

# TOWN OF PARADISE VALLEY ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2013







THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2013**

**INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL	1
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	5
ORGANIZATION CHART	6

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	7
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	10
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	19
STATEMENT OF ACTIVITIES	20
BALANCE SHEET – GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	23
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – HIGHWAY USER REVENUE FUND	26
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COURT ENHANCEMENT FUND	27
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	29
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
NOTES TO BASIC FINANCIAL STATEMENTS	32
REQUIRED SUPPLEMENTARY INFORMATION	
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS	55
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET	56

**TOWN OF PARADISE VALLEY, ARIZONA**  
**TABLE OF CONTENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2013**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	57
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	58
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND	59
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – DONATIONS FUND	60
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GRANTS FUND	61
<b>STATISTICAL SECTION (UNAUDITED)</b>	
FINANCIAL TRENDS	
NET POSITION BY COMPONENT	62
CHANGES IN NET POSITION	64
PROGRAM REVENUES BY FUNCTION/PROGRAM	68
FUND BALANCES OF GOVERNMENTAL FUNDS	70
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS	72
REVENUE CAPACITY	
GENERAL GOVERNMENT TAX REVENUES BY SOURCE	74
LOCAL TAXES COLLECTED BY CATEGORY	75
DIRECT AND OVERLAPPING SALES TAX RATES	77
DEBT CAPACITY	
RATIO OF OUTSTANDING DEBT BY TYPE	78
PLEDGED-REVENUE COVERAGE	79
DEMOGRAPHIC AND ECONOMIC INFORMATION	
POPULATION STATISTICS	80
PRINCIPAL EMPLOYERS	81
OPERATING INFORMATION	
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION	82
OPERATING INDICATORS BY FUNCTION	83
CAPITAL ASSETS STATISTICS BY FUNCTION	85

## **INTRODUCTORY SECTION**

THIS PAGE BLANK



December 19, 2013

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

The Comprehensive Annual Financial Report of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2013 is hereby submitted in accordance with State law (Arizona Revised Statutes 9-481). Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Town of Paradise Valley, Arizona's financial statements for the year ended June 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

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

## **PROFILE**

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

Paradise Valley is an Arizona municipal corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town government operates under the Council-Manager form of government. Policy making and legislative authority are vested in the Town Council, which consists of seven Council members. In March 2012, the Mayor was 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. The Town Manager is responsible for implementation of the policies of the Town Council and administering Town operations. The Town Manager appoints all positions except the Town Attorney and Municipal Judges.

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

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### Local Economy

The economy in the Phoenix-metro area continues to gradually improving. The hospitality industry (eight resorts) is the largest source of revenue in the operating budget (General and Highway User Revenue Fund), making up about 36% of operating revenues. In FY 2012-13, direct local sales and bed taxes from the hospitality industry totaled about \$7.1 million, an increase of \$0.5 million, or 8% over the prior year. This represented the second straight annual increase.

The Town's resorts continue to re-invest in themselves to remain a desirable destination. In addition, the former Mountain Shadows resort hotel site, which has been vacant for several years, has made measurable progress towards redevelopment and the new resort site, the Ritz-Carlton, is expected to be developed within the next ten years.

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Because the average construction value of a home in the Town exceeds \$1 million, the recession significantly impacted the luxury home market. However, activity is improving gradually. FY 2012-13 construction sales tax of \$2.3 million was about 30% greater than the prior year. This represents the second annual increase in activity.

Overall, we expect to continue our slow, yet steady, economic recovery, which will result in increased consumer spending, sales tax revenues, and construction activity.

## Operating Reserves

The Town's Financial Policies are intended to help ensure the financial resiliency of the Town. Specifically, the operating budget contains two contingency provisions. The first is an operating contingency of about \$500,000 that was established when the FY 2012-13 budget was adopted. Per policy, this amount is established between 1% and 3% of the annual operating expenses and is funded from current revenues.

The second contingency totals \$14.2 million and is comprised on two components. \$2.8 million is intended for emergencies, funded by unassigned fund balance. Per policy, this amount is to be at least equal to 15% of annual operating expenses. The second component of \$11.4 million is intended for significant revenue loss or catastrophic events. Per policy, the combination of the two components must be at least 90% but not more than 110% of annual operating expenses and is funded from unassigned fund balance. The \$15.2 million represents 96% of annual operating expenses. In FY 2011-12, this amount was funded at 110%. The decision to reduce the funded percentage in FY 2012-13 was done so to transfer funds the Capital Improvements Fund to fund priority capital projects.

## Major Initiatives

Effective August 1, 2011, the Town implemented a temporary sales tax rate increase from 1.65% to 2.50%. The increase is scheduled to sunset on August 1, 2014 and was implemented to address the decreased revenues caused by the Great Recession. The increase yielded a total of about \$3.1 million in FY 2012-13 across all sales tax categories.

During the fiscal year, the Town implemented a new fire/EMS fee effective January 1, 2013. The fee will generate approximately \$3 million per year and was designed to recover the costs of providing fire/EMS services within the Town. A new fund was established to account for this activity.

## **NEXT YEAR'S BUDGET**

The FY 2013-14 budget increased resources in public safety for increased staffing and technology initiatives, tourism promotion, and fully funds the street maintenance program. It implements an employee merit pay system and address healthcare costs. It also continues an aggressive Capital Improvement Plan (CIP) and creates a dedicated CIP funding source.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Paradise Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the fourth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Scott McCarty, CPA  
Finance Director



Government Finance Officers Association

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

Presented to

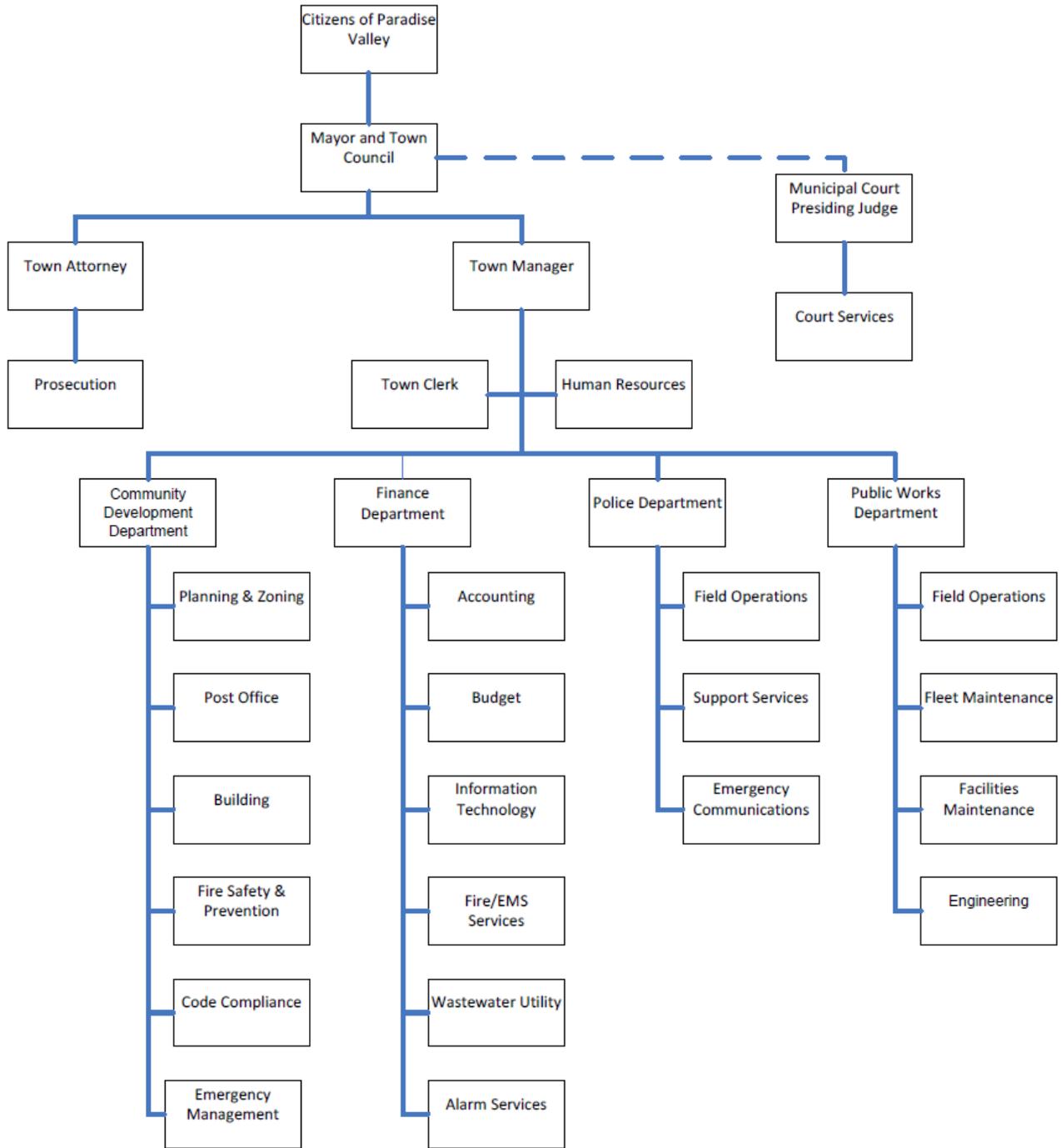
**Town of Paradise Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

TOWN OF PARADISE VALLEY, ARIZONA  
**ORGANIZATIONAL CHART**  
 JUNE 30, 2013



## **FINANCIAL SECTION**

THIS PAGE BLANK

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund, HURF Fund, and Court Enhancement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and on pages 10 – 18 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

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

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
December 19, 2013

THIS PAGE BLANK

## **REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal years 2013 and 2012 are as follows:

- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year 2013 and 2012 by \$121.3 million and \$117.6 million (net position), respectively. Of these amounts, \$26.3 million and \$28.4 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net position increased by \$3.7 million and increased by \$0.7 million during fiscal years 2013 and 2012, respectively.
- ◆ As of June 30, 2013 and 2012, the Town's governmental funds reported combined ending fund balances of \$27.0 million and \$25.0 million, respectively, which were comprised of mostly restricted, assigned, and unassigned fund balances.
- ◆ At the close of fiscal year 2013, unassigned fund balance for the General Fund was \$14.2 million, or 111% of actual operating expenses. At the close of the fiscal year 2012, the unassigned fund balance for the General Fund was \$14.4 million, or 110% of operating expenses.
- ◆ During fiscal year 2013, the Town's total bonded debt decreased by \$1.2 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Government-Wide Financial Statements**

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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

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

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

The government-wide financial statements can be found beginning on page 19 of this report.

**Fund Financial Statements**

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The Town maintains several individual governmental funds organized according to their type (general fund, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Court Enhancement Fund, Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in a separate section of this report. The basic governmental fund financial statements begin on page 21 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 28 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to basic financial statements begin on page 32 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 55 of this report.

**Combining Statements**

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

**Government-Wide Financial Analysis**

**Net Position**

While this document contains information about the funds used by the Town to provide services to our citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the Town, as a whole, did financially throughout the year. These statements include all assets and liabilities 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's revenues and expenses regardless of when the cash is received or paid.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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

Net position may serve as a useful indicator of a government's financial position. For the Town, net position was \$121.3 million and \$117.6 million at the close of the fiscal year 2013 and 2012 respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current and Other Assets	\$ 29,838,113	\$ 28,491,582	\$ 7,364,528	\$ 6,626,455	\$ 37,202,641	\$ 35,118,037
Capital Assets						
Non-Depreciable	42,894,468	44,454,409	17,203,392	14,349,766	60,097,860	58,804,175
Depreciable (Net)	25,322,788	31,427,304	12,605,296	7,438,505	37,928,084	38,865,809
Total Assets	<u>98,055,369</u>	<u>104,373,295</u>	<u>37,173,216</u>	<u>28,414,726</u>	<u>135,228,585</u>	<u>132,788,021</u>
<b>LIABILITIES</b>						
Other Liabilities	2,430,086	2,793,961	1,393,840	519,748	3,823,926	3,313,709
Non-Current Liabilities:						
Due Within One Year	1,519,787	1,515,881	848,686	821,155	2,368,473	2,337,036
Due in More Than						
One Year	4,858,677	5,806,611	2,829,301	3,682,498	7,687,978	9,489,109
Total Liabilities	<u>8,808,550</u>	<u>10,116,453</u>	<u>5,071,827</u>	<u>5,023,401</u>	<u>13,880,377</u>	<u>15,139,854</u>
<b>Net Position</b>						
Net Investment in Capital Assets	67,784,969	69,407,881	26,131,603	17,292,596	93,916,572	86,700,477
Restricted	608,907	1,221,024	567,431	1,362,476	1,176,338	2,583,500
Unrestricted	20,852,943	23,627,937	5,402,355	4,736,253	26,255,298	28,364,190
Total Net Position	<u>\$ 89,246,819</u>	<u>\$ 94,256,842</u>	<u>\$ 32,101,389</u>	<u>\$ 23,391,325</u>	<u>\$ 121,348,208</u>	<u>\$ 117,648,167</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 \$93.9 million (77%) and \$86.7 million (74%) for the fiscal years 2013 and 2012, 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, \$1.2 million (1%) for fiscal year 2013 and \$2.6 million (2%) for fiscal year 2012, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2013 and 2012, \$26.3 million (22%) and \$28.4 million (24%) 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.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Changes in Net Position**

The Town's net position increased by \$3.7 million and increased by \$0.7 million during the fiscal years 2013 and 2012 respectively. These changes are explained in the government and business-type activities discussion below.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,322,452	\$ 2,844,471	\$ 4,038,899	\$ 2,545,645	\$ 8,361,351	\$ 5,390,116
Operating Grants and Contributions	763,844	746,903	-	-	763,844	746,903
Capital Grants and Contributions	118,064	27,321	198,000	-	316,064	27,321
General Revenues:						
Local Taxes	13,025,260	11,682,657	-	-	13,025,260	11,682,657
State Shared Revenues	2,787,951	2,495,379	-	-	2,787,951	2,495,379
Investment Income	174,833	161,897	8,911	38,238	183,744	200,135
Total Revenues	<u>21,192,404</u>	<u>17,958,628</u>	<u>4,245,810</u>	<u>2,583,883</u>	<u>25,438,214</u>	<u>20,542,511</u>
<b>EXPENSES</b>						
General Government	7,289,224	7,708,607	-	-	7,289,224	7,708,607
Public Safety	7,055,389	7,628,580	-	-	7,055,389	7,628,580
Highways and Streets	3,346,762	2,076,040	-	-	3,346,762	2,076,040
Interest and Fiscal Charges	282,387	239,802	-	-	282,387	239,802
Sewer System	-	-	2,264,536	2,111,254	2,264,536	2,111,254
Fire Service	-	-	1,414,177	-	1,414,177	-
Alarm Monitor System	-	-	85,698	108,520	85,698	108,520
Total Expenses	<u>17,973,762</u>	<u>17,653,029</u>	<u>3,764,411</u>	<u>2,219,774</u>	<u>21,738,173</u>	<u>19,872,803</u>
<b>CHANGES IN NET POSITION BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>						
Special Item - Capital Asset moved to Business-Type Activities	3,218,642	305,599	481,399	364,109	3,700,041	669,708
Special Item - Capital Asset moved to Business-Type Activities	(8,228,665)	-	8,228,665	-	-	-
<b>CHANGES IN NET POSITION</b>	<u>(5,010,023)</u>	<u>305,599</u>	<u>8,710,064</u>	<u>364,109</u>	<u>3,700,041</u>	<u>669,708</u>
Net Position - Beginning of Year	94,256,842	93,951,243	23,391,325	23,027,216	117,648,167	116,978,459
<b>NET POSITION- END OF YEAR</b>	<u>\$ 89,246,819</u>	<u>\$ 94,256,842</u>	<u>\$ 32,101,389</u>	<u>\$ 23,391,325</u>	<u>\$ 121,348,208</u>	<u>\$ 117,648,167</u>

*Governmental Activities* – In fiscal year 2013, governmental activities decreased the net position of the Town by \$5.0 million. Total revenues increased \$3.2 million (18%) from fiscal year 2012. Local taxes increased by \$1.3 million (11%) primarily due to an improved economy which included increased consumer spending. Fines, Fees, and Charges for Services increased \$1.5 million (52%) as a result of recognizing previously deferred revenue within the Court Enhancement Fund as revenue in the current fiscal year. The largest reason for the decrease in net position was due to a special item that was incurred during fiscal year 2013. The Town transferred assets relating to fire service operations from the governmental activities to establish a new enterprise fund for \$8.2 million.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

State shared revenues increased about \$0.3 million (12%) compared to fiscal year 2012. The increase was mainly due to an increase of Urban Revenue Sharing funding.

Capital Grants and Contributions increased \$90,743 due to the Town receiving monies for the Bill Keane memorial statue.

Expenses increased about \$0.3 million, or 2%. However, General governmental spending and Public Safety spending decreased by \$1.0 million due to the establishment of the Fire Services Fund midway through the fiscal year. Therefore, expenditures that were originally recorded in the General Fund are now being recorded in the Fire Service Fund. Expenditures in the Highways and Streets function increased \$1.3 million due to several streets maintenance projects that were ongoing in the current fiscal year.

*Business-Type Activities* – Business-type activities increased the Town's net position by \$8.7 million in fiscal year 2013. The most significant reason for the increase in net position was due to a special item that occurred during fiscal year 2013. The Town transferred assets relating to fire service operations from the governmental activities to establish a new enterprise fund for \$8.2 million. Income from operations of the Sewer and Alarm Fund did not significantly change from the prior year, however, with the establishment of the new Fire Service Fund, charges for services increased \$1.5 million in connection with fees charged to citizens for the establishment of this fund and the related activities. Corresponding with an increase in revenues, expenditures within the Business-Type Activities increased \$1.5 million due to the establishment of the new Fire Service Fund.

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

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$27.0 million, an increase of \$2.0 million, or 8% higher in comparison with the prior year. The combined ending fund balances for fiscal year 2012 were \$25.0 million.

The General Fund is the chief operating fund of the Town. At June 30, 2013, the unassigned fund balance of the General Fund was \$14.2 million, or 53% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2012 was \$14.4 million, or 58% 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 \$14.2 million represents 111% of General Fund expenditures.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The General Fund Balance increase of \$0.7 million from fiscal year 2012 is the result of increased revenues due to an improving economy, management's commitment to keep operating and departmental expenditures down and transfers out to the Capital Improvement Fund for the unassigned fund balance.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The restricted fund balance at June 30, 2013 was eliminated as a result of a transfer in from the General Fund for \$0.8 million to pay for streets related capital projects. The ending fund balance of \$16,025 in the HURF Fund is nonspendable to pay for prepaid expenditures.

The Court Enhancement Fund restricted fund balance increased \$0.5 million as a result of recognizing revenue in the current year for prior year monies received to pay for court improvements. Additionally, in the current year, the Town had ongoing costs relating to the construction of the new court building. An advance from the General Fund was also established to supplement the court construction costs for \$0.9 million.

Transfers of \$5.5 million were made to the Capital Projects Fund from the General Fund and the Court Enhancement Fund to fund current and future capital projects.

The Debt Service Fund decreased \$1.0 million as a result of a principal and interest payments made on existing debt.

The nonmajor governmental funds reported an increase in fund balance of \$6,808.

*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 \$4.8 million for the Sewer System, \$0.3 million for the Fire Services and \$0.3 for the Alarm Monitor System.

The total growth in net position for the enterprise funds was \$8.7 for fiscal year 2013. The most significant factor for the growth was the establishment of the Fire Service Fund which was a direct result of the \$8.2 million transfer from the Governmental Activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly local sales taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Actual revenues of about \$18.9 million exceeded the \$18.3 million final budget amount by \$0.6 million, or 3%. The \$0.6 million variance is spread across several revenue categories such as sales tax and licenses and permits.

The \$12.8 million of actual expenditures were 94% of the final budget and \$0.6 million contingency remained. All expenditures were within the departmental budgets.

Actual revenues exceeded expenses by \$6.1 million which was better than the \$4.6 million excess reflected in the final revised budget. Again, the improved performance is the result of sales tax revenues explained above.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2013 and 2012 amount to \$98.0 million and \$97.7 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$0.4 million, due primarily to an increase in equipment purchases and building projects during the fiscal year. Capital assets include land and improvements, building and improvements, sewer systems, sewer capacity rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.4 to the Financial Statements for further information regarding capital assets. The following page provides a summary of 2013 and 2012 assets, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Improvements	\$ 42,481,775	\$ 45,416,351	\$ 2,853,626	\$ -	\$ 45,335,401	\$ 45,416,351
Infrastructure	20,468,763	21,023,512	-	-	20,468,763	21,023,512
Buildings and Improvements	2,285,470	7,388,072	4,778,716	-	7,064,186	7,388,072
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	7,389,773	7,434,219	7,389,773	7,434,219
Machinery, Furniture and Fixtures, Equipment and Vehicles	1,660,242	2,026,457	436,807	4,286	2,097,049	2,030,743
Construction In Progress	1,321,006	27,321	-	-	1,321,006	27,321
<b>Total Capital Assets</b>	<b>\$ 68,217,256</b>	<b>\$ 75,881,713</b>	<b>\$ 29,808,688</b>	<b>\$ 21,788,271</b>	<b>\$ 98,025,944</b>	<b>\$ 97,669,984</b>

The most significant capital asset acquisitions during the fiscal year were for several technology upgrades which were completed to better communicate with Town residents and make information more accessible. Additionally, there are many capital projects at various stages of construction at June 30, 2013. These projects include the construction of a new court facility, street and sidewalk improvements, and more technology upgrades.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Debt Administration**

At the end of the fiscal years 2013 and 2012, the Town had total long-term obligations outstanding of \$10.1 million and \$11.8 million respectively. Of these amounts, \$7.0 million and \$8.2 million respectively are for the 2009 Municipal Property Corporation Excise Tax Refunding Bonds. The Town refunded its 1998 Municipal Property Corporation bonds and capital leases in fiscal year 2009 to take advantage of favorable interest rates. Additional information on the Town's long-term obligations can be found in Note 3.F. Long-term Obligations to the Financial Statements.

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ 4,811,827	\$ 5,636,712	\$ 2,188,173	\$ 2,563,288	\$ 7,000,000	\$ 8,200,000
Bond Premium	203,439	237,346	92,514	107,933	295,953	345,279
Note Payable	-	-	1,396,398	1,824,454	1,396,398	1,824,454
Capital Lease	432,287	599,774	-	-	432,287	599,774
Compensated Absences	930,911	848,660	902	7,978	931,813	856,638
Total Outstanding Debt	<u>\$ 6,378,464</u>	<u>\$ 7,322,492</u>	<u>\$ 3,677,987</u>	<u>\$ 4,503,653</u>	<u>\$ 10,056,451</u>	<u>\$ 11,826,145</u>

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

The Town continues to maintain strong unassigned fund balances for unforeseen emergencies or opportunities. The Town's reserves, in combination with our consistent adherence to adopted financial policies and management practices, were a factor in the Town's AAA issuer credit rating awarded by Moody's Investor Services. The Town has significant cash reserves in the fiscal year 2013-14 operating budget. Revenues exceed expenditures by about \$3.8 million. This surplus will be used to meet contingency requirements identified in the financial policies and help fund a multi-million dollar capital improvement program.

The FY 2013-14 budget forecast assumes the economy will continue to slowly improve. Budgeted operating revenues total \$20 million, a \$0.4 increase over FY 2012-13 actual, or about 2%. Most of the increase is expected to come from increased sales tax, both activity within the Town and our share of the statewide allocation, caused by increased consumer spending. The Town's allocation of statewide shared income tax will increase as well.

A FY 2013-14 budget operating expense total \$15.7 million (excluding contingencies) and includes funding for an employee merit pay program. A transfer of \$3.8 million will be made to the Capital Improvements Fund to pay for an aggressive capital improvement program.

**REQUESTS FOR INFORMATION**

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

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

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

THIS PAGE BLANK

## **BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 27,139,324	\$ 7,191,524	\$ 34,330,848
Receivables, Net:			
Accounts Receivable	2,422,604	112,419	2,535,023
Note Receivable	47,113	-	47,113
Interest Receivable	24,636	7,059	31,695
Prepaid Items	108,385	-	108,385
Restricted Cash and Investments	96,051	53,526	149,577
Capital Assets:			
Non-Depreciable	42,894,468	17,203,392	60,097,860
Depreciable (net)	25,322,788	12,605,296	37,928,084
Total Assets	<u>98,055,369</u>	<u>37,173,216</u>	<u>135,228,585</u>
<b>LIABILITIES</b>			
Accounts Payable	1,368,167	317,867	1,686,034
Accrued Wages and Benefits	160,167	937	161,104
Interest Payable	96,052	43,680	139,732
Intergovernmental Payable	-	45,608	45,608
Customer Deposits Payable	701,467	9,846	711,313
Unearned Revenue	104,233	975,902	1,080,135
Noncurrent Liabilities:			
Due Within One Year	1,519,787	848,686	2,368,473
Due in More Than One Year	4,858,677	2,829,301	7,687,978
Total Liabilities	<u>8,808,550</u>	<u>5,071,827</u>	<u>13,880,377</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	67,784,969	26,131,603	93,916,572
Restricted for:			
Highways and Streets	16,025	-	16,025
Court Enhancement	535,938	-	535,938
Capital Outlay	-	567,431	567,431
Special Projects	56,944	-	56,944
Unrestricted	20,852,943	5,402,355	26,255,298
Total Net Position	<u>\$ 89,246,819</u>	<u>\$ 32,101,389</u>	<u>\$ 121,348,208</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 7,289,224	\$ 4,111,615	\$ 58,442	\$ 118,064	\$ (3,001,103)		\$ (3,001,103)
Public Safety	7,055,389	210,837	3,675	-	(6,840,877)		(6,840,877)
Highways and Streets	3,346,762	-	701,727	-	(2,645,035)		(2,645,035)
Interest and Fiscal Charges	282,387	-	-	-	(282,387)		(282,387)
Total Governmental Activities	17,973,762	4,322,452	763,844	118,064	(12,769,402)		(12,769,402)
Business-Type Activities:							
Sewer System	2,264,536	2,258,513	-	198,000	-	\$ 191,977	191,977
Alarm Monitor System	85,698	242,072	-	-	-	156,374	156,374
Fire Service	1,414,177	1,538,314	-	-	-	124,137	124,137
Total Business-Type Activities	3,764,411	4,038,899	-	198,000	-	472,488	472,488
Totals	\$ 21,738,173	\$ 8,361,351	\$ 763,844	\$ 316,064	(12,769,402)	472,488	(12,296,914)
General Revenues:							
Taxes:							
					11,963,535	-	11,963,535
					1,061,725	-	1,061,725
					1,309,535	-	1,309,535
					1,049,341	-	1,049,341
					429,075	-	429,075
					174,833	8,911	183,744
					(8,228,665)	8,228,665	-
					7,759,379	8,237,576	15,996,955
					(5,010,023)	8,710,064	3,700,041
					94,256,842	23,391,325	117,648,167
					\$ 89,246,819	\$ 32,101,389	\$ 121,348,208

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>							
Cash and Investments	\$ 13,615,611	\$ 54,890	\$ 1,439,458	\$ 6,536,934	\$ 5,367,071	\$ 125,360	\$ 27,139,324
Restricted Cash and Investments	-	-	-	-	96,051	-	96,051
Receivables, Net:							
Accounts Receivable	2,356,243	66,361	-	-	-	-	2,422,604
Note Receivable	47,113	-	-	-	-	-	47,113
Interest Receivable	24,636	-	-	-	-	-	24,636
Advances To Other Funds	900,000	-	-	-	-	-	900,000
Prepaid Items	92,360	16,025	-	-	-	-	108,385
<b>Total Assets</b>	<b>\$ 17,035,963</b>	<b>\$ 137,276</b>	<b>\$ 1,439,458</b>	<b>\$ 6,536,934</b>	<b>\$ 5,463,122</b>	<b>\$ 125,360</b>	<b>\$ 30,738,113</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 517,547	\$ 110,842	\$ 3,520	\$ 680,341	\$ -	\$ 55,917	\$ 1,368,167
Accrued Wages and Benefits	149,758	10,409	-	-	-	-	160,167
Interest Payable	-	-	-	-	96,052	-	96,052
Unearned Revenue	91,734	-	-	-	-	12,499	104,233
Advances From Other Funds	-	-	900,000	-	-	-	900,000
Customer Deposits Payable	642,967	-	-	58,500	-	-	701,467
<b>Total Liabilities</b>	<b>1,402,006</b>	<b>121,251</b>	<b>903,520</b>	<b>738,841</b>	<b>96,052</b>	<b>68,416</b>	<b>3,330,086</b>
Deferred Inflows of Resources:							
Unavailable Revenues	388,112	-	-	-	-	-	388,112
Fund Balances:							
Nonspendable:							
Prepaid Items	92,360	16,025	-	-	-	-	108,385
Advances To Other Funds	900,000	-	-	-	-	-	900,000
Note Receivable	47,113	-	-	-	-	-	47,113
Restricted	-	-	535,938	-	-	56,944	592,882
Assigned	-	-	-	5,798,093	5,367,070	-	11,165,163
Unassigned	14,206,372	-	-	-	-	-	14,206,372
<b>Total Fund Balances</b>	<b>15,245,845</b>	<b>16,025</b>	<b>535,938</b>	<b>5,798,093</b>	<b>5,367,070</b>	<b>56,944</b>	<b>27,019,915</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 17,035,963</b>	<b>\$ 137,276</b>	<b>\$ 1,439,458</b>	<b>\$ 6,536,934</b>	<b>\$ 5,463,122</b>	<b>\$ 125,360</b>	<b>\$ 30,738,113</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

Fund Balances - Total Governmental Funds \$ 27,019,915

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

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

Land	\$ 41,573,462	
Construction in Progress	1,321,006	
Land Improvements	2,023,760	
Infrastructure	26,361,903	
Buildings and Improvements	7,352,597	
Machinery, Equipment, and Vehicles	5,804,995	
Total Capital Assets	84,437,723	
Less: Accumulated Depreciation	(16,220,467)	68,217,256

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources. 388,112

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

Revenue Bonds	(4,811,827)	
Bond Premium	(203,439)	
Capital Leases	(432,287)	
Compensated Absences	(930,911)	
	(6,378,464)	(6,378,464)

Total Net Position of Governmental Activities \$ 89,246,819

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>Revenues:</b>							
<b>Taxes:</b>							
Sales Taxes	\$ 11,963,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,963,535
Franchise Taxes	1,061,725	-	-	-	-	-	1,061,725
Intergovernmental Revenue	2,803,193	701,727	-	-	-	32,544	3,537,464
Fines and Forfeitures	860,215	-	1,485,951	-	-	-	2,346,166
Licenses and Permits	1,203,370	-	-	-	-	-	1,203,370
Charges for Services	328,019	-	-	-	-	-	328,019
Rents and Royalties	307,987	-	-	-	-	-	307,987
Contributions and Donations	-	-	-	-	-	132,395	132,395
Investment Income	174,561	-	-	-	-	272	174,833
Other	168,869	-	-	160,000	-	-	328,869
<b>Total Revenues</b>	<b>18,871,474</b>	<b>701,727</b>	<b>1,485,951</b>	<b>160,000</b>	<b>-</b>	<b>165,211</b>	<b>21,384,363</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	5,960,102	-	50,013	-	-	158,166	6,168,281
Public Safety	6,808,935	-	-	-	-	7,509	6,816,444
Highways and Streets	-	2,677,491	-	-	-	-	2,677,491
<b>Debt Service:</b>							
Principal Retirement	-	-	-	-	824,885	-	824,885
Interest on Long-Term Debt	-	-	-	-	204,477	-	204,477
Capital Outlay	-	-	-	2,699,004	-	-	2,699,004
<b>Total Expenditures</b>	<b>12,769,037</b>	<b>2,677,491</b>	<b>50,013</b>	<b>2,699,004</b>	<b>1,029,362</b>	<b>165,675</b>	<b>19,390,582</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,102,437</b>	<b>(1,975,764)</b>	<b>1,435,938</b>	<b>(2,539,004)</b>	<b>(1,029,362)</b>	<b>(464)</b>	<b>1,993,781</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In	-	820,901	-	5,465,016	-	7,272	6,293,189
Transfers Out	(5,393,189)	-	(900,000)	-	-	-	(6,293,189)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,393,189)</b>	<b>820,901</b>	<b>(900,000)</b>	<b>5,465,016</b>	<b>-</b>	<b>7,272</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>709,248</b>	<b>(1,154,863)</b>	<b>535,938</b>	<b>2,926,012</b>	<b>(1,029,362)</b>	<b>6,808</b>	<b>1,993,781</b>
<b>Fund Balance:</b>							
Beginning of Year	14,536,597	1,170,888	-	2,872,081	6,396,432	50,136	25,026,134
End of Year	\$ 15,245,845	\$ 16,025	\$ 535,938	\$ 5,798,093	\$ 5,367,070	\$ 56,944	\$ 27,019,915

See accompanying Notes to Basic Financial Statements.

**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, 2013**

Net Change in Fund Balances-Total Governmental Funds \$ 1,993,781

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

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

Expenditures for Capital Assets	\$ 2,270,138	
Depreciation Expense	<u>(1,697,491)</u>	
		572,647
Loss on Disposal of Capital Assets		(8,439)
Loss on Transfer of Capital Assets to Enterprise Funds		(8,228,665)

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

Intergovernmental Receivables - June 30, 2012	580,071	
Intergovernmental Receivables - June 30, 2013	<u>388,112</u>	(191,959)

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

Bond Premium	33,907	
Deferred Charges	(91,416)	
Retirement of Long-Term Debt	<u>992,372</u>	934,863

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2013, compensated absence payable changed.

		<u>(82,251)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(5,010,023)</u></u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 10,867,900	\$ 12,875,420	\$ 13,025,260	\$ 149,840
Intergovernmental Revenue	2,806,431	2,806,431	2,803,193	(3,238)
Fines and Forfeits	1,275,000	880,000	860,215	(19,785)
Licenses and Permits	845,000	1,050,000	1,203,370	153,370
Charges for Services	1,066,920	170,000	328,019	158,019
Rents and Royalties	320,600	310,000	307,987	(2,013)
Investment Income	250,000	125,000	174,561	49,561
Other	249,400	30,000	168,869	138,869
Total Revenues	<u>17,681,251</u>	<u>18,246,851</u>	<u>18,871,474</u>	<u>624,623</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Mayor & Council	52,960	92,960	92,782	178
Tourism and Promotion	-	1,000,200	975,000	25,200
Town Manager	610,413	717,855	716,920	935
Town Attorney	474,194	609,974	607,784	2,190
Municipal Court	476,099	433,171	415,521	17,650
Public Works	1,199,915	1,085,609	1,078,618	6,991
Community Development	972,048	1,124,655	1,109,976	14,679
Finance	921,129	970,984	963,501	7,483
Non-departmental	1,915,071	-	-	-
Total General Government	<u>6,621,829</u>	<u>6,035,408</u>	<u>5,960,102</u>	<u>75,306</u>
<b>Public Safety</b>				
Police	5,494,725	5,760,735	5,623,191	137,544
Fire	2,214,203	1,186,978	1,185,744	1,234
Total Public Safety	<u>7,708,928</u>	<u>6,947,713</u>	<u>6,808,935</u>	<u>138,778</u>
Contingency	2,800,000	641,089	-	641,089
Total Expenditures	<u>17,130,757</u>	<u>13,624,210</u>	<u>12,769,037</u>	<u>855,173</u>
Excess (Deficiency) of Revenues over Expenditures	550,494	4,622,641	6,102,437	1,479,796
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(2,048,024)	(5,393,189)	(5,393,189)	-
Total Other Financing Sources (Uses)	<u>(2,048,024)</u>	<u>(5,393,189)</u>	<u>(5,393,189)</u>	<u>-</u>
Net Change in Fund Balance	(1,497,530)	(770,548)	709,248	1,479,796
<b>Fund Balance:</b>				
Beginning of Year	-	-	14,536,597	14,536,597
End of Year	<u>\$ (1,497,530)</u>	<u>\$ (770,548)</u>	<u>\$ 15,245,845</u>	<u>\$ 16,016,393</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY USER REVENUE FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ 646,438	\$ 646,438	\$ 701,727	\$ 55,289
Expenditures:				
Current:				
Highways and Streets	<u>2,599,985</u>	<u>2,765,359</u>	<u>2,677,491</u>	<u>87,868</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,953,547)	(2,118,921)	(1,975,764)	143,157
Other Financing Sources (Uses):				
Transfers In	<u>-</u>	<u>820,901</u>	<u>820,901</u>	<u>-</u>
Net Change in Fund Balance	(1,953,547)	(1,298,020)	(1,154,863)	143,157
Fund Balance:				
Beginning of Year	-	-	1,170,888	1,170,888
End of Year	<u>\$ (1,953,547)</u>	<u>\$ (1,298,020)</u>	<u>\$ 16,025</u>	<u>\$ 1,314,045</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**COURT ENHANCEMENT FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Fines and Forfeitures	\$ -	\$ 86,800	\$ 1,485,951	\$ 1,399,151
Expenditures:				
Current				
General Government	-	67,500	50,013	17,487
Excess (Deficiency) of Revenues Over Expenditures	-	19,300	1,435,938	1,416,638
Other Financing Sources (Uses):				
Transfers Out	-	(900,000)	(900,000)	-
Net Change in Fund Balance	-	(880,700)	535,938	1,416,638
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ (880,700)</u>	<u>\$ 535,938</u>	<u>\$ 1,416,638</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>Assets</b>				
Current Assets				
Cash and Investments	\$ 6,153,042	\$ 742,427	\$ 296,055	\$ 7,191,524
Restricted Assets	43,680	-	9,846	53,526
Receivables, Net				
Accounts Receivable	58,420	52,765	1,234	112,419
Interest Receivable	7,059	-	-	7,059
Total Current Assets	<u>6,262,201</u>	<u>795,192</u>	<u>307,135</u>	<u>7,364,528</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	14,349,766	2,853,626	-	17,203,392
Depreciable (Net)	7,389,754	5,213,453	2,089	12,605,296
Total Noncurrent Assets	<u>21,739,520</u>	<u>8,067,079</u>	<u>2,089</u>	<u>29,808,688</u>
Total Assets	<u>28,001,721</u>	<u>8,862,271</u>	<u>309,224</u>	<u>37,173,216</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	310,329	6,024	1,514	317,867
Accrued Wages and Benefits	937	-	-	937
Intergovernmental Payable	45,608	-	-	45,608
Interest Payable	43,680	-	-	43,680
Unearned Revenue	471,067	503,445	1,390	975,902
Customer Deposits Payable	-	-	9,846	9,846
Compensated Absences	902	-	-	902
Note Payable	446,309	-	-	446,309
Bonds Payable	401,475	-	-	401,475
Total Current Liabilities	<u>1,720,307</u>	<u>509,469</u>	<u>12,750</u>	<u>2,242,526</u>
Noncurrent Liabilities				
Note Payable	950,089	-	-	950,089
Bonds Payable	1,879,212	-	-	1,879,212
Total Noncurrent Liabilities	<u>2,829,301</u>	<u>-</u>	<u>-</u>	<u>2,829,301</u>
Total Liabilities	<u>4,549,608</u>	<u>509,469</u>	<u>12,750</u>	<u>5,071,827</u>
<b>Net Position</b>				
Net Investment in Capital Assets	18,062,435	8,067,079	2,089	26,131,603
Restricted for Capital Outlay	567,431	-	-	567,431
Unrestricted	4,822,247	285,723	294,385	5,402,355
Total Net Position	<u>\$ 23,452,113</u>	<u>\$ 8,352,802</u>	<u>\$ 296,474</u>	<u>\$ 32,101,389</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
Operating Revenues				
Charges for Services	\$ 2,091,725	\$ 1,538,314	\$ 242,072	\$ 3,872,111
Operating Expenses				
Cost of Sales and Services	1,814,837	1,252,591	83,482	3,150,910
Depreciation	242,446	161,586	2,216	406,248
Total Operating Expenses	<u>2,057,283</u>	<u>1,414,177</u>	<u>85,698</u>	<u>3,557,158</u>
Operating Income	34,442	124,137	156,374	314,953
Nonoperating Revenues (Expense)				
Development Fees	166,788	-	-	166,788
Investment Earnings	8,911	-	-	8,911
Interest Expense	<u>(207,253)</u>	<u>-</u>	<u>-</u>	<u>(207,253)</u>
Total Nonoperating Revenues (Expenses)	<u>(31,554)</u>	<u>-</u>	<u>-</u>	<u>(31,554)</u>
Income Before Contributions and Special Items	2,888	124,137	156,374	283,399
Special Items	-	8,228,665	-	8,228,665
Capital Contributions	<u>198,000</u>	<u>-</u>	<u>-</u>	<u>198,000</u>
Changes in Net Position	200,888	8,352,802	156,374	8,710,064
Total Net Position, Beginning of year	23,251,225	-	140,100	23,391,325
Total Net Position, End of Year	<u>\$ 23,452,113</u>	<u>\$ 8,352,802</u>	<u>\$ 296,474</u>	<u>\$ 32,101,389</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,205,794	\$ 1,988,994	\$ 240,844	\$ 4,435,632
Payments to Suppliers	(1,488,051)	(1,246,567)	(38,964)	(2,773,582)
Payments to Employees	(66,685)	-	(43,281)	(109,966)
Customer Deposits	-	-	(132)	(132)
Net Cash Flows from Operating Activities	<u>651,058</u>	<u>742,427</u>	<u>158,467</u>	<u>1,551,952</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Development Fees	166,788	-	-	166,788
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Capital Debt	(803,171)	-	-	(803,171)
Interest Paid on Capital Debt	(171,270)	-	-	(171,270)
Net Cash Flows from Capital and Related Financing Activities	<u>(974,441)</u>	<u>-</u>	<u>-</u>	<u>(974,441)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	<u>19,194</u>	<u>-</u>	<u>-</u>	<u>19,194</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	<u>(137,401)</u>	<u>742,427</u>	<u>158,467</u>	<u>763,493</u>
Cash and Investments - Beginning of Year	<u>6,334,123</u>	<u>-</u>	<u>147,434</u>	<u>6,481,557</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b>				
(Including \$43,680 of Restricted Cash in the Sewer Fund and \$9,846 of Restricted Cash for Customer Deposits in the Alarm Fund)	<u>\$ 6,196,722</u>	<u>\$ 742,427</u>	<u>\$ 305,901</u>	<u>\$ 7,245,050</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Fund			
	Sewer	Fire Service	Nonmajor Business-Type Alarm	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 34,442	\$ 124,137	\$ 156,374	\$ 314,953
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	242,446	161,586	2,216	406,248
Change in Assets and Liabilities:				
Receivables, Net	5,902	(52,765)	60	(46,803)
Prepaid Items	2,180	-	-	2,180
Accounts Payable	264,060	6,024	1,237	271,321
Accrued Wages and Benefits	937	-	-	937
Unearned Revenue	108,167	503,445	(1,288)	610,324
Compensated Absences Payable	(7,076)	-	-	(7,076)
Customer Deposits Payable	-	-	(132)	(132)
Net Cash Provided by Operating Activities	<u>\$ 651,058</u>	<u>\$ 742,427</u>	<u>\$ 158,467</u>	<u>\$ 1,551,952</u>

**NONCASH INVESTING, CAPITAL AND FINANCING  
ACTIVITIES**

The Town amortized \$15,419 on bond premium and \$59,760 of deferred charges during the fiscal year. In addition, the Town received \$198,000 in contributed sewer lines and \$8,228,665 in capital assets transferred from the governmental funds to the Fire Services Fund.

THIS PAGE BLANK

## **NOTES TO BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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.

During the year ended June 30, 2013, the Town adopted GASB Statements No. 60, 61, 62, 63, and 65. GASB Statement No. 60, *Accounting and Reporting for Service Concession Arrangements*. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, relates to the reporting of component units. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, relates to the codification of prior GASB statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

**A. Financial Reporting Entity**

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

Included within the reporting entity:

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

*The Mummy Mountain Preserve Trust.* The Mummy Mountain Preserve Trust (MMPT) board of trustees consists of five members who are appointed by the Town Council. The MMPT was created for charitable purposes as defined in the Internal Revenue Code section 501(c)(3). The purpose of the MMPT is to acquire, maintain, preserve and protect in perpetuity undeveloped real property and developed real property that can be returned to its natural state, and interests therein, including scenic and conservation easements, on and around the Mummy Mountain Preserve in the Town of Paradise Valley.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used are not eliminated in the consolidation. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

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

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**1. Deposits and Investments**

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

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

**2. Receivables**

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

**3. Interfund Receivables/Payables**

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

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

**4. Prepaid Items**

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

**5. Restricted Assets**

The Town reports customer deposits recorded in the Alarm Fund as restricted because the use of these funds is restricted to refunds to customers. The Town also reports restricted cash in the Debt Service Fund and Sewer Fund for cash held with a paying agent.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**6. Capital Assets**

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

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

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

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

**7. 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.

**8. Long-term Obligations**

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**8. Long-term Obligations (Continued)**

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

**9. Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the Town as of June 30, 2013 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

**10. Special Item**

Special Items reported in the government-wide and fund financial statements represent significant transactions or events that are under the control of management and are either unusual in nature or infrequent in occurrence, but not both.

**11. Net Position**

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

**12. Fund Balance Classifications**

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**12. Fund Balance Classifications (Continued)**

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 their 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. 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.

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

**A. Budgetary Information**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. A public hearing is conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provides the Town with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Budgetary Information (Continued)**

4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Mummy Mountain Preserve Trust Fund).
5. Legal budgets are adopted for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures with the exception of the Mummy Mountain Trust Nonmajor Fund in which an adopted budget is not prepared.

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

No supplementary budgetary appropriations were necessary during the year.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2013 consist of the following:

Deposits:	
Cash on Hand	\$ 2,025
Cash in Bank	17,849,986
Investments:	
U.S. Government Securities	13,066,313
State Treasurer's Investment Pool	3,422,370
Cash on Deposit with Trustee	139,731
Total Cash and Investment	34,480,425
Restricted Assets	(149,577)
Total Cash and Equivalents	\$ 34,330,848

**Deposits**

The Town's deposits at June 30, 2013 had a carrying balance of \$17,849,986 and a bank balance of \$17,736,615. Of the bank balance, \$250,000 was covered by federal depository insurance and \$17,486,615 was uninsured and uncollateralized.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

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

**Investments**

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

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-2	2-3
Federal Agency Securities	\$ 13,066,313	\$ 7,550,305	\$ 4,515,827	\$ 1,000,181
State Treasurer’s Investment Pool	3,422,370	3,422,370	-	-
Total Investments	<u>\$ 16,488,683</u>	<u>\$ 10,972,675</u>	<u>\$ 4,515,827</u>	<u>\$ 1,000,181</u>

*Credit Risk* – The Town limits its investments to the State Treasurer’s Investment Pool, U.S. Treasury Obligations, Federal Agency Securities, Federal Instrument Securities, Repurchase Agreements, and Time Certificates of Deposit. The investment with the trustee is cash 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 the trustee for less than one month and do not pose a credit risk to the Town. The Town’s investment in Federal Agency Securities include \$4,005,044 invested in Federal National Mortgage Association Securities, \$3,509,503 invested in Federal Farm Credit Bank Bonds, \$3,045,169 invested in Federal Home Loan Bank Bonds, \$2,506,597 invested in Federal National Mortgage Association. The Federal National Mortgage Association Securities, Federal Farm Credit Bank Bonds, the Federal Home Loan Bank Bonds and the Federal National Mortgage Association all have a Standard and Poor’s Aaa rating. All investments are reported at fair value. During the current fiscal year, the Town reported an unrealized gain of \$31,283 on its investments. The Town’s investment in the State Treasurer’s Investment Pool had a Standard and Poor’s Aaa rating.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets in the business-type activities at June 30, 2013 consist of the following:

	Debt Service Fund	Sewer Fund	Alarm Fund	Total
Cash with Paying Agent	\$ 96,051	\$ 43,680	\$ -	\$ 139,731
Customer Deposits	-	-	9,846	9,846
Total	<u>\$ 96,051</u>	<u>\$ 43,680</u>	<u>\$ 9,846</u>	<u>\$ 149,577</u>

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2013 included the court receivable (\$232,491) and sales tax (\$156,460), all other receivables are deemed to be collectible.

Receivables consist of the following:

	General	HURF	Total
Office of the State Treasurer:			
Highway User Revenue	\$ -	\$ 66,361	\$ 66,361
State Sales Tax	91,360	-	91,360
Town Sales Tax	1,382,152	-	1,382,152
County Treasurer:			
Auto Lieu Tax	20,810	-	20,810
Franchise fees:			
Arizona Pubic Service	182,478	-	182,478
Cox Cable	61,294	-	61,294
Southwest Gas	26,652	-	26,652
Court Receivable	553,549	-	553,549
Note Receivable	47,113	-	47,113
Sales Tax Audit	278,020	-	278,020
Interest	24,636	-	24,636
Miscellaneous	148,879	-	148,879
	<u>2,816,943</u>	<u>66,361</u>	<u>2,883,304</u>
Less: Allowance for Uncollectibles	<u>(388,951)</u>	<u>-</u>	<u>(388,951)</u>
Total	<u>\$ 2,427,992</u>	<u>\$ 66,361</u>	<u>\$ 2,494,353</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

**3. Receivables (Continued)**

The Sewer System, Fire Service Fee, and Alarm Monitor System Enterprise Funds reported accounts receivable, net of the allowance for uncollectible (\$51,918 in the Sewer Fund, \$-0- in the Fire Service Fund, and \$625 in Alarm Fund) of \$58,420, \$52,765 and \$1,234 due from residents, respectively.

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

	Unavailable	Unearned
General Fund		
Court Fines Receivable	\$ 321,058	\$ -
Sales Tax Receivable	67,054	-
Court Grants	-	-
Miscellaneous Unearned	-	91,734
Nonmajor Governmental Funds		
Grants Receivable	-	12,499
	\$ 388,112	\$ 104,233

*(The remainder of this page intentionally left blank)*

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 44,427,088	\$ -	\$ (2,853,626)	\$ 41,573,462
Construction in Progress	27,321	1,539,396	(245,711)	1,321,006
Total Capital Assets, Not Being Depreciated	<u>44,454,409</u>	<u>1,539,396</u>	<u>(3,099,337)</u>	<u>42,894,468</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,023,760	-	-	2,023,760
Infrastructure	26,361,903	-	-	26,361,903
Buildings and Improvements	12,416,572	245,711	(5,309,686)	7,352,597
Machinery, Equipment, and Vehicles	6,521,384	730,742	(1,447,131)	5,804,995
Total Capital Assets, Being Depreciated	<u>47,323,619</u>	<u>976,453</u>	<u>(6,756,817)</u>	<u>41,543,255</u>
Accumulated Depreciation for:				
Land Improvements	(1,034,497)	(80,950)	-	(1,115,447)
Infrastructure	(5,330,537)	(562,603)	-	(5,893,140)
Buildings and Improvements	(5,028,500)	(463,402)	424,775	(5,067,127)
Machinery, Equipment, and Vehicles	(4,502,781)	(590,536)	948,564	(4,144,753)
Total Accumulated Depreciation	<u>(15,896,315)</u>	<u>(1,697,491)</u>	<u>1,373,339</u>	<u>(16,220,467)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,427,304</u>	<u>(721,038)</u>	<u>(5,383,478)</u>	<u>25,322,788</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,881,713</u>	<u>\$ 818,358</u>	<u>\$ (8,482,815)</u>	<u>\$ 68,217,256</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 2,853,626	\$ -	\$ 2,853,626
Sewer Capacity Rights	14,349,766	-	-	14,349,766
Total Capital Assets, Not Being Depreciated	14,349,766	2,853,626	-	17,203,392
Capital Assets, Being Depreciated:				
Sewer System	12,214,796	198,000	-	12,412,796
Buildings and Improvements	-	4,884,910	-	4,884,910
Machinery and Equipment	648,498	490,129	-	1,138,627
Furniture and Fixtures	35,081	-	-	35,081
Total Capital Assets, Being Depreciated	12,898,375	5,573,039	-	18,471,414
Accumulated Depreciation for:				
Sewer System	(4,780,577)	(242,446)	-	(5,023,023)
Buildings and Improvements	-	(106,194)	-	(106,194)
Machinery and Equipment	(648,498)	(55,392)	-	(703,890)
Furniture and Fixtures	(30,795)	(2,216)	-	(33,011)
Total Accumulated Depreciation	(5,459,870)	(406,248)	-	(5,866,118)
Total Capital Assets, Being Depreciated, Net	7,438,505	5,166,791	-	12,605,296
Business-Type Activities Capital Assets, Net	<u>\$ 21,788,271</u>	<u>\$ 8,020,417</u>	<u>\$ -</u>	<u>\$ 29,808,688</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 300,811
Public Safety	626,699
Highways and Streets	769,981
Total Depreciation Expense, Governmental Activities	<u>\$ 1,697,491</u>

**Business-Type Activities:**

Sewer Fund	\$ 242,446
Fire Service Fund	161,586
Alarm Monitor System Fund	2,216
Total Depreciation Expense, Business-Type Activities	<u>\$ 406,248</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**B. Construction Commitments**

At June 30, 2013, the Town has the following active construction commitments:

Project	Governmental	
	Spent-to-Date	Remaining Commitment
Court Remodel	\$ 534,721	\$ 1,465,023
CAD/RMS System	218,421	118,605
Tatum Road Sidewalks	12,030	286,462
Echo Canyon	24,964	425,036
Stanford Drive	228,072	121,834
Mockingbird Lane	260,552	1,738,458
	<u>\$ 1,278,760</u>	<u>\$ 4,155,418</u>

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfers In	Transfers Out		
	General Fund	Court Enhancement Fund	Total
HURF Fund	\$ 820,901	\$ -	\$ 820,901
Capital Projects Fund	4,565,016	900,000	5,465,016
Nonmajor Governmental Funds	7,272	-	7,272
Total	<u>\$ 5,393,189</u>	<u>\$ 900,000</u>	<u>\$ 6,293,189</u>

The transfer from the General Fund to the HURF Fund was recorded to transfer funds for street projects. The transfer from the General Fund to the Capital Projects Fund was recorded to account for various capital projects being constructed by the Town. The transfer from the General Fund to the Nonmajor Governmental Funds was recorded to account for the matching portion of a bus stop project paid by Grants Fund. The transfer from the Court Enhancement Fund to the Capital Projects Fund was recorded to account for the construction of a new court facility.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**D. Advances**

Advances to and advances from for the year ended June 30, 2013 consisted of the following:

Advance To	Advance From Court Enhancement Fund
General Fund	\$ 900,000

The advances from the General Fund to the Court Enhancement Fund was recorded to advance the Court Enhancement Fund monies to pay for constructing a new court building. The advance will be paid back to the General Fund over a ten year period starting on July 1, 2013. The first principal payment will be made on July 1, 2014. The interest rate is 2.50%.

**E. Obligations Under Leases**

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Capital Assets Being Depreciated:	
Machinery, Equipment and Vehicles	\$ 853,230
Less: Accumulated Depreciation	(426,615)
Total Capital Assets, Net	\$ 426,615

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2014	\$ 99,323
2015	99,323
2016	99,323
2017	99,323
2018	74,492
Total Minimum Lease Payments	471,784
Less: Amount Representing Interest	<u>(39,497)</u>
Present Value of Minimum Lease Amounts	<u>\$ 432,287</u>

**F. Long-Term Obligations**

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

Bonds payable at June 30, 2013 consisted of the MPC, Excise Tax Revenue Refunding bonds, Series 2009. The bonds are not subject to call. Interest is payable semiannually.

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$11,055,000 in excise tax revenue refunding bonds. The remaining principal balance is \$7,000,000. Proceeds from the bonds were used 32% to refund prior bonds in the Sewer Fund and 68% for refunding prior bonds and retiring debt on a capital lease in the governmental activities. The bonds are payable from excise tax revenues transferred to the MPC Debt Service Fund in the governmental funds and developer fee revenues in the Sewer Fund through 2019. Total principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. Total remaining principal and interest required on the bonds is \$7,807,791, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$1,497,463 and \$17.2 million, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

The Town has a long-term note payable recorded in the Sewer Enterprise Fund to fund the Sewer Capacity Rights purchased from the City of Scottsdale in fiscal year 2007. The Town secured the note by pledging the Town Hall as collateral, to repay \$4,049,066 in principal at 4.14% per annum. The remaining principal balance is \$1,396,398. Total remaining principal and interest required on the note is \$1,493,546, payable through 2016. In the current year, total principal and interest paid was \$497,983.

Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 5,636,712	\$ -	\$ (824,885)	\$ 4,811,827	\$ 848,944
Bond Premium	237,346	-	(33,907)	203,439	33,907
Capital Leases	599,774	-	(167,487)	432,287	85,060
Compensated Absences	848,660	551,876	(469,625)	930,911	551,876
Total Governmental Activities	<u>\$ 7,322,492</u>	<u>\$ 551,876</u>	<u>\$ (1,495,904)</u>	<u>\$ 6,378,464</u>	<u>\$ 1,519,787</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 2,563,288	\$ -	\$ (375,115)	\$ 2,188,173	\$ 386,056
Bond Premium	107,933	-	(15,419)	92,514	15,419
Note Payable	1,824,454	-	(428,056)	1,396,398	446,309
Compensated Absences	7,978	937	(8,013)	902	902
Total Business-Type Activities	<u>\$ 4,503,653</u>	<u>\$ 937</u>	<u>\$ (826,603)</u>	<u>\$ 3,677,987</u>	<u>\$ 848,686</u>

Debt service requirements on long-term debt at June 30, 2013 are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 848,944	\$ 179,369	\$ 832,365	\$ 133,241
2015	876,440	149,106	863,900	100,449
2016	914,247	113,293	900,907	64,349
2017	927,995	71,808	422,005	32,655
2018	780,203	33,004	354,797	15,009
2019	463,998	8,700	210,597	3,956
Totals	<u>\$ 4,811,827</u>	<u>\$ 555,280</u>	<u>\$ 3,584,571</u>	<u>\$ 349,659</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION**

**A. Fund Balance**

The following represents the classifications of the Town's fund balance for fiscal year ended June 30, 2013:

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable:							
Prepays	\$ 92,360	\$ 16,025	\$ -	\$ -	\$ -	\$ -	\$ 108,385
Advances to Other Funds	900,000	-	-	-	-	-	900,000
Notes Receivable	47,113	-	-	-	-	-	47,113
Restricted:							
Contributions and Donations	-	-	-	-	-	16,746	16,746
Court Enhancement Mummy Mountain Trust	-	-	535,938	-	-	-	535,938
	-	-	-	-	-	40,198	40,198
Assigned							
Debt Service	-	-	-	-	5,367,070	-	5,367,070
Capital Projects	-	-	-	5,798,093	-	-	5,798,093
Unassigned	14,206,372	-	-	-	-	-	14,206,372
<b>Total Fund Balance</b>	<u>\$ 15,245,845</u>	<u>\$ 16,025</u>	<u>\$ 535,938</u>	<u>\$ 5,798,093</u>	<u>\$ 5,367,070</u>	<u>\$ 56,944</u>	<u>\$ 27,019,915</u>

The Mayor and Town Council have established contingency and minimum fund balance policies for the operating budget (General and Highway User Fund). An emergency contingency of at least 15% of the adopted budget shall exist. For FY 2013, this amount was \$2.8 million. A minimum fund balance of at least 90%, but not more than 110%, of operating expenses will be maintained for unforeseen emergencies, such as significant loss of revenues of catastrophic impacts. For FY 2013, this amount was \$15.2 million (inclusive of the \$2.8 million emergency reserve).

**B. Risk Management**

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

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

The Town is also insured by Arizona Municipal Risk Retention Pool for potential worker related accidents.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Commitments**

The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were about \$2.3 million for the year ended June 30, 2013.

**D. Retirement Plans**

**Defined Contribution Pension Plan**

All Town employees who work greater than 30 hours per week are eligible to participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the Town employees covered by this plan for the year ended June 30, 2013 was \$4,883,293. The Town's total payroll was \$5,812,263.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All Town employees who work 30 or more hours per week are eligible to participate in the pension plan after one year of service and must apply within 60 days of the one year anniversary date. Contributions made by employer and employee vest immediately.

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus investment earnings. Each employee's contribution and amount of employer's contribution is based upon the employee's status in accordance with the Fair Labor Standards Act (FLSA). For all non-exempt employees under FLSA the employee to employer contribution rate was 1:1; for exempt employees the ratio was 2:1; and directors and the Town Manager have a 3:1 ratio. During fiscal year 2012-13, the Town's required and actual contributions amounted to \$30,500. The employees' contributions totaled \$91,209.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2012-2013 or as of the close of the fiscal year.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System**

**Plan Description** – The Town contributes to a cost-sharing multiple employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**Plan Description** – The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2001 or (800) 621-3778.

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and The Town's contribution rate. For the year ended June 30, 2013, active plan members and The Town were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent retirement, 0.65 percent for health insurance premium, and 0.24 percent long-term disability) of the members' annual covered payroll.

The Town's contributions to the System for the years ended June 30, 2013 and prior two fiscal years equaled the required contributions and are as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 351,171	\$ 22,269	\$ 8,223
2012	277,096	17,687	6,738
2011	329,011	21,545	9,129

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Plan Description** – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Ave., Suite 200 Phoenix, AZ 85016 or by calling (602) 255-5575.

**Funding Policy** – The fund manager is responsible for establishing contributions rates in accordance with an actuarial study and state statute. For the current fiscal year (year ended June 30, 2013), covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS, and the Town is required to contribute 51.92 percent of annual covered payroll. The contribution rates include both the pension benefit (50.18%) and the OPEB (1.74%). Additionally, the Town is statutorily required to contribute an alternate contribution for any retired (not active) members who return to work in a capacity which would ordinarily be filled by an employee eligible for PSPRS. The alternate contribution rate is 51.92% of applicable payroll.

**Annual Pension Cost and OPEB Cost** – the Town is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town is also required to contribute an alternate contribution of the employer for applicable payroll, at a rate determined by State statute. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The alternate contribution is a rate which is intended to mitigate the potential actuarial impact of a retired member who returns to work.

The calculations are based on the OPEB benefits provided under terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members. The current ARC has been calculated based on an actuarial valuation which involves estimates of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial valuation reflects a long-term perspective.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

The current ARC rate is based on the following actuarial methods and assumptions identified in the actuarial report.

**ARC, and Actuarial Methods, and Assumptions:**

Valuation Date:	June 30, 2012
ARC as a percent of total covered payroll	42.51%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining Amortization Period	24 years for underfunded 20 years for overfunded
Asset valuation method	7 - year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Project salary increases	5.0% - 9.0%
Payroll growth	5.0%
Cost-of-living-adjustments	None

There was no specific healthcare cost trend rate assumption used for the OPEB plan.

The current alternate contribution rate is based on Arizona revised Statutes Title 38-843.05 which requires the employer to contribute at rate equal to the that portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the prior fiscal year.

**Three-Year Trend Information  
Paradise Valley Police**

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 771,432	100 %	\$ -
2012	865,452	100	-
2013	990,662	100	-
<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OBEB Obligation</u>
2011	\$ 39,710	100 %	\$ -
2012	43,089	100	-
2013	41,050	100	-

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

Funded Status and Funding Progress—The most recent actuarial valuation available is dated June 30, 2012 and this report was used to report the following data. The actuarial valuation reflects a long-term perspective. The Town made the contributions to the plan as noted in the table above, however as noted in the June 30, 2012 PSPRS Comprehensive Annual Financial Report (Note 7), contributions in excess of the health benefit subsidy payment are reported in the pension plan. Therefore, no assets are accounted separately to offset any actuarially accrued liability. All assets of the plan are available to pay both pension benefits and health insurance subsidy. The accumulated funding for the pension plan was as follows (since all assets are available to pay accrued liabilities, a row indicating totals has been added):

	Actuarial Accrued Liability (AAL)	Actuarial Valuation of Assets	Percent Funded	Over/ (Unfunded) AAL	Annual Covered Payroll (ACP)	Over/ (Unfunded) AAL as % of ACP
Pension Plan	\$ 22,706,295	\$ 8,293,055	36.52%	\$ (14,413,240)	\$ 2,035,841	-707.97%
OPEB Plan	552,772	-	-	(552,772)	2,035,841	-27.15%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

THIS PAGE BLANK

## **REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

**Retirement**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2010	\$ 9,138,514	\$ 19,623,423	46.6%	\$(10,484,909)	\$ 2,059,235	-509.2%
2011	8,970,186	21,155,807	42.4%	(12,185,621)	1,834,169	-664.4%
2012	8,293,055	22,706,295	36.5%	(14,413,240)	2,035,841	-708.0%

**Other Post Employment Benefit (Health Insurance Subsidy)**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2010	\$ -	\$ 543,057	0.0%	\$ (543,057)	\$ 2,059,235	-26.4%
2011	-	556,622	0.0%	(556,622)	1,834,169	-30.3%
2012	-	552,772	0.0%	(552,772)	2,035,841	-27.2%

THIS PAGE BLANK

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

THIS PAGE BLANK

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

THIS PAGE BLANK

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Special Revenue			Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>ASSETS</b>				
Cash and Investments	\$ 72,663	\$ 12,499	\$ 40,198	\$ 125,360
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 55,917	\$ -	\$ -	\$ 55,917
Unearned Revenue	-	12,499	-	12,499
Total Liabilities	55,917	12,499	-	68,416
Fund Balances:				
Restricted	16,746	-	40,198	56,944
Total Fund Balances	16,746	-	40,198	56,944
Total Liabilities and Fund Balance	\$ 72,663	\$ 12,499	\$ 40,198	\$ 125,360

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	Special Revenue			Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ 32,544	\$ -	\$ 32,544
Contribution and Donations	132,395	-	-	132,395
Investment Income	35	-	237	272
Total Revenues	<u>132,430</u>	<u>32,544</u>	<u>237</u>	<u>165,211</u>
<b>EXPENDITURES</b>				
Current:				
General Government	120,694	37,472	-	158,166
Public Safety	5,165	2,344	-	7,509
Total Expenditures	<u>125,859</u>	<u>39,816</u>	<u>-</u>	<u>165,675</u>
Excess (Deficiency) of Revenues Over Expenditures	6,571	(7,272)	237	(464)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	7,272	-	7,272
Net Change in Fund Balances	6,571	-	237	6,808
<b>FUND BALANCES</b>				
Beginning of Year	10,175	-	39,961	50,136
End of Year	<u>\$ 16,746</u>	<u>\$ -</u>	<u>\$ 40,198</u>	<u>\$ 56,944</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Other	\$ -	\$ -	\$ 160,000	\$ 160,000
<b>EXPENDITURES</b>				
Capital Outlay	<u>6,304,995</u>	<u>8,497,819</u>	<u>2,699,004</u>	<u>5,798,815</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,304,995)	(8,497,819)	(2,539,004)	5,958,815
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>2,048,024</u>	<u>5,465,016</u>	<u>5,465,016</u>	<u>-</u>
Net Change in Fund Balance	(4,256,971)	(3,032,803)	2,926,012	5,958,815
<b>FUND BALANCE</b>				
Beginning of Year	-	-	2,872,081	2,872,081
End of Year	<u>\$ (4,256,971)</u>	<u>\$ (3,032,803)</u>	<u>\$ 5,798,093</u>	<u>\$ 8,830,896</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>			
Current			
Principal Retirement	\$ 824,880	\$ 824,885	\$ (5)
Interest on Long-term Debt	204,475	204,477	(2)
Total Expenditures	<u>1,029,355</u>	<u>1,029,362</u>	<u>(7)</u>
Net Change in Fund Balance	(1,029,355)	(1,029,362)	(7)
<b>FUND BALANCE</b>			
Beginning of Year	-	6,396,432	6,396,432
End of Year	<u>\$ (1,029,355)</u>	<u>\$ 5,367,070</u>	<u>\$ 6,396,425</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DONATIONS FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Contributions and Donations	\$ 10,000	\$ 85,000	\$ 132,395	\$ 47,395
Investment Income	-	-	35	35
Total Revenues	<u>10,000</u>	<u>85,000</u>	<u>132,430</u>	<u>47,430</u>
<b>EXPENDITURES</b>				
Current:				
General Government	12,854	125,500	120,694	4,806
Public Safety	4,500	4,500	5,165	(665)
Total Expenditures	<u>17,354</u>	<u>130,000</u>	<u>125,859</u>	<u>4,141</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,354)	(45,000)	6,571	51,571
<b>FUND BALANCE</b>				
Beginning of Year	-	-	10,175	10,175
End of Year	<u>\$ (7,354)</u>	<u>\$ (45,000)</u>	<u>\$ 16,746</u>	<u>\$ 61,746</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 50,000	\$ 32,544	\$ (17,456)
<b>EXPENDITURES</b>			
Current:			
General Government	50,000	37,472	12,528
Public Safety	-	2,344	(2,344)
Total Expenditures	<u>50,000</u>	<u>39,816</u>	<u>10,184</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(7,272)	(7,272)
Other Finance Sources (Uses)			
Transfers In	<u>7,272</u>	<u>7,272</u>	<u>-</u>
Net Change in Fund Balance	7,272	-	(7,272)
<b>FUND BALANCE</b>			
Beginning of Year	-	-	-
End of Year	<u>\$ 7,272</u>	<u>\$ -</u>	<u>\$ (7,272)</u>

## **STATISTICAL SECTION (UNAUDITED)**

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 36,521,049	\$ 36,681,403	\$ 62,658,461	\$ 69,273,164
Restricted	2,646,210	3,547,005	2,458,089	3,506,945
Unrestricted	19,232,729	21,212,662	23,122,328	23,653,783
Total Governmental Activities				
Net Position	<u>\$ 58,399,988</u>	<u>\$ 61,441,070</u>	<u>\$ 88,238,878</u>	<u>\$ 96,433,892</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 12,387,573	\$ 12,537,954	\$ 12,944,276	\$ 14,058,457
Restricted	2,050,411	2,314,437	3,253,695	3,374,755
Unrestricted	2,246,455	2,849,958	3,135,872	3,548,306
Total Business-Type Activities				
Net Position	<u>\$ 16,684,439</u>	<u>\$ 17,702,349</u>	<u>\$ 19,333,843</u>	<u>\$ 20,981,518</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 48,908,622	\$ 49,219,357	\$ 75,602,737	\$ 83,331,621
Restricted	4,696,621	5,861,442	5,711,784	6,881,700
Unrestricted	21,479,184	24,062,620	26,258,200	27,202,089
Total Primary Government				
Net Position	<u>\$ 75,084,427</u>	<u>\$ 79,143,419</u>	<u>\$107,572,721</u>	<u>\$117,415,410</u>

Source: Town's Finance Department.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 65,329,267	\$ 70,546,752	\$ 70,077,412	\$ 69,676,668	\$ 69,407,881	\$ 67,784,969
4,179,307	3,498,527	2,595,469	1,786,639	1,221,024	608,907
<u>29,279,737</u>	<u>20,776,493</u>	<u>22,373,381</u>	<u>22,487,936</u>	<u>23,627,937</u>	<u>20,852,943</u>
<u>\$ 98,788,311</u>	<u>\$ 94,821,772</u>	<u>\$ 95,046,262</u>	<u>\$ 93,951,243</u>	<u>\$ 94,256,842</u>	<u>\$ 89,246,819</u>
\$ 14,937,435	\$ 15,875,113	\$ 16,176,951	\$ 16,757,765	\$ 17,292,596	\$ 26,131,603
3,639,972	3,393,316	2,746,466	2,075,256	1,362,476	567,431
<u>3,876,571</u>	<u>3,556,209</u>	<u>3,855,763</u>	<u>4,194,195</u>	<u>4,736,253</u>	<u>5,402,355</u>
<u>\$ 22,453,978</u>	<u>\$ 22,824,638</u>	<u>\$ 22,779,180</u>	<u>\$ 23,027,216</u>	<u>\$ 23,391,325</u>	<u>\$ 32,101,389</u>
\$ 80,266,702	\$ 86,421,865	\$ 86,254,363	\$ 86,434,433	\$ 86,700,477	\$ 93,916,572
7,819,279	6,891,843	5,341,935	3,861,895	2,583,500	1,176,338
<u>33,156,308</u>	<u>24,332,702</u>	<u>26,229,144</u>	<u>26,682,131</u>	<u>28,364,190</u>	<u>26,255,298</u>
<u>\$121,242,289</u>	<u>\$ 117,646,410</u>	<u>\$ 117,825,442</u>	<u>\$ 116,978,459</u>	<u>\$ 117,648,167</u>	<u>\$ 121,348,208</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 7,205,961	\$ 5,830,167	\$ 5,572,020	\$ 7,582,685
Public Safety	4,895,582	5,230,079	5,427,430	6,770,604
Highways and Streets	2,102,681	2,826,197	2,232,994	3,535,814
Interest on Long-Term Debt	152,543	132,501	135,632	139,448
Total Governmental Activities Expenses	<u>14,356,767</u>	<u>14,018,944</u>	<u>13,368,076</u>	<u>18,028,551</u>
Business-Type Activities:				
Sewer	1,673,671	1,842,192	1,874,049	2,052,990
Fire Service	-	-	-	-
Alarm Monitor System	116,989	128,194	134,462	135,019
Total Business-Type Activities Total Primary Government Expenses	<u>1,790,660</u>	<u>1,970,386</u>	<u>2,008,511</u>	<u>2,188,009</u>
	<u>\$ 16,147,427</u>	<u>\$ 15,989,330</u>	<u>\$ 15,376,587</u>	<u>\$ 20,216,560</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 2,305,546	\$ 2,987,376	\$ 3,519,743	\$ 5,008,586
Public Safety	-	-	8,538	5,279
Highways and Streets	-	183,077	-	-
Operating Grants and Contributions	1,064,659	1,097,104	1,238,887	1,313,322
Capital Grants and Contributions	5,530,770	57,356	1,520,470	3,807,860
Total Governmental Activities Program Revenues	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>
Business-Type Activities:				
Charges for Services:				
Sewer System	2,136,775	2,526,738	2,793,516	2,517,864
Fire Service	-	-	-	-
Alarm Monitor System	210,724	206,705	209,230	210,932
Capital Grants and Contributions	36,210	160,620	422,750	781,250
Total Business-Type Activities Program Revenues	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>
Total Primary Government Program Revenues	<u>\$ 11,284,684</u>	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>

Source: The Town's Finance Department.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 7,504,799	\$ 9,318,797	\$ 5,857,493	\$ 6,826,239	\$ 7,708,607	\$ 7,289,224
8,578,890	9,127,589	8,040,162	7,787,743	7,628,580	7,055,389
3,698,363	6,150,305	2,151,001	2,225,274	2,076,040	3,346,762
190,310	424,849	301,622	267,022	239,802	282,387
19,972,362	25,021,540	16,350,278	17,106,278	17,653,029	17,973,762
2,141,828	2,327,149	2,207,903	2,144,491	2,111,254	2,264,536
-	-	-	-	-	1,414,177
135,774	129,335	125,529	117,568	108,520	85,698
2,277,602	2,456,484	2,333,432	2,262,059	2,219,774	3,764,411
\$ 22,249,964	\$ 27,478,024	\$ 18,683,710	\$ 19,368,337	\$ 19,872,803	\$ 21,738,173
\$ 3,956,275	\$ 3,185,130	\$ 2,564,613	\$ 2,748,788	\$ 2,540,900	\$ 4,111,615
105,585	102,323	143,867	221,550	303,571	210,837
16,036	-	53,349	-	-	-
1,156,860	929,564	856,445	844,615	746,903	763,844
400,000	502,684	152,699	-	27,321	118,064
5,634,756	4,719,701	3,770,973	3,814,953	3,618,695	5,204,360
2,827,143	2,469,706	2,066,141	2,254,806	2,292,392	2,258,513
-	-	-	-	-	1,538,314
218,940	216,459	245,390	265,656	253,253	242,072
409,800	681,569	31,500	92,500	-	198,000
3,455,883	3,367,734	2,343,031	2,612,962	2,545,645	4,236,899
\$ 9,090,639	\$ 8,087,435	\$ 6,114,004	\$ 6,427,915	\$ 6,164,340	\$ 9,441,259

(Continued)

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

(Concluded)	Fiscal Year			
	2004	2005	2006	2007
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (5,455,792)	\$ (9,694,031)	\$ (7,080,438)	\$ (7,893,504)
Business-Type Activities	593,049	923,677	1,416,985	1,322,037
Total Primary Government Net Expense	<u>\$ (4,862,743)</u>	<u>\$ (8,770,354)</u>	<u>\$ (5,663,453)</u>	<u>\$ (6,571,467)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 7,890,578	\$ 8,260,274	\$ 9,126,426	\$ 10,374,728
Franchise Taxes	745,992	759,607	824,782	915,326
State Shared Revenue	2,381,528	2,522,036	2,875,380	2,891,589
Auto Lieu Tax Revenue Sharing	553,579	584,982	646,708	574,175
Investment Income	651,012	608,214	991,870	1,332,700
Special Item - Capital Asset moved to Fire Fund	-	-	-	-
Transfers	5,611	-	-	-
Total Governmental Activities	<u>12,228,300</u>	<u>12,735,113</u>	<u>14,465,166</u>	<u>16,088,518</u>
Business-Type Activities:				
Investment Income	38,169	94,233	214,509	325,638
Capital Contributions	-	-	-	-
Special Item - Capital Asset moved to Fire Fund	-	-	-	-
Transfers	(5,611)	-	-	-
Total Business-Type Activities	<u>32,558</u>	<u>94,233</u>	<u>214,509</u>	<u>325,638</u>
Total Primary Government	<u>\$ 12,260,858</u>	<u>\$ 12,829,346</u>	<u>\$ 14,679,675</u>	<u>\$ 16,414,156</u>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 6,772,508	\$ 3,041,082	\$ 7,384,728	\$ 8,195,014
Business-Type Activities	625,607	1,017,910	1,631,494	1,647,675
Total Primary Government	<u>\$ 7,398,115</u>	<u>\$ 4,058,992</u>	<u>\$ 9,016,222</u>	<u>\$ 9,842,689</u>

Source: The Town's Finance Department.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ (14,337,606)	\$ (20,301,839)	\$ (12,579,305)	\$ (13,291,325)	\$ (14,034,334)	\$ (12,769,402)
1,178,281	911,250	9,599	350,903	325,871	472,488
<u>\$ (13,159,325)</u>	<u>\$ (19,390,589)</u>	<u>\$ (12,569,706)</u>	<u>\$ (12,940,422)</u>	<u>\$ (13,708,463)</u>	<u>\$ (12,296,914)</u>
\$ 10,499,929	\$ 9,386,335	\$ 8,051,632	\$ 7,944,769	\$ 10,627,184	\$ 11,963,535
1,003,231	1,001,103	999,785	1,007,634	1,055,473	1,061,725
3,225,005	3,180,361	2,807,201	2,402,963	2,083,775	2,358,876
557,250	504,145	465,343	453,010	411,604	429,075
1,406,610	1,569,907	358,326	231,090	161,897	174,833
-	-	-	-	-	(8,228,665)
-	693,449	121,508	156,840	-	-
<u>16,692,025</u>	<u>16,335,300</u>	<u>12,803,795</u>	<u>12,196,306</u>	<u>14,339,933</u>	<u>7,759,379</u>
294,179	152,859	66,451	53,973	38,238	8,911
-	-	-	-	-	198,000
-	-	-	-	-	8,228,665
-	(693,449)	(121,508)	(156,840)	-	-
<u>294,179</u>	<u>(540,590)</u>	<u>(55,057)</u>	<u>(102,867)</u>	<u>38,238</u>	<u>8,435,576</u>
<u>\$ 16,986,204</u>	<u>\$ 15,794,710</u>	<u>\$ 12,748,738</u>	<u>\$ 12,093,439</u>	<u>\$ 14,378,171</u>	<u>\$ 16,194,955</u>
\$ 2,354,419	\$ (3,966,539)	\$ 224,490	\$ (1,095,019)	\$ 305,599	\$ (5,010,023)
1,472,460	370,660	(45,458)	248,036	364,109	8,908,064
<u>\$ 3,826,879</u>	<u>\$ (3,595,879)</u>	<u>\$ 179,032</u>	<u>\$ (846,983)</u>	<u>\$ 669,708</u>	<u>\$ 3,898,041</u>

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Governmental Activities:</b>					
General Government	\$ 7,577,522	\$ 3,016,814	\$ 4,960,424	\$ 9,053,679	\$ 4,467,270
Public Safety	39,238	6,241	14,715	20,976	134,211
Highways and Streets	1,284,215	1,301,858	1,312,499	1,060,392	1,033,275
Subtotal Governmental Activities	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>	<u>5,634,756</u>
<b>Business-Type Activities:</b>					
Sewer System	2,172,985	2,687,358	3,216,266	3,299,114	3,236,943
Fire Service	-	-	-	-	-
Alarm Monitor System	210,724	206,705	209,230	210,932	218,940
Subtotal Business-Type Activities	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>	<u>3,455,883</u>
Total Primary Government	<u>\$ 11,284,684</u>	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>	<u>\$ 9,090,639</u>

Source: The Town's Finance Department.

Fiscal Year				
2009	2010	2011	2012	2013
\$ 3,217,704	\$ 2,592,630	\$ 2,767,852	\$ 2,671,657	\$ 4,288,121
150,885	149,236	255,768	305,350	214,512
1,351,112	1,029,107	791,333	641,688	701,727
<u>4,719,701</u>	<u>3,770,973</u>	<u>3,814,953</u>	<u>3,618,695</u>	<u>5,204,360</u>
3,151,275	2,097,641	2,347,306	2,292,392	2,258,513
-	-	-	-	1,538,314
216,459	245,390	265,656	253,253	242,072
<u>3,367,734</u>	<u>2,343,031</u>	<u>2,612,962</u>	<u>2,545,645</u>	<u>4,038,899</u>
<u>\$ 8,087,435</u>	<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>	<u>\$ 6,164,340</u>	<u>\$ 9,243,259</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund:				
Reserved	\$ 102,818	\$ -	\$ -	\$ -
Unreserved	19,900,194	21,897,439	23,838,710	24,368,110
Total General Fund	<u>\$ 20,003,012</u>	<u>\$ 21,897,439</u>	<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>
All Other Governmental Funds:				
Unreserved, Reported in:				
Special Revenue Funds	\$ 816,602	\$ 1,734,576	\$ 2,475,642	\$ 3,524,830
Debt Service Funds	85	210	367	512
Capital Projects Funds	1,829,523	1,829,523	-	-
Total All Other Governmental Funds	<u>\$ 2,646,210</u>	<u>\$ 3,564,309</u>	<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>
	Fiscal Year			
	2011	2012	2013	
General Fund:				
Nonspendable				
Prepaid Items	\$ 6,972	\$ 143,415	\$ 1,039,473	
Restricted	-	-	-	
Committed	-	-	-	
Assigned	-	-	-	
Unassigned	13,995,539	14,393,182	14,206,372	
Total General Fund	<u>\$ 14,002,511</u>	<u>\$ 14,536,597</u>	<u>\$ 15,245,845</u>	
All Other Governmental Funds:				
Nonspendable				
Prepaid Items	\$ -	\$ -	\$ 16,025	
Restricted	1,786,639	1,221,024	592,882	
Assigned	8,905,955	9,268,513	11,165,163	
Total All Other Governmental Funds	<u>\$ 10,692,594</u>	<u>\$ 10,489,537</u>	<u>\$ 11,774,070</u>	

Source: The Town's Finance Department.

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

Fiscal Year		
2008	2009	2010
\$ -	\$ -	\$ -
26,023,277	19,055,184	14,865,748
<u>\$ 26,023,277</u>	<u>\$ 19,055,184</u>	<u>\$ 14,865,748</u>
\$ 4,199,455	\$ 3,147,999	\$ 2,444,644
232	1,712,329	6,314,592
4,069,161	1,130,425	1,864,879
<u>\$ 8,268,848</u>	<u>\$ 5,990,753</u>	<u>\$ 10,624,115</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>REVENUES</b>				
Taxes	\$ 8,636,570	\$ 9,019,881	\$ 9,951,208	\$ 11,290,054
Intergovernmental	4,235,005	4,249,702	4,849,824	4,656,254
Fines and Forfeitures	905,824	1,083,724	1,228,545	1,505,931
Licenses and Permits	1,204,140	1,686,194	1,847,924	3,238,562
Charges for Services	-	187,077	-	-
Rents and Royalties	-	-	-	-
Investment Income	651,012	608,214	991,870	1,332,700
Other	364,812	143,797	650,580	366,621
Total Revenues	<u>15,997,363</u>	<u>16,978,589</u>	<u>19,519,951</u>	<u>22,390,122</u>
<b>EXPENDITURES</b>				
General Government	5,215,411	5,059,155	5,450,586	7,066,224
Public Safety	4,763,692	5,154,489	5,371,429	6,673,289
Highways and Streets	1,532,470	1,430,165	1,622,491	1,680,913
Capital Outlay	9,666,243	2,967,196	6,799,178	7,531,375
Debt Service				
Issuance Costs	-	-	-	-
Principal Retirement	131,718	135,377	140,865	146,354
Interest on Long-Term Debt	124,508	119,167	113,642	107,897
Total Expenditures	<u>21,434,042</u>	<u>14,865,549</u>	<u>19,498,191</u>	<u>23,206,052</u>
Excess of Revenues				
Over (Under) Expenditures	(5,436,679)	2,113,040	21,760	(815,930)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	5,309,176	4,086,764	5,951,668	8,028,562
Transfers Out	(5,303,565)	(4,086,764)	(5,951,668)	(8,028,562)
Issuance of Long-Term Debt	-	-	-	-
Premium on Issuance of Long-Term Debt	-	-	-	-
Payment of Escrow Agent	-	-	-	-
Payment on Capital Leases	-	-	-	-
Proceeds from Capital Leases	433,787	699,486	831,211	2,394,663
Total Other Financing Sources (Uses)	<u>439,398</u>	<u>699,486</u>	<u>831,211</u>	<u>2,394,663</u>
Net Changes in Fund Balance	<u>\$ (4,997,281)</u>	<u>\$ 2,812,526</u>	<u>\$ 852,971</u>	<u>\$ 1,578,733</u>
Debt Service as a Percentage of Non-Capital Expenditures	2.20%	2.10%	2.00%	1.60%

Source: The Town's Finance Department.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 11,503,160	\$ 10,387,438	\$ 9,051,417	\$ 8,952,403	\$ 11,682,657	\$ 13,025,260
4,921,207	4,835,686	4,272,612	3,692,516	3,251,086	3,537,464
1,630,753	1,351,919	1,133,627	1,201,432	801,897	2,346,166
2,197,361	1,159,347	982,740	1,080,207	1,021,911	1,203,370
-	-	490,095	356,650	427,269	328,019
-	-	-	320,907	325,220	307,987
1,406,610	1,569,914	358,326	231,090	161,897	174,833
302,014	769,388	9,076	8,072	51,730	461,264
<u>21,961,105</u>	<u>20,073,692</u>	<u>16,297,893</u>	<u>15,843,277</u>	<u>17,723,667</u>	<u>21,384,363</u>
7,661,674	7,346,335	5,686,505	5,987,892	5,581,346	6,168,281
8,836,058	8,968,496	7,864,339	7,504,468	7,594,737	6,816,444
1,901,078	2,077,779	1,616,151	1,444,530	1,204,634	2,677,491
3,946,895	11,155,915	128,752	832,181	2,149,953	2,699,004
-	130,596	-	-	-	-
151,842	715,506	388,383	773,329	800,825	824,885
101,896	346,510	291,345	252,475	228,857	204,477
<u>22,599,443</u>	<u>30,741,137</u>	<u>15,975,475</u>	<u>16,794,875</u>	<u>17,560,352</u>	<u>19,390,582</u>
(638,338)	(10,667,445)	322,418	(951,598)	163,315	1,993,781
4,455,825	10,985,963	6,289,267	2,584,469	3,481,659	6,293,189
(4,455,825)	(10,292,514)	(6,167,759)	(2,427,629)	(3,481,659)	(6,293,189)
-	7,599,249	-	-	-	-
-	339,067	-	-	-	-
-	(2,032,486)	-	-	-	-
-	(5,770,711)	-	-	-	-
7,037,011	592,689	-	-	167,714	-
<u>7,037,011</u>	<u>1,421,257</u>	<u>121,508</u>	<u>156,840</u>	<u>167,714</u>	<u>-</u>
<u>\$ 6,398,673</u>	<u>\$ (9,246,188)</u>	<u>\$ 443,926</u>	<u>\$ (794,758)</u>	<u>\$ 331,029</u>	<u>\$ 1,993,781</u>
1.3%	4.3%	4.5%	6.6%	6.4%	9.3%

THIS PAGE BLANK

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

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
2004	\$ 5,605,752	\$ 2,284,826	\$ 745,992	\$ 8,636,570
2005	6,059,493	2,200,781	759,607	9,019,881
2006	6,838,389	2,288,037	824,782	9,951,208
2007	8,129,931	2,244,797	915,326	11,290,054
2008	8,401,809	2,098,120	1,003,231	11,503,160
2009	7,518,403	1,867,932	1,001,103	10,387,438
2010	5,972,752	2,078,880	999,785	9,051,417
2011	5,543,814	2,400,955	1,007,634	8,952,403
2012	8,103,896	2,523,288	1,055,473	11,682,657
2013	9,235,643	2,727,892	1,061,725	13,025,260

Source: The Town's Finance Department.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 229,257	\$ 362,906	\$ 385,466	\$ 399,465	\$ 467,913
Construction	2,208,058	2,204,092	2,751,534	3,951,997	4,420,843
Manufacturing	171,078	223,540	243,507	174,371	101,628
Retail trade	322,360	164,793	210,152	234,595	311,592
Finance, Insurance and Real Estate	250,747	241,291	267,236	400,899	377,621
Hospitality	2,089,442	2,474,965	2,603,157	2,507,944	2,253,947
Services	152,926	160,672	173,674	231,145	206,628
Other	181,884	227,234	203,663	229,310	261,637
Total	<u>\$ 5,605,752</u>	<u>\$ 6,059,493</u>	<u>\$ 6,838,389</u>	<u>\$ 8,129,726</u>	<u>\$ 8,401,809</u>
Bed Tax Collected	<u>\$ 2,284,826</u>	<u>\$ 2,200,781</u>	<u>\$ 2,288,037</u>	<u>\$ 2,244,797</u>	<u>\$ 2,098,120</u>

Source: Arizona Department of Revenue

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

Fiscal Year

2009	2010	2011	2012	2013
\$ 442,206	\$ 499,069	\$ 459,650	\$ 829,653	\$ 881,141
3,622,160	2,250,756	1,645,850	1,780,801	2,340,481
85,475	85,959	81,724	119,098	133,431
218,354	223,429	281,128	355,717	451,136
226,801	165,509	201,843	251,196	262,889
2,510,902	2,464,680	2,527,486	4,007,195	4,338,311
200,520	147,522	154,748	224,531	268,514
211,986	135,828	191,385	535,705	559,743
<u>\$ 7,518,404</u>	<u>\$ 5,972,752</u>	<u>\$ 5,543,814</u>	<u>\$ 8,103,896</u>	<u>\$ 9,235,644</u>
<u>\$ 1,867,932</u>	<u>\$ 2,078,880</u>	<u>\$ 2,400,955</u>	<u>\$ 2,523,288</u>	<u>\$ 2,727,892</u>

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

**Privilege (Sales) Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2004	1.40%	0.00%	5.60%
2005	1.65%	0.00%	5.60%
2006	1.65%	0.00%	5.60%
2007	1.65%	0.00%	5.60%
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%
2011	1.65%	0.00%	6.60%
2012	2.50%	0.00%	6.60%
2013	2.50%	0.00%	5.60%

**Use Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2004	1.40%	0.00%	5.60%
2005	1.65%	0.00%	5.60%
2006	1.65%	0.00%	5.60%
2007	1.65%	0.00%	5.60%
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%
2011	1.65%	0.00%	6.60%
2012	2.50%	0.00%	6.60%
2013	2.50%	0.00%	5.60%

**Bed Tax Rates**

Fiscal Year	Town Direct		
	Rate	County Rate	State Rate
2004	3.00%	1.77%	5.50%
2005	3.00%	1.77%	5.50%
2006	3.00%	1.77%	5.50%
2007	3.00%	1.77%	5.50%
2008	3.00%	1.77%	5.50%
2009	3.00%	1.77%	5.50%
2010	3.00%	1.77%	6.50%
2011	3.40%	1.77%	6.50%
2012	3.40%	1.77%	6.50%
2013	3.40%	1.77%	5.50%

Source: Maricopa County Treasurer.

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

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	Capital Leases	Excise Tax Revenue Bonds	Note Payable			
2004	\$ 2,766	\$ 527	\$ 4,794	\$ -	\$ 8,087	\$ 569	14,215
2005	2,631	611	4,559	-	7,801	541	14,410
2006	2,490	787	4,315	4,049	11,641	840	13,863
2007	2,343	2,222	4,062	3,716	12,343	882	14,000
2008	2,192	8,045	3,798	3,369	17,404	1,224	14,215
2009	7,599	1,595	3,456	3,006	15,656	1,084	14,444
2010	7,211	1,073	3,279	2,628	14,191	966	14,686
2011	6,438	798	2,927	2,235	12,398	967	12,820
2012	5,637	600	2,563	1,824	10,624	812	12,972
2013	4,812	432	2,188	1,396	8,828	674	13,106

Source: The Town's Finance Department.

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

Fiscal Year	Excise Tax Revenue Bonds				Coverage
	Excise Tax	Principal	Interest		
2004	\$ 12,776	\$ 360	\$ 340		18.25
2005	13,813	370	326		19.85
2006	15,456	385	311		22.21
2007	17,994	400	295		25.89
2008	17,483	415	278		25.23
2009	14,727	435	261		21.16
2010	12,841	565	414		13.12
2011	12,436	1,125	367		8.36
2012	14,787	1,165	333		9.90
2013	17,199	1,200	297		11.5

Source: The Town's Finance Department.

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

Fiscal Year	Population	Median Household Income	Per Capita Income
2004	14,215	(a)	(a)
2005	14,410	(a)	(a)
2006	13,863	(a)	(a)
2007	14,000	(a)	(a)
2008	14,215	\$ 187,128	\$ 100,251
2009	14,444	(a)	(a)
2010	14,686	(a)	(a)
2011	12,820	(a)	(a)
2012	12,972	(a)	(a)
2013	13,106	(a)	(a)

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

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

(a) Information was not available.

**TOWN OF PARADISE VALLEY, ARIZONA  
PRINCIPAL EMPLOYERS  
2012 AND 2003  
(UNAUDITED)**

	2012		2003	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Camelback Inn	618	26.1%	580	24.3%
Doubletree of Phoenix (formerly InterContinental Montelucia Resort and Joya Spa)	475	20.1%	-	0.0%
Scottsdale Plaza Resort	329	13.9%	388	16.3%
Marriott's Mountain Shadows	-	0.0%	307	12.9%
Sanctuary on Camelback Mountain	278	11.8%	250	10.5%
DoubleTree Paradise Valley Resort	160	6.8%	220	9.2%
Doubletree La Posada Resort	-	0.0%	207	8.7%
Phoenix County Day School	137	5.8%	138	5.8%
Paradise Valley Country Club	122	5.2%	100	4.2%
El Chorro Lodge Inc.	-	0.0%	70	2.9%
Hermosa Inn	97	4.1%	100	4.2%
Town of Paradise Valley	77	3.3%	95	4.0%
Scottsdale Cottonwoods LLC	72	3.0%	-	0.0%
<b>Total</b>	<b>2,365</b>	<b>100.0%</b>	<b>2,455</b>	<b>102.9%</b>

Source: Maricopa Association of Governments 2012 Employer Database.

Note: 2012 and 2003 is the most recent information available.

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

Full-Time Equivalent Employees										
Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Town Manager	3.0	3.0	3.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0
Town Attorney	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Finance	8.0	7.7	7.7	7.2	7.2	8.2	7.0	7.0	4.0	5.0
Community Development	9.0	9.0	11.0	13.0	13.0	13.0	12.0	10.0	10.0	10.0
Court	5.3	5.3	5.4	5.4	5.7	5.9	6.0	5.0	5.0	5.00
Engineering	3.0	3.0	3.0	3.0	3.0	3.0	2.0	1.0	-	1.0
Public Works	3.0	3.0	3.0	3.0	3.0	4.0	3.0	3.0	2.0	3.0
Police:										
Officers	35.0	36.0	36.0	36.0	36.0	36.0	30.0	23.0	25.0	27.0
Civilians	10.3	10.3	10.3	10.3	10.5	10.5	11.0	13.0	9.0	7.0
Fire Service:										
Civilians	-	-	-	-	1.0	1.0	-	-	-	-
Highways and Streets	13.0	13.7	14.0	14.0	14.0	14.0	13.0	12.0	12.0	12.0
Sewer System	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Alarm Monitoring System	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>95.3</u>	<u>97.0</u>	<u>99.4</u>	<u>100.9</u>	<u>102.4</u>	<u>105.6</u>	<u>93.0</u>	<u>83.0</u>	<u>76.0</u>	<u>79.00</u>

Source: Town's Finance Department.

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General Government:					
Building Permits Issued	823	941	1,019	1,059	950
Value of Building Permits Issued	\$ 105,004,033	\$ 127,825,265	\$ 172,799,125	\$ 312,280,046	\$ 177,127,174
Police:					
Physical Arrests	240	293	341	334	270
Parking Violations	280	490	514	669	582
Traffic Violations	2,672	3,806	4,162	2,946	2,529
Other Public Works:					
Street Resurfacing (Miles)	9	8	10	10	9
Sidewalks (Linear Feet)	1,371	3,374	-	2,025	24,725
Potholes Repaired	204	193	205	150	115
Sewer System:					
Number of Customers	1,901	1,916	1,938	1,985	2,016

Source: The Town of Paradise Valley.

(a) Information was not available.

Fiscal Year

2009	2010	2011	2012	2013
665	499	536	517	559
\$ 86,505,523	\$ 54,467,751	\$ 59,607,205	\$ 68,448,551	\$ 74,147,285
242	240	199	258	218
285	1,789	1,142	1,199	445
1,509	2,203	2,049	1,995	1,914
31	-	-	7	19.78
-	-	-	216	24
70	17	23	10	11
2,065	2,086	2,094	2,095	2,115

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police:					
Stations	1	1	1	1	1
Patrol and Detective Vehicles	20	20	20	20	25
Fire Service:					
Stations				2	2
Fire Pumpers, Support Vehicles	-	-		3	4
Other Public Works:					
Streets (Miles)	140	140	140	140	140
Traffic Signals	12	12	12	12	12
Wastewater:					
Sanitary Sewers (Feet)	305,319	307,444	311,409	317,059	320,890
Treatment Capacity (Thousands of Gallons)	880	880	1,026	1,026	1,026

Source: The Town of Paradise Valley.

Fiscal Year				
2009	2010	2011	2012	2013
1	1	1	1	1
28	25	25	25	24
2	2	2	2	2
4	3	3	3	3
140	140	140	140	140
12	12	12	12	12
325,029	325,029	325,029	325,029	326,349
1,026	1,026	1,026	1,026	1,026

THIS PAGE BLANK