

TOWN OF PARADISE VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

Mr. Scott P. LeMarr
Mayor

Ms. Mary Hamway
Vice Mayor

Councilmembers

Mr. Michael Collins

Mr. Paul Dembow

Ms. Pam Kirby

Mr. Vernon B. Parker

Ms. Lisa Trueblood

Mr. James C. Bacon, Jr.
Town Manager

Mr. David Andrews
Budget/Finance Director & Assistant Town Manager

Ms. Lenore Platt Lancaster, CPA
Financial Services Manager

Prepared by:
Finance Department

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INTRODUCTORY SECTION

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November 19, 2010

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

The Comprehensive Annual Financial Report of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2010 is hereby submitted in accordance with State law (Arizona Revised Statutes 9-481). Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

LarsonAllen LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the Town of Paradise Valley, Arizona's financial statements for the year ended June 30, 2010. The independent auditors' report is located at the front of the financial section of this report.

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

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.

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. Currently, the Mayor and Vice Mayor are selected by the Council from among its members. Beginning with the next regularly scheduled municipal election in March 2012, Town voters will elect the Mayor to a two year term.

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

The Town provides a limited range of services, including police protection, construction and maintenance of streets, and planning and building services. Fire protection services are provided through an intergovernmental agreement with the City of Phoenix. The City of Scottsdale provides wastewater treatment services through an intergovernmental agreement for approximately 58% of the geographic area of the Town. The City of Phoenix owns the sewer lines and provides sewer service to the remaining 42% of the geographic area of the Town. Water services are provided by the City of Phoenix and two private water companies. Solid waste services are provided by private companies. Ambulance service is provided by a private company.

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

The expenditure appropriations in the adopted budget are by department. 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 operates.

Local Economy

Local tax revenues account for 49% of total governmental fund revenues. Local taxes declined 14.2% from fiscal year 2009. Two industries – construction and hospitality – account for 84% of local tax revenues. Both industries have been adversely affected by the current economic climate.

Beginning with the Sanctuary in 2003, several resorts have undergone major renovation and revitalization programs in the last several years. The Marriott Camelback Inn completed a major renovation project in August 2008. La Posada, closed in May 2005, underwent a complete transformation and opened in November 2008 as the Intercontinental Montelucia Resort and Spa, complete with 34 residential villas. A new resort, the Ritz-Carlton, and the redevelopment of the Mountain Shadows resort hotel have been delayed indefinitely due to the current state of the economy. While revenues from the resorts have not returned to the levels prior to the current recession, revenues from on-going operations have improved significantly. Combined resort sales and bed taxes increased 12.6% from the prior year.

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Beginning in 2006, the Town experienced a significant increase in the construction of new homes, as well as in the size and cost of those homes, with the average construction valuation exceeding \$1.4 million. The recession has significantly impacted the luxury home market and this is expected to continue into fiscal year 2011. There was no significant commercial construction in fiscal year 2010.

Revenues from the construction industry declined for a second straight year. Construction sales tax revenues declined 38% while permit revenues declined 15% from fiscal year 2009. Permit revenues accounted for 6% of governmental fund revenues in fiscal years 2009 and 2010.

State shared revenues were 26% of total governmental revenues in fiscal year 2010. State shared sales and income tax revenues are distributed based on the Town's population relative to the total population of all incorporated cities in the State. There is a two year lag in the distribution of state income tax revenues. The vehicle license tax is distributed based on the Town's population relative to the total incorporated population of Maricopa County. Highway user revenues are generated from the state gasoline tax (a per gallon tax) and are distributed based on a formula of (1) Town's population relative to all incorporated cities and towns and (2) the basis of "county of origin" of gasoline sales and the Town's population relative to all incorporated cities and towns in Maricopa County. The continued economic slowdown has impacted all state shared revenues, with an overall decline of 10%. In particular state shared income tax had a 14% decrease from the previous year, reflecting the significant drop in income taxes collected by the State of Arizona in fiscal year 2008.

Long-term Financial Planning

The Town's Financial Policy Statement requires that the General Fund contain two contingency appropriations. The first contingency shall be an operating contingency in an amount between 1% and 3% of the adopted budget total. The second contingency shall be for emergencies, funded by reserves and in an amount at least equal to 15% of the adopted budget total. Additionally, the combined General Fund and Highway User Revenue Fund (HURF) fund balance must be at least 90% but not more than 110% of expenditures. This policy ensures that the Town can continue to operate without any significant impact on services in the event of unforeseen emergencies, loss of revenues or catastrophic impacts on the Town. Funds in excess of this limit are transferred to the Capital Projects Fund or the MPC Debt Service Fund. At June 30, 2010, the Municipal Property Corporation (MPC) Debt Service Fund has sufficient funds to cover the next six years of debt service payments.

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 managed 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.

MAJOR INITIATIVES

The Town continued a freeze on hiring and reduced staff through a restructuring plan. The on-going savings are estimated to be \$.8 million annually.

In June 2010, the Town Council approved an increase in the bed tax rate from 3% to 3.4%, effective August 1, 2010. The increased revenues will be contributed to the Scottsdale Convention & Visitors Bureau to promote the Town's resort/hotel industry.

The Town of Paradise Valley's adopted fiscal year 2011 budget reflects a continued downturn in the local economy, which is also mirrored at the national and state levels. No service levels have been impacted with the fiscal year 2011 budget.

Awards and Acknowledgements

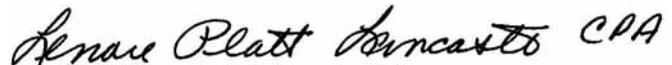
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Paradise Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



David Andrews
Assistant Town Manager/
Budget and Finance Director



Lenore Platt Lancaster, CPA
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Paradise Valley
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

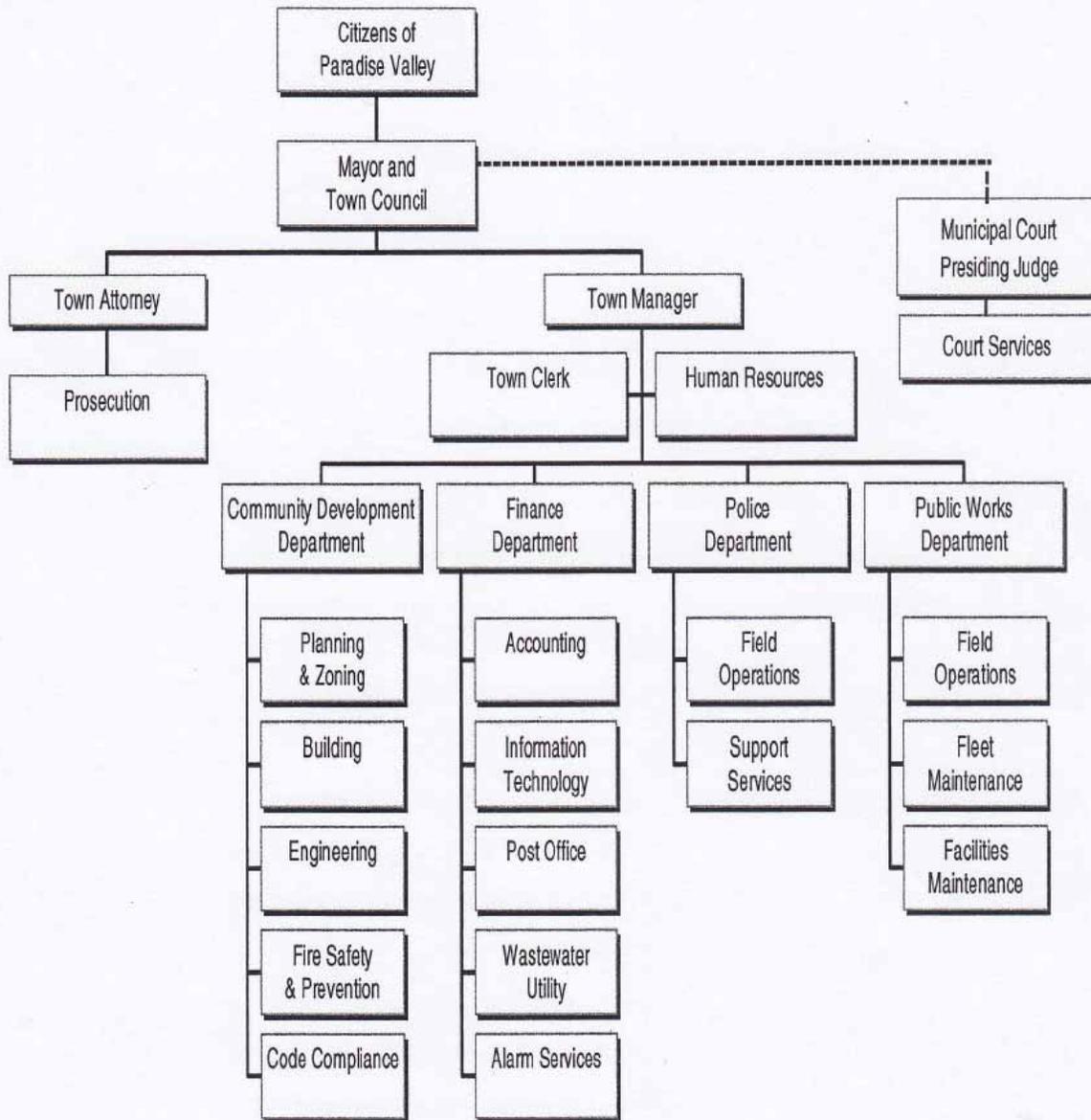
A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director

**TOWN OF PARADISE VALLEY, ARIZONA
ORGANIZATIONAL CHART
JUNE 30, 2010**



TOWN ORGANIZATIONAL CHART →



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Council
Town of Paradise Valley, Arizona
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, 2010, 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, 2010, 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.

The management's discussion and analysis on pages 9 - 18 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 53 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.

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

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 and schedules 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.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
November 19, 2010

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal years 2010 and 2009 are as follows:

- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year 2010 and 2009 by \$117.8 million and \$117.6 million (net assets), respectively. Of these amounts, \$26.2 million and \$24.3 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net assets increased by \$.2 million and decreased by \$3.6 million during fiscal years 2010 and 2009, respectively.
- ◆ As of June 30, 2010 and 2009, the Town's governmental funds reported combined ending fund balances of \$25.5 million and \$25.0 million, respectively, all of which is unreserved fund balance.
- ◆ At the close of the current fiscal year, the unreserved fund balance for the General Fund was \$14.9 million or 97% of total General Fund revenues of \$15.3 million and 110% of total General Fund expenditures of \$13.5 million. At the close of fiscal year 2009, unreserved fund balance for the General Fund was \$19.1 million or 101% of General Fund revenues of \$18.9 million and 117% of General Fund expenditures of \$16.3 million.
- ◆ During fiscal year 2010, the Town's total bonded debt decreased by \$565,000 in contrast to the increase of \$5,065,000 in fiscal year 2009. In 2009, the Town issued \$11.1 million excise tax revenue bonds to refund prior excise tax revenue bonds and capital leases for the acquisition of land and construction of two fire stations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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 a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

Fund Financial Statements

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

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

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Capital Projects Fund and the Debt Service Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in a separate section of this report.

The basic governmental fund financial statements begin on page 21 of this report.

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

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

The proprietary fund financial statements begin on page 27 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to basic financial statements begin on page 31 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 53 of this report.

Combining Statements

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

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Government-Wide Financial Analysis

Net Assets

While this document contains information about the funds used by the Town to provide services to our citizens, the Statement of Net Assets and the Statement of Activities serve to provide an answer to the question of how the Town, as a whole, did financially throughout the year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

Net assets may serve as a useful indicator of a government's financial position. For the Town, assets exceeded liability by \$117.8 million and \$117.6 million at the close of the fiscal year 2010 and 2009 respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current and Other Assets	\$ 28,548,152	\$ 28,572,039	\$ 7,165,420	\$ 7,377,526	\$ 35,713,572	\$ 35,949,565
Capital Assets						
Non-Depreciable	44,427,088	44,427,088	14,349,766	14,349,766	58,776,854	58,776,854
Depreciable (Net)	34,239,037	35,652,870	7,873,638	8,141,738	42,112,675	43,794,608
Total Assets	107,214,277	108,651,997	29,388,824	29,869,030	136,603,101	138,521,027
LIABILITIES						
Other Liabilities	2,606,785	3,220,393	555,070	417,434	3,161,855	3,637,827
Non-Current Liabilities:						
Due Within One Year	1,761,207	1,647,269	768,114	566,637	2,529,321	2,213,906
Due in More Than						
One Year	7,800,023	8,962,563	5,286,460	6,060,321	13,086,483	15,022,884
Total Liabilities	12,168,015	13,830,225	6,609,644	7,044,392	18,777,659	20,874,617
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	70,077,412	70,546,752	16,176,951	15,875,113	86,254,363	86,421,865
Restricted	2,595,469	3,498,527	2,746,466	3,393,316	5,341,935	6,891,843
Unrestricted	22,373,381	20,776,493	3,855,763	3,556,209	26,229,144	24,332,702
Total Net Assets	\$ 95,046,262	\$ 94,821,772	\$ 22,779,180	\$ 22,824,638	\$ 117,825,442	\$ 117,646,410

The largest portion of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure) less depreciation and any related debt used to acquire those assets, of \$86.3 million (73.2%) and \$86.4 million (73.5%) for the fiscal years 2010 and 2009, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

An additional portion of the Town's net assets, \$5.3 million (4.5%) for fiscal year 2010 and \$6.9 million (5.9%) for fiscal year 2009, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2010 and 2009, \$26.2 million (22.3%) and \$24.3 million (20.6%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Changes in Net Assets

The Town's net assets increased by \$.2 million and decreased by \$3.6 million during the fiscal years 2010 and 2009 respectively. These changes are explained in the government and business-type activities discussion below.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 2,761,829	\$ 3,287,453	\$ 2,311,531	\$ 2,686,165	\$ 5,073,360	\$ 5,973,618
Operating Grants and Contributions	856,445	929,564	-	-	856,445	929,564
Capital Grants and Contributions	152,699	502,684	31,500	681,569	184,199	1,184,253
General Revenues:						
Local Taxes	9,051,417	10,387,438	-	-	9,051,417	10,387,438
State Shared Revenues	3,272,544	3,684,506	-	-	3,272,544	3,684,506
Investment Income	358,326	1,569,907	66,451	152,859	424,777	1,722,766
Total Revenues	<u>16,453,260</u>	<u>20,361,552</u>	<u>2,409,482</u>	<u>3,520,593</u>	<u>18,862,742</u>	<u>23,882,145</u>
EXPENSES						
General Government	5,857,493	9,318,797	-	-	5,857,493	9,318,797
Public Safety	8,040,162	9,127,589	-	-	8,040,162	9,127,589
Highways and Streets	2,151,001	6,150,305	-	-	2,151,001	6,150,305
Interest and Fiscal Charges	301,622	424,849	-	-	301,622	424,849
Sewer System	-	-	2,207,903	2,327,149	2,207,903	2,327,149
Alarm Monitor System	-	-	125,529	129,335	125,529	129,335
Total Expenses	<u>16,350,278</u>	<u>25,021,540</u>	<u>2,333,432</u>	<u>2,456,484</u>	<u>18,683,710</u>	<u>27,478,024</u>
CHANGES IN NET ASSETS BEFORE TRANSFERS						
	102,982	(4,659,988)	76,050	1,064,109	179,032	(3,595,879)
Transfers	121,508	693,449	(121,508)	(693,449)	-	-
CHANGES IN NET ASSETS	<u>224,490</u>	<u>(3,966,539)</u>	<u>(45,458)</u>	<u>370,660</u>	<u>179,032</u>	<u>(3,595,879)</u>
Net Assets - Beginning of Year	94,821,772	98,788,311	22,824,638	22,453,978	117,646,410	121,242,289
NET ASSETS - END OF YEAR	<u>\$ 95,046,262</u>	<u>\$ 94,821,772</u>	<u>\$ 22,779,180</u>	<u>\$ 22,824,638</u>	<u>\$ 117,825,442</u>	<u>\$ 117,646,410</u>

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Governmental Activities – In fiscal year 2010, governmental activities increased the net assets of the Town by \$.2 million (.1%) before transfers in. Total revenues decreased \$3.9 million (19.2%) from fiscal year 2009. Local taxes decreased by \$1.3 million (12.9%) primarily due to the adverse impact the recession had on the tourism and the construction industries. In addition, in fiscal year 2009 the Arizona Department of Revenue collected \$.3 million resulting from a 2003 audit.

State shared revenues decreased \$.5 million (11.1%) compared to fiscal year 2009. A decrease in state shared income taxes accounted for 60% of the decrease. The distribution of state shared income tax to municipalities has a two year lag. Thus, the fiscal year 2010 was based on the State's income tax collections from fiscal year 2008 income, the first year of the recession.

Investment income decreased by \$1.2 million (77.2%) compared to fiscal year 2009. The Town reported an unrealized investment loss of \$.3 million in fiscal year 2010 compared to an unrealized investment gain of \$.5 million in fiscal year 2009. The yield on investments continues to decline.

Expenses decreased \$8.7 million (34.7%). This is primarily the result of a \$7.1 million decrease in non-capital projects. In 2009, the Town took advantage of a very favorable bid environment and completed \$3.7 million in non-capital road improvement projects. In addition, in 2009 the Town partnered with Arizona Public Service to underground utility lines. The Town's share of the project was \$2.6 million. The Town also benefited financially from the reduction in staff at the end of 2009 and the continued reduction in staff in 2010.

Business-Type Activities – Business-type activities increased the Town's net assets by \$.1 million before transfers out in fiscal year 2010. There has been a significant decrease in the contribution of sewer lines to the Town due to the slowdown in new development. Developers contributed \$31,500 and \$681,569 in sewer lines to the Town in fiscal year 2010 and 2009 respectively. A \$121,508 and \$693,449 transfer was made from the Alarm Monitor Fund to the Debt Service Fund in 2010 and 2009 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 – Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, 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. The major governmental funds reported by the Town include the General Fund, Highway User Revenue Fund (HURF), Capital Projects Fund and the MPC Debt Service Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$25.5 million, an increase of \$.5 million, or 1.8% in comparison with the prior year. The combined ending fund balances for fiscal year 2009 were \$25.0 million. Each of the fund balances for fiscal years 2010 and 2009 was unreserved and undesignated.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

The General Fund is the chief operating fund of the Town. At June 30, 2010, the fund balance of the General Fund was \$14.9 million, or 58.3% of the combined governmental fund balance. The fund balance of the General Fund at June 30, 2009 was \$19.1 million, or 76.1% 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 110.0% and 117.2% of General Fund expenditures for fiscal years 2010 and 2009, respectively. The General Fund balance represents 97.2% and 100.7% of General Fund revenues at June 30, 2010 and 2009 respectively. The General Fund Balance decrease of \$4.2 million from fiscal year 2009 is due primarily to two factors. First, a \$1 million transfer was made to the Capital Projects Fund for current year and projected next-year expenditures. Second, a \$5.0 million transfer was made to the MPC Debt Service Fund to cover debt service expenditures through 2016. The General Fund performance also reflects the slowing economy and a reduction in expenditures to offset reduced revenues.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted to street and highway purposes. The fund balance at June 30, 2010 was \$2.4 million, a decrease of \$.7 million from June 30, 2009. The HURF fund balance represents 163.1% and 166.8% of HURF expenditures for fiscal years 2010 and 2009 respectively.

Capital projects expenditures were \$.1 million in fiscal year 2010 and \$11.1 million in fiscal year 2009. The 2010 expenditures were for completion of prior year projects. No new projects were started in 2010. The decrease of \$11 million is primarily the result of expenditures in 2009 from capital lease proceeds of \$3.9 million for the construction of two fire stations; three asphalt overlay projects completed for a total of \$3.8 million, and the completion of an underground district partnered with Arizona Public Service.

A transfer of \$5.0 million was made to the MPC Debt Service Fund from the General Fund, \$.1 million from the Capital Projects Fund and \$.1 million from the Alarm Monitor Fund to pay fiscal year 2010 debt service and provide for an additional six years debt service on the 2009 MPC Excise Tax Revenue Bonds.

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 were \$3.9 million for the Sewer System and \$-0- for Alarm Monitor System. The unrestricted Alarm Monitor System net assets was transferred to the MPC Debt Service Fund.

The total growth in net assets for the enterprise funds was \$45,458 and \$370,660 for June 30, 2010 and 2009, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly in local transaction privilege taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Local transaction privilege taxes were above budget by 8.6% and licenses and permits were above budget by 29.9%. A conservative approach to the budget was taken for these two revenues sources due to the negative

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

impact of the downturn in the economy in the Town's resorts and construction industries. Investment earnings had a \$.6 million unfavorable variance as a result of the adjustment to the fair value of investments and the continued downward trend for the yield on investments.

The Town's final year-end expenditure budget differs from the original adopted budget due to transfers between departments that were made throughout the fiscal year primarily the result of organizational restructuring. A \$3 million contingency was budgeted to allow for unforeseen emergencies and opportunities. The Non-Departmental budget included an operating contingency of \$.5 million. Excluding these contingencies, the actual expenditures were 94.8% of the original budget. The Town managed the decline in revenues by controlling expenditures. The result was that actual revenues exceeded expenses by \$1.8 million compared to the original budget of \$.7 million (excluding the \$3 million budgeted contingency).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2010 and 2009 amount to \$100.9 million and \$102.6 million, respectively (net of accumulated depreciation). The net decrease in capital assets (net of accumulated depreciation) was \$1.7 million, due primarily to depreciation. Capital assets include land and improvements, building and improvements, sewer systems, sewer capacity rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The only major governmental capital asset purchase was that of a street sweeper for approximately \$.2 million. Grant funds paid for approximately 80% of this asset.

Business-type capital asset events included sewer line extensions contributed by developers in the amount of \$31,500.

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 2010 and 2009 assets, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and Improvements	\$ 45,578,251	\$ 45,659,201	\$ -	\$ -	\$ 45,578,251	\$ 45,659,201
Infrastructure	22,146,566	22,713,184	-	-	22,146,566	22,713,184
Buildings and Improvements	8,299,521	8,740,512	-	-	8,299,521	8,740,512
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	7,826,618	8,036,934	7,826,618	8,036,934
Machinery, Furniture and Fixtures, Equipment and Vehicles	2,641,787	2,967,061	47,020	104,804	2,688,807	3,071,865
Total Capital Assets	\$ 78,666,125	\$ 80,079,958	\$ 22,223,404	\$ 22,491,504	\$ 100,889,529	\$ 102,571,462

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

Debt Administration

At the end of the fiscal years 2010 and 2009, the Town had total long-term obligations outstanding of \$15.6 million and \$17.2 million respectively. Of these amounts, \$10.5 million and \$11.1 million respectively are for the 2009 Municipal Property Corporation Excise Tax Refunding Bonds. The Town refunded its 1998 Municipal Property Corporation bonds and capital leases in fiscal year 2009 to take advantage of favorable interest rates. In 2010, Moody's Investors Service increased its rating from Aa2 to Aa1 for the 2009 Municipal Property Corporation Excise Tax Revenue Bonds. Additional information on the Town's long-term obligations can be found in Note 3.D. Long-term Obligations to the Financial Statements.

**Table A-4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$ 7,210,866	\$ 7,599,249	\$ 3,279,134	\$ 3,455,751	\$ 10,490,000	\$ 11,055,000
Bond Premium	305,160	339,067	138,771	154,190	443,931	493,257
Capital Lease	1,072,687	1,594,890	2,628,548	3,006,450	3,701,235	4,601,340
Compensated Absences	972,517	1,076,626	8,121	10,567	980,638	1,087,193
Total Outstanding Debt	\$ 9,561,230	\$ 10,609,832	\$ 6,054,574	\$ 6,626,958	\$ 15,615,804	\$ 17,236,790

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town continues to maintain strong reserves for unforeseen emergencies or opportunities. The Town's reserves, in combination with our consistent adherence to adopted financial policies and management practices, was a factor in the Town's credit rating awarded by Moody's Investor Services.

While the Town has a significant fund balance, the fiscal year 2011 budget is designed to have current operating expenditures paid out of current revenues. Capital projects and debt service will be paid out of fund balance.

The budget forecast assumes the current economic downturn will continue to impact the Town, although some revenue sources will be stable compared to fiscal year 2010. The Town has increased its bed tax rate from 3% to 3.4% effective August 1, 2010. The additional bed tax revenues will be used to increase the Town's support to the Scottsdale Convention & Visitors Bureau. Local sales and use taxes are expected to decline slightly from the fiscal year 2010 due to the continued slump in the housing market. State shared income taxes for fiscal year 2011 are distributed based on the actual 2009 state income taxes. There will be an unfavorable impact of \$.4 million.

During the fiscal year 2010 the Town did not fill vacant positions. In addition, there was an administrative restructuring, resulting in the elimination of four positions. The result was a reduction of nine positions for the fiscal year 2010 budget. The budget provides for no market adjustment or merit increases for employees. Capital projects are limited to the underground conversion of one district's overhead utility lines and one asphalt overlay project using primarily American Recovery and Reinvestment Act funds. The operating budget includes a \$457,000 contingency. In addition, the budget includes a \$3 million contingency for any unforeseen emergencies or opportunities.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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
Finance Department
6401 E. Lincoln Drive
Paradise Valley, AZ 85253

(480-348-3532)

Or visit our website at:

<http://www.paradisevalleyaz.gov/townhall>

BASIC FINANCIAL STATEMENTS

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 25,936,146	\$ 3,879,637	\$ 29,815,783
Restricted Cash	-	3,137,595	3,137,595
Receivables, Net:			
Accounts Receivable	2,258,446	56,036	2,314,482
Interest Receivable	179,966	11,563	191,529
Prepaid Items	56,058	3,755	59,813
Deferred Charges	117,536	76,834	194,370
Capital Assets:			
Non-Depreciable	44,427,088	14,349,766	58,776,854
Depreciable (net)	34,239,037	7,873,638	42,112,675
Total Assets	<u>107,214,277</u>	<u>29,388,824</u>	<u>136,603,101</u>
LIABILITIES			
Accounts Payable	503,609	-	503,609
Accrued Wages and Benefits	386,426	10,254	396,680
Interest Payable	132,037	60,045	192,082
Intergovernmental Payable	-	45,608	45,608
Customer Deposits Payable	458,077	12,056	470,133
Unearned Revenue	1,126,636	427,107	1,553,743
Noncurrent Liabilities:			
Due Within One Year	1,761,207	768,114	2,529,321
Due in More Than One Year	7,800,023	5,286,460	13,086,483
Total Liabilities	<u>12,168,015</u>	<u>6,609,644</u>	<u>18,777,659</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	70,077,412	16,176,951	86,254,363
Restricted for:			
Highways and Streets	2,554,191	-	2,554,191
Capital Outlay	-	2,746,466	2,746,466
Special Projects	41,278	-	41,278
Unrestricted	22,373,381	3,855,763	26,229,144
Total Net Assets	<u>\$ 95,046,262</u>	<u>\$ 22,779,180</u>	<u>\$ 117,825,442</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 5,857,493	\$ 2,564,613	\$ 28,017	\$ -	\$ (3,264,863)		\$ (3,264,863)
Public Safety	8,040,162	143,867	5,369	-	(7,890,926)		(7,890,926)
Highways and Streets	2,151,001	53,349	823,059	152,699	(1,121,894)		(1,121,894)
Interest and Fiscal Charges	301,622	-	-	-	(301,622)		(301,622)
Total Governmental Activities	16,350,278	2,761,829	856,445	152,699	(12,579,305)		(12,579,305)
Business-Type Activities:							
Sewer System	2,207,903	2,066,141	-	31,500	-	\$ (110,262)	(110,262)
Alarm Monitor System	125,529	245,390	-	-	-	119,861	119,861
Total Business-Type Activities	2,333,432	2,311,531	-	31,500	-	9,599	9,599
Totals	\$ 18,683,710	\$ 5,073,360	\$ 856,445	\$ 184,199	(12,579,305)	9,599	(12,569,706)
General Revenues:							
Taxes:							
Sales Taxes					8,051,632	-	8,051,632
Franchise Taxes					999,785	-	999,785
State Revenue Sharing					1,789,859	-	1,789,859
State Sales Tax Revenue Sharing					1,017,342	-	1,017,342
Auto Lieu Tax Revenue Sharing					465,343	-	465,343
Investment Income					358,326	66,451	424,777
Transfers					121,508	(121,508)	-
Total General Revenues and Transfers					12,803,795	(55,057)	12,748,738
Change in Net Assets					224,490	(45,458)	179,032
Net Assets - Beginning					94,821,772	22,824,638	117,646,410
Net Assets - Ending					\$ 95,046,262	\$ 22,779,180	\$ 117,825,442

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Assets						
Cash and Investments	\$ 15,227,200	\$ 2,339,831	\$ 1,864,879	\$ 6,446,629	\$ 57,607	\$ 25,936,146
Receivables, Net:						
Accounts Receivable	2,184,514	72,640	-	-	1,292	2,258,446
Interest Receivable	179,966	-	-	-	-	179,966
Due from Other Funds	1,286	-	-	-	-	1,286
Prepaid Items	56,058	-	-	-	-	56,058
Total Assets	<u>\$ 17,649,024</u>	<u>\$ 2,412,471</u>	<u>\$ 1,864,879</u>	<u>\$ 6,446,629</u>	<u>\$ 58,899</u>	<u>\$ 28,431,902</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts Payable	\$ 503,609	\$ -	\$ -	\$ -	\$ -	\$ 503,609
Accrued Wages and Benefits	360,986	25,440	-	-	-	386,426
Interest Payable	-	-	-	132,037	-	132,037
Due to Other Funds	-	-	-	-	1,286	1,286
Deferred Revenue	1,460,604	-	-	-	-	1,460,604
Customer Deposits Payable	458,077	-	-	-	-	458,077
Total Liabilities	2,783,276	25,440	-	132,037	1,286	2,942,039
Fund Balance:						
Unreserved	14,865,748	2,387,031	1,864,879	6,314,592	-	25,432,250
Unreserved; Reported in Nonmajor:						
Special Revenue Funds	-	-	-	-	57,613	57,613
Total Fund Balance	14,865,748	2,387,031	1,864,879	6,314,592	57,613	25,489,863
Total Liabilities and Fund Balance	<u>\$ 17,649,024</u>	<u>\$ 2,412,471</u>	<u>\$ 1,864,879</u>	<u>\$ 6,446,629</u>	<u>\$ 58,899</u>	<u>\$ 28,431,902</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

Fund Balances - Total Governmental Funds		\$ 25,489,863
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land	\$ 44,427,088	
Land Improvements	2,023,760	
Infrastructure	26,361,903	
Buildings and Improvements	12,401,518	
Machinery, Equipment, and Vehicles	6,070,476	
Total Capital Assets	91,284,745	
Less: Accumulated Depreciation	(12,618,620)	
		78,666,125
<p>Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources.</p>		
		333,968
<p>Long-term liabilities and deferred charges that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.</p>		
Deferred Charges	117,536	
Revenue Bonds	(7,210,866)	
Bond Premium	(305,160)	
Capital Leases	(1,072,687)	
Compensated Absences	(972,517)	
		(9,443,694)
Total Net Assets of Governmental Activities		\$ 95,046,262

See accompanying Notes to Basic Financial Statements.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Highway User Revenue Fund	Capital Projects Fund	Debt Service Fund	Nonmajor	Totals
Revenues:						
Taxes:						
Sales Taxes	\$ 8,051,632	\$ -	\$ -	\$ -	\$ -	\$ 8,051,632
Franchise Taxes	999,785	-	-	-	-	999,785
Intergovernmental Revenue	3,272,544	823,059	-	-	177,009	4,272,612
Fines and Forfeitures	1,133,627	-	-	-	-	1,133,627
Licenses and Permits	982,740	-	-	-	-	982,740
Charges for Services	490,095	-	-	-	-	490,095
Contributions and Donations	-	-	-	-	9,076	9,076
Investment Income	358,233	-	-	-	93	358,326
Total Revenues	15,288,656	823,059	-	-	186,178	16,297,893
Expenditures:						
Current:						
General Government	5,658,446	-	-	93	27,966	5,686,505
Public Safety	7,850,984	-	-	-	13,355	7,864,339
Highways and Streets	-	1,463,452	-	-	152,699	1,616,151
Debt Service:						
Principal Retirement	-	-	-	388,383	-	388,383
Interest on Long-Term Debt	-	-	-	291,345	-	291,345
Capital Outlay	-	-	128,752	-	-	128,752
Total Expenditures	13,509,430	1,463,452	128,752	679,821	194,020	15,975,475
Excess (Deficiency) of						
Revenues Over Expenditures	1,779,226	(640,393)	(128,752)	(679,821)	(7,842)	322,418
Other Financing Sources (Uses):						
Transfers In	-	-	1,007,183	5,282,084	-	6,289,267
Transfers Out	(5,968,662)	(55,120)	(143,977)	-	-	(6,167,759)
Total Other Financing Sources (Uses)	(5,968,662)	(55,120)	863,206	5,282,084	-	121,508
Net Change in Fund Balance	(4,189,436)	(695,513)	734,454	4,602,263	(7,842)	443,926
Fund Balance:						
Beginning of Year	19,055,184	3,082,544	1,130,425	1,712,329	65,455	25,045,937
End of Year	<u>\$ 14,865,748</u>	<u>\$ 2,387,031</u>	<u>\$ 1,864,879</u>	<u>\$ 6,314,592</u>	<u>\$ 57,613</u>	<u>\$ 25,489,863</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances-Total Governmental Funds \$ 443,926

Amounts reported for governmental activities in the statement of activities are

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

Expenditures for Capital Assets	\$ 259,313	
Depreciation Expense	<u>(1,671,103)</u>	(1,411,790)

Loss on Disposal of Assets		(2,043)
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Accounts receivables, net of allowance, recorded as revenue in the government-wide statement of net assets, but not yet available.

Intergovernmental Receivables - June 30, 2009	196,558	
Intergovernmental Receivables - June 30, 2010	<u>333,968</u>	137,410

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

Accrued Interest	21,445	
Bond Premium	33,907	
Deferred Charges	(13,060)	
Retirement of Long-Term Debt	<u>910,586</u>	952,878

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

104,109

Change in Net Assets of Governmental Activities		<u><u>\$ 224,490</u></u>
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TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 8,455,801	\$ 8,455,801	\$ 9,051,417	\$ 595,616
Intergovernmental Revenue	3,353,213	3,353,213	3,272,544	(80,669)
Fines and Forfeits	1,550,000	1,550,000	1,133,627	(416,373)
Licenses and Permits	756,550	756,550	982,740	226,190
Charges for Services	360,500	360,500	490,095	129,595
Investment Income	919,667	919,667	358,233	(561,434)
Total Revenues	<u>15,395,731</u>	<u>15,395,731</u>	<u>15,288,656</u>	<u>(107,075)</u>
Expenditures:				
Current:				
General Government:				
Mayor	50,175	50,175	27,062	23,113
Town Manager	478,978	478,978	475,708	3,270
Town Attorney	561,645	561,645	558,089	3,556
Management Services	1,244,869	1,271,869	1,245,410	26,459
Non-departmental	1,620,764	1,573,764	1,076,538	497,226
Community Development	1,051,704	1,051,704	999,042	52,662
Engineering	286,831	286,831	284,951	1,880
Public Works	507,015	561,015	520,104	40,911
Municipal Court	507,847	507,847	471,542	36,305
Total General Government	<u>6,309,828</u>	<u>6,343,828</u>	<u>5,658,446</u>	<u>685,382</u>
Public Safety				
Police	6,092,050	6,092,050	5,639,164	452,886
Fire	2,340,947	2,340,947	2,211,820	129,127
Total Public Safety	<u>8,432,997</u>	<u>8,432,997</u>	<u>7,850,984</u>	<u>582,013</u>
Contingency				
Total Expenditures	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Total Expenditures	<u>17,742,825</u>	<u>17,776,825</u>	<u>13,509,430</u>	<u>4,267,395</u>
Excess (Deficiency) of Revenues over Expenditures	(2,347,094)	(2,381,094)	1,779,226	4,160,320
Other Financing Sources (Uses):				
Transfers Out	(652,907)	(652,907)	(5,968,662)	(5,315,755)
Total Other Financing Sources (Uses)	<u>(652,907)</u>	<u>(652,907)</u>	<u>(5,968,662)</u>	<u>(5,315,755)</u>
Net Change in Fund Balance	(3,000,001)	(3,034,001)	(4,189,436)	(1,155,435)
Fund Balance:				
Beginning of Year	20,926,191	20,926,191	19,055,184	(1,871,007)
End of Year	<u>\$ 17,926,190</u>	<u>\$ 17,892,190</u>	<u>\$ 14,865,748</u>	<u>\$ (3,026,442)</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 900,807	\$ 900,807	\$ 823,059	\$ (77,748)
Expenditures:				
Current:				
Highways and Streets	1,553,714	1,519,714	1,463,452	56,262
Excess (Deficiency) of Revenues Over Expenditures	(652,907)	(618,907)	(640,393)	(21,486)
Other Financing Sources (Uses):				
Transfers In	652,907	652,907	-	(652,907)
Transfers Out	-	-	(55,120)	(55,120)
Total Other Financing Sources (Uses)	652,907	652,907	(55,120)	(708,027)
Net Change in Fund Balance	-	34,000	(695,513)	(729,513)
Fund Balance:				
Beginning of Year	-	-	3,082,544	3,082,544
End of Year	\$ -	\$ 34,000	\$ 2,387,031	\$ 2,353,031

See accompanying Notes to Basic Financial Statements.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities		
	Sewer	Alarm	Totals
Assets			
Current Assets			
Cash and Investments	\$ 3,872,214	\$ 7,423	\$ 3,879,637
Restricted Cash	3,125,539	12,056	3,137,595
Receivables, Net			
Accounts Receivable	54,736	1,300	56,036
Interest Receivable	11,563	-	11,563
Prepaid Items	3,755	-	3,755
Deferred Charges	76,834	-	76,834
Total Current Assets	<u>7,144,641</u>	<u>20,779</u>	<u>7,165,420</u>
Noncurrent Assets			
Capital Assets			
Non-Depreciable	14,349,766	-	14,349,766
Depreciable (Net)	7,869,519	4,119	7,873,638
Total Noncurrent Assets	<u>22,219,285</u>	<u>4,119</u>	<u>22,223,404</u>
Total Assets	<u>29,363,926</u>	<u>24,898</u>	<u>29,388,824</u>
Liabilities			
Current Liabilities			
Accrued Wages and Benefits	7,019	3,235	10,254
Intergovernmental Payable	45,608	-	45,608
Interest Payable	60,045	-	60,045
Unearned Revenue	424,008	3,099	427,107
Customer Deposits Payable	-	12,056	12,056
Compensated Absences	4,844	2,389	7,233
Capital Leases Payable	393,770	-	393,770
Bonds Payable	367,090	-	367,090
Total Current Liabilities	<u>1,302,384</u>	<u>20,779</u>	<u>1,323,163</u>
Noncurrent Liabilities			
Compensated Absences	888	-	888
Capital Leases Payable	2,234,778	-	2,234,778
Bonds Payable	3,050,815	-	3,050,815
Total Noncurrent Liabilities	<u>5,286,481</u>	<u>-</u>	<u>5,286,481</u>
Total Liabilities	<u>6,588,865</u>	<u>20,779</u>	<u>6,609,644</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,172,832	4,119	16,176,951
Restricted for Capital Outlay	2,746,466	-	2,746,466
Unrestricted	3,855,763	-	3,855,763
Total Net Assets	<u>\$ 22,775,061</u>	<u>\$ 4,119</u>	<u>\$ 22,779,180</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-Type Activities		
	Sewer	Alarm	Totals
Operating Revenues			
Charges for Services	\$ 1,954,949	\$ 245,390	\$ 2,200,339
Operating Expenses			
Cost of Sales and Services	1,674,013	123,883	1,797,896
Depreciation	297,954	1,646	299,600
Total Operating Expenses	1,971,967	125,529	2,097,496
Operating Income (Loss)	(17,018)	119,861	102,843
Nonoperating Revenues (Expense)			
Development Fees	111,192	-	111,192
Investment Earnings	66,451	-	66,451
Interest Expense	(235,936)	-	(235,936)
Total Nonoperating Revenues (Expenses)	(58,293)	-	(58,293)
Income (Loss) Before Contributions and Transfers	(75,311)	119,861	44,550
Capital Contributions	31,500	-	31,500
Transfers Out	-	(121,508)	(121,508)
Changes in Net Assets	(43,811)	(1,647)	(45,458)
Total Net Assets, Beginning of year	22,818,872	5,766	22,824,638
Total Net Assets, End of Year	\$ 22,775,061	\$ 4,119	\$ 22,779,180

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds		
	Sewer	Alarm Monitor System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,966,844	\$ 246,990	\$ 2,213,834
Payments to Suppliers	(1,606,999)	(47,715)	(1,654,714)
Payments to Employees	(64,360)	(74,585)	(138,945)
Customer Deposits	-	(1,302)	(1,302)
Net Cash Flows from Operating Activities	295,485	123,388	418,873
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Paid to Funds for Interfund Borrowing	(196,819)	-	(196,819)
Transfers Out	-	(121,508)	(121,508)
Development Fees	185,320	-	185,320
Net Cash Flows from Noncapital Financing Activities	(11,499)	(121,508)	(133,007)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Principal Paid on Bonds	(176,617)	-	(176,617)
Principal Paid on Capital Leases	(377,902)	-	(377,902)
Interest Paid on Capital Debt	(192,525)	-	(192,525)
Net Cash Flows from Capital and Related Financing Activities	(747,044)	-	(747,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	82,660	-	82,660
NET CHANGE IN CASH AND INVESTMENTS	(380,398)	1,880	(378,518)
Cash and Investments - Beginning of Year	7,378,151	17,599	7,395,750
CASH AND INVESTMENTS - END OF YEAR			
(Including \$12,056 of Restricted Cash for Customer Deposits in the Alarm Fund and \$3,125,539 for Capital Outlay in the Sewer Fund)	\$ 6,997,753	\$ 19,479	\$ 7,017,232

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Fund		
	Sewer	Alarm Monitor System	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (17,018)	\$ 119,861	\$ 102,843
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	297,954	1,646	299,600
Change in Assets and Liabilities:			
Receivables, Net	5,920	330	6,250
Prepaid Items	(590)	-	(590)
Accounts Payable	(156)	-	(156)
Accrued Wages and Benefits	5,795	1,633	7,428
Unearned Revenue	5,975	1,270	7,245
Compensated Absences Payable	(2,395)	(50)	(2,445)
Customer Deposits Payable	-	(1,302)	(1,302)
Net Cash Provided by Operating Activities	<u>\$ 295,485</u>	<u>\$ 123,388</u>	<u>\$ 418,873</u>

**NONCASH INVESTING, CAPITAL AND FINANCING
ACTIVITIES**

The Town received \$31,500 of developer contributed sewer lines recorded as capital contributions and amortized \$15,419 on bond premium and \$8,537 on issuance costs during the fiscal year.

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TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Included within the reporting entity:

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

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

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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental funds:

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

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

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

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

The Town reports the following major proprietary funds:

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

Alarm Monitor System Fund - 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.

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.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Receivables

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

3. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

5. Restricted Assets

The Town reports customer deposits recorded in the Alarm Fund as restricted because the use of these funds is restricted to refunds to customers. The Town also reports restricted cash in the Sewer Fund for repayment of debt service costs and sewer development fees.

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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

8. Long-term Obligations

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

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

9. 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 these assets are not available for future spending. 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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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).
4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Mummy Mountain Preserve Trust Fund). 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 Nonmajor Fund in which an adopted budget is not prepared.

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

No supplementary budgetary appropriations were necessary during the year.

B. Excess of Expenditures Over Appropriation

Expenditures exceeded the budget in the Forfeiture Nonmajor Governmental Fund by \$1,279. Cash was available to meet the overexpenditure.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2010 consist of the following:

Deposits:	
Cash on Hand	\$ 1,750
Cash in Bank	622,144
Cash Held by County Attorney	12
Investments:	
U.S. Government Securities	28,841,951
State Treasurer's Investment Pool	3,295,439
Cash on Deposit with Trustee	192,082
Total Cash and Investment	\$ 32,953,378
Restricted Assets	(3,137,595)
Total Cash and Equivalents	\$ 29,815,783

Deposits

The Town's deposits at June 30, 2010, 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 repurchase agreements with Wells Fargo Bank collateralized by US Treasury obligations, Federal Agency Securities, or Federal Instrument Securities. At June 30, 2010, \$480,489 of total cash in the bank, \$250,000 was fully insured by federal depository insurance and the remaining \$230,489 was invested in repurchase securities.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-2	2-3
U.S. Government Securities	\$ 1,508,243	\$ 1,004,453	\$ 503,790	\$ -
Federal Agency Securities	27,333,708	11,033,867	5,820,944	10,478,897
State Treasurer's Investment Pool	3,295,439	3,295,439	-	-
Total Investments	<u>\$ 32,137,390</u>	<u>\$ 15,333,759</u>	<u>\$ 6,324,734</u>	<u>\$ 10,478,897</u>

Credit Risk – The Town limits its investments to the State Treasurer’s Investment Pool, U.S. Treasury Obligations, Federal Agency Securities, Federal Instrument Securities, Repurchase Agreements, and Time Certificates of Deposit. The investment with the trustee is cash on hand at the end of the fiscal year in order to make the required principal and interest payments on outstanding bonds. The funds are on deposit with the trustee for less than one month and do not pose a credit risk to the Town. The Town’s investment in U.S. Government Securities include \$1,508,243 invested in U.S. Treasury Notes, \$27,333,708 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. All investments are reported at market value. During the current fiscal year, the Town reported an unrealized loss of \$321,566 on its investments.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Assets

Restricted assets in the business-type activities at June 30, 2010 consist of the following:

	Sewer Fund	Alarm Fund	Total
Capital Outlay	\$ 3,125,539	\$ -	\$ 3,125,539
Customer Deposits	-	12,056	12,056
Total	<u>\$ 3,125,539</u>	<u>\$ 12,056</u>	<u>\$ 3,137,595</u>

3. Receivables

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible at June 30, 2010 netted against accounts receivable in the General Fund totaled \$117,073.

Receivables consist of the following:

	General	HURF	Nonmajor Governmental Funds	Total
Office of the State Treasurer:				
Highway User Revenue	\$ -	\$ 72,640	\$ -	\$ 72,640
State Sales Tax	86,993	-	-	86,993
Town Sales Tax	986,117	-	-	986,117
County Treasurer:				
Auto Lieu Tax	43,842	-	-	43,842
Franchise fees:				
Arizona Pubic Service	147,813	-	-	147,813
Cox Cable	50,898	-	-	50,898
Southwest Gas	34,576	-	-	34,576
Court Receivable	451,041	-	-	451,041
Grant Receivable	-	-	1,292	1,292
Note Receivable	192,372	-	-	192,372
Sales Tax Audit	126,132	-	-	126,132
Miscellaneous	181,803	-	-	181,803
Total	<u>2,301,587</u>	<u>72,640</u>	<u>1,292</u>	<u>2,375,519</u>
Less: Allowance for Doubtful Accounts	<u>(117,073)</u>	<u>-</u>	<u>-</u>	<u>(117,073)</u>
Total	<u>\$ 2,184,514</u>	<u>\$ 72,640</u>	<u>\$ 1,292</u>	<u>\$ 2,258,446</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables (Continued)

The Sewer System and Alarm Monitor System Enterprise Funds reported accounts receivable of \$54,736 and \$1,300 due from residents, respectively.

Governmental funds report unearned 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:

	Unavailable	Unearned
General Fund		
Court Fines Receivable	\$ 333,968	\$ -
Sales Tax Receivable	-	126,132
Court Grants	-	932,945
Miscellaneous Unearned	-	67,559
	\$ 333,968	\$ 1,126,636

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 44,427,088	\$ -	\$ -	\$ 44,427,088
Capital Assets, Being Depreciated:				
Land Improvements	2,023,760	-	-	2,023,760
Infrastructure	26,361,903	-	-	26,361,903
Buildings and Improvements	12,379,943	21,575	-	12,401,518
Machinery, Equipment, and Vehicles	6,507,111	237,738	(674,373)	6,070,476
Total Capital Assets, Being Depreciated	47,272,717	259,313	(674,373)	46,857,657
Accumulated Depreciation for:				
Land Improvements	(791,647)	(80,950)	-	(872,597)
Infrastructure	(3,648,719)	(566,618)	-	(4,215,337)
Buildings and Improvements	(3,639,431)	(462,566)	-	(4,101,997)
Machinery, Equipment, and Vehicles	(3,540,050)	(560,969)	672,330	(3,428,689)
Total Accumulated Depreciation	(11,619,847)	(1,671,103)	672,330	(12,618,620)
Total Capital Assets, Being Depreciated, Net	35,652,870	(1,411,790)	(2,043)	34,239,037
Governmental Activities Capital Assets, Net	<u>\$ 80,079,958</u>	<u>\$ (1,411,790)</u>	<u>\$ (2,043)</u>	<u>\$ 78,666,125</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Sewer Capacity Rights	\$ 14,349,766	\$ -	\$ -	\$ 14,349,766
Capital Assets, Being Depreciated:				
Sewer System	12,090,796	31,500	-	12,122,296
Machinery and Equipment	648,498	-	-	648,498
Furniture and Fixtures	29,531	-	-	29,531
Total Capital Assets, Being Depreciated	<u>12,768,825</u>	<u>31,500</u>	<u>-</u>	<u>12,800,325</u>
Accumulated Depreciation for:				
Sewer System	(4,053,862)	(241,816)	-	(4,295,678)
Machinery and Equipment	(549,459)	(56,138)	-	(605,597)
Furniture and Fixtures	(23,766)	(1,646)	-	(25,412)
Total Accumulated Depreciation	<u>(4,627,087)</u>	<u>(299,600)</u>	<u>-</u>	<u>(4,926,687)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,141,738</u>	<u>(268,100)</u>	<u>-</u>	<u>7,873,638</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,491,504</u>	<u>\$ (268,100)</u>	<u>\$ -</u>	<u>\$ 22,223,404</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 228,646
Public Safety	667,489
Highways and Streets	<u>774,968</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,671,103</u>

Business-Type Activities:

Sewer Fund	\$ 297,954
Alarm Monitor System Fund	<u>1,646</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 299,600</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

The Town has active construction projects at June 30, 2010. The projects listed below include various projects. At fiscal year end the Town's commitments with contractors were as follows:

	Governmental	
Project	Spent-to-Date	Remaining Commitment
Underground District 32	\$ -	\$ 680,857

B. Interfund Receivables, Payables and Transfers

As of June 30, 2010 interfund receivable and payables were as follows:

	Due From Nonmajor Governmental Funds
Due To	
General Fund	\$ 1,286

The above interfund receivable and payable between the Nonmajor Governmental Fund and the General Fund was due to a short-term cash shortfall at year end. Cash was received subsequent to June 30, 2010 to cover the deficit.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfers Out				
	General Fund	Highway User Revenue Fund	Capital Projects Fund	Alarm Fund	
Capital Projects Fund	\$ 952,063	\$ 55,120	\$ -	\$ -	\$ 1,007,183
Debt Service Fund	5,016,599	-	143,977	121,508	5,282,084
Total	\$ 5,968,662	\$ 55,120	\$ 143,977	\$ 121,508	\$ 6,289,267

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The transfers from the General Fund and Alarm Fund to the Debt Service Fund were recorded to transfer funds for the Municipal Property Corporation debt service payments. The Town transferred \$952,063 from the General Fund and \$55,120 from the HURF Fund to the Capital Projects Fund to subsidize capital construction projects. The Town also transferred \$143,977 from the Capital Projects Fund to the Debt Service Fund for unspent capital lease proceeds that will be used to pay for debt service payments.

C. Obligations Under Leases

Capital Leases

The Town has acquired sewer capacity rights and various equipment and vehicles under the provision of long-term lease agreements classified as capital leases. The principal amount of the assets totaling \$1,098,565 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:

	Governmental Activities	Business-type Activities
Capital Assets Not Being Depreciated:		
Land	\$ -	\$ -
Sewer Capacity Rights	-	4,049,066
Construction in Progress	-	-
Total Capital Assets Not Being Depreciated	-	4,049,066
Capital Assets Being Depreciated:		
Buildings and Improvements	580,763	-
Machinery, Equipment and Vehicles	517,802	-
Total Capital Assets Being Depreciated	1,098,565	-
Less: Accumulated Depreciation	(123,845)	-
Total Capital Assets, Net	\$ 974,720	\$ 4,049,066

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases (Continued)

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ended June 30.</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 309,624	\$ 497,983
2012	309,624	497,983
2013	99,323	497,983
2014	99,323	497,983
2015	99,323	497,983
2016-2018	<u>273,137</u>	<u>497,579</u>
Total Minimum Lease Payments	1,190,353	2,987,493
Less: Amount Representing Interest	<u>(117,666)</u>	<u>(358,945)</u>
Present Value of Minimum Lease Amounts	<u>\$ 1,072,687</u>	<u>\$ 2,628,548</u>

D. Long-Term Obligations

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

Bonds payable at June 30, 2010 consisted of the MPC, Excise Tax Revenue Refunding bonds, Series 2009. The bonds are not subject to call. Interest is payable semiannually.

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$11,055,000 in excise tax revenue refunding bonds. The remaining principal balance is \$10,490,000. Proceeds from the bonds were used 31.26% to refund prior bonds in the Sewer Fund and 68.74% for refunding prior bonds and retiring debt on a capital lease in the governmental activities. The bonds are payable from excise tax revenues transferred to the MPC Debt Service Fund in the governmental funds and developer fee revenues in the Sewer Fund through 2019. Total principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. Total remaining principal and interest required on the bonds is \$12,295,482, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$988,834 and \$12.8 million, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Revenue Bonds	\$ 7,599,249	\$ -	\$ (388,383)	\$ 7,210,866	\$ 773,329
Bond Premium	339,067	-	(33,907)	305,160	33,907
Capital Leases	1,594,890	-	(522,203)	1,072,687	274,230
Compensated Absences	1,076,626	575,633	(679,742)	972,517	679,741
Total Governmental Activities	<u>\$10,609,832</u>	<u>\$ 575,633</u>	<u>\$ (1,624,235)</u>	<u>\$ 9,561,230</u>	<u>\$ 1,761,207</u>
Business-Type Activities:					
Revenue Bonds	\$ 3,455,751	\$ -	\$ (176,617)	\$ 3,279,134	\$ 351,671
Bond Premium	154,190	-	(15,419)	138,771	15,419
Capital Lease	3,006,450	-	(377,902)	2,628,548	393,770
Compensated Absences	10,567	4,808	(7,254)	8,121	7,254
Total Business-Type Activities	<u>\$ 6,626,958</u>	<u>\$ 4,808</u>	<u>\$ (577,192)</u>	<u>\$ 6,054,574</u>	<u>\$ 768,114</u>

Debt service requirements on long-term debt at June 30, 2010 are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 773,329	\$ 252,475	\$ 351,671	\$ 114,813
2012	800,825	228,863	364,175	104,075
2013	824,885	204,477	375,115	92,986
2014	848,944	179,369	386,056	81,568
2015	876,440	149,106	398,560	67,806
2016-2019	3,086,443	226,805	1,403,557	103,139
Totals	<u>\$ 7,210,866</u>	<u>\$ 1,241,095</u>	<u>\$ 3,279,134</u>	<u>\$ 564,387</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

B. 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, 2010, totaled \$443,235.

C. Commitments

The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$1,999,592 for the year ended June 30, 2010. Contractual payments due in fiscal year 2010-2011 are budgeted for \$2,158,200.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 OTHER INFORMATION (CONTINUED)

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, 2010 was \$6,124,250. The Town's total payroll was \$6,691,950.

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

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus investment earnings. Each employee's contribution and amount of employer's contribution is based upon the employee's status in accordance with the Fair Labor Standards Act (FLSA). For all non-exempt employees under FLSA the employee to employer contribution rate was 1:1; for exempt employees the ratio was 2:1; and directors and the Town Manager have a 3:1 ratio. During fiscal year 2009-10, the Town's required and actual contributions amounted to \$91,858. The employees' contributions totaled \$120,242.

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 2009-2010 or as of the close of the fiscal year.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System

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

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

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and The Town's contribution rate. For the year ended June 30, 2010, active plan members and The Town were each required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent retirement, .66 percent for health insurance premium, and 0.4 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2010 and prior two fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	\$ 336,655	\$ 26,642	\$ 16,019
2009	357,502	46,493	22,570
2008	346,205	45,157	21,503

Public Safety Personnel Retirement System (PSPRS)

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

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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, 2009 (the date of the latest available information), the Town’s annual pension cost of \$806,196 was equal to the Town’s required and actual contributions.

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

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 382,203	100 %	\$ -
2008	521,840	100	-
2009	806,196	100	-

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.

The required contribution was determined as part of the June 30, 2009 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.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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, Arizona'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, 2009, was 27 years.

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

Funded Status and Funding Progress – As of June 30, 2009, the most recent actuarial valuation date, the plan was 51.3% funded. The actuarial accrued liability for benefits was \$18.2 million, and the actuarial value of assets was \$9.3 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$8.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.2 million, and the ratio of the UAAL to the covered payroll was 407.1%. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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

Paradise Valley Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2007	\$ 9,213,308	\$ 17,454,538	52.8%	\$ (8,241,230)	\$ 1,826,525	-451.2%
2008	9,394,188	17,475,538	53.8%	(8,081,350)	2,317,615	-348.7%
2009	9,327,908	18,184,910	51.3%	(8,857,002)	2,175,438	-407.1%

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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.

**TOWN OF PARADISE VALLEY, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	Special Revenue				Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	
ASSETS					
Cash and Investments	\$ 16,329	\$ -	\$ 13	\$ 41,265	\$ 57,607
Receivables:					
Accounts Receivable	6	1,286	-	-	1,292
Total Assets	<u>\$ 16,335</u>	<u>\$ 1,286</u>	<u>\$ 13</u>	<u>\$ 41,265</u>	<u>\$ 58,899</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Due to Other Funds	\$ -	\$ 1,286	\$ -	\$ -	\$ 1,286
Fund Balance:					
Unreserved	16,335	-	13	41,265	57,613
Total Fund Balance	<u>16,335</u>	<u>-</u>	<u>13</u>	<u>41,265</u>	<u>57,613</u>
Total Liabilities and Fund Balance	<u>\$ 16,335</u>	<u>\$ 1,286</u>	<u>\$ 13</u>	<u>\$ 41,265</u>	<u>\$ 58,899</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010**

	Special Revenue				Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	
REVENUES					
Intergovernmental Revenue	\$ -	\$ 175,671	\$ 1,338	\$ -	\$ 177,009
Contribution and Donations	9,076	-	-	-	9,076
Investment Income	-	-	55	38	93
Total Revenues	<u>9,076</u>	<u>175,671</u>	<u>1,393</u>	<u>38</u>	<u>186,178</u>
EXPENDITURES					
Current:					
General Government	7,921	20,045	-	-	27,966
Public Safety	3,597	2,927	6,831	-	13,355
Highway and Streets	-	152,699	-	-	152,699
Total Expenditures	<u>11,518</u>	<u>175,671</u>	<u>6,831</u>	<u>-</u>	<u>194,020</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,442)	-	(5,438)	38	(7,842)
FUND BALANCE					
Beginning of Year	18,777	-	5,451	41,227	65,455
End of Year	<u>\$ 16,335</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 41,265</u>	<u>\$ 57,613</u>

**TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Capital Outlay	\$ 334,000	\$ 108,752	\$ 225,248
Excess (Deficiency) of Revenues Over Expenditures	(334,000)	(108,752)	225,248
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,007,183	1,007,183
Transfers Out	(681,288)	(143,977)	537,311
Total Other Financing Sources (Uses)	(681,288)	863,206	1,544,494
Net Change in Fund Balance	(1,015,288)	754,454	1,769,742
FUND BALANCE			
Beginning of Year	3,210,798	966,449	(2,244,349)
End of Year	\$ 2,195,510	\$ 1,720,903	\$ (474,607)

TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Current			
General Government	\$ -	\$ 93	\$ (93)
Debt Service:			
Principal Retirement	389,274	388,383	891
Interest on Long-term Debt	292,014	291,345	669
Total Expenditures	<u>681,288</u>	<u>679,821</u>	<u>1,467</u>
Excess (Deficiency) of Revenues Over Expenditures	(681,288)	(679,821)	1,467
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>681,288</u>	<u>5,282,084</u>	<u>4,600,796</u>
Net Change in Fund Balance	-	4,602,263	4,602,263
FUND BALANCE			
Beginning of Year	233	1,712,329	1,712,096
End of Year	<u>\$ 233</u>	<u>\$ 6,314,592</u>	<u>\$ 6,314,359</u>

TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DONATIONS FUND
YEAR ENDED JUNE 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Contributions and Donations	\$ 20,000	\$ 9,076	\$ (10,924)
EXPENDITURES			
Current:			
General Government	18,000	7,921	10,079
Public Safety	5,930	3,597	2,333
Total Expenditures	<u>23,930</u>	<u>11,518</u>	<u>12,412</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,930)	(2,442)	1,488
FUND BALANCE			
Beginning of Year	19,543	18,777	(766)
End of Year	<u>\$ 15,613</u>	<u>\$ 16,335</u>	<u>\$ 722</u>

TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 178,000	\$ 175,671	\$ (2,329)
EXPENDITURES			
Current:			
General Government	25,000	20,045	4,955
Public Safety	3,000	2,927	73
Highway and Streets	150,000	152,699	(2,699)
Total Expenditures	<u>178,000</u>	<u>175,671</u>	<u>2,329</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
FUND BALANCE			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FORFEITURE FUND
YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ -	\$ 1,338	\$ 1,338
Interest	100	55	(45)
Total Revenue	<u>100</u>	<u>1,393</u>	<u>1,293</u>
 EXPENDITURES			
Current:			
Public Safety	<u>5,552</u>	<u>6,831</u>	<u>(1,279)</u>
 Excess (Deficiency) of Revenues Over Expenditures	(5,452)	(5,438)	14
 FUND BALANCE			
Beginning of Year	<u>5,452</u>	<u>5,451</u>	<u>(1)</u>
End of Year	<u><u>\$ -</u></u>	<u><u>\$ 13</u></u>	<u><u>\$ 13</u></u>

STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 24,086,252	\$ 36,521,049	\$ 36,681,403	\$ 62,658,461
Restricted	7,409,340	2,646,210	3,547,005	2,458,089
Unrestricted	20,131,888	19,232,729	21,212,662	23,122,328
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>
Business-Type Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 12,317,460	\$ 12,387,573	\$ 12,537,954	\$ 12,944,276
Restricted	1,460,850	2,050,411	2,314,437	3,253,695
Unrestricted	2,280,522	2,246,455	2,849,958	3,135,872
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>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$ 36,403,712	\$ 48,908,622	\$ 49,219,357	\$ 75,602,737
Restricted	8,870,190	4,696,621	5,861,442	5,711,784
Unrestricted	22,412,410	21,479,184	24,062,620	26,258,200
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>

Source: Town's Finance Department.

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

Fiscal Year			
2007	2008	2009	2010
\$ 69,273,164	\$ 65,329,267	\$ 70,546,752	\$ 70,077,412
3,506,945	4,179,307	3,498,527	2,595,469
<u>23,653,783</u>	<u>29,279,737</u>	<u>20,776,493</u>	<u>22,373,381</u>
<u>\$ 96,433,892</u>	<u>\$ 98,788,311</u>	<u>\$ 94,821,772</u>	<u>\$ 95,046,262</u>
\$ 14,058,457	\$ 14,937,435	\$ 15,875,113	\$ 16,176,951
3,374,755	3,639,972	3,393,316	2,746,466
<u>3,548,306</u>	<u>3,876,571</u>	<u>3,556,209</u>	<u>3,855,763</u>
<u>\$ 20,981,518</u>	<u>\$ 22,453,978</u>	<u>\$ 22,824,638</u>	<u>\$ 22,779,180</u>
\$ 83,331,621	\$ 80,266,702	\$ 86,421,865	\$ 86,254,363
6,881,700	7,819,279	6,891,843	5,341,935
<u>27,202,089</u>	<u>33,156,308</u>	<u>24,332,702</u>	<u>26,229,144</u>
<u>\$117,415,410</u>	<u>\$121,242,289</u>	<u>\$ 117,646,410</u>	<u>\$ 117,825,442</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
EXPENSES					
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 Expenses	<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	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>
PROGRAM REVENUES					
Governmental Activities:					
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	5,530,770	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>

Source: The Town's Finance Department.

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

Fiscal Year		
2008	2009	2010
\$ 7,504,799	\$ 9,318,797	\$ 5,857,493
8,578,890	9,127,589	8,040,162
3,698,363	6,150,305	2,151,001
190,310	424,849	301,622
<u>19,972,362</u>	<u>25,021,540</u>	<u>16,350,278</u>
2,141,828	2,327,149	2,207,903
135,774	129,335	125,529
<u>2,277,602</u>	<u>2,456,484</u>	<u>2,333,432</u>
<u>\$ 22,249,964</u>	<u>\$ 27,478,024</u>	<u>\$ 18,683,710</u>
\$ 3,956,275	\$ 3,185,130	\$ 2,564,613
105,585	102,323	143,867
16,036	-	53,349
1,156,860	929,564	856,445
400,000	502,684	152,699
<u>5,634,756</u>	<u>4,719,701</u>	<u>3,770,973</u>
2,827,143	2,469,706	2,066,141
218,940	216,459	245,390
409,800	681,569	31,500
<u>3,455,883</u>	<u>3,367,734</u>	<u>2,343,031</u>
<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>	<u>\$ 6,114,004</u>

(Continued)

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

(Concluded)	Fiscal Year				
	2003	2004	2005	2006	2007
NET (EXPENSE) REVENUE					
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>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
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 Revenue	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 Income	739,423	651,012	608,214	991,870	1,332,700
Miscellaneous	(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 Income	(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>
CHANGE IN NET ASSETS					
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 Finance Department.

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

Fiscal Year		
2008	2009	2010
\$ (14,337,606)	\$ (20,301,839)	\$ (12,579,305)
1,178,281	911,250	9,599
<u>\$ (13,159,325)</u>	<u>\$ (19,390,589)</u>	<u>\$ (12,569,706)</u>

\$ 10,499,929	\$ 9,386,335	\$ 8,051,632
1,003,231	1,001,103	999,785
3,225,005	3,180,361	2,807,201
557,250	504,145	465,343
1,406,610	1,569,907	358,326
-	-	-
-	693,449	121,508
<u>16,692,025</u>	<u>16,335,300</u>	<u>12,803,795</u>

294,179	152,859	66,451
-	(693,449)	(121,508)
<u>294,179</u>	<u>(540,590)</u>	<u>(55,057)</u>
<u>\$ 16,986,204</u>	<u>\$ 15,794,710</u>	<u>\$ 12,748,738</u>

\$ 2,354,419	\$ (3,966,539)	\$ 224,490
1,472,460	370,660	(45,458)
<u>\$ 3,826,879</u>	<u>\$ (3,595,879)</u>	<u>\$ 179,032</u>

**TOWN OF PARADISE VALLEY, ARIZONA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST EIGHT 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	1,064,624	1,284,215	1,301,858	1,312,499	1,060,392
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	233,302	210,724	206,705	209,230	210,932
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 Finance Department.

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

Fiscal Year		
2008	2009	2010
\$ 4,467,270	\$ 3,217,704	\$ 2,592,630
134,211	150,885	149,236
<u>1,033,275</u>	<u>1,351,112</u>	<u>1,029,107</u>
<u>5,634,756</u>	<u>4,719,701</u>	<u>3,770,973</u>
3,236,943	3,151,275	2,097,641
<u>218,940</u>	<u>216,459</u>	<u>245,390</u>
<u>3,455,883</u>	<u>3,367,734</u>	<u>2,343,031</u>
<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>	<u>\$ 6,114,004</u>

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund:					
Reserved	\$ 7,033	\$ 6,562	\$ -	\$ 102,818	\$ -
Unreserved	20,426,716	20,452,255	20,237,163	19,900,194	21,897,439
Total General Fund	<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>
All Other Governmental Funds:					
Unreserved, Reported in:					
Special Revenue Funds	\$ 1,133,776	\$ 822,904	\$ 810,472	\$ 816,602	\$ 1,734,576
Debt Service Funds	1,416	354	170	85	210
Capital Projects Funds	9,793,128	9,452,025	6,598,698	1,829,523	1,829,523
Total All Other Governmental Funds	<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>

Source: The Town's Finance Department.

Fiscal Year				
2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -
23,838,710	24,368,110	26,023,277	19,055,184	14,865,748
<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>	<u>\$ 26,023,277</u>	<u>\$ 19,055,184</u>	<u>\$ 14,865,748</u>
\$ 2,475,642	\$ 3,524,830	\$ 4,199,455	\$ 3,147,999	\$ 2,444,644
367	512	232	1,712,329	6,314,592
-	-	4,069,161	1,130,425	1,864,879
<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>	<u>\$ 8,268,848</u>	<u>\$ 5,990,753</u>	<u>\$ 10,624,115</u>

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

	Fiscal Year				
	2001	2002	2003	2004	2005
REVENUES					
Taxes	\$ 8,345,971	\$ 8,138,494	\$ 8,248,062	\$ 8,636,570	\$ 9,019,881
Intergovernmental	4,326,270	4,093,680	4,134,715	4,235,005	4,249,702
Fines and Forfeitures	619,438	902,293	1,020,489	905,824	1,083,724
Licenses and Permits	897,042	772,843	864,180	1,204,140	1,686,194
Charges for Services	-	-	-	-	187,077
Investment Income	1,922,948	1,571,249	739,423	651,012	608,214
Other	148,711	159,080	131,729	364,812	143,797
Total Revenues	<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>
EXPENDITURES					
General Government	4,126,971	4,941,590	4,801,152	5,215,411	5,059,155
Public Safety	4,000,252	4,451,529	4,608,673	4,763,692	5,154,489
Highways and Streets	1,361,034	1,593,172	1,408,277	1,532,470	1,430,165
Capital Outlay	5,487,184	6,811,425	7,232,833	9,666,243	2,967,196
Debt Service					
Issuance Costs	-	-	-	-	-
Principal Retirement	677,083	707,571	731,230	131,718	135,377
Interest on Long-Term Debt	216,401	187,410	156,313	124,508	119,167
Total Expenditures	<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>
Excess of Revenues Over (Under) Expenditures	391,455	(3,055,058)	(3,799,880)	(5,436,679)	2,113,040
OTHER FINANCING SOURCES (USES)					
Transfers In	7,086,884	5,686,872	5,328,615	5,309,176	4,086,764
Transfers Out	(6,778,548)	(5,737,795)	(5,328,615)	(5,303,565)	(4,086,764)
Issuance of Long-Term Debt	-	-	-	-	-
Premium on Issuance of Long-Term Debt	-	-	-	-	-
Payment of Escrow Agent	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-
Proceeds from Capital Leases	836,973	2,478,012	712,283	433,787	699,486
Total Other Financing Sources (Uses)	<u>1,145,309</u>	<u>2,427,089</u>	<u>712,283</u>	<u>439,398</u>	<u>699,486</u>
Net Changes in Fund Balance	<u>\$ 1,536,764</u>	<u>\$ (627,969)</u>	<u>\$ (3,087,597)</u>	<u>\$ (4,997,281)</u>	<u>\$ 2,812,526</u>
Debt Service as a Percentage of Non-Capital Expenditures	8.60%	7.50%	7.60%	2.20%	2.10%

Source: The Town's Finance Department.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 9,951,208	\$11,290,054	\$11,503,160	\$10,387,438	\$ 9,051,417
4,849,824	4,656,254	4,921,207	4,835,686	4,272,612
1,228,545	1,505,931	1,630,753	1,351,919	1,133,627
1,847,924	3,238,562	2,197,361	1,159,347	982,740
-	-	-	-	490,095
991,870	1,332,700	1,406,610	1,569,914	358,326
650,580	366,621	302,014	769,388	9,076
<u>19,519,951</u>	<u>22,390,122</u>	<u>21,961,105</u>	<u>20,073,692</u>	<u>16,297,893</u>
5,450,586	7,066,224	7,661,674	7,346,335	5,686,505
5,371,429	6,673,289	8,836,058	8,968,496	7,864,339
1,622,491	1,680,913	1,901,078	2,077,779	1,616,151
6,799,178	7,531,375	3,946,895	11,155,915	128,752
-	-	-	130,596	-
140,865	146,354	151,842	715,506	388,383
113,642	107,897	101,896	346,510	291,345
<u>19,498,191</u>	<u>23,206,052</u>	<u>22,599,443</u>	<u>30,741,137</u>	<u>15,975,475</u>
21,760	(815,930)	(638,338)	(10,667,445)	322,418
5,951,668	8,028,562	4,455,825	10,985,963	6,289,267
(5,951,668)	(8,028,562)	(4,455,825)	(10,292,514)	(6,167,759)
-	-	-	7,599,249	-
-	-	-	339,067	-
-	-	-	(2,032,486)	-
-	-	-	(5,770,711)	-
831,211	2,394,663	7,037,011	592,689	-
<u>831,211</u>	<u>2,394,663</u>	<u>7,037,011</u>	<u>1,421,257</u>	<u>121,508</u>
<u>\$ 852,971</u>	<u>\$ 1,578,733</u>	<u>\$ 6,398,673</u>	<u>\$ (9,246,188)</u>	<u>\$ 443,926</u>
2.00%	1.60%	1.3%	4.3%	4.5%

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

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
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
2008	8,401,809	2,098,120	1,003,231	11,503,160
2009	7,518,403	1,867,932	1,001,103	10,387,438
2010	5,972,752	2,078,880	999,785	9,051,417

Source: The Town's Finance Department.

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 285,320	\$ 277,710	\$ 314,342	\$ 229,257	\$ 362,906
Construction	1,878,176	1,843,284	2,080,016	2,208,058	2,204,092
Manufacturing	163,527	171,075	171,308	171,078	223,540
Retail trade	141,704	164,005	205,196	322,360	164,793
Finance, Insurance and Real Estate	88,024	204,334	195,185	250,747	241,291
Hospitality	2,452,965	2,177,665	2,173,731	2,089,442	2,474,965
Services	125,564	157,096	117,482	152,926	160,672
Other	81,622	142,425	96,596	181,884	227,234
Total	<u>\$ 5,216,902</u>	<u>\$ 5,137,594</u>	<u>\$ 5,353,856</u>	<u>\$ 5,605,752</u>	<u>\$ 6,059,493</u>
Bed Tax Collected	<u>\$ 2,417,867</u>	<u>\$ 2,167,238</u>	<u>\$ 2,178,804</u>	<u>\$ 2,284,826</u>	<u>\$ 2,200,781</u>

Source: Arizona Department of Revenue

(1) Sales tax increased from 1.2% to 1.4% effective January 1, 1999, and from 1.4% to 1.65% effective September 1, 2004. Use tax of 1.4% added effective April 1, 1999.

Fiscal Year

2006	2007	2008	2009	2010
\$ 385,466	\$ 399,465	\$ 467,913	\$ 442,206	\$ 499,069
2,751,534	3,951,997	4,420,843	3,622,160	2,250,756
243,507	174,371	101,628	85,475	85,959
210,152	234,595	311,592	218,354	223,429
267,236	400,899	377,621	226,801	165,509
2,603,157	2,507,944	2,253,947	2,510,902	2,464,680
173,674	231,145	206,628	200,520	147,522
203,663	229,310	261,637	211,986	135,828
<u>\$ 6,838,389</u>	<u>\$ 8,129,726</u>	<u>\$ 8,401,809</u>	<u>\$ 7,518,404</u>	<u>\$ 5,972,752</u>
<u>\$ 2,288,037</u>	<u>\$ 2,244,797</u>	<u>\$ 2,098,120</u>	<u>\$ 1,867,932</u>	<u>\$ 2,078,880</u>

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

Privilege (Sales) Tax Rates

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>County Rate</u>	<u>State Rate</u>
2003	1.40%	0.00%	5.60%
2004	1.40%	0.00%	5.60%
2005	1.65%	0.00%	5.60%
2006	1.65%	0.00%	5.60%
2007	1.65%	0.00%	5.60%
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%

Use Tax Rates

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>County Rate</u>	<u>State Rate</u>
2003	1.40%	0.00%	5.60%
2004	1.40%	0.00%	5.60%
2005	1.65%	0.00%	5.60%
2006	1.65%	0.00%	5.60%
2007	1.65%	0.00%	5.60%
2008	1.65%	0.00%	5.60%
2009	1.65%	0.00%	5.60%
2010	1.65%	0.00%	6.60%

Bed Tax Rates

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>County Rate</u>	<u>State Rate</u>
2003	3.00%	1.77%	5.50%
2004	3.00%	1.77%	5.50%
2005	3.00%	1.77%	5.50%
2006	3.00%	1.77%	5.50%
2007	3.00%	1.77%	5.50%
2008	3.00%	1.77%	5.50%
2009	3.00%	1.77%	5.50%
2010	3.00%	1.77%	6.50%

Source: Maricopa County Treasurer.

Note: Information prior to 2003 was not available.

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

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	Capital Leases	Excise Tax Revenue Bonds	Capital Leases			
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
2008	2,192	8,045	3,798	3,369	17,404	1,224	14,215
2009	7,599	1,595	3,456	3,006	15,656	1,084	14,444
2010	7,211	1,073	3,279	2,628	14,191	966	14,686

Source: The Town's Finance Department.

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

Fiscal Year	Excise Tax Revenue Bonds			Coverage
	Excise Tax	Principal	Interest	
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
2008	17,483	415	278	25.23
2009	14,727	435	261	21.16
2010	12,841	565	414	13.12

Source: The Town's Finance Department.

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

Fiscal Year	Population	Median Household Income	Per Capita Income
2001	13,664	(a)	(a)
2002	13,915	(a)	(a)
2003	14,090	(a)	(a)
2004	14,215	(a)	(a)
2005	14,410	(a)	(a)
2006	13,863	(a)	(a)
2007	14,000	(a)	(a)
2008	14,215	\$ 187,128	\$ 100,251
2009	14,444	(a)	(a)
2010	14,686	(a)	(a)

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

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

(a) Information was not available.

**TOWN OF PARADISE VALLEY, ARIZONA
PRINCIPAL EMPLOYERS
CALENDAR YEARS 2009 AND 2003
(UNAUDITED)**

	<u>2009</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Camelback Inn	860	32.1%	580	24.3%
Scottsdale Plaza Resort	392	14.6%	388	16.3%
Marriott's Mountain Shadows	-	0.0%	307	12.9%
Sanctuary on Camelback Mountain	357	13.3%	250	10.5%
InterContinental Montelucia Resort and Joya Spa	300	11.2%	-	0.0%
DoubleTree Paradise Valley Resort	180	6.9%	220	9.2%
Doubletree La Posada Resort	-	0.0%	207	8.7%
Phoenix County Day School	155	5.8%	138	5.8%
Paradise Valley Country Club	141	5.3%	100	4.2%
Town of Paradise Valley	106	3.7%	95	4.0%
Scottsdale Cottonwoods LLC	99	3.7%	-	0.0%
Hermosa Inn	92	3.4%	100	4.1%
Total	<u><u>2,682</u></u>	<u><u>100.0%</u></u>	<u><u>2,385</u></u>	<u><u>100.0%</u></u>

Source: Maricopa Association of Governments.

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

Full-Time Equivalent Employees										
Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government:										
Town Manager	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0
Town Attorney	4.0	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	8.0	7.7	7.7	7.2	7.2	8.2	8.5
Planning and Building	8.4	8.7	9.0	9.0	9.0	11.0	13.0	13.0	13.0	9.0
Court	4.6	4.6	5.3	5.3	5.3	5.4	5.4	5.7	5.9	5.2
Engineering	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Public Works	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0
Police:										
Officers	35.0	35.0	34.0	35.0	36.0	36.0	36.0	36.0	36.0	30.0
Civilians	8.6	8.6	10.3	10.3	10.3	10.3	10.3	10.5	10.5	10.5
Fire Service:										
Civilians	-	-	-	-	-	-	-	1.0	1.0	-
Highways and Streets	12.0	13.0	13.0	13.0	13.7	14.0	14.0	14.0	14.0	13.0
Sewer System	1.0	1.0	1.0	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Alarm Monitoring System	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	90.6	91.9	94.6	95.3	97.0	99.4	100.9	102.4	105.6	90.2

Source: Town's Finance Department.

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
General Government:					
Building Permits Issued	880	850	823	941	1,019
Value of Building Permits Issued	\$ 99,473,625	\$ 98,276,680	\$ 105,004,033	\$ 127,825,265	\$ 172,799,125
Police:					
Physical Arrests	(a)	267	240	293	341
Parking Violations	(a)	273	280	490	514
Traffic Violations	(a)	2,846	2,672	3,806	4,162
Other Public Works:					
Street Resurfacing (Miles)	11	6	9	8	10
Sidewalks (Linear Feet)	-	-	1,371	3,374	-
Potholes Repaired	198	211	204	193	205
Sewer System:					
Number of Customers	1,797	1,872	1,901	1,916	1,938

Source: The Town of Paradise Valley.

(a) Information was not available.

Fiscal Year			
2007	2008	2009	2010
1,059	950	665	499
\$ 312,280,046	\$ 177,127,174	\$ 86,505,523	\$ 54,467,751
334	270	242	240
669	582	285	1,789
2,946	2,529	1,509	2,203
10	9	31	-
2,025	24,725	-	-
150	115	70	17
1,985	2,016	2,065	2,086

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Police:					
Stations	1	1	1	1	1
Patrol and Detective Vehicles	20	20	20	20	20
Fire Service:					
Stations					
Fire Pumpers, Support Vehicles	-	-	-	-	
Other Public Works:					
Streets (Miles)	140	140	140	140	140
Traffic Signals	12	12	12	12	12
Wastewater:					
Sanitary Sewers (Feet)	301,772	304,467	305,319	307,444	311,409
Treatment Capacity (Thousands of Gallons)	880	880	880	880	1,026

Source: The Town of Paradise Valley.

Fiscal Year			
2007	2008	2009	2010
1	1	1	1
20	25	28	25
2	2	2	2
3	4	4	3
140	140	140	140
12	12	12	12
317,059	320,890	325,029	325,029
1,026	1,026	1,026	1,026

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