

TOWN OF PARADISE VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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. Christine Covell, CPA
Senior Accountant

Prepared by:
Finance Department

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INTRODUCTORY SECTION

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December 8, 2011

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, 2011 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, 2011. 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 16.5 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 in the General Fund and by fund for all other funds. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. 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 56% of total governmental fund revenues. Local taxes declined 1% from fiscal year 2010. 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. Development of a new resort, the Ritz-Carlton has been delayed indefinitely due to the current state of the economy. Some preliminary discussions have taken place regarding redevelopment of the Mountain Shadows resort hotel site. 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 hospitality and bed taxes increased 8.5% 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 significantly impacted the luxury home market but overall construction activity is expected to flatten out in FY 2011-12. There was no significant commercial construction in fiscal year 2011.

Revenues from the construction industry declined for the third straight year. Construction sales tax revenues declined 27% while permit revenues increased 11.2% from fiscal year 2010. Permit revenues accounted for 7% of governmental fund revenues in fiscal years 2010 and 2011.

State shared revenues were 18% of total governmental revenues in fiscal year 2011. 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 13%. In particular state shared income tax had a 12.8% decrease from the previous year, reflecting the significant drop in income taxes collected by the State of Arizona in fiscal year 2009.

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, 2011, 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 has continued to maintain a balanced budget and strong cash reserves consistent with its adopted financial policies and management practices. That has been a significant challenge over the past three years including FY 2010-11.

The FY 2011-12 Town Budget forecast assumes the recent economic downturn will stabilize although state shared revenues will be down by a little less than a million dollars due to the 2010 census population adjustments. The Town increased its bed tax rate from 3% to 3.4% effective August 1, 2010. The additional bed tax revenue is being used to increase the Town's support to the Scottsdale Convention & Visitors Bureau.

The Town Council also increased the local sales and use tax rate from 1.65% to 2.5% for a period of three years. The estimated annual revenues of about \$2.9M are not reflected in the FY 2011-12 revenue budget because the decision to increase the tax rate was made after the final budget was adopted. However, the revenues will increase the Town's cash reserves.

Staff will also explore the feasibility and possible implementation of a fire service fee to supplement Town revenues when the sales tax rate increase sunsets and returns to 1.65%.

The FY 2011-12 budget also included another restructuring that resulted in the elimination of seven positions and made modest reductions in employee benefits.

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, 2010. This was the second 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



Christine Covell, CPA
Senior Accountant

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, 2010

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.

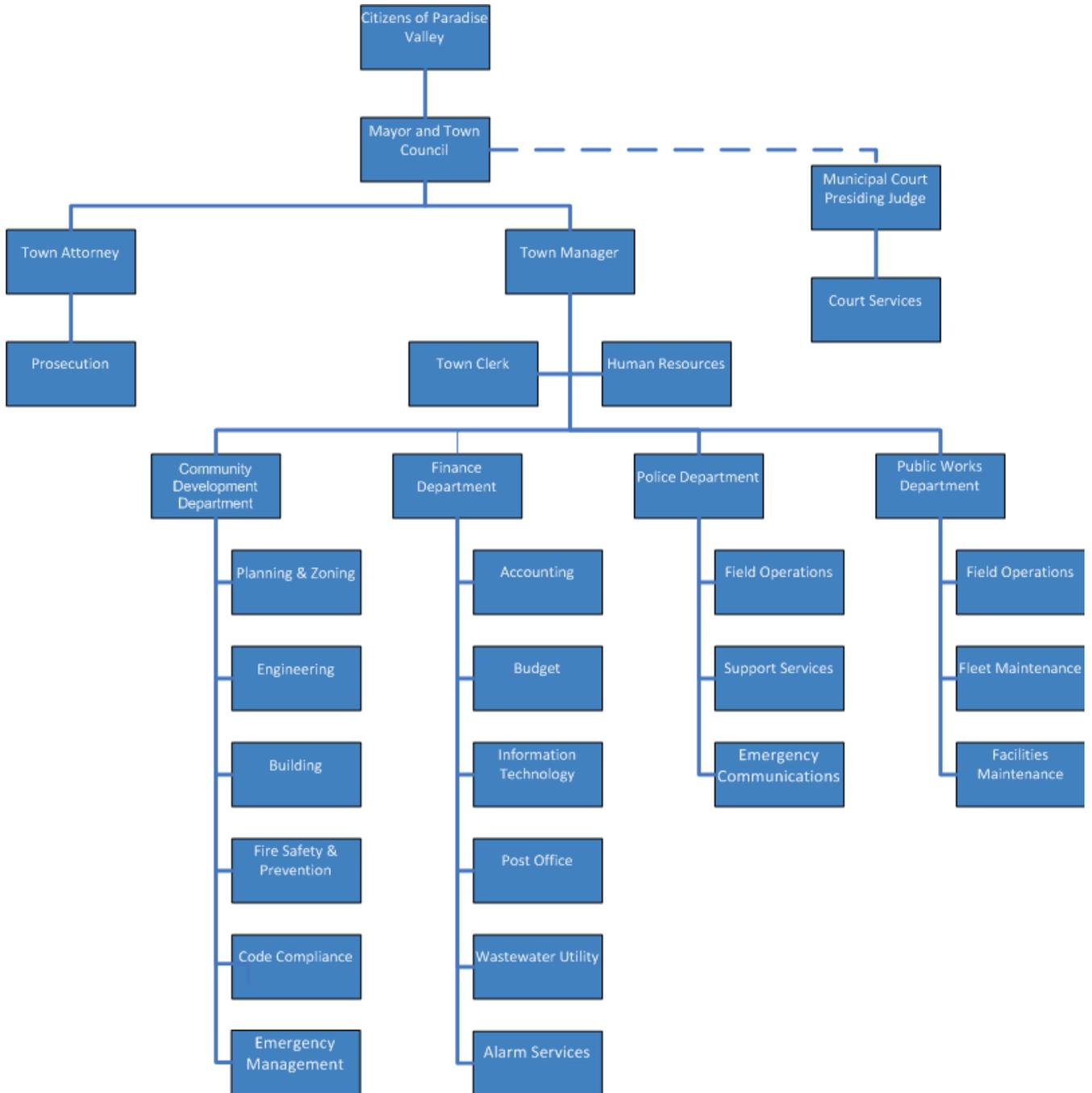


President

Executive Director



Town of Paradise Valley Town Organizational Chart FY 2011-12



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, 2011, 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, 2011, 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.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

The management's discussion and analysis on pages 9 - 18 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 54 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 required parts 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
December 8, 2011

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011 and 2010. 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 2011 and 2010 are as follows:

- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year 2011 and 2010 by \$117.0 million and \$117.8 million (net assets), respectively. Of these amounts, \$26.7 million and \$26.2 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ Total net assets decreased by \$.8 million and increased by \$.2 million during fiscal years 2011 and 2010, respectively.
- ◆ As of June 30, 2011 and 2010, the Town's governmental funds reported combined ending fund balances of \$24.7 million and \$25.5 million, respectively, which were comprised of mostly restricted, assigned, and unassigned fund balances.
- ◆ At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$14.0 million or 93% of total General Fund revenues of \$15.0 million and 104% of total General Fund expenditures of \$13.4 million. At the close of fiscal year 2010, unreserved fund balance for the General Fund was \$14.9 million or 97% of General Fund revenues of \$15.3 million and 110% of General Fund expenditures of \$13.5 million.
- ◆ During fiscal year 2011, the Town's total bonded debt decreased by \$1,125,000 in comparison to the decrease of \$565,000 in fiscal year 2010.

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, 2011**

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, 2011**

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 (general fund, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, 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 54 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, 2011**

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 \$117.0 million and \$117.8 million at the close of the fiscal year 2011 and 2010 respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and Other Assets	\$ 27,925,761	\$ 28,548,152	\$ 6,776,437	\$ 7,165,420	\$ 34,702,198	\$ 35,713,572
Capital Assets						
Non-Depreciable	44,427,088	44,427,088	14,349,766	14,349,766	58,776,854	58,776,854
Depreciable (Net)	32,756,827	34,239,037	7,693,592	7,873,638	40,450,419	42,112,675
Total Assets	<u>105,109,676</u>	<u>107,214,277</u>	<u>28,819,795</u>	<u>29,388,824</u>	<u>133,929,471</u>	<u>136,603,101</u>
LIABILITIES						
Other Liabilities	2,781,070	2,606,785	499,482	555,070	3,280,552	3,161,855
Non-Current Liabilities:						
Due Within One Year	1,757,154	1,761,207	791,874	768,114	2,549,028	2,529,321
Due in More Than						
One Year	6,620,209	7,800,023	4,501,223	5,286,460	11,121,432	13,086,483
Total Liabilities	<u>11,158,433</u>	<u>12,168,015</u>	<u>5,792,579</u>	<u>6,609,644</u>	<u>16,951,012</u>	<u>18,777,659</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	69,676,668	70,077,412	16,757,765	16,176,951	86,434,433	86,254,363
Restricted	1,786,639	2,595,469	2,075,256	2,746,466	3,861,895	5,341,935
Unrestricted	22,487,936	22,373,381	4,194,195	3,855,763	26,682,131	26,229,144
Total Net Assets	<u>\$ 93,951,243</u>	<u>\$ 95,046,262</u>	<u>\$ 23,027,216</u>	<u>\$ 22,779,180</u>	<u>\$ 116,978,459</u>	<u>\$ 117,825,442</u>

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 \$86.4 million (73.9%) and \$86.3 million (73.2%) for the fiscal years 2011 and 2010, 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, 2011**

An additional portion of the Town's net assets, \$3.9 million (3.3%) for fiscal year 2011 and \$5.3 million (4.5%) for fiscal year 2010, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2011 and 2010, \$26.7 million (22.8%) and \$26.2 million (22.3%) 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 decreased by \$0.8 million and increased by \$0.2 million during the fiscal years 2011 and 2010 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	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 2,970,338	\$ 2,761,829	\$ 2,520,462	\$ 2,311,531	\$ 5,490,800	\$ 5,073,360
Operating Grants and Contributions	844,615	856,445	-	-	844,615	856,445
Capital Grants and Contributions	-	152,699	92,500	31,500	92,500	184,199
General Revenues:						
Local Taxes	8,952,403	9,051,417	-	-	8,952,403	9,051,417
State Shared Revenues	2,855,973	3,272,544	-	-	2,855,973	3,272,544
Investment Income	231,090	358,326	53,973	66,451	285,063	424,777
Total Revenues	15,854,419	16,453,260	2,666,935	2,409,482	18,521,354	18,862,742
EXPENSES						
General Government	6,826,239	5,857,493	-	-	6,826,239	5,857,493
Public Safety	7,787,743	8,040,162	-	-	7,787,743	8,040,162
Highways and Streets	2,225,274	2,151,001	-	-	2,225,274	2,151,001
Interest and Fiscal Charges	267,022	301,622	-	-	267,022	301,622
Sewer System	-	-	2,144,491	2,207,903	2,144,491	2,207,903
Alarm Monitor System	-	-	117,568	125,529	117,568	125,529
Total Expenses	17,106,278	16,350,278	2,262,059	2,333,432	19,368,337	18,683,710
CHANGES IN NET ASSETS BEFORE TRANSFERS	(1,251,859)	102,982	404,876	76,050	(846,983)	179,032
Transfers	156,840	121,508	(156,840)	(121,508)	-	-
CHANGES IN NET ASSETS	(1,095,019)	224,490	248,036	(45,458)	(846,983)	179,032
Net Assets - Beginning of Year	95,046,262	94,821,772	22,779,180	22,824,638	117,825,442	117,646,410
NET ASSETS - END OF YEAR	\$ 93,951,243	\$ 95,046,262	\$ 23,027,216	\$ 22,779,180	\$ 116,978,459	\$ 117,825,442

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Governmental Activities – In fiscal year 2011, governmental activities decreased the net assets of the Town by \$1.2 million (1.3%) before transfers in. Total revenues decreased \$598,841 (3.6%) from fiscal year 2010. Local taxes decreased by \$99,014 (1.1%) primarily due to the adverse impact the recession had on the tourism and the construction industries. In addition, the Town collected \$152,699 less in capital grants due to the purchase of a street sweep in fiscal year 2010.

State shared revenues decreased \$416,571 (12.7%) compared to fiscal year 2010. A decrease in state shared income taxes accounted for the majority of the decrease. The distribution of state shared income tax to municipalities has a two year lag. Thus, the fiscal year 2011 was based on the State's income tax collections from fiscal year 2009 income, the second year of the recession.

Investment income decreased by \$127,236 (35.5%) compared to fiscal year 2010. The Town reported an unrealized investment loss of \$75,321 in fiscal year 2011 compared to an unrealized investment loss of \$.3 million in fiscal year 2010. The yield on investments continues to decline.

Expenses increased \$756,000 (4.6%). This is primarily the result of a \$600,000 increase in nondepartmental expenditures to promote the Town's hospitality industry. The \$600,000 increase was the result of an agreement the Town has with the Scottsdale Convention Center. The Town also benefited financially from the reduction in staff at the end of 2010 and the continued reduction in staff in 2011. The reduction in staff resulted in decreased salary costs; however, the decrease in salary costs were offset by more than \$200,000 in severance pay incurred at the end of the 2011 fiscal year.

Business-Type Activities – Business-type activities increased the Town's net assets by \$404,876 before transfers out in fiscal year 2011. There has been a slight increase in the contribution of sewer lines to the Town in comparison to the prior fiscal year. Developers contributed \$92,500 and \$31,500 in sewer lines to the Town in fiscal year 2011 and 2010 respectively. A \$156,840 and \$121,508 transfer was made from the Alarm Monitor Fund to the Debt Service Fund in 2011 and 2010 respectively. Income from operations of the Sewer and Alarm Fund did not significantly change during the year; however, an increase in development fees accounted for a portion of the current year increase in net assets.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The major governmental funds reported by the Town include the General Fund, Highway User Revenue Fund (HURF), 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 \$24.7 million, a decrease of \$.8 million, or 3.1% in comparison with the prior year. The combined ending fund balances for fiscal year 2010 were \$25.5 million.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

The General Fund is the chief operating fund of the Town. At June 30, 2011, the fund balance of the General Fund was \$14.0 million, or 56.7% of the combined governmental fund balance. The fund balance of the General Fund at June 30, 2010 was \$14.9 million, or 58.3% 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 104.2% and 110.0% of General Fund expenditures for fiscal years 2011 and 2010, respectively. The General Fund balance represents 93.4% and 97.2% of General Fund revenues at June 30, 2011 and 2010 respectively. The General Fund Balance decrease of \$0.9 million from fiscal year 2010 is due primarily to an increase in expenditure from the prior year due to an effort to increase hospitality business revenues. Additionally, the Town experienced a decrease in local taxes and state shared revenues.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2011 was \$1.8 million, a decrease of \$.7 million from June 30, 2010. This decrease is consistent with the decrease reported in the prior fiscal year and is largely due to decreased fuel tax revenues and utilizing carryforward to fund current capital and maintenance projects. The HURF fund balance represents 120.0% and 163.1% of HURF expenditures for fiscal years 2011 and 2010 respectively.

A transfer of \$.95 million was made to the MPC Debt Service Fund from the General Fund and \$.16 million from the HURF Fund to pay fiscal year 2011 debt service principal and interest payments.

The nonmajor governmental funds reported an increase in fund balance of \$639,855 largely due to a transfer of excess general fund fund balance to the capital projects fund for future capital.

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 \$4.2 million for the Sewer System and a negative \$11,979 for Alarm Monitor System.

The total growth in net assets for the enterprise funds was \$248,036 for fiscal year 2011 and the Town experienced a decrease in net assets of \$45,458 in fiscal year 2010. 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 9.3% and fines and forfeitures were above budget by 9.2%. A conservative approach to the budget was taken for these two revenues sources due to the negative impact of the downturn in the economy and the unknown nature of fines to be collected. Investment earnings had a \$.2 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. Rents and royalties fell short of the budget due to the Town budgeting for a new rental source, but budgeting for a full year of revenue, but entering into the agreement half way through the year.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

A \$2.5 million contingency was budgeted to allow for unforeseen emergencies and opportunities. Excluding the contingencies, the actual expenditures were 94.9% of the original budget. The Town managed the decline in revenues by controlling expenditures. The result was that actual revenues exceeded expenses by \$1.6 million compared to the original budget of \$808,960 million (excluding the \$3 million budgeted contingency) before interfund activity. The Town was able to manage expenditures and did not report any over-expenditures.

The Town made only one budget amendment during the fiscal year. The Highway User Fund transferred \$65,000 to the General Fund Public Safety department for anticipated expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2011 and 2010 amount to \$99.2 million and \$100.9 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 purchases were for public safety and street vehicles for approximately \$.2 million.

Business-type capital asset events included sewer line extensions contributed by developers in the amount of \$92,500.

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 2011 and 2010 assets, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 45,497,301	\$ 45,578,251	\$ -	\$ -	\$ 45,497,301	\$ 45,578,251
Infrastructure	21,585,039	22,146,566	-	-	21,585,039	22,146,566
Buildings and Improvements	7,836,721	8,299,521	-	-	7,836,721	8,299,521
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	7,676,665	7,826,618	7,676,665	7,826,618
Machinery, Furniture and Fixtures, Equipment and Vehicles	2,264,854	2,641,787	16,927	47,020	2,281,781	2,688,807
Total Capital Assets	\$ 77,183,915	\$ 78,666,125	\$ 22,043,358	\$ 22,223,404	\$ 99,227,273	\$ 100,889,529

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Debt Administration

At the end of the fiscal years 2011 and 2010, the Town had total long-term obligations outstanding of \$13.7 million and \$15.6 million respectively. Of these amounts, \$9.4 million and \$10.5 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	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$ 6,437,537	\$ 7,210,866	\$ 2,927,463	\$ 3,279,134	\$ 9,365,000	\$ 10,490,000
Bond Premium	271,253	305,160	123,352	138,771	394,605	443,931
Capital Lease	798,457	1,072,687	2,234,778	2,628,548	3,033,235	3,701,235
Compensated Absences	870,116	972,517	7,504	8,121	877,620	980,638
Total Outstanding Debt	<u>\$ 8,377,363</u>	<u>\$ 9,561,230</u>	<u>\$ 5,293,097</u>	<u>\$ 6,054,574</u>	<u>\$ 13,670,460</u>	<u>\$ 15,615,804</u>

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. The Town has significant cash reserves and the fiscal year 2012 operating budget (General Fund and Highway User Revenue Fund) is designed to have recurring revenues exceed recurring expenditures. The estimated surplus of about \$600,000 will be used to help fund debt service and a modest capital improvement program.

The budget forecast assumes the recent economic downturn will stabilize although state shared revenues will be down by a little less than a million dollars due to the 2010 census population adjustments. The Town increased its bed tax rate from 3% to 3.4% effective August 1, 2010. The additional bed tax revenue is being 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 2011 primarily due to the continued slump in the housing market.

The Town Council also increased the local sales and use tax rate from 1.65% to 2.5% for a period of three years. Funding from the sales tax rate increase is designated for public safety. The estimated annual revenues of about \$2.9M are not reflected in the revenue budget because the decision to increase the tax rate was made after the final budget was adopted. However, the revenues will increase the Town's cash reserves in FY 2011-12. The Town Council is in the process of implementing a fire service fee to replace the sales tax rate increase when the sales tax rate increase sunsets and returns to 1.65%.

The 2012 also included another restructuring that resulted in the elimination of seven positions. It also made modest reductions in employee benefits. The budget provides for no market adjustment or merit increases for employees.

**TOWN OF PARADISE VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 25,883,934	\$ 6,581,728	\$ 32,465,662
Receivables, Net:			
Accounts Receivable	1,723,131	45,635	1,768,766
Interest Receivable	70,476	19,050	89,526
Prepaid Items	6,972	3,723	10,695
Internal Activity	10,534	(10,534)	-
Deferred Charges	104,476	68,297	172,773
Restricted Cash and Investments	126,238	68,538	194,776
Capital Assets:			
Non-Depreciable	44,427,088	14,349,766	58,776,854
Depreciable (net)	32,756,827	7,693,592	40,450,419
Total Assets	<u>105,109,676</u>	<u>28,819,795</u>	<u>133,929,471</u>
LIABILITIES			
Accounts Payable	519,902	-	519,902
Accrued Wages and Benefits	532,504	3,740	536,244
Interest Payable	126,238	57,407	183,645
Intergovernmental Payable	-	45,608	45,608
Customer Deposits Payable	298,781	11,131	309,912
Unearned Revenue	1,303,645	381,596	1,685,241
Noncurrent Liabilities:			
Due Within One Year	1,757,154	791,874	2,549,028
Due in More Than One Year	6,620,209	4,501,223	11,121,432
Total Liabilities	<u>11,158,433</u>	<u>5,792,579</u>	<u>16,951,012</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	69,676,668	16,757,765	86,434,433
Restricted for:			
Highways and Streets	1,733,834	-	1,733,834
Capital Outlay	-	2,075,256	2,075,256
Special Projects	52,805	-	52,805
Unrestricted	22,487,936	4,194,195	26,682,131
Total Net Assets	<u>\$ 93,951,243</u>	<u>\$ 23,027,216</u>	<u>\$ 116,978,459</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

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	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 6,826,239	\$ 2,748,788	\$ 19,064	\$ -	\$ (4,058,387)		\$ (4,058,387)
Public Safety	7,787,743	221,550	34,218	-	(7,531,975)		(7,531,975)
Highways and Streets	2,225,274	-	791,333	-	(1,433,941)		(1,433,941)
Interest and Fiscal Charges	267,022	-	-	-	(267,022)		(267,022)
Total Governmental Activities	17,106,278	2,970,338	844,615	-	(13,291,325)		(13,291,325)
Business-Type Activities:							
Sewer System	2,144,491	2,254,806	-	92,500	-	\$ 202,815	202,815
Alarm Monitor System	117,568	265,656	-	-	-	148,088	148,088
Total Business-Type Activities	2,262,059	2,520,462	-	92,500	-	350,903	350,903
Totals	\$ 19,368,337	\$ 5,490,800	\$ 844,615	\$ 92,500	(13,291,325)	350,903	(12,940,422)
General Revenues:							
Taxes:							
					7,944,769	-	7,944,769
					1,007,634	-	1,007,634
					1,349,324	-	1,349,324
					1,053,639	-	1,053,639
					453,010	-	453,010
					231,090	53,973	285,063
					156,840	(156,840)	-
					12,196,306	(102,867)	12,093,439
					(1,095,019)	248,036	(846,983)
					95,046,262	22,779,180	117,825,442
					\$ 93,951,243	\$ 23,027,216	\$ 116,978,459

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Highway User Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Assets					
Cash and Investments	\$ 15,234,566	\$ 1,690,540	\$ 6,396,426	\$ 2,562,402	\$ 25,883,934
Restricted Cash and Investments	-	-	126,238	-	126,238
Receivables, Net:					
Accounts Receivable	1,625,942	65,477	-	31,712	1,723,131
Interest Receivable	70,476	-	-	-	70,476
Due from Other Funds	42,246	-	-	-	42,246
Prepaid Items	6,972	-	-	-	6,972
Total Assets	\$ 16,980,202	\$ 1,756,017	\$ 6,522,664	\$ 2,594,114	\$ 27,852,997
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 519,834	\$ -	\$ -	\$ 68	\$ 519,902
Accrued Wages and Benefits	510,321	22,183	-	-	532,504
Interest Payable	-	-	126,238	-	126,238
Due to Other Funds	-	-	-	31,712	31,712
Deferred Revenue	1,648,755	-	-	-	1,648,755
Customer Deposits Payable	298,781	-	-	-	298,781
Total Liabilities	2,977,691	22,183	126,238	31,780	3,157,892
Fund Balance:					
Nonspendable					
Prepaid Items	6,972	-	-	-	6,972
Restricted					
Restricted	-	1,733,834	-	52,805	1,786,639
Assigned					
Assigned	-	-	6,396,426	2,509,529	8,905,955
Unassigned					
Unassigned	13,995,539	-	-	-	13,995,539
Total Fund Balance	14,002,511	1,733,834	6,396,426	2,562,334	24,695,105
Total Liabilities and Fund Balance	\$ 16,980,202	\$ 1,756,017	\$ 6,522,664	\$ 2,594,114	\$ 27,852,997

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund Balances - Total Governmental Funds \$ 24,695,105

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

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

Land	\$ 44,427,088
Land Improvements	2,023,760
Infrastructure	26,361,903
Buildings and Improvements	12,401,518
Machinery, Equipment, and Vehicles	6,175,330
Total Capital Assets	91,389,599
Less: Accumulated Depreciation	(14,205,684)

77,183,915

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

345,110

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.

Deferred Charges	104,476
Revenue Bonds	(6,437,537)
Bond Premium	(271,253)
Capital Leases	(798,457)
Compensated Absences	(870,116)

(8,272,887)

Total Net Assets of Governmental Activities

\$ 93,951,243

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Highway User Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Revenues:					
Taxes:					
Sales Taxes	\$ 7,944,769	\$ -	\$ -	\$ -	\$ 7,944,769
Franchise Taxes	1,007,634	-	-	-	1,007,634
Intergovernmental Revenue	2,855,973	791,333	-	45,210	3,692,516
Fines and Forfeitures	1,201,432	-	-	-	1,201,432
Licenses and Permits	1,080,207	-	-	-	1,080,207
Charges for Services	356,650	-	-	-	356,650
Rents and Royalties	320,907	-	-	-	320,907
Contributions and Donations	-	-	-	8,072	8,072
Investment Income	231,054	-	-	36	231,090
Total Revenues	<u>14,998,626</u>	<u>791,333</u>	<u>-</u>	<u>53,318</u>	<u>15,843,277</u>
Expenditures:					
Current:					
General Government	5,935,766	-	-	52,126	5,987,892
Public Safety	7,498,481	-	-	5,987	7,504,468
Highways and Streets	-	1,444,530	-	-	1,444,530
Debt Service:					
Principal Retirement	-	-	773,329	-	773,329
Interest on Long-Term Debt	-	-	252,475	-	252,475
Capital Outlay	-	-	-	832,181	832,181
Total Expenditures	<u>13,434,247</u>	<u>1,444,530</u>	<u>1,025,804</u>	<u>890,294</u>	<u>16,794,875</u>
Excess (Deficiency) of Revenues Over Expenditures	1,564,379	(653,197)	(1,025,804)	(836,976)	(951,598)
Other Financing Sources (Uses):					
Transfers In	-	-	1,107,638	1,476,831	2,584,469
Transfers Out	(2,427,629)	-	-	-	(2,427,629)
Total Other Financing Sources (Uses)	<u>(2,427,629)</u>	<u>-</u>	<u>1,107,638</u>	<u>1,476,831</u>	<u>156,840</u>
Net Change in Fund Balance	(863,250)	(653,197)	81,834	639,855	(794,758)
Fund Balance:					
Beginning of Year (As Restated)	14,865,761	2,387,031	6,314,592	1,922,479	25,489,863
End of Year	<u>\$ 14,002,511</u>	<u>\$ 1,733,834</u>	<u>\$ 6,396,426</u>	<u>\$ 2,562,334</u>	<u>\$ 24,695,105</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 OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances-Total Governmental Funds \$ (794,758)

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	\$ 190,485	
Depreciation Expense	<u>(1,651,535)</u>	(1,461,050)
Loss on Disposal of Assets		(21,160)

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

Intergovernmental Receivables - June 30, 2010	333,968	
Intergovernmental Receivables - June 30, 2011	<u>345,110</u>	11,142

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:

Bond Premium	33,907	
Deferred Charges	(13,060)	
Retirement of Long-Term Debt	<u>1,047,559</u>	1,068,406

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 2011, compensated absence payable changed.

		<u>102,401</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(1,095,019)</u></u>

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,190,600	\$ 8,190,600	\$ 8,952,403	\$ 761,803
Intergovernmental Revenue	2,870,800	2,870,800	2,855,973	(14,827)
Fines and Forfeits	1,100,000	1,100,000	1,201,432	101,432
Licenses and Permits	992,000	992,000	1,080,207	(165,793)
Charges for Services	353,000	353,000	356,650	3,650
Rents and Royalties	1,054,000	1,054,000	320,907	(479,093)
Investment Income	405,000	405,000	231,054	(173,946)
Total Revenues	<u>14,965,400</u>	<u>14,965,400</u>	<u>14,998,626</u>	<u>33,226</u>
Expenditures:				
Current:				
General Government:				
Mayor	33,600	33,600	31,641	1,959
Town Manager	593,172	593,172	580,461	12,711
Town Attorney	492,409	492,409	452,108	40,301
Management Services	1,125,060	1,125,060	1,096,311	28,749
Non-departmental	1,864,300	1,864,300	1,700,062	164,238
Community Development	1,200,251	1,200,251	1,173,717	26,534
Public Works	502,433	567,433	481,587	85,846
Municipal Court	428,395	428,395	419,879	8,516
Total General Government	<u>6,239,620</u>	<u>6,304,620</u>	<u>5,935,766</u>	<u>303,854</u>
Public Safety				
Police	5,678,316	5,678,316	5,400,233	278,083
Fire	2,238,504	2,238,504	2,098,248	140,256
Total Public Safety	<u>7,916,820</u>	<u>7,916,820</u>	<u>7,498,481</u>	<u>418,339</u>
Contingency	2,500,000	2,500,000	-	2,500,000
Total Expenditures	<u>16,656,440</u>	<u>16,721,440</u>	<u>13,434,247</u>	<u>3,222,193</u>
Excess (Deficiency) of Revenues over Expenditures	(1,691,040)	(1,756,040)	1,564,379	3,255,419
Other Financing Sources (Uses):				
Transfers Out	(96,855)	(96,855)	(2,427,629)	(2,330,774)
Net Change in Fund Balance	(1,787,895)	(1,852,895)	(863,250)	924,645
Fund Balance:				
Beginning of Year (As Restated)	17,252,780	17,252,780	14,865,761	(2,387,019)
End of Year	<u>\$ 15,464,885</u>	<u>\$ 15,399,885</u>	<u>\$ 14,002,511</u>	<u>\$ (1,462,374)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 815,800	\$ 815,800	\$ 791,333	\$ (24,467)
Expenditures:				
Current:				
Highways and Streets	<u>1,527,905</u>	<u>1,462,905</u>	<u>1,444,530</u>	<u>18,375</u>
Excess (Deficiency) of Revenues Over Expenditures	(712,105)	(647,105)	(653,197)	(6,092)
Fund Balance:				
Beginning of Year	-	-	2,387,031	2,387,031
End of Year	<u>\$ (712,105)</u>	<u>\$ (647,105)</u>	<u>\$ 1,733,834</u>	<u>\$ 2,380,939</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities		
	Sewer	Alarm	Totals
Assets			
Current Assets			
Cash and Investments	\$ 6,581,728	\$ -	\$ 6,581,728
Restricted Assets	57,407	11,131	68,538
Receivables, Net			
Accounts Receivable	45,200	435	45,635
Interest Receivable	19,050	-	19,050
Prepaid Items	3,723	-	3,723
Deferred Charges	68,297	-	68,297
Total Current Assets	<u>6,775,405</u>	<u>11,566</u>	<u>6,786,971</u>
Noncurrent Assets			
Capital Assets			
Non-Depreciable	14,349,766	-	14,349,766
Depreciable (Net)	<u>7,686,246</u>	<u>7,346</u>	<u>7,693,592</u>
Total Noncurrent Assets	<u>22,036,012</u>	<u>7,346</u>	<u>22,043,358</u>
Total Assets	<u>28,811,417</u>	<u>18,912</u>	<u>28,830,329</u>
Liabilities			
Current Liabilities			
Accrued Wages and Benefits	1,860	1,880	3,740
Intergovernmental Payable	45,608	-	45,608
Interest Payable	57,407	-	57,407
Due to Other Funds	-	10,534	10,534
Unearned Revenue	381,596	-	381,596
Customer Deposits Payable	-	11,131	11,131
Compensated Absences	1,956	-	1,956
Capital Leases Payable	410,324	-	410,324
Bonds Payable	<u>379,594</u>	<u>-</u>	<u>379,594</u>
Total Current Liabilities	<u>1,278,345</u>	<u>23,545</u>	<u>1,301,890</u>
Noncurrent Liabilities			
Compensated Absences	5,548	-	5,548
Capital Leases Payable	1,824,454	-	1,824,454
Bonds Payable	<u>2,671,221</u>	<u>-</u>	<u>2,671,221</u>
Total Noncurrent Liabilities	<u>4,501,223</u>	<u>-</u>	<u>4,501,223</u>
Total Liabilities	<u>5,779,568</u>	<u>23,545</u>	<u>5,803,113</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,750,419	7,346	16,757,765
Restricted for Capital Outlay	2,075,256	-	2,075,256
Unrestricted	4,206,174	(11,979)	4,194,195
Total Net Assets	<u>\$ 23,031,849</u>	<u>\$ (4,633)</u>	<u>\$ 23,027,216</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, 2011

	Business-Type Activities		
	Sewer	Alarm	Totals
Operating Revenues			
Charges for Services	\$ 1,977,666	\$ 265,656	\$ 2,243,322
Operating Expenses			
Cost of Sales and Services	1,656,594	115,225	1,771,819
Depreciation	275,753	2,343	278,096
Total Operating Expenses	1,932,347	117,568	2,049,915
Operating Income	45,319	148,088	193,407
Nonoperating Revenues (Expense)			
Development Fees	277,140	-	277,140
Investment Earnings	53,973	-	53,973
Interest Expense	(212,144)	-	(212,144)
Total Nonoperating Revenues (Expenses)	118,969	-	118,969
Income Before Contributions and Transfers	164,288	148,088	312,376
Capital Contributions	92,500	-	92,500
Transfers Out	-	(156,840)	(156,840)
Changes in Net Assets	256,788	(8,752)	248,036
Total Net Assets, Beginning of year	22,775,061	4,119	22,779,180
Total Net Assets, End of Year	\$ 23,031,849	\$ (4,633)	\$ 23,027,216

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Funds		
	Sewer	Alarm Monitor System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,944,790	\$ 263,422	\$ 2,208,212
Payments to Suppliers	(1,590,808)	(44,202)	(1,635,010)
Payments to Employees	(69,121)	(74,767)	(143,888)
Customer Deposits	-	(925)	(925)
Net Cash Flows from Operating Activities	<u>284,861</u>	<u>143,528</u>	<u>428,389</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Paid to Funds for Interfund Borrowing	-	10,534	10,534
Transfers Out	-	(156,840)	(156,840)
Development Fees	277,140	-	277,140
Net Cash Flows from Noncapital Financing Activities	<u>277,140</u>	<u>(146,306)</u>	<u>130,834</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Purchases of Capital Assets	-	(5,570)	(5,570)
Principal Paid on Bonds	(351,671)	-	(351,671)
Principal Paid on Capital Leases	(393,770)	-	(393,770)
Interest Paid on Capital Debt	(221,664)	-	(221,664)
Net Cash Flows from Capital and Related Financing Activities	<u>(967,105)</u>	<u>(5,570)</u>	<u>(972,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>46,486</u>	<u>-</u>	<u>46,486</u>
NET CHANGE IN CASH AND INVESTMENTS	<u>(358,618)</u>	<u>(8,348)</u>	<u>(366,966)</u>
Cash and Investments - Beginning of Year	<u>6,997,753</u>	<u>19,479</u>	<u>7,017,232</u>
CASH AND INVESTMENTS - END OF YEAR (Including \$57,047 of Restricted Cash in the Sewer Fund and \$11,131 of Restricted Cash for Customer Deposits in the Alarm Fund)	<u><u>\$ 6,639,135</u></u>	<u><u>\$ 11,131</u></u>	<u><u>\$ 6,650,266</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Fund		
	Sewer	Alarm Monitor System	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 45,319	\$ 148,088	\$ 193,407
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	275,753	2,343	278,096
Loss on Disposal of Capital Assets	20	-	20
Change in Assets and Liabilities:			
Receivables, Net	9,536	865	10,401
Prepaid Items	32	-	32
Accrued Wages and Benefits	(5,159)	(1,355)	(6,514)
Unearned Revenue	(42,412)	(3,099)	(45,511)
Compensated Absences Payable	1,772	(2,389)	(617)
Customer Deposits Payable	-	(925)	(925)
Net Cash Provided by Operating Activities	\$ 284,861	\$ 143,528	\$ 428,389

**NONCASH INVESTING, CAPITAL AND FINANCING
ACTIVITIES**

The Town received \$92,500 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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NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.

For the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

A. Financial Reporting Entity

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

Included within the reporting entity:

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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 except for interfund services provided and used are not eliminated in the consolidation. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

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

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

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental funds:

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

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

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.

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Receivables

All trade receivables are shown net of an allowance for 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. The Town recognizes the expense/expenditure in the government-wide and fund financial statements at the time the benefit is received and not at the time of the outlay.

5. Restricted Assets

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

6. Capital Assets

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

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair 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 and proprietary fund financial statements consist of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary type statement of net 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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

8. Long-term Obligations (Continued)

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

9. 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 Balance Classifications

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

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. Committed fund balances are self-imposed limitations approved by the Town Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances. Fund balances must be committed before the end of the fiscal year. Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager or his designee to make assignments or resources for specific purposes.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

10. Fund Balance Classifications (Continued)

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

It is the Town's policy to use restricted fund balance first, then committed, assigned, and lastly unassigned amounts. The Town has also established a fund balance policy whereas the total of nonspendable, assigned and unassigned fund balance in the General Fund be equal to at least 100% of expenditures budgeted for the following fiscal year.

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.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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. Deficit Net Assets/Fund Balance

The Town reported a deficit net assets in the Alarm Fund in the amount of \$4,633. The deficit is expected to be covered by operations in the next fiscal year.

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**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2011 consist of the following:

Deposits:	
Cash on Hand	\$ 2,025
Cash in Bank	928,084
Investments:	
U.S. Government Securities	28,446,226
State Treasurer's Investment Pool	3,100,458
Cash on Deposit with Trustee	183,645
Total Cash and Investment	<u>\$ 32,660,438</u>
 Restricted Assets	 (194,776)
Total Cash and Equivalent	<u><u>\$ 32,465,662</u></u>

Deposits

The Town's deposits at June 30, 2011, 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, 2011, of total cash in the bank of \$1,112,663, \$166,998 was fully insured by federal depository insurance and the remaining \$945,665 was invested in repurchase securities.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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. Treasury Note	\$ 503,065	\$ 503,065	\$ -	\$ -
Federal Agency Securities	27,943,161	2,815,841	6,536,232	18,591,088
State Treasurer's Investment Pool	3,100,458	3,100,458	-	-
Total Investments	<u>\$ 31,546,684</u>	<u>\$ 6,419,364</u>	<u>\$ 6,536,232</u>	<u>\$ 18,591,088</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 \$503,065 invested in U.S. Treasury Notes, \$1,003,577 invested in Fannie Mae Securities, \$8,504,972 invested in Freddie Mac Securities, \$6,594,050 invested in Federal Farm Credit Bureau, \$6,813,491 invested in Federal Home Loan Unsecured Bonds and \$5,030,302 invested in Federal National Mortgage Association. The U.S. Treasury Notes do not have any credit risk and the Fannie Mae, Freddie Mac, Federal Farm Credit Bureau, the Federal Home Loan Bonds and the Federal National Mortgage Association all have a Standard and Poor’s AAA rating. All investments are reported at fair value. During the current fiscal year, the Town reported an unrealized loss of \$75,320 on its investments. The Town’s investment in the State Treasurer’s Investment Pool did not receive a quality credit rating from a rating agency.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Assets

Restricted assets in the business-type activities at June 30, 2011 consist of the following:

	Debt Service Fund	Sewer Fund	Alarm Fund	Total
Cash with Paying Agent	\$ 126,238	\$ 57,407	\$ -	\$ 183,645
Customer Deposits	-	-	11,131	11,131
Total	<u>\$ 126,238</u>	<u>\$ 57,407</u>	<u>\$ 11,131</u>	<u>\$ 194,776</u>

3. Receivables

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible accounts at June 30, 2011 included the court receivable; all other receivables are deemed to be collectible.

Receivables consist of the following:

	General	HURF	Nonmajor Governmental Funds	Total
Office of the State Treasurer:				
Highway User Revenue	\$ -	\$ 65,477	\$ -	\$ 65,477
State Sales Tax	84,932	-	-	84,932
Town Sales Tax	729,884	-	-	729,884
County Treasurer:				
Auto Lieu Tax	40,870	-	-	40,870
Franchise fees:				
Arizona Pubic Service	154,423	-	-	154,423
Cox Cable	57,914	-	-	57,914
Southwest Gas	28,020	-	-	28,020
Court Receivable	520,206	-	-	520,206
Grant Receivable	-	-	31,712	31,712
Note Receivable	68,682	-	-	68,682
Sales Tax Audit	61,880	-	-	61,880
Interest	70,476	-	-	70,476
Miscellaneous	54,227	-	-	54,227
	<u>1,871,514</u>	<u>65,477</u>	<u>31,712</u>	<u>1,968,703</u>
Less: Allowance for Uncollectibles	(175,096)	-	-	(175,096)
Total	<u>\$ 1,696,418</u>	<u>\$ 65,477</u>	<u>\$ 31,712</u>	<u>\$ 1,793,607</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, net of the allowance for uncollectibles (\$27,062 in the Sewer Fund and \$-0- in Alarm Fund) of \$64,250 and \$435 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	\$ 345,110	\$ -
Sales Tax Receivable	-	61,880
Court Grants	-	1,181,189
Miscellaneous Unearned	-	60,576
	\$ 345,110	\$ 1,303,645

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**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	12,401,518	-	-	12,401,518
Machinery, Equipment, and Vehicles	6,070,476	190,485	(85,631)	6,175,330
Total Capital Assets, Being Depreciated	46,857,657	190,485	(85,631)	46,962,511
Accumulated Depreciation for:				
Land Improvements	(872,597)	(80,950)	-	(953,547)
Infrastructure	(4,215,337)	(561,527)	-	(4,776,864)
Buildings and Improvements	(4,101,997)	(462,800)	-	(4,564,797)
Machinery, Equipment, and Vehicles	(3,428,689)	(546,258)	64,471	(3,910,476)
Total Accumulated Depreciation	(12,618,620)	(1,651,535)	64,471	(14,205,684)
Total Capital Assets, Being Depreciated, Net	34,239,037	(1,461,050)	(21,160)	32,756,827
Governmental Activities Capital Assets, Net	\$ 78,666,125	\$ (1,461,050)	\$ (21,160)	\$ 77,183,915

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Sewer Capacity Rights	\$ 14,349,766	\$ -	\$ -	\$ 14,349,766
Capital Assets, Being Depreciated:				
Sewer System	12,122,296	92,500	-	12,214,796
Machinery and Equipment	648,498	-	-	648,498
Furniture and Fixtures	29,531	5,570	(20)	35,081
Total Capital Assets, Being Depreciated	12,800,325	98,070	(20)	12,898,375
Accumulated Depreciation for:				
Sewer System	(4,295,678)	(242,453)	-	(4,538,131)
Machinery and Equipment	(605,597)	(33,300)	-	(638,897)
Furniture and Fixtures	(25,412)	(2,343)	-	(27,755)
Total Accumulated Depreciation	(4,926,687)	(278,096)	-	(5,204,783)
Total Capital Assets, Being Depreciated, Net	7,873,638	(180,026)	(20)	7,693,592
Business-Type Activities Capital Assets, Net	\$ 22,223,404	\$ (180,026)	\$ (20)	\$ 22,043,358

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 222,498
Public Safety	643,887
Highways and Streets	785,150
Total Depreciation Expense, Governmental Activities	<u>\$ 1,651,535</u>

Business-Type Activities:

Sewer Fund	\$ 275,753
Alarm Monitor System Fund	2,343
Total Depreciation Expense, Business-Type Activities	<u>\$ 278,096</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

As of June 30, 2011 interfund receivable and payables were as follows:

Due To	Due From		
	Nonmajor Governmental Funds	Alarm Fund	Total
General Fund	\$ 31,712	\$ 10,534	\$ 42,246

The above interfund receivable and payable between the Nonmajor Governmental Funds, Alarm Fund and the General Fund were due to a short-term cash shortfall at year end. Cash was received subsequent to June 30, 2011 to cover the deficit.

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Transfers In	Transfers Out		
	General Fund	Alarm Fund	Total
Debt Service Fund	\$ 950,798	\$ 156,840	\$ 1,107,638
Nonmajor Governmental Funds	1,476,831	-	1,476,831
Total	<u>\$ 2,427,629</u>	<u>\$ 156,840</u>	<u>\$ 2,584,469</u>

The transfers from the General Fund Alarm Fund to the Debt Service Fund were recorded to transfer funds for the Municipal Property Corporation debt service payments. The Transfer from the General Fund to the Nonmajor Governmental Funds was to subsidize capital construction projects entered into during the fiscal year.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Assets Not Being Depreciated:		
Sewer Capacity Rights	\$ -	\$ 4,049,066
Capital Assets Being Depreciated:		
Buildings and Improvements	580,763	-
Machinery, Equipment and Vehicles	<u>517,802</u>	<u>-</u>
Total Capital Assets Being Depreciated	1,098,565	-
Less: Accumulated Depreciation	<u>(287,214)</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 811,351</u>	<u>\$ 4,049,066</u>

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ended June 30.</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ 309,624	\$ 497,983
2013	99,323	497,983
2014	99,323	497,983
2015	99,323	497,983
2016	99,323	497,983
2017-2018	<u>173,815</u>	<u>-</u>
Total Minimum Lease Payments	880,729	2,489,914
Less: Amount Representing Interest	<u>(82,273)</u>	<u>(255,136)</u>
Present Value of Minimum Lease Amounts	<u>\$ 798,457</u>	<u>\$ 2,234,778</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2011 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 \$9,365,000. 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 \$10,803,194, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$1,492,288 and \$12.4 million, respectively.

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Revenue Bonds	\$ 7,210,866	\$ -	\$ (773,329)	\$ 6,437,537	\$ 800,825
Bond Premium	305,160	-	(33,907)	271,253	33,907
Capital Leases	1,072,687	-	(274,230)	798,457	281,312
Compensated Absences	972,517	538,709	(641,110)	870,116	641,110
Total Governmental Activities	<u>\$ 9,561,230</u>	<u>\$ 538,709</u>	<u>\$ (1,722,576)</u>	<u>\$ 8,377,363</u>	<u>\$ 1,757,154</u>
Business-Type Activities:					
Revenue Bonds	\$ 3,279,134	\$ -	\$ (351,671)	\$ 2,927,463	\$ 364,175
Bond Premium	138,771	-	(15,419)	123,352	15,419
Capital Lease	2,628,548	-	(393,770)	2,234,778	410,324
Compensated Absences	8,121	5,294	(5,911)	7,504	1,956
Total Business-Type Activities	<u>\$ 6,054,574</u>	<u>\$ 5,294</u>	<u>\$ (766,771)</u>	<u>\$ 5,293,097</u>	<u>\$ 791,874</u>

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2011 are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	914,247	113,293	415,753	51,520
2017-2019	2,172,196	113,512	987,804	51,619
Totals	<u>\$ 6,437,537</u>	<u>\$ 988,620</u>	<u>\$ 2,927,463</u>	<u>\$ 449,574</u>

NOTE 4 OTHER INFORMATION

A. Change in Accounting Principle

As a result of the implementation of GASB Statement No. 54, the Town reclassified the Forfeiture Fund and included the activity in the General Fund. The Forfeiture Fund did not have a restricted or committed fund balance. Fund balances at the beginning of the year were restated as follows:

Fund	Fund Balance at July 1, 2010 as Previously Stated	Funds	
		Reclassified Due to GASB Statement No. 54	Fund Balance July 1, 2010 as Restated
General	\$ 14,865,748	\$ 13	\$ 14,865,761
HURF	2,387,031	-	2,387,031
Debt Service	6,314,592	-	6,314,592
Nonmajor Governmental Fund	1,922,492	(13)	1,922,479
Total	<u>\$ 25,489,863</u>	<u>\$ -</u>	<u>\$ 25,489,863</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Risk Management

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

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

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

C. Contingent Liabilities

Accumulated Sick Leave – Sick leave benefits provide for ordinary sick pay, are cumulative and vest at 50 percent of an employee's rate of pay after 10 years of service and 100 percent of an employee's rate of pay after 15 years of service. In addition, sick leave accumulated in excess of 480 hours is paid annually at 50 percent of an employee's rate of pay.

D. Commitments

The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$2,023,646 for the year ended June 30, 2011. Contractual payments due in fiscal year 2011-2012 are budgeted for \$2,000,000.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 OTHER INFORMATION (CONTINUED)

E. 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, 2011 was \$5,748,112. The Town's total payroll was \$6,152,714.

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 2010-11, the Town's required and actual contributions amounted to \$85,996. The employees' contributions totaled \$112,719.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees. If changes in the plan or contributions were amended, those provisions would require approval and authorization by the Town Council.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2010-2011 or as of the close of the fiscal year.

**TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. 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, 2011, active plan members and The Town were each required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent retirement, .59 percent for health insurance premium, and 0.25 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2011 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>
2011	\$ 329,011	\$ 21,545	\$ 9,129
2010	336,655	26,642	16,019
2009	357,502	46,493	22,570

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, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Funding Policy – Covered employees are required to contribute 8.00 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, 2011, the Town's annual pension cost, estimated at \$771,432, 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>
2009	\$ 758,092	100 %	\$ -
2010	619,666	100	-
2011	771,432	100	-

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 48,670	100 %	\$ -
2010	38,472	100	-
2011	39,710	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, 2010 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability, pension cost and annual OPEB cost 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, 2011

NOTE 4 OTHER INFORMATION (CONTINUED)

E. 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, 2011, was 26 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, 2010, the most recent actuarial valuation date, the plan was 46.6% funded. The actuarial accrued liability for benefits was \$19.6 million, and the actuarial value of assets was \$9.1 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$10.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.1 million, and the ratio of the UAAL to the covered payroll was 509.2%. 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.

F. Subsequent Events

Subsequent to June 30, 2011, the Town entered into a lease-purchase agreement for the acquisition of radio communication equipment for the police department. The lease requires two annual payments of \$88,565, including 3.72% of interest, through July 1, 2013. The lease agreement commenced on July 1, 2011 and the first annual principal and interest requirement is due July 1, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Retirement

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
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%
2010	9,138,514	19,623,423	46.6%	(10,484,909)	2,059,235	-509.2%

Other Post Employment Benefit (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2008	\$ -	\$ 573,099	0.0%	\$ (573,099)	\$ 2,317,615	-24.7%
2009	-	492,602	0.0%	(492,602)	2,175,438	-22.6%
2010	-	543,057	0.0%	(543,057)	2,059,235	-26.4%

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUND

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

**TOWN OF PARADISE VALLEY, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Special Revenue				Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	Capital Projects Fund	
ASSETS					
Cash and Investments	\$ 12,922	\$ -	\$ 39,951	\$ 2,509,529	\$ 2,562,402
Receivables:					
Accounts Receivable	-	31,712	-	-	31,712
Total Assets	\$ 12,922	\$ 31,712	\$ 39,951	\$ 2,509,529	\$ 2,594,114
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 68	\$ -	\$ -	\$ -	\$ 68
Due to Other Funds	-	31,712	-	-	31,712
Total Liabilities	68	31,712	-	-	31,780
Fund Balance:					
Restricted	12,854	-	39,951	-	52,805
Assigned	-	-	-	2,509,529	2,509,529
Total Fund Balance	12,854	-	39,951	2,509,529	2,562,334
Total Liabilities and Fund Balance	\$ 12,922	\$ 31,712	\$ 39,951	\$ 2,509,529	\$ 2,594,114

**TOWN OF PARADISE VALLEY, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	Special Revenue				Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Mummy Mountain Preserve Trust Fund	Capital Projects Fund	
REVENUES					
Intergovernmental Revenue	\$ -	\$ 45,210	\$ -	\$ -	\$ 45,210
Contribution and Donations	8,072	-	-	-	8,072
Investment Income	-	-	36	-	36
Total Revenues	8,072	45,210	36	-	53,318
EXPENDITURES					
Current:					
General Government	7,272	43,504	1,350	-	52,126
Public Safety	4,281	1,706	-	-	5,987
Capital Outlay	-	-	-	832,181	832,181
Total Expenditures	11,553	45,210	1,350	832,181	890,294
Excess (Deficiency) of Revenues Over Expenditures	(3,481)	-	(1,314)	(832,181)	(836,976)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	1,476,831	1,476,831
Net Change in Fund Balance	(3,481)	-	(1,314)	644,650	639,855
FUND BALANCE					
Beginning of Year	16,335	-	41,265	1,864,879	1,922,479
End of Year	\$ 12,854	\$ -	\$ 39,951	\$ 2,509,529	\$ 2,562,334

**TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Interest	\$ 500	\$ -	\$ (500)
EXPENDITURES			
Current			
Principal Retirement	1,518,770	773,329	745,441
Interest on Long-term Debt	479,211	252,475	226,736
Total Expenditures	<u>1,997,981</u>	<u>1,025,804</u>	<u>972,177</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,997,481)	(1,025,804)	971,677
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>1,225,871</u>	<u>1,107,638</u>	<u>(118,233)</u>
Net Change in Fund Balance	(771,610)	81,834	853,444
FUND BALANCE			
Beginning of Year	5,951,717	6,314,592	362,875
End of Year	<u>\$ 5,180,107</u>	<u>\$ 6,396,426</u>	<u>\$ 1,216,319</u>

**TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DONATIONS FUND
YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Contributions and Donations	\$ 20,000	\$ 8,072	\$ (11,928)
EXPENDITURES			
Current:			
General Government	10,000	7,272	2,728
Public Safety	10,000	4,281	5,719
Total Expenditures	20,000	11,553	8,447
Excess (Deficiency) of Revenues Over Expenditures	-	(3,481)	(3,481)
FUND BALANCE			
Beginning of Year	18,777	16,335	(2,442)
End of Year	\$ 18,777	\$ 12,854	\$ (5,923)

TOWN OF PARADISE VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 117,000	\$ 45,210	\$ (71,790)
EXPENDITURES			
Current:			
General Government	115,000	43,504	71,496
Public Safety	2,000	1,706	294
Total Expenditures	<u>117,000</u>	<u>45,210</u>	<u>71,790</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
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Contributions and Donations	\$ 250,000	\$ -	\$ (250,000)
EXPENDITURES			
Capital Outlay	901,480	832,181	69,299
Excess (Deficiency) of Revenues Over Expenditures	(651,480)	(832,181)	(180,701)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,225,872	1,476,831	250,959
Net Change in Fund Balance	574,392	644,650	70,258
FUND BALANCE			
Beginning of Year	1,651,480	1,864,879	213,399
End of Year	\$ 2,225,872	\$ 2,509,529	\$ 283,657

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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 NINE 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	2011
\$ 69,273,164	\$ 65,329,267	\$ 70,546,752	\$ 70,077,412	\$ 69,676,668
3,506,945	4,179,307	3,498,527	2,595,469	1,786,639
<u>23,653,783</u>	<u>29,279,737</u>	<u>20,776,493</u>	<u>22,373,381</u>	<u>22,487,936</u>
<u>\$ 96,433,892</u>	<u>\$ 98,788,311</u>	<u>\$ 94,821,772</u>	<u>\$ 95,046,262</u>	<u>\$ 93,951,243</u>
\$ 14,058,457	\$ 14,937,435	\$ 15,875,113	\$ 16,176,951	\$ 16,757,765
3,374,755	3,639,972	3,393,316	2,746,466	2,075,256
<u>3,548,306</u>	<u>3,876,571</u>	<u>3,556,209</u>	<u>3,855,763</u>	<u>4,194,195</u>
<u>\$ 20,981,518</u>	<u>\$ 22,453,978</u>	<u>\$ 22,824,638</u>	<u>\$ 22,779,180</u>	<u>\$ 23,027,216</u>
\$ 83,331,621	\$ 80,266,702	\$ 86,421,865	\$ 86,254,363	\$ 86,434,433
6,881,700	7,819,279	6,891,843	5,341,935	3,861,895
<u>27,202,089</u>	<u>33,156,308</u>	<u>24,332,702</u>	<u>26,229,144</u>	<u>26,682,131</u>
<u>\$117,415,410</u>	<u>\$121,242,289</u>	<u>\$ 117,646,410</u>	<u>\$ 117,825,442</u>	<u>\$ 116,978,459</u>

**TOWN OF PARADISE VALLEY, ARIZONA
CHANGES IN NET ASSETS
LAST NINE 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	13,957,401	14,356,767	14,018,944	13,368,076	18,028,551
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	1,780,369	1,790,660	1,970,386	2,008,511	2,188,009
Total Primary Government Expenses	\$ 15,737,770	\$ 16,147,427	\$ 15,989,330	\$ 15,376,587	\$ 20,216,560
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	3,790,305	8,900,975	4,324,913	6,287,638	10,135,047
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	2,379,686	2,383,709	2,894,063	3,425,496	3,510,046
Total Primary Government Program Revenues	\$ 6,169,991	\$ 11,284,684	\$ 7,218,976	\$ 9,713,134	\$ 13,645,093

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	2011
\$ 7,504,799	\$ 9,318,797	\$ 5,857,493	\$ 6,826,239
8,578,890	9,127,589	8,040,162	7,787,743
3,698,363	6,150,305	2,151,001	2,225,274
190,310	424,849	301,622	267,022
19,972,362	25,021,540	16,350,278	17,106,278
2,141,828	2,327,149	2,207,903	2,144,491
135,774	129,335	125,529	117,568
2,277,602	2,456,484	2,333,432	2,262,059
\$ 22,249,964	\$ 27,478,024	\$ 18,683,710	\$ 19,368,337
\$ 3,956,275	\$ 3,185,130	\$ 2,564,613	\$ 2,748,788
105,585	102,323	143,867	221,550
16,036	-	53,349	-
1,156,860	929,564	856,445	844,615
400,000	502,684	152,699	-
5,634,756	4,719,701	3,770,973	3,814,953
2,827,143	2,469,706	2,066,141	2,254,806
218,940	216,459	245,390	265,656
409,800	681,569	31,500	92,500
3,455,883	3,367,734	2,343,031	2,612,962
\$ 9,090,639	\$ 8,087,435	\$ 6,114,004	\$ 6,427,915

(Continued)

**TOWN OF PARADISE VALLEY, ARIZONA
CHANGES IN NET ASSETS (CONCLUDED)
LAST NINE 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	\$ (9,567,779)	\$ (4,862,743)	\$ (8,770,354)	\$ (5,663,453)	\$ (6,571,467)
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	12,046,857	12,228,300	12,735,113	14,465,166	16,088,518
Business-Type Activities:					
Investment Income	(11,193)	38,169	94,233	214,509	325,638
Transfers	-	(5,611)	-	-	-
Total Business-Type Activities	(11,193)	32,558	94,233	214,509	325,638
Total Primary Government	\$ 12,035,664	\$ 12,260,858	\$ 12,829,346	\$ 14,679,675	\$ 16,414,156
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	\$ 2,467,885	\$ 7,398,115	\$ 4,058,992	\$ 9,016,222	\$ 9,842,689

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	2011
\$ (14,337,606)	\$ (20,301,839)	\$ (12,579,305)	\$ (13,291,325)
1,178,281	911,250	9,599	350,903
<u>\$ (13,159,325)</u>	<u>\$ (19,390,589)</u>	<u>\$ (12,569,706)</u>	<u>\$ (12,940,422)</u>
\$ 10,499,929	\$ 9,386,335	\$ 8,051,632	\$ 7,944,769
1,003,231	1,001,103	999,785	1,007,634
3,225,005	3,180,361	2,807,201	2,402,963
557,250	504,145	465,343	453,010
1,406,610	1,569,907	358,326	231,090
-	-	-	-
-	693,449	121,508	156,840
<u>16,692,025</u>	<u>16,335,300</u>	<u>12,803,795</u>	<u>12,196,306</u>
294,179	152,859	66,451	53,973
-	(693,449)	(121,508)	(156,840)
<u>294,179</u>	<u>(540,590)</u>	<u>(55,057)</u>	<u>(102,867)</u>
<u>\$ 16,986,204</u>	<u>\$ 15,794,710</u>	<u>\$ 12,748,738</u>	<u>\$ 12,093,439</u>
\$ 2,354,419	\$ (3,966,539)	\$ 224,490	\$ (1,095,019)
1,472,460	370,660	(45,458)	248,036
<u>\$ 3,826,879</u>	<u>\$ (3,595,879)</u>	<u>\$ 179,032</u>	<u>\$ (846,983)</u>

**TOWN OF PARADISE VALLEY, ARIZONA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST NINE 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	2011
\$ 4,467,270	\$ 3,217,704	\$ 2,592,630	\$ 2,767,852
134,211	150,885	149,236	255,768
<u>1,033,275</u>	<u>1,351,112</u>	<u>1,029,107</u>	<u>791,333</u>
<u>5,634,756</u>	<u>4,719,701</u>	<u>3,770,973</u>	<u>3,814,953</u>
3,236,943	3,151,275	2,097,641	2,347,306
<u>218,940</u>	<u>216,459</u>	<u>245,390</u>	<u>265,656</u>
<u>3,455,883</u>	<u>3,367,734</u>	<u>2,343,031</u>	<u>2,612,962</u>
<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>	<u>\$ 6,114,004</u>	<u>\$ 6,427,915</u>

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			
	2002	2003	2004	2005
REVENUES				
Taxes	\$ 8,138,494	\$ 8,248,062	\$ 8,636,570	\$ 9,019,881
Intergovernmental	4,093,680	4,134,715	4,235,005	4,249,702
Fines and Forfeitures	902,293	1,020,489	905,824	1,083,724
Licenses and Permits	772,843	864,180	1,204,140	1,686,194
Charges for Services	-	-	-	187,077
Rents and Royalties	-	-	-	-
Investment Income	1,571,249	739,423	651,012	608,214
Other	159,080	131,729	364,812	143,797
Total Revenues	<u>15,637,639</u>	<u>15,138,598</u>	<u>15,997,363</u>	<u>16,978,589</u>
EXPENDITURES				
General Government	4,941,590	4,801,152	5,215,411	5,059,155
Public Safety	4,451,529	4,608,673	4,763,692	5,154,489
Highways and Streets	1,593,172	1,408,277	1,532,470	1,430,165
Capital Outlay	6,811,425	7,232,833	9,666,243	2,967,196
Debt Service				
Issuance Costs	-	-	-	-
Principal Retirement	707,571	731,230	131,718	135,377
Interest on Long-Term Debt	187,410	156,313	124,508	119,167
Total Expenditures	<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	(3,055,058)	(3,799,880)	(5,436,679)	2,113,040
OTHER FINANCING SOURCES (USES)				
Transfers In	5,686,872	5,328,615	5,309,176	4,086,764
Transfers Out	(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	2,478,012	712,283	433,787	699,486
Total Other Financing Sources (Uses)	<u>2,427,089</u>	<u>712,283</u>	<u>439,398</u>	<u>699,486</u>
Net Changes in Fund Balance	<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	7.50%	7.60%	2.20%	2.10%

Source: The Town's Finance Department.

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 9,951,208	\$ 11,290,054	\$ 11,503,160	\$ 10,387,438	\$ 9,051,417	\$ 8,952,403
4,849,824	4,656,254	4,921,207	4,835,686	4,272,612	3,692,516
1,228,545	1,505,931	1,630,753	1,351,919	1,133,627	1,201,432
1,847,924	3,238,562	2,197,361	1,159,347	982,740	1,080,207
-	-	-	-	490,095	356,650
-	-	-	-	-	320,907
991,870	1,332,700	1,406,610	1,569,914	358,326	231,090
650,580	366,621	302,014	769,388	9,076	8,072
<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>	<u>15,843,277</u>
5,450,586	7,066,224	7,661,674	7,346,335	5,686,505	5,987,892
5,371,429	6,673,289	8,836,058	8,968,496	7,864,339	7,504,468
1,622,491	1,680,913	1,901,078	2,077,779	1,616,151	1,444,530
6,799,178	7,531,375	3,946,895	11,155,915	128,752	832,181
-	-	-	130,596	-	-
140,865	146,354	151,842	715,506	388,383	773,329
113,642	107,897	101,896	346,510	291,345	252,475
<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>	<u>16,794,875</u>
21,760	(815,930)	(638,338)	(10,667,445)	322,418	(951,598)
5,951,668	8,028,562	4,455,825	10,985,963	6,289,267	2,584,469
(5,951,668)	(8,028,562)	(4,455,825)	(10,292,514)	(6,167,759)	(2,427,629)
-	-	-	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>156,840</u>
<u>\$ 852,971</u>	<u>\$ 1,578,733</u>	<u>\$ 6,398,673</u>	<u>\$ (9,246,188)</u>	<u>\$ 443,926</u>	<u>\$ (794,758)</u>
2.00%	1.60%	1.3%	4.3%	4.5%	6.6%

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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
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
2011	5,543,814	2,400,955	1,007,634	8,952,403

Source: The Town's Finance Department.

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Sales and Use Tax Collected by Category (1):					
Communications and Utilities	\$ 277,710	\$ 314,342	\$ 229,257	\$ 362,906	\$ 385,466
Construction	1,843,284	2,080,016	2,208,058	2,204,092	2,751,534
Manufacturing	171,075	171,308	171,078	223,540	243,507
Retail trade	164,005	205,196	322,360	164,793	210,152
Finance, Insurance and Real Estate	204,334	195,185	250,747	241,291	267,236
Hospitality	2,177,665	2,173,731	2,089,442	2,474,965	2,603,157
Services	157,096	117,482	152,926	160,672	173,674
Other	142,425	96,596	181,884	227,234	203,663
Total	<u>\$ 5,137,594</u>	<u>\$ 5,353,856</u>	<u>\$ 5,605,752</u>	<u>\$ 6,059,493</u>	<u>\$ 6,838,389</u>
Bed Tax Collected	<u>\$ 2,167,238</u>	<u>\$ 2,178,804</u>	<u>\$ 2,284,826</u>	<u>\$ 2,200,781</u>	<u>\$ 2,288,037</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

2007	2008	2009	2010	2011
\$ 399,465	\$ 467,913	\$ 442,206	\$ 499,069	\$ 459,650
3,951,997	4,420,843	3,622,160	2,250,756	1,645,850
174,371	101,628	85,475	85,959	81,724
234,595	311,592	218,354	223,429	281,128
400,899	377,621	226,801	165,509	201,843
2,507,944	2,253,947	2,510,902	2,464,680	2,527,486
231,145	206,628	200,520	147,522	154,748
229,310	261,637	211,986	135,828	191,385
<u>\$ 8,129,726</u>	<u>\$ 8,401,809</u>	<u>\$ 7,518,404</u>	<u>\$ 5,972,752</u>	<u>\$ 5,543,814</u>
<u>\$ 2,244,797</u>	<u>\$ 2,098,120</u>	<u>\$ 1,867,932</u>	<u>\$ 2,078,880</u>	<u>\$ 2,400,955</u>

**TOWN OF PARADISE VALLEY, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST NINE 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%
2011	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%
2011	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%
2011	3.40%	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			
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
2011	6,438	798	2,927	2,235	12,398	967	12,820

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		
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	
2011	12,436	1,125	367	8.36	

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
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)
2011	12,820	(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 2010 AND 2003
(UNAUDITED)**

	<u>2010</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Camelback Inn	683	27.9%	580	23.6%
InterContinental Montelucia Resort and Joya Spa	350	14.3%	-	0.0%
Sanctuary on Camelback Mountain	319	13.0%	250	10.2%
Scottsdale Plaza Resort	312	12.8%	388	15.8%
DoubleTree Paradise Valley Resort	165	6.7%	220	9.0%
Phoenix County Day School	150	6.1%	138	5.6%
Paradise Valley Country Club	134	5.5%	100	4.1%
Town of Paradise Valley	90	3.7%	95	3.9%
Hermosa Inn	86	3.5%	100	4.1%
El Chorro Lodge Inc	80	3.3%	70	2.9%
Scottsdale Cottonwoods LLC	77	3.2%	-	0.0%
Total	<u><u>2,446</u></u>	<u><u>100.0%</u></u>	<u><u>1,941</u></u>	<u><u>79.2%</u></u>

Source: Maricopa Association of Governments.

Note: Information prior to fiscal year 2003 was not available.

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

Full-Time Equivalent Employees										
Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
Town Manager	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0	4.0
Town Attorney	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Management Services	7.0	8.0	8.0	7.7	7.7	7.2	7.2	8.2	8.5	6.5
Planning and Building	8.7	9.0	9.0	9.0	11.0	13.0	13.0	13.0	9.0	9.0
Court	4.6	5.3	5.3	5.3	5.4	5.4	5.7	5.9	5.2	4.3
Engineering	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Public Works	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0	3.0
Police:										
Officers	35.0	34.0	35.0	36.0	36.0	36.0	36.0	36.0	30.0	23.0
Civilians	8.6	10.3	10.3	10.3	10.3	10.3	10.5	10.5	10.5	10.0
Fire Service:										
Civilians	-	-	-	-	-	-	1.0	1.0	-	-
Highways and Streets	13.0	13.0	13.0	13.7	14.0	14.0	14.0	14.0	13.0	12.0
Sewer System	1.0	1.0	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Alarm Monitoring System	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>91.9</u>	<u>94.6</u>	<u>95.3</u>	<u>97.0</u>	<u>99.4</u>	<u>100.9</u>	<u>102.4</u>	<u>105.6</u>	<u>90.2</u>	<u>78.8</u>

Source: Town's Finance Department.

**TOWN OF PARADISE VALLEY, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN 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	2011
1,059	950	665	499	536
\$ 312,280,046	\$ 177,127,174	\$ 86,505,523	\$ 54,467,751	\$ 59,607,205
334	270	242	240	199
669	582	285	1,789	1,142
2,946	2,529	1,509	2,203	2,049
10	9	31	-	-
2,025	24,725	-	-	-
150	115	70	17	23
1,985	2,016	2,065	2,086	2,094

**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	2011
1	1	1	1	1
20	25	28	25	25
2	2	2	2	2
3	4	4	3	3
140	140	140	140	140
12	12	12	12	12
317,059	320,890	325,029	325,029	325,029
1,026	1,026	1,026	1,026	1,026

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