



2020

TOWN OF PARADISE VALLEY

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

June 30, 2020

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TOWN OF PARADISE VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

ELECTED OFFICIALS

Jerry Bien-Willner, Mayor

Julie Pace, Vice Mayor

Ellen Andeen, Councilmember

Paul Dembow, Councilmember

Scott Moore, Councilmember

Mark Stanton, Councilmember

Anna Thomasson, Councilmember

Jill Keimach
Town Manager

Prepared By:
Finance Department

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

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Introductory Section





December 3, 2020

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

The Paradise Valley Finance Department is honored to present the Comprehensive Annual Financial Report ("CAFR") of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2020 in accordance with State law (Arizona Revised Statutes 9-481). This is the **Eleventh** CAFR prepared by the Town.

This report consists of management's representations concerning the finances of the Town in the form of financial statements. The responsibility for the accuracy, completeness, and fairness of the presented data, including all disclosures and notes, rests with the Management. To provide for a reasonable basis for making these representations, management has established a comprehensive internal control framework that is 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 accounting principles generally accepted in the United States of America.

Because the cost of internal control should not outweigh their benefits, the Town's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, the data presented in this financial report is complete, reliable, and accurate in all material respects. It is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial affairs have been included.

U.S. 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

Local Economy

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

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Construction sales tax made up about 41% of the Town's sales tax and 22% of the Town's total general fund revenue in FY2019/20. Per the Town's financial policies, construction sales tax in excess of \$500,000 is dedicated to the Capital Improvement Program ("CIP").

With the Town experiencing a sharp revenue drop that was abrupt and extremely deep beginning in March 2020, and the duration for rebound still uncertain, caution was used in estimating revenues. To mitigate the Town from over extending spending obligations, or under budgeting operational needs, revenues and expenditures were estimated on three levels. This approach created a mechanism that is assisting Town operations to fluidly transition back to their 2019 service levels as the Town's revenues rebound.

Major Initiatives

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

NEXT YEAR'S BUDGET

The FY 2020-21 budget balances important resource requests while remaining cautious about revenue streams. It provides funding to maintain Town services, the CIP, and road improvements surrounding the 5-Star and Lincoln median projects and poised to resume aggressively paying down of the Public Safety Personnel Retirement System (PSPRS) unfunded liability.

LONG-TERM FINANCIAL PLANNING

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

INDEPENDENT AUDIT

Henry+Horne, LLP, a firm of licensed certified public accountants, performed the annual independent audit. The independent audit is to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2020, are free of material misstatements. The independent auditors concluded, based upon the audit, that the Town's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with generally accepted accounting principles (GAAP). This is the most favorable conclusion and is commonly known as an unmodified ("clean") opinion. The independent auditor's report is located at the front of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Paradise Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the **eleventh** year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the Town received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2019 from GFOA for our effective in budget presentation meeting national guidelines. This is the **third** year the Town has received this award.

The Town was also recognized with the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended June 30, 2019. This is the **second** year the Town has received this award from GFOA. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, the government must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

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

ACKNOWLEDGEMENTS

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

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

Respectfully Submitted,



Douglas W Allen, CPA
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Paradise Valley
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

**TOWN OF PARADISE VALLEY, ARIZONA
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2020**

ELECTED OFFICIALS

Jerry Bien-Willner, Mayor
Julie Pace, Vice Mayor
Ellen Andeen, Councilmember
Paul Dembow, Councilmember
Scott Moore, Councilmember
Mark Stanton, Councilmember
Anna Thomasson, Councilmember

MAYOR AND COUNCIL APPOINTED

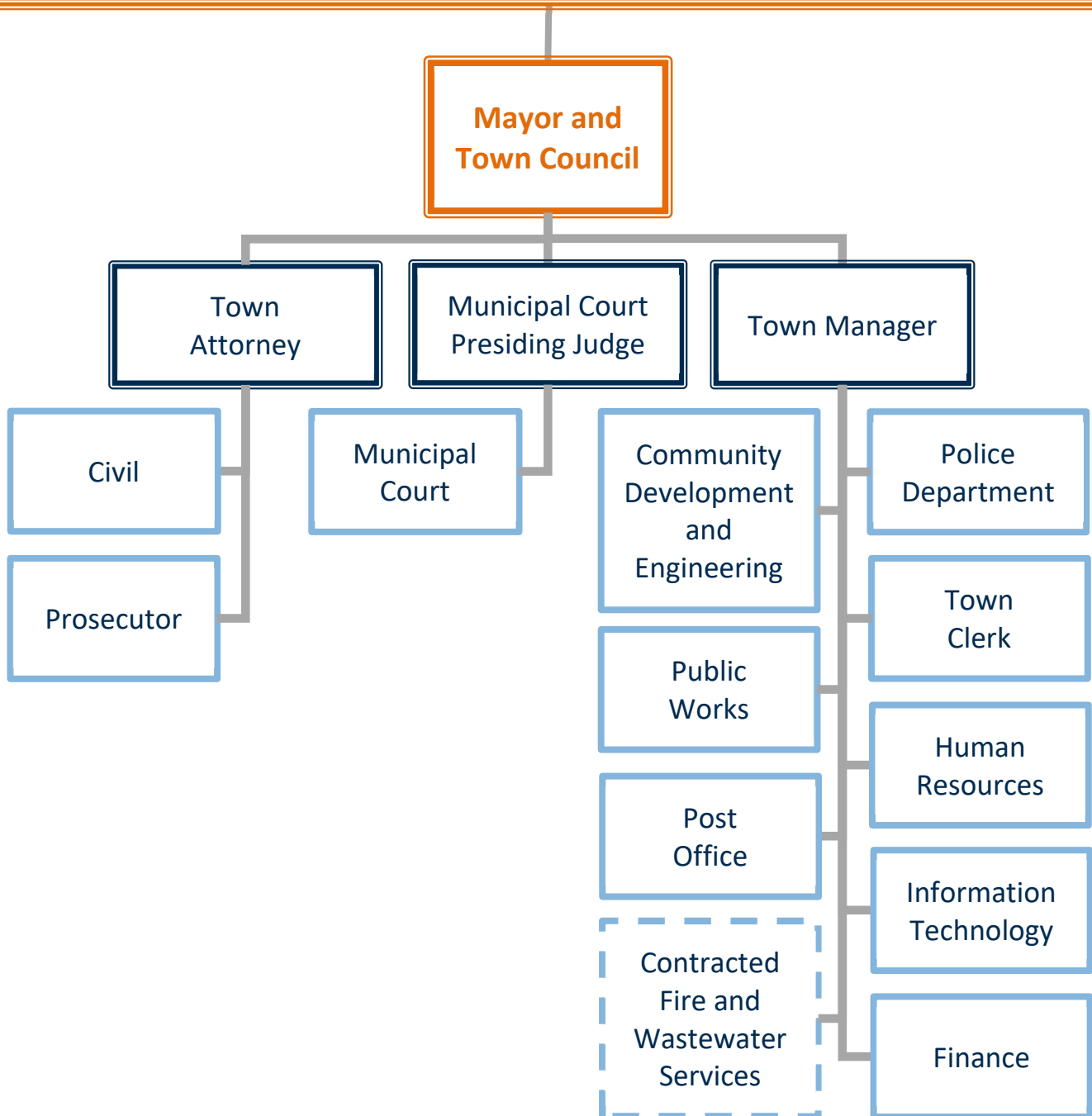
Jill Keimach, Town Manager
Andrew Miller, Town Attorney
J. Tyrrell Taber, Presiding Judge

PRINCIPAL STAFF

Douglas W. Allen, Chief Financial Officer
Steven Brunasso, Chief Information Officer
Jeremy Knapp, Community Development Director
Robert Lee, Fire Marshall
Duncan Miller, Town Clerk
Paul Mood, Town Engineer
Brent Skoglund, Public Works Director
Jeanette Wiesenhofer, Municipal Court Director
Peter Wingert, Chief of Police

ORGANIZATION CHART

CITIZENS OF PARADISE VALLEY, ARIZONA





Financial Section



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Council
Town of Paradise Valley
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 Town of Paradise Valley, Arizona, as of and for the year ended June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Highway User Revenue 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 the management's discussion and analysis, and the required supplementary information as listed in 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 of Paradise Valley, Arizona's basic financial statements. The introductory section, the financial information listed as other supplementary information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial information listed as other supplementary information in the financial section 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 financial information listed as other supplementary information in the financial section, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Information (Continued)

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

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

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the Town and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

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

Henry + Horne, LLP

Tempe, Arizona
November 13, 2020

Financial Section

MANAGEMENT'S DISCUSSION & ANALYSIS



TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the Town for the fiscal year ended June 30, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the transmittal letter and other portions of this CAFR.

FINANCIAL HIGHLIGHTS

- The Town's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of the fiscal year 2020 and 2019 by \$153.5 million and \$140.0 million (*net position*), respectively. Of these amounts, \$46.3 million and \$37.0 million, respectively, represents unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased in fiscal year 2020 by \$13.6 million compared to an increase in net position of \$10.0 million during fiscal year 2019.
- As of June 30, 2020 and 2019, the Town's governmental funds reported combined ending fund balances of \$63.7 million and \$48.2 million, respectively, which were comprised of nonspendable, restricted, assigned, and unassigned fund balances.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$37.1 million, or 58.3% of actual General Fund operating expenditures. At the close of the fiscal year 2019, the unassigned fund balance for the General Fund was \$31.2 million, or 114.2% of operating expenditures.
- The Town's long-term liabilities decreased by \$1.4 million to 31.3 million during the current fiscal year. This decrease was due to the Town making scheduled principal payments on its debt and lower net pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business and, accordingly, to provide information about the Town as a whole. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed and what dollar remains for future spending. The major fund financial statements also display the Town's most significant funds.

The **statement of net position** presents financial 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.

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

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

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

The government-wide financial statements can be found beginning on page 21 of this report.

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

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

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

The Town maintains nine individual governmental funds organized according to their type (general fund, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, and two Capital Projects Funds, which are considered to be major funds. Data from the remaining five 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 26 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 36 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 43 of this report.

Other 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 77 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the Town to provide services to our citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the Town, 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.

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.

Analysis of Net Position. Net position may serve as a useful indicator of a government's financial position. In the case of the Town, combined assets exceed liabilities \$153.5 million and \$140.0 at the close of the fiscal years 2020 and 2019, respectively as shown in the following condensed statement of net position.

Town of Paradise Valley, Arizona Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
ASSETS						
Current and other assets	69,581,070	\$ 53,131,178	3,826,952	\$ 3,577,692	\$ 73,408,022	\$ 56,708,870
Capital assets						
Non-Depreciable	46,842,615	44,337,407	17,203,392	17,203,392	64,046,007	61,540,799
Depreciable (Net)	38,854,193	38,047,935	8,908,592	9,341,381	47,762,785	47,389,316
Total assets	<u>155,277,878</u>	<u>135,516,520</u>	<u>29,938,936</u>	<u>30,122,465</u>	<u>185,216,814</u>	<u>165,638,985</u>
Total Deferred outflows of resources	7,951,916	14,283,641	-	-	7,951,916	14,283,641
LIABILITIES						
Other liabilities	5,347,142	4,557,919	1,750,800	1,811,084	7,097,942	6,369,003
Long-term liabilities						
Due within one year	2,693,366	1,992,660	-	-	2,693,366	1,992,660
Due in more than one year	28,652,122	30,716,680	-	-	28,652,122	30,716,680
Total liabilities	<u>36,692,630</u>	<u>37,267,259</u>	<u>1,750,800</u>	<u>1,811,084</u>	<u>38,443,430</u>	<u>39,078,343</u>
Total deferred inflows of resources	1,166,596	886,350	-	-	1,166,596	886,350
Net position:						
Net investment in capital assets	79,859,462	75,320,342	26,111,984	26,544,773	105,971,446	101,865,115
Restricted	1,310,426	1,133,666	-	-	1,310,426	1,133,666
Unrestricted	<u>44,200,680</u>	<u>35,192,544</u>	<u>2,076,152</u>	<u>1,766,608</u>	<u>46,276,832</u>	<u>36,959,152</u>
Total net position	<u>\$ 125,370,568</u>	<u>\$ 111,646,552</u>	<u>\$ 28,188,136</u>	<u>\$ 28,311,381</u>	<u>\$ 153,558,704</u>	<u>\$ 139,957,933</u>

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 \$106.0 million (68.0%) and \$101.9 million (72.8%) for the fiscal years 2020 and 2019, 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.

An additional portion of the Town's net position, \$1.3 million (less than 1%) for fiscal year 2020 and \$1.1 million (less than 1%) for fiscal year 2019, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2020 and 2019, \$46.3 million (30.1%) and \$37.0 million (26.4%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Analysis of Changes in Net Position. Total revenues exceeded total expenses in the current fiscal year, resulting in an increase in the Town's total net position of \$13.6 million in fiscal year 2020 compared to an increase in net position of \$10.0 million during the fiscal years 2019. These changes are explained in the government and business-type activities discussion below.

Town of Paradise Valley, Arizona Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program revenues:						
Fees, fines, and charges for service	\$ 5,561,569	\$ 7,104,939	\$ 6,257,952	\$ 6,157,121	\$ 11,819,521	\$ 13,262,060
Operating grants and contributions	1,289,846	1,140,106	-	-	1,289,846	1,140,106
Capital grants and contributions	1,864,973	674,197	-	-	1,864,973	674,197
General revenues:						
Local taxes	23,653,394	23,086,133	-	-	23,653,394	23,086,133
State shared revenues	3,991,712	3,787,181	-	-	3,991,712	3,787,181
Investment earnings	1,313,248	1,330,269	18,751	55,936	1,331,999	1,386,205
Total revenues	<u>37,674,742</u>	<u>37,122,825</u>	<u>6,276,703</u>	<u>6,213,057</u>	<u>43,951,445</u>	<u>43,335,882</u>
Expenses:						
Governmental activities:						
General government	11,125,607	10,566,002	-	-	11,125,607	10,566,002
Public safety	10,301,269	10,755,292	-	-	10,301,269	10,755,292
Highways and streets	2,250,772	5,835,417	-	-	2,250,772	5,835,417
Interest and fiscal charges	273,078	111,690	-	-	273,078	111,690
Business-type activities						
Sewer system	-	-	2,829,517	2,698,883	2,829,517	2,698,883
Fire services	-	-	3,439,910	3,119,018	3,439,910	3,119,018
Alarm monitor system	-	-	130,521	268,048	130,521	268,048
Total expenses	<u>23,950,726</u>	<u>27,268,401</u>	<u>6,399,948</u>	<u>6,085,949</u>	<u>30,350,674</u>	<u>33,354,350</u>
Change in net position	13,724,016	9,854,424	(123,245)	127,108	13,600,771	9,981,532
Net position - beginning	<u>111,646,552</u>	<u>101,792,128</u>	<u>28,311,381</u>	<u>28,184,273</u>	<u>139,957,933</u>	<u>129,976,401</u>
Net position - ending	<u>\$ 125,370,568</u>	<u>\$ 111,646,552</u>	<u>\$ 28,188,136</u>	<u>\$ 28,311,381</u>	<u>\$ 153,558,704</u>	<u>\$ 139,957,933</u>

Governmental Activities. Net position for governmental activities increased \$13.6 million during fiscal year 2020, compared to an increase of \$9.9 million in fiscal year 2019. Total revenues decreased \$1.2 million from the prior fiscal year and expenses decreased \$4.9 million. Overall, revenues exceeded expenses resulting in the increase in net position.

Program revenues total \$13.1 in fiscal year 2020 compared to \$15.0 in 2019. This was a result of fines, fees, and charges for services decreasing \$1.4 million due to a decrease in traffic citations issued and paid during the current year. Operating grants and contributions increased slightly by \$0.1 million in fiscal year 2020, yet capital grants and contributions decreased \$0.7 million in 2020 as the Town received less capital contributions for street improvements in the current year versus the prior year.

General revenues such as local taxes, state shared revenue and investment earnings are not shown by program but are used to support program activities town wide. Total general revenues for governmental activities were \$29.0 million in fiscal year 2020 compared to \$28.2 in 2019. Local taxes and state shared revenues increased by \$0.8 million, with investment earnings decreasing slightly from fiscal year 2019.

Expenses decreased \$5.2 million, or 8.8% in fiscal year 2020 from 2019. General Government expenses decreased \$1.3 million and Public Safety expenses decreased \$0.4 million due to decreases in spending due to the COVID-19. Highways and Streets expenses decreased \$3.6 million due to a decrease in spending for street repairs and resurfacing.

Business-Type Activities. Business-type activities decreased the Town's net position by \$0.1 million in fiscal year 2020. Income from operations increased slightly and expenses increased \$0.3 million. Overall decrease was due to an increase in expenses for maintenance of the sewer system 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.

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$63.7 million, an increase of \$15.5 million, or a 32.2% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2019 were \$48.2 million.

The General Fund is the chief operating fund of the Town. At June 30, 2020, the unassigned fund balance of the General Fund was \$37.1 million, or 58.3% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2019 was \$31.2 million, or 64.7% 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 \$37.1 million represents 174.0% of General Fund expenditures.

The General Fund balance decrease of \$0.6 million from fiscal year 2019 is the net result of increased revenues in sales tax, fines and forfeitures, licenses and permits and investment income and increased expenditures. The General Fund expenditures increased due to a \$9.0 million contribution to the unfunded Public Safety Personnel Retirement System pension liability in the current fiscal year. Sales and franchise tax revenue increased \$2.5 million due to an increase in economic conditions and consumer spending. Fines and Forfeitures increased \$0.5 million due to an increase in traffic citation activity. Licenses and Permits increased \$0.1 million due to increases in permit activity with the increased volume of construction within the Town borders. Investment income increased \$1.1 million due to an increase in interest rates and minimized idle cash. The excess of revenues over expenditures was offset by transfers totaling \$8.1 million in order to pay for related HURF expenditures, capital projects, and debt service.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2020 was \$0.6 million and was all assigned due to unspent transfers from the General Fund. The HURF Fund received a transfer of \$0.7 million from the General Fund to supplement the cost of street improvement projects. HURF expenditures decreased \$1.4 million in comparison with the prior year mainly due to significant street resurfacing improvements in the prior year.

The Capital Projects Fund increased \$0.6 million as there were numerous capital projects occurring at the Town that had been previously planned. Overall, capital outlay expenditures totaled \$3.5 million during the year, which was partially offset by net transfers of \$4.1 million from the General Fund. Capital outlay expenditures increased \$0.9 million due to the nature and timing of project expenditures and related completion dates. The Town continues to fund capital improvements and will continue to have significant capital outlay expenditures.

The nonmajor governmental funds reported an increase in fund balance of \$0.2 million. This increase was largely due to, court enhancement funds that will be used for future projects and a transfer from the general fund to the debt service fund for that will be used to pay down the 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 \$2.5 million for the Fire Service Fund and \$0.5 million for the Nonmajor Alarm Fund and a negative \$0.9 million for the Sewer Fund.

The total change in net position for the enterprise funds was a positive \$0.1 million for fiscal year 2020. The change was primarily due to strong fiscal management over fees for services. The Town monitors costs in order to provide reasonable fees to customers for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town adopts an annual appropriated budget for its General Fund which is the legally adopted expenditure control document of the Town. A statement is provided showing the budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report. Actual revenues exceeded expenditures by \$13.1 million which was \$20.1 million more than the final revised budget for fiscal year 2020.

The Town closely monitors its revenues, particularly local sales taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Actual revenues of \$34.4 million exceeded the \$32.4 million final budget amount by \$2.0 million, or 6.0%. The \$2.0 million variance was mainly comprised of tax revenue, licenses and permits, and investment income exceeding budget. Tax revenue had a \$1.8 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 \$0.8 million due to an increase in filings for licenses and various permits. In addition, investment income had a positive variance with the final budget of \$0.5 million due to more than expected investment income. The \$21.3 million of actual expenditures were 54% of the final budget. All departments were under the final budget during the current year.

Budgeted revenues remained consistent between the original and final budget. Budgeted expenditures decreased by \$0.5 million due to a budget adjustment with a decrease to the General Fund and an increase to Capital Improvements Fund. Additionally, there were various shifts in line items between general government, public safety, and contingencies. Overall general government decreased \$1.2 million while public safety increased by \$0.7 million. General Government transferred the \$0.7 to Public Safety for technology that was previously recorded in general government and \$0.3 million transfer from contingency for merit increases. Another \$0.4 was transferred from contingency to the capital projects fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's capital assets for its governmental and business-type activities as of June 30, 2020 and 2019 amount to \$111.8 million and \$108.9 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$2.9 million. The increase was due to the net effect of \$2.4 million of depreciation expense in the governmental activities, \$0.7 million in land donated to the Town, additions in the governmental activities of \$5.0 million of capital projects, vehicles and technology equipment and \$0.4 million in depreciation expense in the business-type activities and no business-type activities additions during the current fiscal year.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 4 to the Financial Statements for further information regarding capital assets. The table below provides a summary of 2020 and 2019 assets, net of depreciation:

Town of Paradise Valley, Arizona Capital Assets As of June 30, 2020 (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Capital assets not being depreciated:						
Land and improvements	\$ 42,535,164	\$ 41,835,164	\$ 2,853,626	\$ 2,853,626	\$ 45,388,790	\$ 44,688,790
Construction in progress	5,007,451	2,502,243	-	-	5,007,451	2,502,243
Sewer capacity rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Depreciable capital assets:						
Infrastructure	28,707,083	28,180,424	-	-	28,707,083	28,180,424
Land improvements	353,747	428,043	-	-	353,747	428,043
Buildings and improvements	5,662,349	5,314,647	3,105,091	3,283,495	8,767,440	8,598,142
Sewer system	-	-	5,794,895	6,046,288	5,794,895	6,046,288
Machinery, equipment, and vehicles	3,431,014	4,124,821	8,606	11,598	3,439,620	4,136,419
Total	\$ 85,696,808	\$82,385,342	\$ 26,111,984	\$ 26,544,773	\$111,808,792	\$ 108,930,115

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

- Lincoln, Mockingbird, & Indian Bend Improvements
- Sidewalk Improvements
- Renovation of Town Hall
- Public Safety and Information Technology Vehicles and Equipment

Long-term Debt. At the end of the fiscal years 2020 and 2019, the Town had total long-term obligations outstanding of \$31.3 million and \$32.75 million respectively. Of these amounts, \$13.8 million are the Excise Tax Revenue Bonds an increase of \$6.8 million over 2019, due to a new issue of \$8.1 million in order to fund the operations in the Capital Projects Fund, less scheduled debt payments. Compensated absences increased slightly in fiscal year 2020 to \$1.3 million from \$1.2 million in 2019. Net pension and OPEB liabilities decreased in fiscal year 2020 by \$8.3 million to \$16.2 million, over 2019 of \$24.5 million, due to the Town's commitment to paying down the unfunded liabilities. Additional information on the Town's long-term obligations can be found in Note 5. The table below provides a summary of 2020 and 2019 outstanding debt:

Town of Paradise Valley, Arizona Outstanding Debt As of June 30, 2020						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Revenue bonds	\$ 13,840,000	\$ 7,065,000	\$ -	\$ -	\$ 13,840,000	\$ 7,065,000
Compensated absences	1,272,609	1,163,249	-	-	1,272,609	1,163,249
Net pension liabilities	16,129,413	24,271,373	-	-	16,129,413	24,271,373
Net OPEB liabilities	103,466	209,718	-	-	103,466	209,718
Total	\$ 31,345,488	\$ 32,709,340	\$ -	\$ -	\$ 31,345,488	\$ 32,709,340

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Paradise Valley continues a stable fiscal path even with the COVID-19 pandemic. On June 11, 2020, the Town Council approved a \$64.2 million budget, which is a 6.0% decrease over the prior fiscal year budget of \$68.3 million. The adopted fiscal year 2021 budget includes \$41.2 million for operations, including grants, contingencies and reserves, and \$23.0 million of capital improvements.

REQUESTS FOR INFORMATION

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

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

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



Financial Section

BASIC FINANCIAL STATEMENTS

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

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

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

Notes to the Financial Statements



Financial Section

GOVERNMENT - WIDE FINANCIAL STATEMENTS



TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,929,394	\$ 3,559,841	\$ 56,489,235
Receivables (net of allowances):			
Accounts receivable	1,476,859	454,428	1,931,287
Intergovernmental receivables	2,154,286	-	2,154,286
Court fines receivable	240,750	-	240,750
Interest receivable	141,470	-	141,470
Prepays	279,519	-	279,519
Inventories	40,235	-	40,235
Restricted cash and investments	11,303,818	814,306	12,118,124
Internal activity	1,001,623	(1,001,623)	-
Net OPEB asset	13,116	-	13,116
Capital assets:			
Non-depreciable	47,542,615	17,203,392	64,746,007
Depreciable (net)	38,154,193	8,908,592	47,062,785
Total assets	155,277,878	29,938,936	185,216,814
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	7,951,916	-	7,951,916
LIABILITIES			
Accounts payable	1,390,400	238,426	1,628,826
Accrued payroll and related liabilities	386,287	-	386,287
Retainages payable	176,368	-	176,368
Interest payable	70,716	-	70,716
Customer deposits payable	3,252,999	3,000	3,255,999
Unearned revenue	70,372	1,509,374	1,579,746
Long-term liabilities:			
Due within one year:			
Compensated absences	653,366	-	653,366
Bonds payable	2,040,000	-	2,040,000
Due in more than one year:			
Compensated absences	619,243	-	619,243
Bonds payable	11,800,000	-	11,800,000
Net pension liabilities	16,129,413	-	16,129,413
Net OPEB liability	103,466	-	103,466
Total liabilities	36,692,630	1,750,800	38,443,430
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	1,166,596	-	1,166,596
NET POSITION			
Net investment in capital assets	79,859,462	26,111,984	105,971,446
Restricted for:			
Debt service	48,165	-	48,165
Contributions and donations	29,631	-	29,631
Court enhancement	1,209,927	-	1,209,927
PV Mountain Preserve Trust	22,703	-	22,703
Unrestricted (deficit)	44,200,680	2,076,152	46,276,832
Total net position	\$ 125,370,568	\$ 28,188,136	\$ 153,558,704

See accompanying notes.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 11,125,607	\$ 5,430,961	\$ 125,032	\$ 1,864,973
Public safety	10,301,269	120,670	18,680	-
Highways and streets	2,250,772	9,938	1,146,134	-
Interest and fiscal charges	273,078	-	-	-
Total governmental activities	<u>23,950,726</u>	<u>5,561,569</u>	<u>1,289,846</u>	<u>1,864,973</u>
Business-type activities				
Sewer System	2,829,517	2,883,464	-	-
Fire Service	3,439,910	3,238,846	-	-
Alarm Monitor Service	130,521	135,642	-	-
Total business-type activities	<u>6,399,948</u>	<u>6,257,952</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 30,350,674</u>	<u>\$ 11,819,521</u>	<u>\$ 1,289,846</u>	<u>\$ 1,864,973</u>

General revenues

Taxes:

Sales tax

Franchise tax

Intergovernmental:

State shared sales taxes (unrestricted)

Urban revenue sharing (unrestricted)

Stated shared vehicle license tax

Investment earnings

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,704,641)	\$ -	\$ (3,704,641)
(10,161,919)	-	(10,161,919)
(1,094,700)	-	(1,094,700)
(273,078)	-	(273,078)
<u>(15,234,338)</u>	<u>-</u>	<u>(15,234,338)</u>
-	53,947	53,947
-	(201,064)	(201,064)
-	5,121	5,121
<u>-</u>	<u>(141,996)</u>	<u>(141,996)</u>
<u>(15,234,338)</u>	<u>(141,996)</u>	<u>(15,376,334)</u>
22,400,711	-	22,400,711
1,252,683	-	1,252,683
1,499,081	-	1,499,081
1,875,319	-	1,875,319
617,312	-	617,312
1,313,248	18,751	1,331,999
<u>28,958,354</u>	<u>18,751</u>	<u>28,977,105</u>
13,724,016	(123,245)	13,600,771
<u>111,646,552</u>	<u>28,311,381</u>	<u>139,957,933</u>
<u>\$ 125,370,568</u>	<u>\$ 28,188,136</u>	<u>\$ 153,558,704</u>



Financial Statements

GOVERNMENT FUNDS FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund

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

Highway User Revenue Fund

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

Capital Projects Fund

This fund accounts for the government's major capital facilities other than those financed by proprietary funds.

Other Capital Projects Fund

This fund accounts for the government's major capital facilities financed through the 2020 Series Bonds issued.

Non - Major Funds

Other governmental funds are the non-major funds and are special revenue and debt service funds.

TOWN OF PARADISE VALLEY, ARIZONA
BALANCE SHEET
June 30, 2020

	General	HURF	Capital Projects Fund	Other Capital Projects Fund
ASSETS				
Cash and cash equivalents	\$ 37,579,709	\$ 593,087	\$ 12,065,217	\$ -
Receivables (net of allowances):				
Accounts receivable	534,187	-	939,910	-
Intergovernmental	2,080,384	73,902	-	-
Court fines receivable	240,750	-	-	-
Interest receivable	141,470	-	-	-
Prepays	279,519	-	-	-
Advances to other funds	1,001,623	-	-	-
Inventories	40,235	-	-	-
Restricted cash and investments	3,242,726	-	10,273	8,002,654
Total assets	\$ 45,140,603	\$ 666,989	\$ 13,015,400	\$ 8,002,654
LIABILITIES				
Accounts payable	\$ 367,250	\$ 20,943	\$ 1,001,981	\$ -
Accrued payroll and related liabilities	359,528	26,759	-	-
Retainages payable	-	-	176,368	-
Interest payable	-	-	-	-
Unearned revenue	21,095	-	-	-
Customer deposits payable	3,242,726	-	10,273	-
Total liabilities	3,990,599	47,702	1,188,622	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	311,683	-	207,653	-
FUND BALANCES				
Nonspendable				
Prepays	279,519	-	-	-
Inventories	40,235	-	-	-
Advances to other funds	1,001,623	-	-	-
Restricted				
Capital projects	-	-	-	8,002,654
Debt service	-	-	-	-
Contributions and donations	-	-	-	-
Court enhancement	-	-	-	-
PV Mountain Preserve Trust	-	-	-	-
Assigned				
Highways and streets	-	619,287	-	-
Debt service	-	-	-	-
Contributions and donations	-	-	-	-
Facilities	1,516,000	-	-	-
Fleet replacement	847,500	-	-	-
Capital projects	-	-	11,619,125	-
Unassigned	37,153,444	-	-	-
Total fund balances	40,838,321	619,287	11,619,125	8,002,654
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,140,603	\$ 666,989	\$ 13,015,400	\$ 8,002,654

See accompanying notes.

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,691,381	\$ 52,929,394
2,762	1,476,859
-	2,154,286
-	240,750
-	141,470
-	279,519
-	1,001,623
-	40,235
48,165	11,303,818
<u>\$ 2,742,308</u>	<u>\$ 69,567,954</u>
\$ 226	\$ 1,390,400
-	386,287
-	176,368
48,165	48,165
49,277	70,372
-	3,252,999
<u>97,668</u>	<u>5,324,591</u>
<u>-</u>	<u>519,336</u>
-	279,519
-	40,235
-	1,001,623
-	8,002,654
48,165	48,165
29,631	29,631
1,209,927	1,209,927
22,703	22,703
-	619,287
1,328,478	1,328,478
5,736	5,736
-	1,516,000
-	847,500
-	11,619,125
-	37,153,444
<u>2,644,640</u>	<u>63,724,027</u>
<u>\$ 2,742,308</u>	<u>\$ 69,567,954</u>

TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Fund balances - total governmental funds \$ 63,724,027

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

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

Nondepreciable assets	\$ 47,542,615	
Depreciable assets	66,340,781	
Total capital assets	<u>113,883,396</u>	
Less accumulated depreciation	<u>(28,186,588)</u>	85,696,808

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources.		519,336
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OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the governmental funds.		13,116
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Deferred outflows and inflows of resources related to pensions/OPEB
are applicable to future reporting periods and, therefore, are not reported in the
governmental funds.

Deferred outflows of resources related to pensions/OPEB	7,951,916	
Deferred inflows of resources related to Pensions/OPEB	<u>(1,166,596)</u>	6,785,320

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

Revenue bonds	(13,840,000)	
Net pension liability	(16,129,413)	
Net OPEB liability	(103,466)	
Compensated absences	(1,272,609)	
Accrued interest	<u>(22,551)</u>	<u>(31,368,039)</u>

Total net position of governmental activities		<u>\$ 125,370,568</u>
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TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Other Capital Projects Fund
REVENUES				
Taxes:				
Sales tax	\$ 22,350,543	\$ -	\$ -	\$ -
Franchise tax	1,252,683	-	-	-
Intergovernmental	4,054,950	1,146,134	68,000	-
Fines and forfeitures	1,571,898	-	-	-
Licenses and permits	3,232,232	-	-	-
Charges for services	294,300	9,938	-	-
Rents and royalties	77,496	-	-	-
Contributions and donations	-	-	-	-
Investment earnings	1,293,800	-	-	254
Other revenues	293,784	-	-	-
Total revenues	<u>34,421,686</u>	<u>1,156,072</u>	<u>68,000</u>	<u>254</u>
EXPENDITURES				
Current:				
General government	9,915,490	-	-	-
Public safety	11,146,683	-	-	-
Highways and streets	-	1,869,376	-	-
Capital outlay	283,989	-	3,536,235	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	137,600
Total expenditures	<u>21,346,162</u>	<u>1,869,376</u>	<u>3,536,235</u>	<u>137,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,075,524</u>	<u>(713,304)</u>	<u>(3,468,235)</u>	<u>(137,346)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	8,140,000
Transfers in	1,500,000	713,304	5,570,077	-
Transfers out	(7,738,625)	-	(1,500,000)	-
Total other financing sources (uses)	<u>(6,238,625)</u>	<u>713,304</u>	<u>4,070,077</u>	<u>8,140,000</u>
Net change in fund balances	6,836,899	-	601,842	8,002,654
Fund balances - beginning of year	<u>34,001,422</u>	<u>619,287</u>	<u>11,017,283</u>	<u>-</u>
Fund balances - end of year	<u>\$ 40,838,321</u>	<u>\$ 619,287</u>	<u>\$ 11,619,125</u>	<u>\$ 8,002,654</u>

See accompanying notes.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 22,350,543
-	1,252,683
9,884	5,278,968
191,313	1,763,211
-	3,232,232
4,700	308,938
-	77,496
22,590	22,590
19,194	1,313,248
-	293,784
<u>247,681</u>	<u>35,893,693</u>

101,405	10,016,895
1,419	11,148,102
-	1,869,376
-	3,820,224
1,365,000	1,365,000
112,927	112,927
-	137,600
<u>1,580,751</u>	<u>28,470,124</u>

<u>(1,333,070)</u>	<u>7,423,569</u>
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-	8,140,000
1,455,244	9,238,625
-	(9,238,625)
<u>1,455,244</u>	<u>8,140,000</u>

122,174	15,563,569
<u>2,522,466</u>	<u>48,160,458</u>

<u>\$ 2,644,640</u>	<u>\$ 63,724,027</u>
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TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances - total governmental funds		\$ 15,563,569
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 3,869,849	
Contributed capital	1,864,973	
Depreciation expense	<u>(2,423,355)</u>	3,311,467
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		123,729
Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension/OPEB contributions	5,329,565	
Pension/OPEB expense	<u>(3,697,402)</u>	1,632,163
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position		
General obligation bonds issued		(8,140,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities.		
Bond principal repaid		1,365,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenses in governmental funds.		
Compensated absences	(109,361)	
Accrued interest	<u>(22,551)</u>	<u>(131,912)</u>
Change in net position of governmental activities		<u>\$ 13,724,016</u>

TOWN OF PARADISE VALLEY, ARIZONA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES- BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 21,758,880	\$ 21,758,880	\$ 23,603,226	\$ 1,844,346
Intergovernmental revenue	4,109,440	4,159,440	4,054,950	(104,490)
Fines and forfeitures	2,854,120	2,854,120	1,571,898	(1,282,222)
Licenses and permits	2,375,040	2,375,040	3,232,232	857,192
Charges for services	370,000	370,000	294,300	(75,700)
Rents and royalties	70,000	70,000	77,496	7,496
Investment earnings	760,000	760,000	1,293,800	533,800
Other revenue	100,000	100,000	293,784	193,784
Total revenues	32,397,480	32,447,480	34,421,686	1,974,206
EXPENDITURES:				
Current:				
General government:				
Mayor and council	197,720	197,720	132,186	65,534
Tourism and propotion	1,817,302	1,817,302	1,797,056	20,246
Town manager	1,630,499	1,645,513	1,463,214	182,299
Town attorney	683,792	727,881	726,967	914
Municipal court	860,980	886,428	855,214	31,214
Public works	862,235	892,643	861,664	30,979
Engineering	773,844	820,472	764,907	55,565
Community Development	1,391,597	1,528,226	1,444,149	84,077
Finance	653,905	671,853	645,949	25,904
Information technology	1,779,508	1,358,746	1,224,184	134,562
Contingency	17,232,746	16,125,586	-	16,125,586
Total General Government	27,884,128	26,672,370	9,915,490	16,756,880
Public safety:				
Police	11,773,032	12,494,524	11,146,683	1,347,841
Capital Outlay	299,000	299,000	283,989	15,011
Total Expenditures	39,956,160	39,465,894	21,346,162	18,119,732
Excess (Deficiency) of Revenues Over Expenditures	(7,558,680)	(7,018,414)	13,075,524	20,093,938
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	(7,840,357)	(7,738,625)	(7,738,625)	-
Total other financing sources (uses)	(6,340,357)	(6,238,625)	(6,238,625)	-
Net Change in Fund Balance	(13,899,037)	(13,257,039)	6,836,899	20,093,938
Fund Balance:				
Beginning of Year	34,001,422	34,001,422	34,001,422	-
End of Year	\$ 20,102,385	\$ 20,744,383	\$ 40,838,321	\$ 20,093,938

See accompanying notes.

TOWN OF PARADISE VALLEY, ARIZONA
HIGHWAY USER REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 968,900	\$ 968,900	\$ 1,146,134	\$ 177,234
Charges for services	-	-	9,938	9,938
Total revenues	<u>968,900</u>	<u>968,900</u>	<u>1,156,072</u>	<u>187,172</u>
EXPENDITURES				
Current:				
Highways and streets	<u>3,054,013</u>	<u>3,074,743</u>	<u>1,869,376</u>	<u>1,205,367</u>
Total expenditures	<u>3,054,013</u>	<u>3,074,743</u>	<u>1,869,376</u>	<u>1,205,367</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,085,113)	(2,105,843)	(713,304)	(1,018,195)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,085,113</u>	<u>713,304</u>	<u>713,304</u>	<u>-</u>
Net change in fund balances	-	(1,392,539)	-	(1,018,195)
Fund Balance:				
Beginning of Year	<u>619,287</u>	<u>619,287</u>	<u>619,287</u>	<u>-</u>
End of Year	<u>\$ 619,287</u>	<u>\$ (773,252)</u>	<u>\$ 619,287</u>	<u>\$ (1,018,195)</u>

Financial Statements

PROPRIETARY FUND

Enterprise Fund

Sewer System Fund

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

Fire Service Fund

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

Non-Major Alarm Fund

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds			
			Nonmajor	
ASSETS	Sewer	Fire Service	Business-type	
Current assets	Fund	Fund	Alarm Fund	Total
Cash and investments	\$ -	\$ 3,038,640	\$ 521,201	\$ 3,559,841
Accounts receivable, net	265,484	173,463	15,481	454,428
Restricted cash and investments	811,306	3,000	-	814,306
Total current assets	1,076,790	3,215,103	536,682	4,828,575
Noncurrent assets				
Capital assets:				
Nondepreciable	14,349,766	2,853,626	-	17,203,392
Depreciable, net	5,794,895	3,113,697	-	8,908,592
Total noncurrent assets	20,144,661	5,967,323	-	26,111,984
Total assets	21,221,451	9,182,426	536,682	30,940,559
LIABILITIES				
Current liabilities				
Accounts payable	168,940	69,486	-	238,426
Unearned revenue	842,336	666,895	143	1,509,374
Customer deposits payable	-	3,000	-	3,000
Total current liabilities	1,011,276	739,381	143	1,750,800
Noncurrent liabilities				
Advances from other funds	1,001,623	-	-	1,001,623
NET POSITION				
Net investment in capital assets	20,144,661	5,967,323	-	26,111,984
Unrestricted (deficit)	(936,109)	2,475,722	536,539	2,076,152
Total net position	\$ 19,208,552	\$ 8,443,045	\$ 536,539	\$ 28,188,136

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-type Alarm Fund	Total
Operating revenues				
Charges for services	\$ 2,563,876	\$ 3,202,846	\$ 135,642	\$ 5,902,364
Operating expenses				
Cost of sales and services	2,456,978	3,010,587	20,063	5,487,628
Administrative charges	121,146	247,926	110,458	479,530
Depreciation	251,393	181,397	-	432,790
Total operating expenses	2,829,517	3,439,910	130,521	6,399,948
Operating income (loss)	(265,641)	(237,064)	5,121	(497,584)
Non-operating Revenues (Expenses)				
Development Fees	319,588	-	-	319,588
Rental revenue	-	36,000	-	36,000
Investment earnings	-	15,674	3,077	18,751
Total nonoperating revenue (expense)	319,588	51,674	3,077	374,339
Change in net position	53,947	(185,390)	8,198	(123,245)
Net position, beginning of year	19,154,605	8,628,435	528,341	28,311,381
Total net position-end of year	\$ 19,208,552	\$ 8,443,045	\$ 536,539	\$ 28,188,136

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-type Alarm Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,566,886	\$ 3,180,873	\$ 136,569	\$ 5,884,328
Payments to suppliers	(2,609,516)	(2,949,810)	(20,063)	(5,579,389)
Administrative charges	(121,146)	(247,926)	(110,458)	(479,530)
Net cash flows provided (used) by operating activities	(163,776)	(16,863)	6,048	(174,591)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid on interfund borrowings	(163,247)	-	-	(163,247)
Rental revenue	-	36,000	-	36,000
Development fees	368,809	-	-	368,809
Net cash flows provided (used) by noncapital and related financing activities	205,562	36,000	-	241,562
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	15,674	3,077	18,751
NET CHANGE IN CASH AND CASH EQUIVALENTS	41,786	34,811	9,125	85,722
Cash and cash equivalents at beginning of year	769,520	3,006,829	512,076	4,288,425
Cash and cash equivalents at end of year	\$ 811,306	\$ 3,041,640	\$ 521,201	\$ 4,374,147

See accompanying notes.

	Business-type Activities-Enterprise Funds			
	Sewer Fund	Fire Service Fund	Nonmajor Business-type Alarm Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (265,641)	\$ (237,064)	\$ 5,121	\$ (497,584)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	251,393	181,397	-	432,790
Provision for bad debt	1,404	-	-	1,404
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase)/decrease in:				
Accounts receivable	3,494	(6,290)	1,101	(1,695)
Increase/(decrease) in:				
Accounts payable	(152,538)	60,777	-	(91,761)
Other liabilities	-	-	-	-
Customer deposits	(7,435)	-	-	(7,435)
Unearned revenue	5,547	(15,683)	(174)	(10,310)
Net cash provided (used) by operating activities:	<u>\$ (163,776)</u>	<u>\$ (16,863)</u>	<u>\$ 6,048</u>	<u>\$ (174,591)</u>
Reconciliation of cash, cash equivalents, and investments from the statement of net position				
Cash and investments	\$ -	\$ 3,038,640	\$ 521,201	\$ 3,559,841
Restricted cash and investments	811,306	3,000	-	814,306
Total cash, cash equivalents, and investments	<u>\$ 811,306</u>	<u>\$ 3,041,640</u>	<u>\$ 521,201</u>	<u>\$ 4,374,147</u>



Financial Statements

NOTES TO THE FINANCIAL STATEMENTS



TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

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. Reporting Entity

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

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

Individual Component Units – Blended

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

Separate financial statements are not issued for the component unit.

B. Basis of Presentation

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

The General Fund - The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

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

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

Other Capital Projects Fund – The Capital Projects Fund accounts for the acquisition and construction of major capital facilities financed through the 2020 Series bonds issued.

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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of 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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

E. Deposits and Investments

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

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of the deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns, or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

F. Receivables and Payables

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

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

G. Inventories and Prepaid Items

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Cash and Investments

The Town reports restricted cash in the Debt Service Fund for cash held with a paying agent. The Town also reports restricted cash and investments in the General Fund, Capital Projects Fund-2016, Capital Projects-2020, Nonmajor Governmental Funds, and Enterprise Funds for the resort payment reserve, customer deposits, and unspent sewer development fees, respectively.

I. Capital Assets

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

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

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

Building 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

J. Deferred Outflows/Inflows of Resources

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

K. Compensated Absences

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ASRS and PSPRS net OPEB assets/liabilities have not disclosed in the notes to the financial statements at June 30, 2020 in accordance with GASB Statement 75, due to the relative insignificance to the Town's financial statements.

M. Net Position Flow Assumption

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

N. Fund Balance Flow Assumptions

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

O. Fund Balance Policies

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

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Policies (Continued)

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.

P. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Q. Proprietary Funds Operating and Non-operating Revenues and Expenses

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

R. Use of Estimates

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgets and Budgetary Accounting

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

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

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

Supplementary budgetary appropriations were necessary during the year.

T. Budgets and Budgetary Accounting (Continued)

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

U. Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the basic financial statements and the other supplementary information present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2020, if any.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2020:

Deposits:		
Cash on Hand	\$	7,838
Cash in Bank		5,211,445
Investments:		
US Treasury Bonds		13,997,900
Corporate Bonds & Notes		7,026,059
US Agency Securities		3,537,285
Money Market Funds		28,730,123
State Treasurer's Investment		10,096,709
	Total Cash and Investments	68,607,359
Less: Restricted Cash & Investments		(12,118,124)
Total Cash and Equivalents	\$	56,489,235

Deposits

The Town's deposits at June 30, 2020 had a carrying balance of \$5,211,445 and a bank balance of \$5,137,688. Of the bank balance, \$271,818 was covered by federal depository insurance, and \$4,865,870 was covered by collateral held by the Town's custodial bank in the Town's name. Therefore, the Town's deposits were not exposed to any custodial credit risk.

Investments

The Town invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The State Board of Investment provides oversight for the State Treasurer's investment pools. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard & Poors with AA+/S1+. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2020, the Town's funds invested with the State Treasurer totaled \$10,096,709.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

Investments Type	Investment Maturity			Total
	Less than 0-6 months	Less than 6-12 months	12+ months	
US Treasury Bonds	\$ -	\$ 7,279,051	\$ 6,718,849	\$ 13,997,900
Corporate Bonds & Notes	226,574	1,749,604	5,049,881	7,026,059
US Agency Securities	-	327,989	3,209,296	3,537,285
Money Market Funds	28,730,123	-	-	28,730,123
State Treasurer's Investment	10,096,709	-	-	10,096,709
Total Investments	<u>\$ 39,053,406</u>	<u>\$ 9,356,644</u>	<u>\$ 14,978,026</u>	<u>\$ 63,388,076</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town limits its investments to the State Treasurer's Investment Pool and Federal Agency Securities. The investment in the money market is on hand at the end of the fiscal year in order to make the required principal and interest payments on outstanding bonds. The funds are on deposit with a trustee for less and do not pose a credit risk to the Town. The Town's investments consist of U.S. Treasury Bonds, Corporate Bonds and Notes, U.S. Agency Securities, Money Market Funds, and the State Treasurer's Investment Pool. The Town's investment rating based on investment type is shown below:

Investment Type	Rating	Agency	Total
US Treasury Bonds	AA+/Aaa	S&P/Moody's	\$ 13,997,900
US Agency Securities	AA+/Aaa	S&P/Moody's	3,537,285
Corporate Bonds & Notes	A/A1	S&P/Moody's	458,336
Corporate Bonds & Notes	A/A2	S&P/Moody's	857,238
Corporate Bonds & Notes	A-/A2	S&P/Moody's	820,187
Corporate Bonds & Notes	A-/A3	S&P/Moody's	833,506
Corporate Bonds & Notes	A+/A1	S&P/Moody's	665,705
Corporate Bonds & Notes	A+/A3	S&P/Moody's	51,565
Corporate Bonds & Notes	A+/Aa2	S&P/Moody's	231,881
Corporate Bonds & Notes	A-1/P-1	S&P/Moody's	710,157
Corporate Bonds & Notes	A-1+/P-1	S&P/Moody's	231,282
Corporate Bonds & Notes	AA-/A1	S&P/Moody's	206,885
Corporate Bonds & Notes	AA/Aa1	S&P/Moody's	159,404
Corporate Bonds & Notes	AA/Aa2	S&P/Moody's	184,719
Corporate Bonds & Notes	AA-Aa2	S&P/Moody's	259,555
Corporate Bonds & Notes	AA-Aa3	S&P/Moody's	231,833
Corporate Bonds & Notes	AA+/Aa1	S&P/Moody's	152,891
Corporate Bonds & Notes	BBB-/Baa2	S&P/Moody's	131,650
Corporate Bonds & Notes	BBB+/A3	S&P/Moody's	704,352
Corporate Bonds & Notes	NR/A2	S&P/Moody's	134,913
Money Market	AAAm/Aaa-mf	S&P/Moody's	28,730,123
State Treasurer's Investment	Unrated		10,096,709
			<u>\$ 63,388,076</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one investment type. At June 30, 2020, the Town's investments are included as follows:

Investments Type:	Concentration of Credit Risk	Amount	Percent of Town Investments
US Treasury Bonds		\$ 13,997,900	22.1%
Corporate Bonds & Notes		7,026,059	11.1%
US Agency Securities		3,537,285	5.6%
Money Market Funds		28,730,123	45.3%
State Treasurer's Investment		10,096,709	15.9%
	Total Investments	<u>\$ 63,388,076</u>	<u>100.0%</u>

Fair value measurement

Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2020:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Debt Securities:				
US Treasury Bonds	\$ 13,997,900	\$ 13,997,900	\$ -	\$ -
Corporate Bonds & Notes	7,026,059	-	7,026,059	-
US Agency Securities	3,537,285	-	3,537,285	-
Total Investments by Fair Value-Level	<u>24,561,244</u>	<u>13,997,900</u>	<u>10,563,344</u>	<u>-</u>
Investments Measured by Fair Value Level				
State Treasurer's Investment	10,096,709			
Money Market Funds	28,730,123			
Total Investments by Fair Value-Level	<u>38,826,832</u>			
Total Investments	<u>\$ 63,388,076</u>			

Debt securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level II of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town did not report any investments classified as Level III investments. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Restricted cash and investments at June 30, 2020 consist of the following:

	Governmental Activities	Business-Type Activities	Total
Cash with Paying Agent	\$ 48,165	\$ -	\$ 48,165
Sewer Impact Fees	-	811,306	811,306
Resort Payment Reserve	500,000	-	500,000
Unspent Bond Proceeds	8,002,654	-	8,002,654
Customer Deposits	2,752,999	3,000	2,755,999
Total	<u>\$ 11,303,818</u>	<u>\$ 814,306</u>	<u>\$ 12,118,124</u>

NOTE 3 RECEIVABLES

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

Court fines receivables of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2020 for the court receivable was (\$755,532) for a net receivable of \$240,750. All other receivables are deemed to be collectible for governmental activities.

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

	Sewer Fund	Fire Service Funds	Non-Major Alarm Funds	Total
Receivables:				
Accounts	\$ 296,030	\$ 190,045	\$ 16,123	\$ 502,198
Less: Allowance for uncollectibles	<u>(30,546)</u>	<u>(16,582)</u>	<u>(642)</u>	<u>(47,770)</u>
Net total receivables	<u>\$ 265,484</u>	<u>\$ 173,463</u>	<u>\$ 15,481</u>	<u>\$ 454,428</u>

There were uncollectible amounts related to revenues of the current period in the amount of \$1,404 for the sewer fund.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 3 RECEIVABLES (Continued)

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

	Unavailable Revenue	Unearned Revenue
General Fund:		
Court fines receivable	\$ 240,750	\$ -
Sales tax audit receivable	50,168	-
Developer receivable	20,765	-
Miscellaneous receivables	-	21,095
Capital Projects Fund-2016:		
Developer receivable	207,653	-
Non-Major Funds:		
Grants receivables	-	49,277
Total	<u>\$ 519,336</u>	<u>\$ 70,372</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 4 CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES:

	Beginning Balance	Additons	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 41,835,164	\$ 700,000	\$ -	\$ 42,535,164
Construction In Progress	2,502,243	3,461,259	(956,051)	5,007,451
	<u>44,337,407</u>	<u>4,161,259</u>	<u>(956,051)</u>	<u>47,542,615</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,037,352	-	-	2,037,352
Infrastructure	38,756,842	1,382,718	-	40,139,560
Buildings & Improvements	11,856,304	762,843	-	12,619,147
Machinery, Equipment, Computers & Vehicles	<u>11,160,670</u>	<u>384,052</u>	<u>-</u>	<u>11,544,722</u>
	<u>63,811,168</u>	<u>2,529,613</u>	<u>-</u>	<u>66,340,781</u>
Accumulated Depreciation:				
Land Improvements	(1,609,309)	(74,296)	-	(1,683,605)
Infrastructure	(10,576,418)	(856,059)	-	(11,432,477)
Buildings & Improvements	(6,541,657)	(415,141)	-	(6,956,798)
Machinery, Equipment, Computers & Vehicles	<u>(7,035,849)</u>	<u>(1,077,859)</u>	<u>-</u>	<u>(8,113,708)</u>
	<u>(25,763,233)</u>	<u>(2,423,355)</u>	<u>-</u>	<u>(28,186,588)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,047,935</u>	<u>106,258</u>	<u>-</u>	<u>38,154,193</u>
Governmental Activities Capital Assets, Net	<u>\$ 82,385,342</u>	<u>\$ 4,267,517</u>	<u>\$ (956,051)</u>	<u>\$ 85,696,808</u>

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

Governmental Activities:	
General Government	\$ 745,591
Public Safety	954,209
Highway & Streets	723,555
Total depreciation expense	<u>\$ 2,423,355</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 4 CAPITAL ASSETS (Continued)

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

<u>Business-Type Activities:</u>				
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 2,853,626	\$ -	\$ -	\$ 2,853,626
Sewer Capacity Rights	14,349,766	-	-	14,349,766
	<u>17,203,392</u>	<u>-</u>	<u>-</u>	<u>17,203,392</u>
Capital Assets, Being Depreciated:				
Sewer System	12,569,671	-	-	12,569,671
Buildings & Improvements	4,460,118	-	-	4,460,118
Machinery, Equipment & Vehicles	1,204,601	-	-	1,204,601
	<u>18,234,390</u>	<u>-</u>	<u>-</u>	<u>18,234,390</u>
Accumulated Depreciation:				
Sewer System	(6,523,383)	(251,393)	-	(6,774,776)
Buildings & Improvements	(1,176,622)	(178,405)	-	(1,355,027)
Machinery, Equipment & Vehicles	(1,193,003)	(2,992)	-	(1,195,995)
	<u>(8,893,008)</u>	<u>(432,790)</u>	<u>-</u>	<u>(9,325,798)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,341,382</u>	<u>(432,790)</u>	<u>-</u>	<u>8,908,592</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,544,774</u>	<u>\$ (432,790)</u>	<u>\$ -</u>	<u>\$ 26,111,984</u>

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

<u>Business-Type Activities:</u>	
Sewer Fund	\$ 251,393
Fire Service Fund	181,397
Total depreciation expense	<u>\$ 432,790</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Revenue Bonds	\$ 7,065,000	\$ 8,140,000	\$ (1,365,000)	\$ 13,840,000	\$ 2,040,000
Compensated Absences	1,163,249	749,869	(640,508)	1,272,610	653,366
Net pension liabilities	24,271,373	-	(8,141,960)	16,129,413	-
Net OPEB liabilities	209,718	-	(106,252)	103,466	-
Total long term liabilities	\$ 32,709,340	\$ 8,889,869	\$ (10,253,720)	\$ 31,345,489	\$ 2,693,366

Compensated absences and net pension and OPEB liabilities are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Bonds payable at June 30, 2020, were as follows:

Description	Maturity	Interest Rate (%)	Outstanding at 6/30/20
Revenue Bonds			
Excise Tax Revenue Obligation, Series 2016 Issued \$7,880,000	1/1/2024	1.690%	\$ 5,700,000
Excise Tax Revenue Obligation, Series 2020 Issued \$8,140,000	8/1/2026	1.090%	<u>8,140,000</u>
Total Outstanding Revenue Bonds			<u>\$ 13,840,000</u>

The Town has pledged future excise tax revenues, which include, sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$16,020,000 in excise tax revenue bonds.

The remaining principal balance is \$13,840,000 is for the outstanding debt on the Excise Tax Revenue Obligations. The Excise Tax Revenue Obligations, Series 2016, bond proceeds were used to fund projects in the Capital Projects Fund-2016. The newly issued bond proceeds will be used to fund projects in the Capital Project Funds-2020 and the total proceeds were deposited to the associated fund. All payments however will be made through the Debt Service Fund. The principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. The total remaining principal and interest required on the bonds is \$14,357,341, payable through 2027. In the current year, total principal and interest paid were \$1,472,864 on the Excise Tax Revenue Obligations Series 2016.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT (Continued)

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

Fiscal year ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 2,040,000	\$ 159,755
2022	2,730,000	139,008
2023	2,785,000	100,456
2024	2,820,000	61,251
2025	1,375,000	34,035
2026	1,390,000	19,021
2027	700,000	3,815
Totals	<u>\$ 13,840,000</u>	<u>\$ 517,341</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

As of June 30, 2020, the Town reported the following advance to/ from other funds:

Due to	Due from
	Sewer Fund
General Fund	<u>\$ 1,001,623</u>

The advance of \$1,001,623 due from the Sewer Fund to the General Fund was for long-term borrowings to cover deficit cash in the Sewer Fund to be paid in more than one year.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers for the fiscal year ended June 30, 2020 are as follows:

Transfers In	Transfers Out		Total
	General Fund	Capital Projects Fund	
General Fund	\$ -	\$ 1,500,000	\$ 1,500,000
HURF Fund - fund operations	713,304	-	713,304
Capital Projects Fund	5,570,077	-	5,570,077
Nonmajor Governmental Funds	1,455,244	-	1,455,244
Total	<u>\$ 7,738,625</u>	<u>\$ 1,500,000</u>	<u>\$ 9,238,625</u>

The General Fund transferred \$713,304 to the HURF Fund to fund street projects. The General Fund transferred \$5,570,077 to the Capital Projects Fund to fund various capital projects being constructed by the Town. The General Fund transferred \$1,455,244 to Debt Service to make the principal and interest payment on the Excise Tax Revenue Obligations, Series 2016. The Capital Projects Fund transferred \$1,500,000 to the General Fund for unspent funding on closed projects.

NOTE 7 PENSIONS

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

At June 30, 2020, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net OPEB asset	\$ 13,116
Net OPEB liability	103,466
Net pension liabilities	16,129,413
Deferred outflows of resources	7,835,167
Deferred inflows of resources	1,021,092
Pension expense	3,675,311

The Town reported \$5,292,159 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Net OPEB asset/liabilities have been recorded in the financial statements in accordance with GASB Statement 75, however, due to their relative insignificance, have not been further disclosed in the notes to the financial statements at June 30, 2020.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

A. Arizona State Retirement System

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

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

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

*with actuarially reduced benefits.

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

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, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.1 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.1 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020 were \$614,182, \$26,284, and \$9,119, respectively.

During fiscal year 2020, the Town paid for ASRS pension contributions as follows: 87 percent from the General Fund and 13% from the HURF Fund.

Pension Liability - At June 30, 2020, the Town reported a liability of \$6,740,099 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The Town's proportion measured as of June 30, 2019, was 0.04632 percent, which was an decrease of 0.00054 percent from its proportion measured as of June 30, 2018.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2020, the Town recognized pension expense for ASRS of \$927,843. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 121,762	\$ 1,267
Changes of assumptions or other inputs	28,491	268,404
Net difference between projected and actual earnings on pension plan investments	-	151,494
Changes in proportion and differences between Town contributions and proportionate share of contributions	280,645	57,935
Town contributions subsequent to the measurement date	614,182	-
Total	\$ 1,045,080	\$ 479,100

The \$614,182 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Years ending June 30,	
2021	\$ 145,027
2022	(204,710)
2023	(29,093)
2024	40,574
2025	-
Thereafter	-

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 20, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

Discount Rate –The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

Sensitivity of Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
Town's proportionate share of the net pension liability	\$ 9,592,722	\$ 6,740,099	\$ 4,356,040

Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (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:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited 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	
Survivor Benefits		
Retired Members	80% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms - At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries	
currently receiving benefits	42
Inactive employees entitled to	
but not yet receiving benefits	5
Active employees	30
Total	77

Contributions - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members - Pension	7.65% - 9.68%
Town	
Pension	57.29%
Health insurance permium benefit	0.74%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 57.29 percent for Police of annual covered payroll of retired members who worked for the Town in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

For the agent plans, the Town's contributions to the plans for the year ended June 30, 2020, were:

	PSPRS Police
Pension	
Contributions made	\$ 4,658,245
Health Insurance Premium Benefit	
Annual OPEB cost contributions made	21,735

During fiscal year 2020, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

Pension Liability - At June 30, 2020, the Town reported a PSPRS net pension liabilities of \$9,389,315.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustment	1.75% for pensions
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100.00%	

Discount Rates – At June 30, 2019, the discount rate used to measure the PSPRS total pension liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

Changes in the Net Pension Liability

PSPRS - Police	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 36,342,797	\$ 18,606,745	\$ 17,736,052
Adjustments to beginning of year	-	(13,309)	13,309
Changes for the year:			
Service cost	671,680	-	671,680
Interest on the total liability	2,659,136	-	2,659,136
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(677,490)	-	(677,490)
Changes of assumptions or other inputs	1,328,614	-	1,328,614
Contributions - employer	-	10,736,527	(10,736,527)
Contributions - employee	-	237,748	(237,748)
Net investment income	-	1,341,038	(1,341,038)
Benefit payments, including refunds of employee contributions	(2,160,406)	(2,160,406)	-
Administrative expense	-	(24,283)	24,283
Other changes	-	50,956	(50,956)
Net changes	1,821,534	10,181,580	(8,360,046)
Balances at June 30, 2020	\$ 38,164,331	\$ 28,775,016	\$ 9,389,315

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (Continued)

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's net pension liabilities calculated using the discount rate of 7.3 percent, 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

PSPRS - Police	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% increase (8.30%)
Net pension liability	\$ 14,305,237	\$ 9,389,315	\$ 5,342,207

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense - For the year ended June 30, 2020, the Town recognized \$2,736,092 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources - At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 389,084	\$ 541,992
Changes of assumptions or other inputs	1,416,827	-
Net difference between projected and actual earnings on pension plan investments	325,931	-
Town contributions subsequent to the measurement date	4,658,245	-
Total	<u>\$ 6,790,087</u>	<u>\$ 541,992</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 7 PENSIONS (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 in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police
2021	\$ 872,517
2022	258,157
2023	256,736
2024	202,440
2025	-
Thereafter	-

NOTE 8 COMMITMENTS AND CONTINGENCIES

Commitments - At June 30, 2020, the Town has the following active construction commitments:

Project	Governmental Activities	
	Spent -to-Date	Remaining Commitment
Lincoln, Mockingbird & Indian Bend Improvements	\$ 3,416,852	\$ 12,098,400
Lincoln Dr & Invergordon Intersection	172,776	45,748
Lincoln Dr & Tatum Crosswalks	6,534	3,466
Mockingbird Lane	34,838	69,953
Drainage Improvements	41,237	27,884
56Th St & Doubletree Ranch Intersection	14,961	6,171
Lincoln Drive Medians	157,308	2,370,919
Total	<u>\$ 3,844,506</u>	<u>\$ 14,622,541</u>

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

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

NOTE 9 RISK MANAGEMENT

The Town of Paradise Valley, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The aggregate excess coverage is for an additional \$18,000,000, excluding land use liability claims, on a follow form, claims made basis. The excess land use liability aggregate is \$5,000,000. No settlements exceeded insurance coverage during any of the past three fiscal years.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 9 RISK MANAGEMENT (Continued)

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The Town is also insured by Arizona Municipal Risk Retention Pool for potential worker related accidents.

Financial Section

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF PARADISE VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COST-SHARING PENSION PLAN
Year Ended June 30, 2020

Arizona Retirement System

	Reporting Fiscal Year (Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
Town's proportion of the net pension liability	0.046320%	0.046970%	0.041500%	0.041970%	0.040410%	0.039130%	Information not available*
Town's proportionate share of the net pension liability	\$ 6,740,099	\$ 6,535,321	\$ 6,464,891	\$ 6,774,380	\$ 6,294,396	\$ 5,789,961	
Town's covered payroll	4,884,597	4,489,642	3,865,826	4,288,977	3,725,267	3,527,327	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	137.99%	145.56%	167.23%	157.95%	168.96%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

* Additional years' information will be displayed as it becomes available

TOWN OF PARADISE VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS AGENT PENSION PLAN
Year Ended June 30, 2020

Town of Paradise Valley
Public Safety Personnel Retirement System

Town of Paradise Valley Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2011
Total pension liability							Information not available*
Service cost	\$ 671,680	\$ 653,388	\$ 625,699	\$ 503,757	\$ 413,268	\$ 359,518	
Interest on the total pension liability	2,659,136	2,526,602	2,325,975	2,201,463	2,160,197	1,795,059	
Changes on benefit terms	-	-	388,150	745,131	-	710,651	
Differences between expected and actual experience in the measurement of the pension liability	(677,490)	477,835	572,004	692,654	24,766	514,325	
Changes of assumptions or other inputs	1,328,614	-	1,461,598	1,116,822	-	3,303,865	
Benefit payments, including refunds of employee contributions	(2,160,406)	(2,263,213)	(2,250,789)	(2,453,037)	(1,782,549)	(2,335,144)	
Net change in total pension liability	1,821,534	1,394,612	3,122,637	2,806,790	815,682	4,348,274	
Total pension liability - beginning	36,342,797	34,948,185	31,825,548	29,018,758	28,203,076	23,854,802	
Total pension liability - ending (a)	<u>\$ 38,164,331</u>	<u>\$ 36,342,797</u>	<u>\$ 34,948,185</u>	<u>\$ 31,825,548</u>	<u>\$ 29,018,758</u>	<u>\$ 28,203,076</u>	
Plan fiduciary net position							
Contributions - employer	\$ 10,736,527	\$ 2,971,262	\$ 8,029,673	\$ 3,056,411	\$ 1,708,529	\$ 1,045,144	
Contributions - employee	237,748	237,556	320,063	312,821	411,948	303,349	
Net investment income	1,341,038	1,121,032	1,380,854	57,574	307,573	917,883	
Benefit payments, including refunds of employee contributions	(2,160,406)	(2,263,213)	(2,250,789)	(2,453,037)	(1,782,549)	(2,335,144)	
Hall/Parker Settlement	-	-	-	-	-	-	
Administrative expense	(24,283)	(17,762)	(12,618)	(8,686)	(7,885)	(7,393)	
Other changes	50,956	(442,067)	182,874	679,608	(5,169)	34,308	
Net change in plan fiduciary net position	10,181,580	1,606,808	7,650,057	1,644,691	632,447	(41,853)	
Plan fiduciary net position - beginning	18,606,745	16,999,937	9,349,880	7,705,189	7,072,742	7,114,595	
Adjustments to beginning of year	(13,309)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>28,775,016</u>	<u>18,606,745</u>	<u>16,999,937</u>	<u>9,349,880</u>	<u>7,705,189</u>	<u>7,072,742</u>	
Town's net pension liability - ending (a) - (b)	<u>\$ 9,389,315</u>	<u>\$ 17,736,052</u>	<u>\$ 17,948,248</u>	<u>\$ 22,475,668</u>	<u>\$ 21,313,569</u>	<u>\$ 21,130,334</u>	
Plan fiduciary net position as a percentage of the total pension liability	75.40%	51.20%	48.64%	29.38%	26.55%	53.55%	
Covered payroll	\$ 2,929,989	\$ 2,862,125	\$ 2,757,599	\$ 2,706,916	\$ 2,290,190	\$ 2,200,151	
Town's net pension liability as a percentage of payroll	320.46%	619.68%	650.87%	830.31%	930.65%	215.93%	

* Additional years' information will be displayed as it becomes available

TOWN OF PARADISE VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN PENSION CONTRIBUTIONS
Year Ended June 30, 2020

Arizona Retirement System	Reporting Fiscal Year							
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 614,182	\$ 546,098	\$ 489,371	\$ 416,736	\$ 465,354	\$ 405,309	\$ 377,424	Information not available*
Town's contributions in relation to the statutorily required contribution	614,182	546,098	489,371	416,736	465,354	405,309	377,424	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 5,364,035	\$ 4,884,597	\$ 4,489,642	\$ 3,865,826	\$ 4,288,977	\$ 3,725,267	\$ 3,527,327	
Town's contributions as a percentage of covered payroll	11.45%	11.18%	10.90%	10.78%	10.85%	10.88%	10.70%	
Town of Paradise Valley Police Public Safety Personnel Retirement System	Reporting Fiscal Year							
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,642,025	\$ 1,748,183	\$ 1,968,946	\$ 1,737,912	\$ 1,708,137	\$ 1,220,161	\$ 1,126,297	Information not available*
Town's contributions in relation to the actuarially determined contribution	4,642,025	10,734,594	2,944,164	8,009,063	3,042,273	1,708,529	1,126,297	
Town's contribution deficiency (excess)	\$ (3,000,000)	\$ (8,986,411)	\$ (975,218)	\$ (6,271,151)	\$ (1,334,136)	\$ (488,368)	\$ -	
Town's covered payroll	\$ 2,866,163	\$ 2,929,989	\$ 2,862,125	\$ 2,757,599	\$ 2,706,916	\$ 2,290,190	\$ 2,200,151	
Town's contributions as a percentage of covered payroll	161.96%	366.37%	102.87%	290.44%	112.39%	74.60%	51.19%	



TOWN OF PARADISE VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
Year Ended June 30, 2020

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables , with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF PARADISE VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
Year Ended June 30, 2020

NOTE 2 FACTORS THAT AFFECT TRENDS

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

Financial Section

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

MAJOR GOVERNMENTAL FUND



TOWN OF PARADISE VALLEY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 68,000	\$ 68,000
Contributions and Donations	4,000,000	4,000,000	-	(4,000,000)
Total revenues	4,000,000	4,000,000	68,000	(3,932,000)
EXPENDITURES				
Capital outlay	15,525,067	15,907,003	3,536,235	12,370,768
Excess (deficiency) of revenues over (under) expenditures	(11,525,067)	(11,907,003)	(3,468,235)	(16,302,768)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,300,000	5,570,077	5,570,077	-
Transfers out	(1,500,000)	(1,500,000)	(1,500,000)	-
Total other financing sources (uses)	2,800,000	4,070,077	4,070,077	-
Net change in fund balances	(8,725,067)	(7,836,926)	601,842	8,438,768
Fund balances - beginning of year	11,017,283	11,017,283	11,017,283	-
Fund balances - end of year	\$ 2,292,216	\$ 3,180,357	\$ 11,619,125	\$ 8,438,768

TOWN OF PARADISE VALLEY, ARIZONA
OTHER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
REVENUES				
Investment earnings	\$ -	\$ -	\$ 254	\$ 254
EXPENDITURES				
Debt service:				
Bond issuance costs	-	137,600	137,600	-
Total expenditures	-	137,600	137,600	-
Excess (deficiency) of revenues over (under) expenditures	-	(137,600)	(137,346)	254
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	8,140,000	8,140,000	-
Total other financing sources (uses)	-	8,140,000	8,140,000	-
Net change in fund balances	-	8,002,400	8,002,654	254
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ 8,002,400	\$ 8,002,654	\$ 254

Financial Section

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

NON - MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- **Donations Fund** - This fund accounts for the Town's contributions and donations received.
- **Grants Fund** - This fund accounts for federal and state grants and other contributions that are restricted for specific use.
- **Court Enhancement Fund** - This fund accounts for the Town's restricted court funds received to improve the Town court.
- **Paradise Valley Mountain Preserve Fund** - This fund accounts for the Town's activity of the Mountain Preserve Trust including acquiring, maintaining, preserving, and protecting undeveloped property on and around the Preserve.

Debt Service Funds

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

TOWN OF PARADISE VALLEY, ARIZONA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	Special Revenue Funds				Total Special Revenue Funds
	Donations Fund	Grants Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust	
ASSETS					
Cash and investments	\$ 35,367	\$ 49,277	\$ 1,207,391	\$ 22,703	\$ 1,314,738
Restricted cash and investments	-	-	-	-	-
Receivables, net of allowances	-	-	2,762	-	2,762
Total assets	<u>\$ 35,367</u>	<u>\$ 49,277</u>	<u>\$ 1,210,153</u>	<u>\$ 22,703</u>	<u>\$ 1,317,500</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 226	\$ -	\$ 226
Interest payable	-	-	-	-	-
Unearned revenue	-	49,277	-	-	49,277
Total liabilities	<u>-</u>	<u>49,277</u>	<u>226</u>	<u>-</u>	<u>49,503</u>
Restricted					
Debt service	-	-	-	-	-
Contributions and donations	29,631	-	-	-	29,631
Court enhancement	-	-	1,209,927	-	1,209,927
PV Mountain Preserve Trust	-	-	-	22,703	22,703
Assigned					
Highways and streets	-	-	-	-	-
Debt service	-	-	-	-	-
Contributions and donations	5,736	-	-	-	5,736
Facilities	-	-	-	-	-
Fleet replacement	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>35,367</u>	<u>-</u>	<u>1,209,927</u>	<u>22,703</u>	<u>1,267,997</u>
Total liabilities and fund balances	<u>\$ 35,367</u>	<u>\$ 49,277</u>	<u>\$ 1,210,153</u>	<u>\$ 22,703</u>	<u>\$ 1,317,500</u>

Debt Service Funds	
2016 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,376,643	\$ 2,691,381
48,165	48,165
-	2,762
<u>\$ 1,424,808</u>	<u>\$ 2,742,308</u>
\$ -	\$ 226
48,165	48,165
-	49,277
<u>48,165</u>	<u>97,668</u>
48,165	48,165
-	29,631
-	1,209,927
-	22,703
-	-
1,328,478	1,328,478
-	5,736
-	-
-	-
-	-
<u>1,376,643</u>	<u>2,644,640</u>
<u>\$ 1,424,808</u>	<u>\$ 2,742,308</u>

TOWN OF PARADISE VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Special Revenue Funds				
	Donations Fund	Grants Fund	Court Enhancement Fund	Paradise Valley Mountain Preserve Trust	Total Special Revenue Funds
REVENUES					
Intergovernmental	\$ -	\$ 9,884	\$ -	\$ -	\$ 9,884
Fines and forfeitures	-	-	191,313	-	191,313
Charges for services	-	-	-	4,700	4,700
Contributions and Donations	11,590	-	-	11,000	22,590
Investment earnings	-	-	7,933	62	7,995
Total revenues	<u>11,590</u>	<u>9,884</u>	<u>199,246</u>	<u>15,762</u>	<u>236,482</u>
EXPENDITURES					
Current:					
General government	11,412	9,884	46,659	33,450	101,405
Public safety	1,419	-	-	-	1,419
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	5,063	-	5,063
Total expenditures	<u>12,831</u>	<u>9,884</u>	<u>51,722</u>	<u>33,450</u>	<u>107,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,241)</u>	<u>-</u>	<u>147,524</u>	<u>(17,688)</u>	<u>128,595</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,241)	-	147,524	(17,688)	128,595
Fund Balances					
Beginning of Year	36,608	-	1,062,403	40,391	1,139,402
End of Year	<u>\$ 35,367</u>	<u>\$ -</u>	<u>\$ 1,209,927</u>	<u>\$ 22,703</u>	<u>\$ 1,267,997</u>

<u>Debt Service Funds</u>		
<u>Debt Service Fund - 2016</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ -	\$ 9,884	
-	191,313	
-	4,700	
-	22,590	
11,199	19,194	
<u>11,199</u>	<u>247,681</u>	
-	101,405	
-	1,419	
1,365,000	1,365,000	
107,864	112,927	
<u>1,472,864</u>	<u>1,580,751</u>	
<u>(1,461,665)</u>	<u>(1,333,070)</u>	
1,455,244	1,455,244	
<u>1,455,244</u>	<u>1,455,244</u>	
(6,421)	122,174	
1,383,064	2,522,466	
<u>\$ 1,376,643</u>	<u>\$ 2,644,640</u>	



Financial Section

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

NON - MAJOR GOVERNMENTAL FUND



TOWN OF PARADISE VALLEY, ARIZONA

DONATIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL

Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Contributions and Donations	\$ 80,000	\$ 80,000	\$ 11,590	\$ (68,410)
EXPENDITURES				
Current:				
General government	16,558	16,558	11,412	5,146
Public safety	92,332	92,332	1,419	90,913
Total expenditures	108,890	108,890	12,831	96,059
Excess (deficiency) of revenues over (under) expenditures	(28,890)	(28,890)	(1,241)	(164,469)
Fund balances - beginning of year	36,608	36,608	36,608	-
Fund balances - end of year	\$ 7,718	\$ 7,718	\$ 35,367	\$ (164,469)

TOWN OF PARADISE VALLEY, ARIZONA

GRANTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL

Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	<u>\$ 138,000</u>	<u>\$ 88,000</u>	<u>\$ 9,884</u>	<u>\$ (78,116)</u>
EXPENDITURES				
Current:				
General government	44,263	44,263	9,884	34,379
Public safety	<u>100,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>144,263</u>	<u>94,263</u>	<u>9,884</u>	<u>84,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,263)</u>	<u>(6,263)</u>	<u>-</u>	<u>6,263</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ (6,263)</u>	<u>\$ (6,263)</u>	<u>\$ -</u>	<u>\$ 6,263</u>

TOWN OF PARADISE VALLEY, ARIZONA
COURT ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 436,500	\$ 436,500	\$ 191,313	\$ (245,187)
Investment earnings	-	-	7,933	7,933
Total revenues	<u>436,500</u>	<u>436,500</u>	<u>199,246</u>	<u>(237,254)</u>
EXPENDITURES				
Current:				
General government	65,650	65,650	46,659	18,991
Debt service:				
Interest and fiscal charges	<u>5,063</u>	<u>5,063</u>	<u>5,063</u>	<u>-</u>
Total expenditures	<u>70,713</u>	<u>70,713</u>	<u>51,722</u>	<u>18,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>365,787</u>	<u>365,787</u>	<u>147,524</u>	<u>(218,263)</u>
Fund balances - beginning of year	<u>1,062,403</u>	<u>1,062,403</u>	<u>1,062,403</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,428,190</u>	<u>\$ 1,428,190</u>	<u>\$ 1,209,927</u>	<u>\$ (218,263)</u>

TOWN OF PARADISE VALLEY, ARIZONA
DEBT SERVICE – 2016 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 11,199	\$ 11,199
EXPENDITURES				
Debt Service:				
Principal	1,365,000	1,365,000	1,365,000	-
Interest and fiscal charges	112,864	112,864	107,864	5,000
Total expenditures	1,477,864	1,477,864	1,472,864	5,000
Excess (deficiency) of revenues over (under) expenditures	(1,477,864)	(1,477,864)	(1,461,665)	6,199
OTHER FINANCING SOURCES (USES)				
Transfers in	1,455,244	1,455,244	1,455,244	-
Net Change in Fund Balance	(22,620)	(22,620)	(6,421)	(16,199)
Fund balances - beginning of year	1,383,064	1,383,064	1,383,064	-
Fund balances - end of year	\$ (94,800)	\$ (94,800)	\$ 1,376,643	\$ (16,199)

Statistical Section

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u>	100-109
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	110-113
These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and sales and uses taxes.	
<u>Debt Capacity</u>	114-116
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
<u>Demographic and Economic Statistics</u>	117-118
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	
<u>Operating Information</u>	119-121
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.	

TOWN OF PARADISE VALLEY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2011	2012	2013	2014
<u>Governmental Activities</u>				
Net investment in Capital Assets	\$ 69,676,668	\$ 69,407,881	\$ 68,209,762	\$ 73,318,948
Restricted	1,786,639	1,221,024	608,907	102,778
Unrestricted	22,487,936	23,627,937	20,852,943	5,908,977
Total Governmental Activities Net Position	93,951,243	94,256,842	89,671,612	79,330,703
<u>Business-type Activities</u>				
Net investment in Capital Assets	16,757,765	17,292,596	25,706,810	26,022,037
Restricted	2,075,256	1,362,476	567,431	-
Unrestricted	4,194,195	4,736,253	5,402,355	901,947
Total Business-type Activities Net Position	23,027,216	23,391,325	31,676,596	26,923,984
<u>Primary Government</u>				
Net investment in Capital Assets	86,434,433	86,700,477	93,916,572	99,340,985
Restricted	3,861,895	2,583,500	1,176,338	102,778
Unrestricted	26,682,131	28,364,190	26,255,296	6,810,924
Total Primary Government Net Position	<u>\$ 116,978,459</u>	<u>\$ 117,648,167</u>	<u>\$ 121,348,208</u>	<u>\$ 106,254,687</u>

2015	2016	2017	2018	2019	2020
\$ 79,895,872	\$ 78,383,694	\$ 79,851,973	\$ 76,859,341	\$ 75,320,342	\$ 79,859,462
53,739	224,308	455,140	784,098	1,133,666	1,310,426
3,338,007	10,434,716	13,495,213	24,148,689	35,192,544	44,200,680
83,287,618	89,042,718	93,802,326	101,792,128	111,646,552	125,370,568
26,446,442	26,904,413	26,808,710	26,751,905	26,544,773	26,111,984
-	-	-	-	-	-
999,604	1,034,839	1,233,402	1,432,368	1,766,608	2,076,152
27,446,046	27,939,252	28,042,112	28,184,273	28,311,381	28,188,136
106,342,314	105,288,107	106,660,683	103,611,246	101,865,115	105,971,446
53,739	224,308	455,140	784,098	1,133,666	1,310,426
4,337,611	11,469,555	14,728,615	25,581,057	36,959,152	46,276,832
<u>\$ 110,733,664</u>	<u>\$ 116,981,970</u>	<u>\$ 121,844,438</u>	<u>\$ 129,976,401</u>	<u>\$ 139,957,933</u>	<u>\$ 153,558,704</u>

TOWN OF PARADISE VALLEY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING

	2011	2012	2013	2014
Expenses				
Governmental Activities:				
General Government	\$ 6,826,239	\$ 7,708,607	\$ 7,289,224	\$ 7,276,076
Public Safety	7,787,743	7,628,580	7,055,389	6,286,763
Highways and Streets	2,225,274	2,076,040	3,346,762	3,201,369
Interest on Long-term Debt	267,022	239,802	282,387	182,224
Total Governmental Activities Expenses	17,106,278	17,653,029	17,973,762	16,946,432
Business-type Activities:				
Sewer	2,144,491	2,111,254	2,264,536	2,351,590
Fire Service	-	-	1,414,177	2,961,269
Alarm Monitor System	117,568	108,520	85,698	103,975
Total Business-type Activities Expenses	2,262,059	2,219,774	3,764,411	5,416,834
Total Primary Government Expenses	19,368,337	19,872,803	21,738,173	22,363,266
Program Revenue				
Governmental Activities:				
Charges for Services:				
General Government	\$ 2,748,788	\$ 2,540,900	\$ 4,111,615	\$ 5,189,006
Public Safety	221,550	303,571	210,837	124,464
Highways and streets	-	-	-	-
Operating Grants and Contributions	844,615	746,903	763,844	807,404
Capital Grants and Contributions	-	27,321	118,064	10,000
Total Governmental Activities Program	3,814,953	3,618,695	5,204,360	6,130,874
Business-type Activities:				
Charges for Services:				
Sewer System	2,254,806	2,292,392	2,258,513	2,227,314
Fire Service	-	-	1,538,314	3,112,850
Alarm Monitor System	265,656	253,253	242,072	231,984
Capital Grants and Contributions	92,500	-	198,000	-
Total Business-type Activities Revenues	2,612,962	2,545,645	4,236,899	5,572,148
Total Primary Government Revenues	\$ 6,427,915	\$ 6,164,340	\$ 9,441,259	\$ 11,703,022
Net (Expense)/Revenue				
Governmental Activities	\$ (13,291,325)	\$ (14,034,334)	\$ (12,769,402)	\$ (10,815,558)
Business-type Activities	350,903	325,871	472,488	155,314
Total Primary Government Net Expense	\$ (12,940,422)	\$ (13,708,463)	\$ (12,296,914)	\$ (10,660,244)

2015	2016	2017	2018	2019	2020
\$ 7,776,745	\$ 8,605,414	\$ 9,458,609	\$ 9,995,805	\$ 10,566,002	\$ 11,125,607
8,745,404	9,054,408	10,249,410	9,755,591	10,755,292	10,301,269
3,669,224	3,568,394	3,669,088	5,154,182	5,835,417	2,250,772
147,314	281,348	192,227	146,463	111,690	273,078
20,338,687	21,509,564	23,569,334	25,052,041	27,268,401	23,950,726
2,324,369	2,185,714	2,124,328	2,114,532	2,698,883	2,829,517
3,045,071	2,921,260	3,037,830	3,247,709	3,119,018	3,439,910
59,277	100,719	128,521	279,499	268,048	130,521
5,428,717	5,207,693	5,290,679	5,641,740	6,085,949	6,399,948
25,767,404	26,717,257	28,860,013	30,693,781	33,354,350	30,350,674
\$ 4,290,508	\$ 6,845,255	\$ 4,648,109	\$ 6,119,735	\$ 6,995,777	\$ 5,430,961
37,395	82,694	71,787	58,799	109,162	120,670
-	-	-	-	-	9,938
874,773	1,121,420	1,144,233	1,065,863	1,140,106	1,289,846
234,000	-	208,085	1,178,960	674,197	1,864,973
5,436,676	8,049,369	6,072,214	8,423,357	8,919,242	8,716,388
2,498,749	2,250,608	2,415,051	2,661,503	2,891,642	2,883,464
3,099,652	3,101,634	3,121,961	3,138,471	3,122,406	3,238,846
217,953	199,750	190,727	168,127	143,073	135,642
80,000	76,875	-	-	-	-
5,896,354	5,628,867	5,727,739	5,968,101	6,157,121	6,257,952
\$ 11,333,030	\$ 13,678,236	\$ 11,799,953	\$ 14,391,458	\$ 15,076,363	\$ 14,974,340
\$ (14,902,011)	\$ (13,460,195)	\$ (17,497,120)	\$ (16,628,684)	\$ (18,349,159)	\$ (15,234,338)
467,637	421,174	437,060	326,361	71,172	(141,996)
\$ (14,434,374)	\$ (13,039,021)	\$ (17,060,060)	\$ (16,302,323)	\$ (18,277,987)	\$ (15,376,334)

TOWN OF PARADISE VALLEY
CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING

	2011	2012	2013	2014
Governmental Revenues and Other				
Changes in Net Position				
Governmental Activities:				
Taxes				
Sales Tax	7,944,769	10,627,184	11,963,535	13,136,325
Franchise Tax	1,007,634	1,055,473	1,061,725	1,061,660
State Shared Revenue	2,402,963	2,083,775	2,358,876	2,544,840
Auto Lieu Tax Revenue	453,010	411,604	429,075	457,878
Investment Income	231,090	161,897	174,833	94,521
Special Item - Capital Asset Moved to Fire	-	-	(7,803,872)	-
Transfers	156,840	-	-	4,915,177
Total Governmental Activities	12,196,306	14,339,933	8,184,172	22,210,401
Business-type Activities:				
Investment Income	53,973	38,238	8,911	7,251
Capital Contributions	-	-	198,000	-
Special Item - Capital Asset Moved to Fire	-	-	7,803,872	-
Transfers	(156,840)	-	-	(4,915,177)
Total Business-type Activities	(102,867)	38,238	8,010,783	(4,907,926)
Total Primary Government	12,093,439	14,378,171	16,194,955	17,302,475
Change in Net Position				
Governmental Activities	(1,095,019)	305,599	(4,585,230)	11,394,843
Business-type Activities	248,036	364,109	8,483,271	(4,752,612)
Total Primary Government	\$ (846,983)	\$ 669,708	\$ 3,898,041	\$ 6,642,231

2015	2016	2017	2018	2019	2020
14,564,835	14,553,528	17,151,386	19,276,803	21,812,160	22,400,711
1,037,258	1,146,142	1,056,547	1,288,360	1,273,973	1,252,683
2,723,544	2,760,822	2,980,931	3,156,391	3,170,318	3,374,400
490,206	530,413	548,523	595,778	616,863	617,312
91,159	274,390	185,141	250,226	1,330,269	1,313,248
-	-	-	-	-	-
(48,076)	(50,000)	334,200	184,200	-	-
18,858,926	19,215,295	22,256,728	24,751,758	28,203,583	28,958,354
6,349	22,032	-	-	55,936	18,751
-	-	-	-	-	-
-	-	-	-	-	-
48,076	50,000	(334,200)	(184,200)	-	-
54,425	72,032	(334,200)	(184,200)	55,936	18,751
18,913,351	19,287,327	21,922,528	24,567,558	28,259,519	28,977,105
3,956,915	5,755,100	4,759,608	8,123,074	9,854,424	13,724,016
522,062	493,206	102,860	142,161	127,108	(123,245)
\$ 4,478,977	\$ 6,248,306	\$ 4,862,468	\$ 8,265,235	\$ 9,981,532	\$ 13,600,771

TOWN OF PARADISE VALLEY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Nonspendable	\$ 6,972	\$ 143,415	\$ 1,039,473	\$ 1,157,133
Assigned	-	-	-	-
Unassigned	<u>13,995,539</u>	<u>14,393,182</u>	<u>14,206,372</u>	<u>23,391,719</u>
Total General Fund	<u>\$ 14,002,511</u>	<u>\$ 14,536,597</u>	<u>\$ 15,245,845</u>	<u>\$ 24,548,852</u>
All Other Governmental Funds				
Nonspendable				
Prepaid Items	\$ -	\$ -	\$ 16,025	\$ -
Restricted	1,786,369	1,221,024	592,882	102,778
Assigned	8,905,955	9,268,513	11,165,163	8,274,256
Unassigned	<u>(16,600)</u>	<u>-</u>	<u>-</u>	<u>(619,309)</u>
Total All Other Governmental Funds	<u>\$ 10,675,724</u>	<u>\$ 10,489,537</u>	<u>\$ 11,774,070</u>	<u>\$ 7,757,725</u>

Note: Due to implementation of GASB No 54 in FY2011, categories regarding fund balances have been redefined

2015	2016	2017	2018	2019	2020
\$ 818,308	\$ 709,554	\$ 2,748,409	\$ 628,372	\$ 459,594	\$ 1,321,377
-	-	494,500	1,168,500	2,363,500	2,363,500
25,421,178	29,666,433	26,547,108	32,762,200	31,178,328	37,153,444
<u>\$ 26,239,486</u>	<u>\$ 30,375,987</u>	<u>\$ 29,790,017</u>	<u>\$ 34,559,072</u>	<u>\$ 34,001,422</u>	<u>\$ 40,838,321</u>
\$ -	\$ 6,528	\$ -	\$ -	\$ -	\$ -
53,739	5,694,934	5,921,497	2,143,013	1,133,666	9,313,080
3,821,554	4,960,708	4,337,958	9,549,782	13,025,370	13,572,626
(282,949)	-	(16,600)	(3,165)	-	-
<u>\$ 3,592,344</u>	<u>\$ 10,662,170</u>	<u>\$ 10,242,855</u>	<u>\$ 11,689,630</u>	<u>\$ 14,159,036</u>	<u>\$ 22,885,706</u>

TOWN OF PARADISE VALLEY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2011	2012	2013	2014
Revenues				
Taxes	\$ 8,952,403	\$ 11,682,657	\$ 13,025,260	\$ 14,197,985
Intergovernmental	3,692,516	3,251,086	3,537,464	3,791,372
Fines and forfeitures	1,201,432	801,897	2,346,166	1,161,685
Licenses and permits	1,080,207	1,021,911	1,203,370	1,322,052
Charges for Services	356,650	427,269	328,019	354,680
Indirect Charges	-	-	-	322,000
Rents and Royalties	320,907	325,220	307,987	154,220
Investment Income	231,090	161,897	174,833	94,521
Other	8,072	51,730	461,264	1,812,082
Total Revenues	15,843,277	17,723,667	21,384,363	23,210,597
Expenditures				
General Government	5,987,892	5,581,346	6,168,281	6,700,704
Public Safety	7,504,468	7,594,737	6,816,444	6,215,932
Highways and streets	1,444,530	1,204,634	2,677,491	2,635,007
Capital Outlay	832,181	2,149,953	2,699,004	6,522,394
Debt service:				
Issuance Cost	-	-	-	-
Principal Retirement	773,329	800,825	824,885	998,944
Interest on Long-Term Debt	252,475	228,857	204,477	216,131
Total Expenditures	16,794,875	17,560,352	19,390,582	23,289,112
Excess of Revenues Over (Under) Expenditures	(951,598)	163,315	1,993,781	(78,515)
Other Financing Sources (Uses)				
Transfers in	2,584,469	3,481,659	6,293,189	9,685,071
Transfers out	(2,427,629)	(3,481,659)	(6,293,189)	(4,769,894)
Issuance of Long-term Debt	-	-	-	450,000
Premium on Issuance of Long-Term Debt	-	-	-	-
Payments on Escrow Agent	-	-	-	-
Payments on Capital Leases	-	-	-	-
Proceeds from Capital Leases	-	167,714	-	-
Total Other Financing Sources and (Uses)	156,840	167,714	-	5,365,177
Net Change in Fund Balances	<u>\$ (794,758)</u>	<u>\$ 331,029</u>	<u>\$ 1,993,781</u>	<u>\$ 5,286,662</u>
Debt Service as a Percentage of Noncapital Expenditures	6.6%	6.4%	6.0%	7.3%

2015	2016	2017	2018	2019	2020
\$ 15,602,093	\$ 15,699,670	\$ 18,576,603	\$ 20,565,163	\$ 23,086,133	\$ 23,603,226
4,074,853	4,393,807	4,712,850	4,825,303	4,914,274	5,278,968
2,085,650	3,697,261	2,364,100	2,881,561	3,404,559	1,763,211
1,426,883	2,071,846	2,285,398	2,712,910	2,823,054	3,232,232
259,689	261,829	-	309,900	406,865	308,938
-	-	-	-	-	-
158,410	159,360	307,779	123,101	101,924	77,496
91,159	274,390	185,141	250,226	1,330,269	1,313,248
520,978	579,469	118,706	1,190,577	475,574	316,374
24,219,715	27,137,632	28,550,577	32,858,741	36,542,652	35,893,693
6,963,210	7,794,295	7,925,090	9,159,411	10,116,904	10,016,895
7,291,649	8,972,593	13,930,804	8,883,377	17,366,356	11,148,102
3,014,861	2,786,005	2,860,702	4,372,002	3,258,493	1,869,376
8,080,876	2,737,601	3,924,736	3,223,563	2,619,549	3,820,224
-	125,697	-	-	-	137,600
1,114,569	1,155,556	1,022,598	1,008,389	1,123,998	1,365,000
181,221	189,558	226,133	180,369	145,596	112,927
26,646,386	23,761,305	29,890,063	26,827,111	34,630,896	28,470,124
(2,426,671)	3,376,327	(1,339,486)	6,031,630	1,911,756	7,423,569
6,593,422	4,831,055	6,446,038	9,018,440	9,403,807	9,238,625
(6,641,498)	(4,881,055)	(6,111,838)	(8,834,240)	(9,403,807)	(9,238,625)
-	7,880,000	-	-	-	8,140,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(48,076)	7,830,000	334,200	184,200	-	8,140,000
\$ (2,474,747)	\$ 11,206,327	\$ (1,005,286)	\$ 6,215,830	\$ 1,911,756	\$ 15,563,569
6.9%	6.4%	4.7%	5.0%	3.5%	5.3%



TOWN OF PARADISE VALLEY
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Sales & Use Tax	Occupancy	Franchise	Total
2011	5,543,814	2,400,955	1,007,634	8,952,403
2012	8,103,896	2,523,288	1,055,473	11,682,657
2013	9,235,643	2,727,892	1,061,725	13,025,260
2014	10,300,810	2,835,515	1,061,660	14,197,985
2015	11,447,385	3,117,450	1,037,258	15,602,093
2016	11,345,902	3,207,626	1,146,142	15,699,670
2017	13,818,317	3,701,739	1,056,547	18,576,603
2018	14,833,522	4,443,281	1,288,360	20,565,163
2019	16,964,383	4,847,777	1,273,973	23,086,134
2020	18,346,804	4,003,739	1,252,683	23,603,226

Source: Finance Department

TOWN OF PARADISE VALLEY
LOCAL TAXES COLLECTED BY CATEGORY
LAST TEN FISCAL YEARS

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

Source: Arizona Department of Revenue

2015	2016	2017	2018	2019	2020
\$ 922,244	\$ 965,755	\$ 957,578	\$ 1,019,237	\$ 954,873	\$ 966,974
3,049,241	3,181,485	4,327,639	4,762,342	5,718,854	7,566,098
135,788	158,886	44,432	42,372	33,311	23,384
724,235	856,216	2,082,847	3,682,628	4,277,634	5,048,564
375,473	341,602	397,083	523,693	747,190	593,466
4,981,595	4,931,846	5,287,561	4,405,605	4,935,524	3,879,600
333,592	313,346	13	2	(96)	-
925,217	596,766	721,164	397,643	297,095	268,718
<u>\$ 11,447,385</u>	<u>\$ 11,345,902</u>	<u>\$ 13,818,317</u>	<u>\$ 14,833,522</u>	<u>\$ 16,964,383</u>	<u>\$ 18,346,804</u>
<u>\$ 3,117,450</u>	<u>\$ 3,207,626</u>	<u>\$ 3,701,739</u>	<u>\$ 4,443,281</u>	<u>\$ 4,847,777</u>	<u>\$ 4,003,739</u>

TOWN OF PARADISE VALLEY
DIRECT & OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Privilege (Sales) Tax Rates

FISCAL YEAR	Maricopa County		State Rate	Total
	Town Rate	Rate		
2011	1.65%	0.70%	6.60%	8.95%
2012	2.50%	0.70%	6.60%	9.80%
2013	2.50%	0.70%	5.60%	8.80%
2014	2.50%	0.70%	5.60%	8.80%
2015	2.50%	0.70%	5.60%	8.80%
2016	2.50%	0.70%	5.60%	8.80%
2017	2.50%	0.70%	5.60%	8.80%
2018	2.50%	0.70%	5.60%	8.80%
2019	2.50%	0.70%	5.60%	8.80%
2020	2.50%	0.70%	5.60%	8.80%

Use Tax Rates

FISCAL YEAR			State Rate	Total
	Town Direct Rate	County Rate		
2011	1.65%	0.00%	6.60%	8.25%
2012	2.50%	0.00%	6.60%	9.10%
2013	2.50%	0.00%	5.60%	8.10%
2014	2.50%	0.00%	5.60%	8.10%
2015	2.50%	0.00%	5.60%	8.10%
2016	2.50%	0.00%	5.60%	8.10%
2017	2.50%	0.00%	5.60%	8.10%
2018	2.50%	0.00%	5.60%	8.10%
2019	2.50%	0.00%	5.60%	8.10%
2020	2.50%	0.00%	5.60%	8.10%

Bed Tax Rates

FISCAL YEAR			State Rate	Total
	Town Direct Rate	County Rate		
2011	3.40%	1.77%	6.50%	11.67%
2012	3.40%	1.77%	6.50%	11.67%
2013	3.40%	1.77%	5.50%	10.67%
2014	3.40%	1.77%	5.50%	10.67%
2015	3.40%	1.77%	5.50%	10.67%
2016	3.40%	1.77%	5.50%	10.67%
2017	3.40%	1.77%	5.50%	10.67%
2018	3.40%	1.77%	5.50%	10.67%
2019	3.40%	1.77%	5.50%	10.67%
2020	3.40%	1.77%	5.50%	10.67%

: Maricopa County Treasurer

TOWN OF PARADISE VALLEY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities					
	Excise Tax Revenue	Note Payable	Capital Leases	Excise Tax Revenue	Note Payable	Total Primary Government	Per Capita	Population	
	Bonds			Bonds					
2011	\$ 6,708,790	\$ -	\$ 798,457	\$ 3,050,815	\$ 2,234,778	\$ 12,792,840	998	12,820	
2012	5,874,058	-	599,774	2,671,221	1,824,454	10,969,507	846	12,972	
2013	5,015,266	-	432,287	2,280,687	1,396,398	9,124,638	696	13,106	
2014	4,132,415	300,000	347,227	1,879,212	950,089	7,608,943	573	13,282	
2015	3,222,068	150,000	259,098	1,465,233	485,153	5,581,552	415	13,457	
2016	10,153,914	-	167,789	1,034,061	-	11,355,764	832	13,653	
2017	9,192,013	-	73,186	596,637	-	9,861,836	708	13,930	
2018	8,188,994	-	-	211,006	-	8,400,000	585	14,355	
2019	7,065,000	-	-	-	-	7,065,000	491	14,400	
2020	13,840,000	-	-	-	-	13,840,000	946	14,637	

Source: Finance Department

TOWN OF PARADISE VALLEY
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (DOLLARS IN THOUSANDS)

Excise Tax Revenue Bonds					
Fiscal Year	Excise Tax *	Principal	Interest	Coverage	
2011	\$ 11,358,227	\$ 1,125,000	\$ 367,288	7.61	
2012	13,769,632	1,165,000	332,938	9.19	
2013	15,527,974	1,200,000	297,463	10.37	
2014	16,889,747	1,235,000	260,938	11.29	
2015	18,475,808	1,275,000	216,913	12.38	
2016	18,610,585	1,330,000	214,382	12.05	
2017	21,709,229	1,350,000	237,635	13.67	
2018	23,728,328	1,290,000	179,875	16.14	
2019	26,261,153	1,335,000	137,632	17.83	
2020	26,980,975	1,365,000	107,864	18.32	

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

Source: Finance Department

TOWN OF PARADISE VALLEY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County Special Health Care District	\$ 429,125,000	2.12%	\$ 9,097,450
Maricopa County Community College District	250,065,000	2.12%	5,301,378
East Valley Institute of Technology District No. 401	none	4.61%	-
Creighton Unified School District No. 14	47,520,000	13.26%	6,301,152
Scottsdale Unified School District No. 48	259,600,000	15.33%	39,796,680
Phoenix Union High School District No. 210	394,405,000	1.14%	4,496,217
Subtotal, overlapping debt			<u>64,992,877</u>
Town direct debt	13,840,000	100.00%	<u>13,840,000</u>
Total direct and overlapping debt			<u><u>\$ 78,832,877</u></u>

Source: Stifel, Nicolaus & Company, Inc.

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

TOWN OF PARADISE VALLEY
POPULATION STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Median Household Income	Per Capita Income
2011	12,820	(a)	(a)
2012	12,972	(a)	(a)
2013	13,106	(a)	(a)
2014	13,282	(a)	(a)
2015	13,457	(a)	(a)
2016	13,653	(a)	(a)
2017	13,930	(a)	(a)
2018	14,355	(a)	(a)
2019	14,400	(a)	(a)
2020	14,637	(a)	(a)

Source: US Census Bureau & Arizona Economic Estimates Commission

Source: Median household income & 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
PRINCIPAL EMPLOYERS
2019 and 2009

	2019			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Camelback Inn	628	1	14.9%	860	1	19.2%
Omni Scottsdale Resort & Spa (Formerly InterContinental Montelucia Resort & Joya Spa)	351	2	8.3%	300	4	6.7%
Sanctuary on Camelback Mountain	324	3	7.7%	357	3	8.0%
Scottsdale Plaza Resort	279	4	6.6%	392	2	8.7%
Hermosa Inn	202	5	4.8%	92	9	2.0%
Mountain Shadows	190	6	4.5%			
Double Tree Paradise Valley Resort	160	7	3.8%	180	5	4.0%
Phoenix Country Day School	148	8	3.5%	155	6	3.5%
Paradise Valley Country Club	122	9	2.9%	141	7	3.1%
Town of Paradise Valley	112	10	2.6%			
Scottsdale Cottonwoods Hotel				99	8	2.2%
Early Learning Childhood Center				90	10	2.0%
Total	<u>2,516</u>		<u>59.5%</u>	<u>2,666</u>		<u>59.4%</u>
Total Town Employment	4,227			4,489		

Source: Maricopa Association of Governments 2019 Employer Database

Note: 2019 and 2009 is the most recent information available.

TOWN OF PARADISE VALLEY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Town Manager	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	7.0	7.0
Town Attorney	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0
Finance	7.0	4.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5
Information Technology	-	-	-	3.0	3.0	3.0	3.0	4.0	5.0	5.0
Community Development	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	9.0	10.0
Municipal Court	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0	7.0	7.0
Engineering	1.0		1.0	3.0	3.0	4.0	4.0	4.0	5.0	6.0
Public Works	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Police:										
Sworn	23.0	25.0	27.0	27.0	33.0	33.0	33.0	34.0	34.0	34.0
Civilians	13.0	9.0	7.0	12.0	8.0	8.0	8.0	10.0	15.0	15.0
Highways and Streets	12.0	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Sewer System	1.0	1.0	1.0	-	-	-	-	-	-	-
Alarm Monitoring System	1.0	1.0	1.0	-	-	-	-	-	-	-
Total	83.0	76.0	79.0	84.0	86.0	87.0	87.0	94.0	103.0	105.5

Source: Finance Department Budget Document

TOWN OF PARADISE VALLEY
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Building Permits Issued	536.0	517.0	559.0	638.0	615.0	706.0	649.0	667.0	659.0	708.0
Value of Building Permits Issued	\$ 59,607,205	\$ 68,448,551	\$ 74,147,285	\$ 85,481,811	\$ 88,396,985	\$ 142,370,728	\$ 122,718,034	\$ 181,737,513	\$ 221,618,999	\$ 231,442,549
Police:										
Physical Arrests	199	258	218	378	456	206	351	336	565	268
Parking Violations	1,142	1,199	445	529	567	408	362	162	134	159
Traffic Violations	2,049	1,995	1,914	2,399	1,940	1,829	3,036	5,532	6,395	3,162
Other Public Works:										
Street Resurfacing (Miles)		7	19.8	12.8	27.9	27.9	26.4	19.4	18.7	14.2
Potholes Repaired	23	10	11	14	18	10	7	13	19	62
Sewer System										
Number of Customers	2,094	2,095	2,115	2,136	2,165	2,162	2,173	2,191	2,210	2,252

Source: Town of Paradise Valley

TOWN OF PARADISE VALLEY
CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol & Detective Vehicles	25	25	24	24	20	20	20	20	20	20
Fire Service:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Pumpers, Support Vehicles	3	3	3	3	3	3	3	3	3	3
Other Public Works:										
Streets (Miles)	140	140	140	147	147	147	147	147	147	148
Traffic Signals	12	12	12	12	12	12	12	12	12	12
Wastewater:										
Sanitary Sewers (Feet)	325,029	325,029	326,349	326,349	326,649	327,624	327,624	327,624	327,624	327,624
Treatment Capacity (Thousands of Gallons)	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026	1,026

Source: Finance Department

Compliance Section





INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Paradise Valley's basic financial statements, and have issued our report thereon dated .

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Henry + Horne, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona
November 13, 2020

TOWN OF PARADISE VALLEY
SUMMARY OF AUDITORS' RESULTS
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

____yes Xno

____yes Xnone reported

Noncompliance material to financial statements noted?

____yes Xno



TOWN OF PARADISE VALLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SECTION II – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

The findings from the June 30, 2019 report are discussed below.

MATERIAL WEAKNESS: Restatement of Beginning Net Position

CONDITION/CONTEXT

An error was made in the June 30, 2018 issued financial statements that required a restatement to the beginning net position for July 1, 2018. In the prior year, the Town made pension contributions to the public safety personnel retirement system in excess of the required contributions; however, the excess contribution was recognized as an expense in the governmental activities and should have been reported as a deferred outflow of resources.

RECOMMENDATION

It was recommend the management review the summary of pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense and reconcile the recorded pension activity to the reports provided by the public safety personnel retirement system and to the contributions recorded as an expenditure at the fund level financial statements. Any variances should be investigated and resolved to prevent and detect a similar error in the future.

CURRENT STATUS

CORRECTED: Management has recorded all pension contributions to the public safety personnel retirement system in excess of the required contributions as an expenditure to the fund financial statements and a deferred outflow of resources in the government-wide financials statements. Management has also put a process in place to identify any excess contributions made to the public safety personnel retirement system.

TOWN OF PARADISE VALLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
Year Ended June 30, 2020

SIGNIFICANT DEFICIENCY: Information Technology User Access Rights

CONDITION/CONTEXT

Maintaining segregation of duties and limiting user access rights will mitigate the threat of management override of controls over financial reporting.

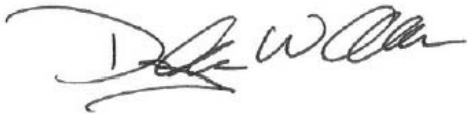
RECOMMENDATION

It was recommended to the Town that user access rights should be limited to those functions necessary to perform each employee's job function. Additionally, the Town should ensure user access rights are segregated so an individual does not have access to create, post, alter, and review transactions.

CURRENT STATUS

CORRECTED: Management has limited user access to functions only necessary to each employee's job functions.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. W. Allen", with a stylized flourish underneath.

Douglas W Allen
Chief Financial Officer
Town of Paradise Valley

