

**TOWN OF PARADISE VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2009**

---

Mr. Vernon B. Parker  
*Mayor*

Ms. Virginia "Jini" Simpson  
*Vice Mayor*

*Councilmembers*

Mr. G. Bernard "Bernie" Barry

Mr. Ronald B. Clarke

Ms. Mary Hamway

Ms. Pam Kirby

Mr. Scott P. LeMarr

James C. Bacon, Jr.  
*Town Manager*

Ms. 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, 2009  
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## **INTRODUCTORY SECTION**

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November 19, 2009

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

The Comprehensive Annual Financial Report of the Town of Paradise Valley, Arizona (the "Town") for the fiscal year ended June 30, 2009 is hereby submitted in accordance with State law (Arizona Revised Statutes 9-481). Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

LarsonAllen LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the Town of Paradise Valley, Arizona's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

#### **TOWN OF PARADISE VALLEY PROFILE**

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

Paradise Valley is an Arizona Municipal Corporation, acting as a general law town as prescribed in the Arizona Revised Statutes. The Town government operates under the Council Manager form of government. Policy making and legislative authority are vested in the Town Council, which consists of seven Council members. Council members are elected to four year terms. The Mayor and Vice Mayor are selected by the Council from among its members. The next scheduled municipal election is March 2010.

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 Attorney and Municipal Judges.

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To the Honorable Mayor, Members of the Town Council,  
and Citizens of the Town of Paradise Valley, Arizona  
November 19, 2009

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

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 Town's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. Prior to the third Monday in July, the Town Manager presents the preliminary budget to the Town Council. The budget includes proposed expenditures and the means of financing them. The preliminary budget sets the limit for expenditures during the fiscal year. A public hearing is held prior to the budget's final adoption.

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### **Local Economy**

Local tax revenues account for 48% of total governmental fund revenues. Local taxes declined 10.6% from fiscal year 2008. Two industries – construction and hospitality – account for 85% of local tax revenues. Both industries have been adversely affected by the current economic climate.

Beginning with the Sanctuary in 2003, several resorts have undergone major renovation and revitalization programs in the last several years. The Marriott Camelback Inn completed a major renovation project in August 2008. La Posada, closed in May 2005, underwent a complete transformation and opened in November 2008 as the Intercontinental Montelucia Resort and Spa, complete with 34 residential villas. A second resort, Mountain Shadows, closed since August 2004, is in the planning stage for revitalization. A new resort, the Ritz-Carlton, received Council approval in May 2008. Construction has been delayed due to the current state of the tourism industry. While the hospitality industry posted an 11.4% increase for 2009, the increase was due to the resolution of a State conducted audit from several years ago. On-going operations experienced a 6% decline. The current assessment for hospitality is that the continuing weak demand for group meetings and leisure travelers will impact both occupancy levels and room rates in 2010 and 2011.

To the Honorable Mayor, Members of the Town Council,  
and Citizens of the Town of Paradise Valley, Arizona  
November 19, 2009

The construction industry impacts two revenue sources – construction sales tax and permit revenues. Beginning in 2006, the Town experienced a significant increase in the construction of new homes, as well as in the size and cost of those homes, with the average construction valuation exceeding \$1.4 million. The recession has significantly impacted the luxury home market and this is expected to continue into fiscal year 2010. The completion of the Intercontinental Montelucia has also impacted both construction sales tax and permit revenues. After three years of double-digit growth, construction sales taxes declined 18% compared to fiscal year 2008. Permit revenues, which accounted for 10% of governmental fund revenues in fiscal year 2008, declined 47% in fiscal year 2009, accounting for only 6% of governmental revenues.

### **Long-term Financial Planning**

The Town's Financial Policy Statement requires that the combined fund balance for the General Fund and the Highway User Revenue Fund be between 90% and 110% of expenditures, plus a \$3 million contingency. This policy ensures that the Town can continue to operate without any significant impact on services in the event of unforeseen emergencies, loss of revenues or catastrophic impacts on the Town. Funds in excess of this limit are transferred to the Capital Projects Fund. The MPC Debt Service Fund has sufficient funds to cover the next two years of debt service payments.

### **Cash Management Policies and Practices**

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

### **MAJOR INITIATIVES**

Recognizing that fiscal year 2009 revenues would fall below budget, the Town implemented a freeze on hiring and reduced staff related to the construction industry and capital projects. The on-going savings are estimated to be \$1.6 million annually.

The Town made the strategic decision to utilize some of the Town's fund balance to take advantage of low bids for its scheduled asphalt overlay project and to add two additional overlay projects in fiscal year 2009. Of the 140 miles of roads in Town, 49% have had either an asphalt overlay or been reconstructed in the last 5 years, and 72% have had an asphalt overlay or been reconstructed in the last 10 years. As a result, additional overlay and slurry seal projects can be delayed for several years.

The Town completed construction of two new fire stations, which will be operated by the City of Phoenix Fire Department under an intergovernmental agreement.

With lower interest rates available, the Town refunded its 1998 Municipal Property Corporation Bonds and two capital leases for the construction of its fire stations. The refunding resulted in a savings of over \$500,000.

To the Honorable Mayor, Members of the Town Council,  
and Citizens of the Town of Paradise Valley, Arizona:  
November 19, 2009

In 1994, the Town partnered with Arizona Public Service to underground 69 miles of neighborhood overhead utility lines in 36 districts. In fiscal year 2009, the 30th district was completed, for the elimination of a total of 55 miles of overhead lines. In addition, two other districts are underway and will be completed in fiscal year 2010.

The Town of Paradise Valley's adopted fiscal year 2010 budget reflects a continued downturn in the local economy, which is also mirrored at the national and state levels. No service levels have been impacted with the fiscal year 2010 budget.

The State of Arizona had not adopted a budget as of June 30, 2009. Since there was a possibility of a state agency shut down, which could have affected the distribution of state shared revenues and the Town's ability to transfer funds from the State Treasurer's Investment Pool, the Town made the decision to move funds from the General Fund's investment in the State Treasurer's Investment Pool to the Town's bank account at June 30th in order to ensure the availability of funds to pay the Town's obligations.

#### **Acknowledgements**

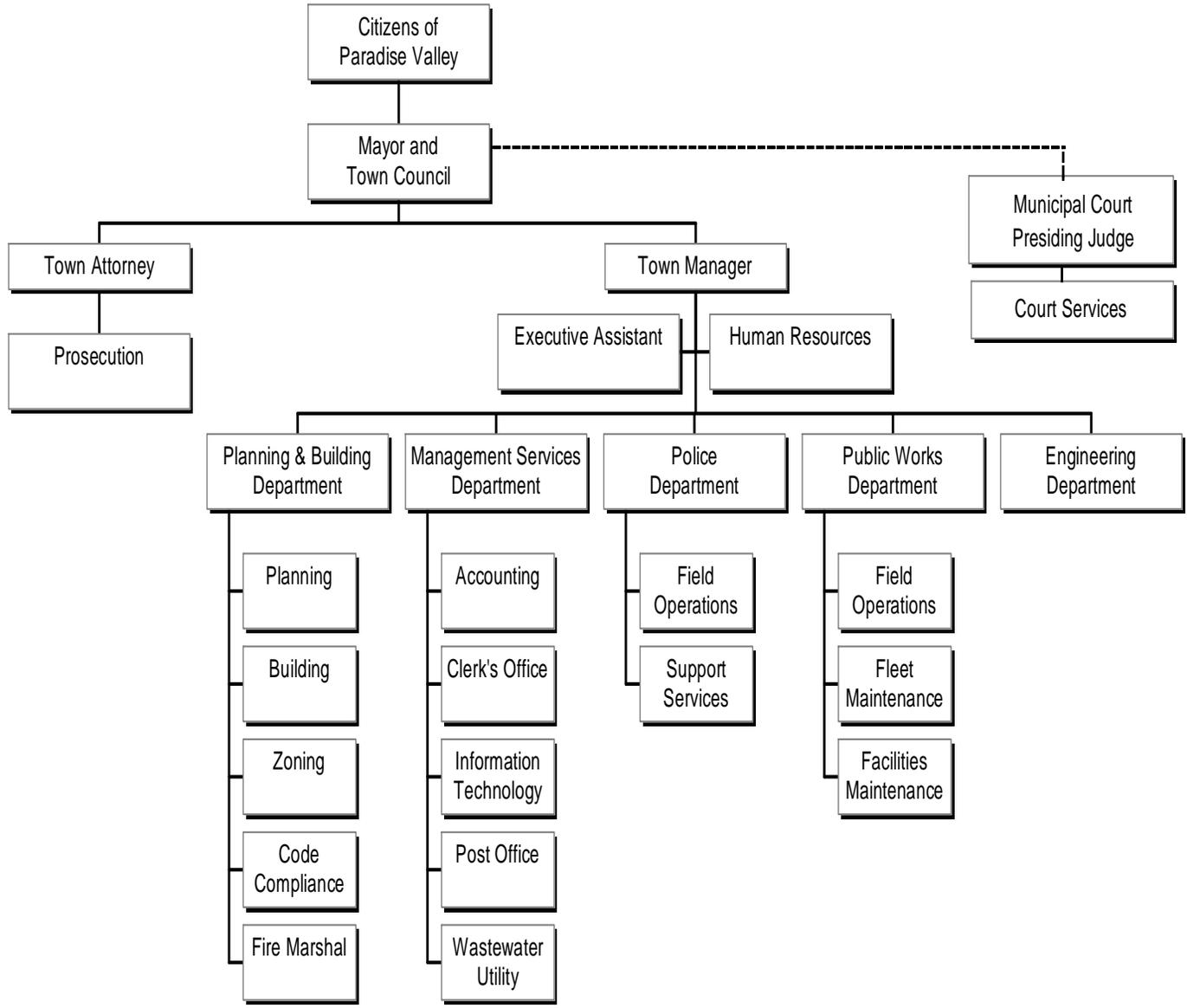
The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Management Services Department, and through the competent service of our independent auditors. I also wish to express my sincere appreciation to the Town Council and the Town Manager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

Lenore Platt Lancaster, CPA  
Management Services Director

TOWN OF PARADISE VALLEY, ARIZONA  
 ORGANIZATIONAL CHART  
 JUNE 30, 2009



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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' 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, 2009, 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, 2009, 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 - 19 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
November 19, 2009

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

This section of the Town of Paradise Valley's (the Town) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2009 and 2008. 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 2009 and 2008 are as follows:

- Paradise Valley's assets exceeded its liabilities at the close of the fiscal year 2009 and 2008 by \$117.6 million and \$121.2 million (net assets), respectively. Of this amount, \$24.3 million and \$33.1 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets decreased by \$3.6 million and increased by \$3.8 million during fiscal years 2009 and 2008, respectively.
- As of June 30, 2009 and 2008, the Town's governmental funds reported combined ending fund balances of \$25.0 million and \$34.3 million, respectively, all of which is unreserved fund balance. Of the June 30, 2008 fund balance, \$4.6 million was designated for purchases of assets from capital lease proceeds.
- At the close of the current fiscal year, the unreserved fund balance for the General Fund was \$19.1 million or 101% of total General Fund revenues of \$18.9 million and 117% of total General Fund expenditures of \$16.3 million. At the close of fiscal year 2008, unreserved fund balance for the General Fund was \$26.0 million or 125% of General Fund revenues of \$20.8 million and 161% of General Fund expenditures of \$16.2 million.
- During fiscal year 2009, the Town's total bonded debt had a net increase of \$5,065,000 in contrast to the decrease of \$415,000 in fiscal year 2008. The Town issued \$11.1 million excise tax revenue bonds to refund prior excise tax revenue bonds and capital leases for the acquisition of land and construction of two fire stations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Government-wide Financial Statements.**

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

The **statement of net assets** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

The government-wide financial statements can be found beginning on page 22 of this report.

**Fund Financial Statements**

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

**Governmental Funds**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

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

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

The basic governmental fund financial statements begin on page 24 of this report.

### **Proprietary Funds**

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

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

The proprietary fund financial statements begin on page 30 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 35 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 58 of this report.

### **Combining Statements**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of Net Assets**

Net assets may serve as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2009 and 2008.

**Condensed Statement of Net Assets  
June 30, 2009 and 2008**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>ASSETS</b>						
Current and Other Assets	\$ 28,572,039	\$ 37,578,692	\$ 7,377,526	\$ 8,199,927	\$ 35,949,565	\$ 45,778,619
Capital Assets						
Non-depreciable	44,427,088	45,705,545	14,349,766	14,349,766	58,776,854	60,055,311
Depreciable (net)	35,652,870	29,860,656	8,141,738	7,754,851	43,794,608	37,615,507
Total Assets	108,651,997	113,144,893	29,869,030	30,304,544	138,521,027	143,449,437
<b>LIABILITIES</b>						
Other Liabilities	3,220,393	3,108,876	417,434	674,829	3,637,827	3,783,705
Non-Current Liabilities						
Due within one year	1,647,269	2,116,761	566,637	642,443	2,213,906	2,759,204
Due in more than one year	8,962,563	9,130,945	6,060,321	6,533,294	15,022,884	15,664,239
Total Liabilities	13,830,225	14,356,582	7,044,392	7,850,566	20,874,617	22,207,148
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	70,546,752	65,329,267	15,875,113	14,937,435	86,421,865	80,266,702
Restricted	3,498,527	4,179,307	3,393,316	3,639,972	6,891,843	7,819,279
Unrestricted	20,776,493	29,279,737	3,556,209	3,876,571	24,332,702	33,156,308
Total Net Assets	\$ 94,821,772	\$ 98,788,311	\$ 22,824,638	\$ 22,453,978	\$ 117,646,410	\$ 121,242,289

Net assets consist of three components. The largest portion of the Town's net assets reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc.) less depreciation and any related debt used to acquire those assets, of \$86.4 million (73.5%) and \$80.3 million (66.2%) for the fiscal years 2009 and 2008, respectively. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the Town's net assets, \$6.9 million (5.9%) for fiscal year 2009 and \$7.8 million (6.5%) for fiscal year 2008, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2009 and 2008, \$24.3 million (20.6%) and \$33.2 million (27.3%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Analysis of Changes in Net Assets**

The Town's net assets decreased by \$3.6 million and increased \$3.9 million during the fiscal years 2009 and 2008 respectively. These changes are explained in the government and business-type activities discussion below.

Condensed Statement of Changes in Net Assets  
For the Fiscal Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>REVENUES</b>						
Program Revenues:						
Fees, fines and charges for services	\$ 3,287,453	\$ 4,077,896	\$ 2,686,165	\$ 3,046,083	\$ 5,973,618	\$ 7,123,979
Operating Grants and Contributions	929,564	1,156,860	-	-	929,564	1,156,860
Capital Grants and Contributions	502,684	400,000	681,569	409,800	1,184,253	809,800
General Revenues:						
Local Taxes	10,387,438	11,503,160	-	-	10,387,438	11,503,160
State Shared Revenues	3,684,506	3,782,255	-	-	3,684,506	3,782,255
Investment Income	1,569,907	1,406,610	152,859	294,179	1,722,766	1,700,789
Total Revenues	20,361,552	22,326,781	3,520,593	3,750,062	23,882,145	26,076,843
<b>EXPENSES</b>						
General Government	9,318,797	7,504,799	-	-	9,318,797	7,504,799
Public Safety	9,127,589	8,578,890	-	-	9,127,589	8,578,890
Highways and Streets	6,150,305	3,698,363	-	-	6,150,305	3,698,363
Interest and Fiscal Charges	424,849	190,310	-	-	424,849	190,310
Sewer System	-	-	2,327,149	2,141,828	2,327,149	2,141,828
Alarm Monitor System	-	-	129,335	135,774	129,335	135,774
Total Expenses	25,021,540	19,972,362	2,456,484	2,277,602	27,478,024	22,249,964
<b>CHANGE IN NET ASSETS</b>						
<b>BEFORE TRANSFERS</b>	(4,659,988)	2,354,419	1,064,109	1,472,460	(3,595,879)	3,826,879
Transfers	693,449	-	(693,449)	-	-	-
<b>CHANGE IN NET ASSETS</b>	(3,966,539)	2,354,419	370,660	1,472,460	(3,595,879)	3,826,879
Net Assets - Beginning of Year	98,788,311	96,433,892	22,453,978	20,981,518	121,242,289	117,415,410
<b>NET ASSETS - END OF YEAR</b>	\$ 94,821,772	\$ 98,788,311	\$ 22,824,638	\$ 22,453,978	\$ 117,646,410	\$ 121,242,289

**Governmental activities.** In fiscal year 2009, governmental activities decreased the net assets of the Town by \$4.7 million (4.7%) before transfers in. Total revenues decreased \$2.0 million (8.8%). Local taxes decreased by \$1.1 million (9.7%) and licenses and permits decreased \$1.0 million (47.2%) compared to fiscal year 2008. Both are the result of the weakening local economy and the downturn in the construction industry, accounting for the overall decrease in revenues.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Expenses increased \$5.0 million (25.3%). This is primarily the result of \$3.7 million in non-capital road improvement projects undertaken because of a very favorable bid environment. In addition, the Town partnered with Arizona Public Service to underground utility lines. The Town's expense was \$2.6 million in General Government expense.

**Business-type activities.** Business-type activities increased the Town's net assets by \$1.1 million before transfers out in fiscal year 2009. Developers contributed \$681,569 and \$409,800 in sewer lines to the Town in fiscal year 2009 and 2008 respectively. A \$693,448 transfer was made from the Alarm Monitor Fund to the Debt Service Fund.

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

#### **Governmental Funds**

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 \$25.0 million, a decrease of \$9.3 million, or 26.9% in comparison with the prior year; each of which is unreserved and undesignated. The combined ending fund balances for fiscal year 2008 were \$34.3 million. Of this \$4.7 million was designated for capital purchases from capital leases and \$29.6 million was unreserved and undesignated.

The General Fund is the chief operating fund of the Town of Paradise Valley. At June 30, 2009, the fund balance of the General Fund was \$19.1 million, or 76.1% of the combined governmental fund balance. The fund balance of the General Fund at June 30, 2008 was \$26.0 million, or 75.9% of the combined governmental fund balance. As a measure of the General Fund's liquidity, it may be useful to compare General Fund fund balance to General Fund expenditures. The General Fund balance represents 117.2% and 160.8% of General Fund expenditures for fiscal years 2009 and 2008, respectively. The General Fund balance represents 100.7% and 125.1% of General Fund revenues at June 30, 2009 and 2008 respectively. The General Fund Balance decrease of \$7.0 million from fiscal year 2008 is due primarily to two factors. First, an \$8 million transfer was recorded to the Capital Projects Fund for current year and budgeted upcoming year expenditures. Second, a \$2.1 million transfer was recorded to the MPC Debt Service Fund for the current year and next two years' debt service expenditures. The General Fund performance also reflects the slowing economy and a reduction in expenditures to offset reduced revenues.

The Highway User Revenue Fund (HURF) is used to account for the state shared revenues restricted to street and highway purposes. The fund balance at June 30, 2009 was \$3.1 million, a decrease of \$1.0 million from June 30, 2008. The HURF fund balance represents 166.8% and 216.8% of HURF expenditures for fiscal years 2009 and 2008 respectively.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Capital Projects expenditures were \$11.2 million in fiscal year 2009 and \$3.9 million in fiscal year 2008. The increase of \$7.3 million is primarily the result of expenditures from capital lease proceeds of \$3.9 million for the construction of two fire stations. In addition, three asphalt overlay projects were completed for a total of \$3.8 million.

A transfer of \$1.3 million was made to the MPC Debt Service Fund from the General Fund and \$.7 million from the Alarm Monitor Fund to pay fiscal year 2009 debt service and provide for an additional two years debt service on the 2009 MPC Excise Tax Revenue Bonds.

**Proprietary Funds**

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

At the end of the fiscal year, the unrestricted net assets were \$3.6 million for the Sewer System and \$-0- for Alarm Monitor. The unrestricted Alarm Monitor fund balance was transferred to the MPC Debt Service Fund.

The total growth in net assets for the enterprise funds was \$.4 million and \$1.5 million for June 30, 2009 and 2008, 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 \$1.0 million and \$1.4 million for June 30, 2009 and 2008, respectively, due to the capital contribution of sewer lines.

**General Fund Budgetary Highlights**

The Town's annual budget is the legally adopted expenditure control document of the Town. The Town closely monitors its revenues, particularly in local taxes, licenses and permits, state shared revenues and investment earnings, for any potential shortfall. Local taxes were below budget by 11% and licenses and permits were below budget by 35.9%. These reductions are the result of the downturn in the economy which first impacted the Town in September 2008. Investment income had a \$.5 million favorable variance as a result of the adjustment to the fair value of investments.

The Town's final year-end budget differs from the original adopted budget due to Town Council approved budget contingency adjustments and transfers between departments that were made throughout the fiscal year. A \$3 million contingency was budgeted to allow for unforeseen emergencies and opportunities. Excluding this contingency, the final General Fund budget was 99.9% of the original budget. Actual expenditures were 87% of the final budget (excluding the contingency). The Town managed the decline in revenues by controlling expenditures. The result was actual revenues exceeded expenses by \$3.7 million compared to the original budget of \$3.4 million (excluding the \$3 million budgeted contingency).

The Town Manager's original budget included a \$.3 million contingency for salary plan adjustments, which was transferred to the appropriate departments upon approval of the fiscal year 2009 salary plan.

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Capital Assets and Debt Administration**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$102.6 million (net of accumulated depreciation). Capital assets as of June 30, 2008 totaled \$97.7 million (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$4.9 million. Capital assets include land and improvements, infrastructure, building and improvements, sewer system, 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:

- Completion of two fire stations for a cost of \$5.3 million.
- Completion of \$.6 million Public Safety building improvements.

Business-type capital asset events included sewer line extensions contributed by developers in the amount of \$.7 million.

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 2009 and 2008 assets, net of depreciation.

Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Improvements	\$ 45,659,201	\$ 45,358,862	\$ -	\$ -	\$ 45,659,201	\$ 45,358,862
Infrastructure	22,713,184	22,830,198	-	-	22,713,184	22,830,198
Buildings and Improvements	8,740,512	3,194,651	-	-	8,740,512	3,194,651
Sewer Capacity Rights	-	-	14,349,766	14,349,766	14,349,766	14,349,766
Sewer System	-	-	8,036,934	7,583,550	8,036,934	7,583,550
Machinery, Furniture and Fixtures, Equipment and Vehicles	2,967,061	2,522,744	104,804	171,301	3,071,865	2,694,045
Construction In Progress	-	1,659,746	-	-	-	1,659,746
Total Capital Assets	\$ 80,079,958	\$ 75,566,201	\$ 22,491,504	\$ 22,104,617	\$ 102,571,462	\$ 97,670,818

**TOWN OF PARADISE VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Debt Administration**

At June 30, 2009, the Town had total bonded debt obligations of its Municipal Property Corporation of \$11.1 million. Of that, \$7.6 million related to governmental activities and \$3.5 million related to business-type activities. The Town refunded its 1998 Municipal Property Corporation bonds and capital leases in fiscal year 2009 to take advantage of favorable interest rates. Moody's Investors Service has assigned a rating of Aa2 to the 2009 Municipal Property Corporation Excise Tax Revenue Bonds.

Outstanding Debt at Year-End  
For the Fiscal Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue Bonds	\$ 7,599,249	\$ 2,191,646	\$ 3,455,751	\$ 3,798,354	\$ 11,055,000	\$ 5,990,000
Bond Premium	339,067	-	154,190	-	493,257	-
Capital Lease	1,594,890	8,045,288	3,006,450	3,368,828	4,601,340	11,414,116
Compensated Absences	1,076,626	1,010,772	10,567	8,555	1,087,193	1,019,327
Total Outstanding Debt	<u>\$ 10,609,832</u>	<u>\$ 11,247,706</u>	<u>\$ 6,626,958</u>	<u>\$ 7,175,737</u>	<u>\$ 17,236,790</u>	<u>\$ 18,423,443</u>

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

The fiscal year 2010 budget presented some challenges for the Town. Current economic conditions required that the Town look at ways to reduce the budget. While the Town has a significant fund balance, the fiscal year 2010 budget is designed to have current operating expenditures paid out of current revenues. Capital projects and debt service will be paid out of fund balance.

The budget forecast assumes the current downturn in both the regional and national economies will continue for the foreseeable future. A further decline of 21% in local taxes, 35% in licenses and permits and 7% in intergovernmental revenues is forecast.

During the fiscal year 2009 the Town did not fill vacant positions and eliminated some positions related to the construction industry and to capital projects. The result was a reduction of 15 positions for the fiscal year 2010 budget. The budget provides for no market adjustment or merit increases for employees. Savings related to the refunding of debt will be realized in fiscal year 2010. Capital projects are limited to the completion of projects begun in fiscal year 2009.

**REQUEST 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.paradisevalleyaz.gov/townhall>

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## **Basic Financial Statements**

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 25,769,504	\$ 3,989,076	\$ 29,758,580
Restricted Cash	-	3,406,674	3,406,674
Receivables, Net			
Accounts Receivable	2,220,677	62,286	2,282,963
Interest Receivable	253,437	27,773	281,210
Internal Balances	196,819	(196,819)	-
Prepaid Items	1,006	3,165	4,171
Deferred Charges	130,596	85,371	215,967
Capital Assets			
Non-Depreciable	44,427,088	14,349,766	58,776,854
Depreciable (net)	35,652,870	8,141,738	43,794,608
Total Assets	<u>108,651,997</u>	<u>29,869,030</u>	<u>138,521,027</u>
<b>LIABILITIES</b>			
Accounts Payable	1,523,676	156	1,523,832
Accrued Wages and Benefits	249,170	2,826	251,996
Interest Payable	21,445	9,752	31,197
Intergovernmental Payable	-	45,608	45,608
Customer Deposits Payable	651,895	13,358	665,253
Unearned Revenue	774,207	345,734	1,119,941
Noncurrent Liabilities			
Due Within One Year	1,647,269	566,637	2,213,906
Due in More Than One Year	8,962,563	6,060,321	15,022,884
Total Liabilities	<u>13,830,225</u>	<u>7,044,392</u>	<u>20,874,617</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	70,546,752	15,875,113	86,421,865
Restricted for:			
Highways and Streets	3,282,544	-	3,282,544
Debt Service	5,329	-	5,329
Capital Outlay	163,976	3,393,316	3,557,292
Special Projects	46,678	-	46,678
Unrestricted	20,776,493	3,556,209	24,332,702
Total Net Assets	<u>\$ 94,821,772</u>	<u>\$ 22,824,638</u>	<u>\$ 117,646,410</u>

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

**TOWN OF PARADISE VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 9,318,797	\$ 3,185,130	\$ 32,574	\$ -	\$ (6,101,093)		\$ (6,101,093)
Public Safety	9,127,589	102,323	4,938	43,624	(8,976,704)		(8,976,704)
Highways and Streets	6,150,305	-	892,052	459,060	(4,799,193)		(4,799,193)
Interest and Fiscal Charges	424,849	-	-	-	(424,849)		(424,849)
Total Governmental Activities	25,021,540	3,287,453	929,564	502,684	(20,301,839)		(20,301,839)
Business-Type Activities:							
Sewer System	2,327,149	2,469,706	-	681,569	-	\$ 824,126	824,126
Alarm Monitor System	129,335	216,459	-	-	-	87,124	87,124
Total Business-Type Activities	2,456,484	2,686,165	-	681,569	-	911,250	911,250
Totals	\$ 27,478,024	\$ 5,973,618	\$ 929,564	\$ 1,184,253	(20,301,839)	911,250	(19,390,589)
General Revenues:							
Taxes							
					9,386,335	-	9,386,335
					1,001,103	-	1,001,103
					2,077,377	-	2,077,377
					1,102,984	-	1,102,984
					504,145	-	504,145
					1,569,907	152,859	1,722,766
					693,449	(693,449)	-
					16,335,300	(540,590)	15,794,710
					(3,966,539)	370,660	(3,595,879)
					98,788,311	22,453,978	121,242,289
					\$ 94,821,772	\$ 22,824,638	\$ 117,646,410

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, 2009**

	General Fund	Highway User Revenue Fund	Capital Projects	Nonmajor Governmental Funds	Totals
<b>Assets</b>					
Cash and Investments	\$ 19,832,781	\$ 3,028,976	\$ 1,130,425	\$ 1,777,322	\$ 25,769,504
Receivables, Net					
Accounts Receivable	2,051,669	75,170	-	93,838	2,220,677
Interest Receivable	252,631	-	-	806	253,437
Due from Other Funds	290,657	-	-	-	290,657
Prepaid Items	1,006	-	-	-	1,006
<b>Total Assets</b>	<b>\$ 22,428,744</b>	<b>\$ 3,104,146</b>	<b>\$ 1,130,425</b>	<b>\$ 1,871,966</b>	<b>\$ 28,535,281</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 1,523,332	\$ -	\$ -	\$ 344	\$ 1,523,676
Accrued Wages and Benefits	227,568	21,602	-	-	249,170
Due to Other Funds	-	-	-	93,838	93,838
Unearned Revenue	970,765	-	-	-	970,765
Customer Deposits Payable	651,895	-	-	-	651,895
<b>Total Liabilities</b>	<b>3,373,560</b>	<b>21,602</b>	<b>-</b>	<b>94,182</b>	<b>3,489,344</b>
<b>Fund Balances</b>					
Unreserved	19,055,184	3,082,544	1,130,425	-	23,268,153
Unreserved; Reported in Nonmajor:					
Special Revenue Funds	-	-	-	65,455	65,455
Debt Service Funds	-	-	-	1,712,329	1,712,329
<b>Total Fund Balance</b>	<b>19,055,184</b>	<b>3,082,544</b>	<b>1,130,425</b>	<b>1,777,784</b>	<b>25,045,937</b>
<b>Total Liabilities and Balance</b>	<b>\$ 22,428,744</b>	<b>\$ 3,104,146</b>	<b>\$ 1,130,425</b>	<b>\$ 1,871,966</b>	<b>\$ 28,535,281</b>

*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, 2009**

Fund balances - total governmental funds \$ 25,045,937

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

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

Land	\$	44,427,088	
Land Improvements		2,023,760	
Infrastructure		26,361,903	
Buildings and Improvements		12,379,943	
Machinery, Equipment, and Vehicles		6,507,111	
Total Capital Assets		91,699,805	
Less: Accumulated Depreciation		(11,619,847)	80,079,958

Accounts receivable, net of allowance for doubtful accounts, that were not available to finance current financial resources. 196,558

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.

Interest Payable		(21,445)	
Deferred Charges		130,596	
Revenue Bonds		(7,599,249)	
Bond Premium		(339,067)	
Capital Leases		(1,594,890)	
Compensated Absences		(1,076,626)	
Long-Term Liabilities Not Due and Payable in the Current Period		(10,500,681)	(10,500,681)

Total Net Assets of Governmental Activities \$ 94,821,772

*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, 2009**

	General Fund	Highway User Fund	Capital Projects	Nonmajor	Totals
<b>Revenue</b>					
Taxes					
Sales Taxes	\$ 9,386,335	\$ -	\$ -	\$ -	\$ 9,386,335
Franchise Taxes	1,001,103	-	-	-	1,001,103
Intergovernmental Revenue	3,684,506	892,053	-	259,127	4,835,686
Fines and Forfeitures	1,351,919	-	-	-	1,351,919
Licenses and Permits	1,159,347	-	-	-	1,159,347
Contributions and Donations	-	-	-	7,985	7,985
Investment Income	1,568,821	-	-	1,093	1,569,914
Other	761,403	-	-	-	761,403
<b>Total Revenue</b>	<b>18,913,434</b>	<b>892,053</b>	<b>-</b>	<b>268,205</b>	<b>20,073,692</b>
<b>Expenditures</b>					
Current					
General Government	7,305,910	-	-	40,425	7,346,335
Public Safety	8,958,757	-	-	9,739	8,968,496
Highways and Streets	-	1,848,179	-	229,600	2,077,779
Debt Service					
Principal Retirement	-	-	-	715,506	715,506
Interest on Long-Term Debt	-	-	-	346,510	346,510
Issuance Costs	-	-	-	130,596	130,596
Capital Outlay	-	-	11,155,915	-	11,155,915
<b>Total Expenditures</b>	<b>16,264,667</b>	<b>1,848,179</b>	<b>11,155,915</b>	<b>1,472,376</b>	<b>30,741,137</b>
Excess (Deficiency) of Revenue Over Expenditures	2,648,767	(956,126)	(11,155,915)	(1,204,171)	(10,667,445)
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	8,217,179	2,768,784	10,985,963
Transfers Out	(10,094,092)	(198,422)	-	-	(10,292,514)
Issuance of Long-Term Debt	-	-	-	7,599,249	7,599,249
Premium on the Issuance of Long-Term Debt	-	-	-	339,067	339,067
Payment to Escrow Agent	-	-	-	(2,032,486)	(2,032,486)
Payment on Capital Leases	-	-	-	(5,770,711)	(5,770,711)
Proceeds from Capital Leases	477,232	115,457	-	-	592,689
<b>Total Other Financing Sources (Uses)</b>	<b>(9,616,860)</b>	<b>(82,965)</b>	<b>8,217,179</b>	<b>2,903,903</b>	<b>1,421,257</b>
<b>Net Change in Fund Balance</b>	<b>(6,968,093)</b>	<b>(1,039,091)</b>	<b>(2,938,736)</b>	<b>1,699,732</b>	<b>(9,246,188)</b>
<b>Fund Balance</b>					
Beginning of Year	26,023,277	4,121,635	4,069,161	78,052	34,292,125
End of Year	\$ 19,055,184	\$ 3,082,544	\$ 1,130,425	\$ 1,777,784	\$ 25,045,937

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, 2009**

Net Change in Fund Balances-Total Governmental Funds \$ (9,246,188)

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

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

Expenditures for Capital Assets	\$ 5,792,394	
Donated Assets	273,084	
Depreciation Expense	<u>(1,521,008)</u>	4,544,470
 Loss on Disposal of Assets		 (30,713)

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

Intergovernmental Receivables - June 30, 2008	177,691	
Intergovernmental Receivables - June 30, 2009	<u>196,558</u>	18,867

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

Issuance of Long-Term Debt	(7,599,249)	
Capital Lease	(592,689)	
Accrued Interest	(21,445)	
Bond Premium	(339,067)	
Deferred Charges	130,596	
Retirement of Long-Term Debt	<u>9,234,733</u>	812,879

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2009, compensated absence payable changed.

(65,854)

Change in Net Assets of Governmental Activities \$ (3,966,539)

*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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Taxes	\$ 11,682,239	\$ 11,682,239	\$ 10,387,438	\$ (1,294,801)
Intergovernmental Revenue	3,865,716	3,865,716	3,684,506	(181,210)
Fines and Forfeits	1,786,817	1,786,817	1,351,919	(434,898)
Licenses and Permits	1,808,608	1,808,608	1,159,347	(649,261)
Investment Income	1,050,170	1,050,170	1,568,821	518,651
Other	693,672	693,672	761,403	67,731
Total Revenue	<u>20,887,222</u>	<u>20,887,222</u>	<u>18,913,434</u>	<u>(1,973,788)</u>
Expenditures				
Current				
General Government				
Mayor	109,656	109,655	82,620	27,035
Town Manager	1,071,837	770,838	708,942	61,896
Town Attorney	591,109	604,164	532,813	71,351
Management Services	1,324,953	1,343,658	1,240,550	103,108
Non-departmental	1,308,392	1,338,392	1,134,446	203,946
Community Development	1,329,055	1,360,731	1,208,113	152,618
Engineering	312,077	312,730	284,729	28,001
Public Works	667,143	675,800	549,007	126,793
Municipal Court	594,002	599,187	507,677	91,510
Total General Government	<u>7,308,224</u>	<u>7,115,155</u>	<u>6,248,897</u>	<u>866,258</u>
Public Safety				
Police	7,308,822	7,498,463	6,446,833	1,051,630
Fire	2,864,423	2,865,675	2,511,924	353,751
Total Public Safety	<u>10,173,245</u>	<u>10,364,138</u>	<u>8,958,757</u>	<u>1,405,381</u>
Contingency	3,000,000	1,786,400	-	1,786,400
Total Expenditures	<u>20,481,469</u>	<u>19,265,693</u>	<u>15,207,654</u>	<u>4,058,039</u>
Excess (Deficiency) of Revenues over Expenditures	<u>405,753</u>	<u>1,621,529</u>	<u>3,705,780</u>	<u>2,084,251</u>
Other Financing Sources (Uses)				
Transfers Out	(8,631,842)	(8,631,842)	(10,094,092)	(1,462,250)
Total Other Financing Sources (Uses)	<u>(8,631,842)</u>	<u>(8,631,842)</u>	<u>(10,094,092)</u>	<u>(1,462,250)</u>
Net Change in Fund Balance	(8,226,089)	(7,010,313)	(6,388,312)	622,001
Fund Balance				
Beginning of Year	26,126,069	26,126,069	25,443,497	(682,572)
End of Year	<u>\$ 17,899,980</u>	<u>\$ 19,115,756</u>	<u>\$ 19,055,185</u>	<u>\$ (60,571)</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Intergovernmental	\$ 1,061,164	\$ 1,061,164	\$ 892,053	\$ (169,111)
Total Revenue	<u>1,061,164</u>	<u>1,061,164</u>	<u>892,053</u>	<u>(169,111)</u>
Expenditures				
Current				
Highways and Streets	<u>2,011,573</u>	<u>2,040,202</u>	<u>1,732,722</u>	<u>307,480</u>
Total Expenditures	<u>2,011,573</u>	<u>2,040,202</u>	<u>1,732,722</u>	<u>307,480</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(950,409)</u>	<u>(979,038)</u>	<u>(840,669)</u>	<u>138,369</u>
Other Finance Sources (Uses)				
Transfers In	1,635,606	1,635,606	-	(1,635,606)
Transfers Out	-	-	(198,422)	(198,422)
Total Other Finance Sources (Uses)	<u>1,635,606</u>	<u>1,635,606</u>	<u>(198,422)</u>	<u>(1,834,028)</u>
Net Change in Fund Balance	685,197	656,568	(1,039,091)	(1,695,659)
Fund Balance				
Beginning of Year	2,493,527	2,493,527	4,121,635	1,628,108
End of Year	<u>\$ 3,178,724</u>	<u>\$ 3,150,095</u>	<u>\$ 3,082,544</u>	<u>\$ (67,551)</u>

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

**TOWN OF PARADISE VALLEY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Business-Type Activities		
	Sewer	Alarm	Totals
<b>Assets</b>			
Current Assets			
Cash and Investments	\$ 3,984,835	\$ 4,241	\$ 3,989,076
Restricted Cash	3,393,316	13,358	3,406,674
Receivables, Net			
Accounts Receivable	60,656	1,630	62,286
Interest Receivable	27,773	-	27,773
Prepaid Items	3,165	-	3,165
Deferred Charges	85,371	-	85,371
Total Current Assets	<u>7,555,116</u>	<u>19,229</u>	<u>7,574,345</u>
Capital Assets			
Non-Depreciable	14,349,766	-	14,349,766
Depreciable (net)	8,135,972	5,766	8,141,738
Total Noncurrent Assets	<u>22,485,738</u>	<u>5,766</u>	<u>22,491,504</u>
Total Assets	<u>\$ 30,040,854</u>	<u>\$ 24,995</u>	<u>\$ 30,065,849</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	\$ 156	\$ -	\$ 156
Accrued Wages and Benefits	1,224	1,602	2,826
Due to Other Funds	196,819	-	196,819
Interest Payable	9,752	-	9,752
Intergovernmental Payable	45,608	-	45,608
Unearned Revenue	343,905	1,829	345,734
Customer Deposits Payable	-	13,358	13,358
Compensated Absences Payable	2,309	2,335	4,644
Capital Leases Payable	377,666	-	377,666
Bonds Payable	184,327	-	184,327
Total Current Liabilities	<u>1,161,766</u>	<u>19,124</u>	<u>1,180,890</u>
Noncurrent Liabilities			
Compensated Absences Payable	5,818	105	5,923
Capital Leases Payable	2,628,784	-	2,628,784
Bonds Payable	3,425,614	-	3,425,614
Total Noncurrent Liabilities	<u>6,060,216</u>	<u>105</u>	<u>6,060,321</u>
Total Liabilities	<u>7,221,982</u>	<u>19,229</u>	<u>7,241,211</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	15,869,347	5,766	15,875,113
Restricted For Capital Outlay	3,393,316	-	3,393,316
Unrestricted	3,556,209	-	3,556,209
Total Net Assets	<u>\$ 22,818,872</u>	<u>\$ 5,766</u>	<u>\$ 22,824,638</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, 2009**

	Business-Type Activities		
	Sewer	Alarm	Totals
Operating Revenue			
Charges for Services	\$ 1,865,564	216,459	\$ 2,082,023
Total Operating Revenue	<u>1,865,564</u>	<u>216,459</u>	<u>2,082,023</u>
Operating Expenses			
Cost of Sales and Services	1,723,214	127,688	1,850,902
Depreciation	293,035	1,647	294,682
Total Operating Expenses	<u>2,016,249</u>	<u>129,335</u>	<u>2,145,584</u>
Operating Income (Loss)	<u>(150,685)</u>	<u>87,124</u>	<u>- (63,561)</u>
Nonoperating Revenue (Expense)			
Development Fees	604,142	-	604,142
Investment Income	152,859	-	152,859
Interest Expense	(310,900)	-	(310,900)
Total Nonoperating Revenue (Expenses)	<u>446,101</u>	<u>-</u>	<u>446,101</u>
Income (Loss) Before Contributions and Transfers	295,416	87,124	- 382,540
Capital Contributions	681,569	-	681,569
Transfers Out	-	(693,449)	(693,449)
Change in Net Assets	976,985	(606,325)	370,660
Total Net Assets, Beginning of Year	21,841,887	612,091	22,453,978
Total Net Assets, End of Year	<u>\$ 22,818,872</u>	<u>\$ 5,766</u>	<u>\$ 22,824,638</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, 2009**

	Business-type Activities - Enterprise Funds		
	Sewer	Alarm Monitor System	Totals
Cash Flows from Operating Activities			
Receipts from Customers	\$ 1,838,541	\$ 213,404	\$ 2,051,945
Payments to Suppliers	(1,665,989)	(53,427)	(1,719,416)
Payments to Employees	(61,404)	(73,499)	(134,903)
Customer Deposits	-	(155)	(155)
Net Cash Flows from Operating Activities	<u>111,148</u>	<u>86,323</u>	<u>197,471</u>
Cash Flows from Noncapital Financing Activities			
Cash Paid to Funds for Interfund Borrowing	(269,338)	-	(269,338)
Transfers Out	-	(693,449)	(693,449)
Development Fees	437,354	-	437,354
Net Cash Flows from Noncapital Financing Activities	<u>168,016</u>	<u>(693,449)</u>	<u>(525,433)</u>
Cash Flows from Capital and Financing Activities			
Principal Paid on Bonds	(275,840)	-	(275,840)
Principal Paid on Capital Leases	(362,378)	-	(362,378)
Reoffering Premium on Bond Refunding	154,190	-	154,190
Principal Amount of Refunding Bonds	3,455,751	-	3,455,751
Payment to Refunded Bond Escrow Agent	(3,522,514)	-	(3,522,514)
Bond Issuance Costs	(85,215)	-	(85,215)
Interest Paid on Capital Debt	(386,781)	-	(386,781)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,022,787)</u>	<u>-</u>	<u>(1,022,787)</u>
Cash Flows from Investing Activities			
Investment Income	168,568	-	168,568
Net Cash Flows from Investing Activities	<u>168,568</u>	<u>-</u>	<u>168,568</u>
Net Change in Cash and Investments	(575,055)	(607,126)	(1,182,181)
Cash and Investments, Beginning of Year	<u>7,953,206</u>	<u>624,725</u>	<u>8,577,931</u>
Cash and Investments, End of Year (Including \$13,358 of Restricted Cash for Customer Deposits in the Alarm Fund and \$3,393,316 for Capital Outlay in the Sewer Fund)	<u>\$ 7,378,151</u>	<u>\$ 17,599</u>	<u>\$ 7,395,750</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, 2009**

	Business-type Activities - Enterprise Fund		
	Sewer	Alarm Monitor System	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (150,685)	\$ 87,124	\$ (63,561)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	293,035	1,647	294,682
Change in Assets and Liabilities:			
Receivables, Net	(19,296)	68	(19,228)
Prepaid Items	(1,552)	-	(1,552)
Accounts Payable	(4,367)	-	(4,367)
Accrued Wages and Benefits	188	302	490
Unearned Revenue	(7,727)	(3,123)	(10,850)
Compensated Absences Payable	1,552	460	2,012
Customer Deposits Payable	-	(155)	(155)
Net Cash Provided by Operating Activities	<u>\$ 111,148</u>	<u>\$ 86,323</u>	<u>\$ 197,471</u>

**Noncash Investing, Capital and Financing Activities**

The Town received \$681,569 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, 2009**

**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:

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

**B. Government-wide and Fund Financial Statements**

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

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

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

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The Town reports the following major governmental funds:

The *General Fund* 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.

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**D. Assets, Liabilities, and Equity**

**1. Deposits and investments**

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

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

**2. Receivables**

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

**3. Short-term Interfund Receivables/Payables**

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

**4. Prepaid Items**

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

**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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**D. Assets, Liabilities, and Equity (Continued)**

**6. Capital Assets (Continued)**

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

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**D. Assets, Liabilities, and Equity (Continued)**

**9. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because these assets are not available for future spending. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**10. Fund Equity**

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

**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, 2009**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds (except for the Mummy Mountain Preserve Trust Fund). 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, 2009 consist of the following:

Deposits	
Cash on Hand	\$ 1,650
Cash in Bank	2,038,033
Cash Held by County Attorney	5,451
Investments	
U.S. Government Securities	28,255,615
State Treasurer's Investment Pool	2,857,421
Cash on deposit with trustee	7,084
Total cash and investment	\$ 33,165,254
Restricted assets	(13,358)
Total cash and equivalents	\$ 33,151,896

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

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

**Deposits** - The Town's deposits at June 30, 2009, 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, 2009, \$2,732,501 of total cash in the bank (\$2,906,849) was invested in an overnight repurchase agreement which was fully collateralized at June 30, 2009.

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	2-3	3+
U.S. Government Securities	\$ 1,004,154	\$ 7,084	\$ 997,070	\$ -	\$ -
Federal Agency Securities	27,258,545	9,095,819	15,150,919	3,011,807 *	-
State Treasurer's Investment Pool	2,857,421	2,857,421	-	-	-
<b>Total Investments</b>	<b>\$ 31,120,120</b>	<b>\$ 11,960,324</b>	<b>\$ 16,147,989</b>	<b>\$ 3,011,807</b>	<b>\$ -</b>

\* \$1,002,248 of these securities are callable July 28, 2009 and \$2,009,559 of these bonds are callable November 18, 2009

**TOWN OF PARADISE VALLEY, ARIZONA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

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

*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 \$997,070 invested in U.S. Treasury Notes, \$27,258,545 invested in Fannie Mae Securities, Freddie Mac Securities, Federal Farm Credit Bureau and Federal Home Loan Unsecured Bonds. The U.S. Treasury Notes do not have any credit risk and the Fannie Mae, Freddie Mac, Federal Farm Credit Bureau and the Federal Home Loan Bonds all have a Standard and Poor’s AAA rating. All investments are reported at market value. During the current fiscal year, the Town reported an unrealized gain of \$517,234 on its investments.

**2. Restricted Assets**

Restricted assets in the business-type activities at June 30, 2009 consist of the following:

	Sewer Fund	Alarm Fund	Total
Capital Outlay	\$ 3,393,316	\$ -	\$ 3,393,316
Customer Deposits	-	13,358	13,358
Total	\$ 3,393,316	\$ 13,358	\$ 3,406,674

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

**3. Receivables**

Court fines of the General Fund are recorded net of uncollectible amounts. The allowance for uncollectible at June 30, 2009 netted against accounts receivable in the General Fund totaled \$72,956.

Receivables consist of the following:

	General	HURF	Nonmajor Governmental Funds	Total
Office of the State Treasurer:				
Highway User Revenue	\$ -	\$ 75,170	\$ -	\$ 75,170
State Sales Tax	89,832	-	-	89,832
Town Sales Tax	1,135,521	-	-	1,135,521
County Treasurer:				
Auto Lieu Tax	48,280	-	-	48,280
Franchise fees:				
Arizona Pubic Service	156,706	-	-	156,706
Cox Cable	57,224	-	-	57,224
Southwest Gas	31,171	-	-	31,171
Court Receivable	269,514	-	-	269,514
Grant Receivable	-	-	93,838	93,838
Note Receivable	54,130	-	-	54,130
Sales Tax Audit	-	-	-	-
Miscellaneous	282,247	-	-	282,247
Total:	<u>2,124,625</u>	<u>75,170</u>	<u>93,838</u>	<u>2,293,633</u>
Less: Allowance for Doubtful Accounts	<u>(72,956)</u>	<u>-</u>	<u>-</u>	<u>(72,956)</u>
Total	<u><u>\$ 2,051,669</u></u>	<u><u>\$ 75,170</u></u>	<u><u>\$ 93,838</u></u>	<u><u>\$ 2,220,677</u></u>

The Sewer System and Alarm Monitor System Enterprise Funds reported accounts receivable of \$60,656 and \$1,630 due from residents, respectively.

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

	Sewer Fund	Alarm Fund	Total
Capital Outlay	\$ 3,393,316	\$ -	\$ 3,393,316
Customer Deposits	-	13,358	13,358
Total	<u><u>\$ 3,393,316</u></u>	<u><u>\$ 13,358</u></u>	<u><u>\$ 3,406,674</u></u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 44,045,799	\$ 381,289	\$ -	\$ 44,427,088
Construction in Progress	1,659,746	4,670,086	(6,329,832)	-
Total Capital Assets, Not Being Depreciated	<u>45,705,545</u>	<u>5,051,375</u>	<u>(6,329,832)</u>	<u>44,427,088</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,023,760	-	-	2,023,760
Infrastructure	25,916,946	444,957	-	26,361,903
Buildings and Improvements	6,489,494	5,890,449	-	12,379,943
Machinery, Equipment, and Vehicles	5,726,085	1,008,529	(227,503)	6,507,111
Total Capital Assets, Being Depreciated	<u>40,156,285</u>	<u>7,343,935</u>	<u>(227,503)</u>	<u>47,272,717</u>
Accumulated Depreciation for:				
Land Improvements	(710,697)	(80,950)	-	(791,647)
Infrastructure	(3,086,748)	(561,971)	-	(3,648,719)
Buildings and Improvements	(3,294,843)	(344,588)	-	(3,639,431)
Machinery, Equipment, and Vehicles	(3,203,341)	(533,499)	196,790	(3,540,050)
Total Accumulated Depreciation	<u>(10,295,629)</u>	<u>(1,521,008)</u>	<u>196,790</u>	<u>(11,619,847)</u>
Total Capital Assets, Being Depreciated, Net	<u>29,860,656</u>	<u>5,822,927</u>	<u>(30,713)</u>	<u>35,652,870</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,566,201</u>	<u>\$ 10,874,302</u>	<u>\$ (6,360,545)</u>	<u>\$ 80,079,958</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Sewer Capacity Rights	\$ 14,349,766	\$ -	\$ -	\$ 14,349,766
Capital Assets, Being Depreciated:				
Sewer System	11,409,227	681,569	-	12,090,796
Machinery and Equipment	648,498	-	-	648,498
Furniture and Fixtures	55,274	-	(25,743)	29,531
Total Capital Assets, Being Depreciated	<u>12,112,999</u>	<u>681,569</u>	<u>(25,743)</u>	<u>12,768,825</u>
Accumulated Depreciation for:				
Sewer System	(3,825,677)	(228,185)	-	(4,053,862)
Machinery and Equipment	(484,609)	(64,850)	-	(549,459)
Furniture and Fixtures	(47,862)	(1,647)	25,743	(23,766)
Total Accumulated Depreciation	<u>(4,358,148)</u>	<u>(294,682)</u>	<u>25,743</u>	<u>(4,627,087)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,754,851</u>	<u>386,887</u>	<u>-</u>	<u>8,141,738</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,104,617</u>	<u>\$ 386,887</u>	<u>\$ -</u>	<u>\$ 22,491,504</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 235,525
Public Safety	542,150
Highways and Streets	743,333
Total Depreciation Expense, Governmental Activities	<u>\$ 1,521,008</u>
<b>Business-Type Activities:</b>	
Sewer Fund	\$ 293,035
Alarm Monitor System Fund	1,647
Total Depreciation Expense, Business-Type Activities	<u>\$ 294,682</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**A. Assets (Continued)**

**5. Construction Commitments**

The Town has active construction projects at June 30, 2009. 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:	\$ 4,529,562	\$ 20,000
Asphalt Overlay	934,068	19,070
Underground District 31	594,172	445,629
Underground District 36	323,965	161,983
	\$ 6,381,767	\$ 646,682

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2009 interfund receivable and payables were as follows:

	Due From		
Due To	Nonmajor Governmental Funds	Sewer System Fund	Total
General Fund	\$ 93,838	\$ 196,819	\$ 290,657

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.

Interfund transfers for the year ended June 30, 2009 consisted of the following:

	Transfers Out			
Transfers In	General Fund	HURF	Alarm Fund	Total
Capital Projects Fund	\$ 8,018,757	\$ 198,422	\$ -	\$ 8,217,179
Nonmajor Governmental Funds	2,075,335	-	693,449	2,768,784
Total	\$ 10,094,092	\$ 198,422	\$ 693,449	\$ 10,985,963

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**B. Interfund Receivables, Payables and Transfers (Continued)**

The transfers from the General Fund and HURF Fund to the Capital Projects Fund were recorded to fund various capital projects. The transfers from the General Fund and Alarm Fund to the Nonmajor Governmental Funds were recorded to transfer funds for the Municipal Property Corporation debt service payments.

**C. Obligations Under Leases**

Capital Leases

The Town has acquired sewer capacity rights and various equipment and vehicles under the provision of long-term lease agreements classified as capital leases. The principal amount of the assets totaling \$1,953,753 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 \$163,976 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.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Capital Assets Not Being Depreciated		
Land	\$ -	\$ -
Sewer Capacity Rights	-	4,049,066
Construction in Progress	-	-
Total Capital Assets Not Being Depreciated	-	4,049,066
Capital Assets Being Depreciated		
Buildings and Improvements	\$ 580,763	-
Machinery, Equipment and Vehicles	1,372,990	-
Total Capital Assets Being Depreciated	1,953,753	-
Less: Accumulated Depreciation	(184,697)	-
Total Capital Assets, Net	\$ 1,769,056	\$ 4,049,066

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**C. Obligations Under Leases (Continued)**

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2009, were as follows:

	Governmental Activities	Business-type Activities
<u>Year end June 30:</u>		
2010	\$ 574,772	\$ 497,983
2011	309,624	497,983
2012	309,624	497,983
2013	99,323	497,983
2014	99,323	497,983
2015-18	372,460	995,798
Total minimum lease payments	1,765,126	3,485,713
Less: amount representing interest	(170,236)	(479,263)
Present value of minimum lease amounts	\$ 1,594,890	\$ 3,006,450

**D. Long-term Obligations**

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

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

The Town has pledged future excise tax revenues, which include sales tax, franchise tax, General Fund intergovernmental revenues and business licenses, to repay \$11,055,000 in excise tax revenue refunding bonds. Proceeds from the bonds were used 31.26% to refund prior bonds in the Sewer Fund and 68.74% for refunding prior bonds and retiring debt on a capital lease in the governmental activities. The bonds are payable from excise tax revenues transferred to the MPC Debt Service Fund in the governmental funds and developer fee revenues in the Sewer Fund through 2019. Total principal and interest payments on the bonds are expected to require less than 10% of pledged revenues. Total principal and interest required on the bonds is \$13,284,316, payable through 2019. In the current year, total principal and interest paid and total excise tax revenues were \$-0- and \$13.6 million, respectively.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

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

**D. Long-term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 2,191,646	\$ 7,599,249	\$ (2,191,646)	\$ 7,599,249	\$ 388,383
Bond Premium	-	339,067	-	339,067	16,953
Capital Leases	8,045,288	592,689	(7,043,087)	1,594,890	522,203
Compensated Absences	1,010,772	785,585	(719,731)	1,076,626	719,730
Total Governmental Activities	<u>11,247,706</u>	<u>\$ 9,316,590</u>	<u>\$ (9,954,464)</u>	<u>\$ 10,609,832</u>	<u>\$ 1,647,269</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 3,798,354	3,455,751	(3,798,354)	\$ 3,455,751	\$ 176,617
Bond Premium	-	154,190	-	154,190	7,710
Capital Lease	3,368,828	-	(362,378)	3,006,450	377,666
Compensated Absences	8,555	6,656	(4,644)	10,567	4,644
Total Business-Type Activities	<u>\$ 7,175,737</u>	<u>\$ 3,616,597</u>	<u>\$ (4,165,376)</u>	<u>\$ 6,626,958</u>	<u>\$ 566,637</u>

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 388,383	\$ 291,346	\$ 176,617	\$ 132,489
2011	773,329	252,475	351,671	114,813
2012	800,825	228,863	364,175	104,075
2013	824,885	204,477	375,115	92,986
2014	848,944	179,369	386,056	81,568
2015-2019	3,962,883	375,911	1,802,117	170,945
<b>Totals</b>	<u>\$ 7,599,249</u>	<u>\$ 1,532,441</u>	<u>\$ 3,455,751</u>	<u>\$ 696,876</u>

During the fiscal year, the Town issued \$11,055,000 in Excise Tax Revenue Refunding Bonds to refund \$5,555,000 in Excise Tax Revenue Bonds and retire \$5,770,711 in capital leases. The net proceeds from the issuance of \$11,381,262 (Face amount of bonds plus \$493,257 in premiums, less \$166,995 in issuance costs paid from the bond proceeds) were deposited in an irrevocable trust. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities statement of net assets. The refunding bonds were issued to reduce total debt service payments over the next ten year by \$529,170, resulting in an economic gain of \$502,541.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**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 (Uses)	Fund Balance - Beginning of Year	Total Expenditures	Other Financing Sources (Uses)
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 16,264,667	\$ (9,616,860)	\$ 26,023,277	\$ 1,848,179	\$ (82,965)
Less: Present value of net minimum capital lease payments	(1,057,013)	(477,232)	-	(115,457)	(115,457)
Present value of net minimum capital lease payments in prior year	-	-	(579,780)	-	-
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	\$ 15,207,654	\$ (10,094,092)	\$ 25,443,497	\$ 1,732,722	\$ (198,422)

**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.

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**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, 2009, totaled \$470,820.

**D. Commitments**

The Town has entered into an Intergovernmental Agreement (IGA) with the City of Phoenix Fire Department that enables the City of Phoenix to provide Fire Service personnel, communication and dispatch services to the Town. In return, the Town pays service fees equal to 50% of the operating cost to the City of Phoenix based on the IGA. Payments are due on a quarterly basis to City of Phoenix. The agreement continues until terminated by either party. Termination requires 365 days written notice unless there is a failure to meet responsibilities by either party. If there is a failure to meet responsibilities the agreement can be terminated in 90 days. The payments to the City of Phoenix related to this IGA were \$1,832,644 for the year ended June 30, 2009. Contractual payments due in fiscal year 2009-10 are budgeted for \$2,104,500.

**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, 2009 was \$6,566,467. The Town's total payroll was \$7,542,338.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Defined Contribution Pension Plan (Continued)**

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 \$102,983. The employees' contributions totaled \$134,920.

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 2008-09 or as of the close of the fiscal year.

**Arizona State Retirement System**

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

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

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and The Town's contribution rate. For the year ended June 30, 2009, active plan members and The Town were each required by statute to contribute at the actuarially determined rate of 9.45 percent (7.92 percent retirement, 1.03 percent for health insurance premium, 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, 2009 and prior two fiscal years are as follows:

<u>Years ended June 30,</u>	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	\$ 357,502	\$ 46,493	\$ 22,570
2008	346,205	45,157	21,503
2007	302,836	41,205	20,002

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**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.

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, 2008 (the date of the latest available information), the Town's annual pension cost of \$521,840 was equal to the Town's required and actual contributions.

**Three-Year Trend Information**

**Paradise Valley Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 351,308	100%	\$ -
2007	382,203	100	-
2008	521,840	100	-

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

**TOWN OF PARADISE VALLEY, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

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

The required contribution was determined as part of the June 30, 2008 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, 2008, was 29 years.

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

**Funded Status and Funding Progress** - As of June 30, 2008, the most recent actuarial valuation date, the plan was 53.8% funded. The actuarial accrued liability for benefits was \$17.5 million, and the actuarial value of assets was \$9.4 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$8.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.3 million, and the ratio of the UAAL to the covered payroll was 348.7%. 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.

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## Required Supplementary Information

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

**Paradise Valley Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
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%
2008	9,398,144	17,475,538	53.8%	(8,081,350)	2,317,615	-348.7%

**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.

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

**TOWN OF PARADISE VALLEY, ARIZONA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009**

	Special Revenue				Debt Service			Total Nonmajor Governmental Funds	
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	Total	Debt Service	MPC Debt Service		Total
				Total			Total		
<b>Assets</b>									
Cash and Investments	\$ 18,777	\$ -	\$ 5,451	\$ 41,226	\$ 65,454	\$ -	\$ 1,711,868	\$ 1,711,868	\$ 1,777,322
Receivables					-	-	-	-	-
Accounts Receivable	-	93,838	-	-	93,838	-	-	-	93,838
Interest Receivable	-	-	-	1	1	-	805	805	806
Total Assets	<u>\$ 18,777</u>	<u>\$ 93,838</u>	<u>\$ 5,451</u>	<u>\$ 41,227</u>	<u>\$ 159,293</u>	<u>\$ -</u>	<u>\$ 1,712,673</u>	<u>\$ 1,712,673</u>	<u>\$ 1,871,966</u>
<b>Liabilities and Fund Balance</b>									
<b>Liabilities</b>									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344	\$ 344	\$ 344
Due to Other Funds	-	93,838	-	-	93,838	-	-	-	93,838
Total Liabilities	<u>-</u>	<u>93,838</u>	<u>-</u>	<u>-</u>	<u>93,838</u>	<u>-</u>	<u>344</u>	<u>344</u>	<u>94,182</u>
<b>Fund Balance</b>									
Unreserved	18,777	-	5,451	41,227	65,455	-	1,712,329	1,712,329	1,777,784
Total Fund Balance	<u>18,777</u>	<u>-</u>	<u>5,451</u>	<u>41,227</u>	<u>65,455</u>	<u>-</u>	<u>1,712,329</u>	<u>1,712,329</u>	<u>1,777,784</u>
Total Liabilities and Balance	<u>\$ 18,777</u>	<u>\$ 93,838</u>	<u>\$ 5,451</u>	<u>\$ 41,227</u>	<u>\$ 159,293</u>	<u>\$ -</u>	<u>\$ 1,712,673</u>	<u>\$ 1,712,673</u>	<u>\$ 1,871,966</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, 2009**

	Special Revenue					Debt Service			Total Nonmajor Governmental Funds
	Donations Fund	Grants Fund	Forfeiture Fund	Mummy Mountain Preserve Trust Fund	Total	Debt Service	MPC Debt Service	Total	
				Total			Total		
<b>Revenues</b>									
Intergovernmental Revenue	\$ -	\$ 259,127	\$ -	\$ -	\$ 259,127	\$ -	\$ -	\$ -	\$ 259,127
Contribution and Donations	7,985	-	-	-	7,985	-	-	-	7,985
Investment Income	-	-	149	138	287	-	806	806	1,093
<b>Total Revenues</b>	<u>7,985</u>	<u>259,127</u>	<u>149</u>	<u>138</u>	<u>267,399</u>	<u>-</u>	<u>806</u>	<u>806</u>	<u>268,205</u>
<b>Expenditures</b>									
<b>Current</b>									
General Government	7,133	33,292	-	-	40,425	-	-	-	40,425
Public Safety	5,798	3,941	-	-	9,739	-	-	-	9,739
Highway and Streets	-	229,600	-	-	229,600	-	-	-	229,600
<b>Debt Service</b>									
Principal Retirement	-	-	-	-	-	556,346	159,160	715,506	715,506
Interest on Long-Term Debt	-	-	-	-	-	250,991	95,519	346,510	346,510
Issuance Costs	-	-	-	-	-	-	130,596	130,596	130,596
<b>Total Expenditures</b>	<u>12,931</u>	<u>266,833</u>	<u>-</u>	<u>-</u>	<u>279,764</u>	<u>807,337</u>	<u>385,275</u>	<u>1,192,612</u>	<u>1,472,376</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>(4,946)</u>	<u>(7,706)</u>	<u>149</u>	<u>138</u>	<u>(12,365)</u>	<u>(807,337)</u>	<u>(384,469)</u>	<u>(1,191,806)</u>	<u>(1,204,171)</u>
<b>Other Financing Sources (Uses)</b>									
Transfers In	-	-	-	-	-	807,337	1,961,447	2,768,784	2,768,784
Issuance of Long-Term Debt	-	-	-	-	-	-	7,599,249	7,599,249	7,599,249
Premium on the Issuance of Long-Term Debt	-	-	-	-	-	-	339,067	339,067	339,067
Payment to Escrow Agent	-	-	-	-	-	-	(2,032,486)	(2,032,486)	(2,032,486)
Payments on Capital Leases	-	-	-	-	-	-	(5,770,711)	(5,770,711)	(5,770,711)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,337</u>	<u>2,096,566</u>	<u>2,903,903</u>	<u>2,903,903</u>
<b>Net Change in Fund Balance</b>	<u>(4,946)</u>	<u>(7,706)</u>	<u>149</u>	<u>138</u>	<u>(12,365)</u>	<u>-</u>	<u>1,712,097</u>	<u>1,712,097</u>	<u>1,699,732</u>
<b>Fund Balance</b>									
Beginning of Year	23,723	7,706	5,302	41,089	77,820	-	232	232	78,052
<b>End of Year</b>	<u>\$ 18,777</u>	<u>\$ -</u>	<u>\$ 5,451</u>	<u>\$ 41,227</u>	<u>\$ 65,455</u>	<u>\$ -</u>	<u>\$ 1,712,329</u>	<u>\$ 1,712,329</u>	<u>\$ 1,777,784</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures				
Capital Outlay	\$ 7,179,558	\$ 7,284,904	\$ 7,250,730	\$ 34,174
Total Expenditures	<u>7,179,558</u>	<u>7,284,904</u>	<u>7,250,730</u>	<u>34,174</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(7,179,558)</u>	<u>(7,284,904)</u>	<u>(7,250,730)</u>	<u>34,174</u>
Other Finance Sources (Uses)				
Transfers In	<u>7,179,558</u>	<u>7,179,558</u>	<u>8,217,179</u>	<u>1,037,621</u>
Total Other Finance Sources (Uses)	<u>7,179,558</u>	<u>7,179,558</u>	<u>8,217,179</u>	<u>1,037,621</u>
Net Change in Fund Balance	-	(105,346)	966,449	1,071,795
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ (105,346)</u>	<u>\$ 966,449</u>	<u>\$ 1,071,795</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, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Contributions and Donations	\$ 22,450	\$ 7,985	\$ (14,465)
Total Revenues	<u>22,450</u>	<u>7,985</u>	<u>(14,465)</u>
Expenditures			
Current			
General Government	22,450	7,133	15,317
Public Safety	-	5,798	(5,798)
Total Expenditures	<u>22,450</u>	<u>12,931</u>	<u>9,519</u>
Excess (Deficiency) of Revenue Over Expenditures	-	(4,946)	(4,946)
Fund Balance			
Beginning of Year	192,447	23,723	(168,724)
End of Year	<u>\$ 192,447</u>	<u>\$ 18,777</u>	<u>\$ (173,670)</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 144,675	\$ 144,675	\$ 259,127	\$ 114,452
Total Revenues	<u>144,675</u>	<u>144,675</u>	<u>259,127</u>	<u>114,452</u>
Expenditures				
Current				
General Government	13,000	23,000	33,292	(10,292)
Public Safety	31,675	31,675	3,941	27,734
Highway and Streets	100,000	230,000	229,600	400
Total Expenditures	<u>144,675</u>	<u>284,675</u>	<u>266,833</u>	<u>17,842</u>
Excess (Deficiency) of Revenue Over Expenditures	-	(140,000)	(7,706)	132,294
Fund Balance				
Beginning of Year	4,550	4,550	7,706	3,156
End of Year	<u>\$ 4,550</u>	<u>\$ (135,450)</u>	<u>\$ -</u>	<u>\$ 135,450</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, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Interest	\$ 200	\$ 149	\$ (51)
Total Revenues	<u>200</u>	<u>149</u>	<u>(51)</u>
Expenditures			
Current			
Public Safety	7,000	-	7,000
Total Expenditures	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Excess (Deficiency) of Revenue Over Expenditures	(6,800)	149	6,949
Fund Balance			
Beginning of Year	6,800	5,302	(1,498)
End of Year	<u>\$ -</u>	<u>\$ 5,451</u>	<u>\$ 5,451</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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures				
Debt Service				
Principal Retirement	\$ -	\$ 556,655	\$ 556,346	\$ 309
Interest on Long-term Debt	-	251,000	250,991	9
Total Expenditures	<u>-</u>	<u>807,655</u>	<u>807,337</u>	<u>318</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>-</u>	<u>(807,655)</u>	<u>(807,337)</u>	<u>318</u>
Other Finance Sources (Uses)				
Transfers In	-	-	807,337	807,337
Total Other Finance Sources (Uses)	<u>-</u>	<u>-</u>	<u>807,337</u>	<u>807,337</u>
Net Change in Fund Balance	-	(807,655)	-	807,655
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ (807,655)</u>	<u>\$ -</u>	<u>\$ 807,655</u>

**TOWN OF PARADISE VALLEY, ARIZONA  
MPC DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Investment Income	\$ -	\$ -	\$ 806	\$ 806
Total Revenues	<u>-</u>	<u>-</u>	<u>806</u>	<u>806</u>
<b>Expenditures</b>				
Debt Service				
Issuance Costs	-	130,600	130,597	3
Principal Retirement	159,160	159,160	159,160	-
Interest on Long-term Debt	95,518	95,518	95,518	-
Total Expenditures	<u>254,678</u>	<u>385,278</u>	<u>385,275</u>	<u>3</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(254,678)</u>	<u>(385,278)</u>	<u>(384,469)</u>	<u>809</u>
<b>Other Finance Sources (Uses)</b>				
Transfers In	254,678	254,678	1,961,447	1,706,769
Bond Premium	-	-	339,067	339,067
Bond Issued	-	-	7,599,249	7,599,249
Bond Payment	-	-	(2,032,486)	(2,032,486)
Capital Lease Payment	-	-	(5,770,711)	(5,770,711)
Total Other Finance Sources (Uses)	<u>254,678</u>	<u>254,678</u>	<u>2,096,566</u>	<u>1,841,888</u>
Net Change in Fund Balance	-	(130,600)	1,712,097	1,842,697
<b>Fund Balance</b>				
Beginning of Year	-	-	232	232
End of Year	<u>\$ -</u>	<u>\$ (130,600)</u>	<u>\$ 1,712,329</u>	<u>\$ 1,842,929</u>

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## 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 tax.*

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

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

	<b>Fiscal Year</b>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 24,086,252	\$ 36,521,049	\$ 36,681,403
Restricted	7,409,340	2,646,210	3,547,005
Unrestricted	<u>20,131,888</u>	<u>19,232,729</u>	<u>21,212,662</u>
Total governmental activities net assets	<u>\$ 51,627,480</u>	<u>\$ 58,399,988</u>	<u>\$ 61,441,070</u>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 12,317,460	\$ 12,387,573	\$ 12,537,954
Restricted	1,460,850	2,050,411	2,314,437
Unrestricted	<u>2,280,522</u>	<u>2,246,455</u>	<u>2,849,958</u>
Total business-type activities net assets	<u>\$ 16,058,832</u>	<u>\$ 16,684,439</u>	<u>\$ 17,702,349</u>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 36,403,712	\$ 48,908,622	\$ 49,219,357
Restricted	8,870,190	4,696,621	5,861,442
Unrestricted	<u>22,412,410</u>	<u>21,479,184</u>	<u>24,062,620</u>
Total primary government net assets	<u>\$ 67,686,312</u>	<u>\$ 75,084,427</u>	<u>\$ 79,143,419</u>

Source: The Town's Management Services Department.

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

**Fiscal Year**

2006	2007	2008	2009
\$ 62,658,461	\$ 69,273,164	\$ 65,329,267	\$ 70,546,752
2,458,089	3,506,945	4,179,307	3,498,527
<u>23,122,328</u>	<u>23,653,783</u>	<u>29,279,737</u>	<u>20,776,493</u>
<u><u>\$ 88,238,878</u></u>	<u><u>\$ 96,433,892</u></u>	<u><u>\$ 98,788,311</u></u>	<u><u>\$ 94,821,772</u></u>
\$ 12,944,276	\$ 14,058,457	\$ 14,937,435	\$ 15,875,113
3,253,695	3,374,755	3,639,972	3,393,316
<u>3,135,872</u>	<u>3,548,306</u>	<u>3,876,571</u>	<u>3,556,209</u>
<u><u>\$ 19,333,843</u></u>	<u><u>\$ 20,981,518</u></u>	<u><u>\$ 22,453,978</u></u>	<u><u>\$ 22,824,638</u></u>
\$ 75,602,737	\$ 83,331,621	\$ 80,266,702	\$ 86,421,865
5,711,784	6,881,700	7,819,279	6,891,843
<u>26,258,200</u>	<u>27,202,089</u>	<u>33,156,308</u>	<u>24,332,702</u>
<u><u>\$ 107,572,721</u></u>	<u><u>\$ 117,415,410</u></u>	<u><u>\$ 121,242,289</u></u>	<u><u>\$ 117,646,410</u></u>

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

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

Source: The Town's Management Services Department.

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

<b>Fiscal Year</b>	
<u>2008</u>	<u>2009</u>
\$ 7,504,799	\$ 9,318,797
8,578,890	9,127,589
3,698,363	6,150,305
190,310	424,849
<u>19,972,362</u>	<u>25,021,540</u>
2,141,828	2,327,149
135,774	129,335
<u>2,277,602</u>	<u>2,456,484</u>
<u>\$ 22,249,964</u>	<u>\$ 27,478,024</u>
\$ 3,956,275	\$ 3,185,130
105,585	102,323
16,036	-
1,156,860	929,564
400,000	502,684
<u>5,634,756</u>	<u>4,719,701</u>
2,827,143	2,469,706
218,940	216,459
409,800	681,569
<u>3,455,883</u>	<u>3,367,734</u>
<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>

(Continued)

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

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

Source: The Town's Management Services Department.

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

**Fiscal Year**

2008	2009
\$ (14,337,606)	\$ (20,301,839)
1,178,281	911,250
<u>\$ (13,159,325)</u>	<u>\$ (19,390,589)</u>

\$ 10,499,929	\$ 9,386,335
1,003,231	1,001,103
3,225,005	3,180,361
557,250	504,145
1,406,610	1,569,907
-	-
-	693,449
<u>16,692,025</u>	<u>16,335,300</u>

294,179	152,859
-	(693,449)
<u>294,179</u>	<u>(540,590)</u>
<u>\$ 16,986,204</u>	<u>\$ 15,794,710</u>

\$ 2,354,419	\$ (3,966,539)
1,472,460	370,660
<u>\$ 3,826,879</u>	<u>\$ (3,595,879)</u>

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

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

Source: The Town's Management Services Department.

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

**Fiscal Year**

<u>2008</u>	<u>2009</u>
\$ 4,467,270	\$ 3,217,704
134,211	150,885
<u>1,033,275</u>	<u>1,351,112</u>
<u>5,634,756</u>	<u>4,719,701</u>
3,236,943	3,151,275
<u>218,940</u>	<u>216,459</u>
<u>3,455,883</u>	<u>3,367,734</u>
<u>\$ 9,090,639</u>	<u>\$ 8,087,435</u>

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

	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ 47,088	\$ 7,033	\$ 6,562	\$ -	\$ 102,818
Unreserved	19,688,956	20,426,716	20,452,255	20,237,163	19,900,194
Total General Fund	<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>
funds					
Unreserved, reported in:					
Special revenue funds	\$ 1,221,358	\$ 1,133,776	\$ 822,904	\$ 810,472	\$ 816,602
Debt service funds	2,895	1,416	354	170	85
Capital projects funds	8,865,008	9,793,128	9,452,025	6,598,698	1,829,523
Total all other governmental funds	<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>

Source: The Town's Management Services Department.

Fiscal Year

2005	2006	2007	2008	2009
\$ -	\$ -	\$ -	\$ -	\$ -
21,897,439	23,838,710	24,368,110	26,023,277	19,055,184
<u>\$ 21,897,439</u>	<u>\$ 23,838,710</u>	<u>\$ 24,368,110</u>	<u>\$ 26,023,277</u>	<u>\$ 19,055,184</u>
\$ 1,734,576	\$ 2,475,642	\$ 3,524,830	\$ 4,199,455	\$ 3,147,999
210	367	512	232	1,712,329
<u>1,829,523</u>	<u>-</u>	<u>-</u>	<u>4,069,161</u>	<u>1,130,425</u>
<u>\$ 3,564,309</u>	<u>\$ 2,476,009</u>	<u>\$ 3,525,342</u>	<u>\$ 8,268,848</u>	<u>\$ 5,990,753</u>

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

	Fiscal Year			
	2000	2001	2002	2003
<b>Revenues</b>				
Taxes	\$ 8,119,159	\$ 8,345,971	\$ 8,138,494	\$ 8,248,062
Intergovernmental	4,073,334	4,326,270	4,093,680	4,134,715
Fines and forfeitures	511,805	619,438	902,293	1,020,489
Licenses and permits	736,350	897,042	772,843	864,180
Charges for services	-	-	-	-
Investment income	1,657,001	1,922,948	1,571,249	739,423
Other	162,513	148,711	159,080	131,729
Total revenues	<u>15,260,162</u>	<u>16,260,380</u>	<u>15,637,639</u>	<u>15,138,598</u>
<b>Expenditures</b>				
General government	3,915,638	4,126,971	4,941,590	4,801,152
Public safety	3,563,287	4,000,252	4,451,529	4,608,673
Highways and streets	1,237,890	1,361,034	1,593,172	1,408,277
Capital outlay	2,216,533	5,487,184	6,811,425	7,232,833
Debt service				
Issuance Costs	-	-	-	-
Principal retirement	631,471	677,083	707,571	731,230
Interest on long-term debt	243,466	216,401	187,410	156,313
Total expenditures	<u>11,808,285</u>	<u>15,868,925</u>	<u>18,692,697</u>	<u>18,938,478</u>
Excess of revenues over (under) expenditures	<u>3,451,877</u>	<u>391,455</u>	<u>(3,055,058)</u>	<u>(3,799,880)</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,740,112	7,086,884	5,686,872	5,328,615
Transfers out	(6,465,872)	(6,778,548)	(5,737,795)	(5,328,615)
Issuance of long-term debt	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-
Payment of escrow agent	-	-	-	-
Payment on capital leases	-	-	-	-
Proceeds from capital leases	938,241	836,973	2,478,012	712,283
Total other financing sources (uses)	<u>1,212,481</u>	<u>1,145,309</u>	<u>2,427,089</u>	<u>712,283</u>
Net change in fund balance	<u>\$ 4,664,358</u>	<u>\$ 1,536,764</u>	<u>\$ (627,969)</u>	<u>\$ (3,087,597)</u>
Debt service as a percentage of non-capital expenditures	9.10%	8.60%	7.50%	7.60%

Source: The Town's Management Services Department.

Fiscal Year

	2004	2005	2006	2007	2008	2009
\$	8,636,570	\$ 9,019,881	\$ 9,951,208	\$ 11,290,054	\$ 11,503,160	\$ 10,387,438
	4,235,005	4,249,702	4,849,824	4,656,254	4,921,207	4,835,686
	905,824	1,083,724	1,228,545	1,505,931	1,630,753	1,351,919
	1,204,140	1,686,194	1,847,924	3,238,562	2,197,361	1,159,347
	-	187,077	-	-	-	-
	651,012	608,214	991,870	1,332,700	1,406,610	1,569,914
	364,812	143,797	650,580	366,621	302,014	769,388
	<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>	<u>20,073,692</u>
	5,215,411	5,059,155	5,450,586	7,066,224	7,661,674	7,346,335
	4,763,692	5,154,489	5,371,429	6,673,289	8,836,058	8,968,496
	1,532,470	1,430,165	1,622,491	1,680,913	1,901,078	2,077,779
	9,666,243	2,967,196	6,799,178	7,531,375	3,946,895	11,155,915
	-	-	-	-	-	130,596
	131,718	135,377	140,865	146,354	151,842	715,506
	124,508	119,167	113,642	107,897	101,896	346,510
	<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>	<u>30,741,137</u>
	<u>(5,436,679)</u>	<u>2,113,040</u>	<u>21,760</u>	<u>(815,930)</u>	<u>(638,338)</u>	<u>(10,667,445)</u>
	5,309,176	4,086,764	5,951,668	8,028,562	4,455,825	10,985,963
	(5,303,565)	(4,086,764)	(5,951,668)	(8,028,562)	(4,455,825)	(10,292,514)
	-	-	-	-	-	7,599,249
	-	-	-	-	-	339,067
	-	-	-	-	-	(2,032,486)
	-	-	-	-	-	(5,770,711)
	433,787	699,486	831,211	2,394,663	7,037,011	592,689
	<u>439,398</u>	<u>699,486</u>	<u>831,211</u>	<u>2,394,663</u>	<u>7,037,011</u>	<u>1,421,257</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>	<u>\$ (9,246,188)</u>

2.20%

2.10%

2.00%

1.60%

1.40%

6.1%

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

Fiscal Year	Sales & Use	Occupancy	Franchise	Total
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
2009	7,518,403	1,867,932	1,001,103	10,387,438

Source: The Town's Management Services Department.

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

	Fiscal Year			
	2000	2001	2002	2003
Sales and Use Tax Collected by Category				
Communications and Utilities	\$ 271,207	\$ 285,320	\$ 277,710	\$ 314,342
Construction	1,647,083	1,878,176	1,843,284	2,080,016
Manufacturing	62,659	163,527	171,075	171,308
Retail trade	192,728	141,704	164,005	205,196
Finance, Insurance and Real Estate	86,233	88,024	204,334	195,185
Hospitality	2,426,853	2,452,965	2,177,665	2,173,731
Services	105,578	125,564	157,096	117,482
Other	66,744	81,622	142,425	96,596
Total	<u>\$ 4,859,085</u>	<u>\$ 5,216,902</u>	<u>\$ 5,137,594</u>	<u>\$ 5,353,856</u>
Bed Tax Collected	<u>\$ 2,565,174</u>	<u>\$ 2,417,867</u>	<u>\$ 2,167,238</u>	<u>\$ 2,178,804</u>

Source: Arizona Department of Revenue

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

Fiscal Year

2004	2005	2006	2007	2008	2009
\$ 229,257	\$ 362,906	\$ 385,466	\$ 399,465	\$ 467,913	\$ 442,206
2,208,058	2,204,092	2,751,534	3,951,997	4,420,843	3,622,160
171,078	223,540	243,507	174,371	101,628	85,475
322,360	164,793	210,152	234,595	311,592	218,354
250,747	241,291	267,236	400,899	377,621	226,801
2,089,442	2,474,965	2,603,157	2,507,944	2,253,947	2,510,902
152,926	160,672	173,674	231,145	206,628	200,520
181,884	227,234	203,663	229,310	261,637	211,986
<u>\$ 5,605,752</u>	<u>\$ 6,059,493</u>	<u>\$ 6,838,389</u>	<u>\$ 8,129,726</u>	<u>\$ 8,401,809</u>	<u>\$ 7,518,404</u>
<u>\$ 2,284,826</u>	<u>\$ 2,200,781</u>	<u>\$ 2,288,037</u>	<u>\$ 2,244,797</u>	<u>\$ 2,098,120</u>	<u>\$ 1,867,932</u>

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

<b>Privilege (Sales) Tax Rates</b>			
<b>Fiscal Year</b>	<b>Town Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>
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%
2009	1.65%	0.70%	5.60%

<b>Use Tax Rates</b>			
<b>Fiscal Year</b>	<b>Town Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>
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%
2009	1.65%	- %	5.60%

<b>Bed Tax Rates</b>			
<b>Fiscal Year</b>	<b>Town Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>
2003	3.00%	1.77%	5.50%
2004	3.00%	1.77%	5.50%
2005	3.00%	1.77%	5.50%
2006	3.00%	1.77%	5.50%
2007	3.00%	1.77%	5.50%
2008	3.00%	1.77%	5.50%
2009	3.00%	1.77%	5.50%

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	Governmental Activities		Business-typeActivities		Total Primary Government	Per Capita	Population
	Excise Tax Revenue Bonds	Capital Leases	Excise Tax Revenue Bonds	Capital Leases			
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
2009	7,599	1,595	3,456	3,006	15,656	1,084	14,444

Source: The Town's Management Services 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	Principal	Interest	Coverage	
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	
2009	14,727	565	424	14.89	

Source: The Town's Management Services Department.

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

<u>Fiscal Year</u>	<u>Population</u>
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
2009	14,444

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Town Manager	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Town Attorney	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services	8.0	7.0	7.0	8.0	8.0	7.7	7.7	7.2	7.2	8.2
Planning and Building	8.4	8.4	8.7	9.0	9.0	9.0	11.0	13.0	13.0	13.0
Court	4.6	4.6	4.6	5.3	5.3	5.3	5.4	5.4	5.7	5.9
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	4.0
Police										
Officers	35.0	35.0	35.0	34.0	35.0	36.0	36.0	36.0	36.0	36.0
Civilians	8.6	8.6	8.6	10.3	10.3	10.3	10.3	10.3	10.5	10.5
Fire Service										
Civilians	-	-	-	-	-	-	-	-	1.0	1.0
Highways and Streets	11.0	12.0	13.0	13.0	13.0	13.7	14.0	14.0	14.0	14.0
Sewer System	1.0	1.0	1.0	1.0	0.7	1.0	1.0	1.0	1.0	1.0
Alarm Monitoring System	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total</b>	<b>89.6</b>	<b>90.6</b>	<b>91.9</b>	<b>94.6</b>	<b>95.3</b>	<b>97.0</b>	<b>99.4</b>	<b>100.9</b>	<b>102.4</b>	<b>105.6</b>

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	2009
General Government								
Building permits issued	880	850	823	941	1,019	1,059	950	665
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	\$ 86,505,523
Police								
Physical arrests	(a)	267	240	293	341	334	270	242
Parking violations	(a)	273	280	490	514	669	582	285
Traffic violations	(a)	2,846	2,672	3,806	4,162	2,946	2,529	1,509
Other public works								
Street resurfacing (miles)	11	6	9	8	10	10	9	31
Sidewalks (linear feet)	-	-	1,371	3,374	-	2,025	24,725	-
Potholes repaired	198	211	204	193	205	150	115	70
Sewer system								
Number of customers	1,797	1,872	1,901	1,916	1,938	1,985	2,016	2,065

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	2009
Police								
Stations	1	1	1	1	1	1	1	1
Patrol and Detective Vehicles	20	20	20	20	20	20	25	28
Fire Service								
Stations						2	2	2
Fire Pumpers, Support Vehicles	-	-	-	-		3	4	4
Other public works								
Streets (miles)	140	140	140	140	140	140	140	140
Traffic signals	12	12	12	12	12	12	12	12
Wastewater								
Sanitary sewers (feet)	301,772	304,467	305,319	307,444	311,409	317,059	320,890	325,029
Treatment capacity (thousands of gallons)	880	880	880	880	1,026	1,026	1,026	1,026

Source: The Town of Paradise Valley.