





DEFINITIONS

Assigned fund balance: Amounts *intended* to be used for specific purposes. Budget appropriations are required in the year to be spent. Future uses are not appropriated (Line 11, budget forms)

Resolution 1240: adopted 9/8/2011; defined fund balances and authorized Town Manager to make “assignments” of fund balance

Reporting: Assigned fund balances are not required to be transferred out of the General fund and are be reported as part of the total General fund balance

Assignments of fund balance for future uses was paused March 2020

LONG-RANGE PLANNING					FLEET
Year	Status	Assigned Annual	Expenditure	Difference	Assigned Balance
2028	Planning	\$ 420,000	\$ (444,826)	\$ (24,826)	\$ 208,898
2027	Planning	420,000	(328,540)	91,460	233,724
2026	Planning	420,000	(386,415)	33,585	142,263
2025	Forecast	420,000	(2,526,009)	(2,106,009)	108,678
2024	Forecast	420,000	(280,111)	139,889	2,214,687
2023	Forecast	420,000	(208,887)	211,113	2,074,798
2022	Budget	420,000	(203,570)	216,430	1,863,685
2021	Projected	840,000	(40,245)	799,755	1,647,255
2020	Audited	-	-	-	847,500
CPI for expenditures; reassessed annually					

TYPES OF ASSIGNED BALANCES

Balances in 2020 CAFR, from 2019 and prior Budgets:

- Facilities,
- Fleet (replacement, not repairs),
- Street maintenance,
- Debt series 2016 (1-yr, unused proceeds)

NEW for 2020 Adopted Budget, but paused:

- Major equipment (IT and PD),

Additions identified during the 2021 fiscal year:

- Debt series 2020 (1-year payment),
- PSPRS Reserve (90%+ funded ratio)

Below: Two examples of long-range and assignment plans

LONG-RANGE PLANNING					PAVEMENT PRESERVATION
Year	Status	Assigned Annual	Expenditure	Difference	Assigned Balance
2028	Planning	\$ 1,550,000	\$ (1,672,822)	\$ (122,822)	\$ 234,687
2027	Planning	1,550,000	(1,769,916)	(219,916)	357,509
2026	Planning	1,550,000	(2,099,872)	(549,872)	577,425
2025	Forecast	1,550,000	(1,701,487)	(151,487)	1,127,297
2024	Forecast	1,550,000	(1,670,494)	(120,494)	1,278,784
2023	Forecast	1,550,000	(1,578,500)	(28,500)	1,399,278
2022	Budget	1,550,000	(1,536,508)	13,492	1,427,778
2021	Projected	3,100,000	(2,305,000)	795,000	1,414,286
2020	Audited	-	-	-	619,286
CPI for expenditures; reassessed annually					



POLICY UPDATE OPTIONS

Option 1: Current Policy from 4/28/16 – leave intact

The Town desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology.

Option 2: Delete sinking funds policy; follow Resol. 1240

~~The Town desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology~~

Option 3: Change terminology; enhance transparency

The Town **assigns** ~~desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology~~ ***through it’s long-term financial plan(s) and appropriates the expenditures in respective department’s budgets.***

IMPLICATIONS (PRO / CON)

- No policy action required (but need expected implementation date):
- Question of when, how to implement; would need to create and maintain up to 6 new funds; not part of the General fund
 - Sinking fund give sense of finality, tucking money away, restricted
 - Moving money and activity between funds cumbersome
 - May Require consolidation for audit and new note disclosures
 - Spending is **not** excluded from AELR, it is included in year spent

Less complex and more flexible than a series of sinking funds

Assigned balances:

- Can be easily Unassigned if priorities, resources necessitate
- Can be part of the total General fund balance, categorized
- Included on the face of financial statements for audit, not note disclosures (transparency)
- Amounts are audited with the “major funds”

Same as Option 2, plus:

- Added transparency and open for more Council involvement in in the budget process (spending) and validates planned balances (audit – balance sheet).
- Status of financing plan explicitly identified in the financial forecast rooted with the audited CAFR
- Aligns with past and current practices
- Promotes continuity for future TMs and CFOs



POLICY UPDATE OPTIONS

RECOMMENDATION

Option 3a: Change in Terminology

The Town ~~assigns~~ desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology

Recommended – Secondary option
Modify terminology; intent is to plan ahead

Option 3b: Change in Terminology; Enhance Transparency

The Town ~~assigns~~ desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology *through it’s long-term financial plan(s) and appropriates the expenditures in respective department’s budgets.*

Recommended – Primary and preferred option
Modify terminology; planning and reporting transparency

Option 2: Delete sinking funds policy; follow Resol. 1240

The Town ~~desires to develop new sinking funds to accumulate funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology~~

Recommended – Least preferable
Eliminates sinking funds; but loses as set of defined “specific purposes” for TM to use as guide

RESOLUTION 1240: FUND BALANCE

RESOLUTION NUMBER 1240

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA, TO COMPLY WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 54, FUND BALANCE REPORTING GOVERNMENTAL FUND TYPE DEFINITIONS, AND APPOINTMENT

WHEREAS, due to the GASB No. 54 requirement that commitments of fund

BE IT FURTHER RESOLVED, that the Town Council is the highest level of decision-making authority for the Town of Paradise Valley. The formal action that is required to be taken to establish, modify, or rescind fund balance commitments is a resolution approved by the Town Council at a properly called Town Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period, and

BE IT FURTHER RESOLVED, that the Town Council of the Town of Paradise Valley has designated the Town Manager or his designee the authority to assign fund balances and determine nonspendable items, and

NOT APPROPRIATED

Two important, separate and concurrent actions: Adopt budget, designate fund balances. Spending requires an appropriated budget. Designating fund balances plans for future needs.

- Budget = Operating statement
- Fund balances = Balance sheet

2020 CAFR Pages 26-27

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

	General	HURF
FUND BALANCES		
Nonspendable		
Prepays	279,519	-
Inventories	40,235	-
Advances to other funds	1,001,623	-
Restricted		
Capital projects	-	-
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	-	-
Unassigned	37,153,444	-
Total fund balances	40,838,321	619,287

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

	General	HURF	Capital Projects Fund	Other Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 37,579,709	\$ 593,087	\$ 12,065,217	\$ -	\$ 2,691,381	\$ 52,929,394
Receivables (net of allowances):						
Accounts receivable	534,187	-	939,910	-	2,762	1,476,859
Intergovernmental	2,080,384	73,902	-	-	-	2,154,286
Court fines receivable	240,750	-	-	-	-	240,750
Interest receivable	141,470	-	-	-	-	141,470
Prepays	279,519	-	-	-	-	279,519
Advances to other funds	1,001,623	-	-	-	-	1,001,623
Inventories	40,235	-	-	-	-	40,235
Restricted cash and investments	3,242,726	-	10,273	8,002,654	48,165	11,303,818
Total assets	\$ 45,140,603	\$ 666,989	\$ 13,015,400	\$ 8,002,654	\$ 2,742,308	\$ 69,567,954
LIABILITIES						
Accounts payable	\$ 367,250	\$ 20,943	\$ 1,001,981	\$ -	\$ 226	\$ 1,390,400
Accrued payroll and related liabilities	359,528	26,759	-	-	-	386,287
Retainages payable	-	-	176,368	-	-	176,368
Interest payable	-	-	-	-	48,165	48,165
Unearned revenue	21,095	-	-	-	49,277	70,372
Customer deposits payable	3,242,726	-	10,273	-	-	3,252,999
Total liabilities	3,990,599	47,702	1,188,622	-	97,668	5,324,591
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	311,683	-	207,653	-	-	519,336
FUND BALANCES						
Nonspendable						
Prepays	279,519	-	-	-	-	279,519
Inventories	40,235	-	-	-	-	40,235
Advances to other funds	1,001,623	-	-	-	-	1,001,623
Restricted						
Capital projects	-	-	-	8,002,654	-	8,002,654
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
Assigned						
Highways and streets	-	619,287	-	-	-	619,287
Debt service	-	-	-	-	1,328,478	1,328,478
Contributions and donations	-	-	-	-	5,736	5,736
Facilities	1,516,000	-	-	-	-	1,516,000
Fleet replacement	847,500	-	-	-	-	847,500
Capital projects	-	-	11,619,125	-	-	11,619,125
Unassigned	37,153,444	-	-	-	-	37,153,444
Total fund balances	40,838,321	619,287	11,619,125	8,002,654	2,644,640	63,724,027
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,140,603	\$ 666,989	\$ 13,015,400	\$ 8,002,654	\$ 2,742,308	\$ 69,567,954

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

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

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

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

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

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

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

RESOLUTION 1240

RESOLUTION NUMBER 1240

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA, TO COMPLY WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 54, FUND BALANCE REPORTING GOVERNMENTAL FUND TYPE DEFINITIONS, AND APPOINTMENT

WHEREAS, due to the GASB No. 54 requirement that commitments of fund balances should occur before year end, governments will not be able to report anything other than nonspendable, restricted, and assigned governmental fund balances, unless the body that is their highest level of decision making authority acts before year end to establish committed fund balances; and

WHEREAS, the body that is the highest level of decision making authority of a government shall delegate person(s) the authority to assign fund balances, and

WHEREAS, to improve how fund balance information is reported and to enhance its decision usefulness, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in February 2009, to become effective for the period beginning after June 15, 2010, and

WHEREAS, it is recommended that the Town Manager or his designee should be delegated the authority to assign fund balances and determine nonspendable items; and

WHEREAS, it is recommended that the total of assigned, unassigned, and non-spendable fund balance in the General Fund be equal to at least 100% of expenditures budgeted for the following fiscal year; and

RESOLUTION 1240

WHEREAS, it is recommended that all special revenue funds should have the designation of restricted or committed fund balance and

WHEREAS, it is recommended that all capital project funds and debt service funds should have the designation of restricted, committed or assigned fund balance and

WHEREAS, it is recommended that general fund non-lapsing balances should have the designation of assigned fund balance.

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA that the Town Council adopt the following fund balance definitions, all being consistent with GASB Statement No. 54.

Fund Equity - A fund's equity is the difference between its assets and its liabilities.

Fund Balance - An accounting distinction is made between the portions of fund equity that is spendable and nonspendable. Fund balance is reported in the following five categories:

1) **Nonspendable fund balance** - Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables such as long-term loan and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned). This also includes amounts that are legally or contractually required to be maintained intact, such as an endowment fund.

2) **Restricted fund balance** - Constraints placed on the use of amounts are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling

RESOLUTION 1240

1 legislation.

2 **3) Committed fund balance** - Includes amounts that are committed for specific

3 purposes by formal action of the Town Council. Amounts classified as “committed”

4 are not subject to legal enforceability like restricted fund balance; however, those

5 amounts cannot be used for any other purpose unless the Town Council removes or

6 changes the limitation by taking the same form of action it employed to previously

7 impose the limitation. The action to commit fund balances must occur prior to year

8 end; however, actual amounts can be determined in the subsequent period.

9 **4) Assigned fund balance** - Amounts that are intended by the Town to be used for

10 specific purposes, but are neither restricted nor limited, should be reported as

11 assigned fund balance. Intent should be expressed by the Town Council itself or a

12 subordinate high-level body or official possessing the authority to assign amounts to

13 be used for specific purposes in accordance with policy established by the Town

14 Council. This would include any activity reported in a fund other than the General

15 Fund that is not otherwise restricted more narrowly by the above definitions. The

16 Town is not allowed to assign balances that result in a residual deficit.

17 **5) Unassigned fund balance** - Includes any remaining amounts after applying the

18 above definitions (amounts not classified as nonspendable, restricted, committed or

19 assigned). Special rules exist for using this classification in funds other than the

20 General Fund. In funds other than the General Fund unassigned is only used if the

21 balance is negative, therefore, the General Fund is the only fund that will report a

22 positive unassigned balance.

23 **BE IT FURTHER RESOLVED**, that the Town Council is the highest level of

RESOLUTION 1240

1 decision-making authority for the Town of Paradise Valley. The formal action that is

2 required to be taken to **establish, modify, or rescind fund balance commitments** is a

3 **resolution approved by the Town Council** at a properly called Town Council meeting.

4 The resolution must either be approved or rescinded, as applicable, prior to the last day

5 of the fiscal year for which the commitment is made. The amount subject to the

6 constraint may be determined in the subsequent period, and

7 **BE IT FURTHER RESOLVED**, that the Town Council of the Town of Paradise

8 Valley has **designated the Town Manager or his designee the authority to assign fund**

9 **balances and determine nonspendable items**, and

10 **BE IT FURTHER RESOLVED**, that it is the goal of the Town of Paradise Valley

11 to achieve and maintain the total balance in the General Fund equal to at least 90% of

12 expenditures budgeted for the following fiscal year, and

13 **BE IT FURTHER RESOLVED**, that the fund balances for the Special Revenue

14 Funds shall have the designation of restricted or committed fund balance, and

15 **BE IT FURTHER RESOLVED**, that the fund balances for the Capital Projects

16 Fund and the Debt Service Fund shall have the designation of restricted, committed or

17 assigned fund balance, and

18 **BE IT FURTHER RESOLVED**, that when multiple categories of fund balance are

19 available for expenditure (for example, a construction project is being funded partly by a

20 grant funds set aside by the Town, and unassigned fund balance), the Town of Paradise

21 Valley will start with the most restricted category and spend those funds first before

22 moving down to the next category with available funds.

RESOLUTION 1240

FROM FINANCIAL SUMMARY SECTION

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PASSED AND ADOPTED by the Town Council this 8th day of September,


2

2011.

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Scott P. LeMarr, Mayor

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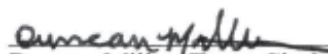
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ATTEST:

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Duncan Miller, Town Clerk

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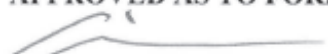
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APPROVED AS TO FORM:


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Andrew M. Miller, Town Attorney



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TOTAL SOURCES, USES and FUND BALANCE	Opening Balance FY2020/21	Fiscal Year 2020/21			Opening Balance FY2021/22
		Total Revenue	Total Expenditures	Net Assigned and Transfers	
1 Operating fund (GF+HURF)					
2 Unassigned	\$37,153,444	\$ 31,894,710	\$(23,307,484)	(4,923,095)	\$40,817,575
3 Assigned to:					
4 Facilities	1,516,000	-	-	(52,200)	1,463,800
5 Fleet	847,500	-	-	799,755	1,647,255
6 Pavement preservation	619,286	-	-	795,000	1,414,286
7 PD Equipment life cycle	-	-	-	55,600	55,600
8 IT Equipment life cycle	-	-	-	180,000	180,000
9 Debt service	-	-	-	2,117,336	2,117,336
10 PSPRS Unfunded Liability	-	-	-	2,000,000	2,000,000
11 Capital improvement program					
12 General fund					
13 Capital projects	11,619,125	4,802,654	(14,952,044)	(1,500,000)	(30,265)
14 Debt service	-	-	(2,208,028)	2,208,028	-
15 Held by trustee					
16 Construction	8,002,654	-	(4,802,654)	-	3,200,000
17 Debt service	1,328,478	-	-	-	1,328,478
18 Grants and donations					
19 Courts	1,209,927	274,546	(110,073)	-	1,374,400
20 All other	83,532	1,768,161	(66,009)	(1,680,424)	105,260
21 Enterprises					
22 Alarm services	536,539	135,731	(147,606)	-	524,664
23 Fire services	2,475,722	3,237,963	(3,347,775)	-	2,365,910
24 Wastewater	(936,109)	2,900,182	(2,921,234)	-	(957,161)
25 TOTAL	\$64,456,098	\$45,013,947	(\$51,862,907)	\$0	\$57,607,138