
Total operating revenue (expense)	51,674	319,588	3,077
Income (loss) before transfers	(185,390)	53,947	8,198
Transfer in from governmental funds	-	-	-
Transfer out to governmental funds	-	-	-
Change in net position	(185,390)	53,947	8,198
NET POSITION			
Beginning of year, July 1, 2018	8,628,435	19,154,605	528,341
End of year, June 30, 2019	\$ 8,443,045	\$19,208,552	\$ 536,539

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

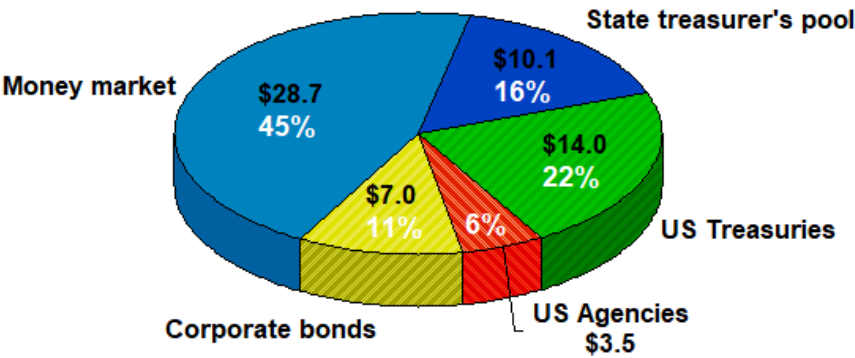
Cash and Investments

POLICY AND OBJECTIVES

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

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

The pie chart below shows investments for 2020 and the table below has an eight-year history, by investment type at fiscal year end.



Investment type	Fair Value at Fiscal Year End			
	2020	2019	2018	2017
U.S. Treasuries	\$13,997,900	\$13,315,322	\$ 6,720,095	\$ 2,454,377
U.S. Agencies	3,537,285	2,611,977	6,385,866	13,180,689
Corporate Bonds	7,026,059	7,638,794	9,022,387	5,532,987
Commercial paper	-	-	-	895,631
Money Markets	28,730,123	11,010,872	1,440,431	5,556,132
Supra-National Agencies	-	-	567,497	577,105
State Treasurer's Pool	10,096,709	7,451,119	16,215,062	6,024,395
Total Investments	\$63,388,076	\$42,028,084	\$40,351,338	\$34,221,316
Cash in bank / trustee	5,219,283	10,481,644	11,549,124	6,821,805
Restricted cash	(12,118,124)	(5,386,381)	(5,473,155)	(6,885,134)
Cash & Investments	\$56,489,235	\$47,123,347	\$46,427,307	\$34,157,987

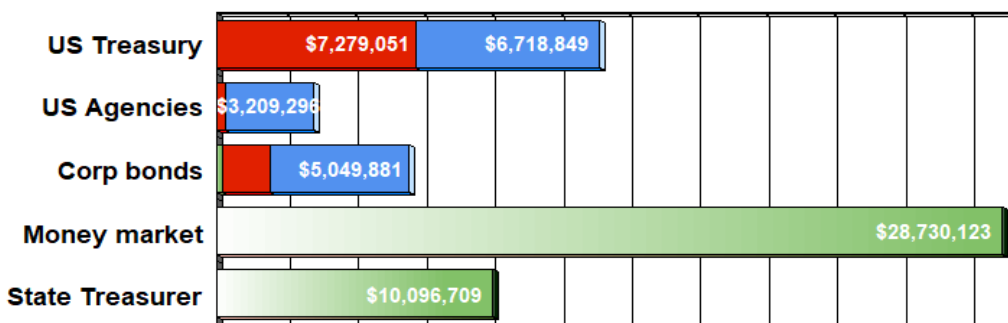
Cash and Investments

COMPOSITION OF INVESTMENTS AND EARNINGS

Investment type	Investment Maturity			
	Fair Value	0-6 months	6-12 months	1-2 years
U.S. Treasuries	\$13,997,900	-	\$ 7,279,051	\$ 6,718,849
U.S. Agencies	3,537,285	-	327,989	3,209,296
Corporate Bonds	7,026,059	226,574	1,749,604	5,049,881
Money Markets	28,730,123	\$28,730,123	-	-
State Treasurer's Pool	10,096,709	10,096,709	-	-
Total Investments	\$63,388,076	\$39,053,406	\$ 9,356,644	\$14,978,026

The graph below shows investments by maturities at June 30, 2020 and the chart below-right lists earning for the last ten years.

0-6 months 6-12 months 1-2 years



Fair Value at Fiscal Year End				Governmental Funds	
2016	2015	2014	2013	Fiscal Year	Investment Earnings
10,483,503	-	-	-	2020	\$ 1,313,248
12,140,405	-	\$ 1,003,822	\$13,066,313	2019	1,330,269
-	-	-	-	2018	250,226
-	-	-	-	2017	185,141
5,609,698	-	-	-	2016	274,390
-	-	-	-	2015	91,159
\$ 3,985,048	\$20,454,326	13,435,115	3,422,370	2014	94,521
\$32,218,654	\$20,454,326	\$14,438,937	\$16,488,683	2013	174,833
11,932,184	11,979,771	19,822,758	17,991,742	2012	161,897
(6,883,581)	(1,492,602)	(621,571)	(149,577)	2011	231,090
\$37,267,257	\$30,941,495	\$33,640,124	\$34,330,848		

Capital Financing

EXCISE TAX REVENUE OBLIGATIONS, SERIES 2016

In 2016, the Town issued \$7,880,000 in excise tax revenue obligation debt. This was for the construction of the public safety tower, specific street improvements, and other identified projects.

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

EXCISE TAX REVENUE OBLIGATIONS, SERIES 2020

In 2020, the Town issued \$8,140,000 in excise tax revenue obligation debt via a placement loan with an interest rate of 1.09% payable semi-annually. This was primarily to hedge timing of reimbursements per a development agreement where the Town pays for specific capital improvements and then invoices for reimbursement.

As reimbursements occur, the proceeds can be used for the Town's Capital Improvement Plan or future bond payments.

These pledged revenue structures are not subject to statutory debt limitations; and the use and repayment of the proceeds are excluded from the State's mandated expenditure limitation.

Below is the remaining payments for the excise tax revenue obligations, series 2016 and series 2020 at June 30, 2020.

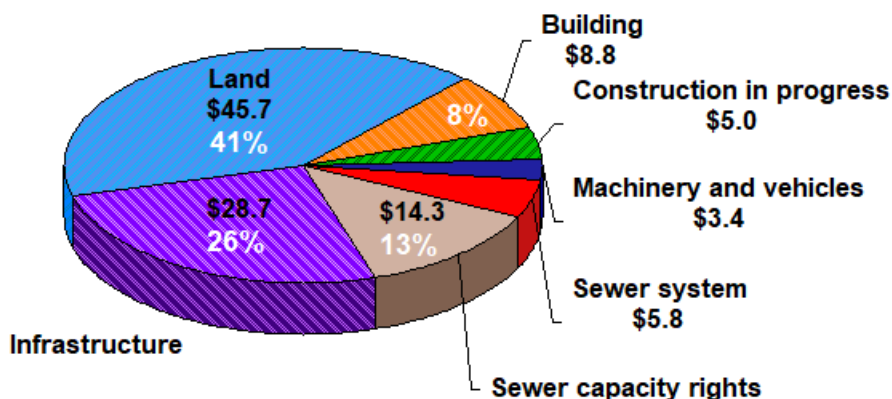
Combined Payment Schedule for Series 2016 and Series 2020			
FY Ending June 30	Principal	Interest	Payment
2021	\$ 2,040,000	\$ 159,755	\$ 2,199,755
2022	2,730,000	139,008	2,869,008
2023	2,785,000	100,456	2,885,456
2024	2,820,000	61,251	2,881,251
2025	1,375,000	34,035	1,409,035
2026	1,390,000	19,021	1,409,021
2027	700,000	3,815	703,815
Balance	\$ 13,840,000	\$ 517,341	\$ 14,357,341

COMPOSITION OF CAPITAL ASSETS

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

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

The graph below shows capital assets for 2020 and the chart below has a five-year history, by asset classification type (in millions).



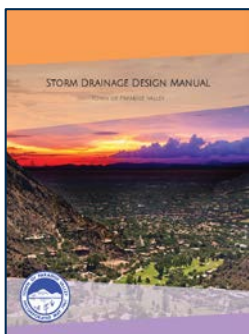
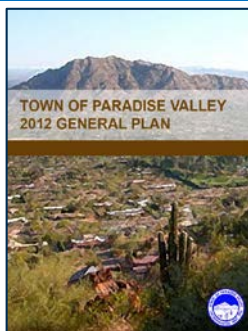
Capital Assets, by Classification type	Value at Fiscal Year End (in millions)				
	2020	2019	2018	2017	2016
Land	\$ 45.7	\$ 45.1	\$ 45.2	\$ 45.0	\$ 45.1
Buildings	8.8	8.6	9.2	7.4	7.9
Construction in Progress	5.0	2.5	2.2	4.4	1.7
Machinery and Vehicles	3.4	4.1	4.6	2.9	3.6
Sewer System	5.8	6.0	6.3	6.5	6.8
Sewer Capacity Rights	14.3	14.3	14.3	14.3	14.3
Infrastructure	28.7	28.2	28.4	29.2	29.6
Total Capital Assets	\$ 111.7	\$ 108.8	\$ 110.2	\$ 109.7	\$ 109.0

Other Information

www.paradisevalleyaz.gov

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

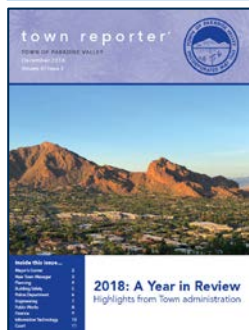
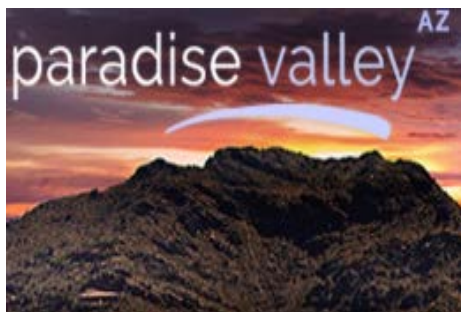
On March 13, 2012, Paradise Valley voters approved the General Plan with 80% of the vote.



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

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

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



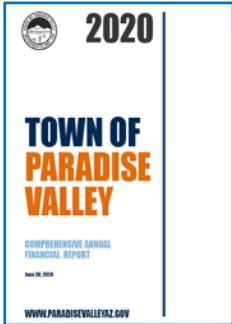
The **Town Reporter** is a periodic newsletter that is sent to every resident of the Town.

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

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

Financial Documents

TRANSPARENCY IN FINANCIAL REPORTING

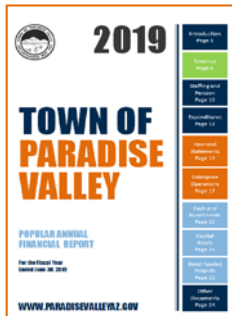


The Town's **Comprehensive Annual Financial Reports (CAFRs)** are audited and are comprised of more than 130 pages of detailed financial statements, note disclosures, supplemental schedules and statistical tables.

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

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

The GFOA "Distinguished Budget Award" has been received by the Town for three (3) years.



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

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

The Town has received two (2) GFOA "PAFR award" with the first was received for the 2017/18 PAFR.

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

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

MISSION & VISION STATEMENTS

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

LEADERSHIP

ELECTED OFFICIALS

Mayor: Jerry Bien-Willner

Vice Mayor: Julie Pace

Councilmembers:

Paul Dembow

Scott Moore

Mark Stanton

Anna Thomasson

Ellen Andeen



COUNCIL APPOINTED

Town Manager: Jill Keimach

Town Attorney: Andrew M. Miller

Presiding Judge: J. Tyrrell Taber

PRINCIPAL STAFF

Chief of Police: Peter Wingert

Public Works Director: Brent Skoglund

Town Engineer: Paul Mood

Community Development Director: Jeremy Knapp

Municipal Court Director: Jeanette Wiesenhofer

Chief Financial Officer: Douglas W. Allen, CPA

Chief Information Officer: Steven Brunasso

Human Resources: Jinnett Hancock

Town Clerk: Duncan Miller
