

TOWN OF PARADISE VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Mr. Vernon B. Parker
Mayor

Mr. Ronald B. Clarke
Vice Mayor

Councilmembers

Mr. Scott LeMarr

Mr. Brian Cooney

Ms. Mary Hamway

Ms. Pam Kirby

Ms. Virginia "Jini" Simpson

James C. Bacon, Jr.
Town Manager

Lenore Platt Lancaster, CPA
Management Services Director

Prepared by:
Management Services Department

TOWN OF PARADISE VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

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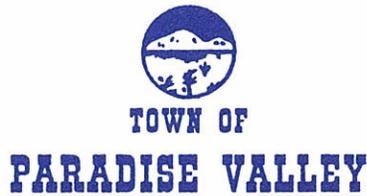
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INTRODUCTORY SECTION

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6401 EAST LINCOLN DRIVE
TOWN OF PARADISE VALLEY, ARIZONA 85253-4399

September 25, 2008

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

State law requires that all general-purpose local governments publish within 120 days (240 days with an extension) of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. The comprehensive annual financial Report (CAFR) of the Town of Paradise Valley for the fiscal year ended June 30, 2008, is hereby submitted. This document represents a joint effort by staff as well as our auditors, Cronstrom, Osuch & Company, P.C.

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

Cronstrom, Osuch & Company, a firm of licensed certified public accountants, has audited the Town of Paradise Valley's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Town of Paradise Valley, Arizona for the fiscal year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

TOWN OF PARADISE VALLEY PROFILE

Paradise Valley was incorporated in May 1961. The Town is centrally located in Maricopa County and is surrounded by the cities of Phoenix and Scottsdale. It has land area of approximately 16 square miles.

The Town of Paradise Valley is an Arizona Municipal Corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town government operates under the Council/Manager form of government. Policy making and legislative authority are vested in the Town Council, which consists of seven Council members. Council members are elected to four year terms. The Mayor and Vice Mayor are selected by the Council from among its members. The Town Council is responsible for, but not limited to, the adoption of local ordinances, budget adoption, the development of citizen advisory committees, and the appointment of the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all positions except the Town Clerk, Town Marshal, Town Engineer, Town Attorney and Municipal Judges.

The annual budget serves as the foundation for the Town's financial planning and control. The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, the Special Revenues Funds, the Debt Service Fund and the Enterprise Funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented for the governmental funds. Prior to the third Monday in July, the Town Manager presents the preliminary budget to the Town Council. The budget includes proposed expenditures and the means of financing them. The preliminary budget sets the limit for expenditures during the fiscal year. A public hearing is held prior to the budget's final adoption in order to obtain resident comments.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. Upon the recommendation of the Town Manager, and with the approval of the Town Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unexpended appropriations may be transferred from one department to another. Management control of budgets is further maintained at a line item level within each department.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. Local tax revenues account for 47.8% of total governmental fund revenues. While the State of Arizona and many municipalities in Maricopa County experienced a decrease in local tax revenue for fiscal year 2008, the Town experienced a net increase of 1.2%.

The Town benefited from local tax revenues generated by the construction industry, which increased \$468,846, or 11.9% from fiscal year 2007. This compared to an increase of \$1,200,463 or 43.6% from fiscal year 2006 to fiscal year 2007. The construction industry accounted for 42.1% and 38.1% of local taxes in fiscal years 2008 and 2007 respectively. Construction of a new resort continued through fiscal year 2008. In addition, another resort underwent major renovation, thus generating sales tax revenues. There is also a long construction period, often several years, for residential properties. Thus homes begun one or two years ago were still under construction and generating sales tax revenues in fiscal year 2008. Through the Town's sales tax audit program, the Town has an outreach program to contractors to educate them regarding the calculation of sales tax. The audit program also generates significant sales tax collections from the construction industry.

The downturn in the economy impacted local tax revenues generated by the hospitality industry, which declined \$400,674, or 8.4%, from fiscal year 2007. This compares to a decrease of \$138,453, or 2.8%, from fiscal year 2006 to fiscal year 2007.

The Town's share of State shared revenues increased \$273,338, or 6.0% from fiscal year 2007. Income tax is distributed out of the income tax collections from two years prior to the current fiscal year. The Town's revenues from State shared income taxes increased \$376,995 or 24.0%. Sales tax, gasoline tax and other state shared revenues are distributed from the current year's collection and thus reflect the current condition of the State's economy. Revenues from State shared sales tax decreased \$43,579 or 3.3%. The Town's revenues from State shared gasoline taxes decreased \$37,576, or 3.8%. The Town's revenues from vehicle license fees decreased \$16,925 or 2.9% while revenues from the lottery decreased \$5,577 or 8%.

Licenses and permits decreased \$1,041,201, or 32.2% from fiscal year 2007. This reflects the downturn in new residential construction. In addition, the majority of permits for the resort construction and redevelopment were issued in fiscal year 2007. The decrease in new residential construction permits will impact future construction sales tax revenues.

Long-term financial planning. The Town's Financial Policy Statement requires that a reserve equal to at least one year of annual general governmental operating expenditures and debt service expenditures be maintained for unforeseen emergencies, loss of revenues or catastrophic impacts on the Town. As part of the budget process, the Town develops a five-year financial plan and capital improvement plan. The current long range financial plan does not meet this requirement for fiscal years 2012 and 2013. The Town is currently evaluating programs and revenues to meet this reserve requirement.

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

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

There were no significant claims made or settled during fiscal year 2008.

The AMRRP also provides the Town's Workers Compensation insurance through June 30, 2008. The rate varies according to the functions performed by personnel.

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

MAJOR INITIATIVES

The Town completed the Lincoln Drive sidewalk project from 32nd Street to Invergordon Road in fiscal year 2008. This was a joint effort with the Arizona Department of Transportation to provide a safer, continuous sidewalk, install access ramps at the intersections to ADA standards, and to beautify Lincoln Drive with landscaping adjacent to the new sidewalk.

The Town also completed one APS neighborhood and two SRP neighborhood underground projects.

In July 2006, the Town entered into an intergovernmental agreement with the City of Phoenix for fire service, to be effective July 1, 2007. Prior to this date residents contracted directly with Rural/Metro Fire Department for fire service. Under the intergovernmental agreement operational costs are shared evenly between the Town and the City of Phoenix. The Town provided the initial two fire pumpers and water tender and two temporary fire stations. The Town began construction on two new fire stations in fiscal year 2008. The stations are scheduled to open January 2009.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

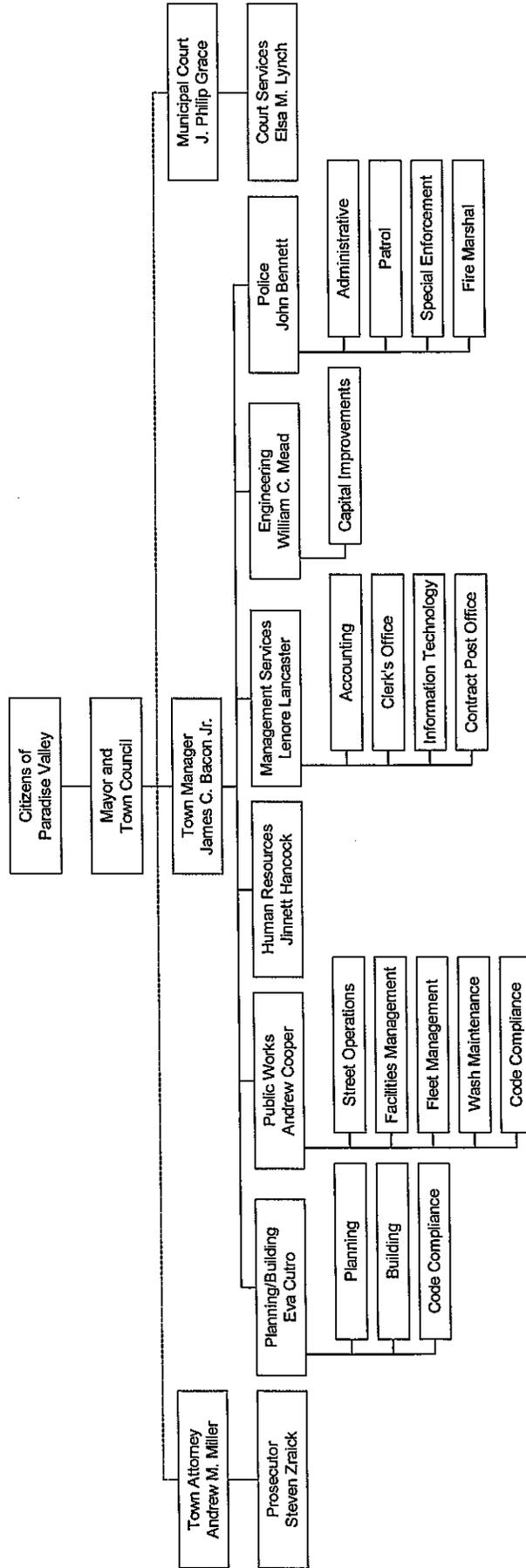


Lenore Platt Lancaster, CPA
Management Services Director

Town of Paradise Valley, Arizona

Organizational Chart

Fiscal Year Ended June 30, 2008



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (Town), as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Highway User Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Cronstrom, Osuch + Company, P.C.

Cronstrom, Osuch & Company, P.C.

September 25, 2008

Management's Discussion and Analysis

This section of the Town of Paradise Valley's (Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008 and 2007. 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 2008 and 2007 are as follows:

- Paradise Valley's assets exceeded its liabilities at the close of the fiscal year 2008 and 2007 by \$121.2 million and \$117.4 million (net assets), respectively. Of this amount, \$33.2 million and \$27.2 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$3.8 million and \$9.8 million during fiscal years 2008 and 2007, respectively.
- As of June 30, 2008 and 2007, the Town's governmental funds reported combined ending fund balances of \$34.3 million and \$27.9 million, respectively, all of which is unreserved fund balance. Of \$34.3 million reported in 2008, \$4.6 million is designated for purchases of assets from capital lease proceeds.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$26.0 million or 125% of total general fund revenues of \$20.8 million and 161% of total general fund expenditures of \$16.2 million. At the close of fiscal year 2007, unreserved fund balance for the general fund was \$24.4 million or 116% of general fund revenues of \$21.1 million and 179% of general fund expenditures of \$13.6 million.
- During fiscal year 2008, the Town's total bonded debt decreased by \$415,000 in contrast to the decrease of \$400,000 in fiscal year 2007. The Town did not issue any new bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 24 - 25 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, highway user revenue fund and the capital projects fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements begin on page 26 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 basic governmental fund financial statements begin on page 32 of this report.

Notes to the Basic Financial Statements

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

The notes to the financial statements begin on page 37 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 60 of this report.

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the Town, assets exceeded liability by \$121.2 million and \$117.4 million at the close of fiscal years 2008 and 2007 respectively.

	Net Assets					
	June 30, 2008 and 2007					
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	\$ 37,578,692	\$ 31,055,631	\$ 8,199,927	\$ 8,011,220	\$ 45,778,619	\$ 39,066,851
Capital assets						
Non-depreciable	45,705,545	45,585,629	14,349,766	14,384,749	60,055,311	59,970,378
Depreciable (net)	<u>29,860,656</u>	<u>28,252,936</u>	<u>7,754,851</u>	<u>7,451,109</u>	<u>37,615,507</u>	<u>35,704,045</u>
Total assets	<u>113,144,893</u>	<u>104,894,196</u>	<u>30,304,544</u>	<u>29,847,078</u>	<u>143,449,437</u>	<u>134,741,274</u>
LIABILITIES						
Other liabilities	3,108,876	2,976,222	674,829	1,066,893	3,783,705	4,043,115
Non-current liabilities						
Due within one year	2,116,761	1,582,602	642,443	620,548	2,759,204	2,203,150
Due in more than one year	<u>9,130,945</u>	<u>3,901,480</u>	<u>6,533,294</u>	<u>7,178,119</u>	<u>15,664,239</u>	<u>11,079,599</u>
Total liabilities	<u>14,356,582</u>	<u>8,460,304</u>	<u>7,850,566</u>	<u>8,865,560</u>	<u>22,207,148</u>	<u>17,325,864</u>
NET ASSETS						
Invested in capital assets, net of related debt	65,329,267	69,273,164	14,937,435	14,058,457	80,266,702	83,331,621
Restricted	4,179,307	3,506,945	3,639,972	3,374,755	7,819,279	6,881,700
Unrestricted	<u>29,279,737</u>	<u>23,653,783</u>	<u>3,876,571</u>	<u>3,548,306</u>	<u>33,156,308</u>	<u>27,202,089</u>
Total net assets	<u>\$ 98,788,311</u>	<u>\$ 96,433,892</u>	<u>\$ 22,453,978</u>	<u>\$ 20,981,518</u>	<u>\$ 121,242,289</u>	<u>\$ 117,415,410</u>

The largest portion of the Town's net assets reflects its investment of \$80.3 million (66.2%) and \$83.3 million (71.0%) in capital assets (e.g. land, buildings, infrastructure, sewer system, vehicles and equipment), less any related outstanding debt used to acquire those assets, for the fiscal years 2008 and 2007, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the Town's net assets, \$7.8 million (6.5%) for fiscal year 2008 and \$6.9 million (5.9%) for fiscal year 2007, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2008 and 2007, \$33.2 million (27.3%) and \$27.2 million (23.2%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Analysis of Changes in Net Assets

The Town's net assets increased by \$3.8 million and \$9.8 million during the fiscal years 2008 and 2007 respectively. These increases are explained in the government and business-type activities discussion below.

Changes in Net Assets Fiscal Years Ended June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 4,077,896	\$ 5,013,865	\$ 3,046,083	\$ 2,728,796	\$ 7,123,979	\$ 7,742,661
Operating grants and contributions	1,156,860	1,313,322	-	-	1,156,860	1,313,322
Capital grants and contributions	400,000	3,807,860	409,800	781,250	809,800	4,589,110
General revenues						
Local taxes	11,503,160	11,290,054	-	-	11,503,160	11,290,054
State shared revenues	3,782,255	3,465,764	-	-	3,782,255	3,465,764
Investment earnings	<u>1,406,610</u>	<u>1,332,700</u>	<u>294,179</u>	<u>325,638</u>	<u>1,700,789</u>	<u>1,658,338</u>
Total Revenues	<u>22,326,781</u>	<u>26,223,565</u>	<u>3,750,062</u>	<u>3,835,684</u>	<u>26,076,843</u>	<u>30,059,249</u>
Expenses						
General government	7,504,799	7,582,685	-	-	7,504,799	7,582,685
Public safety	8,578,890	6,770,604	-	-	8,578,890	6,770,604
Highways and streets	3,698,363	3,535,814	-	-	3,698,363	3,535,814
Interest on long-term debt	190,310	139,448	-	-	190,310	139,448
Sewer system	-	-	2,141,828	2,052,990	2,141,828	2,052,990
Alarm monitor system	-	-	<u>135,774</u>	<u>135,019</u>	<u>135,774</u>	<u>135,019</u>
Total Expenses	<u>19,972,362</u>	<u>18,028,551</u>	<u>2,277,602</u>	<u>2,188,009</u>	<u>22,249,964</u>	<u>20,216,560</u>
Change in net assets	2,354,419	8,195,014	1,472,460	1,647,675	3,826,879	9,842,689
Net assets, beginning of year	<u>96,433,892</u>	<u>88,238,878</u>	<u>20,981,518</u>	<u>19,333,843</u>	<u>117,415,410</u>	<u>107,572,721</u>
Total net assets, end of year	<u>\$ 98,788,311</u>	<u>\$ 96,433,892</u>	<u>\$ 22,453,978</u>	<u>\$ 20,981,518</u>	<u>\$ 121,242,289</u>	<u>\$ 117,415,410</u>

Governmental activities. Governmental activities increased the Town's net assets by \$2.4 million in fiscal year 2008 and \$8.2 million in fiscal year 2007, accounting for 61.5% and 83.3%, respectively, of the total growth in the net assets of the Town.

Growth in net assets was slower in fiscal year 2008 than in fiscal year 2007 due to (1) the addition of fire service and (2) the economic downturn.

Prior to July 1 2007, residents paid a subscription fee to Rural/Metro for fire protection. As of July 1, 2007, the City of Phoenix Fire Department provides fire service to the Town, with all costs paid by the Town. Total fire service operating costs for fiscal year 2008 were \$2.5 million. Debt service on the construction of the fire stations was \$164,232.

The growth in local taxes slowed due to the economy. Local taxes increased \$125,201, or 1.2%, in fiscal year 2008 compared to \$1.2 million or 13.7% in fiscal year 2007. Revenues from construction sales tax increased compared to fiscal year 2007, while revenues from the hospitality industry declined compared to fiscal year 2007.

Licenses and permits declined \$1.0 million, or 32%, in fiscal year 2008 compared to fiscal year 2007. In fiscal year 2007, licenses and permits increased \$1.4 million or 75.3%, over fiscal year 2006. The decline is the result of reduced activity in residential construction as well as a reduction in building permits issued for resort construction and remodel compared to fiscal year 2007.

State shared revenues increased \$273,338, or 6.0%, compared to fiscal year 2007. Only state revenue sharing generated from income taxes increased compared to fiscal year 2007. There is a two year lag in the distribution of state shared income taxes. Thus the Town benefited from the economic upswing in fiscal year 2006. However revenue sharing from state sales tax, auto lieu tax, and gasoline taxes all declined compared to fiscal year 2007 due to the economic downturn.

Business-type activities. Business-type activities increased the Town's net assets by \$1.5 million in fiscal year 2008 and \$1.6 million in fiscal year 2007, accounting for 38.5% and 16.7%, respectively, of the total growth in the Town's net assets. Development fees earned and interest earned on development fees exceeded debt-service by \$265,218 in 2008 and by \$121,060 in 2007. Due to the slow down in residential development, there was a reduction in sewer lines contributed to the Town. Developers contributed \$409,800 and \$781,250 in sewer lines to the Town in fiscal year 2008 and 2007 respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$34.3 million, an increase of \$6.4 million, or 22.9% in comparison with the prior year. The combined ending fund balances for fiscal year 2007 were \$27.9 million. The increase in the combined ending fund balance is primarily due to the proceeds from capital leases exceeding expenditures from capital leases by \$4.6 million.

The general fund is the chief operating fund of the Town of Paradise Valley, Arizona. At June 30, 2008, the fund balance of the general fund was \$26.0 million, or 75.9% of the combined governmental fund balance. The fund balance of the general fund at June 30, 2007 was \$24.4 million, or 87.4% 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 160.8% and 179.1% of general fund expenditures for fiscal years 2008 and 2007, respectively. Total combined governmental fund balance represents 151.7% and 120.2% of combined expenditures at June 30, 2008 and 2007 respectively. The general fund balance represents 125.1% and 115.6% of general fund revenues at June 30, 2008 and 2007 respectively. The total combined governmental fund balance represents 156.1% and 124.6% of total combined revenues at June 30, 2008 and 2007 respectively. Excluding the fund balance designated for capital assets, the undesignated fund balance represents 135% of total combined revenues at June 30, 2008.

Despite revenues exceeding expenditures by \$4.6 million, the general fund increased by only \$1.7 million. The primary reason is transfers from the general fund to other funds as follows:

- The General Fund transferred \$253,143 to the Debt Service Fund.
- The General Fund transferred \$2,594,056 to the Capital Projects Fund.
- The General Fund transferred \$1,608,626 to the Highway User Revenue Fund.

Revenues for governmental functions overall totaled \$22.0 million and \$22.4 million for fiscal years ended June 30, 2008 and 2007, respectively, which represents a decrease of 1.9% and an increase of 14.7% from the fiscal years ended June 30, 2007 and 2006, respectively. The primary reason for the decrease in 2008 is the impact of the economic slow-down on local tax revenues from the hospitality industry, on permit revenue from new construction and a reduction in state shared revenues from sales tax, gasoline tax and auto lieu tax.

Expenditures for governmental functions for the fiscal years ended June 30, 2008 and 2007 totaled \$22.6 million and \$23.2 million respectively. The 2008 decrease of \$606,609 or 2.6% is primarily due to:

- Police personnel expenditures increased from \$4.4 million in fiscal year 2007 to \$4.9 million in fiscal year 2008 primarily due to (a) changes in the salary structure as part of a police retention program and a compensation study (b) a 3% market adjustment, and (c) an increase in the retirement rate from 20.65% to 23.76%.
- General government salaries and overtime increased \$.3 million due to a compensation study and (b) a 3% market adjustment.
- Highway User Revenue Fund expenses related to road and right-of-way maintenance increased approximately \$.2 million in fiscal year 2008.
- Fire service costs were \$2.5 million in fiscal year 2008 compared to \$.9 million in fiscal year 2007. Effective July 1, 2007 the Town provided fire service to residents through an intergovernmental agreement with the City of Phoenix Fire Department. Prior to July 1, 2007 residents contracted for fire service with a private company. Fiscal year 2007 costs related to start-up costs in preparation for the start of service on July 1, 2007.
- Capital projects decreased \$3.6 million primarily as a result of a decrease of \$.6 million in underground utility project expenditures due to delays in projects, a decrease of \$1.6 million in road improvement projects due to the completion of the reconstruction of Northern from Invergordon to Mockingbird Lane in fiscal year 2007 and the expenditure of \$1.2 million for the Lincoln Drive sidewalk project in 2007.

Proprietary Funds

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

At the end of the fiscal year, the unrestricted net assets were \$3.3 million for the Sewer Utility and \$.6 million for Alarm.

The total growth in net assets for the enterprise funds was \$1.5 million and \$1.6 million for June 30, 2008 and 2007, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the Town's business-type activities. In particular the Sewer System net assets increased by \$1.4 million and \$1.6 million for June 30, 2008 and 2007, respectively, due to development fees and interest on development fees in excess of current year debt service and the capital contribution of sewer lines.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly in local taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Local sales tax improved slightly over budget. However, local sales taxes from the hospitality industry were approximately \$388,000 below budget, while local sales taxes from the construction industry were approximately \$510,000 over budget. Bed taxes were approximately \$185,000 below budget and use taxes were approximately \$112,000 over budget.

State shared sales tax revenues were lower than budget by approximately \$161,000 due to the impact of the economic downturn.

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

General Fund - Mayor & Council	\$	30,000
General Fund -Town Attorney		40,000
General Fund - Contingency		(91,000)
Donations Fund		21,000

Capital Assets and Debt Administration

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$97.7 million (net of accumulated depreciation). Capital assets as of June 30, 2007 totaled \$95.7 million (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$2.0 million. 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.

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

- The Town commenced construction of two fire stations. As of June 30, 2008, \$1.4 million had been expended.
- The Town completed work on a sidewalk improvement project along Lincoln Drive with the Arizona Department of Transportation. The Town received a \$400,000 grant for the construction. The project was completed in fiscal year 2008 and \$2.1 million was transferred from construction in progress to infrastructure.

Business-type capital asset events included sewer line extensions contributed by developers in the amount of \$409,800.

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 2008 and 2007 assets, net of depreciation.

**Capital Assets (Net)
June 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land improvements	\$ 45,358,862	\$ 45,439,812	\$ -	\$ -	\$ 45,358,862	\$ 45,439,812
Construction in progress	1,659,746	1,539,830	-	34,983	1,659,746	1,574,813
Infrastructure	22,830,198	21,204,401	-	-	22,830,198	21,204,401
Buildings and improvements	3,194,651	3,421,430	-	-	3,194,651	3,421,430
Machinery, furniture and fixtures, equipment, and vehicles	2,522,744	2,233,092	171,301	237,798	2,694,045	2,470,890
Sewer capacity rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer system	-	-	7,583,550	7,213,311	7,583,550	7,213,311
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 75,566,201</u>	<u>\$ 73,838,565</u>	<u>\$ 22,104,617</u>	<u>\$ 21,835,858</u>	<u>\$ 97,670,818</u>	<u>\$ 95,674,423</u>

Debt Administration

At the end of the current fiscal year, the Town had total long-term obligations of its Municipal Property Corporation outstanding \$5,990,000. The 1998 Municipal Property Corporation debt was fully insured.

**Outstanding Debt and Other Long-term Liabilities
June 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue bonds	\$ 2,191,646	\$ 2,343,488	\$ 3,798,354	\$ 4,061,512	\$ 5,990,000	\$ 6,405,000
Capital leases	8,045,288	2,221,913	3,368,828	3,715,889	11,414,116	5,937,802
Compensated absences	<u>1,010,772</u>	<u>918,681</u>	<u>8,555</u>	<u>21,266</u>	<u>1,019,327</u>	<u>939,947</u>
Total long-term liabilities	<u>\$ 11,247,706</u>	<u>\$ 5,484,082</u>	<u>\$ 7,175,737</u>	<u>\$ 7,798,667</u>	<u>\$ 18,423,443</u>	<u>\$ 13,282,749</u>

Economic Factors and Next Year's Budget

The Town's 2008 revenues have declined slightly compared to 2007. Bed, sales and use taxes from the hospitality industry have decreased \$400,674 or 8.4%, from 2007 to 2008. Sales taxes from the construction industry increased \$468,846, or 11.9%, from 2007 to 2008. Building permits and other permits declined \$1.0 million, or 32.2% from 2007 to 2008. One new resort will open in November 2008. Another resort will complete a major renovation in August 2008. There will be a ballot issue on the November 4, 2008 election for voter approval of zoning for a Ritz-Carlton hotel with a residential component. If approved, plan review and infrastructure improvements would begin in 2009. All of the above factors were considered in preparing the Town's budget for fiscal year 2009. The budget for the 2008-09 fiscal year includes:

- A conservative economic forecast with revenues virtually flat compared to fiscal year 2008.
- Significant reduction in local sales taxes generated from both residential and resort development construction.
- A conservative increase in local sales taxes and bed taxes generated from the opening of one resort and full operation of a second resort renovated in fiscal year 2008.
- A conservative estimate of 2.5% interest rate on all new investments.
- A zero-based approach to the operating budget, leading to limited increases in department budgets.
- An increase of 2 full-time equivalent positions for an information technology technician and a building maintenance technician.
- Continued investment in the Town's basic infrastructure and public facilities
- An emphasis on a "pay-as-you-go" approach to funding Town capital investments.
- Sustained funding of general fund reserves to ensure the Town can provide basic services during economic downturns or major emergencies.

REQUESTS FOR INFORMATION

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

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

(480-348-3532)

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

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Basic Financial Statements

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and cash equivalents	\$ 34,393,251	\$ 8,564,418	\$ 42,957,669
Restricted cash for customer deposits	-	13,513	13,513
Receivables, net			
Accounts	2,388,685	43,058	2,431,743
Interest	329,814	43,482	373,296
Internal balances	466,157	(466,157)	-
Prepaid items	785	1,613	2,398
Capital assets			
Non-depreciable	45,705,545	14,349,766	60,055,311
Depreciable (net)	<u>29,860,656</u>	<u>7,754,851</u>	<u>37,615,507</u>
Total assets	<u>113,144,893</u>	<u>30,304,544</u>	<u>143,449,437</u>
Liabilities			
Accounts payable	1,503,473	4,367	1,507,840
Accrued wages and benefits	192,775	2,336	195,111
Interest payable	49,410	85,633	135,043
Intergovernmental payable	-	45,608	45,608
Unearned revenue	849,802	523,372	1,373,174
Customer deposits payable	513,416	13,513	526,929
Long-term liabilities			
Due within one year	2,116,761	642,443	2,759,204
Due in more than one year	<u>9,130,945</u>	<u>6,533,294</u>	<u>15,664,239</u>
Total liabilities	<u>14,356,582</u>	<u>7,850,566</u>	<u>22,207,148</u>
Net assets			
Invested in capital assets, net of related debt	65,329,267	14,937,435	80,266,702
Restricted for			
Highways and streets	4,121,635	-	4,121,635
Debt service	232	-	232
Capital outlay	-	3,639,972	3,639,972
Other	57,440	-	57,440
Unrestricted	<u>29,279,737</u>	<u>3,876,571</u>	<u>33,156,308</u>
Total net assets	<u>\$ 98,788,311</u>	<u>\$ 22,453,978</u>	<u>\$ 121,242,289</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/Programs							
Governmental activities							
General government	\$ 7,504,799	\$ 3,956,275	\$ 110,995	\$ 400,000	\$ (3,037,529)	\$ (3,037,529)	\$ (3,037,529)
Public safety	8,578,890	105,585	28,626	-	(8,444,679)	83,166	(8,444,679)
Highways and streets	3,698,363	16,036	1,017,239	-	(2,665,088)	-	(2,665,088)
Interest on long-term debt	190,310	-	-	-	(190,310)	-	(190,310)
Total governmental activities	<u>19,972,362</u>	<u>4,077,896</u>	<u>1,156,860</u>	<u>400,000</u>	<u>(14,337,606)</u>	<u>83,166</u>	<u>(14,337,606)</u>
Business-type activities							
Sewer system	2,141,828	2,827,143	-	409,800		\$ 1,095,115	\$ 1,095,115
Alarm monitor system	135,774	218,940	-	-		83,166	83,166
Total business-type activities	<u>2,277,602</u>	<u>3,046,083</u>	<u>-</u>	<u>409,800</u>		<u>1,178,281</u>	<u>1,178,281</u>
Totals	<u>\$ 22,249,964</u>	<u>\$ 7,123,979</u>	<u>\$ 1,156,860</u>	<u>\$ 809,800</u>	<u>(14,337,606)</u>	<u>1,178,281</u>	<u>(13,159,325)</u>
General revenues							
Taxes							
Sales taxes					10,499,929	-	10,499,929
Franchise taxes					1,003,231	-	1,003,231
State revenue sharing					1,950,940	-	1,950,940
State sales tax revenue sharing					1,274,065	-	1,274,065
Auto lieu tax revenue sharing					557,250	-	557,250
Investment earnings					1,406,610	294,179	1,700,789
Total general revenues					<u>16,692,025</u>	<u>294,179</u>	<u>16,986,204</u>
Change in net assets					2,354,419	1,472,460	3,826,879
Net assets, beginning of year					<u>96,433,892</u>	<u>20,981,518</u>	<u>117,415,410</u>
Net assets, end of year					<u>\$ 98,788,311</u>	<u>\$ 22,453,978</u>	<u>\$ 121,242,289</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Highway User Revenue Fund	Capital Projects	Nonmajor Governmental Funds	Totals
Assets					
Cash and cash equivalents	\$ 26,143,045	\$ 4,059,250	\$ 4,071,228	\$ 119,728	\$ 34,393,251
Receivables, net					
Accounts	2,294,285	78,666	-	15,734	2,388,685
Interest	329,786	-	-	28	329,814
Due from other funds	474,185	-	-	-	474,185
Prepaid items	785	-	-	-	785
Total assets	<u>\$ 29,242,086</u>	<u>\$ 4,137,916</u>	<u>\$ 4,071,228</u>	<u>\$ 135,490</u>	<u>\$ 37,586,720</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,503,473	\$ -	\$ -	\$ -	\$ 1,503,473
Accrued wages and benefits	174,427	16,281	2,067	-	192,775
Interest payable	-	-	-	49,410	49,410
Due to other funds	-	-	-	8,028	8,028
Deferred revenue	1,027,493	-	-	-	1,027,493
Customer deposits payable	513,416	-	-	-	513,416
Total liabilities	<u>3,218,809</u>	<u>16,281</u>	<u>2,067</u>	<u>57,438</u>	<u>3,294,595</u>
Fund balances					
Unreserved:					
Undesignated	25,443,496	4,121,635	-	-	29,565,131
Designated	579,781	-	4,069,161	-	4,648,942
Unreserved, reported in					
Special revenue funds	-	-	-	77,820	77,820
Debt service funds	-	-	-	232	232
Total fund balances	<u>26,023,277</u>	<u>4,121,635</u>	<u>4,069,161</u>	<u>78,052</u>	<u>34,292,125</u>
Total liabilities and fund balances	<u>\$ 29,242,086</u>	<u>\$ 4,137,916</u>	<u>\$ 4,071,228</u>	<u>\$ 135,490</u>	<u>\$ 37,586,720</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008

Fund balances - total governmental funds	\$ 34,292,125
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	85,861,830
Less accumulated depreciation	<u>(10,295,629)</u>
Capital assets used in governmental activities	<u>75,566,201</u>
Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources.	
	177,691
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Revenue bonds	(2,191,646)
Capital leases	(8,045,288)
Compensated absences	<u>(1,010,772)</u>
Long-term liabilities not due and payable in the current period	<u>(11,247,706)</u>
Net assets of governmental activities	<u>\$ 98,788,311</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2008

	General	Highway User Revenue Fund	Capital Projects	Nonmajor Governmental Funds	Totals
Revenues					
Taxes					
Sales taxes	\$ 10,499,929	\$ -	\$ -	\$ -	\$ 10,499,929
Franchise taxes	1,003,231	-	-	-	1,003,231
Intergovernmental	3,782,255	1,017,239	-	121,713	4,921,207
Fines and forfeitures	1,630,753	-	-	-	1,630,753
Licenses and permits	2,197,361	-	-	-	2,197,361
Contributions and donations	-	-	-	17,908	17,908
Investment earnings	1,405,448	-	-	1,162	1,406,610
Other	284,106	-	-	-	284,106
Total Revenues	<u>20,803,083</u>	<u>1,017,239</u>	<u>-</u>	<u>140,783</u>	<u>21,961,105</u>
Expenditures					
Current					
General government	7,386,767	-	-	274,907	7,661,674
Public safety	8,799,431	-	-	36,627	8,836,058
Highways and streets	-	1,901,078	-	-	1,901,078
Debt Service					
Principal retirement	-	-	-	151,842	151,842
Interest on long-term debt	-	-	-	101,896	101,896
Capital outlay	-	-	3,946,895	-	3,946,895
Total Expenditures	<u>16,186,198</u>	<u>1,901,078</u>	<u>3,946,895</u>	<u>565,272</u>	<u>22,599,443</u>
Excess (deficiency) or revenues over expenditures	<u>4,616,885</u>	<u>(883,839)</u>	<u>(3,946,895)</u>	<u>(424,489)</u>	<u>(638,338)</u>
Other financing sources (uses)					
Transfers in	-	1,608,626	2,594,056	253,143	4,455,825
Transfers out	(4,455,825)	-	-	-	(4,455,825)
Proceeds from capital leases	1,494,107	120,904	5,422,000	-	7,037,011
Total other financing sources (uses)	<u>(2,961,718)</u>	<u>1,729,530</u>	<u>8,016,056</u>	<u>253,143</u>	<u>7,037,011</u>
Net change in fund balances	1,655,167	845,691	4,069,161	(171,346)	6,398,673
Fund balances, beginning of year	<u>24,368,110</u>	<u>3,275,944</u>	<u>-</u>	<u>249,398</u>	<u>27,893,452</u>
Fund balances, end of year	<u>\$ 26,023,277</u>	<u>\$ 4,121,635</u>	<u>\$ 4,069,161</u>	<u>\$ 78,052</u>	<u>\$ 34,292,125</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ 6,398,673
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	2,696,300
Donated assets	400,000
Less current year depreciation	<u>(1,331,763)</u>
Excess capital expenditures over depreciation	<u>1,764,537</u>
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	(36,901)
Some revenues and expenses reported in the statement of activities do not provide current financial resources or uses and therefore are not reported as revenues in governmental funds:	
Deferred court revenues recognized in prior years	(8,266)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.	
Principal payments on long-term debt	1,365,478
Proceeds of capital leases	(7,037,011)
Net increase in compensated absences	<u>(92,091)</u>
Change in net assets of governmental activities	<u>\$ 2,354,419</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 11,357,099	\$ 11,357,099	\$ 11,503,160	\$ 146,061
Intergovernmental	3,965,440	3,965,440	3,782,255	(183,185)
Fines and forfeitures	1,244,000	1,244,000	1,630,753	386,753
Licenses and permits	2,379,497	2,379,497	2,197,361	(182,136)
Investment earnings	1,343,636	1,343,636	1,405,448	61,812
Other	265,434	265,434	284,106	18,672
Total Revenues	<u>20,555,106</u>	<u>20,555,106</u>	<u>20,803,083</u>	<u>247,977</u>
Expenditures				
Current				
General government				
Mayor and council	84,932	114,932	99,786	15,146
Town manager	658,002	658,002	603,656	54,346
Town attorney	560,803	600,803	597,939	2,864
Management services	1,201,700	1,201,700	1,148,319	53,381
Non-departmental	1,320,738	1,320,738	1,294,975	25,763
Community development	1,279,043	1,279,043	1,176,460	102,583
Engineering	309,299	309,299	281,739	27,560
Public works	785,766	785,766	769,412	16,354
Municipal court	531,963	531,963	500,154	31,809
Total general government	<u>6,732,246</u>	<u>6,802,246</u>	<u>6,472,440</u>	<u>329,806</u>
Public safety				
Police	6,647,836	6,647,836	6,325,694	322,142
Fire Services	2,894,948	2,894,948	2,473,737	421,211
Total public safety	<u>9,542,784</u>	<u>9,542,784</u>	<u>8,799,431</u>	<u>743,353</u>
Contingency	3,000,000	2,909,000	-	2,909,000
Total Expenditures	<u>19,275,030</u>	<u>19,254,030</u>	<u>15,271,871</u>	<u>3,982,159</u>
Excess (deficiency) of revenues over expenditures	<u>1,280,076</u>	<u>1,301,076</u>	<u>5,531,212</u>	<u>4,230,136</u>
Other financing sources (uses)				
Transfers out	(6,077,889)	(6,077,889)	(4,455,825)	1,622,064
Total other financing sources (uses)	<u>(6,077,889)</u>	<u>(6,077,889)</u>	<u>(4,455,825)</u>	<u>1,622,064</u>
Net change in fund balances	(4,797,813)	(4,776,813)	1,075,387	5,852,200
Fund balances, beginning of year	<u>24,838,548</u>	<u>24,838,548</u>	<u>24,368,110</u>	<u>(470,438)</u>
Fund balances, end of year	<u>\$ 20,040,735</u>	<u>\$ 20,061,735</u>	<u>\$ 25,443,497</u>	<u>\$ 5,381,762</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
HIGHWAY USER REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Intergovernmental	\$ 1,124,554	\$ 1,017,239	\$ (107,315)
Total Revenues	<u>1,124,554</u>	<u>1,017,239</u>	<u>(107,315)</u>
Expenditures			
Current			
Highways and streets	<u>1,927,194</u>	<u>1,780,174</u>	<u>147,020</u>
Total Expenditures	<u>1,927,194</u>	<u>1,780,174</u>	<u>147,020</u>
Excess (deficiency) or revenues over expenditures	<u>(802,640)</u>	<u>(762,935)</u>	<u>39,705</u>
Other financing sources (uses)			
Transfers in	<u>802,640</u>	<u>1,608,626</u>	<u>805,986</u>
Total other financing sources (uses)	<u>802,640</u>	<u>1,608,626</u>	<u>805,986</u>
Net change in fund balances	-	845,691	845,691
Fund balances, beginning of year	<u>1,819,185</u>	<u>3,275,944</u>	<u>1,456,759</u>
Fund balances, end of year	<u>\$ 1,819,185</u>	<u>\$ 4,121,635</u>	<u>\$ 2,302,450</u>

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 7,953,206	\$ 611,212	\$ 8,564,418
Restricted cash for customer deposits	-	13,513	13,513
Receivables, net			
Accounts receivable, net of allowance	41,360	1,698	43,058
Interest receivable	43,482	-	43,482
Prepaid items	1,613	-	1,613
Noncurrent assets			
Capital assets			
Non-depreciable	14,349,766	-	14,349,766
Depreciable (net)	<u>7,747,438</u>	<u>7,413</u>	<u>7,754,851</u>
Total assets	<u>30,136,865</u>	<u>633,836</u>	<u>30,770,701</u>
Liabilities			
Current liabilities			
Accounts payable	4,367	-	4,367
Accrued wages and benefits	1,036	1,300	2,336
Interest payable	85,633	-	85,633
Intergovernmental payable	45,608	-	45,608
Due to other funds	466,157	-	466,157
Unearned revenue	518,420	4,952	523,372
Customer deposits payable	-	13,513	13,513
Compensated absences	2,703	1,679	4,382
Capital leases payable	362,221	-	362,221
Bonds payable	275,840	-	275,840
Noncurrent liabilities			
Compensated absences	3,872	301	4,173
Capital leases payable	3,006,607	-	3,006,607
Bonds payable	<u>3,522,514</u>	<u>-</u>	<u>3,522,514</u>
Total liabilities	<u>8,294,978</u>	<u>21,745</u>	<u>8,316,723</u>
Net assets			
Invested in capital assets, net of related debt	14,930,022	7,413	14,937,435
Restricted for			
Capital outlay	3,639,972	-	3,639,972
Unrestricted	<u>3,271,893</u>	<u>604,678</u>	<u>3,876,571</u>
Total net assets	<u>\$ 21,841,887</u>	<u>\$ 612,091</u>	<u>\$ 22,453,978</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewer System	Alarm Monitor System	Totals
Operating revenues			
Charges for services	\$ 1,807,885	\$ 218,940	\$ 2,026,825
Total operating revenues	<u>1,807,885</u>	<u>218,940</u>	<u>2,026,825</u>
Operating expenses			
Costs of sales and services	1,533,009	134,127	1,667,136
Depreciation	281,301	1,647	282,948
Total operating expenses	<u>1,814,310</u>	<u>135,774</u>	<u>1,950,084</u>
Operating income (loss)	<u>(6,425)</u>	<u>83,166</u>	<u>76,741</u>
Nonoperating revenues (expenses)			
Development fees	1,019,258	-	1,019,258
Investment earnings	294,179	-	294,179
Interest expense	(327,518)	-	(327,518)
Total nonoperating revenues (expenses)	<u>985,919</u>	<u>-</u>	<u>985,919</u>
Income (loss) before contributions	979,494	83,166	1,062,660
Capital contributions	<u>409,800</u>	<u>-</u>	<u>409,800</u>
Change in net assets	1,389,294	83,166	1,472,460
Total net assets, beginning of year	<u>20,452,593</u>	<u>528,925</u>	<u>20,981,518</u>
Total net assets, end of year	<u>\$ 21,841,887</u>	<u>\$ 612,091</u>	<u>\$ 22,453,978</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Cash flows from operating activities			
Receipts from customers	\$ 1,806,599	\$ 220,685	\$ 2,027,284
Payments to suppliers	(1,468,602)	(66,918)	(1,535,520)
Payments to employees	(57,739)	(80,721)	(138,460)
Customer deposits	-	268	268
Net cash flows from operating activities	<u>280,258</u>	<u>73,314</u>	<u>353,572</u>
Cash flows from noncapital financing activities			
Cash received from (paid to) other funds for interfund borrowing	(117,321)	-	(117,321)
Development fees	621,834	-	621,834
Net cash flows from noncapital financing activities	<u>504,513</u>	<u>-</u>	<u>504,513</u>
Cash flows from capital and financing activities			
Purchases of capital assets	(141,907)	-	(141,907)
Principal paid on capital debt	(610,219)	-	(610,219)
Interest paid on capital debt	(332,847)	-	(332,847)
Net cash flows from capital and financing activities	<u>(1,084,973)</u>	<u>-</u>	<u>(1,084,973)</u>
Cash flows from investing activities			
Investment earnings	307,994	-	307,994
Net cash flows from investing activities	<u>307,994</u>	<u>-</u>	<u>307,994</u>
Net change in cash and cash equivalents	7,792	73,314	81,106
Cash and cash equivalents, beginning of year	<u>7,945,414</u>	<u>551,411</u>	<u>8,496,825</u>
Cash and cash equivalents, end of year (including \$13,513 of restricted cash in the Alarm System Monitor Fund)	<u>\$ 7,953,206</u>	<u>\$ 624,725</u>	<u>\$ 8,577,931</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Sewer System</u>	<u>Alarm Monitor System</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (6,425)	\$ 83,166	\$ 76,741
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	281,301	1,647	282,948
Change in assets/liabilities:			
Receivables	(5,171)	(66)	(5,237)
Prepaid items	1,142	-	1,142
Accounts payable	4,367	-	4,367
Accrued wages and benefits	221	137	358
Compensated absences	938	(13,649)	(12,711)
Unearned revenue	3,885	1,811	5,696
Customer deposits payable	<u>-</u>	<u>268</u>	<u>268</u>
Net cash provided by operating activities	<u>\$ 280,258</u>	<u>\$ 73,314</u>	<u>\$ 353,572</u>

Noncash Investing, Capital and Financing Activities:

The Town received \$409,800 of developer contributed sewer lines recorded as capital contributions during the fiscal year.

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

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TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

Included within the reporting entity:

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

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

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

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

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and equity

1. Deposits and investments

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

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

2. Receivables

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

3. Short-term interfund receivables/payables

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

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

5. Restricted assets

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

6. Capital assets

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

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

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

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

7. Compensated absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

9. Net assets

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

10. Fund equity

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Mummy Mountain Preserve Trust Fund). The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.

5. Legal budgets are adopted for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures with the exception of the Mummy Mountain Trust Nonmajor Fund in which an adopted budget is not prepared.

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

No supplementary budgetary appropriations were necessary during the year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and investments

Deposits and investments at June 30, 2008 consist of the following:

Deposits	
Cash on hand	\$ 1,650
Cash in bank	3,303,061
Cash held by County Attorney	5,302
Investments	
U.S. Government Securities	28,686,867
State Treasurer's Investment Pool	10,838,697
Cash on deposit with trustee	<u>135,605</u>
Total cash and investments	42,971,182
Restricted assets	<u>(13,513)</u>
Total cash and equivalents	<u>\$ 42,957,669</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Deposits - The Town's deposits at June 30, 2008, were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name. The deposits are not subject to any custodial credit risk.

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

The Town invests funds pending clearance of outstanding checks in a Corporate Cash Management Account. Under the terms of the Corporate Cash Management Account agreement, excess funds in the Town's checking account are invested in overnight securities. At June 30, 2008, \$3,433,852 of total cash in the bank (\$3,620,143) was invested in an overnight repurchase agreement which was fully collateralized at June 30, 2008.

Interest rate risk. In accordance with the Town's investment policy, the Town manages its exposure to declines in fair values by limiting its investments to U.S. government securities.

Credit risk. The Town limits its investments to the State Treasurer's Investment Pool and U.S. Government Securities. The investment with the trustee is cash on hand at the end of the fiscal year in order to make the required principal and interest payments on outstanding bonds. The funds are on deposit with the trustee for less than one month and do not pose a credit risk to the Town. The Town's investment in U.S. Government Securities include \$997,733 invested in U.S. Treasury Notes, \$27,689,134 invested in Fannie Mae Securities, Freddie Mac Securities, Federal Farm Credit Bureau and Federal Home Loan Unsecured Bonds. The U.S. Treasury Notes do not have any credit risk and the Fannie Mae, Freddie Mac, Federal Farm Credit Bureau and the Federal Home Loan Bonds all have a Standard and Poor's AAA rating.

2. Restricted assets

Restricted assets in the business-type activities at June 30, 2008 consist of the following:

Customer deposits	\$ <u>13,513</u>
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TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

3. Receivables

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectibles at June 30, 2008 netted against accounts receivable in the General Fund totaled \$55,365.

Receivables consist of the following:

	<u>General</u>	<u>HURF</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Office of the State Treasurer:				
Highway User Revenue	\$ -	\$ 78,666	\$ -	\$ 78,666
State sales tax	105,086	-	-	105,086
Town sales tax	1,618,440	-	-	1,618,440
County Treasurer:				
Auto lieu tax	25,885	-	-	25,885
Franchise fees:				
Arizona Public Service	151,130	-	-	151,130
Cox Cable	54,484	-	-	54,484
Southwest Gas	30,996	-	-	30,996
Court receivable	233,056	-	-	233,056
Grant receivable	-	-	15,734	15,734
Note receivable	57,541	-	-	57,541
Sales tax audit	41,895	-	-	41,895
Miscellaneous	31,137	-	-	31,137
Total	<u>2,349,650</u>	<u>78,666</u>	<u>15,734</u>	<u>2,444,050</u>
Less: allowance for doubtful accounts	<u>(55,365)</u>	<u>-</u>	<u>-</u>	<u>(55,365)</u>
Total	<u>\$ 2,294,285</u>	<u>\$ 78,666</u>	<u>\$ 15,734</u>	<u>\$ 2,388,685</u>

The Sewer System and Alarm Monitor System Enterprise Funds reported accounts receivable of \$41,360 and \$1,698 due from residents, respectively.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

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

	<u>Unavailable</u>	<u>Unearned</u>
Court fines not available at June 30, 2008 (General Fund)	\$ 177,691	\$ -
Cash payments not meeting all eligibility requirements (General Fund)	<u>-</u>	<u>849,802</u>
	<u>\$ 177,691</u>	<u>\$ 849,802</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

4. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 44,045,799	\$ -	\$ -	\$ 44,045,799
Construction in progress	<u>1,539,830</u>	<u>2,223,592</u>	<u>(2,103,676)</u>	<u>1,659,746</u>
Total capital assets, not being depreciated	<u>45,585,629</u>	<u>2,223,592</u>	<u>(2,103,676)</u>	<u>45,705,545</u>
Capital assets being depreciated:				
Land improvements	2,023,760	-	-	2,023,760
Infrastructure	23,757,396	2,159,550	-	25,916,946
Buildings and improvements	6,489,494	-	-	6,489,494
Machinery, equipment and vehicles	<u>5,067,071</u>	<u>816,834</u>	<u>(157,820)</u>	<u>5,726,085</u>
Total capital assets being depreciated	<u>37,337,721</u>	<u>2,976,384</u>	<u>(157,820)</u>	<u>40,156,285</u>
Less accumulated depreciation for:				
Land improvements	(629,747)	(80,950)	-	(710,697)
Infrastructure	(2,552,995)	(533,753)	-	(3,086,748)
Buildings and improvements	(3,068,064)	(226,779)	-	(3,294,843)
Machinery, equipment and vehicles	<u>(2,833,979)</u>	<u>(490,281)</u>	<u>120,919</u>	<u>(3,203,341)</u>
Total accumulated depreciation	<u>(9,084,785)</u>	<u>(1,331,763)</u>	<u>120,919</u>	<u>(10,295,629)</u>
Total capital assets, being depreciated, net	<u>28,252,936</u>	<u>1,644,621</u>	<u>(36,901)</u>	<u>29,860,656</u>
Governmental activities capital assets, net	<u>\$ 73,838,565</u>	<u>\$ 3,868,213</u>	<u>\$ (2,140,577)</u>	<u>\$ 75,566,201</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Sewer capacity rights	\$ 14,349,766	\$ -	\$ -	\$ 14,349,766
Construction in progress	<u>34,983</u>	<u>141,907</u>	<u>(176,890)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>14,384,749</u>	<u>141,907</u>	<u>(176,890)</u>	<u>14,349,766</u>
Capital assets being depreciated:				
Sewer system	10,822,537	586,690	-	11,409,227
Machinery and equipment	648,498	-	-	648,498
Furniture and fixtures	<u>57,429</u>	<u>-</u>	<u>(2,155)</u>	<u>55,274</u>
Total capital assets being depreciated	<u>11,528,464</u>	<u>586,690</u>	<u>(2,155)</u>	<u>12,112,999</u>
Less accumulated depreciation for:				
Sewer system	(3,609,226)	(216,451)	-	(3,825,677)
Machinery and equipment	(419,759)	(64,850)	-	(484,609)
Furniture and fixtures	<u>(48,370)</u>	<u>(1,647)</u>	<u>2,155</u>	<u>(47,862)</u>
Total accumulated depreciation	<u>(4,077,355)</u>	<u>(282,948)</u>	<u>2,155</u>	<u>(4,358,148)</u>
Total capital assets, being depreciated, net	<u>7,451,109</u>	<u>303,742</u>	<u>-</u>	<u>7,754,851</u>
Business-type activities capital assets, net	<u>\$ 21,835,858</u>	<u>\$ 445,649</u>	<u>\$ (176,890)</u>	<u>\$ 22,104,617</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 240,076
Public safety	391,331
Highways and streets	<u>700,356</u>
Total depreciation expense-governmental activities	<u>\$ 1,331,763</u>
Business-type Activities:	
Sewer Fund	\$ 281,301
Alarm Monitor System Fund	<u>1,647</u>
Total depreciation expense-business-type activities	<u>\$ 282,948</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

5. Construction commitments

The Town has active construction projects at June 30, 2008. The projects listed below include various projects. At fiscal year end the Town's commitments with contractors were as follows:

	Governmental	
Project	Spent-to-date	Remaining Commitment
Fire Stations	1,341,970	\$ 3,549,506
Radio Project	206,394	471,536
Town Entry Monuments	-	14,084
	<u>\$ 1,548,364</u>	<u>\$ 4,035,126</u>

B. Interfund receivables, payables and transfers

As of June 30, 2008 interfund receivable and payables were as follows:

	Due From		
Due To	Nonmajor Governmental Funds	Sewer System Fund	Total
General Fund	\$ <u>8,028</u>	\$ <u>466,157</u>	\$ <u>474,185</u>

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Transfers In	<u>Transfers Out</u>
	General Fund
HURF Fund	\$ 1,608,626
Capital Projects Fund	2,594,056
Nonmajor Governmental Funds	<u>253,143</u>
	<u>\$ 4,455,825</u>

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

C. Obligations under leases

Capital Leases

The Town has acquired land, sewer capacity rights, construction in progress and various equipment and vehicles under the provision of long-term lease agreements classified as capital leases. The principal amount of the assets totaling \$4,578,270 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 Town has \$4,648,942 in lease proceeds that have not yet been used to acquire capital. 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.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets not being depreciated		
Land	\$ 1,200,000	\$ -
Sewer capacity rights	-	4,049,066
Construction in progress	<u>1,595,444</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,795,444</u>	<u>4,049,066</u>
Capital assets being depreciated		
Buildings and improvements	65,182	-
Machinery, equipment and vehicles	<u>1,717,644</u>	<u>-</u>
Total capital assets being depreciated	<u>1,782,826</u>	<u>-</u>
Less: accumulated depreciation	<u>(232,152)</u>	<u>-</u>
Total capital assets, net	<u>\$ 4,346,118</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, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year Ending June 30,		
2009	\$ 1,580,261	\$ 497,983
2010	1,166,789	497,983
2011	901,642	497,983
2012	901,642	497,983
2013	901,642	497,983
2014-18	<u>4,137,406</u>	<u>1,493,939</u>
Total minimum lease payments	9,589,382	3,983,854
Less: amount representing interest	<u>(1,544,094)</u>	<u>(615,026)</u>
Present value of minimum lease payments	<u>\$ 8,045,288</u>	<u>\$ 3,368,828</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

D. Long-term obligations

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

Bonds payable at June 30, 2008 consisted of the MPC, Series 1998 revenue bond. Bonds maturing before or on January 1, 2009 are noncallable and bonds maturing thereafter are subject to call. Interest is payable semiannually.

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and licensees and permits, to repay \$9,170,000 in excess tax revenue bonds. Proceeds from the bonds were used 36.6% for sewer capacity purchased for existing sewer customers and 63.4% for sewer capacity and improvements for future customers. The bonds are payable from excise tax revenues in the Debt Service Fund and developer fee revenues in the Sewer Fund through 2019. Total principal and interest payments on the bonds are expected to require less than 4% of pledged revenues. Total principal and interest required on the bonds is \$7,630,940, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$693,000 and \$17,483,000, respectively.

Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>	<u>Due within One Year</u>
Governmental Activities:					
Revenue bonds	\$ 2,343,488	\$ -	\$ (151,842)	\$ 2,191,646	\$ 159,160
Capital leases	2,221,913	7,037,011	(1,213,636)	8,045,288	1,272,376
Compensated absences	<u>918,681</u>	<u>737,313</u>	<u>(645,222)</u>	<u>1,010,772</u>	<u>685,225</u>
	<u>\$ 5,484,082</u>	<u>\$ 7,774,324</u>	<u>\$ (2,010,700)</u>	<u>\$ 11,247,706</u>	<u>\$ 2,116,761</u>
Business-type Activities:					
Revenue bonds	\$ 4,061,512	\$ -	\$ (263,158)	\$ 3,798,354	\$ 275,840
Capital leases	3,715,889	-	(347,061)	3,368,828	362,221
Compensated absences	<u>21,266</u>	<u>6,256</u>	<u>(18,967)</u>	<u>8,555</u>	<u>4,382</u>
	<u>\$ 7,798,667</u>	<u>\$ 6,256</u>	<u>\$ (629,186)</u>	<u>\$ 7,175,737</u>	<u>\$ 642,443</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Debt service requirements on long-term debt at June 30, 2008 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 159,160	\$ 95,518	\$ 275,840	\$ 165,543
2010	164,648	88,758	285,352	153,827
2011	171,966	81,646	298,034	141,501
2012	181,113	74,053	313,887	128,341
2013	188,430	65,921	326,570	114,248
2014-18	1,079,357	188,694	1,870,642	327,027
2019	<u>246,972</u>	<u>5,804</u>	<u>428,029</u>	<u>10,059</u>
	<u>\$ 2,191,646</u>	<u>\$ 600,394</u>	<u>\$ 3,798,354</u>	<u>\$ 1,040,546</u>

NOTE 4 - OTHER INFORMATION

A. Budgetary basis of accounting

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

	General Fund		HURF Fund	
	Total Expenditures	Other Financing Sources	Total Expenditures	Other Financing Sources
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 16,186,198	\$ (2,961,718)	\$ 1,901,078	\$ 1,729,530
Less: Present value of net minimum capital lease payments	(914,327)	(1,494,107)	(120,904)	(120,904)
Less: Unspent prior year capital lease proceeds	-	-	-	-
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	<u>\$ 15,271,871</u>	<u>\$ (4,455,825)</u>	<u>\$ 1,780,174</u>	<u>\$ 1,608,626</u>

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

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. Unvested accumulated sick leave of Town employees at June 30, 2008, totaled \$186,734.

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 Town is solely responsible for the capital expenses and start up expenses. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either parties. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$1,670,132 for the year ended June 30, 2008. Contractual payments due in fiscal year 2008/09 are budgeted for \$1,927,800.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

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, 2008 was \$6,096,162. The Town's total payroll was \$7,184,811.

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

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee's contribution and amount of employer's contribution is based upon the employee's status in accordance with the Fair Labor Standards Act (FLSA). For all non-exempt employees under FLSA the employee to employer contribution rate was 1:1; for exempt employees the ratio was 2:1; and directors and the Town Manager have a 3:1 ratio. During fiscal year 2007-08, the Town's required and actual contributions amounted to \$100,886. The employees' contributions totaled \$136,847.

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

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2007-08 or as of the close of the fiscal year.

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Arizona State Retirement System

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

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2008, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$412,866, \$364,043, and \$266,853, respectively, which were equal to the required contributions for the year.

Public Safety Personnel Retirement System (PSPRS)

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

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

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, 2007 (the date of the latest available information), the Town's annual pension cost of \$382,203 was equal to the Town's required and actual contributions.

Three-Year Trend Information

Paradise Valley Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 298,696	100.0 %	\$ -
2006	351,308	100.0	-
2007	382,203	100.0	-

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, 2007 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Paradise Valley, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The Town of Paradise Valley, 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, 2007, was 29 years.

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

TOWN OF PARADISE VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Funded Status and Funding Progress - As of June 30, 2007, the most recent actuarial valuation date, the plan was 52.8% funded. The actuarial accrued liability for benefits was \$17.5 million, and the actuarial value of assets was \$9.2 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$8.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.8 million, and the ratio of the UAAL to the covered payroll was 451.2%. 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.

Required Supplementary Information

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

Paradise Valley Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Under (Overfunded) AAL	Annual Covered Payroll	Underfunded AAL as a Percentage of Covered Payroll
2005	\$ 9,425,469	\$ 14,109,491	66.8 %	\$ 4,684,022	\$ 1,773,920	264.0 %
2006	9,468,357	15,117,591	62.6	5,649,234	1,832,422	308.3
2007	9,213,308	17,454,538	52.8	8,241,230	1,826,525	451.2

**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Forfeiture Fund - accounts for police seizures and forfeitures received by the Town.

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

DEBT SERVICE FUND

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

TOWN OF PARADISE VALLEY, ARIZONA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue					Debt Service	Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	Total		
Assets							
Cash and cash equivalents	\$ 23,723	\$ -	\$ 5,302	\$ 41,087	\$ 70,112	\$ 49,616	\$ 119,728
Accounts receivable, net	-	15,734	-	-	15,734	-	15,734
Interest receivable	-	-	-	2	2	26	28
Total assets	<u>\$ 23,723</u>	<u>\$ 15,734</u>	<u>\$ 5,302</u>	<u>\$ 41,089</u>	<u>\$ 85,848</u>	<u>\$ 49,642</u>	<u>\$ 135,490</u>
Liabilities and Fund Balances							
Liabilities							
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,410	\$ 49,410
Due to other funds	-	8,028	-	-	8,028	-	8,028
Total liabilities	<u>-</u>	<u>8,028</u>	<u>-</u>	<u>-</u>	<u>8,028</u>	<u>49,410</u>	<u>57,438</u>
Fund balances							
Unreserved	<u>23,723</u>	<u>7,706</u>	<u>5,302</u>	<u>41,089</u>	<u>77,820</u>	<u>232</u>	<u>78,052</u>
Total fund balances	<u>23,723</u>	<u>7,706</u>	<u>5,302</u>	<u>41,089</u>	<u>77,820</u>	<u>232</u>	<u>78,052</u>
Total liabilities and fund balances	<u>\$ 23,723</u>	<u>\$ 15,734</u>	<u>\$ 5,302</u>	<u>\$ 41,089</u>	<u>\$ 85,848</u>	<u>\$ 49,642</u>	<u>\$ 135,490</u>

TOWN OF PARADISE VALLEY, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue					Debt Service	Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	Total		
Revenues							
Intergovernmental	\$ -	\$ 120,832	\$ 881	\$ -	\$ 121,713	\$ -	\$ 121,713
Contributions and donations	17,908	-	-	-	17,908	-	17,908
Investment earnings	-	-	213	634	847	315	1,162
Total revenues	<u>17,908</u>	<u>120,832</u>	<u>1,094</u>	<u>634</u>	<u>140,468</u>	<u>315</u>	<u>140,783</u>
Expenditures							
Current							
General government	183,915	90,992	-	-	274,907	-	274,907
Public safety	2,717	26,684	7,226	-	36,627	-	36,627
Debt Service							
Principal retirement	-	-	-	-	-	151,842	151,842
Interest on long-term debt	-	-	-	-	-	101,896	101,896
Total expenditures	<u>186,632</u>	<u>117,676</u>	<u>7,226</u>	<u>-</u>	<u>311,534</u>	<u>253,738</u>	<u>565,272</u>
Excess (deficiency) of revenues over expenditures	<u>(168,724)</u>	<u>3,156</u>	<u>(6,132)</u>	<u>634</u>	<u>(171,066)</u>	<u>(253,423)</u>	<u>(424,489)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	253,143	253,143
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,143</u>	<u>253,143</u>
Net change in fund balances	(168,724)	3,156	(6,132)	634	(171,066)	(280)	(171,346)
Fund balances, beginning of year	<u>192,447</u>	<u>4,550</u>	<u>11,434</u>	<u>40,455</u>	<u>248,886</u>	<u>512</u>	<u>249,398</u>
Fund balances, end of year	<u>\$ 23,723</u>	<u>\$ 7,706</u>	<u>\$ 5,302</u>	<u>\$ 41,089</u>	<u>\$ 77,820</u>	<u>\$ 232</u>	<u>\$ 78,052</u>

TOWN OF PARADISE VALLEY, ARIZONA
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Expenditures			
Capital outlay	\$ <u>5,433,513</u>	\$ <u>2,594,056</u>	\$ <u>2,839,457</u>
Total Expenditures	<u>5,433,513</u>	<u>2,594,056</u>	<u>2,839,457</u>
Excess (deficiency) of revenues over expenditures	<u>(5,433,513)</u>	<u>(2,594,056)</u>	<u>2,839,457</u>
Other financing sources (uses)			
Transfers in	<u>5,433,513</u>	<u>2,594,056</u>	<u>(2,839,457)</u>
Total other financing sources (uses)	<u>5,433,513</u>	<u>2,594,056</u>	<u>(2,839,457)</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

TOWN OF PARADISE VALLEY, ARIZONA
DONATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Contributions and donations	\$ <u>171,630</u>	\$ <u>171,630</u>	\$ <u>17,908</u>	\$ <u>(153,722)</u>
Total Revenues	<u>171,630</u>	<u>171,630</u>	<u>17,908</u>	<u>(153,722)</u>
Expenditures				
Current				
General government	167,000	188,000	183,915	4,085
Public safety	<u>4,630</u>	<u>4,630</u>	<u>2,717</u>	<u>1,913</u>
Total Expenditures	<u>171,630</u>	<u>192,630</u>	<u>186,632</u>	<u>5,998</u>
Excess (deficiency) or revenues over expenditures	-	(21,000)	(168,724)	(147,724)
Fund balances, beginning of year	<u>81,315</u>	<u>81,315</u>	<u>192,447</u>	<u>111,132</u>
Fund balances, end of year	<u>\$ 81,315</u>	<u>\$ 60,315</u>	<u>\$ 23,723</u>	<u>\$ (36,592)</u>

TOWN OF PARADISE VALLEY, ARIZONA
 GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 195,700	\$ 120,832	\$ (74,868)
Total Revenues	<u>195,700</u>	<u>120,832</u>	<u>(74,868)</u>
Expenditures			
Current			
General government	189,500	90,992	98,508
Public safety	<u>6,200</u>	<u>26,684</u>	<u>(20,484)</u>
Total Expenditures	<u>195,700</u>	<u>117,676</u>	<u>78,024</u>
Excess (deficiency) of revenues over expenditures	-	3,156	3,156
Fund balances, beginning of year	<u>-</u>	<u>4,550</u>	<u>4,550</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 7,706</u>	<u>\$ 7,706</u>

TOWN OF PARADISE VALLEY, ARIZONA
 FORFEITURE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 881	\$ 881
Investment earnings	303	213	(90)
Total Revenues	<u>303</u>	<u>1,094</u>	<u>791</u>
Expenditures			
Current			
Public safety	11,500	7,226	4,274
Total Expenditures	<u>11,500</u>	<u>7,226</u>	<u>4,274</u>
Excess (deficiency) of revenues over expenditures	(11,197)	(6,132)	5,065
Fund balances, beginning of year	11,197	11,434	237
Fund balances, end of year	<u>\$ -</u>	<u>\$ 5,302</u>	<u>\$ 5,302</u>

TOWN OF PARADISE VALLEY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Investment earnings	\$ -	\$ 315	\$ 315
Total Revenues	<u>-</u>	<u>315</u>	<u>315</u>
Expenditures			
Debt Service			
Principal retirement	151,842	151,842	-
Interest on long-term debt	<u>101,895</u>	<u>101,896</u>	<u>(1)</u>
Total Expenditures	<u>253,737</u>	<u>253,738</u>	<u>(1)</u>
Excess (deficiency) of revenues over expenditures	<u>(253,737)</u>	<u>(253,423)</u>	<u>314</u>
Other financing sources (uses)			
Transfers in	<u>253,737</u>	<u>253,143</u>	<u>(594)</u>
Total other financing sources (uses)	<u>253,737</u>	<u>253,143</u>	<u>(594)</u>
Net change in fund balances	-	(280)	(280)
Fund balances, beginning of year	<u>367</u>	<u>512</u>	<u>145</u>
Fund balances, end of year	<u>\$ 367</u>	<u>\$ 232</u>	<u>\$ (135)</u>

STATISTICAL SECTION

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 and property 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.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 24,086,252	\$ 36,521,049	\$ 36,681,403	\$ 62,658,461	\$ 69,273,164	\$ 65,329,267
Restricted	7,409,340	2,646,210	3,547,005	2,458,089	3,506,945	4,179,307
Unrestricted	<u>20,131,888</u>	<u>19,232,729</u>	<u>21,212,662</u>	<u>23,122,328</u>	<u>23,653,783</u>	<u>29,279,737</u>
Total governmental activities net assets	<u>\$ 51,627,480</u>	<u>\$ 58,399,988</u>	<u>\$ 61,441,070</u>	<u>\$ 88,238,878</u>	<u>\$ 96,433,892</u>	<u>\$ 98,788,311</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 12,317,460	\$ 12,387,573	\$ 12,537,954	\$ 12,944,276	\$ 14,058,457	\$ 14,937,435
Restricted	1,460,850	2,050,411	2,314,437	3,253,695	3,374,755	3,639,972
Unrestricted	<u>2,280,522</u>	<u>2,246,455</u>	<u>2,849,958</u>	<u>3,135,872</u>	<u>3,548,306</u>	<u>3,876,571</u>
Total business-type activities net assets	<u>\$ 16,058,832</u>	<u>\$ 16,684,439</u>	<u>\$ 17,702,349</u>	<u>\$ 19,333,843</u>	<u>\$ 20,981,518</u>	<u>\$ 22,453,978</u>
Primary government						
Invested in capital assets, net of related debt	\$ 36,403,712	\$ 48,908,622	\$ 49,219,357	\$ 75,602,737	\$ 83,331,621	\$ 80,266,702
Restricted	8,870,190	4,696,621	5,861,442	5,711,784	6,881,700	7,819,279
Unrestricted	<u>22,412,410</u>	<u>21,479,184</u>	<u>24,062,620</u>	<u>26,258,200</u>	<u>27,202,089</u>	<u>33,156,308</u>
Total primary government net assets	<u>\$ 67,686,312</u>	<u>\$ 75,084,427</u>	<u>\$ 79,143,419</u>	<u>\$ 107,572,721</u>	<u>\$ 117,415,410</u>	<u>\$ 121,242,289</u>

Source: The Town's Management Services Department.

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 6,852,345	\$ 7,205,961	\$ 5,830,167	\$ 5,572,020	\$ 7,582,685	\$ 7,504,799
Public safety	4,699,476	4,895,582	5,230,079	5,427,430	6,770,604	8,578,890
Highways and streets	2,190,740	2,102,681	2,826,197	2,232,994	3,535,814	3,698,363
Interest on long-term debt	214,840	152,543	132,501	135,632	139,448	190,310
Total governmental activities	<u>13,957,401</u>	<u>14,356,767</u>	<u>14,018,944</u>	<u>13,368,076</u>	<u>18,028,551</u>	<u>19,972,362</u>
Business-type activities:						
Sewer system	1,668,659	1,673,671	1,842,192	1,874,049	2,052,990	2,141,828
Alarm monitor system	111,710	116,989	128,194	134,462	135,019	135,774
Total business-type activities	<u>1,780,369</u>	<u>1,790,660</u>	<u>1,970,386</u>	<u>2,008,511</u>	<u>2,188,009</u>	<u>2,277,602</u>
Total primary government expenses	<u>\$ 15,737,770</u>	<u>\$ 16,147,427</u>	<u>\$ 15,989,330</u>	<u>\$ 15,376,587</u>	<u>\$ 20,216,560</u>	<u>\$ 22,249,964</u>
Program Revenues						
Governmental activities:						
Fines, fees and charges for services:						
General government	\$ 1,998,914	\$ 2,305,546	\$ 2,987,376	\$ 3,519,743	\$ 5,008,586	\$ 3,956,275
Public safety	-	-	-	8,538	5,279	105,585
Highways and streets	-	-	183,077	-	-	16,036
Operating grants and contributions	973,337	1,064,659	1,097,104	1,238,887	1,313,322	1,156,860
Capital grants and contributions	818,054	5,530,770	57,356	1,520,470	3,807,860	400,000
Total governmental activities program revenues	<u>3,790,305</u>	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>	<u>5,634,756</u>
Business-type activities:						
Charges for services:						
Sewer system	2,038,584	2,136,775	2,526,738	2,793,516	2,517,864	2,827,143
Alarm monitor system	216,830	210,724	206,705	209,230	210,932	218,940
Capital grants and contributions	124,272	36,210	160,620	422,750	781,250	409,800
Total business-type activities program revenues	<u>2,379,686</u>	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>	<u>3,455,883</u>
Total primary government program revenues	<u>\$ 6,169,991</u>	<u>\$ 11,284,684</u>	<u>\$ 7,218,976</u>	<u>\$ 9,713,134</u>	<u>\$ 13,645,093</u>	<u>\$ 9,090,639</u>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (expense)/revenue						
Governmental activities	\$ (10,167,096)	\$ (5,455,792)	\$ (9,694,031)	\$ (7,080,438)	\$ (7,893,504)	\$ (14,337,606)
Business-type activities	599,317	593,049	923,677	1,416,985	1,322,037	1,178,281
Total primary government net expense	<u>\$ (9,567,779)</u>	<u>\$ (4,862,743)</u>	<u>\$ (8,770,354)</u>	<u>\$ (5,663,453)</u>	<u>\$ (6,571,467)</u>	<u>\$ (13,159,325)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Sales taxes	\$ 7,532,660	\$ 7,890,578	\$ 8,260,274	\$ 9,126,426	\$ 10,374,728	\$ 10,499,929
Franchise taxes	715,402	745,992	759,607	824,782	915,326	1,003,231
State shared revenues	2,522,806	2,381,528	2,522,036	2,875,380	2,891,589	3,225,005
Auto lieu tax revenue sharing	538,002	553,579	584,982	646,708	574,175	557,250
Investment earnings	739,423	651,012	608,214	991,870	1,332,700	1,406,610
Other	(1,436)	-	-	-	-	-
Transfers	-	5,611	-	-	-	-
Total governmental activities:	<u>12,046,857</u>	<u>12,228,300</u>	<u>12,735,113</u>	<u>14,465,166</u>	<u>16,088,518</u>	<u>16,692,025</u>
Business-type activities:						
Investment earnings (loss)	(11,193)	38,169	94,233	214,509	325,638	294,179
Transfers	-	(5,611)	-	-	-	-
Total business-type activities	<u>(11,193)</u>	<u>32,558</u>	<u>94,233</u>	<u>214,509</u>	<u>325,638</u>	<u>294,179</u>
Total primary government	<u>\$ 12,035,664</u>	<u>\$ 12,260,858</u>	<u>\$ 12,829,346</u>	<u>\$ 14,679,675</u>	<u>\$ 16,414,156</u>	<u>\$ 16,986,204</u>
Change in Net Assets						
Governmental activities	\$ 1,879,761	\$ 6,772,508	\$ 3,041,082	\$ 7,384,728	\$ 8,195,014	\$ 2,354,419
Business-type activities	588,124	625,607	1,017,910	1,631,494	1,647,675	1,472,460
Total primary government	<u>\$ 2,467,885</u>	<u>\$ 7,398,115</u>	<u>\$ 4,058,992</u>	<u>\$ 9,016,222</u>	<u>\$ 9,842,689</u>	<u>\$ 3,826,879</u>

Source: The Town's Management Services Department.

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

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

Function/Program	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
General government	\$ 2,720,304	\$ 7,577,522	\$ 3,016,814	\$ 4,960,424	\$ 9,053,679	\$ 4,467,270
Public safety	5,377	39,238	6,241	14,715	20,976	134,211
Highways and streets	<u>1,064,624</u>	<u>1,284,215</u>	<u>1,301,858</u>	<u>1,312,499</u>	<u>1,060,392</u>	<u>1,033,275</u>
Subtotal governmental activities	<u>3,790,305</u>	<u>8,900,975</u>	<u>4,324,913</u>	<u>6,287,638</u>	<u>10,135,047</u>	<u>5,634,756</u>
Business-type activities:						
Sewer system	2,146,384	2,172,985	2,687,358	3,216,266	3,299,114	3,236,943
Alarm monitor system	<u>233,302</u>	<u>210,724</u>	<u>206,705</u>	<u>209,230</u>	<u>210,932</u>	<u>218,940</u>
Subtotal business-type activities	<u>2,379,686</u>	<u>2,383,709</u>	<u>2,894,063</u>	<u>3,425,496</u>	<u>3,510,046</u>	<u>3,455,883</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>	<u>\$ 9,090,639</u>

Source: The Town's Management Service Department.

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 110,985	\$ 47,088	\$ 7,033	\$ 6,562	\$ -	\$ 102,818	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>18,805,652</u>	<u>19,688,956</u>	<u>20,426,716</u>	<u>20,452,255</u>	<u>20,237,163</u>	<u>19,900,194</u>	<u>21,897,439</u>	<u>23,838,710</u>	<u>24,368,110</u>	<u>26,023,277</u>
Total General Fund	<u>\$ 18,916,637</u>	<u>\$ 19,736,044</u>	<u>\$ 20,433,749</u>	<u>\$ 20,458,817</u>	<u>\$ 20,237,163</u>	<u>\$ 20,003,012</u>	<u>\$ 21,897,439</u>	<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>	<u>\$ 26,023,277</u>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 1,181,539	\$ 1,221,358	\$ 1,133,776	\$ 822,904	\$ 810,472	\$ 816,602	\$ 1,734,576	\$ 2,475,642	\$ 3,524,830	\$ 4,199,455
Debt service funds	2,033	2,895	1,416	354	170	85	210	367	512	232
Capital projects funds	<u>5,060,738</u>	<u>8,865,008</u>	<u>9,793,128</u>	<u>9,452,025</u>	<u>6,598,698</u>	<u>1,829,523</u>	<u>1,829,523</u>	<u>-</u>	<u>-</u>	<u>4,069,161</u>
Total all other governmental funds	<u>\$ 6,244,310</u>	<u>\$ 10,089,261</u>	<u>\$ 10,928,320</u>	<u>\$ 10,275,283</u>	<u>\$ 7,409,340</u>	<u>\$ 2,646,210</u>	<u>\$ 3,564,309</u>	<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>	<u>\$ 8,268,848</u>

Source: The Town's Management Service Department.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 7,247,314	\$ 8,119,159	\$ 8,345,971	\$ 8,138,494	\$ 8,248,062	\$ 8,636,570	\$ 9,019,881	\$ 9,951,208	\$ 11,290,054	\$ 11,503,160
Intergovernmental	3,633,113	4,073,334	4,326,270	4,093,680	4,134,715	4,235,005	4,249,702	4,849,824	4,656,254	4,921,207
Fines and forfeitures	508,919	511,805	619,438	902,293	1,020,489	905,824	1,083,724	1,228,545	1,505,931	1,630,753
Licenses and permits	657,674	736,350	897,042	772,843	864,180	1,204,140	1,686,194	1,847,924	3,238,562	2,197,361
Charges for services	-	-	-	-	-	-	187,077	-	-	-
Investment earnings	1,362,846	1,657,001	1,922,948	1,571,249	739,423	651,012	608,214	991,870	1,332,700	1,406,610
Other	73,026	162,513	148,711	159,080	131,729	364,812	143,797	650,580	366,621	302,014
Total revenues	<u>13,482,892</u>	<u>15,260,162</u>	<u>16,260,380</u>	<u>15,637,639</u>	<u>15,138,598</u>	<u>15,997,363</u>	<u>16,978,589</u>	<u>19,519,951</u>	<u>22,390,122</u>	<u>21,961,105</u>
Expenditures										
General government	3,263,847	3,915,638	4,126,971	4,941,590	4,801,152	5,215,411	5,059,155	5,450,586	7,066,224	7,661,674
Public safety	3,553,505	3,563,287	4,000,252	4,451,529	4,608,673	4,763,692	5,154,489	5,371,429	6,673,289	8,836,058
Highways and streets	1,038,989	1,237,890	1,361,034	1,593,172	1,408,277	1,532,470	1,430,165	1,622,491	1,680,913	1,901,078
Capital outlay	5,469,993	2,216,533	5,487,184	6,811,425	7,232,833	9,666,243	2,967,196	6,799,178	7,531,375	3,946,895
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	520,000	631,471	677,083	707,571	731,230	131,718	135,377	140,865	146,354	151,842
Interest on long-term debt	193,960	243,466	216,401	187,410	156,313	124,508	119,167	113,642	107,897	101,896
Total expenditures	<u>14,040,294</u>	<u>11,808,285</u>	<u>15,868,925</u>	<u>18,692,697</u>	<u>18,938,478</u>	<u>21,434,042</u>	<u>14,865,549</u>	<u>19,498,191</u>	<u>23,206,052</u>	<u>22,599,443</u>
Excess of revenues over (under) expenditures	<u>(557,402)</u>	<u>3,451,877</u>	<u>391,455</u>	<u>(3,055,058)</u>	<u>(3,799,880)</u>	<u>(5,436,679)</u>	<u>2,113,040</u>	<u>21,760</u>	<u>(815,930)</u>	<u>(638,338)</u>

Fiscal Year

	1999	2000	2001	2002	2003	2004	2005	2006	2008	2008
Other financing sources (uses)										
Transfers in	4,884,020	6,740,112	7,086,884	5,686,872	5,328,615	5,309,176	4,086,764	5,951,668	8,028,562	4,455,825
Transfers out	(4,786,221)	(6,465,872)	(6,778,548)	(5,737,795)	(5,328,615)	(5,303,565)	(4,086,764)	(5,951,668)	(8,028,562)	(4,455,825)
Proceeds of long-term debt issuance	3,355,157	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	392,358	938,241	836,973	2,478,012	712,283	433,787	699,486	831,211	2,394,663	7,037,011
Total other financing sources (uses)	<u>3,845,314</u>	<u>1,212,481</u>	<u>1,145,309</u>	<u>2,427,089</u>	<u>712,283</u>	<u>439,398</u>	<u>699,486</u>	<u>831,211</u>	<u>2,394,663</u>	<u>7,037,011</u>
Net change in fund balance	\$ <u>3,287,912</u>	\$ <u>4,664,358</u>	\$ <u>1,536,764</u>	\$ <u>(627,969)</u>	\$ <u>(3,087,597)</u>	\$ <u>(4,997,281)</u>	\$ <u>2,812,526</u>	\$ <u>852,971</u>	\$ <u>1,578,733</u>	\$ <u>6,398,673</u>
Debt service as a percentage of noncapital expenditures	8.3 %	9.1 %	8.6 %	7.5 %	7.6 %	2.2 %	2.1 %	2.0 %	1.6 %	1.4 %

Source: The Town's Management Services Department.

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

Fiscal Year	Sales and Use	Occupancy	Franchise	Total
1999	\$ 4,019,668	\$ 2,575,154	\$ 652,492	\$ 7,247,314
2000	4,859,085	2,565,174	694,900	8,119,159
2001	5,216,902	2,417,867	711,202	8,345,971
2002	5,137,594	2,167,238	833,662	8,138,494
2003	5,353,856	2,178,804	715,402	8,248,062
2004	5,605,752	2,284,826	745,992	8,636,570
2005	6,059,493	2,200,781	759,607	9,019,881
2006	6,838,389	2,288,037	824,782	9,951,208
2007	8,129,931	2,244,797	915,326	11,290,054
2008	8,401,809	2,098,120	1,003,231	11,503,160

Source: The Town's Management Services Department.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales and Use Tax Collected by Category (1)										
Communications and Utilities	\$ 209,533	\$ 271,207	\$ 285,320	\$ 277,710	\$ 314,342	\$ 229,257	\$ 362,906	\$ 385,466	\$ 399,465	\$ 467,913
Construction	1,220,650	1,647,083	1,878,176	1,843,284	2,080,016	2,208,058	2,204,092	2,751,534	3,951,997	4,420,843
Manufacturing	53,012	62,659	163,527	171,075	171,308	171,078	223,540	243,507	174,371	101,628
Retail trade	150,380	192,728	141,704	164,005	205,196	322,360	164,793	210,152	234,595	311,592
Finance, Insurance and Real Estate	55,439	86,233	88,024	204,334	195,185	250,747	241,291	267,236	400,899	377,621
Hospitality	2,204,255	2,426,853	2,452,965	2,177,665	2,173,731	2,089,442	2,474,965	2,603,157	2,507,944	2,253,947
Services	89,255	105,578	125,564	157,096	117,482	152,926	160,672	173,674	231,145	206,628
Other	37,144	66,744	81,622	142,425	96,596	181,884	227,234	203,663	229,310	261,637
Total	\$ 4,019,668	\$ 4,859,085	\$ 5,216,902	\$ 5,137,594	\$ 5,353,856	\$ 5,605,752	\$ 6,059,493	\$ 6,838,389	\$ 8,129,726	\$ 8,401,809
Bed Tax Collected	\$ 2,575,154	\$ 2,565,174	\$ 2,417,867	\$ 2,167,238	\$ 2,178,804	\$ 2,284,826	\$ 2,200,781	\$ 2,288,037	\$ 2,244,797	\$ 2,098,120

Source: Arizona Department of Revenue

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

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

Privilege (Sales) Tax Rates

Fiscal Year	Town Direct Rate	County Rate	State Rate
2003	1.40 %	0.70 %	5.60 %
2004	1.40	0.70	5.60
2005	1.65	0.70	5.60
2006	1.65	0.70	5.60
2007	1.65	0.70	5.60
2008	1.65	0.70	5.60

Use Tax Rates

Fiscal Year	Town Direct Rate	County Rate	State Rate
2003	1.40 %	- %	5.60 %
2004	1.40	-	5.60
2005	1.65	-	5.60
2006	1.65	-	5.60
2007	1.65	-	5.60
2008	1.65	-	5.60

Bed Tax Rates

Fiscal Year	Town Direct Rate	County Rate	State Rate
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

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			
1999	5,645	497	5,815	4	11,961	898	13,315
2000	5,014	793	5,656	4	11,467	856	13,390
2001	4,337	888	5,453	1	10,679	782	13,664
2002	3,629	1,931	5,241	128	10,929	785	13,915
2003	2,898	1,301	5,022	64	9,285	659	14,090
2004	2,766	527	4,794	-	8,087	569	14,215
2005	2,631	611	4,559	-	7,801	541	14,410
2006	2,490	787	4,315	4,049	11,641	840	13,863
2007	2,343	2,222	4,062	3,716	12,343	882	14,000
2008	2,192	8,045	3,798	3,369	17,404	1,224	14,215

Source: The Town's Management Service Department

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

Excise Tax Revenue Bonds					
Fiscal Year	Excise Tax Revenues	Principal	Interest	Coverage	
1999	\$ 10,545	\$ 520	\$ 114	16.63	
2000	11,773	790	94	13.32	
2001	12,324	880	315	10.31	
2002	11,840	920	458	8.59	
2003	12,173	950	418	8.90	
2004	12,776	360	340	18.25	
2005	13,813	370	326	19.85	
2006	15,456	385	311	22.21	
2007	17,994	400	295	25.89	
2008	17,483	415	278	25.23	

Source: The Town's Management Services Department.

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

<u>Fiscal Year</u>	<u>Population</u>
1999	13,315
2000	13,390
2001	13,664
2002	13,915
2003	14,090
2004	14,215
2005	14,410
2006	13,863
2007	14,000
2008	14,215

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

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

Function	Full-Time Equivalent Employees									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Town Manager	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Town Attorney	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services	7.0	8.0	7.0	7.0	8.0	8.0	7.7	7.7	7.2	7.2
Planning and Building	7.0	8.4	8.4	8.7	9.0	9.0	9.0	11.0	13.0	13.0
Court	4.6	4.6	4.6	4.6	5.3	5.3	5.3	5.4	5.4	5.7
Engineering	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Works	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Police										
Officers	35.0	35.0	35.0	35.0	34.0	35.0	36.0	36.0	36.0	36.0
Civilians	8.6	8.6	8.6	8.6	10.3	10.3	10.3	10.3	10.3	10.5
Fire Service	-	-	-	-	-	-	-	-	-	1.0
Highways and Streets	12.0	11.0	12.0	13.0	13.0	13.0	13.7	14.0	14.0	14.0
Sewer System	1.0	1.0	1.0	1.0	1.0	0.7	1.0	1.0	1.0	1.0
Alarm Monitoring System	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>87.8</u>	<u>89.6</u>	<u>90.6</u>	<u>91.9</u>	<u>94.6</u>	<u>95.3</u>	<u>97.0</u>	<u>99.4</u>	<u>100.9</u>	<u>102.4</u>

Source: Town's Management Services Department.

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

Function	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Government							
Building permits issued	880	850	823	941	1,019	1,059	950
Value of building permits issued	\$ 99,473,625	\$ 98,276,680	\$ 105,004,033	\$ 127,825,265	\$ 172,799,125	\$ 312,280,046	\$ 177,127,174
Police							
Physical arrests	(a)	267	240	293	341	334	270
Parking violations	(a)	273	280	490	514	669	582
Traffic violations	(a)	2,846	2,672	3,806	4,162	2,946	2,529
Other public works							
Street resurfacing (miles)	11	6	9	8	10	10	9
Sidewalks (linear feet)	-	-	1,371	3,374	-	2,025	24,725
Potholes repaired	198	211	204	193	205	150	115
Sewer system							
Number of customers	1,797	1,872	1,901	1,916	1,938	1,985	2,016

Source: The Town of Paradise Valley.

(a) Information was not available.

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

Function	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Police							
Stations	1	1	1	1	1	1	1
Patrol and detective vehicles	20	20	20	20	20	20	25
Fire service							
Fire stations	-	-	-	-	-	2	2
Fire pumpers, support vehicles	-	-	-	-	-	3	4
Other public works							
Streets (miles)	140	140	140	140	140	140	140
Traffic signals	12	12	12	12	12	12	12
Sewer system							
Sanitary sewers (feet)	301,772	304,467	305,319	307,444	,111,409	317,059	320,890
Treatment capacity (thousands of gallons)	880	880	880	880	1,026	1,026	1,026

Source: The Town of Paradise Valley.