

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

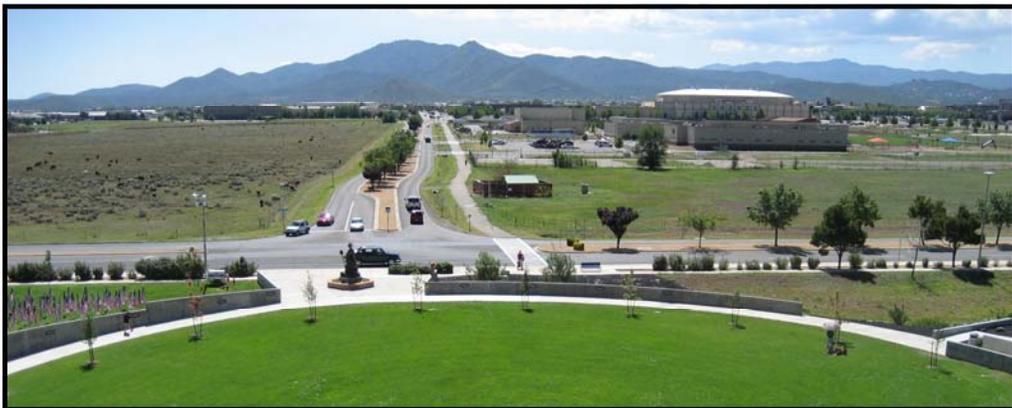
Town of Prescott Valley, ARIZONA



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PRESCOTT VALLEY



The information in this report is drawn from the Town of Prescott Valley Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. For more detailed information or any questions related to this report, please review our CAFR online at www.pvaz.net, or email William Kauppi at bkauppi@pvaz.net.

Message from the Town Manager

Dear Citizens:

We are very pleased to present to you the Town's second edition of our Popular Annual Financial Report. Our first report was produced last year and I am proud to say it won the Award for Outstanding Achievement in Popular Annual Financial Reporting. This achievement was due to the very accomplished staff of the Management Services Department and they have again created a quality report. The material is presented to clarify the governmental financial reporting process in easy-to-understand language so our citizens can see where their tax dollars go and also provide feedback to the Mayor and Town Council on the quality of the decisions that are made.

As you thumb through this condensed financial booklet, you will see that Prescott Valley has done pretty well during these challenging economic times. Through our aggressive management decisions now and into the future, I am confident we will regain the ground that was lost during the earlier years of economic decline. We look forward to providing you with a transparent and outstanding local government.

Thank you for being a part of this fine community.

Larry Tarkowski



Pictured clockwise from left: Council member Stephen Marshall, Vice-Mayor Lora Lee Nye, Council member Michael Whiting, Mayor Harvey Skoog, Council members Mary Mallory, Richard Anderson and Martin Grossman

Governing Body

The Town of Prescott Valley has a council/manager form of government. The seven-member Town Council includes a voting Mayor and Vice-Mayor. The Council serves as the legislative and policy-making body for the Town in an effort to meet the needs of the community and plan for future needs in an effective and representative manner. The Mayor and Council serve four-year elected terms of office. Regular meetings of the Council are usually held on the second and fourth Thursday of each month at 5:30pm in the Town of Prescott Valley Library Auditorium/Council Chambers at 7401 East Civic Circle, 1st floor. Work studies, when held, are typically on the first and third Thursday of the month. All meetings are aired live on local Channel 15 and online at pvaz.net. Meetings are also archived and made available for viewing at ww.pvaz.net.



About Prescott Valley

Located almost in the middle of the state of Arizona, the Town of Prescott Valley is a growing, thriving community (38,822 citizens per the 2010 Census) nestled between the Mingus and Bradshaw Mountain ranges. The Town was founded in 1966 and incorporated in 1978, with a population at that time of approximately 1,500 residents. The annual average rainfall is 12.8" and the annual average of snow, sleet and hail is 16.0". The Town attracts people who seek the natural beauty of Arizona, a peaceful lifestyle, moderate climate with four seasons, and a unique blend of modern and recreational amenities. The Town is located in Yavapai County, approximately 85 miles north of Phoenix. Being so close to Interstates I-40 and I-17, four hours of driving can get you to Las Vegas to the north, Tucson to the south, or head west and reach Los Angeles after a short day's drive.

Accomplishments

Town Management

- ◆ Held Solar Conference in conjunction with the Creative Energy Fair
- ◆ Conducted two sessions of the Citizens' Academy
- ◆ Facilitated added retail square footage in downtown area, Glassford Hill Marketplace and Prescott Valley Crossroads

Town Clerk

- ◆ Prepared for and held successful 2013 election for: Council, Alternative Expenditures Limitation (Home Rule) and General Plan 2025
- ◆ Renewed business licenses: 2,018
- ◆ New business licenses: 473
- ◆ Special Event business licenses: 494



Management Services

- ◆ Received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for fiscal year beginning July 1, 2012
- ◆ Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2012
- ◆ Received first GFOA Outstanding Achievement in Popular Annual Financial Reporting for fiscal year ended June 30, 2012

Community Development

- ◆ Total permits issued: 561
- ◆ Completed General Plan Update process; citizens ratified in election held in March 2013
- ◆ Administered Housing Rehabilitation Program grant



Human Resources

- ◆ Implemented Volunteer Central online job bank
- ◆ Developed introductory wellness programming that is cost effective and employee driven
- ◆ Trained all department support staff in Performance Pro software administrative/supervisor duties

Parks and Recreation

- ◆ Open skating participants: 8,728
- ◆ Open swim participants: 12,448
- ◆ Civic Center meeting room attendance: 24,080
- ◆ Special Events: Festival of Lights, Battle of the Bands, Family Arts Festival, Polar Bear Splash, EGGstravaganza, Movies Under the Stars



Legal

- ◆ Resolved Community Facilities District (CFD) bond payment issues for Pronghorn Ranch
- ◆ Worked with outside counsel in successful pre-trial activities and resolution of various litigations
- ◆ Updated Town Code from 1996 recodification

Library

- ◆ Circulation: 453,405
- ◆ Library patrons: 241,388
- ◆ Implemented the "Cool Express" program to reduce the wait for popular items
- ◆ Partnered with Friends of the Library to Adopt-A-Street and to deliver books to prisoners



Public Works

- ◆ Chip seal applied: 419,859 square yards
- ◆ Constructed Viewpoint/Long Look intersection street improvement project
- ◆ Provided GIS support and mapping for latest 2012 Traffic Count Study
- ◆ Completed Civic Center remodeling project

Police

- ◆ Purchased and implemented new Town surveillance system
- ◆ Assigned personnel to creation of Gang Immigration Intelligence Team Enforcement Mission (GIITEM) unit
- ◆ Increased staffing/case load of Cold Case squad in Criminal Investigations Section (CIS)
- ◆ Calls for service: 21,966



Utilities

- ◆ Installed Supervisory Control and Data Acquisition (SCADA) operations and control technology at all wastewater lift stations
- ◆ Applied for grant to offset costs of radio read meter replacement program in Water System
- ◆ Updated control system in Reclaimed Water System to interface with newly constructed North Plains Recharge Facility

Water Resource/Recharge

- ◆ Worked with numerous water organizations to manage/develop regional water resources
- ◆ Completed construction and began operation of Phase I of North Plains Off-Channel Recharge project
- ◆ Met various compliance measures specified in state statutes and rules, i.e. water use, conservation and recharge

Where the Money Comes From...

The two major sources of revenue for the Town are Transaction Privilege Tax (TPT) or local sales tax and intergovernmental revenues. Local sales taxes and intergovernmental revenues represent 75% of the Town's total revenue receipts. The Arizona Department of Revenue collects the local sales tax on behalf of the Town through filings from businesses. The tax collections are then distributed to the Town on a weekly basis. The local sales taxes increased by 5.0% over the previous year. The Town experienced increases primarily in the areas of construction and retail. With 55% of the total sales tax revenues derived from the retail trade sector, the importance of growing the retail areas (Crossroads, Glassford Hill Marketplace, Entertainment Area, etc.) is apparent. An increase in building permit activity was also experienced in this period for the first time in more than three years.



MAJOR GOVERNMENTAL REVENUE SOURCES:

- ⇒ Taxes - Local (i.e. transaction privilege and franchise)
- ⇒ Intergovernmental (i.e. state income tax, state sales tax, auto in-lieu, Highway Users Revenues, grants)
- ⇒ Licenses and Permits
- ⇒ Charges for Services (i.e. engineering, planning and zoning, police and parks and recreation fees)
- ⇒ Fines and Forfeitures
- ⇒ Special Assessments
- ⇒ Interest and Rental Earnings
- ⇒ Contributions
- ⇒ Other (i.e. refunds and reimbursements, donations, other financing sources, transfers in)

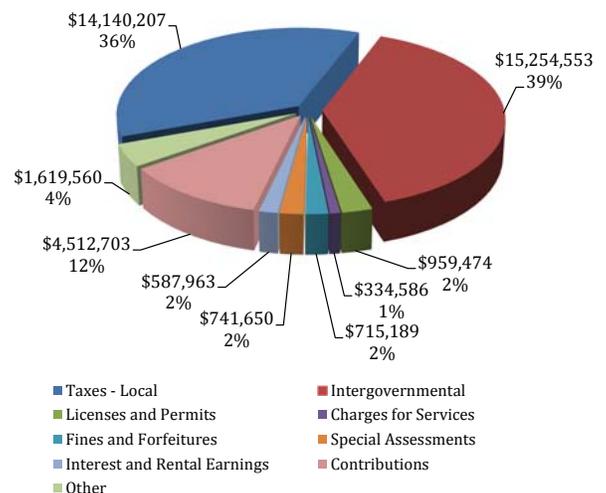


Help you and your community...

Did you know that every time you shop in Prescott Valley, 2.33 cents of every dollar goes to help keep our Town running? Yes, it does!! If you shop in another city, your money pays for someone else's services. So come out and shop locally—visit the established stores and try out the new ones... you'll be glad you did!!

Stop and shop...

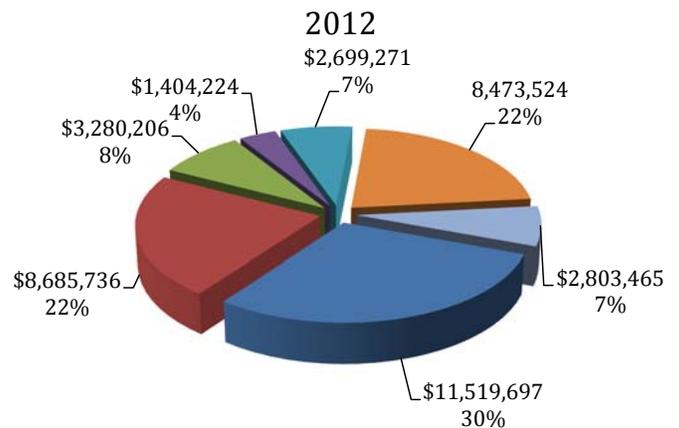
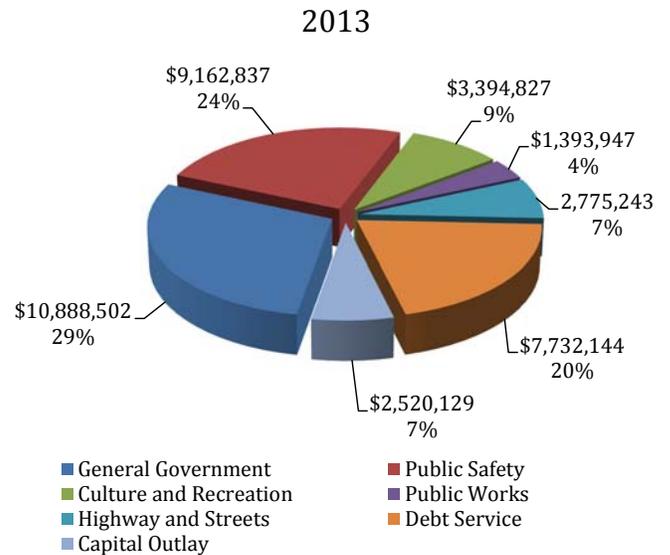
prescott Valley first !



Where the Money Goes...

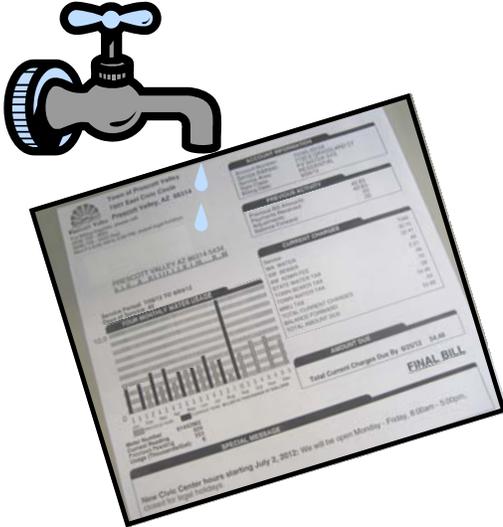
The Town currently maintains 22 Governmental and Proprietary funds that provide basic services including public safety, parks and recreation, roads, water, sewer, planning and zoning, library and general administrative services. Additional funds pay for capital projects and debt service.

- ⇒ **General Government** includes expenditures for the administrative offices including Council, Town Management, Human Resources, Town Clerk, Management Services, Legal, Magistrate Court, Facilities and Fleet Maintenance.
- ⇒ **Public Safety** reflects expenditures associated with providing police and code enforcement.
- ⇒ **Culture and Recreation** reflect expenditures related to services that enhance the culture of the community and includes maintenance of the parks, recreational activities, library and Channel 15.
- ⇒ **Public Works** expenditures cover the costs related to the planning and development of the community including Neighborhood Services and Engineering.
- ⇒ **Highway and Streets** reflect the portion of expenditures for maintenance of the Town's roads and streets.
- ⇒ **Capital Outlay** expenditures are for long-term assets exceeding \$3,000 in value. These assets support the operation of the Town and may include items such the purchase of machinery and equipment, drainage projects, building and street improvements.
- ⇒ **Debt Service** is the portion of expenditures the Town pays for principal and interest on its outstanding bonds.



Business-Type Funds

Business-type funds are used to report any activity for which a fee is charged to users for goods or services, similar to private business. Over time, revenues generated from these funds should cover the costs of their operating expenses including debt service. The Town maintains two business-type funds as of June 30, 2013.



PV Water System

The Town provides water services to over 18,000 residents and businesses within the area. In addition, other local water providers purchase water from the Town for sale to their customers.

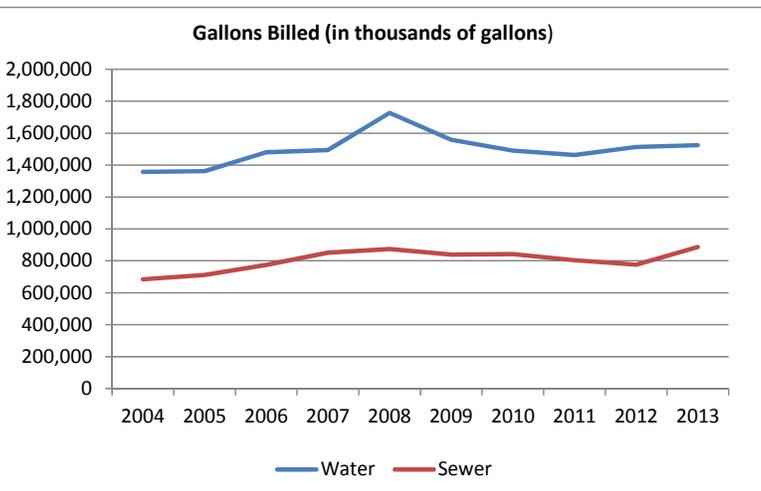
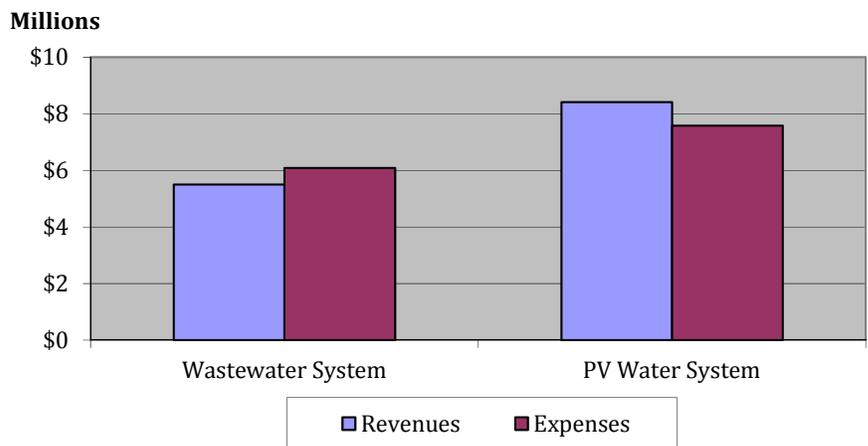
Wastewater System

The Town provides wastewater services to over 15,000 residents and businesses within the area.

Number of Utility customers by year

	Water	Sewer
2004	14,957	11,536
2005	16,048	12,837
2006	17,250	14,050
2007	17,898	14,875
2008	18,080	15,205
2009	18,045	15,248
2010	18,069	15,347
2011	18,039	15,326
2012	18,078	15,333
2013	18,644	15,510

Program Revenues and Expenses Business-Type Activities



Solar panels providing power to the Town's Wastewater Treatment plant



Statement of Net Position

The statement of net position is a condensed overview of the Town's assets and liabilities as of June 30, 2013 and June 30, 2012. The difference represents the amount the Town owns compared to the amount owed.

Total net position decreased by approximately \$200,000 from 2012 to 2013. The decrease in unrestricted net position was 12% while restricted net position remained basically unchanged compared to the prior year. The overall increase in invested in capital assets, net of related debt is 1%. The governmental activities net invested in capital assets increased by 2.2% compared to no change for the business-type activities.



Town of Prescott Valley, Arizona

Statement of Net Position

June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 41,886,818	\$ 48,516,469	\$ 8,559,998	\$ 7,440,763	\$ 50,446,816	\$ 55,957,232
Capital assets	159,430,447	165,510,736	108,405,301	111,192,006	267,835,748	276,702,742
Total assets	201,317,265	214,027,205	116,965,299	118,632,769	318,282,564	332,659,974
Liabilities						
Long-term liabilities outstanding	67,849,471	75,796,145	22,369,064	24,891,179	90,218,535	100,687,324
Other liabilities	6,684,821	10,465,058	4,096,075	3,782,953	10,780,896	14,248,011
Total liabilities	74,534,292	86,261,203	26,465,139	28,674,132	100,999,431	114,935,335
Net Position						
Net investment in capital assets	91,468,927	89,515,976	83,514,122	83,825,248	174,983,049	173,341,224
Restricted	26,715,333	26,658,646	-	-	26,715,333	26,658,646
Unrestricted	8,598,713	11,591,380	6,986,038	6,133,389	15,584,751	17,724,769
Total net position	126,782,973	127,766,002	90,500,160	89,958,637	217,283,133	217,724,639
Total liabilities and net position	\$ 201,317,265	\$ 214,027,205	\$ 116,965,299	\$ 118,632,769	\$ 318,282,564	\$ 332,659,974

Assets:

Current and other assets are economic resources held with the expectation of sale, conversion to cash or use within the near future, usually twelve months.

Capital assets are the Town's investments in land, building, equipment, improvements and infrastructure. These assets are long-term in nature and therefore not available for future spending.

Liabilities:

Long-term liabilities outstanding are mainly debt obligations incurred by the Town to finance major projects or large purchases.

Other liabilities are the Town's payment obligations due within one year and include principal and interest on long-term debt due within the next year, accounts payable, and accrued items, such as payroll and interest.

Net Position:

Net investment in capital assets represents the Town's investment in capital assets less any related outstanding debt used to acquire those assets.

Restricted net position are resources subject to restrictions on how they may be used. The Town sets aside resources for debt service, capital projects, street improvements, grantor and contributor purposes.

Unrestricted net position are the accessible resources available to the Town to provide services to the residents of Prescott Valley if no additional revenues or resources are obtainable.

Financials

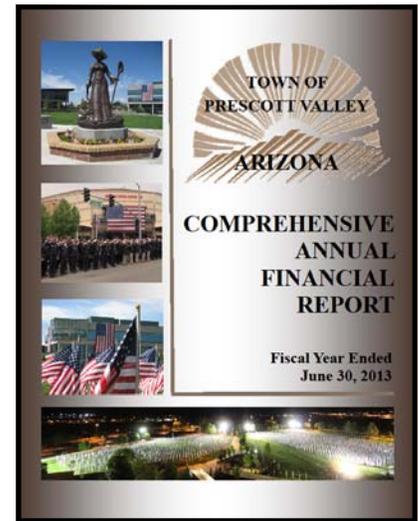
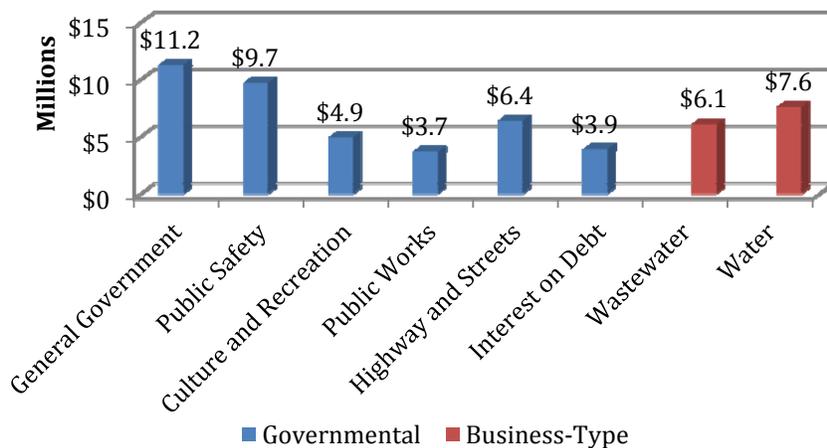
The financial information is drawn from the Town of Prescott Valley Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR will be presented to the Government Finance Officers Association of the United States and Canada (GFOA) to seek the award for Achievement for Excellence in Financial Reporting*. The Town has received this award for the past 16 years.

Statement of Activities

The following graphs show the revenues and expenses for governmental and business-type activities as it relates to the program category in which the funds were collected or expended. Governmental activities include the General, Debt Service, Capital Projects and Special Revenue Funds. Business-type activities include the Water and Wastewater Funds.

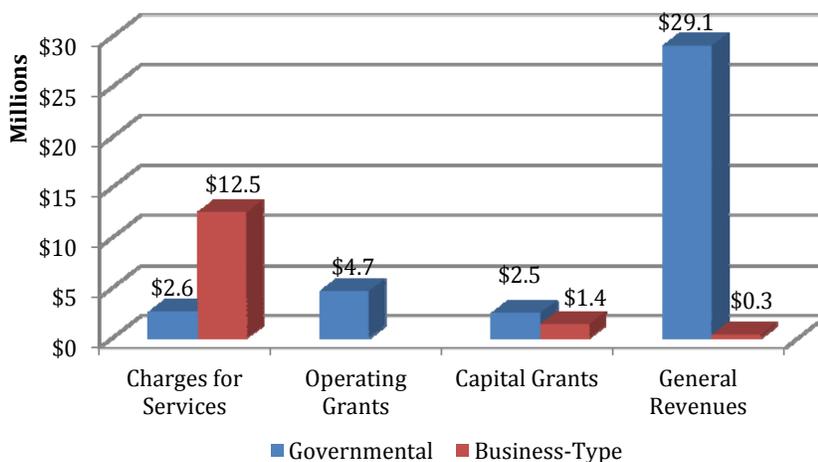
Governmental and Business-Type Activities - Expenses

For the Fiscal Year Ended June 30, 2013



Governmental and Business-Type Activities - Revenues

For the Fiscal Year Ended June 30, 2013



* The Certificate of Achievement is the highest form of recognition for excellence in state and local government reporting. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our CAFR continues to conform to the award standards. Additional details are available in the report.

Investments and Capital Assets

Investments

The market value of the Town's cash and investments as of June 30, 2013 is as follows:

The Town's investment policies and practices are based upon Arizona state law and prudent money management. The primary objectives of the investment policy and the Town's investments are:

- ◆ Safety
- ◆ Liquidity
- ◆ Return on investment (yield)



The Town's investment types and maturity schedules are listed in the chart. The rate earned for the year ended June 30, 2013 was 0.72%.

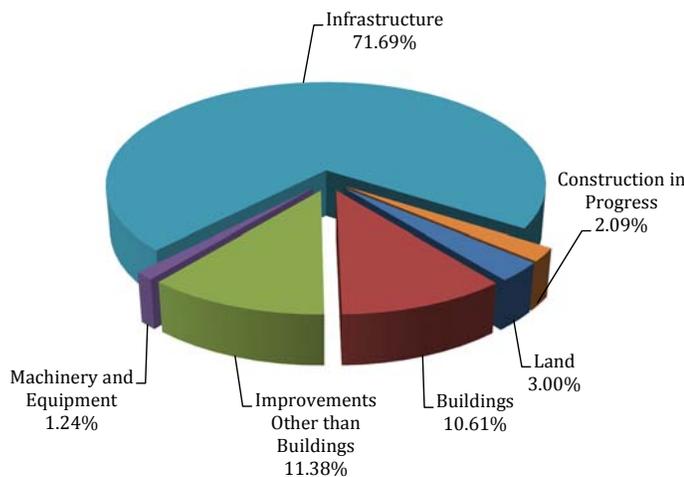
Investment Matures (in years)

Investment Type	Fair Value	Less Than 1	1 - 2	2 - 3	3+
US Treasuries	\$ 5,714,849	\$ 5,714,849	\$ -	\$ -	\$ -
US Agencies	18,792,100	-	1,003,440	997,460	16,791,200
Money Markets	2,643,100	2,643,100	-	-	-
Certificates of Deposit	3,730,667	994,190	491,976	1,496,790	747,712
Local Government Investment Pool	3,335,223	3,335,222	-	-	-
	<u>\$ 34,215,939</u>	<u>\$ 12,687,361</u>	<u>\$ 1,495,416</u>	<u>\$ 2,494,250</u>	<u>\$ 17,538,912</u>

Capital Assets

As of June 30, 2013, the Town's total capital assets (net of depreciation) were \$267,835,748. This total amount is broken down into the following categories:

Town of Prescott Valley Capital Assets



	Total
Land	\$ 8,045,869
Buildings	28,411,277
Improvements Other than Buildings	30,476,258
Machinery and Equipment	3,309,374
Infrastructure	192,000,130
Construction in Progress	5,592,840
Total	\$ 267,835,748



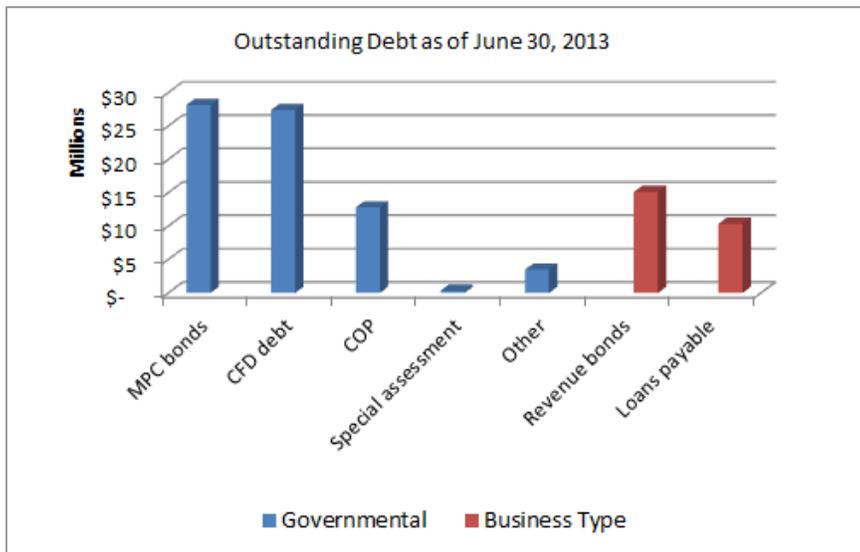
Debt Management

The objective of the Town's debt management policy is to maintain the Town's ability to incur present and future debt at the most beneficial interest rates in the amounts needed for financing the adopted Capital Improvement Plan without adversely affecting the Town's ability to finance essential Town services. The following are brief descriptions of the various types of debt issued by the Town:

- ⇒ **Municipal Property Corporation (MPC)** - debt associated with financing the construction of Town improvements.
- ⇒ **Community Facilities Districts (CFD)** - debt issued by special taxing entities which the Town Council created under Arizona law to acquire and improve public infrastructure. CFDs debt are not considered debt of the Town and are repaid by the properties located within the districts.
- ⇒ **Certificates of Participation (COP)** - debt associated with the construction of the Town's Library building.
- ⇒ **Special Assessments** - debt associated with the street and sewer improvement districts.
- ⇒ **Other Long-Term Obligations** - includes various commitments per development agreements and compensated absences.

Debt service for Enterprise Funds are budgeted within the appropriate Enterprise Fund.

- ⇒ **Utility revenue bonds** - bonds issued as authorized by the voters for construction, acquisition, furnishing and equipping of utility facilities.
- ⇒ **Long term loan payable** - loan agreements with the Water Infrastructure Financing Authority (WIFA) to finance the expansion of the Town's wastewater facility.



The Town continues to maintain a strong credit ratings on all of its debt issues. The chart on the right shows the latest ratings as determined by Moody's, Standard and Poor's Rating Group and Fitch Investors Services Inc.

	Moody's Investors Services	Standard and Poor's Rating Group	Fitch Investors Service, Inc
MPC (Series 2004)	A3	---	AA-
MPC (Series 2011)	---	AA-	AA-
MPC (Series 2012)	---	AA-	---
MPC, Water Rev Ref (2008)	---	A	---

Capital Projects

The Town had a busy year with numerous capital projects completed or in progress during fiscal year 2012-13. A couple of the high profile projects were:

- ⇒ **Viewpoint Drive and Long Look Drive Intersection Improvements**—this project was completed in July 2013 at a cost of \$655,338. Traffic at this intersection has increased in volume over the past few years and necessitated improvements. The improvements included roadway, drainage and some sidewalks. The roadway was realigned and restriped for better traffic flow.



- ⇒ **North Plains Recharge Basins Project, Phase I**—this project was completed in April 2013 in the amount of \$2,033,106. These new Aquifer Recharge improvements provide pipes and basins to recharge about 2,200 acre-feet of reclaimed water into the aquifer. This gives the Town the ability to recharge in the Agua Fria channel with the existing channel berms, and at the North Plains Recharge Facility in the new basins.



Other notable projects and their costs for fiscal year 2012-13 were:

- ⇒ **Loos Drive Improvements between Robert Road and Ranger Road**—design and construction for roadway, drainage and sidewalk improvements. \$1,085,858
- ⇒ **Agua Fria Floodplain**—an engineering study to provide stormwater management guidance for necessary ongoing stormwater management construction improvements pertaining to this floodplain. \$675,000
- ⇒ **Western Boulevard Stormwater Management/Drainage Area Improvements**—improvements on Poke Drive and Ramble Way; completes this multi-year constructed project as recommended in the Master Drainage Plan. \$275,000

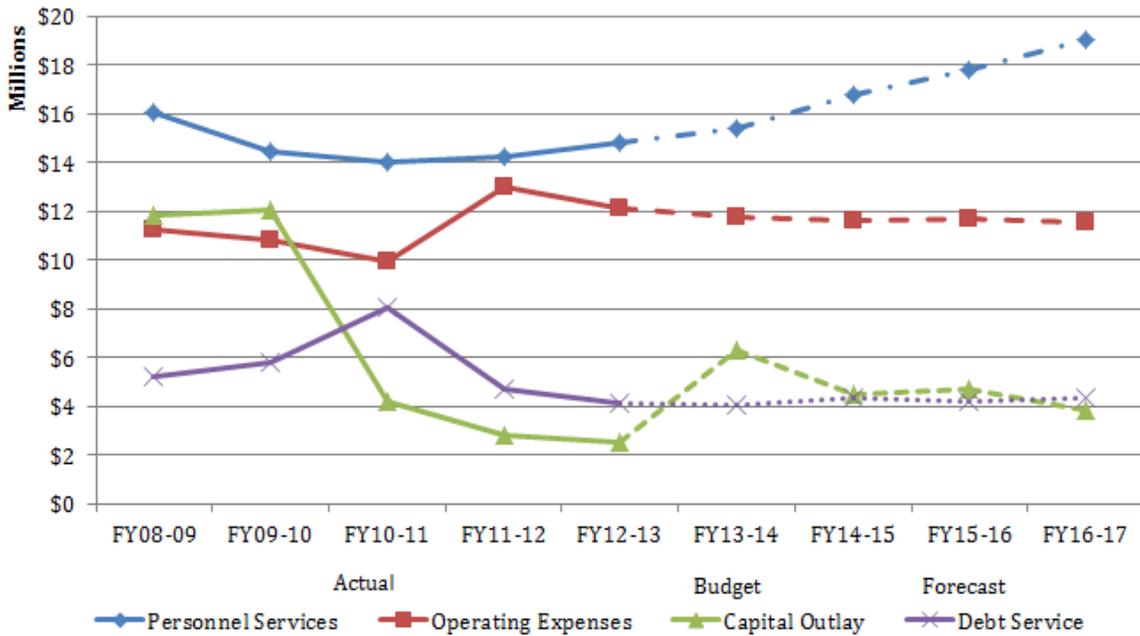
Financial Planning



Financial Forecasting—Governmental Funds

The Town’s responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Prescott Valley’s fiscal health. The Town continues to update its five-year forecast as economic conditions change.

Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the Town Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over time, given our financial capacity. While the Town is required to adopt an annual budget to meet State statutory requirements, Prescott Valley builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of Town objectives.



Walmart store currently under construction

Contact Information

Your Town Finance staff:

Management Services Director

William Kauppi

bkauppi@pvaz.net

Contact Bill with general questions about Town finances, debt and the budget.

Finance Manager

Heidi Derryberry

hderryberry@pvaz.net

Contact Heidi with questions about the Town's audits and accounting practices.



Other Town staff:

Town Manager

Larry Tarkowski

ltarkowski@pvaz.net

Deputy Town Manager

Ryan Judy

rjudy@pvaz.net

Community Development Director

Richard Parker

rparker@pvaz.net

Human Resources Director

Karen Smith

ksmith@pvaz.net

Library Director

Stuart Mattson

smattson@pvaz.net

Magistrate Court

Judge Keith Carson

kcarson@pvaz.net

Parks and Recreation Director

Brian Witty

bwitty@pvaz.net

Police Chief

Bryan Jarrell

bjarrell@pvaz.net

Public Works Director

Norm Davis

ndavis@pvaz.net

Town Attorney

Ivan Legler

ilegler@pvaz.net

Town Clerk

Diane Russell

drussell@pvaz.net

Utilities Director

Neil Wadsworth

nwadsworth@pvaz.net

Interested in more financial information?

The Town's financial statements are designed to provide Prescott Valley citizens, taxpayers, customers, investors and creditors with a general overview of Town finances and to demonstrate the Town's accountability of the resources it receives and expends.

The information in this report is drawn from the Town of Prescott Valley Comprehensive Annual Report (CAFR) for the fiscal year ended June 30, 2013. This report's financial data is consistent with Generally Accepted Accounting Principles (GAAP).

Please review the CAFR online at www.pvaz.net.



TOWN OF PRESCOTT VALLEY

7501 East Civic Circle Prescott Valley, Arizona 86314