

TOWN OF PARADISE VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2007

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Mr. Ed Winkler  
*Mayor*

Mr. Scott Le Marr  
*Vice Mayor*

*Councilmembers*

Mr. Ronald B. Clarke      Mr. Brian Cooney

Ms. Mary Hamway      Mr. Dan Schweiker      Ms. Virginia "Jini" Simpson

Thomas M. Martinsen  
*Town Manager*

Lenore Platt Lancaster, CPA  
*Management Services Director*

Prepared by:  
Management Services Department

TOWN OF PARADISE VALLEY, ARIZONA  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FISCAL YEAR ENDED JUNE 30, 2007

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## INTRODUCTORY SECTION

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**TOWN OF  
PARADISE VALLEY**

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TOWN OF PARADISE VALLEY, ARIZONA 85253-4399

October 19, 2007

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

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. The comprehensive annual financial Report (CAFR) of the Town of Paradise Valley (Town) for the fiscal year ended June 30, 2007, is hereby submitted. This document represents a joint effort by staff as well as our auditors, Cronstrom, Osuch & Company, P.C.

This report consists of management's representations concerning the finances of the Town of Paradise Valley. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Paradise Valley has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Paradise Valley's basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the Town's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the basic financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cronstrom, Osuch & Company, a firm of licensed certified public accountants, has audited the Town of Paradise Valley's financial statements. The goal of the independent audit was to provide a reasonable assurance that the basic financial statements of the Town of Paradise Valley, Arizona for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires 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 the 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.

### **TOWN OF PARADISE VALLEY 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 16 square miles.

The Town of 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. Council members are elected to four year terms. The Mayor and Vice Mayor are selected by the Council from among its members. The Town Council is responsible for, but not limited to, the adoption of local ordinances, budget adoption, the development of citizen advisory committees, and the appointment of the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all positions except the Town Clerk, Town Marshal, Town Engineer, Town Attorney and Municipal Judges.

The annual budget serves as the foundation for the Town's financial planning and control. The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, the Special Revenues Funds, the Debt Service Fund and the Enterprise Funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented for the governmental funds. 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 in order to obtain resident comments.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. Upon the recommendation of the Town Manager, and with the approval of the Town Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unexpended appropriations may be transferred from one department to another. 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 of Paradise Valley operates.

**Local economy.** Similar to the State of Arizona, the Town's economy has improved during the last fiscal year. Local tax revenues generated by the construction industry increased \$1,200,463, or 43.6% from fiscal year 2005-06. The construction industry accounted for 38.1% of local taxes. Through the Town's sales tax audit program, the Town has an outreach program to contractors to educate them regarding the calculation of sales tax. Revenues from sales tax audits increased \$281,015 or 95.5% over fiscal year 2005-06. Local tax revenues generated by the hospitality industry decreased \$138,453, or 2.8%, from fiscal year 2005-06.

The Town's share of State shared revenues decreased \$113,961, or 2.5% from fiscal year 2005-06. Income tax is distributed out of the income tax collections from two years prior to the current fiscal year. Sales tax revenue is distributed from the current year's collection. These revenues are allocated based on the Town's population in relation to the total State population as of the 2005 mid-decade census. The Town's population grew at a slower rate than other communities. While the Town's revenues from State shared income taxes increased \$143,332 or 10.0% the total distribution of income taxes to all municipalities increased approximately 30%. Revenues from State shared sales tax decreased \$127,123, or 8.8% while the total of state sales taxes returned to municipalities increased 6.1%. The Town's revenues from State shared gasoline taxes decreased \$55,905, or 5.3%. The Town's revenues from vehicle license fees decreased \$72,533 or 11.2%. The Town's revenues from LTAF decreased \$1,733 or 2.4%.

**Long-term financial planning.** The Town's Financial Policy Statement requires that a reserve equal to at least one year of annual general governmental operating expenditures and debt service expenditures be maintained for unforeseen emergencies, loss of revenues or catastrophic impacts on the Town. As part of the budget process, the Town develops a financial plan and capital improvement plan. The current long range financial plan exceeds the Financial Policy Statement requirement in each of the next five years.

**Cash management policies and practices.** In compliance with State statutes, the Town's investment policy limits its investments to U.S. Treasury obligations, federal agency securities, Federal instrumentality securities, repurchase agreements, the Local Government Investment Pool maintained by the State Treasurer, and time certificates of deposits. The Town employs an investment management firm to manage a portion of the Town's investments.

**Risk management.** The Town of Paradise Valley is a member of the Arizona Municipal Risk Retention Pool (AMRRP). Risk coverage includes general liability, errors and omissions, property and automobile insurance. The policy insures up to \$2 million per occurrence plus excess liability of up to \$18 million, excluding land use liability claims. The excess coverage for land use liability is \$5 million. Coverage is provided on a claims-made basis. The liability coverage retroactive date is January 24, 1986.

There were no significant claims made or settled during fiscal year 2006-07.

The AMRRP also provides the Town's Workers Compensation insurance through June 30, 2007. The rate varies according to the functions performed by personnel.

**Pension and other postemployment benefits.** The Town participates in the Arizona State Retirement System and the Public Safety Personnel Retirement System. These plans are offered to state and local governments statewide and are funded by employee wage deductions and Town contributions. In addition, the Town provides two deferred compensation plans through the International City/County Management Association Retirement Corporation (ICMA-RC) in accordance with Internal Revenue Code Sections 401A and 457. Employees may join the 401A on their one-year anniversary with the Town. The 401A is funded by both Town and employee matching contributions. The 457 is voluntary and funded 100% through employee participation.

### **MAJOR INITIATIVES**

The Town completed the reconstruction of the Tatum Boulevard and McDonald road intersection in fiscal year 2007. This was a joint effort with the Arizona Department of Transportation to provide a safer and more efficient flow of traffic through this intersection and to decrease noise and air pollution.

The Town completed the Invergordon Road improvement project from Mountain View Road to Northern Ave., and the Northern Ave. improvement project from Invergordon Road to Mockingbird Lane in fiscal year 2006-07. These projects included the reconstruction of the roadway to minor arterial standards with curb and gutter, a new roadway surface, minor drainage improvements, traffic calming, landscaping and esthetic improvements.

The Town began the Lincoln Drive Sidewalk improvement project. This is a joint effort with the Arizona Department of Transportation to provide a continuous sidewalk along the south side of Lincoln Drive with landscaping.

The Town also completed one APS neighborhood underground project.

The Town entered into an intergovernmental agreement with the City of Phoenix for fire service, to be effective July 1, 2007. Prior to this date residents contracted directly with Rural/Metro Fire Department for fire service. The agreement calls for the Town to provide two fire stations, two fire pumpers and a water tender. Operational costs will be shared evenly between the Town and the City of Phoenix. Start-up costs incurred in fiscal year 2006-07 were \$880,357.

In fiscal year 2006-07 the Town implemented in-house building plan review. Previously applicants for building permits paid an outsource plan review service to review building plans. This had a favorable impact on revenues of approximately \$420,000. The incremental cost to the Town for the plans examiner and the building services manager was approximately \$205,000.

**ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Management Services Department, and through the competent service of our independent auditors. I also wish to express my 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,

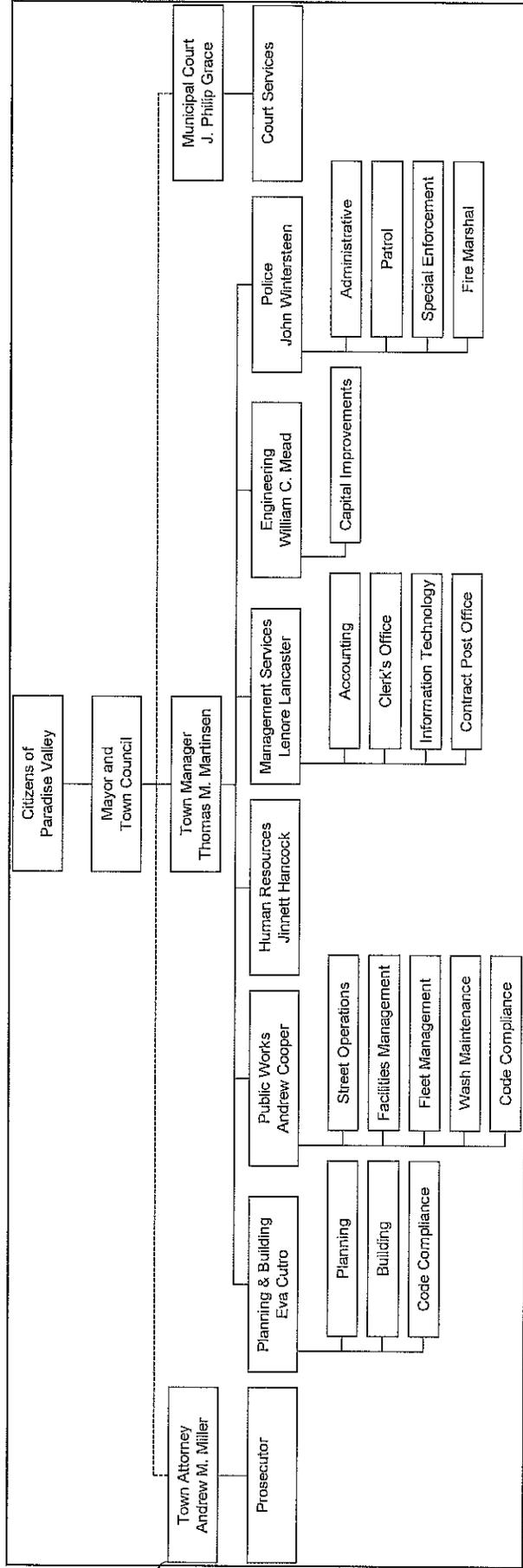
A handwritten signature in cursive script that reads "Lenore Lancaster".

Lenore Lancaster, CPA  
Management Services Director

# Town of Paradise Valley, Arizona

## Organizational Chart

### Fiscal Year Ended June 30, 2007



## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Highway User Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A prior period adjustment is recorded and presented in Note 4.E. to record infrastructure assets that were not previously required to be reported on the annual financial statements.

The management's discussion and analysis on pages 11 - 21 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 60 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cronstrom, Osuch & Company, P.C.*

Cronstrom, Osuch & Company, P.C.

October 19, 2007

## Management's Discussion and Analysis

This section of the Town of Paradise Valley's (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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at the close of the fiscal years 2007 and 2006 by \$117,415,410 and \$107,572,721 (net assets), respectively. Of this amount, \$27,202,089 and \$26,258,200 (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2007 and 2006, the Town's governmental funds reported combined ending fund balances of \$27,893,452 and \$26,314,719, respectively, all of which is unreserved fund balance available for spending at the government's discretion. The increase is primarily due to an increase in General Fund revenues over budget and savings in the General Government and Public Safety expenses from budget.

At the close of the current fiscal year, unreserved fund balance for the General Fund was \$24,368,110 or 116% of total General Fund revenues of \$21,075,397. At the close of fiscal year 2006, unreserved fund balance for the General Fund was \$23,838,710 or 131% of General Fund revenues of \$18,219,990.

During fiscal year 2007, the Town's total bonded debt decreased by \$400,000 in contrast to the decrease of \$385,000 in fiscal year 2006. The Town did not issue any new bonds.

### 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 the 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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether or not the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 general government, public safety, and streets. The business-type activities of the Town include sewer 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 corporations: the Mummy Mountain Preserve Trust and the Paradise Valley Municipal Property Corporation. 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 on pages 24 - 25 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been 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 funds of the Town can be divided into the following two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to 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. Such information may be useful in determining what financial resources are available in the near future to fund the Town's programs.

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

The Town maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, highway user revenue fund and the capital projects 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 elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

### **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 and alarm operations of the Town.

### **Notes to the Basic Financial Statements**

The notes to the 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.

### **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.

### **Combining Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of Net Assets

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the Town, assets exceeded liabilities by \$117,415,410 and \$107,572,721 at the close of fiscal years 2007 and 2006 respectively

#### Net Assets June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006 (restated)	2007	2006	2007	2006 (restated)
<b>ASSETS</b>						
Current and other assets	\$ 31,055,631	\$ 29,410,828	\$ 8,011,220	\$ 7,027,491	\$ 39,066,851	\$ 36,438,319
Capital assets						
Non-depreciable	45,585,629	46,711,516	14,384,749	14,370,593	59,970,378	61,082,109
Depreciable (net)	<u>28,252,936</u>	<u>19,224,090</u>	<u>7,451,109</u>	<u>6,937,907</u>	<u>35,704,045</u>	<u>26,161,997</u>
Total assets	<u>104,894,196</u>	<u>95,346,434</u>	<u>29,847,078</u>	<u>28,335,991</u>	<u>134,741,274</u>	<u>123,682,425</u>
<b>LIABILITIES</b>						
Other liabilities	2,976,222	2,966,264	1,066,893	619,555	4,043,115	3,585,819
Non-current liabilities						
Due within one year	1,582,602	1,335,003	620,548	594,342	2,203,150	1,929,345
Due in more than one year	<u>3,901,480</u>	<u>2,806,289</u>	<u>7,178,119</u>	<u>7,788,251</u>	<u>11,079,599</u>	<u>10,594,540</u>
Total liabilities	<u>8,460,304</u>	<u>7,107,556</u>	<u>8,865,560</u>	<u>9,002,148</u>	<u>17,325,864</u>	<u>16,109,704</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	69,273,164	62,658,461	14,058,457	12,944,276	83,331,621	75,602,737
Restricted	3,506,945	2,458,089	3,374,755	3,253,695	6,881,700	5,711,784
Unrestricted	<u>23,653,783</u>	<u>23,122,328</u>	<u>3,548,306</u>	<u>3,135,872</u>	<u>27,202,089</u>	<u>26,258,200</u>
Total net assets	<u>\$ 96,433,892</u>	<u>\$ 88,238,878</u>	<u>\$ 20,981,518</u>	<u>\$ 19,333,843</u>	<u>\$ 117,415,410</u>	<u>\$ 107,572,721</u>

The largest portion of the Town's net assets reflects its investment of \$83,331,621 (71.0%) and \$75,602,737 (70.3%) in capital assets (e.g. land, buildings, infrastructure, sewer system, vehicles and equipment), less any related outstanding debt used to acquire those assets, for the fiscal years 2007 and 2006, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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 assets, \$6,881,700 (5.9%) for fiscal year 2007 and \$5,711,784 (5.3%) for fiscal year 2006, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2007 and 2006, \$27,202,089 (23.1%) and \$26,258,200 (24.4%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Town was able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

## Analysis of Changes in Net Assets

The Town's net assets overall increased by \$9,842,689 and \$9,016,222 during the fiscal years 2007 and 2006, respectively. These increases are explained in the government and business-type activities discussion below, and are primarily the result of an increase in General Fund revenues, capital contributions, savings from budget for General Government and Public Safety, and development fees paid by residents connecting to the sewer system.

### Changes in Net Assets Fiscal Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006 (restated)	2007	2006	2007	2006 (restated)
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 5,013,865	\$ 3,528,281	\$ 2,728,796	\$ 3,002,746	\$ 7,742,661	\$ 6,531,027
Operating grants and contributions	1,313,322	1,238,887	-	-	1,313,322	1,238,887
Capital grants and contributions	3,807,860	1,520,470	781,250	422,750	4,589,110	1,943,220
General revenues:						
Local taxes	11,290,054	9,951,208	-	-	11,290,054	9,951,208
State shared revenues	3,465,764	3,522,088	-	-	3,465,764	3,522,088
Investment earnings	1,332,700	991,870	325,638	214,509	1,658,338	1,206,379
Total Revenues	<u>26,223,565</u>	<u>20,752,804</u>	<u>3,835,684</u>	<u>3,640,005</u>	<u>30,059,249</u>	<u>24,392,809</u>
Expenses						
General government	7,582,685	5,572,020	-	-	7,582,685	5,572,020
Public safety	6,770,604	5,427,430	-	-	6,770,604	5,427,430
Highways and streets	3,535,814	2,232,994	-	-	3,535,814	2,232,994
Interest on long-term debt	139,448	135,632	-	-	139,448	135,632
Sewer system	-	-	2,052,990	1,874,049	2,052,990	1,874,049
Alarm monitor system	-	-	135,019	134,462	135,019	134,462
Total Expenses	<u>18,028,551</u>	<u>13,368,076</u>	<u>2,188,009</u>	<u>2,008,511</u>	<u>20,216,560</u>	<u>15,376,587</u>
Change in net assets	8,195,014	7,384,728	1,647,675	1,631,494	9,842,689	9,016,222
Net assets, beginning of year (restated)	<u>88,238,878</u>	<u>80,854,150</u>	<u>19,333,843</u>	<u>17,702,349</u>	<u>107,572,721</u>	<u>98,556,499</u>
Total Net Assets, end of year	<u>\$ 96,433,892</u>	<u>\$ 88,238,878</u>	<u>\$ 20,981,518</u>	<u>\$ 19,333,843</u>	<u>\$ 117,415,410</u>	<u>\$ 107,572,721</u>

**Governmental activities.** Governmental activities increased the Town's net assets by \$8,195,014 in fiscal year 2007 and \$7,384,728 in fiscal year 2006, accounting for 83.3% and 81.9%, respectively, of the total growth in the net assets of the Town. Key factors of this increase, primarily due to the strong economy, are as follows:

- Local bed, sales and use tax revenues increased \$1,248,302, or 13.7%, over fiscal year 2006, primarily due to an increase of \$1,200,463, or 43.6% increase in sales tax revenue from the construction industry. The increase in the construction industry revenues includes a \$281,015, or 95.5%, increase from sales tax audits.
- Licenses and permits increased \$1,390,638, or 75.3%, over fiscal year 2006. Building permits increased \$660,881, or 60.2%, primarily due to an increase in valuation of residential properties and the construction of one resort. In addition, plan review fees increased \$608,313, or 194.2%, as a result of (1) bringing plan review in-house as opposed to outsourced plan review and (2) an increase in building permit revenues, on which plan review fees are calculated.
- The Mummy Mountain Preserve Trust received donations of land valued at \$3,807,860.
- State shared revenues decreased \$113,961, or 2.5%, compared to fiscal year 2006, as a result of the impact of the 2005 mid-decade census on the Town's share of state shared revenues.
- Investment earnings increased \$340,830, or 34.4%, over fiscal year 2006. In June 2006 the Town hired an investment manager to manage its investments. In addition, interest rates and the amount invested increased compared to the previous year.

**Business-type activities.** Business-type activities increased the Town's net assets by \$1,647,675 in fiscal year 2007 and \$1,631,494 in fiscal year 2006, accounting for 16.7% and 18.1%, respectively, of the total growth in the Town's net assets. Key factors of this increase are as follows:

- Development fees earned and interest earned on development fees exceeded current year debt-service by \$121,060 in 2007 and by \$939,260 in 2006.
- Developers contributed \$781,250 and \$422,750 in sewer lines to the Town in fiscal year 2007 and 2006 respectively.

## **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**

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$27,893,452, an increase of \$1,578,733, or 6% in comparison with the prior year. The combined ending fund balances for fiscal year 2006 were \$26,314,719. The increase in the combined ending fund balance is primarily due to the increase in General Fund revenues. The entire fund balance is unreserved and is available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town of Paradise Valley. At June 30, 2007, the fund balance of the General Fund was \$24,368,110, or 87.4% of the combined governmental fund balance. The fund balance of the General Fund at June 30, 2006 was \$23,838,710, or 90.6% of the combined governmental fund balance. As a measure of the General Fund's liquidity, it may be useful to compare General Fund balance to General Fund expenditures. The General Fund balance represents 179.1% and 221.5% of General Fund expenditures for fiscal years 2007 and 2006, respectively. Total combined governmental fund balance represents 120% and 135% of combined expenditures at June 30, 2007 and 2006 respectively. The General Fund balance represents 115.6% and 130.8% of General Fund revenues at June 30, 2007 and 2006 respectively. The total combined governmental fund balance represents 124.6% and 134.8% of total combined revenues at June 30, 2007 and 2006 respectively.

Despite revenues exceeding expenditures by \$7,472,734, the General Fund increased by only \$529,400. The primary reason is transfers from the General Fund to other funds as follows:

- The General Fund transferred \$253,705 to the Debt Service Fund.
- The General Fund transferred \$6,315,270 to the Capital Projects Fund.
- The General Fund transferred \$1,457,982 to the Highway User Revenue Fund.

Revenues for governmental functions overall totaled \$22,390,122 and \$19,519,951 for fiscal years ended June 30, 2007 and 2006, respectively, which represents an increase of 14.7% or \$2,870,171 and an increase of 15.0% or \$2,541,362 from the fiscal years ended June 30, 2006 and 2005, respectively. The primary reason for the increase in 2007 is an increase of \$1,248,302, or 13.7% in local tax revenues, primarily from the construction industry. Additionally licenses and permits increased \$1,390,638, or 75.3% as a result of the increase in value of construction permits for residential and resort properties. Investment earnings increased \$340,830, or 34.4%, primarily due to the increase in interest rates and use of an investment manager. State shared revenues decreased \$113,961, or 2.5% due to the impact of the mid-decade census, resulting in the Town receiving a smaller percentage of state shared revenues.

Expenditures for governmental functions for the fiscal years ended June 30, 2007 and 2006 totaled \$23,206,052 and \$19,498,191 respectively. The 2007 increase of \$3,707,861 or 19.0% is primarily due to:

- Start-up costs for fire service were \$880,357. Effective July 1, 2007 the Town will provide fire service to residents. Prior to July 1, 2007 residents contracted for fire service with a private company.
- General government capitalized leases increased \$797,238, primarily for the acquisition of vehicles for fire service.
- Community Development expenses increased \$233,712 due to the addition of a building services manager, a plans examiner and a building and zoning inspector as a result of the change to in-house plan review instead of outsourced plan review, and the increase in complexity of residential and resort construction.
- Capital projects increased \$732,196, primarily as a result of an increase of \$846,500 in capitalized leases due to the acquisition of land.

### **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 assets for the Sewer Utility were \$3,028,441 and for Alarm were \$519,865.

The total growth in net assets for the enterprise funds was \$1,647,675 and \$1,631,494 for June 30, 2007 and 2006, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the Town's business-type activities. In particular the Sewer System net assets increased by \$1,571,762 and \$1,556,726 for June 30, 2007 and 2006, respectively, due to development fees and interest on development fees in excess of current year debt service and the capital contribution of sewer lines.

### **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 in local taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Local taxes, licenses and permits and interest improved over budgeted amounts due to the improved economic conditions. State shared revenues were lower than budget due to the impact of the mid-decade census on the Town's share of State revenues. Other revenues were also lower than budget as a planned sale of Town owned property did not take place.

There were no reductions in total budgeted expenditures. However, budget transfers were made from the General Fund – Contingency as follows:

General Fund - Non-departmental	50,000
General Fund - Management Services	15,000
General Fund - Contingency	(65,000)

## **Capital Assets and Debt Administration**

### **Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2007 amount to \$95,674,423 (net of accumulated depreciation). Capital assets as of June 30, 2006 (restated) totaled \$87,244,106 (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$8,430,317. Capital assets include land and improvements, buildings and improvements, sewer systems, sewer capacity rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress.

Major governmental capital asset events during the current fiscal year included the following:

- The Mummy Mountain Preserve Trust received a donation of one parcel of land valued at \$3,807,860.
- The Town purchased land in the amount of \$1,200,000 to build a fire station.
- In preparation for the addition of Town provided fire service, the Town purchased a fire pumper, a water tender, and a vehicle for a fire marshal for a total of \$659,390.
- The Town is currently working on a sidewalk improvement project along Lincoln Drive with the Arizona Department of Transportation. Approximately \$1,241,388 was added to construction in process for this project in fiscal year 2007. The project will be completed in the summer of 2008.

Business-type capital asset events included sewer line extensions contributed by developers in the amount of \$781,250.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.4 to the Financial Statements for further information regarding capital assets. The following is a summary of 2007 and 2006 assets, net of depreciation.

**Capital Assets (Net)**  
**June 30, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total	
	2007	2006 (restated)	2007	2006	2007	2006 (restated)
Land and land improvements	\$ 45,439,812	\$ 40,489,172	\$ -	\$ -	\$ 45,439,812	\$ 40,489,172
Construction in progress	1,539,830	7,697,307	34,983	20,827	1,574,813	7,718,134
Infrastructure	21,204,401	12,851,004	-	-	21,204,401	12,851,004
Buildings and improvements	3,421,430	3,189,945	-	-	3,421,430	3,189,945
Machinery, furniture and fixtures, equipment, and vehicles	2,233,092	1,708,178	237,798	305,013	2,470,890	2,013,191
Sewer capacity rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer system	-	-	7,213,311	6,632,894	7,213,311	6,632,894
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,838,565</u>	<u>\$ 65,935,606</u>	<u>\$ 21,835,858</u>	<u>\$ 21,308,500</u>	<u>\$ 95,674,423</u>	<u>\$ 87,244,106</u>

As of June 30, 2006, infrastructure included only those assets added since July 1, 2002. In the fiscal year 2006-07, the Town recorded a prior period adjustment in the amount of \$19,413,080 for land and infrastructure acquired prior to July 1, 2002.

The infrastructure for the sewer fund was recorded as it was built or donated.

**Debt Administration**

At the end of the current fiscal year, the Town had total long-term obligations of its Municipal Property Corporation outstanding \$6,405,000. The 1998 Municipal Property Corporation debt was fully insured.

**Outstanding Debt and Other Long-term Liabilities**  
**June 30, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ 2,343,488	\$ 2,489,842	\$ 4,061,512	\$ 4,315,158	\$ 6,405,000	\$ 6,805,000
Capital leases	2,221,913	787,303	3,715,889	4,049,066	5,937,802	4,836,369
Compensated absences	<u>918,681</u>	<u>864,147</u>	<u>21,266</u>	<u>18,369</u>	<u>939,947</u>	<u>882,516</u>
Total long-term liabilities	<u>\$ 5,484,082</u>	<u>\$ 4,141,292</u>	<u>\$ 7,798,667</u>	<u>\$ 8,382,593</u>	<u>\$ 13,282,749</u>	<u>\$ 12,523,885</u>

## **Economic Factors and Next Year's Budget**

The Town's 2007 revenues have improved compared to 2006. Bed, sales and use taxes from the hospitality industry have decreased \$138,453 or 2.8%, from 2006 to 2007. Sales taxes from the construction industry increased \$1,200,463, or 43.6%, from 2006 to 2007. The redevelopment of two resorts, as well as submittal of plans for a new resort, will produce revenues from special use permits, building permits, demolition permits, plan review fees, and construction sales tax next year. All of the above factors were considered in preparing the Town's budget for fiscal year 2008. The budget for the 2007-08 fiscal year includes:

- A conservative economic forecast and limited revenues growth.
- Consideration for the redevelopment of two resorts and development of one new resort.
- A zero-based approach to the operating budget, leading to limited increases in department budgets.
- An increase of 1 full-time equivalent position for a fire marshal.
- Expenses for the Town provided fire service for residents in partnership with the City of Phoenix Fire Department.
- Continued investment in the Town's basic infrastructure and public facilities.
- An emphasis on a "pay-as-you-go" approach to funding Town capital investments.
- Sustained funding of General Fund reserves to ensure the Town can provide basic services during economic downturns or major emergencies.

## **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:

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

(480-348-3532)

Or visit our website at:  
<http://www.ci.paradise-valley.az.us/townhall>

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## **Basic Financial Statements**

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 27,831,129	\$ 8,483,580	\$ 36,314,709
Restricted cash for customer deposits	-	13,245	13,245
Receivables, net			
Accounts	2,316,660	37,821	2,354,481
Interest	323,488	57,297	380,785
Internal balances	583,478	(583,478)	-
Prepaid items	876	2,755	3,631
Capital assets			
Non-depreciable	45,585,629	14,384,749	59,970,378
Depreciable (net)	<u>28,252,936</u>	<u>7,451,109</u>	<u>35,704,045</u>
Total assets	<u>104,894,196</u>	<u>29,847,078</u>	<u>134,741,274</u>
<b>Liabilities</b>			
Accounts payable	1,023,090	-	1,023,090
Accrued wages and benefits	140,494	1,978	142,472
Interest payable	52,486	90,962	143,448
Intergovernmental payable	-	45,608	45,608
Unearned revenue	646,240	915,100	1,561,340
Customer deposits payable	1,113,912	13,245	1,127,157
Long-term liabilities			
Due within one year	1,582,602	620,548	2,203,150
Due in more than one year	<u>3,901,480</u>	<u>7,178,119</u>	<u>11,079,599</u>
Total liabilities	<u>8,460,304</u>	<u>8,865,560</u>	<u>17,325,864</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	69,273,164	14,058,457	83,331,621
Restricted for			
Highways and streets	3,275,944	-	3,275,944
Debt service	512	-	512
Capital outlay	-	3,374,755	3,374,755
Other	230,489	-	230,489
Unrestricted	<u>23,653,783</u>	<u>3,548,306</u>	<u>27,202,089</u>
Total net assets	<u>\$ 96,433,892</u>	<u>\$ 20,981,518</u>	<u>\$ 117,415,410</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Functions/Programs</b>						
<b>Governmental activities</b>						
General government	\$ 7,582,685	\$ 237,233	\$ 3,807,860	\$ 1,470,994	\$	\$ 1,470,994
Public safety	6,770,604	15,697	-	(6,749,628)		(6,749,628)
Highways and streets	3,555,814	1,060,392	-	(2,475,422)		(2,475,422)
Interest on long-term debt	139,448	-	-	(139,448)		(139,448)
Total governmental activities	<u>18,028,551</u>	<u>1,313,322</u>	<u>3,807,860</u>	<u>(7,893,504)</u>		<u>(7,893,504)</u>
<b>Business-type activities</b>						
Sewer system	2,052,990	-	781,250	\$	1,246,124	1,246,124
Alarm monitor system	135,019	-	-		75,913	75,913
Total business-type activities	<u>2,188,009</u>	<u>-</u>	<u>781,250</u>		<u>1,322,037</u>	<u>1,322,037</u>
<b>Totals</b>	<u>\$ 20,216,560</u>	<u>\$ 1,313,322</u>	<u>\$ 4,589,110</u>	<u>(7,893,504)</u>	<u>1,322,037</u>	<u>(6,571,467)</u>
<b>General revenues</b>						
<b>Taxes</b>						
Sales taxes				10,374,728	-	10,374,728
Franchise taxes				915,326	-	915,326
State revenue sharing				1,573,945	-	1,573,945
State sales tax revenue sharing				1,317,644	-	1,317,644
Auto lieu tax revenue sharing				574,175	-	574,175
Investment earnings				1,332,700	325,638	1,658,338
Total general revenues				<u>16,088,518</u>	<u>325,638</u>	<u>16,414,156</u>
Change in net assets				8,195,014	1,647,675	9,842,689
Net assets, beginning of year (restated)				88,238,878	19,333,843	107,572,721
Net assets, end of year				<u>\$ 96,433,892</u>	<u>\$ 20,981,518</u>	<u>\$ 117,415,410</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Highway User Revenue Fund	Capital Projects	Nonmajor Governmental Funds	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 24,331,104	\$ 3,201,186	\$ 1,679	\$ 297,160	\$ 27,831,129
Receivables, net					
Accounts	2,138,609	89,190	-	88,861	2,316,660
Interest	323,401	-	-	87	323,488
Due from other funds	667,702	-	-	-	667,702
Prepaid items	876	-	-	-	876
Total assets	<u>\$ 27,461,692</u>	<u>\$ 3,290,376</u>	<u>\$ 1,679</u>	<u>\$ 386,108</u>	<u>\$ 31,139,855</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,023,090	\$ -	\$ -	\$ -	\$ 1,023,090
Accrued wages and benefits	124,383	14,432	1,679	-	140,494
Interest payable	-	-	-	52,486	52,486
Due to other funds	-	-	-	84,224	84,224
Deferred revenue	832,197	-	-	-	832,197
Customer deposits payable	<u>1,113,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113,912</u>
Total liabilities	<u>3,093,582</u>	<u>14,432</u>	<u>1,679</u>	<u>136,710</u>	<u>3,246,403</u>
<b>Fund balances</b>					
Unreserved:					
Undesignated	24,368,110	3,275,944	-	-	27,644,054
Unreserved, reported in					
Special revenue funds	-	-	-	248,886	248,886
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>512</u>
Total fund balances	<u>24,368,110</u>	<u>3,275,944</u>	<u>-</u>	<u>249,398</u>	<u>27,893,452</u>
Total liabilities and fund balances	<u>\$ 27,461,692</u>	<u>\$ 3,290,376</u>	<u>\$ 1,679</u>	<u>\$ 386,108</u>	<u>\$ 31,139,855</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

Fund balances - total governmental funds	\$ 27,893,452
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	82,923,350
Less accumulated depreciation	<u>(9,084,785)</u>
Capital assets used in governmental activities	<u>73,838,565</u>
Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources.	
	185,957
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Revenue bonds	(2,343,488)
Capital leases	(2,221,913)
Compensated absences	<u>(918,681)</u>
Long-term liabilities not due and payable in the current period	<u>(5,484,082)</u>
Net assets of governmental activities	<u>\$ 96,433,892</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2007

	General	Highway User Revenue Fund	Capital Projects	Nonmajor Governmental Funds	Totals
<b>Revenues</b>					
Taxes					
Sales taxes	\$ 10,374,728	\$ -	\$ -	\$ -	\$ 10,374,728
Franchise taxes	915,326	-	-	-	915,326
Intergovernmental	3,465,764	1,060,392	-	130,098	4,656,254
Fines and forfeitures	1,505,931	-	-	-	1,505,931
Licenses and permits	3,238,562	-	-	-	3,238,562
Contributions and donations	-	-	-	122,832	122,832
Investment earnings	1,331,297	-	-	1,403	1,332,700
Other	243,789	-	-	-	243,789
Total Revenues	<u>21,075,397</u>	<u>1,060,392</u>	<u>-</u>	<u>254,333</u>	<u>22,390,122</u>
<b>Expenditures</b>					
Current					
General government	6,945,845	-	-	120,379	7,066,224
Public safety	6,656,818	-	-	16,471	6,673,289
Highways and streets	-	1,680,913	-	-	1,680,913
Debt Service					
Principal retirement	-	-	-	146,354	146,354
Interest on long-term debt	-	-	-	107,897	107,897
Capital outlay	-	-	7,531,375	-	7,531,375
Total Expenditures	<u>13,602,663</u>	<u>1,680,913</u>	<u>7,531,375</u>	<u>391,101</u>	<u>23,206,052</u>
Excess (deficiency) or revenues over expenditures	<u>7,472,734</u>	<u>(620,521)</u>	<u>(7,531,375)</u>	<u>(136,768)</u>	<u>(815,930)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	1,457,982	6,316,875	253,705	8,028,562
Transfers out	(8,026,957)	-	-	(1,605)	(8,028,562)
Proceeds from capital leases	1,083,623	96,540	1,214,500	-	2,394,663
Total other financing sources (uses)	<u>(6,943,334)</u>	<u>1,554,522</u>	<u>7,531,375</u>	<u>252,100</u>	<u>2,394,663</u>
Net change in fund balances	529,400	934,001	-	115,332	1,578,733
Fund balances, beginning of year	<u>23,838,710</u>	<u>2,341,943</u>	<u>-</u>	<u>134,066</u>	<u>26,314,719</u>
Fund balances, end of year	<u>\$ 24,368,110</u>	<u>\$ 3,275,944</u>	<u>\$ -</u>	<u>\$ 249,398</u>	<u>\$ 27,893,452</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 1,578,733

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

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

Expenditures for capital assets	5,302,621
Donated assets	3,807,860
Less current year depreciation	<u>(1,174,389)</u>
Excess capital expenditures over depreciation	<u>7,936,092</u>

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (33,133)

Some revenues and expenses reported in the statement of activities do not provide current financial resources or uses and therefore are not reported as revenues in governmental funds:

Deferred court revenues recognized in prior years	56,112
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal payments on long-term debt	1,106,407
Proceeds of capital leases	<u>(2,394,663)</u>

Net decrease in compensated absences (54,534)

Change in net assets of governmental activities \$ 8,195,014

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 9,945,084	\$ 9,945,084	\$ 11,290,054	\$ 1,344,970
Intergovernmental	3,502,049	3,502,049	3,465,764	(36,285)
Fines and forfeitures	1,259,994	1,259,994	1,505,931	245,937
Licenses and permits	2,222,490	2,222,490	3,238,562	1,016,072
Investment earnings	1,222,163	1,222,163	1,331,297	109,134
Other	<u>780,670</u>	<u>780,670</u>	<u>243,789</u>	<u>(536,881)</u>
Total Revenues	<u>18,932,450</u>	<u>18,932,450</u>	<u>21,075,397</u>	<u>2,142,947</u>
Expenditures				
Current				
General government				
Mayor and council	78,431	78,431	73,135	5,296
Town manager	619,146	619,146	483,196	135,950
Town attorney	536,664	536,664	503,738	32,926
Management services	1,105,987	1,120,987	1,080,387	40,600
Non-departmental	1,285,647	1,335,647	1,334,641	1,006
Community development	1,228,824	1,228,824	1,089,218	139,606
Engineering	372,253	372,253	268,242	104,011
Public works	660,263	660,263	485,701	174,562
Municipal court	<u>494,977</u>	<u>494,977</u>	<u>470,473</u>	<u>24,504</u>
Total general government	<u>6,382,192</u>	<u>6,447,192</u>	<u>5,788,731</u>	<u>658,461</u>
Public safety				
Police	6,271,905	6,271,905	5,776,461	495,444
Fire Services	<u>1,882,150</u>	<u>1,882,150</u>	<u>880,357</u>	<u>1,001,793</u>
Total public safety	<u>8,154,055</u>	<u>8,154,055</u>	<u>6,656,818</u>	<u>1,497,237</u>
Contingency	<u>3,000,000</u>	<u>2,935,000</u>	<u>-</u>	<u>2,935,000</u>
Total Expenditures	<u>17,536,247</u>	<u>17,536,247</u>	<u>12,445,549</u>	<u>5,090,698</u>
Excess (deficiency) of revenues over expenditures	<u>1,396,203</u>	<u>1,396,203</u>	<u>8,629,848</u>	<u>7,233,645</u>
Other financing sources (uses)				
Transfers in	1,605	1,605	-	(1,605)
Transfers out	<u>(7,935,327)</u>	<u>(7,935,327)</u>	<u>(8,026,957)</u>	<u>(91,630)</u>
Total other financing sources (uses)	<u>(7,933,722)</u>	<u>(7,933,722)</u>	<u>(8,026,957)</u>	<u>(93,235)</u>
Net change in fund balances	(6,537,519)	(6,537,519)	602,891	7,140,410
Fund balances, beginning of year	<u>23,104,381</u>	<u>23,104,381</u>	<u>23,765,219</u>	<u>-</u>
Fund balances, end of year	<u>\$ 16,566,862</u>	<u>\$ 16,566,862</u>	<u>\$ 24,368,110</u>	<u>\$ 7,140,410</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
HIGHWAY USER REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 1,009,913	\$ 1,060,392	\$ 50,479
Total Revenues	1,009,913	1,060,392	50,479
Expenditures			
Current			
Highways and streets	1,737,701	1,584,373	153,328
Total Expenditures	1,737,701	1,584,373	153,328
Excess (deficiency) or revenues over expenditures	(727,788)	(523,981)	203,807
Other financing sources (uses)			
Transfers in	900,000	1,457,982	557,982
Total other financing sources (uses)	900,000	1,457,982	557,982
Net change in fund balances	172,212	934,001	761,789
Fund balances, beginning of year	1,818,542	2,341,943	523,401
Fund balances, end of year	\$ 1,990,754	\$ 3,275,944	\$ 1,285,190

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 7,945,414	\$ 538,166	\$ 8,483,580
Restricted cash for customer deposits	-	13,245	13,245
Receivables, net			
Accounts receivable, net of allowance	36,189	1,632	37,821
Interest receivable	57,297	-	57,297
Prepaid items	2,755	-	2,755
Noncurrent assets			
Capital assets			
Non-depreciable	14,384,749	-	14,384,749
Depreciable (net)	<u>7,442,049</u>	<u>9,060</u>	<u>7,451,109</u>
Total assets	<u>29,868,453</u>	<u>562,103</u>	<u>30,430,556</u>
<b>Liabilities</b>			
Current liabilities			
Accrued wages and benefits	815	1,163	1,978
Interest payable	90,962	-	90,962
Intergovernmental payable	45,608	-	45,608
Due to other funds	583,478	-	583,478
Unearned revenue	911,959	3,141	915,100
Customer deposits payable	-	13,245	13,245
Compensated absences	2,455	7,923	10,378
Capital leases payable	347,012	-	347,012
Bonds payable	263,158	-	263,158
Noncurrent liabilities			
Compensated absences	3,182	7,706	10,888
Capital leases payable	3,368,877	-	3,368,877
Bonds payable	<u>3,798,354</u>	<u>-</u>	<u>3,798,354</u>
Total liabilities	<u>9,415,860</u>	<u>33,178</u>	<u>9,449,038</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	14,049,397	9,060	14,058,457
Restricted for			
Capital outlay	3,374,755	-	3,374,755
Unrestricted	<u>3,028,441</u>	<u>519,865</u>	<u>3,548,306</u>
Total net assets	<u>\$ 20,452,593</u>	<u>\$ 528,925</u>	<u>\$ 20,981,518</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Operating revenues			
Charges for services	\$ 1,661,686	\$ 210,932	\$ 1,872,618
Total operating revenues	<u>1,661,686</u>	<u>210,932</u>	<u>1,872,618</u>
Operating expenses			
Costs of sales and services	1,435,510	132,654	1,568,164
Depreciation	<u>265,676</u>	<u>2,365</u>	<u>268,041</u>
Total operating expenses	<u>1,701,186</u>	<u>135,019</u>	<u>1,836,205</u>
Operating income (loss)	<u>(39,500)</u>	<u>75,913</u>	<u>36,413</u>
Nonoperating revenues (expenses)			
Development fees	856,178	-	856,178
Investment earnings	325,638	-	325,638
Interest expense	<u>(351,804)</u>	<u>-</u>	<u>(351,804)</u>
Total nonoperating revenues (expenses)	<u>830,012</u>	<u>-</u>	<u>830,012</u>
Income (loss) before contributions	790,512	75,913	866,425
Capital contributions	<u>781,250</u>	<u>-</u>	<u>781,250</u>
Change in net assets	1,571,762	75,913	1,647,675
Total net assets, beginning of year	<u>18,880,831</u>	<u>453,012</u>	<u>19,333,843</u>
Total net assets, end of year	<u>\$ 20,452,593</u>	<u>\$ 528,925</u>	<u>\$ 20,981,518</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Cash flows from operating activities			
Receipts from customers	\$ 1,653,155	\$ 211,711	\$ 1,864,866
Payments to suppliers	(1,381,592)	(53,421)	(1,435,013)
Payments to employees	(53,554)	(77,032)	(130,586)
Customer deposits	-	(28)	(28)
Net cash flows from operating activities	<u>218,009</u>	<u>81,230</u>	<u>299,239</u>
Cash flows from noncapital financing activities			
Cash received from (paid to) other funds for interfund borrowing	561,711	-	561,711
Development fees	<u>1,308,358</u>	-	<u>1,308,358</u>
Net cash flows from noncapital financing activities	<u>1,870,069</u>	<u>-</u>	<u>1,870,069</u>
Cash flows from capital and financing activities			
Purchases of capital assets	(14,149)	-	(14,149)
Principal paid on capital debt	(586,823)	-	(586,823)
Interest paid on capital debt	<u>(356,877)</u>	-	<u>(356,877)</u>
Net cash flows from capital and financing activities	<u>(957,849)</u>	<u>-</u>	<u>(957,849)</u>
Cash flows from investing activities			
Investment earnings	<u>317,703</u>	-	<u>317,703</u>
Net cash flows from investing activities	<u>317,703</u>	<u>-</u>	<u>317,703</u>
Net change in cash and cash equivalents	1,447,932	81,230	1,529,162
Cash and cash equivalents, beginning of year	<u>6,497,482</u>	<u>470,181</u>	<u>6,967,663</u>
Cash and cash equivalents, end of year (including \$13,245 of restricted cash in the Alarm System Monitor Fund)	<u>\$ 7,945,414</u>	<u>\$ 551,411</u>	<u>\$ 8,496,825</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (39,500)	\$ 75,913	\$ 36,413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	265,676	2,365	268,041
Change in assets/liabilities:			
Receivables	(8,760)	(51)	(8,811)
Prepaid items	468	-	468
Intergovernmental payable	(900)	-	(900)
Accrued wages and benefits	53	47	100
Compensated absences	743	2,154	2,897
Unearned revenue	229	830	1,059
Customer deposits payable	<u>-</u>	<u>(28)</u>	<u>(28)</u>
Net cash provided by operating activities	<u>\$ 218,009</u>	<u>\$ 81,230</u>	<u>\$ 299,239</u>

Noncash Investing, Capital and Financing Activities:

The Town received \$781,250 of developer contributed sewer lines recorded as capital contributions during the fiscal year.

The accompanying notes to the basic financial statements are an integral part of this statement.

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TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2007

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

**A. Reporting entity**

The Town 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:

*Debt Service Fund.* The 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 a "moral obligation" for the repayment of the Paradise Valley Municipal Property Corporation's bonds.

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

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets 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. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

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.

The Town reports the following major governmental funds:

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.

The *Highway User Revenue Fund* (HURF) accounts for the Town's share of motor fuel tax revenues and lottery proceeds.

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

The Town reports the following major proprietary funds:

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

The *Alarm Monitor System Fund* accounts for the costs to operate the Town's alarm services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

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 it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, 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 uncollectibles.

**3. Short-term 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.

**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.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

**5. Restricted assets**

The Town reports customer deposits recorded in the Sewer System Fund as restricted because the use of these funds is restricted to refunds to customers.

**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 market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Buildings and improvements	25 years
Land improvements	25 years
Sewer lines	50 years
Infrastructure	30-50 years
Machinery, furniture, equipment and vehicles	5 to 20 years

**7. Compensated absences**

The liability for compensated absences reported in the government-wide statements consists 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

**9. Net assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the Town reports all Town assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**10. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*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 THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

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. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
  
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 and Beautification Nonmajor Funds in which an adopted budget is not prepared.

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

No supplementary budgetary appropriations were necessary during the year.

*NOTE 3 - DETAILED NOTES ON ALL FUNDS*

**A. Assets**

**1. Deposits and investments**

Deposits and investments at June 30, 2007 consist of the following:

Deposits	
Cash on hand	\$ 1,525
Cash in bank	560,071
Cash held by County Attorney	4,208
Investments	
U.S. Government Securities	30,691,520
State Treasurer's Investment Pool	4,925,068
Cash on deposit with trustee	<u>145,562</u>
Total cash and investments	36,327,954
Restricted assets	<u>(13,245)</u>
Total cash and equivalents	<u>\$ 36,314,709</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

**Deposits** - The Town's deposits at June 30, 2007, were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name. The deposits are not subject to any custodial credit risk.

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

The Town invests funds pending clearance of outstanding checks in a Corporate Cash Management Account. Under the terms of the Corporate Cash Management Account agreement, excess funds in the Town's checking account are invested in overnight securities. At June 30, 2007, \$2,034,121 of total cash in the bank (\$2,210,334) was invested in an overnight repurchase agreement which was fully collateralized at June 30, 2007.

*Interest rate risk.* 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.

*Credit risk.* The Town limits its investments to the State Treasurer's Investment Pool and U.S. Government 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 investment in U.S. Government Securities include \$4,197,872 invested in U.S. Treasury Notes, \$26,493,648 invested in Fannie Mae Securities, Freddie Mac Securities, Federal Farm Credit Bureau and Federal Home Loan Unsecured Bonds. The U.S. Treasury Notes do not have any credit risk and the Fannie Mae, Freddie Mac, Federal Farm Credit Bureau and the Federal Home Loan Bonds all have a Standard and Poor's AAA rating.

**2. Restricted assets**

Restricted assets in the business-type activities at June 30, 2007 consist of the following:

Customer deposits	\$ <u>13,245</u>
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TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectibles at June 30, 2007 netted against accounts receivable in the General Fund totalled \$85,228.

Receivables consist of the following:

	<u>General</u>	<u>HURF</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Office of the State Treasurer:				
Highway User Revenue	\$ -	\$ 89,190	\$ -	\$ 89,190
State sales tax	109,687	-	-	109,687
Town sales tax	1,459,637	-	-	1,459,637
County Treasurer:				
Auto lieu tax	57,654	-	-	57,654
Franchise fees:				
Arizona Public Service	135,890	-	-	135,890
Cox Cable	57,444	-	-	57,444
Southwest Gas	28,174	-	-	28,174
Court receivable	271,185	-	-	271,185
Grant receivable	-	-	88,774	88,774
Note receivable	60,758	-	-	60,758
Insurance claims	4,134	-	-	4,134
Miscellaneous	<u>39,274</u>	<u>-</u>	<u>87</u>	<u>39,361</u>
Total	2,223,837	89,190	88,861	2,401,888
Less: allowance for doubtful accounts	<u>(85,228)</u>	<u>-</u>	<u>-</u>	<u>(85,228)</u>
Total	<u>\$ 2,138,609</u>	<u>\$ 89,190</u>	<u>\$ 88,861</u>	<u>\$ 2,316,660</u>

The Sewer System and Alarm Monitor System Enterprise Funds reported accounts receivable of \$36,189 and \$1,632 due from residents, respectively.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Court fines not available at June 30, 2007 (General Fund)	\$ 185,957	\$ -
Cash payments not meeting all eligibility requirements (General Fund)	<u>-</u>	<u>646,240</u>
	<u>\$ 185,957</u>	<u>\$ 646,240</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

**4. Capital assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balances (restated)	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not depreciated:				
Land	\$ 39,014,209	\$ 5,031,590	\$ -	\$ 44,045,799
Construction in progress	<u>7,697,307</u>	<u>3,068,042</u>	<u>(9,225,519)</u>	<u>1,539,830</u>
<b>Total capital assets, not being depreciated</b>	<b><u>46,711,516</u></b>	<b><u>8,099,632</u></b>	<b><u>(9,225,519)</u></b>	<b><u>45,585,629</u></b>
Capital assets being depreciated:				
Land improvements	2,023,760	-	-	2,023,760
Infrastructure	14,981,155	8,776,241	-	23,757,396
Buildings and improvements	6,040,216	449,278	-	6,489,494
Machinery, equipment and vehicles	<u>4,298,969</u>	<u>1,010,849</u>	<u>(242,747)</u>	<u>5,067,071</u>
<b>Total capital assets being depreciated</b>	<b><u>27,344,100</u></b>	<b><u>10,236,368</u></b>	<b><u>(242,747)</u></b>	<b><u>37,337,721</u></b>
Less accumulated depreciation for:				
Land improvements	(548,797)	(80,950)	-	(629,747)
Infrastructure	(2,130,151)	(422,844)	-	(2,552,995)
Buildings and improvements	(2,850,271)	(217,793)	-	(3,068,064)
Machinery, equipment and vehicles	<u>(2,590,791)</u>	<u>(452,802)</u>	<u>209,614</u>	<u>(2,833,979)</u>
<b>Total accumulated depreciation</b>	<b><u>(8,120,010)</u></b>	<b><u>(1,174,389)</u></b>	<b><u>209,614</u></b>	<b><u>(9,084,785)</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>19,224,090</u></b>	<b><u>9,061,979</u></b>	<b><u>(33,133)</u></b>	<b><u>28,252,936</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 65,935,606</u></b>	<b><u>\$ 17,161,611</u></b>	<b><u>\$ (9,258,652)</u></b>	<b><u>\$ 73,838,565</u></b>

The beginning balance for land and infrastructure, net of accumulated depreciation was restated by \$17,811,275 and \$1,601,805, respectively to record land and infrastructure that were not previously recorded.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Sewer capacity rights	\$ 14,349,766	\$ -	\$ -	\$ 14,349,766
Construction in progress	<u>20,827</u>	<u>34,983</u>	<u>(20,827)</u>	<u>34,983</u>
<b>Total capital assets, not being depreciated</b>	<b><u>14,370,593</u></b>	<b><u>34,983</u></b>	<b><u>(20,827)</u></b>	<b><u>14,384,749</u></b>
Capital assets being depreciated:				
Sewer system	10,041,294	781,243	-	10,822,537
Machinery and equipment	648,498	-	-	648,498
Furniture and fixtures	<u>57,429</u>	<u>-</u>	<u>-</u>	<u>57,429</u>
Total capital assets being depreciated	<u>10,747,221</u>	<u>781,243</u>	<u>-</u>	<u>11,528,464</u>
Less accumulated depreciation for:				
Sewer system	(3,408,400)	(200,826)	-	(3,609,226)
Machinery and equipment	(354,910)	(64,849)	-	(419,759)
Furniture and fixtures	<u>(46,004)</u>	<u>(2,366)</u>	<u>-</u>	<u>(48,370)</u>
Total accumulated depreciation	<u>(3,809,314)</u>	<u>(268,041)</u>	<u>-</u>	<u>(4,077,355)</u>
<b>Total capital assets, being depreciated, net</b>	<b><u>6,937,907</u></b>	<b><u>513,202</u></b>	<b><u>-</u></b>	<b><u>7,451,109</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 21,308,500</u></b>	<b><u>\$ 548,185</u></b>	<b><u>\$ (20,827)</u></b>	<b><u>\$ 21,835,858</u></b>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 236,338
Public safety	335,623
Highways and streets	<u>602,428</u>
Total depreciation expense-governmental activities	<u>\$ 1,174,389</u>
Business-type Activities:	
Sewer Fund	\$ 265,676
Alarm Monitor System Fund	<u>2,365</u>
Total depreciation expense-business-type activities	<u>\$ 268,041</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

**5. Construction commitments**

The Town has active construction projects at June 30, 2007. The projects include various projects listed below. At fiscal year end the Town's commitments with contractors were as follows:

	Governmental	
Project	Spent-to-date	Remaining Commitment
Fire stations	\$ <u>22,125</u>	\$ <u>339,470</u>

**B. Interfund receivables, payables and transfers**

As of June 30, 2007 interfund receivable and payables were as follows:

	Due From		
Due To	Nonmajor Governmental Funds	Sewer System Fund	Total
General Fund	\$ <u>84,224</u>	\$ <u>583,478</u>	\$ <u>667,702</u>

The above interfund receivable and payable between the Nonmajor Governmental Fund and the General Fund was due to a short-term cash shortfall and the net amount of sewer development fees and bond payments.

Interfund transfers for the year ended June 30, 2007 consisted of the following:

	Transfers Out		
Transfers In	General Fund	Nonmajor Governmental Funds	Total
HURF Fund	\$ 1,457,982	\$ -	\$ 1,457,982
Capital Projects Fund	6,315,270	1,605	6,316,875
Nonmajor Governmental Funds	<u>253,705</u>	<u>-</u>	<u>253,705</u>
	<u>\$ 8,026,957</u>	<u>\$ 1,605</u>	<u>\$ 8,028,562</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

The transfer from the General Fund to the Capital Projects Fund was recorded to fund various capital projects. The transfer from the General Fund to the Highway User Revenue Fund and Nonmajor Governmental Funds was recorded to fund highways and streets operating expenditures and transfer funds for the Municipal Property Corporation debt service payments, respectively. The transfer from the Nonmajor Governmental Funds to the Capital Projects Fund was to transfer funds donated for capital projects.

**C. Obligations under leases**

Capital Leases

The Town has acquired land, sewer capacity rights, construction in progress and various equipment and vehicles under the provision of long-term lease agreements classified as capital leases. The principal amount of the assets totaling \$2,967,271 and \$4,049,066 is capitalized in Governmental Activities and Business-type Activities, respectively, 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets not being depreciated		
Land	\$ 1,200,000	\$ -
Sewer capacity rights	<u>-</u>	<u>4,049,066</u>
Total capital assets not being depreciated	<u>1,200,000</u>	<u>4,049,066</u>
Capital assets being depreciated		
Buildings and improvements	381,644	-
Machinery, equipment and vehicles	<u>1,385,627</u>	<u>-</u>
Total capital assets being depreciated	<u>1,767,271</u>	<u>-</u>
Less: accumulated depreciation	<u>(142,535)</u>	<u>-</u>
Total capital assets, net	<u>\$ 2,824,736</u>	<u>\$ 4,049,066</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2007, were as follows:

	Governmental Activities	Business-type Activities
Year Ending June 30,		
2008	\$ 847,971	\$ 497,983
2009	558,864	497,983
2010	145,392	497,983
2011	145,392	497,983
2012	145,391	497,983
2013-17	690,609	1,991,970
Total minimum lease payments	2,533,619	4,481,885
Less: amount representing interest	(311,706)	(765,996)
Present value of minimum lease payments	\$ 2,221,913	\$ 3,715,889

**D. Long-term obligations**

The Town has long-term bonds payable issued to provide funds for the acquisition of sewer capacity. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Bonds payable at June 30, 2007 consisted of the MPC, Series 1998 revenue bond. Bonds maturing before or on January 1, 2009 are noncallable and bonds maturing thereafter are subject to call. Interest is payable semiannually. Principal and interest are payable out of the Debt Service Fund for the Governmental Activities and are paid out of the Sewer Fund for Business-type Activities through revenues earned from development fees.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

Changes in long-term obligations for the year ended June 30, 2007 are as follows:

	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Revenue bonds	\$ 2,489,842	\$ -	\$ (146,354)	\$ 2,343,488	\$ 151,842
Capital leases	787,303	2,394,663	(960,053)	2,221,913	759,426
Compensated absences	<u>864,147</u>	<u>636,939</u>	<u>(582,405)</u>	<u>918,681</u>	<u>671,334</u>
	<u>\$ 4,141,292</u>	<u>\$ 3,031,602</u>	<u>\$ (1,688,812)</u>	<u>\$ 5,484,082</u>	<u>\$ 1,582,602</u>
<b>Business-type Activities:</b>					
Revenue bonds	\$ 4,315,158	\$ -	\$ (253,646)	\$ 4,061,512	\$ 263,158
Capital leases	4,049,066	-	(333,177)	3,715,889	347,012
Compensated absences	<u>18,369</u>	<u>10,001</u>	<u>(7,104)</u>	<u>21,266</u>	<u>10,378</u>
	<u>\$ 8,382,593</u>	<u>\$ 10,001</u>	<u>\$ (593,927)</u>	<u>\$ 7,798,667</u>	<u>\$ 620,548</u>

Debt service requirements on long-term debt at June 30, 2007 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending June 30,				
2008	\$ 151,842	\$ 101,895	\$ 263,158	\$ 176,596
2009	159,160	95,518	275,840	165,543
2010	164,648	88,758	285,352	153,827
2011	171,966	81,646	298,034	141,501
2012	181,113	74,053	313,887	128,341
2013-17	1,031,793	237,461	1,788,207	411,546
2018-19	<u>482,966</u>	<u>22,958</u>	<u>837,034</u>	<u>39,788</u>
	<u>\$ 2,343,488</u>	<u>\$ 702,289</u>	<u>\$ 4,061,512</u>	<u>\$ 1,217,142</u>

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

*NOTE 4 - OTHER INFORMATION*

**A. Budgetary basis of accounting**

The adopted budget of the Town of Paradise Valley, Arizona was prepared on a basis consistent with accounting principles generally accepted in the United States of America, with one exception. The present value of net minimum capital lease payments was not budgeted as an expenditure and other financing source at the inception of the agreements. Consequently, the following adjustments are necessary to present actual expenditures and other financing sources on a budgetary basis in order to provide a meaningful comparison.

	General Fund		HURF Fund	
	Total Expenditures	Other Financing Sources	Total Expenditures	Other Financing Sources
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 13,602,663	\$ (6,943,334)	\$ 1,680,913	\$ 1,554,522
Less: Present value of net minimum capital lease payments	(1,083,623)	(1,083,623)	(96,540)	(96,540)
Less: Unspent prior year capital lease proceeds	<u>(73,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	<u>\$ 12,445,549</u>	<u>\$ (8,026,957)</u>	<u>\$ 1,584,373</u>	<u>\$ 1,457,982</u>

**B. Risk management**

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

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

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.

**C. Contingent liabilities**

**Accumulated sick leave** - Sick leave benefits provide for ordinary sick pay, are cumulative and vest at 50 percent of an employee's rate of pay after 10 years of service and 100 percent of an employee's rate of pay after 15 years of service. In addition, sick leave accumulated in excess of 480 hours is paid annually at 50 percent of an employee's rate of pay. Unvested accumulated sick leave of Town employees at June 30, 2007, totaled \$452,677.

**D. Retirement plans**

**Defined Contribution Pension Plan**

All Town employees who work greater than 30 hours per week are eligible to participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the Town employees covered by this plan for the year ended June 30, 2007 was \$5,536,936. The Town's total payroll was \$6,542,196.

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

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee's contribution and amount of employer's contribution is based upon the employee's status in accordance with the Fair Labor Standards Act (FLSA). For all non-exempt employees under FLSA the employee to employer contribution rate was 1:1; for exempt employees the ratio was 2:1; and directors and the Town Manager have a 3:1 ratio. During fiscal year 2006-07, the Town's required and actual contributions amounted to \$96,814. The employees' contributions totaled \$136,680.

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

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2006-07 or as of the close of the fiscal year.

**Arizona State Retirement System**

**Plan Description** - The Town of Paradise Valley, Arizona 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.

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) 240-2002 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, 2007, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$364,043, \$266,853, and \$198,222, respectively, which were equal to the required contributions for the year.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2007

**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, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

**Funding Policy** - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute.

PSPRS funding policy is to provide for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due, expressed as percentages of annual covered payroll. The required contributions are determined based on an entry age actuarial funding method. Unfunded actuarial accrued liabilities are amortized as a level percentage over a period of 30 years.

**Annual Pension Cost and Net Pension Obligation** - During the year ended June 30, 2006 (the date of the latest available information), the Town's annual pension cost of \$351,308 was equal to the Town's required and actual contributions.

The required contribution was determined as part of the June 30, 2006 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Paradise Valley, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The Town of Paradise Valley's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 30 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

TOWN OF PARADISE VALLEY, ARIZONA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2007

**Three-Year Trend Information**

**Paradise Valley Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2004	\$ 195,188	100.0 %	\$ -
2005	298,696	100.0	-
2006	351,308	100.0	-

Additional historical trend information for the Town's PSPRS is disclosed on page 60.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**E. Prior period adjustment**

The Town of Paradise Valley, Arizona completed an inventory of its governmental infrastructure that was not previously required to be reported in the audited financial statements. Therefore, an adjustment to be the beginning balance was reported for its infrastructure. The following adjustment is necessary to reconcile beginning net assets of the Town's governmental activities to the prior year audited financial statements:

	<u>Governmental Activities</u>
Net assets at June 30, 2006 (as previously reported)	\$ 68,825,798
Prior period adjustment:	
Land and infrastructure previously not required to be reported	<u>19,413,080</u>
Net assets at July 1, 2006 (as restated)	<u>\$ 88,238,878</u>

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## **Required Supplementary Information**

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

**Paradise Valley Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Under (Overfunded) AAL	Annual Covered Payroll	Underfunded AAL as a Percentage of Covered Payroll
1996	\$ 4,289,173	\$ 4,653,264	92.2 %	\$ 364,091	\$1,483,761	24.5 %
1997	5,168,107	5,190,510	99.6	22,403	1,549,454	1.4
1998	5,842,864	5,730,477	102.0	(112,387)	1,669,877	-
1999	6,985,979	7,124,614	98.1	138,635	1,786,014	7.8
2000	8,066,987	7,698,335	104.8	(368,652)	1,880,223	-
2001	9,144,443	7,998,224	114.3	(1,146,219)	1,903,584	-
2002	9,338,401	9,637,887	96.9	299,486	2,086,268	14.4
2003	9,595,544	11,498,793	83.4	1,903,249	1,624,702	117.1
2004	9,672,497	12,439,928	77.8	2,767,431	1,808,362	153.0
2005	9,425,469	14,329,768	65.8	4,904,299	1,773,920	276.5
2006	9,468,357	15,117,591	62.6	5,649,234	1,832,422	308.3

**Combining and Individual Fund  
Statements and Schedules**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Town Beautification Fund* - accounts for donations, contributions and other revenues appropriated by the Town Council to enhance the aesthetic, landscaping, beautification and natural features of the Town.

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

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

*Forfeiture Fund* - accounts for police seizures and forfeitures 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.

### **DEBT SERVICE FUND**

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

TOWN OF PARADISE VALLEY, ARIZONA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue					Total
	Town Beautification Fund	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Trust Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 192,360	\$ -	\$ 11,434	\$ 40,450	\$ 244,244
Accounts receivable, net	-	87	88,774	-	-	88,861
Interest receivable	-	-	-	-	5	5
Total assets	<u>\$ -</u>	<u>\$ 192,447</u>	<u>\$ 88,774</u>	<u>\$ 11,434</u>	<u>\$ 40,455</u>	<u>\$ 333,110</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	84,224	-	-	84,224
Total liabilities	<u>-</u>	<u>-</u>	<u>84,224</u>	<u>-</u>	<u>-</u>	<u>84,224</u>
<b>Fund balances</b>						
Unreserved	-	192,447	4,550	11,434	40,455	248,886
Total fund balances	<u>-</u>	<u>192,447</u>	<u>4,550</u>	<u>11,434</u>	<u>40,455</u>	<u>248,886</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 192,447</u>	<u>\$ 88,774</u>	<u>\$ 11,434</u>	<u>\$ 40,455</u>	<u>\$ 333,110</u>

<u>Debt Service</u>	
<u>Debt Service</u>	Total
<u>Fund</u>	Nonmajor Governmental <u>Funds</u>
\$ 52,916	\$ 297,160
-	88,861
<u>82</u>	<u>87</u>
<u>\$ 52,998</u>	<u>\$ 386.108</u>

\$ 52,486	\$ 52,486
-	84,224
<u>52,486</u>	<u>136,710</u>

<u>512</u>	<u>249,398</u>
<u>512</u>	<u>249,398</u>

<u>\$ 52,998</u>	<u>\$ 386.108</u>
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TOWN OF PARADISE VALLEY, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue					Total
	Town Beautification Fund	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Trust Fund	
Revenues						
Intergovernmental	\$ -	\$ -	\$ 129,700	\$ 398	\$ -	\$ 130,098
Contributions and donations	-	122,832	-	-	-	122,832
Investment earnings	-	-	-	142	570	712
Total revenues	<u>-</u>	<u>122,832</u>	<u>129,700</u>	<u>540</u>	<u>570</u>	<u>253,642</u>
Expenditures						
Current						
General government	-	5,725	114,654	-	-	120,379
Public safety	-	5,975	10,496	-	-	16,471
Debt Service						
Principal retirement	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>11,700</u>	<u>125,150</u>	<u>-</u>	<u>-</u>	<u>136,850</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>111,132</u>	<u>4,550</u>	<u>540</u>	<u>570</u>	<u>116,792</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(1,605)	-	-	-	-	(1,605)
Total other financing sources (uses)	<u>(1,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,605)</u>
Net change in fund balances	(1,605)	111,132	4,550	540	570	115,187
Fund balances, beginning of year	<u>1,605</u>	<u>81,315</u>	<u>-</u>	<u>10,894</u>	<u>39,885</u>	<u>133,699</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 192,447</u>	<u>\$ 4,550</u>	<u>\$ 11,434</u>	<u>\$ 40,455</u>	<u>\$ 248,886</u>

Debt Service  
Fund

Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 130,098
-	122,832
<u>691</u>	<u>1,403</u>
<u>691</u>	<u>254,333</u>
-	120,379
-	16,471
146,354	146,354
<u>107,897</u>	<u>107,897</u>
<u>254,251</u>	<u>391,101</u>
<u>(253,560)</u>	<u>(136,768)</u>
253,705	253,705
-	(1,605)
<u>253,705</u>	<u>252,100</u>
145	115,332
<u>367</u>	<u>134,066</u>
<u>\$ 512</u>	<u>\$ 249,398</u>

TOWN OF PARADISE VALLEY, ARIZONA  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Expenditures			
Capital outlay	\$ 11,863,008	\$ 6,316,875	\$ 5,546,133
Total Expenditures	11,863,008	6,316,875	5,546,133
Excess (deficiency) of revenues over expenditures	(11,863,008)	(6,316,875)	5,546,133
Other financing sources (uses)			
Transfers in	6,714,208	6,316,875	(397,333)
Proceeds from capital leases	5,148,800	-	(5,148,800)
Total other financing sources (uses)	11,863,008	6,316,875	(5,546,133)
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

TOWN OF PARADISE VALLEY, ARIZONA  
DONATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Contributions and donations	\$ <u>116,368</u>	\$ <u>122,832</u>	\$ <u>6,464</u>
Total Revenues	<u>116,368</u>	<u>122,832</u>	<u>6,464</u>
Expenditures			
Current			
General government	171,000	5,725	165,275
Public safety	<u>10,368</u>	<u>5,975</u>	<u>4,393</u>
Total Expenditures	<u>181,368</u>	<u>11,700</u>	<u>169,668</u>
Excess (deficiency) or revenues over expenditures	(65,000)	111,132	176,132
Fund balances, beginning of year	<u>78,638</u>	<u>81,315</u>	<u>2,677</u>
Fund balances, end of year	<u>\$ 13,638</u>	<u>\$ 192,447</u>	<u>\$ 178,809</u>

TOWN OF PARADISE VALLEY, ARIZONA  
 GRANTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental	\$ <u>756,100</u>	\$ <u>129,700</u>	\$ <u>(626,400)</u>
Total Revenues	<u>756,100</u>	<u>129,700</u>	<u>(626,400)</u>
<b>Expenditures</b>			
Current			
General government	289,500	114,654	174,846
Public safety	6,200	10,496	(4,296)
Highways and streets	<u>460,400</u>	<u>-</u>	<u>460,400</u>
Total Expenditures	<u>756,100</u>	<u>125,150</u>	<u>630,950</u>
Excess (deficiency) of revenues over expenditures	-	4,550	4,550
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 4,550</u>	<u>\$ 4,550</u>

TOWN OF PARADISE VALLEY, ARIZONA  
 FORFEITURE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 398	\$ 398
Investment earnings	-	142	142
Total Revenues	<u>-</u>	<u>540</u>	<u>540</u>
Expenditures			
Current			
Public safety	10,800	-	10,800
Total Expenditures	<u>10,800</u>	<u>-</u>	<u>10,800</u>
Excess (deficiency) of revenues over expenditures	<u>(10,800)</u>	<u>540</u>	<u>11,340</u>
Other financing sources (uses)			
Transfers in	11	-	(11)
Total other financing sources (uses)	<u>11</u>	<u>-</u>	<u>(11)</u>
Net change in fund balances	(10,789)	540	11,329
Fund balances, beginning of year	<u>10,789</u>	<u>10,894</u>	<u>105</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 11,434</u>	<u>\$ 11,434</u>

TOWN OF PARADISE VALLEY, ARIZONA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ -	\$ 691	\$ 691
Total Revenues	<u>-</u>	<u>691</u>	<u>691</u>
Expenditures			
Debt Service			
Principal retirement	213,222	146,354	66,868
Interest on long-term debt	<u>107,897</u>	<u>107,897</u>	<u>-</u>
Total Expenditures	<u>321,119</u>	<u>254,251</u>	<u>66,868</u>
Excess (deficiency) of revenues over expenditures	<u>(321,119)</u>	<u>(253,560)</u>	<u>67,559</u>
Other financing sources (uses)			
Transfers in	<u>321,119</u>	<u>253,705</u>	<u>(67,414)</u>
Total other financing sources (uses)	<u>321,119</u>	<u>253,705</u>	<u>(67,414)</u>
Net change in fund balances	-	145	145
Fund balances, beginning of year	<u>-</u>	<u>367</u>	<u>367</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 512</u>	<u>\$ 512</u>

**STATISTICAL SECTION**

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TOWN OF PARADISE VALLEY, ARIZONA  
NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 24,086,252	\$ 36,521,049	\$ 36,681,403	\$ 62,658,461	\$ 69,273,164
Restricted	7,409,340	2,646,210	3,547,005	2,458,089	3,506,945
Unrestricted	<u>20,131,888</u>	<u>19,232,729</u>	<u>21,212,662</u>	<u>23,122,328</u>	<u>23,653,783</u>
Total governmental activities net assets	<u>\$ 51,627,480</u>	<u>\$ 58,399,988</u>	<u>\$ 61,441,070</u>	<u>\$ 88,238,878</u>	<u>\$ 96,433,892</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 12,317,460	\$ 12,387,573	\$ 12,537,954	\$ 12,944,276	\$ 14,058,457
Restricted	1,460,850	2,050,411	2,314,437	3,253,695	3,374,755
Unrestricted	<u>2,280,522</u>	<u>2,246,455</u>	<u>2,849,958</u>	<u>3,135,872</u>	<u>3,548,306</u>
Total business-type activities net assets	<u>\$ 16,058,832</u>	<u>\$ 16,684,439</u>	<u>\$ 17,702,349</u>	<u>\$ 19,333,843</u>	<u>\$ 20,981,518</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 36,403,712	\$ 48,908,622	\$ 49,219,357	\$ 75,602,737	\$ 83,331,621
Restricted	8,870,190	4,696,621	5,861,442	5,711,784	6,881,700
Unrestricted	<u>22,412,410</u>	<u>21,479,184</u>	<u>24,062,620</u>	<u>26,258,200</u>	<u>27,202,089</u>
Total primary government net assets	<u>\$ 67,686,312</u>	<u>\$ 75,084,427</u>	<u>\$ 79,143,419</u>	<u>\$ 107,572,721</u>	<u>\$ 117,415,410</u>

Source: The Town's Management Services Department.

Note: 2002-03 was the Town's first year to prepare government-wide financial statements.

TOWN OF PARADISE VALLEY, ARIZONA  
 CHANGES IN NET ASSETS  
 LAST FIVE FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 6,852,345	\$ 7,205,961	\$ 5,830,167	\$ 5,572,020	\$ 7,582,685
Public safety	4,699,476	4,895,582	5,230,079	5,427,430	6,770,604
Highways and streets	2,190,740	2,102,681	2,826,197	2,232,994	3,535,814
Interest on long-term debt	214,840	152,543	132,501	135,632	139,448
Total governmental activities	<u>13,957,401</u>	<u>14,356,767</u>	<u>14,018,944</u>	<u>13,368,076</u>	<u>18,028,551</u>
Business-type activities:					
Sewer system	1,668,659	1,673,671	1,842,192	1,874,049	2,052,990
Alarm monitor system	111,710	116,989	128,194	134,462	135,019
Total business-type activities	<u>1,780,369</u>	<u>1,790,660</u>	<u>1,970,386</u>	<u>2,008,511</u>	<u>2,188,009</u>
Total primary government expenses	<u>\$ 15,737,770</u>	<u>\$ 16,147,427</u>	<u>\$ 15,989,330</u>	<u>\$ 15,376,587</u>	<u>\$ 20,216,560</u>
<b>Program Revenues</b>					
Governmental activities:					
Fines, fees and charges for services:					
General government	\$ 1,998,914	\$ 2,305,546	\$ 2,987,376	\$ 3,519,743	\$ 5,008,586
Public safety	-	-	-	8,538	5,279
Highways and streets	-	-	183,077	-	-
Operating grants and contributions	973,337	1,064,659	1,097,104	1,238,887	1,313,322
Capital grants and contributions	818,054	530,770	57,356	1,520,470	3,807,860
Total governmental activities program revenues	<u>3,790,305</u>	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>
Business-type activities:					
Charges for services:					
Sewer system	2,038,584	2,136,775	2,526,738	2,793,516	2,517,864
Alarm monitor system	216,830	210,724	206,705	209,230	210,932
Capital grants and contributions	124,272	36,210	160,620	422,750	781,250
Total business-type activities program revenues	<u>2,379,686</u>	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>
Total primary government program revenues	<u>\$ 6,169,991</u>	<u>\$ 11,284,684</u>	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (10,167,096)	\$ (5,455,792)	\$ (9,694,031)	\$ (7,080,438)	\$ (7,893,504)
Business-type activities	599,317	593,049	923,677	1,416,985	1,322,037
Total primary government net expense	<u>\$ (9,567,779)</u>	<u>\$ (4,862,743)</u>	<u>\$ (8,770,354)</u>	<u>\$ (5,663,453)</u>	<u>\$ (6,571,467)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Sales taxes	\$ 7,532,660	\$ 7,890,578	\$ 8,260,274	\$ 9,126,426	\$ 10,374,728
Franchise taxes	715,402	745,992	759,607	824,782	915,326
State shared revenues	2,522,806	2,381,528	2,522,036	2,875,380	2,891,589
Auto lieu tax revenue sharing	538,002	553,579	584,982	646,708	574,175
Investment earnings	739,423	651,012	608,214	991,870	1,332,700
Other	(1,436)	-	-	-	-
Transfers	-	5,611	-	-	-
Total governmental activities:	<u>12,046,857</u>	<u>12,228,300</u>	<u>12,735,113</u>	<u>14,465,166</u>	<u>16,088,518</u>
Business-type activities:					
Investment earnings (loss)	(11,193)	38,169	94,233	214,509	325,638
Transfers	-	(5,611)	-	-	-
Total business-type activities	<u>(11,193)</u>	<u>32,558</u>	<u>94,233</u>	<u>214,509</u>	<u>325,638</u>
Total primary government	<u>\$ 12,035,664</u>	<u>\$ 12,260,858</u>	<u>\$ 12,829,346</u>	<u>\$ 14,679,675</u>	<u>\$ 16,414,156</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 1,879,761	\$ 6,772,508	\$ 3,041,082	\$ 7,384,728	\$ 8,195,014
Business-type activities	588,124	625,607	1,017,910	1,631,494	1,647,675
Total primary government	<u>\$ 2,467,885</u>	<u>\$ 7,398,115</u>	<u>\$ 4,058,992</u>	<u>\$ 9,016,222</u>	<u>\$ 9,842,689</u>

Source: The Town's Management Services Department.

Note: 2002-03 was the Town's first year to prepare government-wide financial statements.

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

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
General government	\$ 2,720,304	\$ 7,577,522	\$ 3,016,814	\$ 4,960,424	\$ 9,053,679
Public safety	5,377	39,238	6,241	14,715	20,976
Highways and streets	<u>1,064,624</u>	<u>1,284,215</u>	<u>1,301,858</u>	<u>1,312,499</u>	<u>1,060,392</u>
Subtotal governmental activities	<u>3,790,305</u>	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>
Business-type activities:					
Sewer system	2,146,384	2,172,985	2,687,358	3,216,266	3,299,114
Alarm monitor system	<u>233,302</u>	<u>210,724</u>	<u>206,705</u>	<u>209,230</u>	<u>210,932</u>
Subtotal business-type activities	<u>2,379,686</u>	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>
Total primary government	<u>\$ 6,169,991</u>	<u>\$ 11,284,684</u>	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>

Source: The Town's Management Service Department.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 181,160	\$ 110,985	\$ 47,088	\$ 7,033	\$ 6,562	\$ -	\$ 102,818	\$ -	\$ -	\$ -
Unreserved	<u>17,467,421</u>	<u>18,805,652</u>	<u>19,688,956</u>	<u>20,426,716</u>	<u>20,452,255</u>	<u>20,237,163</u>	<u>19,900,194</u>	<u>21,897,439</u>	<u>23,838,710</u>	<u>24,368,110</u>
Total General Fund	<u>\$ 17,648,581</u>	<u>\$ 18,916,637</u>	<u>\$ 19,736,044</u>	<u>\$ 20,433,749</u>	<u>\$ 20,458,817</u>	<u>\$ 20,237,163</u>	<u>\$ 20,003,012</u>	<u>\$ 21,897,439</u>	<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 1,220,454	\$ 1,181,539	\$ 1,221,358	\$ 1,133,776	\$ 822,904	\$ 810,472	\$ 816,602	\$ 1,734,576	\$ 2,475,642	\$ 3,524,830
Debt service funds	-	2,033	2,895	1,416	354	170	85	210	367	512
Capital projects funds	<u>3,004,000</u>	<u>5,060,738</u>	<u>8,865,008</u>	<u>9,793,128</u>	<u>9,452,025</u>	<u>6,598,698</u>	<u>1,829,523</u>	<u>1,829,523</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 4,224,454</u>	<u>\$ 6,244,310</u>	<u>\$ 10,089,261</u>	<u>\$ 10,928,320</u>	<u>\$ 10,275,283</u>	<u>\$ 7,409,340</u>	<u>\$ 2,646,210</u>	<u>\$ 3,564,309</u>	<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>

Source: The Town's Management Service Department.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 6,706,432	\$ 7,247,314	\$ 8,119,159	\$ 8,345,971	\$ 8,138,494	\$ 8,248,062	\$ 8,636,570	\$ 9,019,881	\$ 9,951,208	\$ 11,290,054
Intergovernmental	3,212,499	3,633,113	4,073,334	4,326,270	4,093,680	4,134,715	4,235,005	4,249,702	4,849,824	4,656,254
Fines and forfeitures	457,043	508,919	511,805	619,438	902,293	1,020,489	905,824	1,083,724	1,228,545	1,505,931
Licenses and permits	498,811	657,674	736,350	897,042	772,843	864,180	1,204,140	1,686,194	1,847,924	3,238,562
Charges for services	-	-	-	-	-	-	-	187,077	-	-
Investment earnings	1,375,408	1,362,846	1,657,001	1,922,948	1,571,249	739,423	651,012	608,214	991,870	1,332,700
Other	77,367	73,026	162,513	148,711	159,080	131,729	364,812	143,797	650,580	366,621
Total revenues	<u>12,327,560</u>	<u>13,482,892</u>	<u>15,260,162</u>	<u>16,260,380</u>	<u>15,637,639</u>	<u>15,138,598</u>	<u>15,997,363</u>	<u>16,978,589</u>	<u>19,519,951</u>	<u>22,390,122</u>
<b>Expenditures</b>										
General government	3,758,150	3,263,847	3,915,638	4,126,971	4,941,590	4,801,152	5,215,411	5,059,155	5,450,586	7,066,224
Public safety	3,350,137	3,553,505	3,563,287	4,000,252	4,451,529	4,608,673	4,763,692	5,154,489	5,371,429	6,673,289
Highways and streets	1,100,007	1,038,989	1,237,890	1,361,034	1,593,172	1,408,277	1,532,470	1,430,165	1,622,491	1,680,913
Capital outlay	3,168,544	5,469,993	2,216,533	5,487,184	6,811,425	7,232,833	9,666,243	2,967,196	6,799,178	7,531,375
Debt service										
Principal retirement	500,000	520,000	631,471	677,083	707,571	731,230	131,718	135,377	140,865	146,354
Interest on long-term debt	132,585	193,960	243,466	216,401	187,410	156,313	124,508	119,167	113,642	107,897
Total expenditures	<u>12,009,423</u>	<u>14,040,294</u>	<u>11,808,285</u>	<u>15,868,925</u>	<u>18,692,697</u>	<u>18,938,478</u>	<u>21,434,042</u>	<u>14,865,549</u>	<u>19,498,191</u>	<u>23,206,052</u>
Excess of revenues over (under) expenditures	<u>318,137</u>	<u>(557,402)</u>	<u>3,451,877</u>	<u>391,455</u>	<u>(3,055,058)</u>	<u>(3,799,880)</u>	<u>(5,436,679)</u>	<u>2,113,040</u>	<u>21,760</u>	<u>(815,930)</u>

Fiscal Year

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Other financing sources (uses)</b>										
Transfers in	3,843,392	4,884,020	6,740,112	7,086,884	5,686,872	5,328,615	5,309,176	4,086,764	5,951,668	8,028,562
Transfers out	(3,723,891)	(4,786,221)	(6,465,872)	(6,778,548)	(5,737,795)	(5,328,615)	(5,303,565)	(4,086,764)	(5,951,668)	(8,028,562)
Proceeds of long-term debt issuance	-	3,355,157	-	-	-	-	-	-	-	-
Proceeds from capital leases	558,275	392,358	938,241	836,973	2,478,012	712,283	433,787	699,486	831,211	2,394,663
Total other financing sources (uses)	677,776	3,845,314	1,212,481	1,145,309	2,427,089	712,283	439,398	699,486	831,211	2,394,663
Net change in fund balance	\$ 995,913	\$ 3,287,912	\$ 4,664,358	\$ 1,536,764	\$ (627,969)	\$ (3,087,597)	\$ (4,997,281)	\$ 2,812,526	\$ 852,971	\$ 1,578,733
Debt service as a percentage of noncapital expenditures	7.2 %	8.3 %	9.1 %	8.6 %	7.5 %	7.6 %	2.2 %	2.1 %	2.0 %	1.6 %

Source: The Town's Management Services Department.

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

Fiscal Year	Sales and Use	Occupancy	Franchise	Total
1998	\$ 3,563,388	\$ 2,512,184	\$ 630,860	\$ 6,706,432
1999	4,019,668	2,575,154	652,492	7,247,314
2000	4,859,085	2,565,174	694,900	8,119,159
2001	5,216,902	2,417,867	711,202	8,345,971
2002	5,137,594	2,167,238	833,662	8,138,494
2003	5,353,856	2,178,804	715,402	8,248,062
2004	5,605,752	2,284,826	745,992	8,636,570
2005	6,059,493	2,200,781	759,607	9,019,881
2006	6,838,389	2,288,037	824,782	9,951,208
2007	8,129,931	2,244,797	915,326	11,290,054

Source: The Town's Management Services Department.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales and Use Tax Collected by Category (1)										
Communications and Utilities	\$ 194,294	\$ 209,533	\$ 271,207	\$ 285,320	\$ 277,710	\$ 314,342	\$ 229,257	\$ 362,906	\$ 385,466	\$ 399,465
Construction	1,117,551	1,220,650	1,647,083	1,878,176	1,843,284	2,080,016	2,208,058	2,204,092	2,751,534	3,951,997
Manufacturing	34,871	53,012	62,659	163,527	171,075	171,308	171,078	223,540	243,507	174,371
Retail Trade	100,883	150,380	192,728	141,704	164,005	205,196	322,360	164,793	210,152	234,595
Finance, Insurance and Real Estate	28,266	55,439	86,233	88,024	204,334	195,185	250,747	241,291	267,236	400,899
Hospitality	1,970,461	2,204,255	2,426,853	2,452,965	2,177,665	2,173,731	2,089,442	2,474,965	2,603,157	2,507,944
Services	86,635	89,255	105,578	125,564	157,096	117,482	152,926	160,672	173,674	231,145
Other	30,427	37,144	66,744	81,622	142,425	96,596	181,884	227,234	203,663	229,310
<b>Total</b>	<b>\$ 3,563,388</b>	<b>\$ 4,019,668</b>	<b>\$ 4,859,085</b>	<b>\$ 5,216,902</b>	<b>\$ 5,137,594</b>	<b>\$ 5,353,856</b>	<b>\$ 5,605,752</b>	<b>\$ 6,059,493</b>	<b>\$ 6,838,389</b>	<b>\$ 8,129,726</b>
Bed Tax Collected	\$ 2,512,184	\$ 2,575,154	\$ 2,565,174	\$ 2,417,867	\$ 2,167,238	\$ 2,178,804	\$ 2,284,826	\$ 2,200,781	\$ 2,288,037	\$ 2,244,797

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. Use tax of 1.4% added effective April 1, 1999.

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

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>Maricopa County</u>
1998	1.20 %	7.50 %
1999	1.40	7.00
2000	1.40	7.00
2001	1.40	7.00
2002	1.40	7.00
2003	1.40	7.00
2004	1.40	7.00
2005	1.65	7.00
2006	1.65	7.00
2007	1.65	7.00

Source: Maricopa County Treasurer.

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

Fiscal Year	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total Primary Government	<u>Per Capita</u>	<u>Population</u>
	<u>Excise Tax Revenue Bonds</u>	<u>Capital Leases</u>	<u>Excise Tax Revenue Bonds</u>	<u>Capital Leases</u>			
1998	\$ 2,810	\$ 655	\$ -	\$ -	\$ 3,465	\$ 267	12,990
1999	5,645	497	5,815	4	11,961	898	13,315
2000	5,014	793	5,656	4	11,467	856	13,390
2001	4,337	888	5,453	1	10,679	782	13,664
2002	3,629	1,931	5,241	128	10,929	785	13,915
2003	2,898	1,301	5,022	64	9,285	659	14,090
2004	2,766	527	4,794	-	8,087	569	14,215
2005	2,631	611	4,559	-	7,801	541	14,410
2006	2,490	787	4,315	4,049	11,641	840	13,863
2007	2,343	2,222	4,062	3,716	12,343	882	14,000

Source: The Town's Management Service Department

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

Excise Tax Revenue Bonds					
Fiscal Year	Excise Tax Revenues	Principal	Interest	Coverage	
1998	\$ 9,533	\$ 500	\$ 133	15.06	
1999	10,545	520	114	16.63	
2000	11,773	790	94	13.32	
2001	12,324	880	315	10.31	
2002	11,840	920	458	8.59	
2003	12,173	950	418	8.90	
2004	12,776	360	340	18.25	
2005	13,813	370	326	19.85	
2006	15,456	385	311	22.21	
2007	17,994	400	295	25.89	

Source: The Town's Management Services Department.

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

<u>Fiscal Year</u>	<u>Population</u>
1998	12,990
1999	13,315
2000	13,390
2001	13,664
2002	13,915
2003	14,090
2004	14,215
2005	14,410
2006	13,863
2007	14,000

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

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

Function	Full-Time Equivalent Employees									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Town Manager	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Town Attorney	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services	7.0	7.0	8.0	7.0	7.0	8.0	8.0	7.7	7.7	7.6
Planning and Building	7.0	7.0	8.4	8.4	8.7	9.0	9.0	9.0	11.0	12.0
Court	4.4	4.6	4.6	4.6	4.6	5.3	5.3	5.3	5.4	5.4
Engineering	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Works	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Police										
Officers	33.0	35.0	35.0	35.0	35.0	34.0	35.0	36.0	36.0	36.0
Civilians	8.5	8.6	8.6	8.6	8.6	10.3	10.3	10.3	10.3	10.3
Highways and Streets	12.0	12.0	11.0	12.0	13.0	13.0	13.0	13.7	14.0	14.0
Sewer System	-	1.0	1.0	1.0	1.0	1.0	0.7	1.0	1.0	1.0
Alarm Monitoring System	0.6	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>82.5</u>	<u>87.8</u>	<u>89.6</u>	<u>90.6</u>	<u>91.9</u>	<u>94.6</u>	<u>95.3</u>	<u>97.0</u>	<u>99.4</u>	<u>100.3</u>

Source: Town's Management Services Department.

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

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Government						
Building permits issued	880	850	823	941	1,019	1,059
Value of building permits issued	\$ 99,473,625	\$ 98,276,680	\$ 105,004,033	\$ 127,825,265	\$ 172,799,125	\$ 312,280,046
Police						
Physical arrests	(a)	267	240	293	341	334
Parking violations	(a)	273	280	490	514	669
Traffic violations	(a)	2,846	2,672	3,806	4,162	2,946
Other public works						
Street resurfacing (miles)	11	6	9	8	10	10
Sidewalks (linear feet)	-	-	1,371	3,374	-	2,025
Potholes repaired	198	211	204	193	205	150
Sewer system						
Number of customers	1,797	1,872	1,901	1,916	1,938	1,985

Source: The Town of Paradise Valley.

(a) Information was not available.

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

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Police						
Stations	1	1	1	1	1	1
Patrol and detective vehicles	20	20	20	20	20	20
Fire service						
Fire stations	-	-	-	-	-	2
Fire pumpers, support vehicles	-	-	-	-	-	3
Other public works						
Streets (miles)	140	140	140	140	140	140
Traffic signals	12	12	12	12	12	12
Sewer system						
Sanitary sewers (feet)	301,772	304,467	305,319	307,444	311,409	317,059
Treatment capacity (thousands of gallons)	880	880	880	880	1,026	1,026

Source: The Town of Paradise Valley.