

# TOWN OF PARADISE VALLEY ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014



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**TOWN OF PARADISE VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2014**

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Mr. Scott P. LeMarr  
*Mayor*

Mr. Michael Collins  
*Vice Mayor*

*Councilmembers*

Mr. David Sherf

Mr. Paul Dembow

Mr. Dan Schweiker

Ms. Lisa Trueblood

Mr. James C. Bacon, Jr.  
*Town Manager*

Prepared by:  
Finance Department

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## **INTRODUCTORY SECTION**

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December 2, 2014

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, 2014 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, 2014. The independent auditors' report is located at the front of the financial section of this report.

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

## **PROFILE**

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

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

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

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

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### Local Economy

The economy in the Phoenix-metro area continues to improve. The hospitality industry (eight resorts) is the largest source of revenue in the operating budget (General and Highway User Revenue Fund), making up about 40% of all operating revenues. In FY 2013-14, direct local sales and bed taxes from the hospitality industry totaled about \$7.5 million.

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 had been vacant for several years, is under 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 Great Recession significantly impacted the luxury home market. However, activity is improving. FY 2013-14 construction sales taxes of about \$3 million was about 30% greater than the prior year.

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 \$200,000 that was established when the FY 2013-14 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 \$14.1 million and is comprised on two components. \$2.4 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 \$11.7 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 \$14.1 million represents 90% of annual operating expenses.

## Major Initiatives

Recommendations from the Mayor's Public Safety Task Force were initiated during FY 2013-14 including adding four new patrol officers and the installation of in-car police technology.

A significant transfer (\$4.9 million) was made from the Sewer Fund to the General Fund as a result of policy change approved by the Town Council associated with allocation of sewer debt (past and future). For this reason, the operating reserves are much higher than the adopted budget contemplated.

Also, the Town continued a significant capital improvement plan, including major transportation projects.

## **NEXT YEAR'S BUDGET**

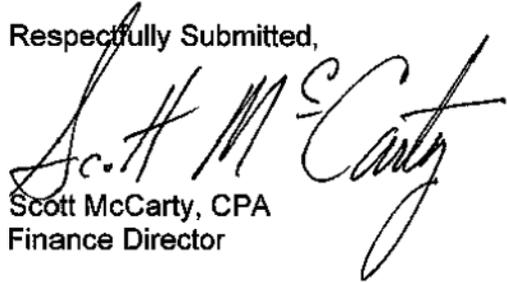
In August 2014, the Town Council set the sales tax rate at 2.5% permanently. This action preserved approximately \$3.2 million in lost sales tax revenues which would have occurred if the temporary rate would have expired. This revenue stream will allow the Town Council to continue the aggressive capital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

## **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, 2013. This was the fifth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "S. H. McCarty". The signature is fluid and cursive, with a large, sweeping flourish at the end of the name.

Scott McCarty, CPA  
Finance Director



Government Finance Officers Association

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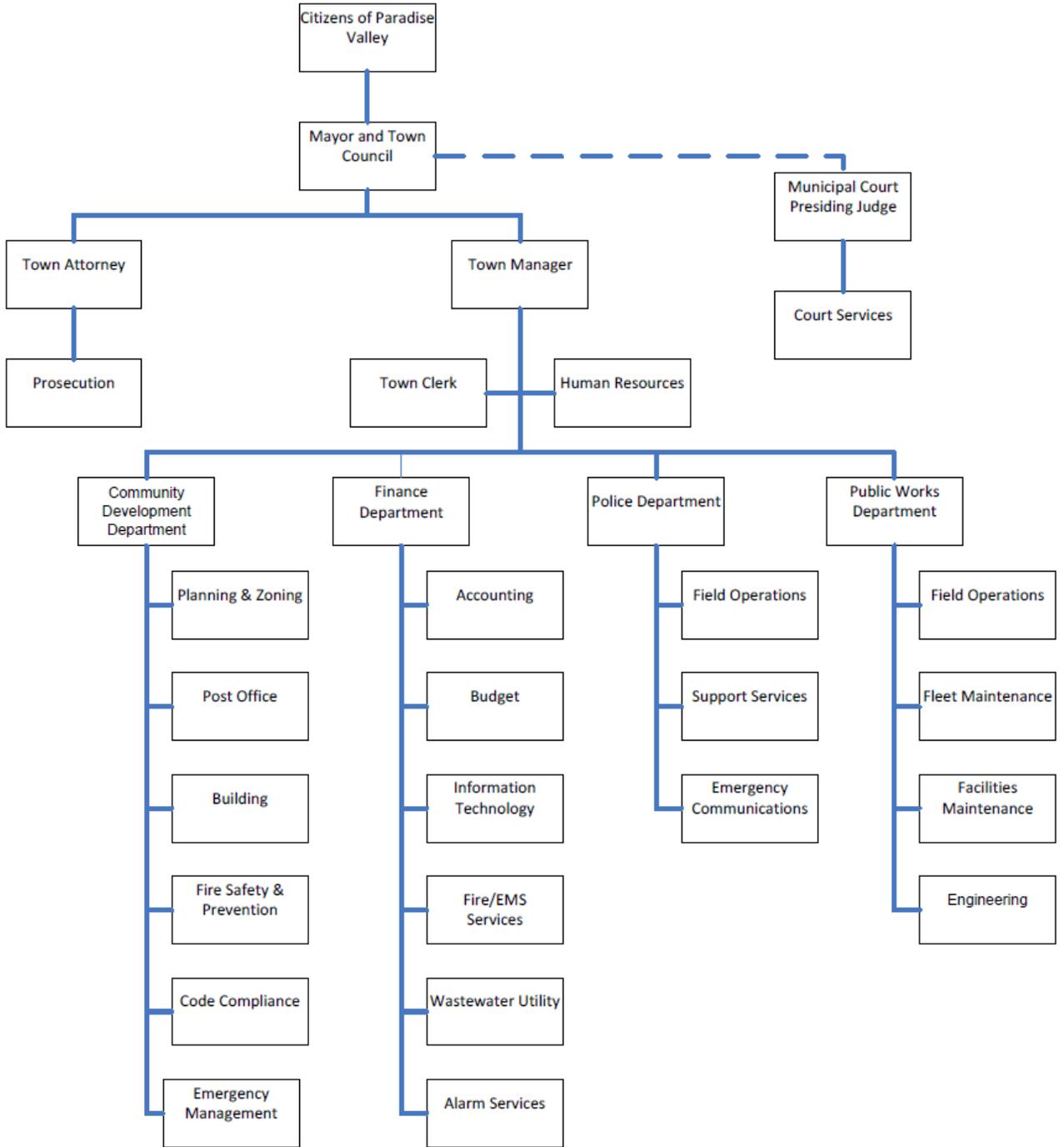
**Town of Paradise Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**TOWN OF PARADISE VALLEY, ARIZONA  
ORGANIZATIONAL CHART  
JUNE 30, 2014**



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (Town), as of and for the year ended June 30, 2014, 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, 2014, 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.

***Emphasis of a Matter***

As described in Note 4.B., net position was restated in the Governmental Activities, Business-Type Activities, and Fire Service Enterprise Fund for a correction of an error in recording capital assets in the previous fiscal year. Our opinion was not modified as a result of this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and on pages 10 – 19 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 57 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.

*Clifton Larson Allen LLP*

Phoenix, Arizona  
December 2, 2014

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. 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 2014 and 2013 are as follows:

- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year 2014 and 2013 by \$128.0 million and \$121.3 million (net position), respectively. Of these amounts, \$28.5 million and \$26.3 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net position increased by \$6.6 million and \$3.7 million during fiscal years 2014 and 2013, respectively.
- ◆ As of June 30, 2014 and 2013, the Town's governmental funds reported combined ending fund balances of \$32.3 million and \$27.0 million, respectively, which were comprised of nonspendable, restricted, assigned, and unassigned fund balances.
- ◆ At the close of fiscal year 2014, unassigned fund balance for the General Fund was \$23.4 million, or 182% of actual operating expenses. At the close of the fiscal year 2013, the unassigned fund balance for the General Fund was \$14.2 million, or 111% of operating expenses.
- ◆ During fiscal year 2014, 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, 2014**

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

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

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

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

**Fund Financial Statements**

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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 22 of this report.

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

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

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

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to basic financial statements begin on page 33 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 57 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 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, 2014**

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 \$128.0 million and \$121.3 million at the close of the fiscal year 2014 and 2013 respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
<b>ASSETS</b>						
Current and Other Assets	\$ 35,160,280	\$ 29,838,113	\$ 2,380,520	\$ 7,364,528	\$ 37,540,800	\$ 37,202,641
Capital Assets						
Non-Depreciable	43,618,736	42,894,468	17,203,392	17,203,392	60,822,128	60,097,860
Depreciable (Net)	30,347,439	25,747,581	11,647,946	12,180,503	41,995,385	37,928,084
Total Assets	109,126,455	98,480,162	31,231,858	36,748,423	140,358,313	135,228,585
<b>LIABILITIES</b>						
Other Liabilities	2,250,090	2,430,086	1,478,573	1,393,840	3,728,663	3,823,926
Non-Current Liabilities:						
Due Within One Year	1,603,010	1,519,787	879,319	848,686	2,482,329	2,368,473
Due in More Than						
One Year	4,206,900	4,858,677	1,949,982	2,829,301	6,156,882	7,687,978
Total Liabilities	8,060,000	8,808,550	4,307,874	5,071,827	12,367,874	13,880,377
<b>Net Position</b>						
Net Investment in						
Capital Assets	73,318,948	68,209,762	26,022,037	25,706,810	99,340,985	93,916,572
Restricted	102,778	608,907	-	567,431	102,778	1,176,338
Unrestricted	27,644,729	20,852,943	901,947	5,402,355	28,546,676	26,255,298
Total Net Position	\$ 101,066,455	\$ 89,671,612	\$ 26,923,984	\$ 31,676,596	\$ 127,990,439	\$ 121,348,208

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 \$99.3 million (78%) and \$93.9 million (77%) for the fiscal years 2014 and 2013, 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, \$0.1 million (less than 1%) for fiscal year 2014 and \$1.2 million (1%) for fiscal year 2013, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2014 and 2013, \$28.5 million (22%) and \$26.3 million (22%) 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, 2014**

**Changes in Net Position**

The Town's net position increased by \$6.6 million and increased by \$3.7 million during the fiscal years 2014 and 2013 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	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 5,313,470	\$ 4,322,452	\$ 5,572,148	\$ 4,038,899	\$ 10,885,618	\$ 8,361,351
Operating Grants and Contributions	807,404	763,844	-	-	807,404	763,844
Capital Grants and Contributions	10,000	118,064	-	198,000	10,000	316,064
General Revenues:						
Local Taxes	14,197,985	13,025,260	-	-	14,197,985	13,025,260
State Shared Revenues	3,002,718	2,787,951	-	-	3,002,718	2,787,951
Investment Income	94,521	174,833	7,251	8,911	101,772	183,744
Total Revenues	<u>23,426,098</u>	<u>21,192,404</u>	<u>5,579,399</u>	<u>4,245,810</u>	<u>29,005,497</u>	<u>25,438,214</u>
<b>EXPENSES</b>						
General Government	7,276,076	7,289,224	-	-	7,276,076	7,289,224
Public Safety	6,286,763	7,055,389	-	-	6,286,763	7,055,389
Highways and Streets	3,201,369	3,346,762	-	-	3,201,369	3,346,762
Interest and Fiscal Charges	182,224	282,387	-	-	182,224	282,387
Sewer System	-	-	2,351,590	2,264,536	2,351,590	2,264,536
Fire Service	-	-	2,961,269	1,414,177	2,961,269	1,414,177
Alarm Monitor System	-	-	103,975	85,698	103,975	85,698
Total Expenses	<u>16,946,432</u>	<u>17,973,762</u>	<u>5,416,834</u>	<u>3,764,411</u>	<u>22,363,266</u>	<u>21,738,173</u>
<b>CHANGES IN NET POSITION BEFORE TRANSFERS AND SPECIAL ITEMS</b>						
Special Item - Capital Asset moved to Business-Type Activities	6,479,666	3,218,642	162,565	481,399	6,642,231	3,700,041
Transfers	-	(7,803,872)	-	7,803,872	-	-
Transfers	4,915,177	-	(4,915,177)	-	-	-
<b>CHANGES IN NET POSITION</b>	<u>11,394,843</u>	<u>(4,585,230)</u>	<u>(4,752,612)</u>	<u>8,285,271</u>	<u>6,642,231</u>	<u>3,700,041</u>
Net Position - Beginning of Year, As Restated	89,671,612	94,256,842	31,676,596	23,391,325	121,348,208	117,648,167
<b>NET POSITION- END OF YEAR</b>	<u>\$ 101,066,455</u>	<u>\$ 89,671,612</u>	<u>\$ 26,923,984</u>	<u>\$ 31,676,596</u>	<u>\$ 127,990,439</u>	<u>\$ 121,348,208</u>

*Governmental Activities* – In fiscal year 2014, governmental activities increased the net position of the Town by \$11.4 million. Total revenues increased \$2.2 million (11%) from fiscal year 2013. Local taxes increased by \$1.2 million (9%) primarily due to an improved economy which included increased consumer spending. Fines, fees, and charges for services increased \$1.0 million (23%) due to a settlement received in the amount of \$1.6 million in the current year for improvements along 56<sup>th</sup> street, offset by \$1.3 million in Court Enhancement Fund revenues recognized in FY2013 that did not occur in the current fiscal year. Additionally the Town implemented a system of indirect charges with the enterprise funds which increased charges for services in the current year by \$0.3 million for the governmental activities. The result of these three events accounted for a majority of the increase in fines, fees and charges for services. A transfer from the business-type activities to the governmental activities accounted for the most significant increase in the governmental activities. The transfer was

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

authorized by Town Council to fund prior and future debt service of outstanding governmental activities revenue bonds from sewer operations rather than the General Fund.

State shared revenues increased approximately \$0.2 million (8%) compared to fiscal year 2013. The increase was largely due to an increase in urban revenue sharing funding and state sales tax funding.

Capital grants and contributions decreased \$0.1 million due to a decline in capital donations as there was a significant amount of capital donations in FY2013 related to the Bill Keane memorial statue.

Expenses decreased \$1.0 million, or 6%. Public Safety spending decreased by \$0.8 million primarily due to the Fire Service Fund accounting for a full year of fire service expenses that were previously recorded in the Governmental Activities.

*Business-Type Activities* – Business-type activities decreased the Town's net position by \$4.8 million in fiscal year 2014. The most significant reason for the decrease in net position was the Council authorized transfer to the governmental activities. The Town transferred \$4.9 million to governmental activities to fund the prior and future debt service on governmental activities revenue bonds from sewer operations rather than the General Fund. Income from operations increased \$1.5 million and expenses increased \$1.7 million in connection with a full year of revenue related to the 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 \$32.3 million, an increase of \$5.3 million, or 20% higher in comparison with the prior year. The combined ending fund balances for fiscal year 2013 were \$27.0 million.

The General Fund is the chief operating fund of the Town. At June 30, 2014, the unassigned fund balance of the General Fund was \$23.4 million, or 72% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2013 was \$14.2 million, or 53% 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 \$23.4 million represents 182% of General Fund expenditures.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The General Fund Balance increase of \$9.3 million from fiscal year 2013 is the result of increased revenues due to increases in sales taxes and state shared revenues. Additionally, the General Fund increased \$4.9 million due to a transfer received from the Sewer Fund, as previously discussed.

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, 2014 was \$45,687. The HURF Fund received a transfer of \$2.0 million from the General Fund for street improvement projects.

The Court Enhancement Fund decreased \$1.2 million for the completion of the new court facility. The ending fund balance, a deficit of \$619,309, was reported as unassigned as the Town cannot restrict negative fund balance. The negative fund balance is due to the construction of the court facility during the current year. The negative fund balance will be eliminated in future years through court enhancement revenues.

The Capital Projects Fund decreased due to the use of prior year carryover for current year projects.

The Debt Service Fund decreased \$1.0 million as a result of principal and interest payments made on existing debt utilizing balances accumulated from prior years.

The nonmajor governmental funds reported an increase in fund balance of \$147. This change was not significant for the current fiscal year.

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

At the end of the fiscal year, the unrestricted net position was a negative \$0.3 million for the Sewer System, \$0.8 million for the Fire Services and \$0.4 million for the Alarm Monitor System.

The total change in net position for the enterprise funds was a negative \$4.8 million for fiscal year 2014. The most significant factor causing the reduction in net position was the Council authorized transfer of \$4.9 million to the General Fund previously discussed.

### **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 \$20.6 million exceeded the \$19.7 million final budget amount by \$0.9 million, or 5%. The \$0.9 million variance was mainly comprised of changes in the sales tax revenue, fines and forfeitures and licenses and permits. Sales tax revenue had a \$0.4 million positive variance with the budget due to changes in the economy that lead to greater than expected sales tax revenue. Fines and forfeitures had a positive variance with the final budget of \$0.2 million largely due to an increase in court cases filed. Licenses and permits had a positive variance with the final budget of \$0.2 million due to an increase in filings for licenses and various permits.

The \$12.8 million of actual expenditures were 98% of the final budget. All departments (with one exception) were under the final budget by a total of about \$320,000. Reasons for being under budget included salary savings from vacant positions and vehicle purchases that were budgeted for but not made. The one exception was the police budget which was \$1,678 over budget.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

Actual revenues exceeded expenses by \$7.8 million which was better than the \$6.6 million excess reflected in the final revised budget. Again, the improved performance is the result of sales tax revenues explained previously.

Budgeted revenues increased \$0.4 million between the original and final budget due to an increase in sales tax revenue based on an increase in economic conditions. Budgeted expenditures decreased \$2.7 million between the original and final budget mainly due to a decline in contingency budget as this budget capacity was not necessary during the current year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2014 and 2013 amount to \$102.8 million and \$98.0 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$4.8 million, due primarily to an increase in construction projects, street improvements, and the completion of the new court building. 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. Table A-3 provides a summary of 2014 and 2013 assets, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2013		2013		2013	
	2014	(Restated)	2014	(Restated)	2014	(Restated)
Land and Improvements	\$ 42,400,821	\$ 42,481,775	\$ 2,853,626	\$ 2,853,626	\$ 45,254,447	\$ 45,335,401
Infrastructure	24,666,246	21,719,569	-	-	24,666,246	21,719,569
Buildings and Improvements	3,038,279	1,459,457	4,107,492	4,353,923	7,145,771	5,813,380
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	7,211,377	7,389,773	7,211,377	7,389,773
Machinery, Furniture and Fixtures, Equipment and Vehicles	1,815,555	1,660,242	329,077	436,807	2,144,632	2,097,049
Construction In Progress	2,045,274	1,321,006	-	-	2,045,274	1,321,006
<b>Total Capital Assets</b>	<b>\$ 73,966,175</b>	<b>\$ 68,642,049</b>	<b>\$ 28,851,338</b>	<b>\$ 29,383,895</b>	<b>\$ 102,817,513</b>	<b>\$ 98,025,944</b>

The most significant capital asset acquisitions during the fiscal year were the new court facility, street improvement projects on Mockingbird Lane and 52<sup>nd</sup> street, Echo Canyon Parking, Tatum sidewalks, technology upgrades and various vehicle purchases. Additionally, there are many capital projects at various stages of construction at June 30, 2014. These projects include traffic signal upgrades, street improvements, and police technology upgrades.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Debt Administration**

At the end of the fiscal years 2014 and 2013, the Town had total long-term obligations outstanding of \$8.6 million and \$10.1 million respectively. Of these amounts, \$5.8 million and \$7.0 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.

During the current year, a prior period adjustment was recorded to properly record the net book value of the fire service assets that were transferred to the Fire Service Enterprise Fund in the prior year. An adjustment of \$424,793 was recorded to make this adjustment to increase Governmental Activities and decrease the asset value in Business-Type Activities and the Fires Service Fund. See Note 4.B. for further information.

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ 3,962,883	\$ 4,811,827	\$ 1,802,117	\$ 2,188,173	\$ 5,765,000	\$ 7,000,000
Bond Premium	169,532	203,439	77,095	92,514	246,627	295,953
Note Payable	300,000	-	950,089	1,396,398	1,250,089	1,396,398
Capital Lease	347,227	432,287	-	-	347,227	432,287
Compensated Absences	1,030,268	930,911	-	902	1,030,268	931,813
Total Outstanding Debt	<u>\$ 5,809,910</u>	<u>\$ 6,378,464</u>	<u>\$ 2,829,301</u>	<u>\$ 3,677,987</u>	<u>\$ 8,639,211</u>	<u>\$ 10,056,451</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 2014-15 operating budget.

Revenues exceed expenditures by about \$2.5 million because the temporary sales tax rate that was set to expire in August 2014 was made permanent. This surplus will be used to help fund a multi-million dollar capital improvement program and an asset infrastructure replacement program.

The FY 2014-15 budget forecast assumes the economy will continue its improvement. Budgeted operating revenues total \$21.2 million, inclusive of the \$3.2 million from the permanent sales tax rate.

A FY 2014-15 budget operating expense total \$17.3 million (excluding contingencies). A transfer of \$1.4 million will be made to the Capital Improvements Fund to pay for an aggressive capital improvement program.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**REQUESTS FOR INFORMATION**

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

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

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

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 31,781,454	\$ 1,858,670	\$ 33,640,124
Receivables, Net:			
Accounts Receivable	2,890,735	90,775	2,981,510
Note Receivable	42,549	-	42,549
Interest Receivable	462	-	462
Prepaid Items	254,584	-	254,584
Internal Activity	107,178	(107,178)	-
Restricted Cash and Investments	83,318	538,253	621,571
Capital Assets:			
Non-Depreciable	43,618,736	17,203,392	60,822,128
Depreciable (net)	30,347,439	11,647,946	41,995,385
Total Assets	<u>109,126,455</u>	<u>31,231,858</u>	<u>140,358,313</u>
<b>LIABILITIES</b>			
Accounts Payable	1,216,144	284,758	1,500,902
Accrued Wages and Benefits	209,094	-	209,094
Interest Payable	83,318	37,889	121,207
Intergovernmental Payable	73,395	-	73,395
Customer Deposits Payable	583,867	-	583,867
Unearned Revenue	84,272	1,155,926	1,240,198
Noncurrent Liabilities:			
Due Within One Year	1,603,010	879,319	2,482,329
Due in More Than One Year	4,206,900	1,949,982	6,156,882
Total Liabilities	<u>8,060,000</u>	<u>4,307,874</u>	<u>12,367,874</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	73,318,948	26,022,037	99,340,985
Restricted for:			
Highways and Streets	45,687	-	45,687
Special Projects	57,091	-	57,091
Unrestricted	27,644,729	901,947	28,546,676
Total Net Position	<u>\$ 101,066,455</u>	<u>\$ 26,923,984</u>	<u>\$ 127,990,439</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

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	\$ 7,276,076	\$ 5,189,006	\$ 76,393	\$ 10,000	\$ (2,000,677)		\$ (2,000,677)
Public Safety	6,286,763	124,464	7,297	-	(6,155,002)		(6,155,002)
Highways and Streets	3,201,369	-	723,714	-	(2,477,655)		(2,477,655)
Interest and Fiscal Charges	182,224	-	-	-	(182,224)		(182,224)
Total Governmental Activities	16,946,432	5,313,470	807,404	10,000	(10,815,558)		(10,815,558)
Business-Type Activities:							
Sewer System	2,351,590	2,227,314	-	-	-	\$ (124,276)	(124,276)
Alarm Monitor System	103,975	231,984	-	-	-	128,009	128,009
Fire Service	2,961,269	3,112,850	-	-	-	151,581	151,581
Total Business-Type Activities	5,416,834	5,572,148	-	-	-	155,314	155,314
Totals	\$ 22,363,266	\$ 10,885,618	\$ 807,404	\$ 10,000	(10,815,558)	155,314	(10,660,244)
General Revenues:							
Taxes:							
					13,136,325	-	13,136,325
					1,061,660	-	1,061,660
					1,428,952	-	1,428,952
					1,115,888	-	1,115,888
					457,878	-	457,878
					94,521	7,251	101,772
					4,915,177	(4,915,177)	-
					22,210,401	(4,907,926)	17,302,475
					11,394,843	(4,752,612)	6,642,231
					89,671,612	31,676,596	121,348,208
					\$ 101,066,455	\$ 26,923,984	\$ 127,990,439

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	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	\$ 22,575,508	\$ 34,242	\$ 238,972	\$ 4,525,095	\$ 4,338,757	\$ 68,880	\$ 31,781,454
Restricted Cash and Investments	-	-	-	-	83,318	-	83,318
Receivables, Net:							
Accounts Receivable	2,820,236	68,092	1,719	-	-	688	2,890,735
Note Receivable	42,549	-	-	-	-	-	42,549
Interest Receivable	462	-	-	-	-	-	462
Due from Other Funds	107,178	-	-	-	-	-	107,178
Advances To Other Funds	860,000	-	-	-	-	-	860,000
Prepaid Items	254,584	-	-	-	-	-	254,584
<b>Total Assets</b>	<b>\$ 26,660,517</b>	<b>\$ 102,334</b>	<b>\$ 240,691</b>	<b>\$ 4,525,095</b>	<b>\$ 4,422,075</b>	<b>\$ 69,568</b>	<b>\$ 36,020,280</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 755,465	\$ 45,407	\$ -	\$ 414,336	\$ -	\$ 936	\$ 1,216,144
Accrued Wages and Benefits	155,239	11,240	-	42,615	-	-	209,094
Interest Payable	-	-	-	-	83,318	-	83,318
Intergovernmental Payable	-	-	-	73,395	-	-	73,395
Unearned Revenue	72,731	-	-	-	-	11,541	84,272
Advances From Other Funds	-	-	860,000	-	-	-	860,000
Customer Deposits Payable	524,617	-	-	59,250	-	-	583,867
<b>Total Liabilities</b>	<b>1,508,052</b>	<b>56,647</b>	<b>860,000</b>	<b>589,596</b>	<b>83,318</b>	<b>12,477</b>	<b>3,110,090</b>
Deferred Inflows of Resources:							
Unavailable Revenues	603,613	-	-	-	-	-	603,613
Fund Balances:							
Nonspendable:							
Prepaid Items	254,584	-	-	-	-	-	254,584
Advances To Other Funds	860,000	-	-	-	-	-	860,000
Note Receivable	42,549	-	-	-	-	-	42,549
Restricted	-	45,687	-	-	-	57,091	102,778
Assigned	-	-	-	3,935,499	4,338,757	-	8,274,256
Unassigned	23,391,719	-	(619,309)	-	-	-	22,772,410
<b>Total Fund Balances</b>	<b>24,548,852</b>	<b>45,687</b>	<b>(619,309)</b>	<b>3,935,499</b>	<b>4,338,757</b>	<b>57,091</b>	<b>32,306,577</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 26,660,517</b>	<b>\$ 102,334</b>	<b>\$ 240,691</b>	<b>\$ 4,525,095</b>	<b>\$ 4,422,075</b>	<b>\$ 69,568</b>	<b>\$ 36,020,280</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, 2014**

Fund Balances - Total Governmental Funds \$ 32,306,577

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	2,045,274	
Land Improvements	2,023,760	
Infrastructure	29,530,843	
Buildings and Improvements	9,503,546	
Machinery, Equipment, and Vehicles	6,198,315	
Total Capital Assets	90,875,200	
Less: Accumulated Depreciation	(16,909,025)	
		73,966,175

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources. 603,613

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	(3,962,883)	
Bond Premium	(169,532)	
Notes Payable	(300,000)	
Capital Leases	(347,227)	
Compensated Absences	(1,030,268)	
	(5,809,910)	(5,809,910)

Total Net Position of Governmental Activities \$ 101,066,455

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	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	\$ 13,136,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,136,325
Franchise Taxes	1,061,660	-	-	-	-	-	1,061,660
Intergovernmental Revenue	3,020,977	723,714	-	-	-	46,681	3,791,372
Fines and Forfeitures	953,556	-	208,129	-	-	-	1,161,685
Licenses and Permits	1,322,052	-	-	-	-	-	1,322,052
Charges for Services	354,680	-	-	-	-	-	354,680
Indirect Charges	322,000	-	-	-	-	-	322,000
Rents and Royalties	154,220	-	-	-	-	-	154,220
Contributions and Donations	-	-	-	-	-	28,750	28,750
Investment Income	93,740	-	766	-	-	15	94,521
Other	183,332	-	-	1,600,000	-	-	1,783,332
<b>Total Revenues</b>	<b>20,602,542</b>	<b>723,714</b>	<b>208,895</b>	<b>1,600,000</b>	<b>-</b>	<b>75,446</b>	<b>23,210,597</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	6,612,530	-	27,143	-	-	61,031	6,700,704
Public Safety	6,201,664	-	-	-	-	14,268	6,215,932
Highways and Streets	-	2,635,007	-	-	-	-	2,635,007
<b>Debt Service:</b>							
Principal Retirement	-	-	-	150,000	848,944	-	998,944
Interest on Long-Term Debt	14,262	-	22,500	-	179,369	-	216,131
Capital Outlay	-	59,045	-	6,463,349	-	-	6,522,394
<b>Total Expenditures</b>	<b>12,828,456</b>	<b>2,694,052</b>	<b>49,643</b>	<b>6,613,349</b>	<b>1,028,313</b>	<b>75,299</b>	<b>23,289,112</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,774,086</b>	<b>(1,970,338)</b>	<b>159,252</b>	<b>(5,013,349)</b>	<b>(1,028,313)</b>	<b>147</b>	<b>(78,515)</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In	4,984,316	2,000,000	-	2,700,755	-	-	9,685,071
Transfers Out	(3,455,395)	-	(1,314,499)	-	-	-	(4,769,894)
Issuance of Long-Term Debt	-	-	-	450,000	-	-	450,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,528,921</b>	<b>2,000,000</b>	<b>(1,314,499)</b>	<b>3,150,755</b>	<b>-</b>	<b>-</b>	<b>5,365,177</b>
<b>Net Change in Fund Balance</b>	<b>9,303,007</b>	<b>29,662</b>	<b>(1,155,247)</b>	<b>(1,862,594)</b>	<b>(1,028,313)</b>	<b>147</b>	<b>5,286,662</b>
<b>Fund Balance:</b>							
Beginning of Year	15,245,845	16,025	535,938	5,798,093	5,367,070	56,944	27,019,915
End of Year	\$ 24,548,852	\$ 45,687	\$ (619,309)	\$ 3,935,499	\$ 4,338,757	\$ 57,091	\$ 32,306,577

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, 2014**

Net Change in Fund Balances-Total Governmental Funds \$ 5,286,662

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	\$ 6,607,417	
Depreciation Expense	<u>(1,256,869)</u>	
		5,350,548
Loss on Disposal of Capital Assets		(26,422)

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

Accounts Receivables - June 30, 2013	388,112	
Accounts Receivables - June 30, 2014	<u>603,613</u>	215,501

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

Issuance of Notes Payable	(450,000)	
Bond Premium	33,907	
Retirement of Long-Term Debt	<u>1,084,004</u>	667,911

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 2014, compensated absence payable changed.

		<u>(99,357)</u>
Change in Net Position of Governmental Activities	\$	<u><u>11,394,843</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 13,446,283	\$ 13,761,283	\$ 14,197,985	\$ 436,702
Intergovernmental Revenue	2,965,337	2,965,337	3,020,977	55,640
Fines and Forfeitures	800,000	800,000	953,556	153,556
Licenses and Permits	1,155,000	1,155,000	1,322,052	167,052
Charges for Services	328,000	328,000	354,680	26,680
Indirect Charges	295,000	322,000	322,000	-
Rents and Royalties	152,000	152,000	154,220	2,220
Investment Income	125,000	125,000	93,740	(31,260)
Other	50,000	100,000	183,332	83,332
Total Revenues	<u>19,316,620</u>	<u>19,708,620</u>	<u>20,602,542</u>	<u>893,922</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Mayor & Council	102,610	106,110	81,193	24,917
Tourism and Promotion	1,082,225	1,082,225	1,057,025	25,200
Town Manager	658,477	680,780	658,618	22,162
Town Attorney	518,700	515,902	478,131	37,771
Municipal Court	491,102	515,756	497,893	17,863
Public Works	1,220,200	1,252,912	1,229,871	23,041
Community Development	1,123,098	1,150,090	1,107,843	42,247
Finance	1,465,435	1,575,413	1,501,956	73,457
Contingency	3,095,734	55,543	-	55,543
Total General Government	<u>9,757,581</u>	<u>6,934,731</u>	<u>6,612,530</u>	<u>322,201</u>
Public Safety				
Police	6,070,951	6,199,986	6,201,664	(1,678)
Debt Service				
Interest on Long-Term Debt	14,262	14,262	14,262	-
Total Expenditures	<u>15,842,794</u>	<u>13,148,979</u>	<u>12,828,456</u>	<u>320,523</u>
Excess (Deficiency) of Revenues over Expenditures	3,473,826	6,559,641	7,774,086	1,214,445
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	4,984,316	4,984,316	-
Transfers Out	-	(3,455,395)	(3,455,395)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,528,921</u>	<u>1,528,921</u>	<u>-</u>
Net Change in Fund Balance	3,473,826	8,088,562	9,303,007	1,214,445
<b>Fund Balance:</b>				
Beginning of Year	-	-	15,245,845	15,245,845
End of Year	<u>\$ 3,473,826</u>	<u>\$ 8,088,562</u>	<u>\$ 24,548,852</u>	<u>\$ 16,460,290</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ 723,169	\$ 723,169	\$ 723,714	\$ 545
Expenditures:				
Current:				
Highways and Streets	2,659,166	2,673,653	2,635,007	38,646
Capital Outlay	<u>59,900</u>	<u>59,900</u>	<u>59,045</u>	<u>855</u>
Total Expenditures	<u>2,719,066</u>	<u>2,733,553</u>	<u>2,694,052</u>	<u>39,501</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,995,897)	(2,010,384)	(1,970,338)	40,046
Other Financing Sources (Uses):				
Transfers In	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net Change in Fund Balance	(1,995,897)	(10,384)	29,662	40,046
Fund Balance:				
Beginning of Year	<u>-</u>	<u>-</u>	<u>16,025</u>	<u>16,025</u>
End of Year	<u>\$ (1,995,897)</u>	<u>\$ (10,384)</u>	<u>\$ 45,687</u>	<u>\$ 56,071</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Fines and Forfeitures	\$ 247,500	\$ 196,300	\$ 208,129	\$ 11,829
Investment Income	-	-	766	766
Total Revenues	<u>247,500</u>	<u>196,300</u>	<u>208,895</u>	<u>12,595</u>
Expenditures:				
Current				
General Government	85,000	85,000	27,143	57,857
Debt Service:				
Principal Payment	62,500	40,000	-	40,000
Interest on Long-term Debt	-	22,500	22,500	-
Total Expenditures	<u>147,500</u>	<u>62,500</u>	<u>49,643</u>	<u>97,857</u>
Excess (Deficiency) of Revenues Over Expenditures	100,000	133,800	159,252	25,452
Other Financing Sources (Uses):				
Transfers Out	-	(1,314,499)	(1,314,499)	-
Net Change in Fund Balance	100,000	(1,180,699)	(1,155,247)	25,452
Fund Balance				
Beginning of Year	-	-	535,938	535,938
End of Year	<u>\$ 100,000</u>	<u>\$ (1,180,699)</u>	<u>\$ (619,309)</u>	<u>\$ 561,390</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>Assets</b>				
Current Assets				
Cash and Investments	\$ 51,277	\$ 1,380,095	\$ 427,298	\$ 1,858,670
Restricted Assets	538,253	-	-	538,253
Receivables, Net				
Accounts Receivable	36,514	52,898	1,363	90,775
Total Current Assets	<u>626,044</u>	<u>1,432,993</u>	<u>428,661</u>	<u>2,487,698</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	14,349,766	2,853,626	-	17,203,392
Depreciable (Net)	7,143,348	4,503,902	696	11,647,946
Total Noncurrent Assets	<u>21,493,114</u>	<u>7,357,528</u>	<u>696</u>	<u>28,851,338</u>
Total Assets	<u>22,119,158</u>	<u>8,790,521</u>	<u>429,357</u>	<u>31,339,036</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	210,760	73,189	809	284,758
Interest Payable	37,889	-	-	37,889
Due to Other Funds	107,178	-	-	107,178
Unearned Revenue	588,571	564,545	2,810	1,155,926
Note Payable	465,340	-	-	465,340
Bonds Payable	413,979	-	-	413,979
Total Current Liabilities	<u>1,823,717</u>	<u>637,734</u>	<u>3,619</u>	<u>2,465,070</u>
Noncurrent Liabilities				
Note Payable	484,749	-	-	484,749
Bonds Payable	1,465,233	-	-	1,465,233
Total Noncurrent Liabilities	<u>1,949,982</u>	<u>-</u>	<u>-</u>	<u>1,949,982</u>
Total Liabilities	<u>3,773,699</u>	<u>637,734</u>	<u>3,619</u>	<u>4,415,052</u>
<b>Net Position</b>				
Net Investment in Capital Assets	18,663,813	7,357,528	696	26,022,037
Restricted for Capital Outlay	-	-	-	-
Unrestricted	(318,354)	795,259	425,042	901,947
Total Net Position	<u>\$ 18,345,459</u>	<u>\$ 8,152,787</u>	<u>\$ 425,738</u>	<u>\$ 26,923,984</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, 2014**

	Business-Type Activities			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
Operating Revenues				
Charges for Services	\$ 2,116,122	\$ 3,112,850	\$ 231,984	\$ 5,460,956
Operating Expenses				
Cost of Sales and Services	1,849,074	2,587,861	7,882	4,444,817
Indirect Charges	138,650	88,650	94,700	322,000
Depreciation	246,406	284,758	1,393	532,557
Total Operating Expenses	<u>2,234,130</u>	<u>2,961,269</u>	<u>103,975</u>	<u>5,299,374</u>
Operating Income (Loss)	(118,008)	151,581	128,009	161,582
Nonoperating Revenues (Expense)				
Development Fees	111,192	-	-	111,192
Investment Earnings	1,938	4,058	1,255	7,251
Interest Expense	(117,460)	-	-	(117,460)
Total Nonoperating Revenues (Expenses)	<u>(4,330)</u>	<u>4,058</u>	<u>1,255</u>	<u>983</u>
Income (Loss) Before Transfers	(122,338)	155,639	129,264	162,565
Transfers In	-	69,139	-	69,139
Transfers Out	(4,984,316)	-	-	(4,984,316)
Changes in Net Position	(5,106,654)	224,778	129,264	(4,752,612)
Total Net Position, Beginning of Year (As Restated)	23,452,113	7,928,009	296,474	31,676,596
Total Net Position, End of Year	<u>\$ 18,345,459</u>	<u>\$ 8,152,787</u>	<u>\$ 425,738</u>	<u>\$ 26,923,984</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds			Totals
	Sewer	Fire Service	Nonmajor Business-Type Alarm	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,255,532	\$ 3,173,817	\$ 233,275	\$ 5,662,624
Payments to Suppliers	(1,994,251)	(2,520,696)	(8,587)	(4,523,534)
Internal Charges	(140,489)	(88,650)	(94,700)	(323,839)
Customer Deposits	-	-	(9,846)	(9,846)
Net Cash Flows from Operating Activities	<u>120,792</u>	<u>564,471</u>	<u>120,142</u>	<u>805,405</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Paid to Funds for Interfund Borrowing	107,178	-	-	107,178
Transfers In	-	69,139	-	69,139
Transfers Out	(4,984,316)	-	-	(4,984,316)
Development Fees	111,192	-	-	111,192
Net Cash Flows from Noncapital Financing Activities	<u>(4,765,946)</u>	<u>69,139</u>	<u>-</u>	<u>(4,696,807)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Paid on Capital Debt	(832,365)	-	-	(832,365)
Interest Paid on Capital Debt	(138,670)	-	-	(138,670)
Net Cash Flows from Capital and Related Financing Activities	<u>(971,035)</u>	<u>-</u>	<u>-</u>	<u>(971,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	<u>8,997</u>	<u>4,058</u>	<u>1,255</u>	<u>14,310</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	<u>(5,607,192)</u>	<u>637,668</u>	<u>121,397</u>	<u>(4,848,127)</u>
Cash and Investments - Beginning of Year	<u>6,196,722</u>	<u>742,427</u>	<u>305,901</u>	<u>7,245,050</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b> (Including \$538,253 of Restricted Cash in the Sewer Fund.)	<u>\$ 589,530</u>	<u>\$ 1,380,095</u>	<u>\$ 427,298</u>	<u>\$ 2,396,923</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	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 (Loss)	\$ (118,008)	\$ 151,581	\$ 128,009	\$ 161,582
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	246,406	284,758	1,393	532,557
Change in Assets and Liabilities:				
Receivables, Net	21,906	(133)	(129)	21,644
Intergovernmental Payable	(45,608)	-	-	(45,608)
Accounts Payable	(99,569)	67,165	(705)	(33,109)
Accrued Wages and Benefits	(937)	-	-	(937)
Unearned Revenue	117,504	61,100	1,420	180,024
Compensated Absences Payable	(902)	-	-	(902)
Customer Deposits Payable	-	-	(9,846)	(9,846)
Net Cash Provided by Operating Activities	<u>\$ 120,792</u>	<u>\$ 564,471</u>	<u>\$ 120,142</u>	<u>\$ 805,405</u>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

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

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

Included within the reporting entity:

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

*The Mummy Mountain Preserve Trust.* The Mummy Mountain Preserve Trust (MMPT) board of trustees consists of five members who are appointed by the Town Council. The MMPT was created for charitable purposes as defined in the Internal Revenue Code section 501(c)(3). The 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. The Mummy Mountain Preserve Trust cannot be part of another financial reporting entity and the operations of the MMPT rests with the management of the Town.

**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.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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, 2014**

**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:

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

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

*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, 2014**

**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 Cash and Investments**

The Town also reports restricted cash in the Debt Service Fund and Sewer Fund for cash held with a paying agent. The Town also reports restricted cash and investments in the Sewer Fund for unspent sewer development fees.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 is expensed as incurred.

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

Buildings and Improvements	25 Years
Land Improvements	25 Years
Sewer Lines	50 Years
Infrastructure	30-50 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 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, 2014**

**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, 2014 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. 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.

**11. Fund Balance Classifications**

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

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

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

The unassigned fund balance is the residual classification for the General Fund and includes all amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

It is the Town's policy to use restricted fund balance first, then committed, assigned, and lastly unassigned amounts. The Town has also established a fund balance policy whereas the unassigned fund balance in the operating budget be equal to at least 90%, and not more than 110% of expenditures.

**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, 2014**

**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 Governmental Fund in which an adopted budget is not prepared.

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

**B. Deficit Fund Balance**

For the year ended June 30, 2014, the Town reported a deficit fund balance in the Court Enhancement Fund of \$619,309. This deficit was caused by the construction and completion of the new court facility during the current year. The deficit will be paid off in future years from court enhancement revenue.

**C. Excess Expenditures Over Appropriations**

For the year ended June 30, 2014, the Town reported an overexpenditure of \$1,678 in the General Fund for the Police Department. The police department was over budget due to greater than expected costs incurred during the fiscal year. The Town had excess capacity with the general fund to cover this deficit. Cash was available to meet the overexpenditure.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2014 consist of the following:

Deposits:	
Cash on Hand	\$ 2,025
Cash in Bank	19,699,527
Investments:	
U.S. Government Securities	1,003,822
State Treasurer's Investment Pool	13,435,115
Cash on Deposit with Trustee	121,206
Total Cash and Investment	<u>34,261,695</u>
Restricted Cash and Investments	(621,571)
Total Cash and Equivalents	<u><u>\$ 33,640,124</u></u>

**Deposits**

The Town's deposits at June 30, 2014 had a carrying balance of \$19,699,527 and a bank balance of \$19,546,613. Of the bank balance, \$250,000 was covered by federal depository insurance, \$18,402,429 was collateralized by pledged securities and \$894,184 was uninsured and uncollateralized. The uncollateralized portion was due to large deposits that occurred on June 30, 2014.

**Investments**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**A. Assets (Continued)**

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

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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	\$ 1,003,822	\$ 1,003,822	\$ -	\$ -
State Treasurer's Investment Pool	13,435,115	13,435,115	-	-
Total Investments	<u>\$ 14,438,937</u>	<u>\$ 14,438,937</u>	<u>\$ -</u>	<u>\$ -</u>

*Credit Risk* – The Town limits its investments to the State Treasurer’s Investment Pool and Federal Agency Securities. 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 investments include \$1,003,822 invested Federal Home Loan Bank Bonds. The Federal Home Loan Bank Bonds has a Standard and Poor’s AA+ rating. All investments are reported at fair value. The Town’s investment in the State Treasurer’s Investment Pool had a Standard and Poor’s AAAF/S1+ rating.

**2. Restricted Cash and Investments**

Restricted cash and investments at June 30, 2014 consist of the following:

	Governmental Activities	Business-Type Activities	Total
Cash with Paying Agent	\$ 83,318	\$ 37,888	\$ 121,206
Sewer Impact Fees	-	500,365	500,365
Total	<u>\$ 83,318</u>	<u>\$ 538,253</u>	<u>\$ 621,571</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**A. Assets (Continued)**

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2014 included the court receivable (\$258,730) and sales tax (\$393,840), all other receivables are deemed to be collectible.

Receivables consist of the following:

	General	HURF	Court Enhancement	Nonmajor Governmental	Total
Office of the State Treasurer:					
Highway User Revenue	\$ -	\$ 68,092	\$ -	\$ -	\$ 68,092
State Sales Tax	94,746	-	-	-	94,746
Town Sales Tax	1,634,139	-	-	-	1,634,139
County Treasurer:					
Auto Lieu Tax	19,603	-	-	-	19,603
Franchise fees:					
Arizona Pubic Service	174,736	-	-	-	174,736
Cox Cable	62,785	-	-	-	62,785
Southwest Gas	31,423	-	-	-	31,423
Court Receivable	562,457	-	1,719	-	564,176
Grant Receivable	-	-	-	650	650
Note Receivable	42,549	-	-	-	42,549
Sales Tax Audit	734,871	-	-	-	734,871
Interest	462	-	-	-	462
Miscellaneous	158,046	-	-	38	158,084
	<u>3,515,817</u>	<u>68,092</u>	<u>1,719</u>	<u>688</u>	<u>3,586,316</u>
Less: Allowance for Uncollectibles	(652,570)	-	-	-	(652,570)
Total	<u>\$ 2,863,247</u>	<u>\$ 68,092</u>	<u>\$ 1,719</u>	<u>\$ 688</u>	<u>\$ 2,933,746</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 (\$52,883 in the Sewer Fund, \$3,945 in the Fire Service Fund, and \$625 in Alarm Fund) of \$36,514, \$52,898 and \$1,363 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	\$ 303,726	\$ -
Sales Tax Receivable	299,887	-
Miscellaneous Unearned	-	72,731
Nonmajor Governmental Funds		
Grants Receivable	-	11,541
	\$ 603,613	\$ 84,272

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**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,573,462	\$ -	\$ -	\$ 41,573,462
Construction in Progress	1,321,006	6,107,707	(5,383,439)	2,045,274
Total Capital Assets, Not Being Depreciated	<u>42,894,468</u>	<u>6,107,707</u>	<u>(5,383,439)</u>	<u>43,618,736</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,023,760	-	-	2,023,760
Infrastructure	26,361,903	3,168,940	-	29,530,843
Buildings and Improvements	7,352,597	2,150,949	-	9,503,546
Machinery, Equipment, and Vehicles	5,804,995	563,260	(169,940)	6,198,315
Total Capital Assets, Being Depreciated	<u>41,543,255</u>	<u>5,883,149</u>	<u>(169,940)</u>	<u>47,256,464</u>
Accumulated Depreciation for:				
Land Improvements	(1,115,447)	(80,954)	-	(1,196,401)
Infrastructure	(4,642,334)	(222,263)	-	(4,864,597)
Buildings and Improvements	(5,893,140)	(572,127)	-	(6,465,267)
Machinery, Equipment, and Vehicles	(4,144,753)	(381,525)	143,518	(4,382,760)
Total Accumulated Depreciation	<u>(15,795,674)</u>	<u>(1,256,869)</u>	<u>143,518</u>	<u>(16,909,025)</u>
Total Capital Assets, Being Depreciated, Net	<u>25,747,581</u>	<u>4,626,280</u>	<u>(26,422)</u>	<u>30,347,439</u>
Governmental Activities Capital Assets, Net	<u>\$ 68,642,049</u>	<u>\$ 10,733,987</u>	<u>\$ (5,409,861)</u>	<u>\$ 73,966,175</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balance (Restated)	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	<u>17,203,392</u>	<u>-</u>	<u>-</u>	<u>17,203,392</u>
Capital Assets, Being Depreciated:				
Sewer System	12,412,796	-	-	12,412,796
Buildings and Improvements	4,460,117	-	-	4,460,117
Machinery and Equipment	1,185,443	-	-	1,185,443
Furniture and Fixtures	35,081	-	-	35,081
Total Capital Assets, Being Depreciated	<u>18,093,437</u>	<u>-</u>	<u>-</u>	<u>18,093,437</u>
Accumulated Depreciation for:				
Sewer System	(5,023,023)	(178,396)	-	(5,201,419)
Buildings and Improvements	(106,194)	(246,431)	-	(352,625)
Machinery and Equipment	(750,706)	(106,356)	-	(857,062)
Furniture and Fixtures	(33,011)	(1,374)	-	(34,385)
Total Accumulated Depreciation	<u>(5,912,934)</u>	<u>(532,557)</u>	<u>-</u>	<u>(6,445,491)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,180,503</u>	<u>(532,557)</u>	<u>-</u>	<u>11,647,946</u>
Business-Type Activities Capital Assets, Net	<u>\$ 29,383,895</u>	<u>\$ (532,557)</u>	<u>\$ -</u>	<u>\$ 28,851,338</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 336,879
Public Safety	285,015
Highways and Streets	<u>634,975</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,256,869</u>

**Business-Type Activities:**

Sewer Fund	\$ 246,406
Fire Service Fund	284,758
Alarm Monitor System Fund	<u>1,393</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 532,557</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**B. Construction Commitments**

At June 30, 2014, the Town has the following active construction commitments:

Project	Governmental	
	Spent-to-Date	Remaining Commitment
CAD/RMS System	\$ 614,678	\$ 25,322
In Car Technology (Mobile)	52,285	1,140,012
Traffic Signal Upgrades	125,401	1,249,600
Stanford Drive	1,064,046	1,571,410
56th Street Improvements	130,105	280,635
Fixed License Plate Reader	-	757,459
	<u>\$ 1,986,515</u>	<u>\$ 5,024,438</u>

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Court Enhancement Fund	Sewer Fund	
General Fund	\$ -	\$ -	\$ 4,984,316	\$ 4,984,316
HURF Fund	2,000,000	-	-	2,000,000
Capital Projects Fund	1,386,256	1,314,499	-	2,700,755
Fire Service Fund	69,139	-	-	69,139
Total	<u>\$ 3,455,395</u>	<u>\$ 1,314,499</u>	<u>\$ 4,984,316</u>	<u>\$ 9,754,210</u>

The transfer of \$2.0 million from the General Fund to the HURF Fund was recorded to fund street projects. The transfer of \$1.4 million from the General Fund to the Capital Projects Fund was recorded to fund various capital projects being constructed by the Town. The transfer of \$69,136 from the General Fund to the Fire Service Fund was recorded to supplement the Fire Service Fund operations. The transfer of \$1.3 million from the Court Enhancement Fund to the Capital Projects Fund was for the construction of a new court facility. The transfer of \$4.9 million from the Sewer Fund to the General Fund was the result of a change in policy adopted by Town Council. Previously, the General Fund was funding a portion of revenue bonds issued to support development of existing sewer customers. The current council authorized the transfer to fund previous and future debt service on the revenue bonds from sewer operations.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**D. Advances**

Advances to and advances from for the year ended June 30, 2014 consisted of the following:

Advance To	Advance From Court Enhancement Fund
General Fund	\$ 860,000

The advance from the General Fund to the Court Enhancement Fund was recorded to advance the Court Enhancement Fund monies to pay for the construction of a new court building. The advance will be repaid over a ten year period beginning July 1, 2013. The first principal payment was recorded during the year in the amount of \$40,000. The interest rate is 2.50%. The Court Enhancement Fund paid a total of \$22,500 in interest on the advance during the current fiscal year.

**E. Obligations Under Leases**

Capital Leases

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

The assets acquired through capital leases are as follows:

Capital Assets Being Depreciated:	Governmental Activities
Machinery, Equipment and Vehicles	\$ 853,230
Less: Accumulated Depreciation	(511,938)
Total Capital Assets, Net	\$ 341,292

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2015	\$ 99,323
2016	99,323
2017	99,323
2018	<u>74,492</u>
Total Minimum Lease Payments	372,461
Less: Amount Representing Interest	<u>(25,234)</u>
Present Value of Minimum Lease Amounts	<u><u>\$ 347,227</u></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, 2014 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 \$5,765,000. 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 \$6,311,856, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$1,495,938 and \$18.1 million, respectively.

The Town has a long-term non-interest bearing note payable due to the City of Phoenix recorded in the governmental activities for the construction of a round-a-bout on McDonald Drive. The Town is to repay \$450,000 in three equal payments of \$150,000 through July 2015. The first payment was made in July 2013. The Town did not impute an interest rate as the effect would not materially affect the financial statements.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 \$950,089. Total remaining principal and interest required on the note is \$995,966, 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, 2014 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 4,811,827	\$ -	\$ (848,944)	\$ 3,962,883	\$ 876,440
Bond Premium	203,439	-	(33,907)	169,532	33,907
Note Payable	-	450,000	(150,000)	300,000	150,000
Capital Leases	432,287	-	(85,060)	347,227	88,129
Compensated Absences	930,911	553,890	(454,533)	1,030,268	454,534
Total Governmental Activities	<u>\$ 6,378,464</u>	<u>\$ 1,003,890</u>	<u>\$ (1,572,444)</u>	<u>\$ 5,809,910</u>	<u>\$ 1,603,010</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 2,188,173	\$ -	\$ (386,056)	\$ 1,802,117	\$ 398,560
Bond Premium	92,514	-	(15,419)	77,095	15,419
Note Payable	1,396,398	-	(446,309)	950,089	465,340
Compensated Absences	902	-	(902)	-	-
Total Business-Type Activities	<u>\$ 3,677,987</u>	<u>\$ -</u>	<u>\$ (848,686)</u>	<u>\$ 2,829,301</u>	<u>\$ 879,319</u>

Debt service requirements on long-term debt at June 30, 2014 are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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>\$ 3,962,883</u>	<u>\$ 375,911</u>	<u>\$ 2,752,206</u>	<u>\$ 216,418</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION**

**A. Fund Balance**

The following represents the classifications of the Town's fund balance for fiscal year ended June 30, 2014:

	General Fund	Highway User Revenue Fund	Court Enhancement Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable:							
Prepays	\$ 254,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,584
Advances to Other Funds	860,000	-	-	-	-	-	860,000
Notes Receivable	42,549	-	-	-	-	-	42,549
Restricted:							
Highways and Streets	-	45,687	-	-	-	-	45,687
Contributions and Donations	-	-	-	-	-	16,878	16,878
Mummy Mountain Trust	-	-	-	-	-	40,213	40,213
Assigned							
Debt Service	-	-	-	-	4,338,757	-	4,338,757
Capital Projects	-	-	-	3,935,499	-	-	3,935,499
Unassigned	23,391,719	-	(619,309)	-	-	-	22,772,410
Total Fund Balance	<u>\$ 24,548,852</u>	<u>\$ 45,687</u>	<u>\$ (619,309)</u>	<u>\$ 3,935,499</u>	<u>\$ 4,338,757</u>	<u>\$ 57,091</u>	<u>\$ 32,306,577</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 2014, this amount was \$1.9 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 2014, this amount was \$24.5 million (inclusive of the \$1.9 million emergency reserve).

**B. Prior Period Adjustment**

In the current year, net position was restated to correct an error in the book value of capital assets in the Fire Service Fund, Governmental Activities, and Business-Type Activities. In the prior year, the governmental activities transferred capital assets to the Fire Service Fund. The transfer did not include \$424,793 of accumulated depreciation. Therefore, in the current year, a restatement of net position was necessary to properly record the net book value of capital assets. The effect of the restatement is as follows:

	Net Position as Previously Stated	Restatement to Properly Record Capital Assets	Net Position As Restated
Governmental Activities	\$ 89,246,819	\$ 424,793	\$ 89,671,612
Business-Type Activities	32,101,389	(424,793)	31,676,596
	<u>\$ 121,348,208</u>	<u>\$ -</u>	<u>\$ 121,348,208</u>

	Fire Service Fund
Ending Fund Balance Fiscal Year 2012-2013	\$ 8,352,802
Restatement to Properly Record Capital Assets	(424,793)
Beginning Fund Balance Fiscal Year 2013-2014	<u>\$ 7,928,009</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. 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.

**D. Commitments and Contingencies**

**Commitments** – The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$2.3 million for the year ended June 30, 2014.

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

**E. Retirement Plans**

**Defined Contribution Pension Plan**

Prior to July 1, 2013, all Town employees who worked more than 30 hours per week were eligible to participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the Town employees covered by this plan for the year ended June 30, 2014 was \$4,858,096. The Town's total payroll was \$6,183,910. Effective July 1, 2013, the Town discontinued employer contribution to the plan, but employee contributions continued. New employees hired after July 1, 2013 were not eligible to participate in the plan. The Town is discontinuing the 401(a) plan effective June 30, 2018.

**TOWN OF PARADISE VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

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

Employees that leave employment of the Town are entitled to their contributions and the vested portion of the prior Town's contributions, plus investment earnings. During fiscal year 2013-2014, the Town's actual contributions amounted to \$2,520. The employees' contributions totaled \$101,318.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2013-2014 or as of the close of the fiscal year.

**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, 2014, active plan members and The Town were each required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent retirement, 0.60 percent for health insurance premium, and 0.24 percent long-term disability) of the members' annual covered payroll.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

The Town's contributions to the System for the years ended June 30, 2014 and prior two fiscal years equaled the required contributions and are as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2014	\$ 377,947	\$ 21,193	\$ 8,477
2013	351,171	22,269	8,223
2012	277,096	17,687	6,738

**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, 2014), covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS, and the Town is required to contribute 62.44 percent of annual covered payroll. The contribution rates include both the pension benefit (60.46%) and the OPEB (1.98%). 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.

**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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

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

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.

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, 2013
ARC as a percent of total covered payroll	60.94%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining Amortization Period	23 years for underfunded 20 years for overfunded
Asset valuation method	7 - year smoothed market
Actuarial assumptions:	
Investment rate of return	7.85%
Project salary increases	4.5% - 8.5%
Payroll growth	4.5%
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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

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

**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>
2012	\$ 865,452	100 %	\$ -
2013	990,662	100	-
2014	1,126,297	100	-

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OBEB Obligation</u>
2012	\$ 43,089	100 %	\$ -
2013	41,050	100	-
2014	39,055	100	-

Funded Status and Funding Progress—The most recent actuarial valuation available is dated June 30, 2013 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, 2013 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 for 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:

	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Valuation of Assets</u>	<u>Percent Funded</u>	<u>Over/ (Unfunded) AAL</u>	<u>Annual Covered Payroll (ACP)</u>	<u>Over/ (Unfunded) AAL as % of ACP</u>
Pension Plan	\$ 23,854,802	\$ 8,362,281	35.05%	\$ (15,492,521)	\$ 1,848,061	-838.31%
OPEB Plan	531,952	-	-	(531,952)	1,848,061	-28.78%

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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**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
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%
2013	8,362,281	23,854,802	35.1%	(15,492,521)	1,848,061	-838.3%

**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
2011	\$ -	\$ 556,622	0.0%	\$ (556,622)	\$ 1,834,169	-30.3%
2012	-	552,772	0.0%	(552,772)	2,035,841	-27.2%
2013	-	531,952	0.0%	(531,952)	1,848,061	-28.8%

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	Special Revenue			Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>ASSETS</b>				
Cash and Investments	\$ 17,776	\$ 10,891	\$ 40,213	\$ 68,880
Receivables:				
Accounts Receivable	38	650	-	688
Total Assets	<u>\$ 17,814</u>	<u>\$ 11,541</u>	<u>\$ 40,213</u>	<u>\$ 69,568</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 936	\$ -	\$ -	\$ 936
Unearned Revenue	-	11,541	-	11,541
Total Liabilities	<u>936</u>	<u>11,541</u>	<u>-</u>	<u>12,477</u>
Fund Balances:				
Restricted	16,878	-	40,213	57,091
Total Fund Balances	<u>16,878</u>	<u>-</u>	<u>40,213</u>	<u>57,091</u>
 Total Liabilities and Fund Balance	 <u>\$ 17,814</u>	 <u>\$ 11,541</u>	 <u>\$ 40,213</u>	 <u>\$ 69,568</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	Special Revenue			Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	
<b>REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ 46,681	\$ -	\$ 46,681
Contribution and Donations	28,750	-	-	28,750
Investment Income	-	-	15	15
Total Revenues	<u>28,750</u>	<u>46,681</u>	<u>15</u>	<u>75,446</u>
<b>EXPENDITURES</b>				
Current:				
General Government	21,597	39,434	-	61,031
Public Safety	7,021	7,247	-	14,268
Total Expenditures	<u>28,618</u>	<u>46,681</u>	<u>-</u>	<u>75,299</u>
Excess (Deficiency) of Revenues Over Expenditures	132	-	15	147
<b>FUND BALANCES</b>				
Beginning of Year	16,746	-	40,198	56,944
End of Year	<u>\$ 16,878</u>	<u>\$ -</u>	<u>\$ 40,213</u>	<u>\$ 57,091</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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Other	\$ -	\$ 364,800	\$ 1,600,000	\$ 1,235,200
<b>EXPENDITURES</b>				
Capital Outlay	9,525,143	12,147,786	6,463,349	5,684,437
Debt Service:				
Principal Retirement	-	150,000	150,000	-
Total Expenditures	<u>9,525,143</u>	<u>12,297,786</u>	<u>6,613,349</u>	<u>5,684,437</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,525,143)	(11,932,986)	(5,013,349)	6,919,637
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,679,080	2,700,755	21,675
Issuance of Long-Term Debt	-	-	450,000	450,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,679,080</u>	<u>3,150,755</u>	<u>471,675</u>
Net Change in Fund Balance	(9,525,143)	(9,253,906)	(1,862,594)	7,391,312
<b>FUND BALANCE</b>				
Beginning of Year	-	-	5,798,093	5,798,093
End of Year	<u>\$ (9,525,143)</u>	<u>\$ (9,253,906)</u>	<u>\$ 3,935,499</u>	<u>\$ 13,189,405</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, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	\$ 848,939	\$ 848,944	\$ (5)
Interest on Long-term Debt	179,368	179,369	(1)
Total Expenditures	1,028,307	1,028,313	(6)
Net Change in Fund Balance	(1,028,307)	(1,028,313)	(6)
<b>FUND BALANCE</b>			
Beginning of Year	-	5,367,070	5,367,070
End of Year	\$ (1,028,307)	\$ 4,338,757	\$ 5,367,064

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DONATIONS FUND**  
**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Contributions and Donations	\$ 10,000	\$ 30,500	\$ 28,750	\$ (1,750)
<b>EXPENDITURES</b>				
Current:				
General Government	-	13,500	21,597	(8,097)
Public Safety	7,000	17,000	7,021	9,979
Total Expenditures	<u>7,000</u>	<u>30,500</u>	<u>28,618</u>	<u>1,882</u>
Excess (Deficiency) of Revenues Over Expenditures	3,000	-	132	132
<b>FUND BALANCE</b>				
Beginning of Year	-	-	16,746	16,746
End of Year	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 16,878</u>	<u>\$ 16,878</u>

**TOWN OF PARADISE VALLEY, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 50,000	\$ 77,060	\$ 46,681	\$ (30,379)
<b>EXPENDITURES</b>				
Current:				
General Government	50,000	64,234	39,434	24,800
Public Safety	-	6,413	7,247	(834)
Total Expenditures	<u>50,000</u>	<u>70,647</u>	<u>46,681</u>	<u>23,966</u>
Excess (Deficiency) of Revenues Over Expenditures	-	6,413	-	(6,413)
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ 6,413</u>	<u>\$ -</u>	<u>\$ (6,413)</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			
	2005	2006	2007	2008
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 36,681,403	\$ 62,658,461	\$ 69,273,164	\$ 65,329,267
Restricted	3,547,005	2,458,089	3,506,945	4,179,307
Unrestricted	21,212,662	23,122,328	23,653,783	29,279,737
Total Governmental Activities	<u>21,212,662</u>	<u>23,122,328</u>	<u>23,653,783</u>	<u>29,279,737</u>
Net Position	<u>\$ 61,441,070</u>	<u>\$ 88,238,878</u>	<u>\$ 96,433,892</u>	<u>\$ 98,788,311</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 12,537,954	\$ 12,944,276	\$ 14,058,457	\$ 14,937,435
Restricted	2,314,437	3,253,695	3,374,755	3,639,972
Unrestricted	2,849,958	3,135,872	3,548,306	3,876,571
Total Business-Type Activities	<u>2,849,958</u>	<u>3,135,872</u>	<u>3,548,306</u>	<u>3,876,571</u>
Net Position	<u>\$ 17,702,349</u>	<u>\$ 19,333,843</u>	<u>\$ 20,981,518</u>	<u>\$ 22,453,978</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 49,219,357	\$ 75,602,737	\$ 83,331,621	\$ 80,266,702
Restricted	5,861,442	5,711,784	6,881,700	7,819,279
Unrestricted	24,062,620	26,258,200	27,202,089	33,156,308
Total Primary Government	<u>24,062,620</u>	<u>26,258,200</u>	<u>27,202,089</u>	<u>33,156,308</u>
Net Position	<u>\$ 79,143,419</u>	<u>\$107,572,721</u>	<u>\$117,415,410</u>	<u>\$121,242,289</u>

Source: Town's Finance Department.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 70,546,752	\$ 70,077,412	\$ 69,676,668	\$ 69,407,881	\$ 68,209,762	\$ 73,318,948
3,498,527	2,595,469	1,786,639	1,221,024	608,907	102,778
<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>27,644,729</u>
<u>\$ 94,821,772</u>	<u>\$ 95,046,262</u>	<u>\$ 93,951,243</u>	<u>\$ 94,256,842</u>	<u>\$ 89,671,612</u>	<u>\$ 101,066,455</u>
\$ 15,875,113	\$ 16,176,951	\$ 16,757,765	\$ 17,292,596	\$ 25,706,810	\$ 26,022,037
3,393,316	2,746,466	2,075,256	1,362,476	567,431	-
<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>901,947</u>
<u>\$ 22,824,638</u>	<u>\$ 22,779,180</u>	<u>\$ 23,027,216</u>	<u>\$ 23,391,325</u>	<u>\$ 31,676,596</u>	<u>\$ 26,923,984</u>
\$ 86,421,865	\$ 86,254,363	\$ 86,434,433	\$ 86,700,477	\$ 93,916,572	\$ 99,340,985
6,891,843	5,341,935	3,861,895	2,583,500	1,176,338	102,778
<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>28,546,676</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>	<u>\$ 127,990,439</u>

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

	Fiscal Year			
	2005	2006	2007	2008
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 5,830,167	\$ 5,572,020	\$ 7,582,685	\$ 7,504,799
Public Safety	5,230,079	5,427,430	6,770,604	8,578,890
Highways and Streets	2,826,197	2,232,994	3,535,814	3,698,363
Interest on Long-Term Debt	132,501	135,632	139,448	190,310
Total Governmental Activities Expenses	<u>14,018,944</u>	<u>13,368,076</u>	<u>18,028,551</u>	<u>19,972,362</u>
Business-Type Activities:				
Sewer	1,842,192	1,874,049	2,052,990	2,141,828
Fire Service	-	-	-	-
Alarm Monitor System	128,194	134,462	135,019	135,774
Total Business-Type Activities Total Primary Government Expenses	<u>1,970,386</u>	<u>2,008,511</u>	<u>2,188,009</u>	<u>2,277,602</u>
	<u>\$ 15,989,330</u>	<u>\$ 15,376,587</u>	<u>\$ 20,216,560</u>	<u>\$ 22,249,964</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 2,987,376	\$ 3,519,743	\$ 5,008,586	\$ 3,956,275
Public Safety	-	8,538	5,279	105,585
Highways and Streets	183,077	-	-	16,036
Operating Grants and Contributions	1,097,104	1,238,887	1,313,322	1,156,860
Capital Grants and Contributions	57,356	1,520,470	3,807,860	400,000
Total Governmental Activities Program Revenues	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>	<u>5,634,756</u>
Business-Type Activities:				
Charges for Services:				
Sewer System	2,526,738	2,793,516	2,517,864	2,827,143
Fire Service	-	-	-	-
Alarm Monitor System	206,705	209,230	210,932	218,940
Capital Grants and Contributions	160,620	422,750	781,250	409,800
Total Business-Type Activities Program Revenues	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>	<u>3,455,883</u>
Total Primary Government Program Revenues	<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	2014
\$ 9,318,797	\$ 5,857,493	\$ 6,826,239	\$ 7,708,607	\$ 7,289,224	\$ 7,276,076
9,127,589	8,040,162	7,787,743	7,628,580	7,055,389	6,286,763
6,150,305	2,151,001	2,225,274	2,076,040	3,346,762	3,201,369
424,849	301,622	267,022	239,802	282,387	182,224
25,021,540	16,350,278	17,106,278	17,653,029	17,973,762	16,946,432
2,327,149	2,207,903	2,144,491	2,111,254	2,264,536	2,351,590
-	-	-	-	1,414,177	2,961,269
129,335	125,529	117,568	108,520	85,698	103,975
2,456,484	2,333,432	2,262,059	2,219,774	3,764,411	5,416,834
\$ 27,478,024	\$ 18,683,710	\$ 19,368,337	\$ 19,872,803	\$ 21,738,173	\$ 22,363,266
\$ 3,185,130	\$ 2,564,613	\$ 2,748,788	\$ 2,540,900	\$ 4,111,615	\$ 5,189,006
102,323	143,867	221,550	303,571	210,837	124,464
-	53,349	-	-	-	-
929,564	856,445	844,615	746,903	763,844	807,404
502,684	152,699	-	27,321	118,064	10,000
4,719,701	3,770,973	3,814,953	3,618,695	5,204,360	6,130,874
2,469,706	2,066,141	2,254,806	2,292,392	2,258,513	2,227,314
-	-	-	-	1,538,314	3,112,850
216,459	245,390	265,656	253,253	242,072	231,984
681,569	31,500	92,500	-	198,000	-
3,367,734	2,343,031	2,612,962	2,545,645	4,236,899	5,572,148
\$ 8,087,435	\$ 6,114,004	\$ 6,427,915	\$ 6,164,340	\$ 9,441,259	\$ 11,703,022

(Continued)

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

(Concluded)	Fiscal Year			
	2005	2006	2007	2008
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (9,694,031)	\$ (7,080,438)	\$ (7,893,504)	\$ (14,337,606)
Business-Type Activities	923,677	1,416,985	1,322,037	1,178,281
Total Primary Government Net Expense	<u>\$ (8,770,354)</u>	<u>\$ (5,663,453)</u>	<u>\$ (6,571,467)</u>	<u>\$ (13,159,325)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 8,260,274	\$ 9,126,426	\$ 10,374,728	\$ 10,499,929
Franchise Taxes	759,607	824,782	915,326	1,003,231
State Shared Revenue	2,522,036	2,875,380	2,891,589	3,225,005
Auto Lieu Tax Revenue Sharing	584,982	646,708	574,175	557,250
Investment Income	608,214	991,870	1,332,700	1,406,610
Special Item - Capital Asset moved to Fire Fund	-	-	-	-
Transfers	-	-	-	-
Total Governmental Activities	<u>12,735,113</u>	<u>14,465,166</u>	<u>16,088,518</u>	<u>16,692,025</u>
Business-Type Activities:				
Investment Income	94,233	214,509	325,638	294,179
Capital Contributions	-	-	-	-
Special Item - Capital Asset moved to Fire Fund	-	-	-	-
Transfers	-	-	-	-
Total Business-Type Activities	<u>94,233</u>	<u>214,509</u>	<u>325,638</u>	<u>294,179</u>
Total Primary Government	<u>\$ 12,829,346</u>	<u>\$ 14,679,675</u>	<u>\$ 16,414,156</u>	<u>\$ 16,986,204</u>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 3,041,082	\$ 7,384,728	\$ 8,195,014	\$ 2,354,419
Business-Type Activities	1,017,910	1,631,494	1,647,675	1,472,460
Total Primary Government	<u>\$ 4,058,992</u>	<u>\$ 9,016,222</u>	<u>\$ 9,842,689</u>	<u>\$ 3,826,879</u>

Source: The Town's Finance Department.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ (20,301,839)	\$ (12,579,305)	\$ (13,291,325)	\$ (14,034,334)	\$ (12,769,402)	\$ (10,815,558)
911,250	9,599	350,903	325,871	472,488	155,314
<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>	<u>\$ (10,660,244)</u>
\$ 9,386,335	\$ 8,051,632	\$ 7,944,769	\$ 10,627,184	\$ 11,963,535	\$ 13,136,325
1,001,103	999,785	1,007,634	1,055,473	1,061,725	1,061,660
3,180,361	2,807,201	2,402,963	2,083,775	2,358,876	2,544,840
504,145	465,343	453,010	411,604	429,075	457,878
1,569,907	358,326	231,090	161,897	174,833	94,521
-	-	-	-	(7,803,872)	-
693,449	121,508	156,840	-	-	4,915,177
<u>16,335,300</u>	<u>12,803,795</u>	<u>12,196,306</u>	<u>14,339,933</u>	<u>8,184,172</u>	<u>22,210,401</u>
152,859	66,451	53,973	38,238	8,911	7,251
-	-	-	-	198,000	-
-	-	-	-	7,803,872	-
(693,449)	(121,508)	(156,840)	-	-	(4,915,177)
<u>(540,590)</u>	<u>(55,057)</u>	<u>(102,867)</u>	<u>38,238</u>	<u>8,010,783</u>	<u>(4,907,926)</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>	<u>\$ 17,302,475</u>
\$ (3,966,539)	\$ 224,490	\$ (1,095,019)	\$ 305,599	\$ (4,585,230)	\$ 11,394,843
370,660	(45,458)	248,036	364,109	8,908,064	(4,752,612)
<u>\$ (3,595,879)</u>	<u>\$ 179,032</u>	<u>\$ (846,983)</u>	<u>\$ 669,708</u>	<u>\$ 4,322,834</u>	<u>\$ 6,642,231</u>

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

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Governmental Activities:</b>					
General Government	\$ 3,016,814	\$ 4,960,424	\$ 9,053,679	\$ 4,467,270	\$ 3,217,704
Public Safety	6,241	14,715	20,976	134,211	150,885
Highways and Streets	1,301,858	1,312,499	1,060,392	1,033,275	1,351,112
Subtotal Governmental Activities	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>	<u>5,634,756</u>	<u>4,719,701</u>
<b>Business-Type Activities:</b>					
Sewer System	2,687,358	3,216,266	3,299,114	3,236,943	3,151,275
Fire Service	-	-	-	-	-
Alarm Monitor System	206,705	209,230	210,932	218,940	216,459
Subtotal Business-Type Activities	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>	<u>3,455,883</u>	<u>3,367,734</u>
Total Primary Government	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>	<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>

Source: The Town's Finance Department.

Fiscal Year				
2010	2011	2012	2013	2014
\$ 2,592,630	\$ 2,767,852	\$ 2,671,657	\$ 4,288,121	\$ 5,275,399
149,236	255,768	305,350	214,512	131,761
1,029,107	791,333	641,688	701,727	723,714
<u>3,770,973</u>	<u>3,814,953</u>	<u>3,618,695</u>	<u>5,204,360</u>	<u>6,130,874</u>
2,097,641	2,347,306	2,292,392	2,258,513	2,227,314
-	-	-	1,538,314	3,112,850
245,390	265,656	253,253	242,072	231,984
<u>2,343,031</u>	<u>2,612,962</u>	<u>2,545,645</u>	<u>4,038,899</u>	<u>5,572,148</u>
<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>	<u>\$ 6,164,340</u>	<u>\$ 9,243,259</u>	<u>\$ 11,703,022</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	21,897,439	23,838,710	24,368,110	26,023,277
Total General Fund	<u>\$ 21,897,439</u>	<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>	<u>\$ 26,023,277</u>
All Other Governmental Funds:				
Unreserved, Reported in:				
Special Revenue Funds	\$ 1,734,576	\$ 2,475,642	\$ 3,524,830	\$ 4,199,455
Debt Service Funds	210	367	512	232
Capital Projects Funds	1,829,523	-	-	4,069,161
Total All Other Governmental Funds	<u>\$ 3,564,309</u>	<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>	<u>\$ 8,268,848</u>
	Fiscal Year			
	2011	2012	2013	2014
General Fund:				
Nonspendable				
Prepaid Items	\$ 6,972	\$ 143,415	\$ 1,039,473	\$ 1,157,133
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	13,995,539	14,393,182	14,206,372	23,391,719
Total General Fund	<u>\$ 14,002,511</u>	<u>\$ 14,536,597</u>	<u>\$ 15,245,845</u>	<u>\$ 24,548,852</u>
All Other Governmental Funds:				
Nonspendable				
Prepaid Items	\$ -	\$ -	\$ 16,025	\$ -
Restricted	1,786,639	1,221,024	592,882	102,778
Assigned	8,905,955	9,268,513	11,165,163	8,274,256
Unassigned	-	-	-	(619,309)
Total All Other Governmental Funds	<u>\$ 10,692,594</u>	<u>\$ 10,489,537</u>	<u>\$ 11,774,070</u>	<u>\$ 7,757,725</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	
2009	2010
\$ -	\$ -
19,055,184	14,865,748
<u>\$ 19,055,184</u>	<u>\$ 14,865,748</u>

\$ 3,147,999	\$ 2,444,644
1,712,329	6,314,592
1,130,425	1,864,879
<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			
	2005	2006	2007	2008
<b>REVENUES</b>				
Taxes	\$ 9,019,881	\$ 9,951,208	\$ 11,290,054	\$ 11,503,160
Intergovernmental	4,249,702	4,849,824	4,656,254	4,921,207
Fines and Forfeitures	1,083,724	1,228,545	1,505,931	1,630,753
Licenses and Permits	1,686,194	1,847,924	3,238,562	2,197,361
Charges for Services	187,077	-	-	-
Indirect Charges	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	608,214	991,870	1,332,700	1,406,610
Other	143,797	650,580	366,621	302,014
Total Revenues	<u>16,978,589</u>	<u>19,519,951</u>	<u>22,390,122</u>	<u>21,961,105</u>
<b>EXPENDITURES</b>				
General Government	5,059,155	5,450,586	7,066,224	7,661,674
Public Safety	5,154,489	5,371,429	6,673,289	8,836,058
Highways and Streets	1,430,165	1,622,491	1,680,913	1,901,078
Capital Outlay	2,967,196	6,799,178	7,531,375	3,946,895
Debt Service				
Issuance Costs	-	-	-	-
Principal Retirement	135,377	140,865	146,354	151,842
Interest on Long-Term Debt	119,167	113,642	107,897	101,896
Total Expenditures	<u>14,865,549</u>	<u>19,498,191</u>	<u>23,206,052</u>	<u>22,599,443</u>
Excess of Revenues				
Over (Under) Expenditures	2,113,040	21,760	(815,930)	(638,338)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	4,086,764	5,951,668	8,028,562	4,455,825
Transfers Out	(4,086,764)	(5,951,668)	(8,028,562)	(4,455,825)
Issuance of Long-Term Debt	-	-	-	-
Premium on Issuance of Long-Term Debt	-	-	-	-
Payment of Escrow Agent	-	-	-	-
Payment on Capital Leases	-	-	-	-
Proceeds from Capital Leases	699,486	831,211	2,394,663	7,037,011
Total Other Financing Sources (Uses)	<u>699,486</u>	<u>831,211</u>	<u>2,394,663</u>	<u>7,037,011</u>
Net Changes in Fund Balance	<u>\$ 2,812,526</u>	<u>\$ 852,971</u>	<u>\$ 1,578,733</u>	<u>\$ 6,398,673</u>
Debt Service as a Percentage of Non-Capital Expenditures	2.10%	2.00%	1.60%	1.3%

Source: The Town's Finance Department.

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	10,387,438	\$ 9,051,417	\$ 8,952,403	\$ 11,682,657	\$ 13,025,260	\$ 14,197,985
	4,835,686	4,272,612	3,692,516	3,251,086	3,537,464	3,791,372
	1,351,919	1,133,627	1,201,432	801,897	2,346,166	1,161,685
	1,159,347	982,740	1,080,207	1,021,911	1,203,370	1,322,052
	-	490,095	356,650	427,269	328,019	354,680
	-	-	-	-	-	322,000
	-	-	320,907	325,220	307,987	154,220
	1,569,914	358,326	231,090	161,897	174,833	94,521
	769,388	9,076	8,072	51,730	461,264	1,812,082
	<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>	<u>23,210,597</u>
	7,346,335	5,686,505	5,987,892	5,581,346	6,168,281	6,700,704
	8,968,496	7,864,339	7,504,468	7,594,737	6,816,444	6,215,932
	2,077,779	1,616,151	1,444,530	1,204,634	2,677,491	2,635,007
	11,155,915	128,752	832,181	2,149,953	2,699,004	6,522,394
	130,596	-	-	-	-	-
	715,506	388,383	773,329	800,825	824,885	998,944
	346,510	291,345	252,475	228,857	204,477	216,131
	<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>	<u>23,289,112</u>
	(10,667,445)	322,418	(951,598)	163,315	1,993,781	(78,515)
	10,985,963	6,289,267	2,584,469	3,481,659	6,293,189	9,685,071
	(10,292,514)	(6,167,759)	(2,427,629)	(3,481,659)	(6,293,189)	(4,769,894)
	7,599,249	-	-	-	-	450,000
	339,067	-	-	-	-	-
	(2,032,486)	-	-	-	-	-
	(5,770,711)	-	-	-	-	-
	592,689	-	-	167,714	-	-
	<u>1,421,257</u>	<u>121,508</u>	<u>156,840</u>	<u>167,714</u>	<u>-</u>	<u>5,365,177</u>
\$	<u>(9,246,188)</u>	<u>\$ 443,926</u>	<u>\$ (794,758)</u>	<u>\$ 331,029</u>	<u>\$ 1,993,781</u>	<u>\$ 5,286,662</u>
	4.3%	4.5%	6.6%	6.4%	6.0%	7.3%

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

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
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
2014	10,300,810	2,835,515	1,061,660	14,197,985

Source: The Town's Finance Department.

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 362,906	\$ 385,466	\$ 399,465	\$ 467,913	\$ 442,206
Construction	2,204,092	2,751,534	3,951,997	4,420,843	3,622,160
Manufacturing	223,540	243,507	174,371	101,628	85,475
Retail trade	164,793	210,152	234,595	311,592	218,354
Finance, Insurance and Real Estate	241,291	267,236	400,899	377,621	226,801
Hospitality	2,474,965	2,603,157	2,507,944	2,253,947	2,510,902
Services	160,672	173,674	231,145	206,628	200,520
Other	227,234	203,663	229,310	261,637	211,986
Total	<u>\$ 6,059,493</u>	<u>\$ 6,838,389</u>	<u>\$ 8,129,726</u>	<u>\$ 8,401,809</u>	<u>\$ 7,518,404</u>
Bed Tax Collected	<u>\$ 2,200,781</u>	<u>\$ 2,288,037</u>	<u>\$ 2,244,797</u>	<u>\$ 2,098,120</u>	<u>\$ 1,867,932</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

2010	2011	2012	2013	2014
\$ 499,069	\$ 459,650	\$ 829,653	\$ 881,141	\$ 890,417
2,250,756	1,645,850	1,780,801	2,340,481	3,048,856
85,959	81,724	119,098	133,431	128,060
223,429	281,128	355,717	451,136	559,294
165,509	201,843	251,196	262,889	288,739
2,464,680	2,527,486	4,007,195	4,338,311	4,536,958
147,522	154,748	224,531	268,514	320,097
135,828	191,385	535,705	559,740	528,389
<u>\$ 5,972,752</u>	<u>\$ 5,543,814</u>	<u>\$ 8,103,896</u>	<u>\$ 9,235,643</u>	<u>\$ 10,300,810</u>
<u>\$ 2,078,880</u>	<u>\$ 2,400,955</u>	<u>\$ 2,523,288</u>	<u>\$ 2,727,892</u>	<u>\$ 2,835,515</u>

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

**Privilege (Sales) Tax Rates**

<u>Fiscal Year</u>	<u>Town Direct</u>		
	<u>Rate</u>	<u>County Rate</u>	<u>State Rate</u>
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%
2014	2.50%	0.00%	5.60%

**Use Tax Rates**

<u>Fiscal Year</u>	<u>Town Direct</u>		
	<u>Rate</u>	<u>County Rate</u>	<u>State Rate</u>
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%
2014	2.50%	0.00%	5.60%

**Bed Tax Rates**

<u>Fiscal Year</u>	<u>Town Direct</u>		
	<u>Rate</u>	<u>County Rate</u>	<u>State Rate</u>
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%
2014	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	Governmental Activities			Business-Type Activities		Total Primary Government	Per Capita
	Excise Tax Revenue Bonds	Note Payable	Capital Leases	Excise Tax Revenue Bonds	Note Payable		
2005	\$ 2,631	\$ -	\$ 611	\$ 4,559	\$ -	\$ 7,801	\$ 541
2006	2,490	-	787	4,315	4,049	11,641	840
2007	2,343	-	2,222	4,062	3,716	12,343	882
2008	2,192	-	8,045	3,798	3,369	17,404	1,224
2009	7,599	-	1,595	3,456	3,006	15,656	1,084
2010	7,211	-	1,073	3,279	2,628	14,191	966
2011	6,438	-	798	2,927	2,235	12,398	967
2012	5,637	-	600	2,563	1,824	10,624	812
2013	4,812	-	432	2,188	1,396	8,828	674
2014	3,963	300	347	1,802	951	7,363	554

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		
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		11.50
2014	18,065	1,235	261		12.20

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
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)
2014	13,282	(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  
2013 AND 2003  
(UNAUDITED)**

	2013		2003	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Camelback Inn	604	16.1%	580	17.1%
Doubletree of Phoenix (formerly InterContinental Montelucia Resort and Joya Spa)	358	9.5%	-	0.0%
Scottsdale Plaza Resort	330	8.8%	388	11.4%
Sanctuary on Camelback Mountain	307	8.2%	250	7.4%
DoubleTree Paradise Valley Resort	165	4.4%	220	6.5%
Phoenix County Day School	139	3.7%	138	4.1%
Paradise Valley Country Club	113	3.0%	100	3.0%
Hermosa Inn	101	2.7%	100	3.0%
Town of Paradise Valley	80	2.1%	95	2.8%
Scottsdale Cottonwoods LLC	72	1.9%	-	0.0%
<b>Total</b>	<b>2,269</b>	<b>60.5%</b>	<b>1,871</b>	<b>55.2%</b>

Source: Maricopa Association of Governments 2013 Employer Database.

Note: 2013 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Town Manager	3.0	3.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0
Town Attorney	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0
Finance	7.7	7.7	7.2	7.2	8.2	7.0	7.0	4.0	5.0	7.0
Community Development	9.0	11.0	13.0	13.0	13.0	12.0	10.0	10.0	10.0	10.0
Court	5.3	5.4	5.4	5.7	5.9	6.0	5.0	5.0	5.0	5.00
Engineering	3.0	3.0	3.0	3.0	3.0	2.0	1.0	-	1.0	3.0
Public Works	3.0	3.0	3.0	3.0	4.0	3.0	3.0	2.0	3.0	3.0
Police:										
Officers	36.0	36.0	36.0	36.0	36.0	30.0	23.0	25.0	27.0	27.0
Civilians	10.3	10.3	10.3	10.5	10.5	11.0	13.0	9.0	7.0	12.0
Fire Service:										
Civilians	-	-	-	1.0	1.0	-	-	-	-	-
Highways and Streets	13.7	14.0	14.0	14.0	14.0	13.0	12.0	12.0	12.0	10.0
Sewer System	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	-
Total	97.0	99.4	100.9	102.4	105.6	93.0	83.0	76.0	79.0	79.0

Source: Town's Finance Department.

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
General Government:					
Building Permits Issued	941	1,019	1,059	950	665
Value of Building Permits Issued	\$ 127,825,265	\$ 172,799,125	\$ 312,280,046	\$ 177,127,174	\$ 86,505,523
Police:					
Physical Arrests	293	341	334	270	242
Parking Violations	490	514	669	582	285
Traffic Violations	3,806	4,162	2,946	2,529	1,509
Other Public Works:					
Street Resurfacing (Miles)	8	10	10	9	31
Sidewalks (Linear Feet)	3,374	-	2,025	24,725	-
Potholes Repaired	193	205	150	115	70
Sewer System:					
Number of Customers	1,916	1,938	1,985	2,016	2,065

Source: The Town of Paradise Valley.

Fiscal Year				
2010	2011	2012	2013	2014
499	536	517	559	638
\$ 54,467,751	\$ 59,607,205	\$ 68,448,551	\$ 74,147,285	\$ 85,481,811
240	199	258	218	378
1,789	1,142	1,199	445	529
2,203	2,049	1,995	1,914	2,399
-	-	7	19.78	12.80
-	-	216	24	2,333
17	23	10	11	14
2,086	2,094	2,095	2,115	2,136

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police:					
Stations	1	1	1	1	1
Patrol and Detective Vehicles	20	20	20	25	28
Fire Service:					
Stations	-	-	2	2	2
Fire Pumpers, Support Vehicles	-	-	3	4	4
Other Public Works:					
Streets (Miles)	140	140	140	140	140
Traffic Signals	12	12	12	12	12
Wastewater:					
Sanitary Sewers (Feet)	307,444	311,409	317,059	320,890	325,029
Treatment Capacity (Thousands of Gallons)	880	1,026	1,026	1,026	1,026

Source: The Town of Paradise Valley.

Fiscal Year				
2010	2011	2012	2013	2014
1	1	1	1	1
25	25	25	24	24
2	2	2	2	2
3	3	3	3	3
140	140	140	140	147
12	12	12	12	12
325,029	325,029	325,029	326,349	326,349
1,026	1,026	1,026	1,026	1,026

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