

TOWN OF PRESCOTT VALLEY, ARIZONA
FISCAL YEAR ENDED JUNE 30, 2014



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT



Comprehensive Annual Financial Report

*For Fiscal Year Ended
June 30, 2014*

Town of Prescott Valley, Arizona



Prepared by the Management Services Department

William Kauppi
Management Services Director

Katie Pehl
Finance Manager

Town of Prescott Valley, Arizona

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

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November 6, 2014

To the Honorable Mayor, Town Council
and the Citizens of the Town of Prescott Valley
Prescott Valley, Arizona 86314

The Comprehensive Annual Financial Report (CAFR) of the Town of Prescott Valley for the fiscal year ended June 30, 2014 is submitted herewith. This report was prepared by the Town's Management Services Department, in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The Town of Prescott Valley's financial statements have been audited by Heinfeld, Meech & Co., PC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Prescott Valley for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Prescott Valley's statements for the fiscal year ended June 30, 2014, are presented fairly in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Reporting Entity

For financial reporting purposes, the Town is a primary government. The citizens elect its governing council in a general election. The report includes all organizations and activities for which the elected officials exercise financial control. The Town has eight component units: Town of Prescott Valley Municipal Property Corporation, StoneRidge Community Facilities District, Pronghorn Ranch Community Facilities District, Eastridge Community Facilities District, Raven Ridge Community Facilities District, Quailwood Meadows Community Facilities District, Parkway Community Facilities District No. 1 and Southside Community Facilities District No. 1. The Town interacts or contracts with various other governmental entities, but is not financially accountable for those entities.

Town of Prescott Valley Profile

Prescott Valley, located in the heart of Yavapai County between State Route 69 and State Route 89A, is situated at an elevation of 5,100 feet, approximately 80 miles northwest of Phoenix and nine miles east of the City of Prescott.

The area on which the incorporated town is now situated was formerly grazing land owned by the Fain family and was originally known as Jackass Flats or Lonesome Valley. The community of Prescott Valley was founded by Prescott Valley, Inc., a private developer from Phoenix, in 1966. The Town of Prescott Valley is in a cruciform shape. The original lots ranged in price from as low as \$900 up to about \$6,500. It was incorporated on August 22, 1978, with a population of 1,520 people. Prescott Valley currently has a population of 38,822 according to the 2010 U.S. Census.

The Town operates under the Council-Manager form of government. Policy making and legislative authority are vested in the governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. Council members are elected at large on a nonpartisan ballot for staggered, four-year terms. The mayor is elected at large on a nonpartisan ballot for a four-year term.

The Town of Prescott Valley provides a full range of services including police protection, water and sewer service, the construction and maintenance of highways, streets and other infrastructure, recreational activities, a library facility and cultural events. Telephone service is provided by CenturyLink, natural gas service by Unisource Energy Services and electric service by Arizona Public Service.

The Council is required to adopt a final budget by no later than its first regularly scheduled council meeting in July. The annual budget serves as the foundation for the Town of Prescott Valley's financial planning and control. The budget is prepared by fund, function (e.g. public safety) and department (e.g. police). Department directors may make transfers of appropriations within a department. Transfers of appropriations between funds or departments, however, require the approval of the governing council.

Factors Affecting the Town's Financial Condition

Local Economy

The local economy is continuing to show signs of improvement. The Town of Prescott Valley has continued to experience increases in the areas of sales tax and state-shared revenues. All local and state-shared sales tax, construction revenues and state-shared income tax have increased over the prior three years. The Highway Users Revenue Fund experienced an increase over the prior year. The Town has seen some growth in the housing market and sales over the prior year. In addition, the median home price has appeared to have increased slightly. Overall, our community partners in the public, private and governmental sectors have recovered slightly from the downturn in the economy that effected many businesses that included business closure, staffing layoffs or furloughs, and declining revenues. During the year, our commercial square footage increased significantly with the opening of Walmart, Dick's Sporting Goods, Tractor Supply Co. and Culver's restaurant. Sprouts Farmers Market, Ulta and T.J. Maxx will be opening in the first quarter of fiscal year 2014-15. An economic analyst for our local and state region indicated that recovery in the "Prescott" area (includes Prescott Valley and Chino Valley) is on the right path but are still behind nationally. Full recovery is still two to three years away.

State-shared revenue consists of both a distribution of sales tax and income tax. These distributions are made based on a city or town's relative share of population in comparison with all other cities and towns. Except during census years, the Town of Prescott Valley's population is determined by the Arizona Department of Economic Security based on a number of factors, including new homes. In March 2011, the Town received some positive news with the increase in population as a result of the 2010 U.S. Census. The increase in the 2010 Census has resulted in an increase to the Town's percentage of state-shared revenues.

Local sales tax increases have been realized every month since July 2011, in comparison to the same months in the prior years. Overall, Town sales tax receipts have increased 16.5% over the previous year. All local sales tax sectors experienced increases over the prior year with the exception of transportation, communication, utilities and services. Construction sales tax receipts increased by 83.0% over the previous year. In 2014, construction represented only 8.6% of all sales tax receipts in comparison to 2007 when construction tax receipts represented 31.0% of all sales tax receipts. Overall, local sales tax estimates are approximately \$1,600,000 more for fiscal year 2013/14 than what had been projected for the same fiscal year a year ago. Sales and use tax revenues are 42% (compared to 40% the previous year) of the Town's general fund revenues and are largely dependent upon consumer confidence in the economy. In addition, modest increases were experienced in the areas of retail, hotels/motels, and restaurant and bars over the previous year. Holiday-themed events are a contributing factor to these increases, as well as Prescott Valley being host to numerous high school athletic championship events, i.e. basketball, cheerleading and wrestling in the early spring of 2014. These revenues, along with state-shared revenues, are tremendously susceptible to national, regional and local trends in the retail and construction markets.

Building permit activity demonstrated a 16.9% increase (53 additional permits were issued) in fiscal year 2013/14 over fiscal year 2012/13, compared to the increase of 157 from fiscal year 2012/13 to fiscal year 2011/12. In addition, actual building permit revenues collected are 97% higher (approximately \$798,000) than the previous fiscal year. This is primarily due to an increase in single family permits. Building activity is projected to continue to increase slightly in fiscal year 2014/15, demonstrating what we believe is a turn in the housing market trend in Prescott Valley.

With the growth in local sales tax collections and the improvement in local economy, the Town has begun addressing the needs within the community and our organization that had been previously deferred during the recession. They include: filling vacant positions and adding positions based on increased demand that were previously eliminated, slight increase in retirement contributions for nonpublic service employees, modest wage increases and restoring capital projects that were either eliminated or deferred.

For the fiscal year ended June 30, 2014, the Highway User Revenue Fund (HURF) actual collections were approximately \$94,000 more than fiscal year 2012/13. These revenues are distributed based on a fairly complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in our region. In the October to February time period, revenues have increased by 4.5% and we credit this to be a result of tourism in the Prescott-Prescott Valley area, as we are a popular drive destination for Phoenix. Additionally, the activities mentioned in the sales tax section further explain the HURF revenue increase.

Long-term Financial Planning – 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 plan in a five-year forecast as economic conditions change.

Strategic Financial Plan – Prescott Valley’s financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning and debt management, all of which are further identified below. Currently, with the economy stabilizing, Prescott Valley’s financial forecast generally includes slight increases in sales tax, income tax and building-related revenues. Most of the user fees categories have remained static. The Management Services Department’s management role will be to maintain and enhance the continued financial stability for the Town of Prescott Valley.

Financial Resource Planning – Strategic financial planning begins with determining the Town’s fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts, coupled with financial trend analysis, help preserve the fiscal well-being of Prescott Valley. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the Town Council.

Multi-year Budget Planning – 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.

Awards and Acknowledgements

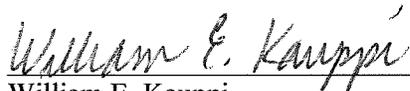
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Prescott Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

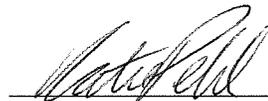
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the government budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Management Services Department, the assistance of administrative personnel in the various departments and through the competent service of our independent auditors. Credit must also be given to the mayor and governing council for their interest and support in planning and conducting the financial affairs of the Town of Prescott Valley in a responsible and progressive manner.

Respectfully submitted,



William E. Kauppi
Management Services Director



Katie Pehl
Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Prescott Valley
Arizona**

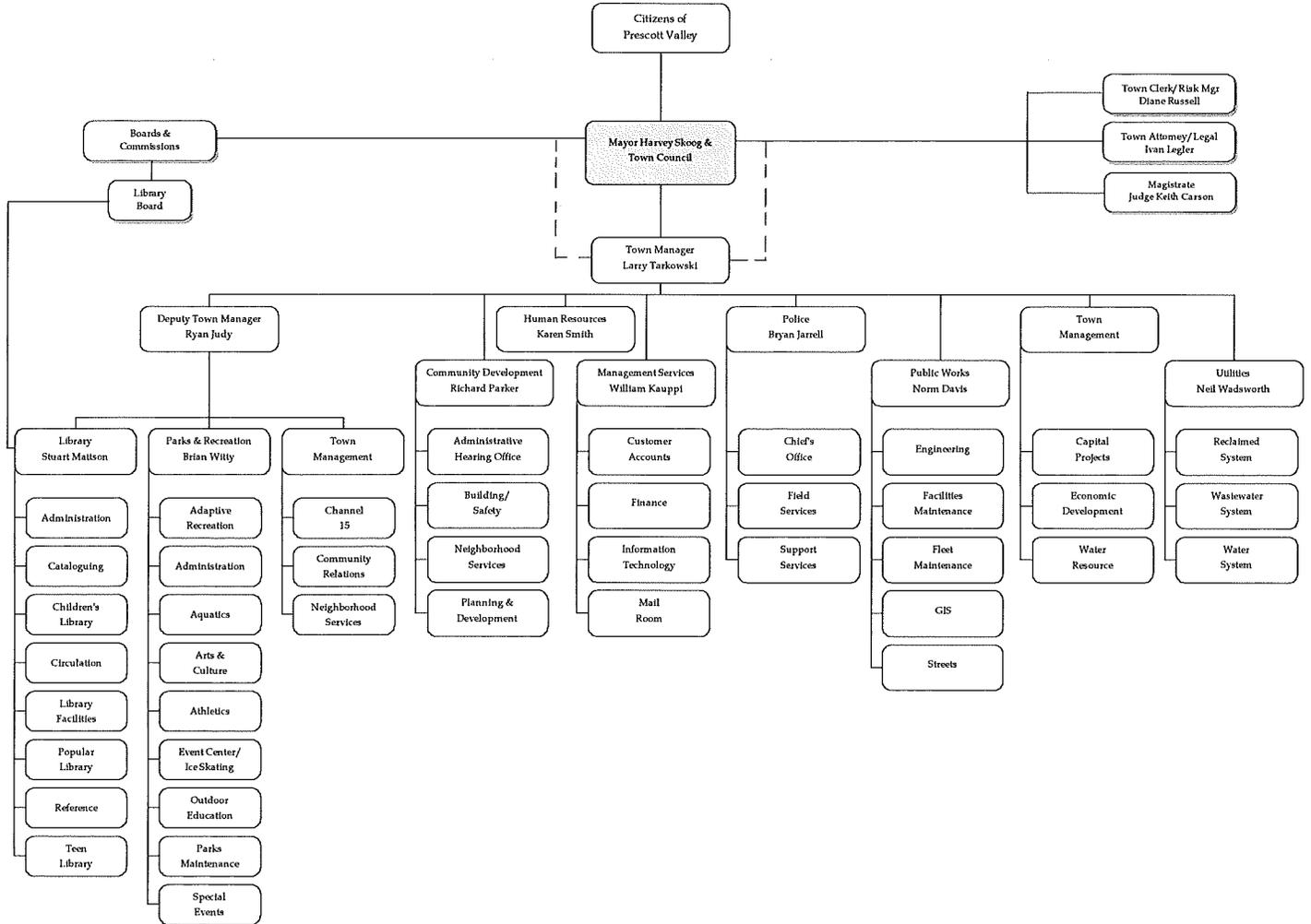
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Town of Prescott Valley, Arizona

TOWN ORGANIZATION CHART



Town of Prescott Valley

Key Officials and Staff

For Fiscal Year Ended

June 30, 2014

Harvey Skoog
Mayor

Lora Lee Nye
Vice Mayor

Martin Grossman
Councilmember

Stephen Marshall
Councilmember

Richard Anderson
Councilmember

Mary Mallory
Councilmember

Michael Whiting
Councilmember



Larry Tarkowski
Town Manager

Executive Team

Keith Carson
Presiding Judge

Norm Davis
Public Works Director

Greg Fister
Economic Development Manager

Karen Smith
Human Resources Director

Ryan Judy
Deputy Town Manager

William Kauppi
Management Services Director

Ivan Legler
Town Attorney

Stuart Mattson
Library Director

Bryan Jarrell
Police Chief

John Munderloh
Water Resources Manager

Richard Parker
Community Development Director

Diane Russell
Town Clerk/Risk Manager

Neil Wadsworth
Utilities Director

Brian Witty
Parks & Recreation Director

Additional Staff

Katie Pehl
Finance Manager

Lee Allbritton
Administrative Assistant

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Prescott Valley, Arizona

Report on the Financial Statements

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 Prescott Valley, Arizona (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Prescott Valley, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 24 and the Schedule of Funding Progress on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, other supplementary information 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 fund financial statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Town of Prescott Valley, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Prescott Valley, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Prescott Valley's (Town) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$220,132,887 (net position). Of this amount, \$23,848,000 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,990,735. The majority of this increase can be attributed to land capital contributions by developers in the amount of \$2.1 million.
- As of June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$36,710,827, an increase of \$3,251,585 over the prior year. The increase can primarily be attributed to increased revenue collections in the areas of building permits, impact fees and local sales tax collections. Approximately 7% of this total amount, \$2,550,102, is unassigned fund balance available for spending at the government's discretion.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$5,959,693, or 26% of total general fund expenditures of \$22,629,551.
- During fiscal year 2013/14, the Town's total bonded debt (not including community facilities districts) decreased by \$4,317,000. There were no new issues of capital debt during this fiscal year. The decline of debt is related to current year debt payments.

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 comprise 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.

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Town of Prescott Valley, Arizona

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

Included within the governmental activities of the government-wide financial statements are the operations of the Town of Prescott Valley Municipal Property Corporation, StoneRidge Community Facilities District, Pronghorn Ranch Community Facilities District, Eastridge Community Facilities District, Raven Ridge Community Facilities District, Quailwood Meadows Community Facilities District, Parkway Community Facilities District No. 1 and Southside Community Facilities District No. 1. Although legally separate from the Town, these component units are blended with the primary government because of their governance or financial relationships to the Town. For additional information related to component units, please refer to the separately issued financial statements.

The government-wide financial statements can be found on pages 25-27 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Highway Users Revenue Fund (HURF), Development Impact Fees Fund and Municipal Property Corporation Debt Service Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

A budgetary comparison statement has been provided for all governmental funds that adopt an annual appropriated budget to demonstrate budgetary compliance.

Town of Prescott Valley, Arizona

The basic governmental fund financial statements can be found on pages 28-39 of this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Town charges customers – either external customers, or internal units or departments of the Town. The Town maintains the following type of proprietary 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 water and sewer operations of the Town. All of the enterprise funds are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 40-44 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 45 of this report.

Other Information

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. Required supplementary information can be found on page 71 of this report.

Combining Statements

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

Combining and individual fund statements and schedules can be found on pages 73-91 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Town of Prescott Valley, Arizona

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial condition. For the Town, assets exceeded liabilities by \$220,132,887 at the close of the current fiscal year. Net position consists of three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

Town of Prescott Valley, Arizona

Statement of Net Position

June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)
Assets						
Current and other assets	\$ 44,578,048	\$ 39,877,316	\$ 10,654,200	\$ 8,428,519	\$ 55,232,248	\$ 48,305,835
Capital assets	156,066,841	159,430,447	105,710,703	108,405,301	261,777,544	267,835,748
Total assets	200,644,889	199,307,763	116,364,903	116,833,820	317,009,792	316,141,583
Liabilities						
Long-term liabilities outstanding	65,801,207	67,849,471	20,502,312	22,369,064	86,303,519	90,218,535
Other liabilities	6,475,849	6,684,821	4,097,537	4,096,075	10,573,386	10,780,896
Total liabilities	72,277,056	74,534,292	24,599,849	26,465,139	96,876,905	100,999,431
Net Position						
Net investment in capital assets	86,491,264	91,468,927	81,656,499	83,514,122	168,147,763	174,983,049
Restricted	28,137,124	26,715,333	-	-	28,137,124	26,715,333
Unrestricted	13,739,445	6,589,211	10,108,555	6,854,559	23,848,000	13,443,770
Total net position	128,367,833	124,773,471	91,765,054	90,368,681	220,132,887	215,142,152
Total liabilities and net position	\$ 200,644,889	\$ 199,307,763	\$ 116,364,903	\$ 116,833,820	\$ 317,009,792	\$ 316,141,583

A portion of the Town's net position (76%) reflects its investment of \$168,147,763 in capital assets (e.g. land, buildings and equipment) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and it is not the Town's intention to sell these assets. 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 position, \$28,137,124, or 13%, represents resources that are subject to external restrictions (e.g. capital projects, debt service obligations, grantor and contributor purposes and street improvements) on how they may be used.

The remaining balance of unrestricted net position, \$23,848,000, or 11%, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the government as a whole, as well as for the business-type activities.

Analysis of Changes in Net Position

For the current fiscal year, the Town's net position increased by \$4,990,735.

Town of Prescott Valley, Arizona

Town of Prescott Valley, Arizona

Changes in Net Position

June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 (as restated)	2014	2013 (as restated)	2014	2013 (as restated)
Revenues						
Program revenues:						
Charges for services	\$ 3,243,035	\$ 2,581,072	\$ 13,018,376	\$ 12,503,677	\$ 16,261,411	\$ 15,084,749
Operating grants and contributions	2,728,135	4,652,649	-	-	2,728,135	4,652,649
Capital grants and contributions	4,686,746	2,467,175	1,788,914	1,395,909	6,475,660	3,863,084
General revenues:						
Taxes and franchise fees	15,752,088	14,140,207	-	-	15,752,088	14,140,207
Intergovernmental	14,509,668	13,555,792	-	-	14,509,668	13,555,792
Interest and investment income	255,481	(60,726)	132,069	252,080	387,550	191,354
Other	75,016	1,444,900	66,297	35,120	141,313	1,480,020
Total revenues	41,250,169	38,781,069	15,005,656	14,186,786	56,255,825	52,967,855
Expenses						
General government	10,053,941	11,245,821	-	-	10,053,941	11,245,821
Public safety	10,207,382	9,689,545	-	-	10,207,382	9,689,545
Culture and recreation	5,126,785	4,908,858	-	-	5,126,785	4,908,858
Public works	3,212,354	3,661,770	-	-	3,212,354	3,661,770
Highway and streets	5,797,407	6,388,801	-	-	5,797,407	6,388,801
Interest on long-term debt	3,257,938	3,860,771	-	-	3,257,938	3,860,771
Wastewater utility	-	-	6,213,772	6,081,358	6,213,772	6,081,358
Prescott Valley water system	-	-	7,395,511	7,572,437	7,395,511	7,572,437
Total expenses	37,655,807	39,755,566	13,609,283	13,653,795	51,265,090	53,409,361
Increase (decrease) in net position before transfers	3,594,362	(974,497)	1,396,373	532,991	4,990,735	(441,506)
Transfers	-	(8,532)	-	8,532	-	-
Increase (decrease) in net position	3,594,362	(983,029)	1,396,373	541,523	4,990,735	(441,506)
Total net position - June 30, 2013, as previously reported	124,773,471	127,766,002	90,368,681	89,958,637	215,142,152	217,724,639
Unamortized bond issuance cost	-	(2,009,502)	-	(131,479)	-	(2,140,981)
Total net position - July 1, 2013, as restated	124,773,471	125,756,500	90,368,681	89,827,158	215,142,152	215,583,658
Net position at end of year	\$ 128,367,833	\$ 124,773,471	\$ 91,765,054	\$ 90,368,681	\$ 220,132,887	\$ 215,142,152

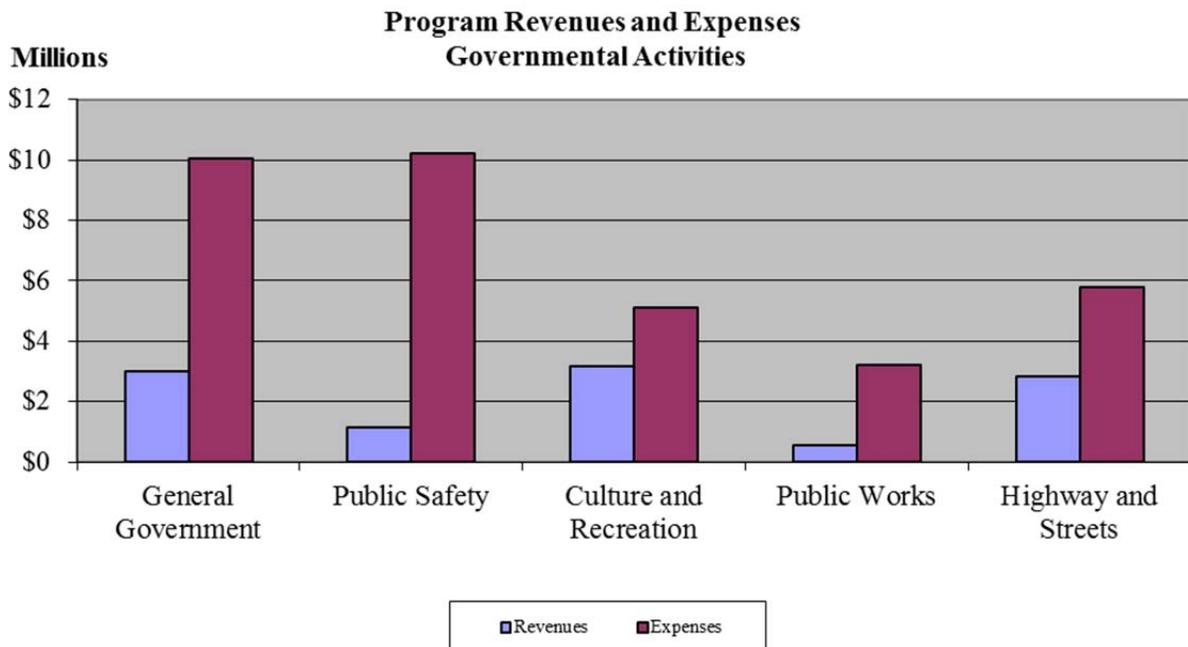
Governmental activities. Governmental activities increased the Town's net position by \$3,594,362. Key factors of this increase are as follows:

- Total revenues for governmental funds increased by \$2,469,100 over the previous fiscal year.
 - Charges for services increased by \$661,963 over the prior fiscal year. For the fiscal year 2013/14, 366 permits were issued compared to 313 the previous year; an increase of 17%. There was an increase in building and related permit revenues of \$798,305 and building and related charges for service of \$10,916 which resulted from an increase in commercial and housing construction. Property rentals decreased by \$65,462 as a result of decreased rental activity at the Civic Center. Court fines decreased by \$51,799 over the previous year due to the elimination of photo radar at the beginning of current year.
 - Operating grants and contributions decreased \$1,924,514. Operating contributions decreased by \$2,019,583 over the previous year mainly due to the StoneRidge bankruptcy settlement which resulted in \$3.06 million in developer contributions being received in the prior year.
 - Capital grants and contributions increased by \$2,219,571. For the fiscal year 2013/14, capital contributions increased by \$2,146,939 which was primarily due to donated assets received from developers. Capital grants increased by \$412,485. Impact fees increased \$323,126 while assessments decreased \$662,979.

Town of Prescott Valley, Arizona

- The Town’s tax and franchise revenues increased in fiscal year 2013/14 by \$1,611,881. Sales and use tax collections increased by \$1,839,518, with retail sales taxes increasing by 15.6% and construction increasing 79% over the prior year. Property tax revenues for the various Community Facilities Districts (CFD) decreased \$200,398 over the previous year.
 - Intergovernmental revenues increased \$953,876 in fiscal year 2013/14. State-shared sales tax increased \$194,942, or 6%, state revenue sharing increased \$361,621, or 9%, highway user revenue increased \$94,082, or 3.5%, over the previous year.
 - Investment earnings increased by \$316,207 over the previous year primarily due to the change of fair market value of the investment portfolio, the amount of available cash for investing and the diversification of the investment portfolio. The average yield on investments for fiscal year 2013/14 was .81% compared to .83% in fiscal year 2012/13.
- Total expenses decreased by \$2,099,759 over the previous year. This decrease is accounted for by:
 - General Government decreased by \$1,191,880 over the previous year. This decrease is attributed to less developer reimbursement payments being made in the current fiscal year compared to the prior year.
 - Public Safety increased by \$517,837 over the previous year. The increase is mainly the result of an increase in Public Safety personnel costs.
 - Culture and Recreation increased by \$217,927 over the previous year. This increase is primarily due to an increase in operational costs associated with operating the Library, \$43,500 paid for an impact fee study and non-capital related improvements to the Civic Center.
 - Public Works decreased by \$449,416 over the previous year. This decrease is primarily due to prior year expenditures related to the Civic Center remodel project.
 - Highway and Streets decreased by \$591,394 from the previous year. This decrease is primarily attributed to reduced level of funding in the Town’s chip seal and AC overlay street maintenance programs.

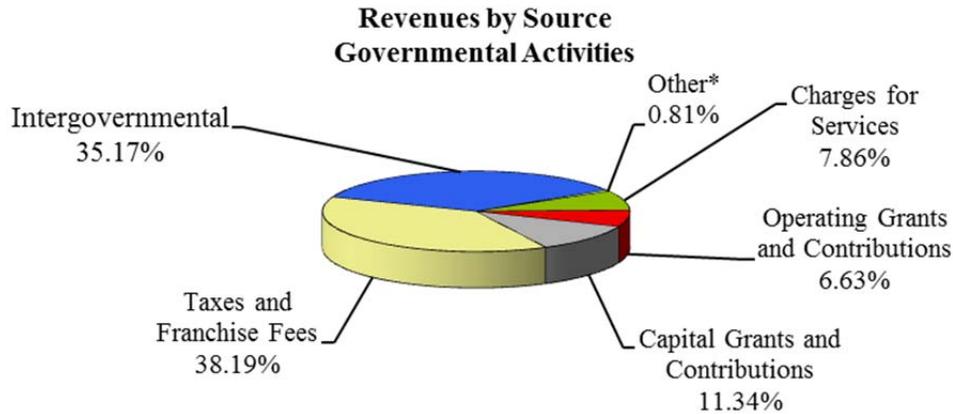
The chart below illustrates the Town’s governmental expenses and revenues by function.



Town of Prescott Valley, Arizona

As shown, General Government (Town Council, Executive Management, Town Clerk, Management Services, Legal, Magistrate Court, Facilities and Fleet Maintenance and other unclassified departments) and Public Safety (Building Safety and Police) are the largest functions in expenses at 29% and 30% respectively, followed by Highways and Streets at 17%.

General revenues such as sales and use taxes (e.g. transaction privilege taxes), franchise taxes and intergovernmental are not shown by program, but are effectively used to support program activities of the Town. Taxes and franchise fees account for 38% of the total. Intergovernmental revenues (e.g. state-shared sales tax, state revenue sharing and auto lieu) account for 35% of the total.



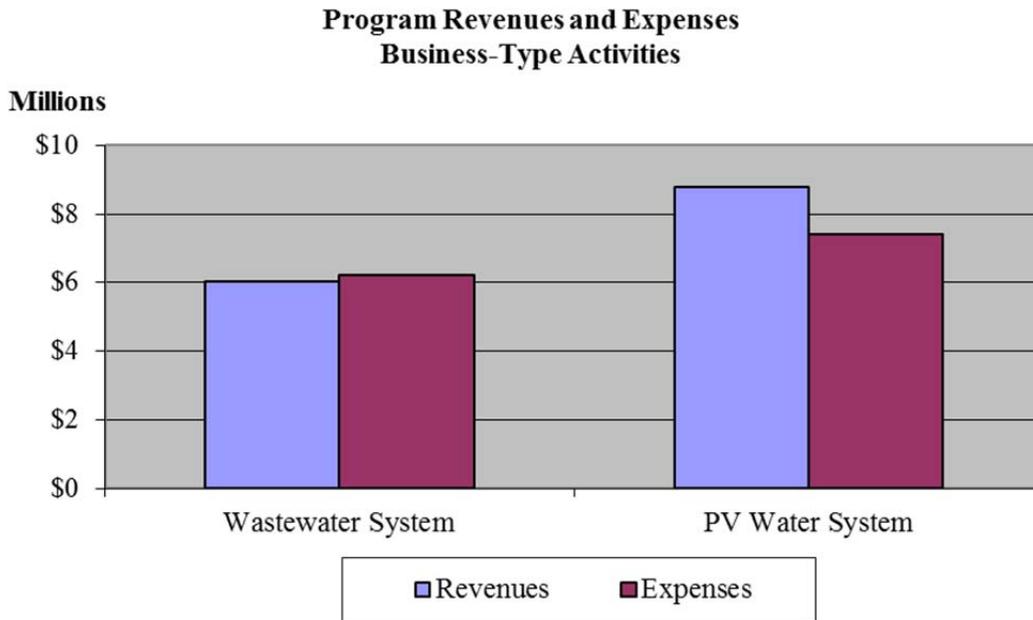
*Other includes interest and investment income.

Business-type activities. Business-type activities increased the Town’s net position by \$1,396,373. Key factors of this increase are as follows:

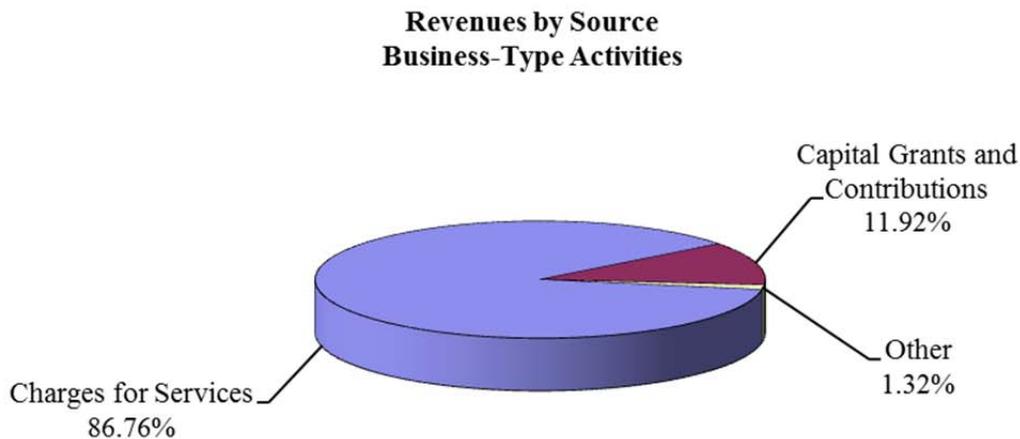
- Total revenues for business-type activities increased by \$818,870, with the majority of the increase being attributable to the following:
 - Charges for services increased by \$514,699. The number of Water System customers increased by 535 and consumption increased by approximately 35.2 million gallons. The number of Wastewater System customers increased by 449 and consumption increased by approximately 51.8 million gallons. Wastewater System user charges increased \$267,685 and Water System user charges increased \$274,097.
 - Capital grants and contributions increased \$393,005. Connection fee revenue (e.g. water resource and capacity fees) related to new housing permits issued, decreased by \$947 over the previous year. Infrastructure contributions from developers equaled \$393,952 during current fiscal year.
 - Interest and investment income decreased by \$120,011 mainly due to the recovery of a prior loss in the Local Government Investment Pool (LGIP) in prior year.
- Total expenses decreased by \$44,512 over the previous year. The decreases were primarily attributed to the following:
 - Administration and professional services increased by \$267,667.
 - Utilities decreased by \$160,102.
 - Repairs and maintenance decreased by \$357,057.
 - Supplies expense decreased by \$95,047.
 - Depreciation and amortization expenses increased by \$167,199.
 - Interest expense decreased by \$1,309.

Town of Prescott Valley, Arizona

As shown in the chart below, the Prescott Valley Water System had expenses of approximately \$7.4 million with Wastewater expenses totaling approximately \$6.2 million. For the fiscal year, the Prescott Valley Water System revenues exceeded expenses by \$1,379,645, while the Wastewater expenses exceeded revenues by \$181,638.



Charges for services (e.g. usage fees) are the largest single source of funds for 87% of the total. Water resource fees, water capacity fees and capital contributions, which are fees paid by or assets donated by developers or individuals on new construction, provide 12% of the revenues. Other revenue (e.g. interest, investment and rental income) provides 1% of total revenues.



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 (e.g. revenues), outflows (e.g. expenditures) and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the general fund, special revenue funds, debt service funds and capital project funds.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$36,710,827, an increase of \$3,251,585. Approximately \$2.6 million of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is 1) non-spendable (\$5.2 million) for inventory, prepaid items and advances to other funds, 2) restricted (\$26.0 million) for special revenue funds, capital improvement funds, community facilities districts and debt service, and 3) committed (\$3.0 million) for capital project growth savings and asset replacement.

Revenues for governmental functions overall totaled \$39,392,009 in the fiscal year ended June 30, 2014, which represents an increase of \$526,124 from the fiscal year ended June 30, 2013. Expenditures for governmental functions totaled \$36,140,424, a decrease of \$1,727,205, or about 5% from the fiscal year ended June 30, 2013. In the fiscal year ended June 30, 2014, revenues exceeded expenditures for governmental functions by \$3,251,585.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$5,959,693. As a measure of the general fund's liquidity, it may be useful to compare total unassigned and total fund balance to total fund expenditures. The unassigned fund balance represents 26% of total general fund expenditures of \$22,629,551.

According to the Town's financial policy, the Town's general fund will maintain an "unassigned" fund balance with a target of a minimum of 25% of general fund revenues, excluding transfers. The intention of the "unassigned" fund balance is to provide additional stability to the general fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the Town. Funds in excess of the minimum targets will be retained in the unassigned general fund balance. As of June 30, 2014, the Town had set aside 23% of general fund revenues.

Management has implemented considerable cost containment measures. The fund balance of the Town's general fund increased by \$1,331,250 during the current fiscal year, this is \$2,381,061 higher than the budgeted decrease of \$1,049,811.

The HURF fund has a total fund balance of \$2,334,958. The net increase in fund balance during the current year was \$320,067. This increase is \$186,399 higher than the budgeted increase of \$133,668. This increase is primarily due to a positive variance to budget in highway user tax, operating expenditures and several budgeted capital projects which were either cancelled or delayed until future fiscal years. The HURF fund received a transfer of \$50,000 from the general fund.

Total fund balance for the Development Impact Fees fund was (\$947,075) for the current year. The net decrease in fund balance was \$263,213. Total revenues were \$1,533,720, offset by capital expenditures of \$532,872 and transfers out of approximately \$1.2 million for required debt service payments, resulting in a negative fund balance.

Town of Prescott Valley, Arizona

Total fund balance for the Municipal Property Corporation debt service fund was \$13,979,684 for the current year. The net increase in fund balance was \$8,829.

Proprietary Funds

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

The total net position for business-type activities (enterprise funds) was \$91,765,054, an increase of \$1,396,373. At the end of the fiscal year, unrestricted net position for the Prescott Valley Water System and Wastewater System was \$10,108,555, an increase of \$3.1 million.

According to the Town's financial policy, contingency and reserve funds in the Water and Wastewater utility operating funds should be equal to a minimum of ninety (90) days operating expenditures. As of June 30, 2014, all utility funds had cash reserves equivalent to at least ninety (90) days.

Utility rates will be set at a minimum to ensure the ratio of revenue to debt meets bond indenture requirements of 1.25:1 ratio. The Town's goal will be to maintain a minimum ratio of utility revenue to debt service of 1.6:1 to ensure debt coverage in times of revenue fluctuations attributable to weather or other causes, and to ensure a balanced pay-as-you-go capital improvement plan. Currently, both of the utility funds have incurred debt. As of June 30, 2014, both utility systems have met the minimum net revenues to debt ratio. Additional information is available in Table 14 in the statistical section. The Prescott Valley Water System and Prescott Valley Wastewater System have completed the process of revising their utility rates. No rates increases were proposed for the Prescott Valley Water System or the Prescott Valley Wastewater System.

Other factors concerning the finances of these funds have been addressed previously in the Town's business-type activities.

General Fund Budgetary Highlights

Budgetary transfers between departments, funds, capital outlay, personnel services and contingency must have the approval of Town Council before the transfer can be made.

The Town's final total budget remained unchanged from the original budget in fiscal year 2013/14. All budget transfers completed during the fiscal year remained within the general fund.

As a result of the budget process (as approved by Council), the general fund's fund balance was anticipated to decrease by \$1,049,811. Actual results in the general fund's performance resulted in revenues over expenditures and transfers in the fiscal year ended June 30, 2014 of \$1,331,250, a net difference of \$2,381,061. The difference was primarily attributable to the following reasons:

- Revenue results were over budget by \$2,061,976. Transaction Privilege Tax revenues (TPT) were above estimates by \$705,295; licenses and permit revenues for building and related permits were \$1,194,999 over budget; intergovernmental revenues combined were over budget by \$67,890 due to a variety of reasons: 1) the Yavapai County Flood Control grant funding was \$100,000 lower than budgeted, and 2) the Yavapai County Library funding was \$28,076 below the amount budgeted; other revenues were better than budget by \$195,966.
- Capital outlay had a positive variance to budget of \$60,312 mainly due to Agua Fria Drainage project being delayed until next fiscal year and expenditures over budget estimates for patrol equipment and vehicles in Police department.

Town of Prescott Valley, Arizona

- Budgeted transfers out to other funds varied from estimate by \$602,694. Budgeted transfers out to special revenue funds were below estimate by \$610,000 due to a reclassification of expenditures and debt services funds were higher than estimate by \$7,306.

Capital Assets

The Town’s capital assets for its governmental and business-type activities as of June 30, 2014, amount to \$261,777,544 (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, machinery and equipment, infrastructure and construction in progress. The total decrease in the Town’s capital assets (net of accumulated depreciation) for the current fiscal year was 2.3% for governmental activities and business-type activities. Total capital assets for the government are shown in the following table.

Town of Prescott Valley, Arizona
Capital Assets
 June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Land	\$ 9,160,557	\$ 1,025,398	\$ 10,185,955
Buildings	27,059,778	285,604	27,345,382
Improvements other than buildings	10,306,680	18,486,951	28,793,631
Machinery and equipment	1,911,152	1,519,808	3,430,960
Infrastructure	106,677,179	79,027,887	185,705,066
Construction in progress	951,495	5,365,055	6,316,550
Total	\$ 156,066,841	\$ 105,710,703	\$ 261,777,544

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

Governmental activities:

- Land increased by approximately \$2.1 million due to contributions by YK Commercial Realty and PVL, LLC.
- Buildings decreased by \$884,522 due to depreciation.
- Improvements other than buildings decreased by \$889,403, mainly due to improvements to Tonto and Viewpoint parks and Civic Center remodel offset by depreciation.
- Machinery and equipment decreased by \$272,666, primarily due to the purchase of Police vehicles, office and computer equipment, and reductions through the Town’s surplus auction process offset by depreciation.
- Infrastructure decreased by \$3,883,458, which includes completed Tonopah Stormwater Management project offset by depreciation.
- Construction in progress increased by a net of \$425,099 due to the completion of the Loos Drive Phase II and Phase III project offset by current year additions to governmental activities including Antelope Park Expansion, Enterprise Parkway, Ortiz Street Rehabilitation and Viewpoint Drive Extension.

Business-type activities:

- Buildings decreased by \$181,373 due to depreciation.
- Improvements other than buildings decreased by \$793,224 due to depreciation.
- Machinery and equipment increased by \$394,252 primarily due to purchase of a vector truck for Wastewater System and equipment purchase for PV Water System offset by depreciation.

Town of Prescott Valley, Arizona

- Infrastructure decreased by \$2,411,606, which includes waterline and sewer improvements, the completion of the 2nd Street Waterline project and developer contributions of waterlines, watermain, sewers and fire hydrants offset by depreciation.
- Construction in progress increased by \$298,611. This increase resulted from the completion of the 2nd Street Waterline project, offset by current year additions to business-type activities construction in progress for the High School and Northside sewer projects, and Ortiz Street Rehabilitation project.

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 Section III.C in the notes to the financial statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the Town (including component units) had total long-term obligations outstanding of \$93.2 million, a decrease of approximately \$6.4 million over the previous year.

Governmental Activities

In the governmental activities, Municipal Property Corporation (MPC) revenue bonds backed by the full faith and credit of the Town (excise taxes) total \$26.6 million. Road and sewer collection system improvement bonds represent \$162,000 and are paid through assessments collected from the property owners. Certificates of Participation equal \$12.1 million to pay for costs related to the construction of the Library.

Total outstanding *ad valorem* bonds issued for community facilities districts equaled approximately \$23.5 million. Although legally separate from the Town, the debt associated with the component units are blended with the primary government because of their governance or financial relationships to the Town. At the end of the year, total outstanding general obligation bonds were StoneRidge of \$8.5 million, Pronghorn Ranch of \$6.1 million, Quailwood Meadows of \$5.8 million and Parkway No. 1 of \$3.0 million. The bonds issued for StoneRidge, Pronghorn Ranch, Quailwood Meadows and Parkway No. 1 are solely payable from revenues generated through an *ad valorem* tax assessed against the properties located within the boundaries of the district. StoneRidge, Pronghorn Ranch and Quailwood Meadows were all refinanced. Any remaining deposit amounts were used to pay down the existing debt. Parkway No. 1 is the only *ad valorem* district that still has a reserve account.

The outstanding bonds issued for Eastridge (\$705,000) and Southside No. 1 (\$2.1 million) are payable from assessments collected from the property owners. The outstanding Water Infrastructure Financing Authority (WIFA) loan for the Raven Ridge project (\$200,397) will be repaid from assessments collected from the property owners. No Town revenues are pledged toward these bonds/loan and the developers/property owners are solely responsible for contributing any differences between the property taxes collected and the annual debt service payment.

Business-Type Activities

Outstanding debt associated with business-type activities totaled approximately \$22.9 million. This represents \$8.3 million for the Prescott Valley Water System, \$4.9 million for the Wastewater System and \$9.7 million in WIFA loans for the Town's wastewater utility.

Town of Prescott Valley, Arizona

Town of Prescott Valley, Arizona

Outstanding Debt

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Municipal Property Corporation bonds	\$ 26,630,000	\$ -	\$ 26,630,000
Certificates of Participation	12,115,000	-	12,115,000
Special assessment debt with governmental commitment	162,000	-	162,000
Community facilities district general obligation bonds	23,545,000	-	23,545,000
Community facilities district special assessment lien bonds	2,834,000	-	2,834,000
Community facilities district long-term loan payable	200,397	-	200,397
Less: deferred amounts			
For issuance premiums	1,419,796	-	1,419,796
On refunding	-	-	-
Long-term obligations	1,819,702	-	1,819,702
Compensated absences	1,280,380	-	1,280,380
Revenue bonds	-	13,175,000	13,175,000
Long term loan payable	-	9,692,691	9,692,691
Premium	-	343,943	343,943
Total long term liabilities	<u>\$ 70,006,275</u>	<u>\$ 23,211,634</u>	<u>\$ 93,217,909</u>

Debt Limitations

The State Constitution imposes certain debt limitations on the Town of 6% of secondary assessed valuation of the taxable property for general municipal purposes and 20% of the outstanding assessed valuation of the Town for water, light, sewer, open space and park purposes. The Town's available debt margin at June 30, 2014 is \$15.2 million in the 6% capacity and \$50.8 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in Section III.F of the notes to the financial statements and also in Table 13 in the statistical section of this report.

The Town's bonded debt ratings as of June 30, 2014 were:

	Moody's Investors Service	Standard and Poor's Rating Group	Fitch Investors Service, Inc.
Municipal Property Corporation (Series 2004)	A3	--	AA-
Municipal Property Corporation (Series 2011)	--	AA-	AA-
Municipal Property Corporation (Series 2012)	--	AA-	--
Municipal Property Corporation, Water Revenue Refunding Bonds (Series 2008)	--	A	--

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2013/14 shows signs of a stabilizing economy nationwide and in the Prescott Valley area.
- Unemployment rate as of June 2014 was 7.1% for Yavapai County and 6.9% for the state.
- Some growth occurred in the retail segment during the fiscal year.
- Residential housing construction starts are a major factor in the Town's growth; they continue to progress at a much slower pace than in prior years but are seeing positive growth.
- Several large retailers recently opened in Prescott Valley including Sprouts and Culver's. TJ Maxx and ULTA Beauty have completed constructing facilities and will open in early fiscal year 2014/15.

All of the above factors were considered in preparing the Town's budget for fiscal year 2014/15. The budget for the fiscal year 2014/15 year includes:

- A conservative economic forecast and limited revenue growth.
- A zero-based approach to the operating budget, leading to limited increases in specific department budgets.
- Continued investment, although reduced, in the Town's basic infrastructure and public facilities, combined with a careful analysis of their operating costs.
- Sustained funding of general fund and economic investment reserves to ensure the Town can provide basic services during economic downturns or major emergencies and make strategic investments in the Town's economic base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Town of Prescott Valley, Management Services Department at 7501 E. Civic Circle, Prescott Valley, AZ 86314.

Town of Prescott Valley, Arizona

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 21,973,189	\$ 19,528,603	\$ 41,501,792
Accounts receivable (net of uncollectible amounts)			
Intergovernmental	1,532,897	-	1,532,897
Charges for services	-	943,737	943,737
Grants	316,494	-	316,494
Interest and other	38,373	39,059	77,432
Special assessments	2,942,715	-	2,942,715
Miscellaneous	599,515	-	599,515
Internal balances	11,420,000	(11,420,000)	-
Supplies inventory	-	9,738	9,738
Prepaid items	38,009	4,333	42,342
Total current assets	38,861,192	9,105,470	47,966,662
Noncurrent assets:			
Restricted cash and cash equivalents	3,047,472	706,160	3,753,632
Capital assets:			
Land and construction in progress	10,112,052	6,390,453	16,502,505
Facilities, infrastructure, and equipment (net of depreciation)	145,954,789	99,320,250	245,275,039
Total noncurrent assets	159,114,313	106,416,863	265,531,176
Total assets	197,975,505	115,522,333	313,497,838
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	2,669,384	842,570	3,511,954
Total deferred outflows of resources	2,669,384	842,570	3,511,954
LIABILITIES			
Current liabilities:			
Accounts payable	1,051,354	648,518	1,699,872
Accrued payroll	738,689	22,037	760,726
Long-term liabilities - due within one year	4,205,068	2,709,322	6,914,390
Total current liabilities	5,995,111	3,379,877	9,374,988
Noncurrent liabilities:			
Customer advances and deposits	194,448	637,093	831,541
Unearned revenue	286,290	80,567	366,857
Long-term liabilities - due in more than one year	65,801,207	20,502,312	86,303,519
Total noncurrent liabilities	66,281,945	21,219,972	87,501,917
Total liabilities	72,277,056	24,599,849	96,876,905
NET POSITION			
Net investment in capital assets	86,491,264	81,656,499	168,147,763
Restricted for:			
Capital projects	6,991,878	-	6,991,878
Community facilities districts	421,151	-	421,151
Debt service	17,097,534	-	17,097,534
Grantor and contributor purposes	1,291,603	-	1,291,603
Street improvements	2,334,958	-	2,334,958
Unrestricted	13,739,445	10,108,555	23,848,000
Total net position	\$ 128,367,833	\$ 91,765,054	\$ 220,132,887

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

Town of Prescott Valley, Arizona

Statement of Activities

For the Year Ended June 30, 2014

Function/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 10,053,941	\$ 2,984,647	\$ 9,901
Public safety	10,207,382	15,454	998,818
Culture and recreation	5,126,785	234,580	50,990
Public works	3,212,354	-	403,271
Highway and streets	5,797,407	8,354	1,272,553
Interest on long-term debt	3,257,938	-	-
Total governmental activities	37,655,807	3,243,035	2,735,533
Business-type activities:			
Wastewater utility	6,213,772	4,980,242	-
Prescott Valley water system	7,395,511	8,038,134	-
Total business-type activities	13,609,283	13,018,376	-
Total primary government	\$ 51,265,090	\$ 16,261,411	\$ 2,735,533

General revenues:

Taxes:

 Sales and use taxes

 Franchise taxes

 Property taxes

Unrestricted revenues:

 Intergovernmental:

 State-shared sales tax

 State revenue sharing

 Highway user

 Other

 Interest and investment income

 Other revenues

Total general revenues and transfers

Change in net position

Total net position - June 30, 2013, as previously reported

Unamortized bond issuance cost

Total net position - July 1, 2013, as restated

Net position - ending

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

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (7,059,393)	\$ -	\$ (7,059,393)
118,790	(9,074,320)	-	(9,074,320)
2,884,892	(1,956,323)	-	(1,956,323)
143,733	(2,665,350)	-	(2,665,350)
1,531,933	(2,984,567)	-	(2,984,567)
-	(3,257,938)	-	(3,257,938)
<u>4,679,348</u>	<u>(26,997,891)</u>	<u>-</u>	<u>(26,997,891)</u>
1,051,892	-	(181,638)	(181,638)
737,022	-	1,379,645	1,379,645
<u>1,788,914</u>	<u>-</u>	<u>1,198,007</u>	<u>1,198,007</u>
<u>\$ 6,468,262</u>	<u>(26,997,891)</u>	<u>1,198,007</u>	<u>(25,799,884)</u>
	13,442,182	-	13,442,182
	584,602	-	584,602
	1,725,304	-	1,725,304
	3,379,174	-	3,379,174
	4,327,205	-	4,327,205
	2,779,050	-	2,779,050
	4,024,239	-	4,024,239
	255,481	132,069	387,550
	75,016	66,297	141,313
	<u>30,592,253</u>	<u>198,366</u>	<u>30,790,619</u>
	3,594,362	1,396,373	4,990,735
	126,782,973	90,500,160	217,283,133
	(2,009,502)	(131,479)	(2,140,981)
	<u>124,773,471</u>	<u>90,368,681</u>	<u>215,142,152</u>
<u>\$</u>	<u>128,367,833</u>	<u>\$ 91,765,054</u>	<u>\$ 220,132,887</u>

Town of Prescott Valley, Arizona

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Highway Users Revenue Fund	Development Impact Fees Fund
ASSETS			
Cash and investments	\$ 7,895,406	\$ 2,152,295	\$ 2,349,320
Restricted cash and investments	344,124	-	-
Receivables (net of allowance for uncollectibles)			
Grants	-	-	-
Interest	18,841	4,265	5,295
Intergovernmental	1,269,411	263,486	-
Special assessments	-	-	-
Miscellaneous	346,403	-	-
Due from other funds	1,140,894	-	192,180
Prepaid items	34,402	-	-
Advances to other funds	5,144,347	-	-
Total assets	\$ 16,193,828	\$ 2,420,046	\$ 2,546,795
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 899,646	\$ 48,611	\$ 14,558
Accrued payroll	686,326	36,477	-
Due to other funds	-	-	-
Unearned revenue:			
Court	159,178	-	-
Other	126,729	-	-
Guaranty and other deposits	194,448	-	-
Advance from other funds	-	-	3,479,312
Total liabilities	2,066,327	85,088	3,493,870
Deferred inflows of resources:			
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Nonspendable	5,178,749	-	-
Restricted	-	2,334,958	2,340,057
Committed	2,989,059	-	-
Unassigned	5,959,693	-	(3,287,132)
Total fund balances	14,127,501	2,334,958	(947,075)
Total liabilities, deferred inflows of resources and fund balances	\$ 16,193,828	\$ 2,420,046	\$ 2,546,795

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

Municipal Property Corp Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,007,881	\$ 5,583,946	\$ 21,988,848
-	2,703,348	3,047,472
-	316,494	316,494
-	9,972	38,373
-	-	1,532,897
-	2,942,715	2,942,715
-	253,112	599,515
-	598,661	1,931,735
-	3,607	38,009
11,420,000	-	16,564,347
<u>\$ 15,427,881</u>	<u>\$ 12,411,855</u>	<u>\$ 49,000,405</u>

\$ -	\$ 88,539	\$ 1,051,354
-	15,886	738,689
1,448,197	483,538	1,931,735
-	-	159,178
-	383	127,112
-	-	194,448
-	1,665,035	5,144,347
<u>1,448,197</u>	<u>2,253,381</u>	<u>9,346,863</u>

-	2,942,715	2,942,715
-	2,942,715	2,942,715

-	3,607	5,182,356
13,979,684	7,334,611	25,989,310
-	-	2,989,059
-	(122,459)	2,550,102
<u>13,979,684</u>	<u>7,215,759</u>	<u>36,710,827</u>
<u>\$ 15,427,881</u>	<u>\$ 12,411,855</u>	<u>\$ 49,000,405</u>



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Town of Prescott Valley, Arizona

Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2014

Fund balances - total governmental funds balance sheet \$ 36,710,827

Amounts reported for governmental activities in the statements of
net position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental capital assets	228,254,682	
Less: accumulated depreciation	<u>(72,187,841)</u>	156,066,841

Other assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Change in fair value of investments		(15,659)
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the governmental
funds.

Governmental bonds payable	(66,906,193)	
Deferred charge on refunding	2,669,384	
Long-term obligations	(1,819,702)	
Compensated absences	<u>(1,280,380)</u>	(67,336,891)

Certain revenues are not available to pay for current period expenditures
and therefore are deferred in the governmental funds.

Special assessments		2,942,715
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Net position of governmental activities - statement of net position		<u><u>\$ 128,367,833</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Prescott Valley, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Highway Users Revenue Fund	Development Impact Fees Fund
REVENUES			
Taxes - local	\$ 11,300,008	\$ -	\$ -
Taxes - intergovernmental	11,730,618	2,779,050	-
Taxes - property	-	-	-
Licenses and permits:			
Business and liquor licenses	146,290	-	-
Building and related permits	1,620,999	-	-
Charges for services:			
Building and related	112,777	-	-
Recreation fees	204,799	-	-
Other	28,448	8,354	-
Fines and forfeitures:			
Court fines	640,057	-	-
Library	19,385	-	-
Special assessments	-	-	-
Property rental	163,240	-	-
Interest earnings	59,372	12,111	15,116
Intergovernmental:			
Federal grants	-	-	-
State grants	-	-	-
Contributions	6,202	-	1,518,604
Other	126,036	-	-
Total revenues	<u>26,158,231</u>	<u>2,799,515</u>	<u>1,533,720</u>
EXPENDITURES			
Current:			
General government	8,587,223	-	-
Public safety	8,708,561	-	21,700
Culture and recreation	3,446,721	-	43,400
Public works	1,038,256	-	-
Highway and streets	-	2,208,797	21,700
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	-	-
Payments to advanced refunding escrow agent	-	-	-
Capital outlay	848,790	320,651	532,872
Total expenditures	<u>22,629,551</u>	<u>2,529,448</u>	<u>619,672</u>
Excess (deficiency) of revenues over expenditures	<u>3,528,680</u>	<u>270,067</u>	<u>914,048</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	-
Transfers out	(2,197,430)	-	(1,177,261)
Refunding bonds issued	-	-	-
Payments to advanced refunding escrow agent	-	-	-
Total other financing sources and uses	<u>(2,197,430)</u>	<u>50,000</u>	<u>(1,177,261)</u>
Net change in fund balances	1,331,250	320,067	(263,213)
Fund balances - beginning	12,796,251	2,014,891	(683,862)
Fund balances - ending	<u>\$ 14,127,501</u>	<u>\$ 2,334,958</u>	<u>\$ (947,075)</u>

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

Municipal Property Corp Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,726,776	\$ 14,026,784
-	-	14,509,668
-	1,725,304	1,725,304
-	-	146,290
-	-	1,620,999
-	-	112,777
-	-	204,799
-	-	36,802
-	4,041	644,098
-	-	19,385
-	690,091	690,091
-	168,609	331,849
297	31,393	118,289
-	2,061,512	2,061,512
-	144,951	144,951
-	1,272,553	2,797,359
-	75,016	201,052
297	8,900,246	39,392,009
-	1,044,901	9,632,124
-	998,818	9,729,079
-	50,990	3,541,111
-	403,271	1,441,527
-	-	2,230,497
1,525,000	1,847,248	3,372,248
1,132,861	1,719,290	2,852,151
-	331,335	331,335
-	766,566	766,566
-	881,124	2,583,437
2,657,861	8,043,543	36,480,075
(2,657,564)	856,703	2,911,934
2,666,393	1,236,348	3,952,741
-	(578,050)	(3,952,741)
-	11,960,000	11,960,000
-	(11,620,349)	(11,620,349)
2,666,393	997,949	339,651
8,829	1,854,652	3,251,585
13,970,855	5,361,107	33,459,242
\$ 13,979,684	\$ 7,215,759	\$ 36,710,827

Town of Prescott Valley, Arizona
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 3,251,585

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	2,583,437	
Less amount not capitalized	(205,548)	
Less disposal of assets	(3,517)	
Less current year depreciation	<u>(8,005,304)</u>	(5,630,932)

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities. 2,267,326

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences 18,047

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 137,192

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period, these amounts are:

Bond proceeds	(11,960,000)	
Payment to refunding escrow agent	12,386,915	
Amortization on outstanding debt	(74,452)	
Payment of long-term obligations	372,791	
Principal payments on debt	<u>3,372,248</u>	4,097,502

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are deferred in the governmental funds, because they do not provide current financial resources due to unavailability, are recognized in the statement of activities.

Special assessments (546,358)

Change in net position of governmental activities - statement of activities \$ 3,594,362

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

Town of Prescott Valley, Arizona

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ 10,203,000	\$ 10,203,000	\$ 10,908,295	\$ 705,295
Cable TV franchise	200,000	200,000	199,852	(148)
Light and power franchise	225,000	225,000	191,861	(33,139)
Licenses and permits:				
Business and liquor licenses	130,900	130,900	146,290	15,390
Building and related permits	426,000	426,000	1,620,999	1,194,999
Intergovernmental:				
State revenue sharing	4,331,174	4,331,174	4,327,205	(3,969)
Auto lieu	2,019,996	2,019,996	2,142,326	122,330
State-shared sales	3,354,515	3,354,515	3,379,174	24,659
Other intergovernmental	1,957,043	1,957,043	1,881,913	(75,130)
Charges for services:				
Building and related	92,500	92,500	112,777	20,277
Recreation fees	195,000	195,000	204,799	9,799
Other	23,500	23,500	28,448	4,948
Fines and forfeitures:				
Court fines	618,000	618,000	640,057	22,057
Library fines	18,000	18,000	19,385	1,385
Interest earnings	65,927	65,927	59,372	(6,555)
Property rental	156,000	156,000	163,240	7,240
Contributions	12,000	12,000	6,202	(5,798)
Other	67,700	67,700	126,036	58,336
Total revenues	24,096,255	24,096,255	26,158,231	2,061,976
EXPENDITURES				
Current:				
General government:				
Council				
Personnel services	51,068	51,068	52,379	(1,311)
Operating expenditures	57,129	57,129	57,202	(73)
Total Council	108,197	108,197	109,581	(1,384)
Executive Management				
Personnel services	563,949	563,949	631,342	(67,393)
Operating expenditures	29,730	34,805	31,285	3,520
Total Executive Management	593,679	598,754	662,627	(63,873)
Human Resources				
Personnel services	162,893	162,893	168,502	(5,609)
Operating expenditures	64,926	90,826	87,787	3,039
Total Human Resources	227,819	253,719	256,289	(2,570)
Town Clerk				
Personnel services	208,632	208,632	215,765	(7,133)
Operating expenditures	56,448	56,448	53,906	2,542
Total Town Clerk	265,080	265,080	269,671	(4,591)

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

(continued)

Town of Prescott Valley, Arizona

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Management Services				
Personnel services	1,452,906	1,452,906	1,385,083	67,823
Operating expenditures	499,423	499,423	511,407	(11,984)
Total Management Services	1,952,329	1,952,329	1,896,490	55,839
Legal				
Personnel services	537,675	537,675	547,930	(10,255)
Operating expenditures	130,647	130,647	25,696	104,951
Total Legal	668,322	668,322	573,626	94,696
Magistrate Court				
Personnel services	471,346	471,346	434,586	36,760
Operating expenditures	53,340	53,340	43,304	10,036
Total Magistrate Court	524,686	524,686	477,890	46,796
Facilities and Fleet Maintenance				
Personnel services	188,469	188,469	204,764	(16,295)
Operating expenditures	308,116	308,116	300,650	7,466
Total Facilities and Fleet Maintenance	496,585	496,585	505,414	(8,829)
Other-Unclassified				
Operating expenditures	3,705,232	3,621,532	3,835,635	(214,103)
Total Other-Unclassified	3,705,232	3,621,532	3,835,635	(214,103)
Total general government	8,541,929	8,489,204	8,587,223	(98,019)
Public safety:				
Building/Safety				
Personnel services	549,272	549,272	613,028	(63,756)
Operating expenditures	35,929	52,929	44,769	8,160
Total Building/Safety	585,201	602,201	657,797	(55,596)
Police				
Personnel services	6,182,449	6,182,449	6,498,360	(315,911)
Operating expenditures	1,668,413	1,669,250	1,552,404	116,846
Total Police	7,850,862	7,851,699	8,050,764	(199,065)
Total public safety	8,436,063	8,453,900	8,708,561	(254,661)
Culture and recreation:				
Channel 15				
Personnel services	131,415	131,415	136,067	(4,652)
Operating expenditures	48,470	49,095	48,388	707
Total Channel 15	179,885	180,510	184,455	(3,945)
Parks and Recreation				
Personnel services	909,875	909,875	928,541	(18,666)
Operating expenditures	683,090	683,090	707,557	(24,467)
Total Parks and Recreation	1,592,965	1,592,965	1,636,098	(43,133)

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

Town of Prescott Valley, Arizona

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Library				
Personnel services	1,104,040	1,104,040	1,144,015	(39,975)
Operating expenditures	508,857	523,857	482,153	41,704
Total Library	1,612,897	1,627,897	1,626,168	1,729
Total culture and recreation	3,385,747	3,401,372	3,446,721	(45,349)
Public works:				
Planning and Development				
Personnel services	277,662	277,662	233,021	44,641
Operating expenditures	27,550	27,550	15,604	11,946
Total Planning and Development	305,212	305,212	248,625	56,587
Neighborhood Services				
Personnel services	213,473	213,473	213,994	(521)
Operating expenditures	27,285	27,285	21,533	5,752
Total Neighborhood Services	240,758	240,758	235,527	5,231
Administrative Hearing Office				
Operating expenditures	4,820	4,820	2,852	1,968
Total Administrative Hearing Office	4,820	4,820	2,852	1,968
Engineering and GIS				
Personnel services	449,009	449,009	484,044	(35,035)
Operating expenditures	92,565	92,565	67,208	25,357
Total Engineering and GIS	541,574	541,574	551,252	(9,678)
Total public works	1,092,364	1,092,364	1,038,256	54,108
Capital outlay	889,839	909,102	848,790	60,312
Total expenditures	22,345,942	22,345,942	22,629,551	(283,609)
Excess (deficiency) of revenues over expenditures	1,750,313	1,750,313	3,528,680	1,778,367
OTHER FINANCING SOURCES (USES)				
Transfers in	97,178	97,178	-	(97,178)
Transfers out	(2,897,302)	(2,897,302)	(2,197,430)	699,872
Total other financing sources and uses	(2,800,124)	(2,800,124)	(2,197,430)	602,694
Net change in fund balances	(1,049,811)	(1,049,811)	1,331,250	2,381,061
Fund balances - beginning	11,601,240	11,601,240	12,796,251	1,195,011
Fund balances - ending	\$ 10,551,429	\$ 10,551,429	\$ 14,127,501	\$ 3,576,072

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

Town of Prescott Valley, Arizona

Highway User Revenue Fund - Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Intergovernmental:				
Highway user tax	\$ 2,738,492	\$ 2,738,492	\$ 2,779,050	\$ 40,558
Charges for services	8,000	8,000	8,354	354
Interest earnings	11,727	11,727	12,111	384
Total revenues	<u>2,758,219</u>	<u>2,758,219</u>	<u>2,799,515</u>	<u>41,296</u>
EXPENDITURES				
Current:				
Highway and Streets				
Personnel services	838,002	838,002	785,485	52,517
Operating expenditures	1,479,049	1,479,049	1,423,312	55,737
Total Highway and Streets	<u>2,317,051</u>	<u>2,317,051</u>	<u>2,208,797</u>	<u>108,254</u>
Capital outlay	357,500	357,500	320,651	36,849
Total expenditures	<u>2,674,551</u>	<u>2,674,551</u>	<u>2,529,448</u>	<u>145,103</u>
Excess (deficiency) of revenues over expenditures	<u>83,668</u>	<u>83,668</u>	<u>270,067</u>	<u>186,399</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	133,668	133,668	320,067	186,399
Fund balances - beginning	<u>2,125,000</u>	<u>2,125,000</u>	<u>2,014,891</u>	<u>(110,109)</u>
Fund balances - ending	<u>\$ 2,258,668</u>	<u>\$ 2,258,668</u>	<u>\$ 2,334,958</u>	<u>\$ 76,290</u>

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

Town of Prescott Valley, Arizona

Development Impact Fees Fund - Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 8,340	\$ 8,340	\$ 15,116	\$ 6,776
Impact fees	1,323,000	1,323,000	1,518,604	195,604
Total revenues	1,331,340	1,331,340	1,533,720	202,380
EXPENDITURES				
Operating expenditures	90,000	90,000	86,800	3,200
Capital outlay	752,500	752,500	532,872	219,628
Total expenditures	842,500	842,500	619,672	222,828
Excess (deficiency) of revenues over expenditures	488,840	488,840	914,048	425,208
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,177,585)	(1,177,585)	(1,177,261)	324
Total other financing sources	(1,177,585)	(1,177,585)	(1,177,261)	324
Net change in fund balances	(688,745)	(688,745)	(263,213)	425,532
Fund balances - beginning	(800,000)	(800,000)	(683,862)	116,138
Fund balances - ending	\$ (1,488,745)	\$ (1,488,745)	\$ (947,075)	\$ 541,670

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

Town of Prescott Valley, Arizona

Statement of Net Position

Proprietary Funds

June 30, 2014

	Wastewater	PV Water System	Total
ASSETS			
Current assets:			
Cash and investments	\$ 9,614,874	\$ 9,913,729	\$ 19,528,603
Receivables (net of allowance for uncollectibles)	385,135	558,602	943,737
Interest receivable	18,640	20,419	39,059
Prepaid expense	-	4,333	4,333
Inventories	-	9,738	9,738
Total current assets	10,018,649	10,506,821	20,525,470
Noncurrent assets:			
Restricted cash, cash equivalents	227,032	479,128	706,160
Advance to other funds	1,567,121	-	1,567,121
Capital assets:			
Land	250,101	775,297	1,025,398
Buildings	3,498,027	209,214	3,707,241
Improvements other than buildings	-	28,199,865	28,199,865
Machinery and equipment	6,220,632	1,520,480	7,741,112
Infrastructure	76,588,369	35,074,861	111,663,230
Construction in progress	339,748	5,025,307	5,365,055
Less accumulated depreciation	(35,009,804)	(16,981,394)	(51,991,198)
Total capital assets (net of accumulated depreciation)	51,887,073	53,823,630	105,710,703
Total noncurrent assets	53,681,226	54,302,758	107,983,984
Total assets	63,699,875	64,809,579	128,509,454
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	237,154	605,416	842,570
Total deferred outflows of resources	\$ 237,154	\$ 605,416	\$ 842,570

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

Town of Prescott Valley, Arizona

Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 221,009	\$ 427,509	\$ 648,518
Accrued payroll	7,354	14,683	22,037
Notes payable - due within one year	694,322	-	694,322
Bonds payable - due within one year	480,000	1,535,000	2,015,000
Total current liabilities	<u>1,402,685</u>	<u>1,977,192</u>	<u>3,379,877</u>
Noncurrent liabilities:			
Customer advances and deposits	227,032	410,061	637,093
Unearned revenue	-	80,567	80,567
Notes payable	8,998,369	-	8,998,369
Bonds payable, net of unamortized discounts	4,517,275	6,986,668	11,503,943
Advance from other funds	-	12,987,121	12,987,121
Total noncurrent liabilities	<u>13,742,676</u>	<u>20,464,417</u>	<u>34,207,093</u>
Total liabilities	<u>15,145,361</u>	<u>22,441,609</u>	<u>37,586,970</u>
NET POSITION			
Net investment in capital assets	36,959,953	44,696,546	81,656,499
Unrestricted	11,831,715	(1,723,160)	10,108,555
Total net position	<u>\$ 48,791,668</u>	<u>\$ 42,973,386</u>	<u>\$ 91,765,054</u>

Town of Prescott Valley, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
OPERATING REVENUES			
Charges for sales and services	\$ 4,868,624	\$ 7,763,002	\$ 12,631,626
Other	111,618	275,132	386,750
Total operating revenues	<u>4,980,242</u>	<u>8,038,134</u>	<u>13,018,376</u>
OPERATING EXPENSES			
Administration	488,919	726,040	1,214,959
Professional	1,455,414	2,343,930	3,799,344
Technical	1,936	-	1,936
Utilities	554,033	990,350	1,544,383
Repairs and maintenance	281,242	477,569	758,811
Supplies	22,371	348,970	371,341
Capital outlay	52,836	154,741	207,577
Depreciation and amortization	2,832,285	1,614,431	4,446,716
Other	8,675	206,772	215,447
Total operating expenses	<u>5,697,711</u>	<u>6,862,803</u>	<u>12,560,514</u>
Operating income (loss)	(717,469)	1,175,331	457,862
NON-OPERATING REVENUES (EXPENSES)			
Capital utility connection charges	779,582	615,380	1,394,962
Investment and rental income	27,717	104,352	132,069
Interest expense	(488,739)	(410,425)	(899,164)
Other expenses	(27,322)	(122,283)	(149,605)
Other revenues	710	65,587	66,297
Net non-operating revenues (expenses)	<u>291,948</u>	<u>252,611</u>	<u>544,559</u>
Income (loss) before transfers	(425,521)	1,427,942	1,002,421
Capital contributions	272,310	121,642	393,952
Transfers in	163,213	-	163,213
Transfers out	-	(163,213)	(163,213)
Total transfers and capital contributions	<u>435,523</u>	<u>(41,571)</u>	<u>393,952</u>
Change in net position	10,002	1,386,371	1,396,373
Total net position - June 30, 2013, as previously reported	48,913,145	41,587,015	90,500,160
Unamortized bond issuance cost	(131,479)	-	(131,479)
Total net position - July 1, 2013, as restated	<u>48,781,666</u>	<u>41,587,015</u>	<u>90,368,681</u>
Total net position - ending	<u>\$ 48,791,668</u>	<u>\$ 42,973,386</u>	<u>\$ 91,765,054</u>

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

Town of Prescott Valley, Arizona

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 4,892,730	\$ 8,034,337	\$ 12,927,067
Payments to suppliers	(2,955,336)	(4,936,275)	(7,891,611)
Payments to employees	(146,663)	(292,435)	(439,098)
Other operating revenues	710	65,587	66,297
Net cash provided by operating activities	<u>1,791,441</u>	<u>2,871,214</u>	<u>4,662,655</u>
Cash flows from noncapital financing activities			
Transfer from other funds	163,213	-	163,213
Transfer to other funds	-	(163,213)	(163,213)
Advances (to) from other funds	(57,047)	57,047	-
Net cash provided (used) by noncapital financing activities	<u>106,166</u>	<u>(106,166)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Utility connection charges	779,582	615,380	1,394,962
Acquisition and construction of property and equipment	(739,679)	(675,963)	(1,415,642)
Principal paid on capital debt	(1,137,072)	(1,475,000)	(2,612,072)
Interest paid on capital debt	(488,739)	(410,425)	(899,164)
Net cash used by capital and related financing activities	<u>(1,585,908)</u>	<u>(1,946,008)</u>	<u>(3,531,916)</u>
Cash flows from investing activities			
Interest and dividends received	34,820	103,888	138,708
Net cash provided by investing activities	<u>34,820</u>	<u>103,888</u>	<u>138,708</u>
Net increase (decrease) in cash and cash equivalents	346,519	922,928	1,269,447
Cash and cash equivalents, July 1	<u>9,495,387</u>	<u>9,469,929</u>	<u>18,965,316</u>
Cash and cash equivalents, June 30	<u><u>\$ 9,841,906</u></u>	<u><u>\$ 10,392,857</u></u>	<u><u>\$ 20,234,763</u></u>

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

(continued)

Town of Prescott Valley, Arizona

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash and cash equivalents at end of year includes:			
Cash and investments	\$ 9,614,874	\$ 9,913,729	\$ 19,528,603
Restricted cash and investments	227,032	479,128	706,160
Total cash and cash equivalents	<u>\$ 9,841,906</u>	<u>\$ 10,392,857</u>	<u>\$ 20,234,763</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (717,469)	\$ 1,175,331	\$ 457,862
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,832,285	1,614,431	4,446,716
Increase in accounts receivables	(101,324)	(18,907)	(120,231)
Increase (decrease) in accounts payable	(237,571)	17,039	(220,532)
Increase in prepaid items	-	(72)	(72)
Increase in customer deposits	13,812	15,110	28,922
Increase in accrued payroll	1,970	3,895	5,865
Other revenues (expenses)	(262)	64,387	64,125
Total adjustments	<u>2,508,910</u>	<u>1,695,883</u>	<u>4,204,793</u>
Net cash provided by operating activities	<u>\$ 1,791,441</u>	<u>\$ 2,871,214</u>	<u>\$ 4,662,655</u>
Noncash investing, capital and financing activities:			
Additions to property, plant and equipment			
Contributions from developers	\$ 272,310	\$ 121,642	\$ 393,952

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Town of Prescott Valley (Town) was incorporated on August 28, 1978 under the provisions of the State of Arizona. The current Town Charter established the Council/Manager form of government. The Town provides basic government services to its citizens including public safety, roads, water, sewer, planning and zoning, parks and recreation facilities, library and general administrative services.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

The financial reporting entity presented in these financial statements consists of the Town of Prescott Valley (the primary government) and its component units. The component units discussed below are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town.

In accordance with GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, the Town includes in its financial statements all entities for which the Town's Mayor and Council are financially accountable. As the primary government, the Town is financially accountable if it appoints a voting majority of an organization's governing body, and 1) it is able to impose its will on that organization, or 2) there is a potential for that organization to provide specific benefits to or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

During the year ended June 30, 2014, the Town implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Individual Component Units - Blended

The Town of Prescott Valley Municipal Property Corporation (MPC) is a not-for-profit corporation organized under the laws of the State of Arizona to assist the Town in the acquisition and financing of municipal projects and facilities. The MPC is governed by a board of directors who are responsible for approving the corporation's bond sales. The Town Council must also approve all bond sales. Although it is legally separate from the Town, the MPC debt service liability is reported as a debt service fund (blended component unit) in these financial statements. Additional information for the MPC can be obtained from the Town of Prescott Valley, Management Services Department, located at 7501 E. Civic Circle, Prescott Valley, AZ 86314.

The Town of Prescott Valley has a total of seven (7) community facilities districts. StoneRidge, Pronghorn Ranch, Eastridge, Raven Ridge and Quailwood Meadows were created as funding mechanisms for local subdivision developers. Parkway No. 1 was created as a funding mechanism for public improvements within the district located along Highway 69. Southside No. 1 was created as a funding mechanism for public improvements within the district located along Highway 69.

The purpose of these districts is to assist in financing necessary on- and off-site infrastructure and public improvements. Generally, the developers initially build the public infrastructure and the district sells bonds to buy the improvements from the developers.

For StoneRidge, Pronghorn Ranch, Quailwood Meadows and Parkway No. 1, the bonds are repaid from revenues generated through an *ad valorem* tax against property located within the respective districts. The property owners within the districts are solely responsible for repaying the bonds through *ad valorem* tax collections.

Raven Ridge was created as a funding mechanism for a sewer line installation project and funded by a low interest loan through the Water Infrastructure Financing Authority (WIFA). Raven Ridge's low interest loan, Eastridge's bonds and Southside's bonds are repaid from assessments paid by the property owners within the districts. No Town revenues are pledged toward these obligations.

The Town Council serves as the board of directors for these districts. For financial reporting purposes, the districts are reported as blended component units. All of these community facilities districts are reported as governmental funds as if the districts were a part of the Town's operation. Additional information for these districts can be obtained from the Town of Prescott Valley, Management Services Department, located at 7501 E. Civic Circle, Prescott Valley, AZ 86314.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g. *statement of net position* and *statement of activities*) report information on the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The *statement of activities* demonstrates the degree to which the direct expenses for a given function or segment is 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 and proprietary funds. Major individual governmental funds and enterprise 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*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, where applicable (e.g. community facilities districts), are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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. 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. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses 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 the Town receives cash.

The government reports the following major governmental funds:

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

The *Highway Users Revenue Fund (HURF)* accounts for the Town's share of Arizona's highway user tax and associated expenditures.

The *Development Impact Fees Fund* accumulates funds to help pay for capital improvements that are proposed due to growth.

The *Municipal Property Corporation (MPC) Debt Service Fund* accounts for the payment of general long-term debt principal, interest and related costs. The Town's MPC debt service fund is used to account for debt service related to the acquisition and financing of municipal projects and facilities.

The government reports the following major proprietary funds:

The *Wastewater Fund* accounts for the operating revenues and expenses of the Town's sewer utility system.

The *Prescott Valley Water System Fund* accounts for the operating revenues and expenses of the Town's water utility system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues of the enterprise funds are charges for customer services, consisting of water and sewer charges. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

Cash equivalents for purposes of the statements of cash flows are investments (including restricted assets) in the State of Arizona's Local Government Investment Pool (LGIP), mutual funds, demand deposits, repurchase agreements and U.S. Treasury bills and notes.

Arizona Revised Statutes authorize the Town to invest public monies in the State Treasurer's LGIP, interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories, bonds or other obligations of the U.S. Government that are guaranteed as to principal and interest by the U.S. government, and bonds of the State of Arizona counties, cities, towns, school districts and special districts as specified by statute.

GASB Statement No. 31 provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest earning investment contracts at amortized cost. The Town has elected to report all investments at fair value. The Town's policy is to invest in certificates of deposit, repurchase agreements, direct U.S. Treasury debt, securities guaranteed by the United States Government or any of its agencies and the State of Arizona's LGIP. The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (e.g. current portion of inter-fund loans) or "advances to/from other funds" (e.g. non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts are shown net of an allowance for uncollectible accounts. All receivables outstanding for greater than ninety (90) days comprise the allowance for uncollectible accounts at June 30, 2014.

3. Inventories and Prepaid Items

Inventories of the governmental funds are recorded under the consumption method as expenditures when consumed rather than when purchased. Inventories are valued at year end based on cost, with cost determined using an average cost method.

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

5. Restricted Cash and Investments

Certain proceeds of the Town's bonds (including community facilities districts), as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets include property, plant, equipment and infrastructure, and are reported in the governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000, and an estimated useful life in excess of one year. Donated assets are recorded by reference to historical costs if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the fiscal year 2013/14.

Depreciation and amortization of all assets are recorded and calculated using the straight-line method over the following estimated useful lives:

Infrastructure.....	50 Years
Buildings and Improvements.....	5 to 50 Years
Land Improvements.....	10 to 20 Years
Machinery and Equipment.....	10 Years
Motor Vehicles.....	5 Years
Furniture, Fixtures and Office Equipment.....	5 to 10 Years

When capital assets are disposed, the cost and accumulated depreciation/amortization are removed from the accounts and any resulting gain/loss is recognized in the government-wide and proprietary financial statements.

7. Compensated Absences

Compensated absences consist of general leave and a prior balance of sick leave accumulated by employees. Employees accumulate general leave hours depending on years of service. The Town's policy is to pay employees for unused accumulated general leave hours at termination or retirement, up to a maximum amount depending on years of service at such time. The Town's policy is for both full-time and part-time employees.

All general leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability at June 30 in the governmental and proprietary funds. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll-related amounts in the accrued payroll and benefits line item. The Town calculates this current amount based on general leave taken during the first 90 days of the subsequent fiscal year. There is no long-term liability for compensated absences in the governmental funds. The General Fund, Highway Users Revenue Fund, Wastewater Fund and PV Water System Fund are typically used to liquidate compensated absences.

8. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the 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 fund statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The Town prepared an annual budget that covered fiscal year 2013/14. The Town, like other towns and cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the Town's legal budget capacity. The Town currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the Town Council to establish the budgetary limits locally. This option must be authorized by the voters every four years. It was last authorized by the citizens of Prescott Valley in March 2013. The fiscal year 2013/14 budget appropriation is established and reflected in the financial statements as follows:

The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the general fund, special revenue funds (Highway User Revenue fund, UNS Facilities Relocation fund, Entertainment Area fund, Police Safety fund, Donations fund, Maranda fund, Development Impact Fees fund and Grants fund), debt service funds (except for the community facilities districts' debt service funds), capital improvement funds and enterprise funds. Therefore, these funds have appropriated budgets and budget to actual information is presented for governmental fund types. Budgets are adopted under the GAAP method using a modified accrual basis.

Budgets for the community facilities districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the Town budget or adoption by the Town Council.

Budgets for capital project funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized.

On or before the second regular Council meeting in June, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

One public hearing is held prior to the budget's final adoption in order to obtain citizens' comments. On or before the first regular Council meeting in July, the budget is legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2013/14, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are approved at the fund level. 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:

- Transfers may be made from the appropriations for contingencies to departments
- Unexpended appropriations may be transferred from one department to another
- Transfers may be made from salaries and benefit accounts or capital outlay to operating

Management control of budgets is further maintained at a line item level within the individual departments of the Town.

B. Excess of Expenditures over Appropriations

In the General fund, the following line item accounts within departments exceeded the amounts budgeted. Expenditure appropriations are adopted in the budget at the fund level. For presentation purposes, we have elected to show any deficits at the line item level within departments/divisions:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance Between Final Budget and Actual Amounts</u>
General Fund:				
Council				
Personnel services	51,068	51,068	52,379	(1,311)
Operating expenditures	57,129	57,129	57,202	(73)
Executive Management				
Personnel services	563,949	563,949	631,342	(67,393)
Human Resources				
Personnel services	162,893	162,893	168,502	(5,609)
Town Clerk				
Personnel services	208,632	208,632	215,765	(7,133)
Management Services				
Operating expenditures	499,423	499,423	511,407	(11,984)
Legal				
Personnel services	537,675	537,675	547,930	(10,255)
Facilities and Fleet Maintenance				
Personnel services	188,469	188,469	204,764	(16,295)
Other-Unclassified				
Operating expenditures	3,705,232	3,621,532	3,835,635	(214,103)
Building/Safety				
Personnel services	549,272	549,272	613,028	(63,756)
Police				
Personnel services	6,182,449	6,182,449	6,498,360	(315,911)
Channel 15				
Personnel services	131,415	131,415	136,067	(4,652)
Parks and Recreation				
Personnel services	909,875	909,875	928,541	(18,666)
Operating expenditures	683,090	683,090	707,557	(24,467)
Library				
Personnel services	1,104,040	1,104,040	1,144,015	(39,975)
Neighborhood Services				
Personnel services	213,473	213,473	213,994	(521)
Engineering and GIS				
Personnel services	449,009	449,009	484,044	(35,035)

These deficits were funded by available fund balances within the General fund.

The deficit in Council personnel services was the result of benefit rate changes and the deficit in operating expenditures was the result of marketing event purchases. The personnel services deficit in Executive Management was the result of fulfilling an unbudgeted position in Community Relations division as well as benefit rate changes. The deficit in personnel services in Human Resources, Town Clerk, Legal, Channel 15, Neighborhood Services and Library was due to unbudgeted redemption payoff and benefit rate changes. The

deficit in Building/Safety personnel services was the result of adding a part-time position that was not in the budget. One of the positions in Planning and Development division was moved to Building/Safety division, causing a deficit in Building/Safety personnel services expenditures, which was offset by surplus in personnel expenditures in Planning and Development division. The deficit in personnel services in Facilities and Fleet Maintenance and in Police was mainly due to workers compensation rate changes. The personnel services deficit in Engineering and GIS was the result of termination payoff and changes in benefit rates. The deficit in Parks and Recreation personnel expenditures was due to a combination of factors: higher than budgeted wages in Aquatics division, increase in benefit rates in workers compensation, as well as overtime and holiday pay in Park Maintenance. The deficit in operating expenditures in Management Services was due to higher than expected bank fees and higher than expected expenditures in repair and maintenance. The deficit in Other-Unclassified was the result of higher than budgeted developer reimbursements. The deficit in Parks and Recreation operating expenditures was the result of higher than budgeted water costs.

C. Deficit Fund Equity

For the fiscal year June 30, 2014, the Development Impact Fees fund and StoneRidge Community Facilities District fund had deficit fund balances.

D. Fund Balance Classifications

Governmental fund balances as of June 30, 2014 are as follows:

	General Fund	Highway Users Revenue Fund	Development Impact Fees Fund	Municipal Property Corp Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable:						
Prepaid items	\$ 34,402	\$ -	\$ -	\$ -	\$ 3,607	\$ 38,009
Advances to other funds	5,144,347	-	-	-	-	5,144,347
Restricted for:						
Capital projects	-	-	2,340,057	-	4,651,821	6,991,878
Community facilities districts	-	-	-	-	1,216,052	1,216,052
Debt service	-	-	-	13,979,684	175,135	14,154,819
Grantor and contributor purposes	-	-	-	-	1,291,603	1,291,603
Street improvements	-	2,334,958	-	-	-	2,334,958
Committed to:						
Replacement fund	373,236	-	-	-	-	373,236
Stabilization fund	2,615,823	-	-	-	-	2,615,823
Unassigned:	5,959,693	-	(3,287,132)	-	(122,459)	2,550,102
Total	\$ 14,127,501	\$ 2,334,958	\$ (947,075)	\$ 13,979,684	\$ 7,215,759	\$ 36,710,827

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. Restrictions imposed by external sources or the State of Arizona enabling legislation are shown as restricted fund balance on the governmental fund financial statements.

Nonspendable represents amounts such as inventories and prepaid items. Committed includes amounts that can be used only for the specific purposes determined by a formal action (i.e. resolution) of the Council, the government's highest level of decision-making authority. A formal action is also required to modify or rescind an established commitment. Assigned amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned. Assigned is expressed by the direction of the Management Services Director with the authority to assign amounts to be used for specific purposes as authorized by the Council adopted Financial Policies. Unassigned represents general fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes. The Town's general fund will maintain an unassigned fund balance with a target of a minimum of twenty-five percent of general fund revenues, excluding transfers. The intention of unassigned

fund balance is to provide additional stability to the general fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the Town. Funds in excess of the minimum targets will be retained in the unassigned general fund balance. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources. Unrestricted fund balance would be used in the order of committed, assigned and then unassigned.

The Town has set aside stabilization funds in the general fund. The authority for the stabilization fund is the Council adopted Financial Policies. The stabilization fund is shown as committed on the governmental fund financial statements. The stabilization fund will be no less than ten percent of general fund revenues, excluding transfers. It may only be used if specific action is taken by Mayor and Council after the unassigned fund balance is depleted. The Town Manager must be able to demonstrate the magnitude of the unforeseen emergency or catastrophic event, and there are no reasonable budget adjustments available to continue to provide the essential services to the public. In the event the stabilization fund must be used, the Town must restore the balance to the minimum limit over a period not to exceed five fiscal years following the fiscal year in which the event occurred. If the reduction to the stabilization fund was the result of an ongoing economic downturn, the Town is to restore the balance within five fiscal years of revenue stabilization.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town maintains a cash and investment pool for use by all funds except the Municipal Property Corporation and community facilities district funds, which have investments held separately by a trustee. The Town maintains petty cash funds in various departments, which amount to \$3,655 at June 30, 2014.

Deposits

At June 30, 2014, the carrying amount of the Town's deposits was \$11,620,877 and the bank balance was \$11,702,062. The \$81,185 difference represents outstanding checks and other reconciling items.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, \$11,115,428 of the Town's deposits were covered by federal depository insurance or by the collateral held by the Town's agent, pledging financial institution's trust department, or agent in the name of the Town, and \$586,634 was uninsured and uncollateralized.

Interest Rate Risk

As a means of limiting its exposure to fair value losses as a result of changing interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of less than five years, unless matched to a specific cash flow.

Credit Risk

Town Charter, Ordinance and Trust Agreements authorize the Town to invest in obligations of the U.S. Treasury, U.S. Government agencies, certificates of deposit, bankers' acceptances, repurchase agreements, mutual funds, corporations or sponsored corporations, money markets, consisting of the foregoing and the State of Arizona Local Government Investment Pool (LGIP).

The Town's investment in the bonds of U.S. agencies was rated AA+ by Standard & Poor's, AAA by Fitch Ratings and AAA by Moody's Investors Service. The Town's investment in the State of Arizona Local Government Investment Pool is limited to a pool that invests only in government securities. At June 30, 2014, all investments of that pool were rated AAA.

Town of Prescott Valley, Arizona

Investments

The Town's investments at June 30, 2014, are summarized below.

<u>Investment Type</u>	<u>Investment Matures (in years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3+</u>
US Treasuries	\$ 5,847,413	\$ 5,847,413	\$ -	\$ -	\$ -
US Agencies	19,333,873	-	-	7,984,950	11,348,923
Corporate Bonds	995,400	-	-	-	995,400
Money Markets	1,114,803	1,114,803	-	-	-
Certificates of Deposit	3,000,058	498,042	1,505,169	507,613	489,234
Local Government Investment Pool	3,343,000	3,343,000	-	-	-
	<u>\$ 33,634,547</u>	<u>\$ 10,803,258</u>	<u>\$ 1,505,169</u>	<u>\$ 8,492,563</u>	<u>\$ 12,833,557</u>

Total Town cash and investments at fair value are as follows:

Carrying amount of Town deposits	\$11,620,877
Investments	<u>33,634,547</u>
Total cash and investments	<u>\$45,255,424</u>

Total Town cash and investments are reported as follows:

Primary government:	
Cash and investments	\$41,501,792
Restricted cash and cash equivalents	<u>3,753,632</u>
Total cash and investments	<u>\$45,255,424</u>

Debt securities are classified as held-to-maturity. A debt security should be classified as held-to-maturity only if the reporting entity has both the positive intent and the ability to hold those securities to maturity. In accordance with the Town's investment policy, securities shall not be sold prior to maturity with the following exceptions: 1) a security with declining credit may be sold early to minimize loss of principal, 2) liquidity needs of the portfolio require that the security be sold, or 3) if market conditions present an opportunity to benefit from the sale.

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate, as shown in the Balance Sheet, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables:</u>	<u>Less:</u>						
	<u>Interest</u>	<u>Inter- governmental</u>	<u>Special Assessments</u>	<u>Grants/ Miscellaneous</u>	<u>Gross Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Total Receivables</u>
General Fund	\$ 18,841	\$ 1,269,411	\$ -	\$ 346,403	\$ 1,634,655	\$ -	\$ 1,634,655
Highway Users Revenue Fund	4,265	263,486	-	-	267,751	-	267,751
Development Impact Fees Fund	5,295	-	-	-	5,295	-	5,295
Wastewater System	18,640	-	-	416,513	435,153	(31,378)	403,775
Water System	20,419	-	-	702,959	723,378	(144,357)	579,021
Nonmajor Governmental Funds	9,972	-	2,942,715	569,606	3,522,293	-	3,522,293
Total	<u>\$ 77,432</u>	<u>\$ 1,532,897</u>	<u>\$ 2,942,715</u>	<u>\$ 2,035,481</u>	<u>\$ 6,588,525</u>	<u>\$ (175,735)</u>	<u>\$ 6,412,790</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Capital Assets
Year Ended June 30, 2014

	Capital Assets June 30, 2013	Increases	Decreases	Transfers	Capital Assets June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,019,213	\$ 2,141,344	\$ -	\$ -	\$ 9,160,557
Construction in progress	526,396	1,256,493	-	(831,394)	951,495
Total capital assets, not being depreciated:	<u>7,545,609</u>	<u>3,397,837</u>	<u>-</u>	<u>(831,394)</u>	<u>10,112,052</u>
Capital assets, being depreciated:					
Buildings	35,403,072	9,855	-	-	35,412,927
Improvements other than buildings	17,836,824	121,646	-	52,452	18,010,922
Machinery and equipment	8,314,388	405,309	(253,633)	3,804	8,469,868
Infrastructure	154,759,403	710,568	-	778,942	156,248,913
Total capital assets, being depreciated:	<u>216,313,687</u>	<u>1,247,378</u>	<u>(253,633)</u>	<u>835,198</u>	<u>218,142,630</u>
Less accumulated depreciation for:					
Buildings	(7,458,772)	(894,377)	-	-	(8,353,149)
Improvements other than buildings	(6,640,741)	(1,063,501)	-	-	(7,704,242)
Machinery and equipment	(6,130,570)	(674,458)	250,116	(3,804)	(6,558,716)
Infrastructure	(44,198,766)	(5,372,968)	-	-	(49,571,734)
Total accumulated depreciation:	<u>(64,428,849)</u>	<u>(8,005,304)</u>	<u>250,116</u>	<u>(3,804)</u>	<u>(72,187,841)</u>
Total capital assets, being depreciated, net	<u>151,884,838</u>	<u>(6,757,926)</u>	<u>(3,517)</u>	<u>831,394</u>	<u>145,954,789</u>
Governmental activities capital assets, net	<u>\$ 159,430,447</u>	<u>\$ (3,360,089)</u>	<u>\$ (3,517)</u>	<u>\$ -</u>	<u>\$ 156,066,841</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,026,656	\$ -	\$ (1,258)	\$ -	\$ 1,025,398
Construction in progress	5,066,444	584,525	-	(285,914)	5,365,055
Total capital assets, not being depreciated:	<u>6,093,100</u>	<u>584,525</u>	<u>(1,258)</u>	<u>(285,914)</u>	<u>6,390,453</u>
Capital assets, being depreciated:					
Buildings	3,707,241	-	-	-	3,707,241
Improvements other than buildings	28,199,864	-	-	-	28,199,864
Machinery and equipment	7,079,303	672,375	(6,760)	(3,804)	7,741,114
Infrastructure	110,823,364	553,951	-	285,914	111,663,229
Total capital assets, being depreciated:	<u>149,809,772</u>	<u>1,226,326</u>	<u>(6,760)</u>	<u>282,110</u>	<u>151,311,448</u>
Less accumulated depreciation for:					
Buildings	(3,240,264)	(181,373)	-	-	(3,421,637)
Improvements other than buildings	(8,919,689)	(793,224)	-	-	(9,712,913)
Machinery and equipment	(5,953,747)	(278,123)	6,760	3,804	(6,221,306)
Infrastructure	(29,383,871)	(3,251,471)	-	-	(32,635,342)
Total accumulated depreciation:	<u>(47,497,571)</u>	<u>(4,504,191)</u>	<u>6,760</u>	<u>3,804</u>	<u>(51,991,198)</u>
Total capital assets, being depreciated, net	<u>102,312,201</u>	<u>(3,277,865)</u>	<u>-</u>	<u>285,914</u>	<u>99,320,250</u>
Business-type activities capital assets, net	<u>\$ 108,405,301</u>	<u>\$ (2,693,340)</u>	<u>\$ (1,258)</u>	<u>\$ -</u>	<u>\$ 105,710,703</u>

Town of Prescott Valley, Arizona

Construction in progress activity for the year ended June 30, 2014 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Construction in Progress

Year Ended June 30, 2014

	Construction in Progress			Transfers	Construction
	June 30, 2013	Increases	Decreases		in Progress June 30, 2014
Governmental activities:					
Agua Fria Drainage Project	\$ 225,000	\$ -	\$ -	\$ -	\$ 225,000
Antelope Park Expansion	-	125,112	-	-	125,112
Central Core Multiuse Path	12,665	24,314	-	-	36,979
Civic Center Remodel	43,827	192,437	-	(52,452)	183,812
Enterprise Parkway	-	51,281	-	-	51,281
Loos Drive Widening Phase II	40,229	444,129	-	(484,358)	-
Loos Drive Widening Phase III	8,432	286,152	-	(294,584)	-
Old Town Park	78,244	23,222	-	-	101,466
Ortiz Street Rehabilitation	-	13,405	-	-	13,405
Pipeline Multiuse Path	23,551	84,059	-	-	107,610
Roundup Industrial District	27,134	-	-	-	27,134
Section 14 Multiuse Field	65,814	-	-	-	65,814
SR69 Multiuse Trail - Phase II/III	1,500	-	-	-	1,500
Viewpoint Drive Connector	-	12,382	-	-	12,382
Total governmental activities	526,396	1,256,493	-	(831,394)	951,495
Business-type activities:					
2nd Street Waterline	27,555	258,359	-	(285,914)	-
High School Sewer Upsize	-	223,609	-	-	223,609
Northside Sewer	-	34,630	-	-	34,630
Ortiz Street Rehabilitation	-	3,400	-	-	3,400
Roundup Sewer Upsize	44,368	-	-	-	44,368
Short Mesa Connector	33,741	-	-	-	33,741
StoneRidge Storage Tank	663,074	-	-	-	663,074
Tri-City Pipeline and Tanks	3,874,778	64,527	-	-	3,939,305
Water Transmission Pipeline	422,928	-	-	-	422,928
Total business-type activities	5,066,444	584,525	-	(285,914)	5,365,055
Total	\$ 5,592,840	\$ 1,841,018	\$ -	\$ (1,117,308)	\$ 6,316,550

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 789,306
Public safety	499,950
Highways and streets, including depreciation of infrastructure assets	3,433,746
Culture and recreation	1,514,782
Public works	1,767,520
Total depreciation expense - governmental activities	\$ 8,005,304

Business-type activities:

Wastewater	\$ 2,846,426
Prescott Valley water system	1,657,765
Total depreciation expense - business-type activities	\$ 4,504,191

D. Construction Commitments

The Town has active construction projects as of June 30, 2014. At year end, the government’s commitments with contractors for specific projects are as follows:

	Total Contract	Remaining Balance
Parks and Recreation	\$ 160,673	\$ 160,673
PV Wastewater System	373,460	202,771
	\$ 534,133	\$ 363,444

Parks and Recreation projects are being funded through the use of development impact fees. All water and sewer system improvement projects are being financed through the use of water or sewer connection fees and water or sewer rates.

E. Inter-Fund Balances and Inter-Fund Transfers

“Due to” and “due from” balances have been recorded when funds overdraw their share of pooled cash. The composition of inter-fund balances as of June 30, 2014 is as follows:

<i>Due To/From Other Funds</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Grants	\$ 227,298
General Fund	MPC Debt Service	849,536
General Fund	Certificates of Participation	64,060
Development Impact Fees Fund	Certificates of Participation	192,180
Streets Capital Improvement	MPC Debt Service	598,661
		\$ 1,931,735

The Town has issued Certificates of Participation debt to fund the Library building project. The repayment of the debt is to be shared between the general fund and development impact fee fund. Due to current economic conditions, the development impact fee fund does not have adequate cash to pay the debt service; therefore the general fund is advancing these payments to the development impact fee fund. The Town anticipates as the housing market improves, the development impact fee fund will begin repaying the Town.

With the downturn in the housing market and commercial real estate values, the secondary assessed values for the various community facilities districts were severely affected. As a result, the districts did not generate sufficient *ad valorem* taxes to cover operating expenditures incurred within the district or assessment collected to pay the property owner’s share of the annual debt service payment. The Town has advanced funds to the districts to cover these costs. The districts will begin repaying the Town as the secondary assessed or commercial real estate values begin to increase.

The Town has issued Municipal Property Corporation debt to fund capital project expenditures in the enterprise funds. The payback period for the enterprise funds is over the life of the bonds as a means to fund the future debt service principal and interest payments. The Town anticipates selling effluent water credits in the future to repay the advance to the MPC fund.

The Wastewater fund advanced funds to the Water System for the construction of a recharge facility. Either future water resource fees or sale of effluent water credits will be used to repay the Wastewater fund.

Town of Prescott Valley, Arizona

Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Development Impact Fees	\$ 3,479,312
General Fund	StoneRidge CFD	775,943
General Fund	Parkway CFD No. 1	47,041
General Fund	Pronghorn CFD	398,163
General Fund	Quailwood CFD	173,361
General Fund	Southside CFD No. 1	270,527
MPC Debt Service Fund	PV Water System	11,420,000
PV Wasterwater System	PV Water System	1,567,121
		\$ 18,131,468

Transfers are used to fund capital projects, debt service and to reallocate special revenue funds to operating centers or other operations.

Transfer Out:	Transfer In:					Total
	Municipal Property Corp			Nonmajor Governmental		
	Highway Users Revenue Fund	Debt Service Fund	Wastewater System	Funds		
General Fund	\$ 50,000	\$ 1,838,343	\$ -	\$ 309,087	\$ 2,197,430	
Development Impact Fees Fund	-	250,000	-	927,261	1,177,261	
Water System	-	-	163,213	-	163,213	
Nonmajor Governmental Funds	-	578,050	-	-	578,050	
Total	\$ 50,000	\$ 2,666,393	\$ 163,213	\$ 1,236,348	\$ 4,115,954	

F. Bonds, Loans, Capital Leases and Other Payables

The following are brief descriptions of bonds and long-term loans/obligations outstanding as of June 30, 2014. There are a number of limitations and restrictions contained in the various documents, and the Town is in compliance with all significant limitations and restrictions.

Municipal Property Corporation Bonds

The Municipal Property Corporation (MPC) is a nonprofit corporation that issues bonds to finance public improvements. The MPC currently has three bond issues outstanding (e.g. Municipal Facilities Revenue Refunding Series 2004, Series 2011 and Series 2012) totaling \$26,630,000.

At June 30, 2014, \$33,951,572 in bonds (including principal and interest) remained outstanding to be repaid by future excise tax revenues. For the fiscal year ended June 30, 2014, the revenues available for service of this debt were \$23,967,005. The debt principal and interest paid on this debt in fiscal year 2013/14 was \$2,650,087 (11.1% of excise tax revenues).

The Town's obligations with regard to these public projects are: 1) to make rental payments from its excise tax revenues on lease agreements between the Town and the MPC sufficient to cover the amounts due on the MPC bonds, and 2) to increase excise taxes, if necessary, to maintain collections equal to two and one-half (2 ½) times the highest combined interest and principal requirements for any succeeding 12-month period for the bonds then outstanding (and any additional bonds proposed to be secured by a pledge of excise tax revenues). As of June 30, 2014, the Town's debt service coverage was 9.04 times the annual debt service payment (see Table 14 in the statistical section).

The Town cannot be compelled to make rental payments on the lease agreements from any source other than excise tax revenues. The Town's lease obligations do not impose any burden on real property because the rental payments will not be made with property tax revenues. In some cases, the Town voluntarily makes payments from sources such as development impact fee revenues.

Certificates of Participation

Certificates of Participation are issued to finance improvements of real property that is leased to the Town. The Town's obligation to make lease payments is subject to, and dependent upon, annual appropriations made by the Town Council. In the event any such appropriation is not made, the lease will terminate and the lessor will have legal right to take possession of the defined property. The Town's obligation to make lease payments does not constitute a debt or liability of the Town within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the Town is pledged to make payments of principal or interest due with respect to the Certificates of Participation. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the lease-purchase agreement.

In 2008, the Town issued \$15,910,000 in Certificates of Participation to finance the Town's portion of the cost to house the Town's new Library and to pay other costs associated with the execution and delivery of the certificates.

Utility Revenue Bonds and Loans

Utility Revenue Bonds are issued as authorized by the voters for the construction, acquisition, furnishing and equipping of utility facilities. Such bonds are collateralized by revenue in excess of operating and maintenance expenses of the utility system, and are repaid solely from user charges or fees for service.

At June 30, 2014, \$5,593,350 in sewer revenue bonds (including principal and interest) remained outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2014, the net revenues available for service of this debt were \$2,974,951. The debt principal and interest paid on this debt in fiscal year ended June 30, 2014 was \$622,900 (21% of available net pledged revenues).

In 2005, the Town had \$9,317,000 in bond capacity that was authorized but un-issued for Wastewater Revenue Bonds. Rather than issue bonds, the Town entered into a low-interest, long-term loan agreement with the Water Infrastructure Financing Authority (WIFA). This loan funded wastewater treatment facility expansion and is collateralized by revenue in excess of operating and maintenance expenses of the Town's wastewater utility system. Property taxes cannot be used to pay the debt service on Utility Revenue Bonds or on these loans.

In 2006, Arizona statutes relating to water infrastructure financing were amended. For towns and cities with populations of less than fifty thousand, the revenues of the towns' and cities' utility systems may now be pledged towards repayment of loan agreements without an election if the pledge does not violate any covenant pertaining to previous bond/loan issues. In March 2007, the Town entered into an additional loan agreement with WIFA in the amount of \$5,000,000 to finance the balance of the wastewater treatment facility expansion project. At June 30, 2014, \$11,681,240 in sewer loans (including principal and interest) remained outstanding to be repaid by future wastewater revenues. The debt principal and interest paid on this debt in fiscal year ended June 30, 2014 was \$1,002,911.

Current Wastewater Revenue Bond covenants require that the Town's net wastewater system revenues (revenues remaining after providing sufficient funds for the system) are at least one and one-quarter (1¼) times the maximum annual debt service payment. As of June 30, 2014, the Town's debt service coverage is 1.83 times the annual debt service payment (see Table 14 in the statistical section).

At June 30, 2014, \$9,452,750 in Water Revenue Bonds (including principal and interest) remained outstanding to be repaid by future water revenues. For the fiscal year ended June 30, 2014, the net revenues available for service

of this debt were \$3,554,264. The debt principal and interest paid on this debt in fiscal year ended June 30, 2014 was \$1,885,424 (53% of available net pledged revenues).

Current Water Revenue Bond covenants require that the Town's net water system revenues (revenues remaining after providing sufficient funds for the system) are at least one and one-quarter (1¼) times the maximum annual debt service payment. As of June 30, 2014, the Town's debt service coverage (net water system revenues) is 1.89 times the annual debt service payment (see Table 14 in the statistical section).

Special Assessment Bonds

Special Assessment Bonds are issued by the Town on behalf of improvement districts that include designated properties for the purpose of financing public improvements that benefit those properties. Property owners in the districts agree to be assessed for their share of construction costs. If they choose not to initially pay that share in cash, then property owners agree to pay a share of principal and interest on bonds issued to cover the balance. The Town's responsibility for improvement districts is to collect the assessments levied and to disburse the amounts needed to retire the bonds. The receivables, revenues and debt service expenses related to these bonds are recorded in the Special Assessments Debt Service Fund. As of June 30, 2014, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are sufficient for the scheduled maturities of the bonds payable and the related interest.

Special Assessment Bonds are secured by a lien on property within the district for which the full assessment has not initially been paid in cash. In the event of default by any of those property owners, the Town may force an auction sale of the property to satisfy debt service requirements. The Town is contingently obligated to the extent proceeds from such auction sales are insufficient to satisfy debt service requirements.

The Town Council's adopted policy is that Special Assessment Bonds be sold only when the ratio of the full cash value of the property (prior to improvements) when compared to debt is a minimum of 3 to 1 (and 5 to 1 or higher after construction of improvements). In addition, cumulative Special Assessment Bonds are not permitted to exceed 5% of the Town's secondary assessed valuation. As of June 30, 2014, there was one series of Special Assessment Bonds outstanding which was issued as serial bonds to be repaid over various terms.

Community Facilities District (CFD) Bonds

Community facilities districts are special purpose government entities which the Town Council may create under Arizona law to (among other things) acquire and improve public infrastructure. Community facilities districts may issue bonds, which are repaid either with *ad valorem* taxes levied directly on property within the community facilities district (approved by vote of the property owners and collected by Yavapai County), or with assessments applied against property benefited by the improvements (similar to special assessment bonds). Aside from nominal costs the Town may incur based on intergovernmental agreements to administer community facilities districts, the Town has no liability for community facilities district bonds.

Community facilities districts are created only by petition to the Town Council from property owners within the community facilities district area. Because the members of the Town Council generally sit as community facilities district board members (as required by statute), the Town Council has adopted a policy that community facilities districts not be formed (or related debt incurred) unless the ratio of the full cash value of the unimproved community facilities district property to the proposed community facilities district debt, is a minimum of 3 to 1 (and 5 to 1 higher after construction of improvements). These ratios are verified by an appraisal. In addition, the policy states that cumulative debt of all community facilities districts should not exceed 15% of the Town's secondary assessed valuation. At present, the cumulative debt of all community facilities districts does not exceed 15% of the Town's secondary assessed valuation.

StoneRidge, Pronghorn Ranch and Quailwood Meadows have issued general obligation bonds to finance streets, utilities, parks and related public improvements, payable from *ad valorem* taxes levied directly on property within the Districts and collected by the county. StoneRidge and Quailwood Meadows have (respectively) \$18,200,000

and \$18,060,000 of approved (but un-issued) general obligation bond authority. The Raven Ridge Community Facilities District has entered into an agreement with WIFA in the amount of \$925,446 to finance wastewater collection facilities, payable from assessments against property within the District. The Eastridge Community Facilities District has issued bonds in the amount of \$2.5 million to finance streets, utilities and related public improvements, payable from assessments against property within the District. The Parkway Community Facilities District No. 1 involves commercial property for which parking areas have been constructed, based on general obligation bonds issued in the amount of \$3.4 million, payable from *ad valorem* taxes levied directly on property within the District and collected by the county. The Southside Community Facilities District No. 1 has issued bonds in the amount of \$3.0 million for the purpose of financing certain public infrastructure improvements within the District, payable from assessments against property within the District.

The Pronghorn Ranch Community Facilities District issued \$6,150,000 in general obligation bonds with an interest rate of 4.18%. The proceeds, along with a \$198,065 developer deposit, were used to advance refund \$5,920,000 of outstanding Series 2002 and 2004 Pronghorn Ranch Community Facilities District General Obligation Bonds. The net proceeds of \$6,167,115 were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payment on the refunded bonds. As a result, the Series 2002 and 2004 Pronghorn Ranch Community Facilities District General Obligation Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$247,115. This amount is being amortized over the remaining life of the refunding debt. The Pronghorn Ranch Community Facilities District General Obligation Bonds, Series 2002 and 2004, were refunded, resulting in a reduction of its total debt service payments over sixteen years by \$1,181,962, and to obtain a present value cash flow savings of \$908,619 (including developer deposit of \$198,065), for a net present value savings of \$710,554.

The Quailwood Meadows Community Facilities District issued \$5,810,000 in general obligation bonds with an interest rate of 4.213%. The proceeds, along with a \$568,501 developer deposit, were used to advance refund \$5,865,000 of outstanding Series 2004 Quailwood Meadows Community Facilities District General Obligation Bonds. The net proceeds of \$6,219,800 were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payment on the refunded bonds. As a result, the Series 2004 Quailwood Meadows Community Facilities District General Obligation Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$354,800. This amount is being amortized over the remaining life of the refunding debt. The Quailwood Meadows Community Facilities District General Obligation Bonds, Series 2004, were refunded, resulting in a reduction of its total debt service payments over sixteen years by \$1,108,063, and to obtain a present value cash flow savings of \$975,210 (including developer deposit of \$568,501), for a net present value savings of \$406,709.

Other Long-Term Obligations

Under Arizona statutes, municipalities may make expenditures for economic development purposes. Based on development agreements, the Town has entered into a number of agreements to make expenditures towards construction of necessary public improvements for certain commercial, industrial or institutional uses that coincide with the Town's General Plan. Such expenditures are either in specified amounts (one-time or over time) or in amounts defined as percentages of excise tax revenues collected (paid over time). Since the Town collects no property taxes, all such expenditures are ultimately made from excise tax revenues regardless of the mechanism used to define the expenditures.

In 2000, the Town entered into a development agreement with Yavapai County Fairgrounds Association (YCFA) for a period of forty (40) years. Under the terms of the agreement, the Town would reimburse YCFA for a portion of YCFA's costs to design and construct roadways, traffic control signals, storm water drainage facilities, water storage and distribution facilities, and wastewater collection facilities for its new fairgrounds facility. On

Town of Prescott Valley, Arizona

an annual basis, the Town would appropriate funds in the general fund to pay YCFA or its designated assignee. The remaining balance is \$1,505,230 as of June 30, 2014.

In 2003, the Town entered into a development agreement with Yavapai Community Hospital Association (Hospital) to reimburse the Hospital for costs associated with infrastructure improvements (up to \$1,000,000) needed for a new campus in Prescott Valley. If actual costs were less than the \$1 million, the Town would reimburse the Hospital the balance of the \$1,000,000 over a period of ten (10) years. In addition, the Town would pay the Hospital \$100,000 annually for the next ten (10) years within sixty (60) days after the final adoption of the Town's general fund budget. The Town has a remaining balance of \$314,473 as of June 30, 2014.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2014:

Town of Prescott Valley, Arizona
General Long-Term Debt Schedule

	Balance 06/30/2013	Increases	Decreases	Balance 06/30/2014	Due within One Year
Governmental activities:					
Bonds payable:					
MPC revenue bonds	\$ 28,155,000	\$ -	\$ 1,525,000	\$ 26,630,000	\$ 1,815,000
Certificates of participation	12,810,000	-	695,000	12,115,000	725,000
Special assessments bonds	319,000	-	157,000	162,000	162,000
Community facilities districts:					
General obligation bonds	23,895,000	11,960,000	12,310,000	23,545,000	835,000
Special assessments	3,284,000	-	450,000	2,834,000	179,000
Long-term loan payable	220,645	-	20,248	200,397	20,248
Premium	1,548,868	-	129,072	1,419,796	-
Total bonds payable	70,232,513	11,960,000	15,286,320	66,906,193	3,736,248
Long-term obligations	2,192,493	-	372,791	1,819,702	372,791
Compensated absences	1,298,427	1,331,015	1,349,062	1,280,380	96,029
Governmental activity Long-term liabilities	<u>\$ 73,723,433</u>	<u>\$ 13,291,015</u>	<u>\$ 17,008,173</u>	<u>\$ 70,006,275</u>	<u>\$ 4,205,068</u>
Business-type activities:					
Revenue bonds	\$ 15,115,000	\$ -	\$ 1,940,000	\$ 13,175,000	\$ 2,015,000
Premium	401,419	-	57,476	343,943	-
Total revenue bonds payable	15,516,419	-	1,997,476	13,518,943	2,015,000
Long-term loan payable	10,364,763	-	672,072	9,692,691	694,322
Business-type activity Long-term liabilities	<u>\$ 25,881,182</u>	<u>\$ -</u>	<u>\$ 2,669,548</u>	<u>\$ 23,211,634</u>	<u>\$ 2,709,322</u>
Total long-term liabilities	<u>\$ 99,604,615</u>	<u>\$ 13,291,015</u>	<u>\$ 19,677,721</u>	<u>\$ 93,217,909</u>	<u>\$ 6,914,390</u>

Details of bonded debt as of June 30, 2014, are as follows:

Municipal Property Corporation (MPC) Revenue Bonds

Details of MPC revenue bonds as of June 30, 2014, are as follows:

\$6,420,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2004, dated March 1, 2004, is due in annual installments of \$30,000 to \$735,000 through January 1, 2018, with interest at 2.00% to 3.75% per annum (Payable from Excise Tax revenues – refunding prior bonds for Police Department facility and Town Hall/Library).

\$2,800,000

\$14,365,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2011, dated August 25, 2011, is due in annual installments of \$95,000 to \$1,930,000 through January 1, 2025, with interest at 2.00% to 5.00% (Payable from Excise Tax revenues – refunding prior bonds for streets and related improvements).

14,020,000

\$11,420,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2012B, dated June 28, 2012, is due in annual installments of \$625,000 to \$1,385,000 through January 1, 2025, with interest at 2.50% to 4.00% (Payable from Excise Tax revenues – refunding prior bonds for the Town’s share of costs for land with an underground water source).

9,810,000

Total MPC Revenue Bonds \$26,630,000

Certificates of Participation (COP) Bonds

Details of COP bonds as of June 30, 2014, are as follows:

\$15,910,000 Certificates of Participation Bonds, Series 2007, dated December 27, 2007 is due in annual installments of \$570,000 to \$1,185,000 through January 1, 2027, with interest at 3.00% to 4.50% per annum (Leased property of the Town and subject to annual appropriation by Town Council – new Library).

\$12,115,000

Total COP Bonds \$12,115,000

Special Assessment Bonds

Details of special assessment bonds payable as of June 30, 2014, are as follows:

\$5,100,000 Special Assessment Bonds payable for wastewater collection system is due in annual payments of \$125,000 to \$485,000 through January 1, 2015, with interest at 7.85% per annum (Payable from special assessments with contingent Town obligation – Phase II).

\$162,000

Total Special Assessment Bonds \$162,000

CFD Bonds/Loans

Details of bonds and loans payable as of June 30, 2014, are as follows:

<p>\$6,150,000 Pronghorn Ranch Community Facilities District General Obligation Bonds, Series 2013, is due in annual payments of \$235,000 to \$530,000 through July 15, 2029, with interest at 4.18% per annum. (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).</p>	<p>\$6,150,000</p>
<p>\$2,500,000 Eastridge Community Facilities District Special Assessment Lien Bonds, Series 2003, is due in annual payments of \$125,000 to \$275,000 through July 1, 2018, with interest at 6.00% to 7.25% per annum (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, utilities and related improvements).</p>	<p>705,000</p>
<p>\$925,446 Raven Ridge Community Facilities District long-term loan. A loan agreement with the Water Infrastructure Financing Authority (WIFA) dated January 21, 2003, for a maximum principal amount of \$925,446, at an interest rate of 3.188%, the proceeds of which are designated for capital construction within the identified district. The total loan debt service was determined at the completion of the project after final loan drawdowns were submitted for a payback period of twenty (20) years with annual principal and semi-annual interest payments (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – wastewater collection system).</p>	<p>200,397</p>
<p>\$5,810,000 Quailwood Meadows Community Facilities District General Obligation Bonds, Series 2013, is due in annual payments of \$165,000 to \$560,000 through July 15, 2029, with interest at 4.2125% per annum (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).</p>	<p>5,810,000</p>
<p>\$3,425,000 Parkway Community Facilities District No. 1 General Obligation Bonds, Series 2006, is due in annual payments of \$126,698 to \$269,780 through July 15, 2031, with interest at 4.85% to 5.35% per annum (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – parking facilities).</p>	<p>3,045,000</p>
<p>\$3,025,000 Southside Community Facilities District No. 1 Special Assessment Revenue Bonds, Series 2008, is due in annual payments of \$55,000 to \$245,000 through July 1, 2032, with interest at 6.125% to 7.25% per annum (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, utilities and related improvements).</p>	<p>2,129,000</p>

\$8,540,000 StoneRidge Community Facilities District General Obligation Bonds, Series 2013, is due in annual payments of \$330,000 to \$680,000 through January 15, 2030, with interest at 4.000% per annum (Payable from revenues generated through an *ad valorem* tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).

8,540,000

Total Community Facilities District Bonds and Loans

\$26,579,397

Classified in Business-Type Activities on the Government-Wide Financial Statements

Revenue Bonds and Loans

Details of revenue bonds and loans payable as of June 30, 2014, are as follows:

\$5,840,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2012A, dated June 28, 2012, is due in annual installments of \$465,000 to \$605,000 through January 1, 2023, with interest at 2.25% to 4.00% (Payable from Town wastewater system revenue charges and pledged by excise tax revenues – refunding prior bonds for wastewater improvements).

\$4,870,000

\$16,620,000 Prescott Valley Water System Refunding Bonds, Series 2008, is due in annual payments of \$1,440,000 to \$1,795,000 through January 1, 2019, with interest at 3.00% to 5.00% per annum. This bond was issued March 20, 2008 and will be refunding the Prescott Valley Water System Bond that was established in 1999. (Payable solely from the Prescott Valley water system revenue charges).

8,305,000

\$9,317,470 Wastewater Enterprise Fund long-term loan. A loan agreement was entered into between the Town and WIFA dated January 28, 2005, for a maximum principal amount of \$9,317,470, at an interest rate of 3.408%, the proceeds of which are designated for capital construction for expansion of the wastewater treatment plant. The payback period is twenty (20) years with annual principal and semi-annual interest payments (Payable solely from Town wastewater system revenue charges).

6,107,129

\$5,000,000 Wastewater Enterprise Fund long-term loan. A loan agreement was entered into between the Town and WIFA dated March 16, 2007, for a maximum principal amount of \$5,000,000, at an interest rate of 3.112%, the proceeds of which are designated for capital construction for expansion of the wastewater treatment plant. The payback period is for twenty (20) years with annual principal and semi-annual interest payments (Payable solely from Town wastewater system revenue charges).

3,585,562

Total Revenue Bonds and Loans

\$22,867,691

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2014. Deferred issuance costs and deferred amounts on refunding are not included.

Governmental Activities								
Fiscal Year Ending	Municipal Property Corp				Total Debt			
	Revenue Bond		Certificates of Participation		Special Assessments		Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,815,000	\$ 1,081,461	\$ 725,000	\$ 512,512	\$ 162,000	\$ 12,716	\$ 2,702,000	\$ 1,606,689
2016	1,915,000	1,024,351	755,000	483,512	-	-	2,670,000	1,507,863
2017	2,115,000	951,151	785,000	453,313	-	-	2,900,000	1,404,464
2018	2,195,000	877,249	815,000	421,913	-	-	3,010,000	1,299,162
2019	2,275,000	799,538	845,000	389,313	-	-	3,120,000	1,188,851
2020-24	13,000,000	2,446,312	4,790,000	1,393,808	-	-	17,790,000	3,840,120
2025-27	3,315,000	141,510	3,400,000	309,142	-	-	6,715,000	450,652
	<u>\$ 26,630,000</u>	<u>\$ 7,321,572</u>	<u>\$ 12,115,000</u>	<u>\$ 3,963,513</u>	<u>\$ 162,000</u>	<u>\$ 12,716</u>	<u>\$ 38,907,000</u>	<u>\$ 11,297,801</u>

Governmental Activities (continued)								
Community Facilities Districts								
Fiscal Year Ending	StoneRidge CFD		Pronghorn Ranch CFD		Eastridge CFD		Quailwood Meadows CFD	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 330,000	\$ 335,000	\$ 235,000	\$ 252,158	\$ 120,000	\$ 46,763	\$ 165,000	\$ 241,271
2016	375,000	320,900	240,000	242,231	140,000	37,338	195,000	233,688
2017	390,000	305,600	270,000	231,572	130,000	27,551	190,000	225,579
2018	405,000	289,700	300,000	219,659	150,000	17,400	215,000	217,049
2019	425,000	273,100	325,000	206,596	165,000	5,981	240,000	207,466
2020-24	2,385,000	1,091,900	1,905,000	806,636	-	-	1,785,000	845,133
2025-29	2,900,000	565,200	2,345,000	363,974	-	-	2,460,000	384,812
2030-31	1,330,000	53,800	530,000	11,077	-	-	560,000	11,795
CFD Bonded Debt	<u>\$ 8,540,000</u>	<u>\$ 3,235,200</u>	<u>\$ 6,150,000</u>	<u>\$ 2,333,903</u>	<u>\$ 705,000</u>	<u>\$ 135,033</u>	<u>\$ 5,810,000</u>	<u>\$ 2,366,793</u>

Governmental Activities (continued)								
Community Facilities Districts (continued)								
Fiscal Year Ending	Raven Ridge CFD		Parkway CFD #1		Southside CFD #1		Total Debt Community Facilities Districts	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 20,248	\$ 5,786	\$ 105,000	\$ 157,891	\$ 59,000	\$ 147,195	\$ 1,034,248	\$ 1,186,064
2016	20,248	5,202	110,000	152,678	63,000	143,459	1,143,248	1,135,496
2017	20,248	4,618	115,000	147,020	67,000	139,478	1,182,248	1,081,418
2018	20,248	4,032	125,000	140,780	71,000	135,252	1,286,248	1,023,872
2019	20,248	3,448	130,000	134,150	75,000	130,781	1,380,248	961,522
2020-24	99,157	8,470	760,000	558,770	453,000	570,127	7,387,157	3,881,036
2025-29	-	-	975,000	329,511	640,000	376,856	9,320,000	2,020,353
2030-33	-	-	725,000	59,519	701,000	105,887	3,846,000	242,078
CFD Bonded Debt	<u>\$ 200,397</u>	<u>\$ 31,556</u>	<u>\$ 3,045,000</u>	<u>\$ 1,680,319</u>	<u>\$ 2,129,000</u>	<u>\$ 1,749,035</u>	<u>26,579,397</u>	<u>11,531,839</u>

Total Government Activities Bonded and Long-Term Debt \$ 65,486,397 \$ 22,829,640

Business Type Activities						
Fiscal Year Ending	Prescott Valley Wastewater		Prescott Valley Water System		Total Debt Business Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,174,322	\$ 452,169	\$ 1,535,000	\$ 358,800	\$ 2,709,322	\$ 810,969
2016	1,207,309	414,401	1,580,000	297,400	2,787,309	711,801
2017	1,251,059	370,657	1,665,000	234,200	2,916,059	604,857
2018	1,290,597	330,413	1,730,000	167,600	3,020,597	498,013
2019	1,335,949	288,891	1,795,000	89,750	3,130,949	378,641
2020-24	6,685,450	798,782	-	-	6,685,450	798,782
2025-27	1,618,005	56,586	-	-	1,618,005	56,586
	<u>\$ 14,562,691</u>	<u>\$ 2,711,899</u>	<u>\$ 8,305,000</u>	<u>\$ 1,147,750</u>	<u>22,867,691</u>	<u>3,859,649</u>

Total Business-Type Activity Bonded and Long-Term Debt \$ 22,867,691 \$ 3,859,649

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for water, artificial light, sewer, open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities, and streets and transportation facilities purposes may not exceed 20% of a municipality's net secondary assessed valuation. Outstanding general obligation debt for all other purposes may not exceed 6% of a municipality's net secondary assessed valuation. [Note that general obligation bonds of CFDs are not included.] The following summarizes the Town's general obligation debt capacity as of June 30, 2014:

<u>20% Constitutional Limit</u>		<u>6% Constitutional Limit</u>	
20% Constitutional Limit	\$ 50,806,404	6% Constitutional Limit	\$ 15,241,921
Less General Obligation 20% Bond Outstanding	<u>-</u>	Less General Obligation 6% Bond Outstanding	<u>-</u>
Available 20% Limitation Borrowing Capacity	<u>\$ 50,806,404</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 15,241,921</u>

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission, injuries to employees and natural disasters. As of July 1, 1987, the Town joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operates a common risk management and insurance program.

The agreement provides that the Pool will be self-sustaining through member premiums. The Town pays an annual premium to the Pool for its general insurance coverage. If the Pool becomes insolvent or is otherwise unable to discharge its legal obligations, the Town (and all other participants) may be assessed an additional contribution based on the Town's current year's contribution divided by the current year's contributions of all participants times the deficiency. The assessment may not exceed the original contribution to the Pool for the year in which the assessment is made.

At the end of the tenth (10th) year of the Pool's existence and each year thereafter, any surplus fund in the Pool shall be distributed among the then existing participants in the Pool who were participating during the previous ten (10) years. The allocation shall be based on the proportion of contributions made by each participant.

The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation and health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

B. Contingent Liabilities

The Town is party to several lawsuits incidental to its normal operation. Management, with concurrence of the Town Attorney, is of the opinion that settlement of these lawsuits will not have a material effect on the financial position of the Town. Therefore, no litigation or administrative action or proceeding has been reflected in the accompanying basic financial statements for these matters.

C. Commitments

The Town has entered into several agreements whereby it will reimburse developers a portion of the transaction privilege taxes (TPT) collected on their sites for a time period and/or maximum dollar amount as specified by the development agreements. The funding source for the reimbursements will come from TPT collected on the site over the life of the agreement. The Town does not become liable under the agreements until the retailers within the prescribed areas have collected and remitted the tax to the Department of Revenue and subsequently submitted to the Town. The Town's probable contingent liability at June 30, 2014 is approximately \$39.7 million.

In 2009, Allstate Insurance Company named the Town and several other defendants in a federal lawsuit over bond financing for the Prescott Valley Event and Convention Center. The lawsuit alleges the defendants misrepresented and failed to disclose material information that purportedly indicated the entertainment center could not generate enough revenues to make the construction of the arena feasible. The Town has retained an outside law firm with expertise in dealing with arena litigation. The litigation is still pending.

D. Community Facilities District Debt and Related Activities

The Parkway Community Facilities District No. 1 and Southside Community Facilities District No. 1 have situations in which contributions and assessments collected may not be sufficient to pay the annual debt service obligations. Separately issued financial statements for each Community Facilities District are available from the Town of Prescott Valley, Management Services Department, 7501 E. Civic Circle, Prescott Valley, AZ 86314. These separate reports discuss in more detail the impact of each situation on the particular District.

E. Retirement and Pension Plans

Defined Contribution Plans

Plan description. In lieu of participating in FICA-Social Security, the Town has a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full-time employees of the Town, except Police personnel who are covered under the Arizona Public Safety Personnel Retirement System (APSPRS). The plan requires participants to contribute 8% of their earnings, with 7% being applied to the employee's retirement account and 1% applied to their retirement health savings account. The Town is required to contribute 10%, with 9% being applied to the employees' retirement account and 1% applied to their retirement health savings account. The plan is administered through ICMA Retirement Corporation, and participants are allowed to choose from among various investment funds offered by the company. Normal retirement age is 65 (59½ effective July 1, 2002). There are no securities of the Town included in the plan assets.

Summary of significant accounting policies – basis of accounting and valuation of investments. The financial statements of ICMA Retirement Corporation are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period that the contributions are due. All plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the ICMA Board of Trustees, with the assistance of a valuation service.

The employee's contribution is 100% vested at all times. The employer's contribution vests at the rate of 20% per year of service, thus employees are 100% after five (5) years of service.

The following describes the payroll and contribution requirements for the year ended June 30, 2014:

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>
Employer	\$11,696,118	\$6,821,922	9%	\$613,973	\$617,262
Employee	N/A	\$6,821,922	7%	\$477,535	\$477,851

Deferred Compensation Plans

The Town also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Town employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. A 1996 federal law now requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the Town's plan are administered by a private corporation under contract with the Town.

Arizona Public Safety Personnel Retirement System

Plan description. The Town's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is part of the Arizona Public Safety Personnel Retirement System (APSPRS), an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The APSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 162 local boards according to the provisions of Arizona Revised Statutes under Title 38, Chapter 5, Article 4. The APSPRS board is authorized to establish and amend all plan provisions. The APSPRS issues a publicly available financial report that includes financial statements and required supplementary information for APSPRS. That report may be obtained by writing to Arizona Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona, 85016.

Funding policy. The contribution requirements of plan members and the government are established and may be amended by the APSPRS board. Plan members are required to contribute 10.35% of their annual salary. The Town is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2014 was 18.88% of annual covered payroll.

Annual pension cost. For the year ended June 30, 2014, the Town's annual pension cost for APSPRS has not yet been calculated. The required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: 1) a rate of return on the investment of present and future assets of 7.85% per year, compounded annually, 2) projected salary increases of 4.50% per year, compounded annually, attributable to inflation and other across the board increases, and 3) projected salary increases ranging from 0.00% to 3.35% per year attributable to seniority/merit.

As of June 30, 2013, the most recent actuarial calculation date, the plan was 78.4% funded. The actuarial accrued liability for benefits was \$16,543,964, and the actuarial value of assets was \$12,975,252, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,568,712. The covered payrolls (annual payrolls of active employees covered by the plans) were \$3,774,794, and the ratio of the UAAL to the covered payroll was 94.5%.

The schedule of funding progress, presented as Required Supplementary Information 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.

Summary of Actuarial Methods and Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5%
Payroll growth	4.5%
Cost-of-living adjustments	None

Three-Year Trend Information for APSPRS

Fiscal Year Ending	Annual Pension Cost	Percent of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 605,544	100%	--
June 30, 2013	739,006	100%	--
June 30, 2014	841,741	100%	--

F. Prior Period Adjustments

The July 1, 2013 government-wide net position of Governmental and Business-type Activities and the net position of the Wastewater Fund do not agree to the prior year financial statements due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

	Governmental Activities	Business-Type Activities	Wastewater
Total net position - June 30, 2013, as previously reported	\$ 126,782,973	\$ 90,500,160	\$ 48,913,145
Unamortized bond issuance cost	(2,009,502)	(131,479)	(131,479)
Total net position - July 1, 2013, as restated	\$ 124,773,471	\$ 90,368,681	\$ 48,781,666

Required Supplementary Information

Schedule of Funding Progress for APSPRS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Percent Funded (1)/(2)	Unfunded AAL (2) – (1)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(5)
2011	\$ 10,537,929	\$ 13,640,344	77.3%	\$ 3,102,415	\$ 3,443,714	90.1%
2012	11,972,313	15,517,927	77.2%	3,545,614	3,486,908	101.7%
2013	12,975,252	16,543,964	78.4%	3,568,712	3,774,794	94.5%



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Non-major Governmental Funds

Special Revenue Funds

Special Revenue funds are established to finance particular activities and are created out of receipts of specific taxes or other earmarked revenue. Such funds are authorized by statutory or charter provisions to pay for certain activities with some form of continuing revenue.

UNS Facilities Relocation Fund – This fund was established to accumulate funds specifically for the purpose of relocating gas lines.

Entertainment Area Fund – This fund accounts for rebates associated with the Downtown Project Area and Event Center development agreements.

Police Safety Fund – This fund was established to accumulate funds that are collected from vehicle impoundment and for public safety per State Statutes 28-3511 and 41-1723, respectively.

Donations Fund – This fund was established to accumulate funds specifically for the purpose of constructing the Library building.

Maranda Donation Fund – This fund was established to account for and accumulate funds that were donated from the estate of Joseph R. Maranda for the purpose of founding a boys' choir.

Grants Fund – This fund was established to account for grant revenues and expenditures. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines.

Debt Service Fund

The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Certificates of Participation Fund – This fund is used to account for the debt associated with the Library building.

Special Assessment Fund – This fund is used to account for the special assessment debt.

Capital Project Funds

Capital Project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Streets Capital Improvement Fund – This fund is used to acquire, construct and improve major street projects.

Community Facilities Districts Funds

These funds account for the principal and interest of debt obligations issued by community facilities districts. Although these bonds are *not* obligations of the Town, generally accepted accounting principles indicate that the bonds should be disclosed herein. The community facilities districts funds are as follows:

**StoneRidge
Parkway No. 1
Eastridge**

**Pronghorn Ranch
Raven Ridge**

**Quailwood Meadows
Southside No. 1**

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2014

	Special Revenue			
	UNS	Entertainment	Police	Donations
	Facilities Relocation Fund			
ASSETS				
Cash and investments	\$ 308,623	\$ 318,076	\$ 4,041	\$ 258,970
Restricted cash and investments	-	-	-	-
Receivables:				
Interest	-	253	-	622
Grants	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	40,137	-	-	9,562
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 348,760	\$ 318,329	\$ 4,041	\$ 269,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues:				
Other	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Community facilities districts	-	-	-	-
Debt service	-	-	-	-
Grantor and contributor purposes	348,760	318,329	4,041	269,154
Unassigned	-	-	-	-
Total fund balances	348,760	318,329	4,041	269,154
Total liabilities, deferred inflows of resources and fund balances	\$ 348,760	\$ 318,329	\$ 4,041	\$ 269,154

Maranda Donation Fund	Grants Fund	Debt Service		Capital Projects
		Certificates of Participation Fund	Special Assessments Fund	Streets Capital Improvement Fund
\$ 350,528	\$ 11,005	\$ 256,256	\$ 175,119	\$ 3,901,328
-	-	-	-	-
791	-	-	-	8,306
-	316,494	-	-	-
-	-	-	96,272	-
-	-	-	-	143,526
-	-	-	-	598,661
-	3,607	-	-	-
\$ 351,319	\$ 331,106	\$ 256,256	\$ 271,391	\$ 4,651,821
\$ -	\$ 87,539	\$ -	\$ -	\$ -
-	15,886	-	-	-
-	227,298	256,240	-	-
-	383	-	-	-
-	-	-	-	-
-	331,106	256,240	-	-
-	-	-	96,272	-
-	-	-	96,272	-
-	3,607	-	-	-
-	-	-	-	4,651,821
-	-	-	-	-
-	-	16	175,119	-
351,319	-	-	-	-
-	(3,607)	-	-	-
351,319	-	16	175,119	4,651,821
\$ 351,319	\$ 331,106	\$ 256,256	\$ 271,391	\$ 4,651,821

(continued)

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2014

	Community			
	StoneRidge	Pronghorn Ranch	Quailwood Meadows	Parkway District No. 1
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments	615,946	454,854	472,190	381,089
Receivables:				
Interest	-	-	-	-
Grants	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	41,145	15,249	2,849	644
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 657,091	\$ 470,103	\$ 475,039	\$ 381,733
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,000	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues:				
Other	-	-	-	-
Advance from other funds	775,943	398,163	173,361	47,041
Total liabilities	775,943	398,163	174,361	47,041
Deferred inflows of resources:				
Unavailable revenues - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Community facilities districts	-	71,940	300,678	334,692
Debt service	-	-	-	-
Grantor and contributor purposes	-	-	-	-
Unassigned	(118,852)	-	-	-
Total fund balances	(118,852)	71,940	300,678	334,692
Total liabilities, deferred inflows of resources and fund balances	\$ 657,091	\$ 470,103	\$ 475,039	\$ 381,733

Facilities Districts			Total
Raven Ridge	Eastridge	Southside District No. 1	Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 5,583,946
55,943	365,208	358,118	2,703,348
-	-	-	9,972
-	-	-	316,494
168,552	606,620	2,071,271	2,942,715
-	-	-	253,112
-	-	-	598,661
-	-	-	3,607
<u>\$ 224,495</u>	<u>\$ 971,828</u>	<u>\$ 2,429,389</u>	<u>\$ 12,411,855</u>
\$ -	\$ -	\$ -	\$ 88,539
-	-	-	15,886
-	-	-	483,538
-	-	-	383
-	-	270,527	1,665,035
-	-	270,527	2,253,381
168,552	606,620	2,071,271	2,942,715
<u>168,552</u>	<u>606,620</u>	<u>2,071,271</u>	<u>2,942,715</u>
-	-	-	3,607
-	-	-	4,651,821
55,943	365,208	87,591	1,216,052
-	-	-	175,135
-	-	-	1,291,603
-	-	-	(122,459)
<u>55,943</u>	<u>365,208</u>	<u>87,591</u>	<u>7,215,759</u>
<u>\$ 224,495</u>	<u>\$ 971,828</u>	<u>\$ 2,429,389</u>	<u>\$ 12,411,855</u>

Town of Prescott Valley, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue			
	UNS			
	Facilities Relocation Fund	Entertainment Area Fund	Police Safety Fund	Donations Fund
REVENUES				
Taxes - local	\$ 192,889	\$ 632,320	\$ -	\$ -
Taxes - intergovernmental:				
Taxes - property	-	-	-	-
Fines and forfeitures	-	-	4,041	-
Special assessments	-	-	-	-
Property rental	-	-	-	-
Interest earnings	-	606	-	1,747
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Refunds and reimbursements	-	-	-	75,016
Contributions	-	-	-	-
Total revenues	<u>192,889</u>	<u>632,926</u>	<u>4,041</u>	<u>76,763</u>
EXPENDITURES				
Current:				
General government	-	619,366	-	50,000
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issue costs	-	-	-	-
Payments to advanced refunding escrow agent	-	-	-	-
Capital outlay	115,358	-	-	-
Total expenditures	<u>115,358</u>	<u>619,366</u>	<u>-</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	<u>77,531</u>	<u>13,560</u>	<u>4,041</u>	<u>26,763</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Refunding bonds issued	-	-	-	-
Payments to advanced refunding escrow agent	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	77,531	13,560	4,041	26,763
Fund balances - beginning	<u>271,229</u>	<u>304,769</u>	<u>-</u>	<u>242,391</u>
Fund balances - ending	<u>\$ 348,760</u>	<u>\$ 318,329</u>	<u>\$ 4,041</u>	<u>\$ 269,154</u>

		Debt Service			Capital Projects
Maranda	Grants	Certificates	Special	Streets	
Donation	Fund	of Participation	Assessments	Capital	
Fund	Fund	Fund	Fund	Improvement	
Fund	Fund	Fund	Fund	Fund	
\$ -	\$ -	\$ -	\$ -	\$ 1,901,567	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	196,912	-	
-	-	-	-	-	
2,186	-	20	1	26,760	
-	2,061,512	-	-	-	
-	144,951	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
2,186	2,206,463	20	196,913	1,928,327	
-	-	-	-	-	
-	998,818	-	-	-	
-	50,990	-	-	-	
-	403,271	-	-	-	
-	-	695,000	157,000	-	
-	-	541,372	27,625	-	
-	-	-	-	-	
-	-	-	-	-	
-	753,384	-	-	12,382	
-	2,206,463	1,236,372	184,625	12,382	
2,186	-	(1,236,352)	12,288	1,915,945	
-	-	1,236,348	-	-	
-	-	-	-	(578,050)	
-	-	-	-	-	
-	-	-	-	-	
-	-	1,236,348	-	(578,050)	
2,186	-	(4)	12,288	1,337,895	
349,133	-	20	162,831	3,313,926	
\$ 351,319	\$ -	\$ 16	\$ 175,119	\$ 4,651,821	

(continued)

Town of Prescott Valley, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Year Ended June 30, 2014

	Community			
	StoneRidge	Pronghorn Ranch	Quailwood Meadows	Parkway District No. 1
REVENUES				
Taxes - local	\$ -	\$ -	\$ -	\$ -
Taxes - intergovernmental:				
Taxes - property	593,489	517,552	379,451	234,812
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Property rental	168,609	-	-	-
Interest earnings	1	9	27	30
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Refunds and reimbursements	-	-	-	-
Contributions	-	327,250	945,303	-
Total revenues	762,099	844,811	1,324,781	234,842
EXPENDITURES				
Current:				
General government	183,527	103,574	64,225	19,572
Public safety	-	-	-	-
Culture & recreation	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	-	210,000	215,000	100,000
Interest and fiscal charges	203,062	300,311	238,093	163,363
Bond issue costs	-	178,945	152,390	-
Payments to advanced refunding escrow agent	-	198,065	568,501	-
Capital outlay	-	-	-	-
Total expenditures	386,589	990,895	1,238,209	282,935
Excess (deficiency) of revenues over expenditures	375,510	(146,084)	86,572	(48,093)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Refunding bonds issued	-	6,150,000	5,810,000	-
Payments to advanced refunding escrow agent	-	(5,969,050)	(5,651,299)	-
Total other financing sources and uses	-	180,950	158,701	-
Net change in fund balances	375,510	34,866	245,273	(48,093)
Fund balances - beginning	(494,362)	37,074	55,405	382,785
Fund balances - ending	\$ (118,852)	\$ 71,940	\$ 300,678	\$ 334,692

Facilities Districts			Southside	Total
Raven Ridge	Eastridge	District No. 1	District No. 1	Non-major
				Governmental
				Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,726,776
-	-	-	-	1,725,304
-	-	-	-	4,041
29,464	307,521	156,194		690,091
-	-	-	-	168,609
-	4	2		31,393
-	-	-	-	2,061,512
-	-	-	-	144,951
-	-	-	-	75,016
-	-	-	-	1,272,553
29,464	307,525	156,196		8,900,246
547	2,057	2,033		1,044,901
-	-	-	-	998,818
-	-	-	-	50,990
-	-	-	-	403,271
20,248	395,000	55,000		1,847,248
7,082	83,195	155,187		1,719,290
-	-	-	-	331,335
-	-	-	-	766,566
-	-	-	-	881,124
27,877	480,252	212,220		8,043,543
1,587	(172,727)	(56,024)		856,703
-	-	-	-	1,236,348
-	-	-	-	(578,050)
-	-	-	-	11,960,000
-	-	-	-	(11,620,349)
-	-	-	-	997,949
1,587	(172,727)	(56,024)		1,854,652
54,356	537,935	143,615		5,361,107
\$ 55,943	\$ 365,208	\$ 87,591	\$	\$ 7,215,759



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Town of Prescott Valley, Arizona

UNS Facilities Relocation Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - franchise	\$ 225,000	\$ 225,000	\$ 192,889	\$ (32,111)
Total revenues	225,000	225,000	192,889	(32,111)
EXPENDITURES				
Capital outlay	360,000	360,000	115,358	244,642
Total expenditures	360,000	360,000	115,358	244,642
Excess (deficiency) of revenues over expenditures	(135,000)	(135,000)	77,531	212,531
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(135,000)	(135,000)	77,531	212,531
Fund balances - beginning	265,000	265,000	271,229	6,229
Fund balances - ending	\$ 130,000	\$ 130,000	\$ 348,760	\$ 218,760

Town of Prescott Valley, Arizona

Entertainment Area Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ -	\$ -	\$ 632,320	\$ 632,320
Interest earnings	707	707	606	(101)
Total revenues	707	707	632,926	632,219
EXPENDITURES				
Current:				
Operating expenditures	610,000	610,000	619,366	(9,366)
Total expenditures	610,000	610,000	619,366	(9,366)
Excess (deficiency) of revenues over expenditures	(609,293)	(609,293)	13,560	622,853
OTHER FINANCING SOURCES (USES)				
Transfers in	610,000	610,000	-	(610,000)
Transfers out	-	-	-	-
Total other financing sources and uses	610,000	610,000	-	(610,000)
Net change in fund balances	707	707	13,560	12,853
Fund balances - beginning	285,000	285,000	304,769	19,769
Fund balances - ending	\$ 285,707	\$ 285,707	\$ 318,329	\$ 32,622

Town of Prescott Valley, Arizona

Police Safety Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between
	Original	Final		Final Budget and Actual Amounts Budgetary Basis
REVENUES				
Fines and forfeitures:				
Court fines	\$ -	\$ -	\$ 4,041	\$ 4,041
Total revenues	-	-	4,041	4,041
EXPENDITURES				
Current:				
Operating Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	4,041	4,041
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	4,041	4,041
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 4,041	\$ 4,041

Town of Prescott Valley, Arizona

Donations Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 1,803	\$ 1,803	\$ 1,747	\$ (56)
Refunds and reimbursements	75,000	75,000	75,016	16
Total revenues	76,803	76,803	76,763	(40)
EXPENDITURES				
Current:				
Operating expenditures	50,000	50,000	50,000	-
Total expenditures	50,000	50,000	50,000	-
Excess (deficiency) of revenues over expenditures	26,803	26,803	26,763	(40)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	26,803	26,803	26,763	(40)
Fund balances - beginning	295,000	295,000	242,391	(52,609)
Fund balances - ending	\$ 321,803	\$ 321,803	\$ 269,154	\$ (52,649)

Town of Prescott Valley, Arizona

Maranda Donation Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 2,262	\$ 2,262	\$ 2,186	\$ (76)
Total revenues	2,262	2,262	2,186	(76)
EXPENDITURES				
Current:				
Operating expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	2,262	2,262	2,186	(76)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	2,262	2,262	2,186	(76)
Fund balances - beginning	345,000	345,000	349,133	4,133
Fund balances - ending	\$ 347,262	\$ 347,262	\$ 351,319	\$ 4,057

Town of Prescott Valley, Arizona

Grants Fund - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Intergovernmental:				
Federal grants	\$ 4,210,076	\$ 4,210,076	\$ 2,061,512	\$ (2,148,564)
State grants	100,000	100,000	144,951	44,951
Total revenues	<u>4,310,076</u>	<u>4,310,076</u>	<u>2,206,463</u>	<u>(2,103,613)</u>
EXPENDITURES				
Current:				
General government	500,000	500,000	-	500,000
Public safety	1,778,076	1,778,076	998,818	779,258
Culture and recreation	100,000	100,000	50,990	49,010
Public works	-	-	403,271	(403,271)
Capital outlay	1,932,000	1,932,000	753,384	1,178,616
Total expenditures	<u>4,310,076</u>	<u>4,310,076</u>	<u>2,206,463</u>	<u>2,103,613</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Prescott Valley, Arizona

Municipal Property Corporation - Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 297	\$ 297
Total revenues	-	-	297	297
EXPENDITURES				
Current:				
Debt service:				
Principal	1,525,000	1,525,000	1,525,000	-
Interest and fiscal charges	1,129,146	1,129,146	1,132,861	(3,715)
Bond issuance costs	6,500	-	-	-
Total expenditures	2,660,646	2,654,146	2,657,861	(3,715)
Excess (deficiency) of revenues over expenditures	(2,660,646)	(2,654,146)	(2,657,564)	(3,418)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,660,646	2,660,646	2,666,393	5,747
Transfers out	-	-	-	-
Total other financing sources	2,660,646	2,660,646	2,666,393	5,747
Net change in fund balances	-	6,500	8,829	2,329
Fund balances - beginning	11,500,000	11,500,000	13,970,855	2,470,855
Fund balances - ending	\$ 11,500,000	\$ 11,506,500	\$ 13,979,684	\$ 2,473,184

Town of Prescott Valley, Arizona

Certificates of Participation - Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 20	\$ 20
Total revenues	-	-	20	20
EXPENDITURES				
Current:				
Debt service:				
Principal	695,000	695,000	695,000	-
Interest and fiscal charges	541,413	541,413	541,372	41
Total expenditures	1,236,413	1,236,413	1,236,372	41
Excess (deficiency) of revenues over expenditures	(1,236,413)	(1,236,413)	(1,236,352)	61
OTHER FINANCING SOURCES (USES)				
Transfers in	1,236,413	1,236,413	1,236,348	(65)
Transfers out	-	-	-	-
Total other financing sources	1,236,413	1,236,413	1,236,348	(65)
Net change in fund balances	-	-	(4)	(4)
Fund balances - beginning, restated	-	-	20	20
Fund balances - ending	\$ -	\$ -	\$ 16	\$ 16

Town of Prescott Valley, Arizona

Special Assessment Bond - Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Special assessments	\$ 183,142	\$ 183,142	\$ 196,912	\$ 13,770
Interest earnings	-	-	1	1
Total revenues	<u>183,142</u>	<u>183,142</u>	<u>196,913</u>	<u>13,771</u>
EXPENDITURES				
Debt service:				
Principal	157,000	157,000	157,000	-
Interest and fiscal charges	29,142	29,142	27,625	1,517
Advance refunding escrow	-	-	-	-
Total expenditures	<u>186,142</u>	<u>186,142</u>	<u>184,625</u>	<u>1,517</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000)</u>	<u>(3,000)</u>	<u>12,288</u>	<u>15,288</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,000)	(3,000)	12,288	15,288
Fund balances - beginning	<u>223,552</u>	<u>223,552</u>	<u>162,831</u>	<u>(60,721)</u>
Fund balances - ending	<u>\$ 220,552</u>	<u>\$ 220,552</u>	<u>\$ 175,119</u>	<u>\$ (45,433)</u>

Town of Prescott Valley, Arizona

Streets Capital Improvement Fund - Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local	\$ 1,677,000	\$ 1,677,000	\$ 1,901,567	\$ 224,567
Interest earnings	22,741	22,741	26,760	4,019
Total revenues	1,699,741	1,699,741	1,928,327	228,586
EXPENDITURES				
Capital outlay	2,025,000	2,025,000	12,382	2,012,618
Total expenditures	2,025,000	2,025,000	12,382	2,012,618
Excess (deficiency) of revenues over expenditures	(325,259)	(325,259)	1,915,945	2,241,204
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(579,350)	(579,350)	(578,050)	1,300
Total other financing sources	(579,350)	(579,350)	(578,050)	1,300
Net change in fund balances	(904,609)	(904,609)	1,337,895	2,242,504
Fund balances - beginning	3,235,333	3,235,333	3,313,926	78,593
Fund balances - ending	\$ 2,330,724	\$ 2,330,724	\$ 4,651,821	\$ 2,321,097

Statistical Section

This part of the Town of Prescott Valley'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 Town's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	94
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, sales and use tax.	102
Debt Capacity These schedules contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	112
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	122
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Town of Prescott Valley, Arizona

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 46,666,116	\$ 64,214,749	\$ 77,730,515	\$ 94,064,610
Restricted	22,651,636	21,023,627	22,005,395	5,337,207
Unrestricted	48,484,559	49,468,196	41,144,635	50,960,200
Total governmental activities net position	<u>\$ 117,802,311</u>	<u>\$ 134,706,572</u>	<u>\$ 140,880,545</u>	<u>\$ 150,362,017</u>
Business-type activities				
Net investment in capital assets	\$ 48,539,873	\$ 58,780,861	\$ 81,806,434	\$ 85,707,927
Unrestricted	24,426,028	29,432,939	8,515,151	12,693,861
Total business-type activities net position	<u>\$ 72,965,901</u>	<u>\$ 88,213,800</u>	<u>\$ 90,321,585</u>	<u>\$ 98,401,788</u>
Primary government				
Net investment in capital assets	\$ 95,205,989	\$ 122,995,610	\$ 159,536,949	\$ 179,772,537
Restricted	22,651,636	21,023,627	22,005,395	5,337,207
Unrestricted	72,910,587	78,901,135	49,659,786	63,654,061
Total primary government net position	<u>\$ 190,768,212</u>	<u>\$ 222,920,372</u>	<u>\$ 231,202,130</u>	<u>\$ 248,763,805</u>

* Net Position for fiscal year 2013 is restated due to the implementation of the provisions of GASB Statement No. 65.

Table 1

Fiscal Year					
2009	2010	2011	2012	2013*	2014
\$ 80,732,177	\$ 87,698,756	\$ 91,352,654	\$ 89,515,976	\$ 91,468,927	\$ 86,491,264
4,891,889	4,003,008	23,533,080	26,658,646	26,715,333	28,137,124
58,709,781	45,473,141	18,332,439	11,591,380	6,589,211	13,739,445
<u>\$ 144,333,847</u>	<u>\$ 137,174,905</u>	<u>\$ 133,218,173</u>	<u>\$ 127,766,002</u>	<u>\$ 124,773,471</u>	<u>\$ 128,367,833</u>
\$ 87,053,889	\$ 85,252,073	\$ 84,334,580	\$ 83,825,248	\$ 83,514,122	\$ 81,656,499
4,258,712	4,182,242	4,598,530	6,133,389	6,854,559	10,108,555
<u>\$ 91,312,601</u>	<u>\$ 89,434,315</u>	<u>\$ 88,933,110</u>	<u>\$ 89,958,637</u>	<u>\$ 90,368,681</u>	<u>\$ 91,765,054</u>
\$ 167,786,066	\$ 172,950,829	\$ 175,687,234	\$ 173,341,224	\$ 174,983,049	\$ 168,147,763
4,891,889	4,003,008	23,533,080	26,658,646	26,715,333	28,137,124
62,968,493	49,655,383	22,930,969	17,724,769	13,443,770	23,848,000
<u>\$ 235,646,448</u>	<u>\$ 226,609,220</u>	<u>\$ 222,151,283</u>	<u>\$ 217,724,639</u>	<u>\$ 215,142,152</u>	<u>\$ 220,132,887</u>

Town of Prescott Valley, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 7,042,829	\$ 7,968,306	\$ 9,611,555	\$ 10,476,111	\$ 12,359,343
Public safety	5,437,388	6,703,996	7,712,574	9,138,937	9,751,720
Culture and recreation	3,095,954	3,043,174	3,572,145	3,951,339	4,120,940
Public works	1,921,143	2,365,488	3,336,155	3,636,603	5,863,362
Highway and streets	2,815,703	4,484,893	5,374,323	7,445,584	5,402,589
Interest on long-term debt	3,517,481	4,516,440	4,185,588	4,181,678	4,944,534
Total governmental activities expenses	23,830,498	29,082,297	33,792,340	38,830,252	42,442,488
Business-type activities:					
Wastewater utility	4,151,355	4,878,568	5,737,771	6,615,695	6,628,846
Prescott Valley water system	675,700	841,630	1,202,450	3,185,604	16,854,701
Water district	5,831,891	8,165,539	7,598,327	7,016,814	-
Total business-type activities expenses	10,658,946	13,885,737	14,538,548	16,818,113	23,483,547
Total primary government expenses	34,489,444	42,968,034	48,330,888	55,648,365	65,926,035
Program Revenues					
Governmental activities:					
Charges for services:					
General government	2,512,462	3,185,000	2,335,311	2,157,223	2,871,704
Public safety	35,017	4,929	12,469	8,544	7,199
Culture and recreation	133,883	163,549	217,858	200,463	221,280
Highway & streets	-	-	-	-	-
Operating grants and contributions	416,548	496,099	464,592	339,740	308,508
Capital grants and contributions	47,999,642	9,814,366	6,496,180	11,260,876	3,718,931
Total governmental activities program revenues	51,097,552	13,663,943	9,526,410	13,966,846	7,127,622
Business-type activities:					
Charges for services:					
Wastewater utility	3,259,626	3,243,345	3,974,215	4,229,843	4,181,492
Prescott Valley water system	676,738	948,437	767,627	2,281,698	8,025,941
Water district	5,224,531	6,046,065	6,602,824	5,669,747	-
Capital grants and contributions	34,136,934	17,792,293	4,455,083	6,434,349	4,782,391
Total business-type activities program revenues	43,297,829	28,030,140	15,799,749	18,615,637	16,989,824
Total primary government program revenues	94,395,381	41,694,083	25,326,159	32,582,483	24,117,446
Net (expense)/revenue					
Governmental activities	27,267,054	(15,418,354)	(24,265,930)	(24,863,406)	(35,314,866)
Business-type activities	32,638,883	14,144,403	1,261,201	1,797,524	(6,493,723)
Total primary government net expense	59,905,937	(1,273,951)	(23,004,729)	(23,065,882)	(41,808,589)
Governmental activities:					
Taxes:					
Sales and use taxes	11,292,767	14,309,814	15,047,108	12,729,336	11,400,416
Franchise taxes	284,678	528,349	390,287	487,251	485,612
Property taxes	177,409	417,434	837,270	1,603,666	2,190,751
Intergovernmental	10,621,476	13,076,508	16,238,921	17,454,570	17,216,586
Interest and investment income	946,556	2,285,186	2,629,889	1,975,567	936,950
Miscellaneous	-	1,610,000	4,522	313	26,533
Transfers	-	95,323	93,938	94,175	1,155,988
Total governmental activities	23,322,886	32,322,614	35,241,935	34,344,878	33,412,836
Business-type activities:					
Interest and investment income	327,976	766,544	953,405	834,018	560,524
Proceeds from sale of effluent water	-	-	-	5,797,237	-
Miscellaneous	-	432,275	(12,883)	(254,401)	-
Transfers	-	(95,323)	(93,938)	(94,175)	(1,155,988)
Total business-type activities	327,976	1,103,496	846,584	6,282,679	(595,464)
Total primary government	23,650,862	33,426,110	36,088,519	40,627,557	32,817,372
Change in Net Position					
Governmental activities	50,589,940	16,904,260	10,976,005	9,481,472	(1,902,030)
Business-type activities	32,966,859	15,247,899	2,107,785	8,080,203	(7,089,187)
Total primary government	\$ 83,556,799	\$ 32,152,159	\$ 13,083,790	\$ 17,561,675	\$ (8,991,217)

Table 2

Fiscal Year				
2010	2011	2012	2013	2014
\$ 10,413,658	\$ 9,349,601	\$ 11,997,108	\$ 11,245,821	\$ 10,053,941
9,318,245	9,540,750	9,272,516	9,689,545	10,207,382
8,650,856	4,695,196	4,829,228	4,908,858	5,126,785
3,284,971	2,884,128	3,153,248	3,661,770	3,212,354
5,260,537	6,009,001	6,334,044	6,388,801	5,797,407
4,715,164	4,744,657	4,237,965	3,860,771	3,257,938
41,643,431	37,223,333	39,824,109	39,755,566	37,655,807
6,360,996	6,241,143	6,129,626	6,081,358	6,213,772
7,593,403	7,221,333	6,925,032	7,572,437	7,395,511
-	-	-	-	-
13,954,399	13,462,476	13,054,658	13,653,795	13,609,283
55,597,830	50,685,809	52,878,767	53,409,361	51,265,090
1,404,286	1,481,643	1,638,864	2,331,028	2,984,647
17,549	29,348	27,238	14,378	15,454
239,673	203,767	220,922	226,889	234,580
-	-	-	8,777	8,354
1,408,750	2,605,296	2,418,314	4,652,649	2,735,533
3,081,303	3,008,745	4,689,533	2,467,175	4,679,348
6,151,561	7,328,799	8,994,871	9,700,896	10,657,916
4,151,592	4,245,252	4,449,769	4,703,453	4,980,242
7,588,187	7,433,696	7,695,290	7,800,224	8,038,134
-	-	-	-	-
925,703	1,354,631	765,584	1,395,909	1,788,914
12,665,482	13,033,579	12,910,643	13,899,586	14,807,290
18,817,043	20,362,378	21,905,514	23,600,482	25,465,206
(35,491,870)	(29,894,534)	(30,829,238)	(30,054,670)	(26,997,891)
(1,288,917)	(428,897)	(144,015)	245,791	1,198,007
(36,780,787)	(30,323,431)	(30,973,253)	(29,808,879)	(25,799,884)
10,698,887	10,470,048	11,177,768	11,602,664	13,442,182
465,433	450,140	425,224	611,841	584,602
2,313,022	2,097,157	1,858,261	1,925,702	1,725,304
13,335,644	12,397,820	12,535,886	13,555,792	14,509,668
598,471	107,125	187,846	(60,726)	255,481
16,106	66,521	227,309	1,444,900	75,016
905,365	348,991	(1,035,227)	(8,532)	-
28,332,928	25,937,802	25,377,067	29,071,641	30,592,253
315,996	267,913	134,311	252,080	132,069
-	-	-	-	-
-	8,770	4	35,120	66,297
(905,365)	(348,991)	1,035,227	8,532	-
(589,369)	(72,308)	1,169,542	295,732	198,366
27,743,559	25,865,494	26,546,609	29,367,373	30,790,619
(7,158,942)	(3,956,732)	(5,452,171)	(983,029)	3,594,362
(1,878,286)	(501,205)	1,025,527	541,523	1,396,373
\$ (9,037,228)	\$ (4,457,937)	\$ (4,426,644)	\$ (441,506)	\$ 4,990,735

Town of Prescott Valley, Arizona

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Reserved	\$ -	\$ -	\$ -	\$ 7,872	\$ 10,800
Unreserved	18,838,057	21,367,149	21,327,904	34,692,068	25,239,726
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>18,838,057</u>	<u>21,367,149</u>	<u>21,327,904</u>	<u>34,699,940</u>	<u>25,250,526</u>
All other governmental funds					
Reserved	22,651,636	21,023,627	22,005,395	22,054,510	21,339,192
Unreserved, reported in:					
Special revenue funds	18,728,299	19,368,524	15,533,977	13,048,889	11,478,236
Capital projects funds	5,120,725	4,679,201	5,406,669	2,424,520	4,115,066
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 46,500,660</u>	<u>\$ 45,071,352</u>	<u>\$ 42,946,041</u>	<u>\$ 37,527,919</u>	<u>\$ 36,932,494</u>

Table 3

Fiscal Year				
2010	2011	2012	2013	2014
\$ 587,801	\$ -	\$ -	\$ -	\$ -
17,548,648	-	-	-	-
-	1,401,864	2,162,860	2,730,483	5,178,749
-	2,111,047	2,191,363	2,716,578	2,989,059
-	13,220,847	9,500,430	7,349,190	5,959,693
<u>18,136,449</u>	<u>16,733,758</u>	<u>13,854,653</u>	<u>12,796,251</u>	<u>14,127,501</u>
19,885,311	-	-	-	-
8,121,956	-	-	-	-
4,667,748	-	-	-	-
-	64,712	34,643	20,469	3,607
-	24,890,376	24,682,194	23,845,139	25,989,310
-	1,965,317	358,851	-	-
-	(64,712)	(2,163,904)	(3,202,617)	(3,409,591)
<u>\$ 32,675,015</u>	<u>\$ 26,855,693</u>	<u>\$ 22,911,784</u>	<u>\$ 20,662,991</u>	<u>\$ 22,583,326</u>

Town of Prescott Valley, Arizona

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes-local	\$ 11,577,445	\$ 14,309,814	\$ 15,437,395	\$ 13,216,587
Taxes-intergovernmental	10,621,476	13,604,857	16,238,921	17,454,570
Taxes-property	177,409	417,434	837,270	1,603,666
Licenses and permits	1,887,901	2,237,688	1,055,619	756,726
Charges for services	168,900	168,478	507,988	372,075
Fines and forfeitures	292,019	390,829	551,478	673,351
Special assessments	1,705,903	1,795,188	1,712,438	1,250,009
Investment earnings	1,059,465	2,121,163	2,607,504	1,961,913
Intergovernmental	638,353	938,967	868,007	388,461
Miscellaneous	5,406,291	6,202,109	2,963,744	3,116,482
Total revenues	<u>33,535,162</u>	<u>42,186,527</u>	<u>42,780,364</u>	<u>40,793,840</u>
Expenditures				
General government	6,339,834	7,194,077	8,723,101	8,888,114
Public safety	5,276,155	6,543,281	7,392,991	8,831,807
Culture and recreation	2,589,391	2,666,180	3,031,871	3,361,957
Public works	1,422,306	1,427,548	1,943,035	1,664,904
Highway and streets	1,668,671	2,154,915	2,776,810	2,817,805
Debt service:				
Principal	2,094,272	2,962,710	2,612,216	2,082,646
Interest and fiscal charges	3,476,847	4,475,806	4,144,954	4,141,044
Bond issuance costs	986,516	-	363,891	959,186
Payment to advance refunding escrow agent	-	1,215,000	465,000	165,000
Capital outlay	17,517,214	12,553,357	17,009,989	18,941,812
Total expenditures	<u>41,371,206</u>	<u>41,192,874</u>	<u>48,463,858</u>	<u>51,854,275</u>
Excess of revenues over (under) expenditures	(7,836,044)	993,653	(5,683,494)	(11,060,435)
Other financing sources (uses)				
Transfers in	4,959,590	6,811,479	7,802,928	10,383,142
Transfers out	(4,959,590)	(6,716,156)	(7,708,990)	(10,288,967)
Long-term capital-related debt issued	360,567	-	-	-
Discount on bonds issued	-	-	-	(14,826)
Payments to advanced refunding escrow agent	-	-	-	-
Proceeds from capital lease	-	10,808	-	-
Proceeds from bonds issued	25,240,000	-	3,425,000	18,935,000
Premium on refunding bonds issued	-	-	-	-
Total other financing sources and (uses)	<u>25,600,567</u>	<u>106,131</u>	<u>3,518,938</u>	<u>19,014,349</u>
Net change in fund balances	<u>\$ 17,764,523</u>	<u>\$ 1,099,784</u>	<u>\$ (2,164,556)</u>	<u>\$ 7,953,914</u>
Debt service as a percentage of noncapital expenditures	23.4%	30.2%	23.0%	19.4%

Table 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 11,886,028	\$ 11,164,320	\$ 10,920,188	\$ 11,602,992	\$ 12,214,505	\$ 14,026,784
17,216,586	13,932,418	12,397,820	12,535,886	13,555,792	14,509,668
2,190,751	2,313,022	2,097,157	1,858,261	1,925,702	1,725,304
553,007	363,051	411,725	531,975	959,474	1,767,289
331,324	358,281	266,874	286,300	334,586	354,378
779,386	623,565	675,209	763,509	715,189	663,483
1,323,126	1,348,178	1,117,252	1,350,833	741,650	690,091
1,016,586	393,182	243,286	92,388	190,652	118,289
410,698	2,549,543	2,271,289	1,520,264	1,698,761	2,206,463
2,380,846	1,430,534	2,148,555	2,116,466	6,529,574	3,330,260
<u>38,088,338</u>	<u>34,476,094</u>	<u>32,549,355</u>	<u>32,658,874</u>	<u>38,865,885</u>	<u>39,392,009</u>
11,760,135	9,295,019	8,708,728	11,519,697	10,888,502	9,632,124
9,143,146	8,831,350	8,921,567	8,685,736	9,162,837	9,729,079
3,548,012	4,060,473	3,314,352	3,280,206	3,394,827	3,541,111
1,578,240	1,403,528	1,167,649	1,404,224	1,393,947	1,441,527
2,112,236	2,041,828	2,215,823	2,699,271	2,775,243	2,230,497
3,616,248	3,833,248	6,862,910	4,044,247	3,786,248	3,372,248
4,903,900	4,663,230	4,704,023	4,042,479	3,684,970	2,852,151
-	-	-	386,798	260,926	331,335
-	576,300	-	-	-	766,566
12,627,248	12,048,039	4,225,307	2,803,465	2,520,129	2,583,437
<u>49,289,165</u>	<u>46,753,015</u>	<u>40,120,359</u>	<u>38,866,123</u>	<u>37,867,629</u>	<u>36,480,075</u>
(11,200,827)	(12,276,921)	(7,571,004)	(6,207,249)	998,256	2,911,934
5,260,351	8,244,932	5,270,966	6,599,616	3,148,462	3,952,741
(4,104,363)	(7,339,567)	(4,921,975)	(7,634,843)	(3,156,994)	(3,952,741)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(27,131,831)	(12,836,919)	(11,620,349)
-	-	-	-	-	-
-	-	-	25,785,000	8,540,000	11,960,000
-	-	-	1,766,293	-	-
<u>1,155,988</u>	<u>905,365</u>	<u>348,991</u>	<u>(615,765)</u>	<u>(4,305,451)</u>	<u>339,651</u>
<u>\$ (10,044,839)</u>	<u>\$ (11,371,556)</u>	<u>\$ (7,222,013)</u>	<u>\$ (6,823,014)</u>	<u>\$ (3,307,195)</u>	<u>\$ 3,251,585</u>
23.2%	26.1%	32.2%	22.4%	21.1%	20.6%

Town of Prescott Valley, Arizona

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Transaction Privilege Tax (1)*	\$ 11,292,767	\$ 13,781,465	\$ 14,821,243	\$ 12,500,181
Franchise Tax (2)*	284,678	528,349	616,152	716,406
State-Shared Sales Tax (3)**	2,180,290	2,565,294	3,191,209	3,085,676
Urban Revenue Sharing Tax (4)**	2,188,452	2,258,836	3,811,960	4,725,011
Auto in Lieu Tax (5)**	1,578,183	1,819,449	2,150,126	2,080,348
Highway User Tax (6)**	2,250,227	2,463,256	3,022,836	2,799,297
Other Tax (7)**	2,424,324	4,498,022	4,062,790	4,764,238
Property Tax (8)***	177,409	417,434	837,270	1,603,666
Total	<u>\$ 22,376,330</u>	<u>\$ 28,332,105</u>	<u>\$ 32,513,586</u>	<u>\$ 32,274,823</u>

* Reported as taxes - local on the financial statements

** Reported as taxes - intergovernmental on the financial statements

*** Reported as taxes - property on the financial statements

(1) The transaction privilege taxes consist of many classifications of tax; see Table 6 for

(2) Includes cable TV and light and power franchise taxes.

(3) A portion of transaction privilege taxes collected by the State of Arizona that is returned to incorporated cities and towns.

(4) A share of the net individual and corporate income tax collections that is distributed among incorporated cities and towns.

(5) A share of the vehicle license tax collected by the State of Arizona in lieu of personal

(6) A portion of federal taxes collected on certain highway motor vehicles which is then distributed to the State of Arizona and to incorporated cities and towns.

(7) Other taxes - intergovernmental.

(8) Property taxes collected are for community facilities districts.

Table 5

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 11,169,107	\$ 10,473,107	\$ 10,241,313	\$ 10,958,574	\$ 11,602,664	\$ 13,442,182
714,028	691,213	678,875	644,418	611,841	584,602
2,671,333	2,463,915	2,603,320	3,033,563	3,184,232	3,379,174
5,006,330	4,334,885	3,267,948	3,276,605	3,965,584	4,327,205
1,981,539	1,824,921	1,813,235	1,996,386	2,025,147	2,142,326
2,517,929	2,498,515	2,521,131	2,460,595	2,684,968	2,779,050
5,039,455	2,810,182	2,192,186	1,768,737	1,695,861	1,881,913
2,190,751	2,313,022	2,097,157	1,858,261	1,925,702	1,725,304
<u>\$ 31,290,472</u>	<u>\$ 27,409,760</u>	<u>\$ 25,415,165</u>	<u>\$ 25,997,139</u>	<u>\$ 27,695,999</u>	<u>\$ 30,261,756</u>

Town of Prescott Valley, Arizona

General Governmental Taxable Sales by Category

Last Ten Fiscal Years

(modified accrual basis of accounting)

Category	Fiscal Year			
	2005	2006	2007	2008
Mining	\$ 2,928	\$ 13	\$ 53	\$ 29
Construction	3,410,916	4,303,842	4,528,174	2,836,996
Manufacturing	462,600	425,914	453,093	428,751
Transportation, comm., utilities	958,579	1,172,130	1,350,309	1,504,095
Wholesale	110,747	157,700	163,389	190,936
Retail	4,397,241	5,334,047	5,723,780	5,141,365
Restaurant/bars	702,153	823,379	913,840	956,567
Finance, insurance, real estate	285,314	459,535	455,771	449,552
Hotels	125,949	160,543	154,804	163,494
Services	412,593	511,750	479,565	437,841
Government	68,375	111,741	114,890	137,326
Others	260,664	203,601	246,803	104,093
City sales tax audit	94,708	117,270	236,772	149,136
Total	<u>\$ 11,292,767</u>	<u>\$ 13,781,465</u>	<u>\$ 14,821,243</u>	<u>\$ 12,500,181</u>

Source: Arizona Department of Revenue

Note: Town direct sales tax rate is 2.33% effective December 1, 2002.

Note: Taxable sales are presented by business category instead of by individual tax payer due to the confidential and privileged nature of the information presented and the legal restrictions on disclosing this information pursuant to Section 8A-510 of the Town of Prescott Valley Transaction Privilege Tax Code.

Table 6

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 97	\$ 35	\$ 1,006	\$ 7,368	\$ 4,075	\$ 24,357
1,783,434	1,015,288	586,972	778,855	641,648	1,151,159
379,823	262,357	240,828	238,433	254,715	272,067
1,334,285	1,432,800	1,410,446	1,431,378	1,469,176	1,445,413
157,532	233,362	236,117	237,434	261,521	304,538
5,318,986	5,406,340	5,578,893	5,925,245	6,379,260	7,374,901
947,387	911,260	900,239	948,651	1,027,210	1,140,585
361,874	277,369	299,504	318,908	516,190	687,351
152,647	207,788	229,591	247,673	255,711	290,610
356,907	351,574	344,006	404,601	385,219	369,094
270,020	253,351	273,425	288,124	298,645	304,284
49,440	48,034	107,941	56,900	49,475	61,859
56,675	73,549	32,345	75,004	59,819	15,964
<u>\$ 11,169,107</u>	<u>\$ 10,473,107</u>	<u>\$ 10,241,313</u>	<u>\$ 10,958,574</u>	<u>\$ 11,602,664</u>	<u>\$ 13,442,182</u>

Town of Prescott Valley, Arizona

Transaction Privilege Tax (Sales Tax) Rates of Direct and Overlapping Governments

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
General fund sales tax rate	2.00%	2.00%	2.00%	2.00%
Street improvements sales tax rate	0.33%	0.33%	0.33%	0.33%
Total Town of Prescott Valley sales tax rate	2.33%	2.33%	2.33%	2.33%
Yavapai County sales tax rate (1)	0.75%	0.75%	0.75%	0.75%
State of Arizona sales tax rate (1)	5.60%	5.60%	5.60%	5.60%
Total sales tax rate	8.68%	8.68%	8.68%	8.68%
Auto in lieu tax per \$100 of assessed valuation (2)	4.00%	4.00%	4.00%	4.00%

Source:

(1) Arizona Department of Revenue

(2) Arizona Department of Transportation

Table 7

Fiscal Year					
2009	2010	2011	2012	2013	2014
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
2.33%	2.33%	2.33%	2.33%	2.33%	2.33%
0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
5.60%	6.60%	6.60%	6.60%	5.60%	5.60%
8.68%	9.68%	9.68%	9.68%	8.68%	8.68%
4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Town of Prescott Valley, Arizona

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Primary Tax		Ratio of Net Assessed Value to Limited Property Value	Primary Tax Rate	Full Cash Value (3)	Centrally Valued (4)
	Limited Property Value (1)	Net Assessed Value (2)				
2005	\$ 1,325,283,133	\$ 170,887,793	12.89%	\$ 7.0743	\$ 1,404,411,385	\$ 7,034,105
2006	1,578,181,045	201,229,477	12.75%	6.6385	1,720,821,649	7,927,126
2007	1,890,395,385	241,326,028	12.77%	6.4535	2,066,866,127	8,728,028
2008	2,362,099,424	289,680,782	12.26%	6.6095	2,737,126,465	9,795,016
2009	2,830,028,886	346,091,932	12.23%	5.6813	3,646,306,432	10,521,331
2010	3,205,173,068	378,032,185	11.79%	5.3317	3,519,291,514	10,902,613
2011	3,079,315,880	367,492,033	11.93%	6.2646	3,191,140,841	10,502,302
2012	2,602,868,738	317,949,696	12.22%	6.9204	2,716,026,629	12,265,374
2013	2,235,369,361	266,797,761	11.94%	7.8297	2,254,186,906	12,040,867
2014	2,095,522,260	245,761,269	11.73%	8.6789	2,159,596,482	12,607,451

Source: Yavapai County Assessor

Note: The Town of Prescott Valley does not levy property taxes at this time.

(1) Limited value relates to primary taxes and annual changes are restricted by statute.

(2) Assessed values are based on property use:

Commercial	19.5%
Agricultural/vacant land	16%
Residential - owner occupied	10%
Residential - rental	10%
Utilities/government	5%

(3) Full cash value relates to secondary taxes and is an assessor's approximation of market value.

(4) Utilities and railroads.

Table 8

Secondary Tax			Ratio of Net Assessed Value to Full Cash Value	Secondary Tax Rate
Real Property (2)	Personal Property (2)	Total Secondary		
\$ 169,959,437	\$ 5,368,121	\$ 182,361,663	12.98%	\$ 6.8998
203,592,438	6,483,226	218,002,790	12.67%	6.8998
243,909,307	6,495,779	259,133,114	12.54%	6.6962
313,888,821	6,828,750	330,512,587	12.08%	6.5844
419,118,096	6,602,609	436,242,036	11.96%	6.1917
400,301,979	6,305,933	417,510,525	11.86%	6.3205
357,693,530	9,875,538	378,071,370	11.85%	6.8550
312,976,601	9,984,874	335,226,849	12.34%	7.7557
247,537,903	9,984,341	269,563,111	11.96%	9.1713
232,535,255	8,889,313	254,032,019	11.76%	9.2590

Town of Prescott Valley, Arizona

Property Tax Rates

Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	Town		Yavapai County		State of Arizona		Humboldt USD		Community College
2005	\$ -	P	\$ 2.1366	\$ -	P	\$ 3.4477	P	\$ 1.4900	
		S	0.4034		S	0.9278	S	0.2614	
2006	-	P	1.7008	-	P	3.4477	P	1.4900	
		S	0.4034		S	0.9278	S	0.2614	
2007	-	P	1.6552	-	P	3.3675	P	1.4308	
		S	0.3898		S	0.7859	S	0.2265	
2008	-	P	1.5292	-	P	3.7406	P	1.3397	
		S	0.3568		S	0.8538	S	0.1828	
2009	-	P	1.3683	-	P	3.1141	P	1.1989	
		S	0.3465		S	0.7688	S	0.1405	
2010	-	P	1.6148	-	P	2.5919	P	1.1250	
		S	0.3479		S	0.9036	S	0.1367	
2011	-	P	1.7088	-	P	3.3512	P	1.2046	
		S	0.3995		S	1.1218	S	0.1563	
2012	-	P	1.8564	-	P	3.6366	P	1.4274	
		S	0.4867		S	1.0996	S	0.1901	
2013	-	P	2.1143	-	P	4.0429	P	1.6725	
		S	0.5623		S	1.1451	S	0.2150	
2014	-	P	2.4431	-	P	4.4117	P	1.8241	
		S	0.4653		S	1.1412	S	0.2227	

Source: Yavapai County Assessor

Note: The basis for property tax rate calculation is per \$100 of net assessed value.

P - Primary

S - Secondary

- (1) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$3.42.
- (2) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$7.36.
- (3) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$9.66.
- (4) All Special Districts have a rate of \$3.90 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$11.40 and Quailwood Meadows which has a rate of \$4.23.
- (5) Pronghorn Ranch Special District has a rate of \$4.80 per \$100 Secondary Assessed Value, StoneRidge has a rate of \$4.47, Parkway No. 1 has a rate of \$13.69 and Quailwood Meadows has a rate of \$5.55.
- (6) Pronghorn Ranch Special District has a rate of \$4.80 per \$100 Secondary Assessed Value, StoneRidge has a rate of \$3.64, Parkway No. 1 has a rate of \$16.24 and Quailwood Meadows has a rate of \$5.55.

Table 9

Yavapai Fire District		Special District		Total	
				P	\$ 7.0743
S	\$ 2.0072	S	\$ 3.3000	S	6.8998
				P	6.6385
S	2.0072	S	3.3000	S	6.8998
				P	6.4535
S	1.9940	S	3.3000	S	6.6962
				P	6.6095
S	1.8910	S	3.3000	S	6.5844
				P	5.6813
S	1.6359	S	3.3000	(1) S	6.1917
				P	5.3317
S	1.6323	S	3.3000	(2) S	6.3205
				P	6.2646
S	1.8774	S	3.3000	(3) S	6.8550
				P	6.9204
S	2.0793	S	3.9000	(4) S	7.7557
				P	7.8297
S	2.4489	S	4.8000	(5) S	9.1713
				P	8.6789
S	2.6298	S	4.8000	(6) S	9.2590

Town of Prescott Valley, Arizona

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	Municipal Property Corporation Bonds	Certificates of Participation	Special Assessment Bonds	General Obligation Bonds (1)	Loans (2)	Capital Leases
2005	\$ 43,695,000	\$ -	\$ 6,204,000	\$ 31,115,000	\$ 879,174	\$ -
2006	41,810,000	-	4,527,000	30,990,000	390,084	9,187
2007	39,815,000	-	5,861,000	34,415,000	351,030	7,025
2008	38,325,000	15,910,000	8,107,000	37,080,000	319,546	-
2009	36,740,000	15,340,000	7,296,000	36,165,000	299,298	-
2010	35,050,000	14,745,000	5,978,000	30,690,000	279,050	-
2011	30,565,000	14,125,000	5,143,000	29,785,000	261,140	-
2012	29,765,000	13,480,000	4,059,000	28,805,000	240,893	-
2013	28,155,000	12,810,000	3,603,000	23,895,000	220,645	-
2014	26,630,000	12,115,000	2,996,000	23,545,000	200,397	-

- (1) Community facilities districts general obligation bonds.
- (2) Community facilities districts long-term loan payable.
- (3) Full cash value from Table 8 used in this calculation.
- (4) Personal income (not in thousands) from Table 15 used in this calculation.
- (5) Estimated Population from Table 15 used in this calculation.

Table 10

Business-Type Activities					
Revenue Bonds	Loans	Total Primary Government	Percentage of Taxable Property (3)	Percentage of Personal Income (4)	Total Debt per Capita (5)
\$ 28,860,000	\$ -	\$ 110,753,174	7.89%	17.43%	\$ 3,461
27,460,000	9,320,470	114,506,741	6.65%	15.31%	3,410
25,955,000	13,960,801	120,364,856	5.82%	14.62%	3,193
25,195,000	13,408,008	138,344,554	5.05%	16.89%	3,737
23,325,000	12,836,921	132,002,219	3.62%	16.93%	3,610
21,600,000	12,246,932	120,588,982	3.43%	15.17%	3,263
19,810,000	11,644,990	111,334,130	3.49%	13.76%	2,868
17,030,000	11,015,299	104,395,192	3.84%	12.80%	2,689
15,115,000	10,364,763	94,163,408	4.18%	11.32%	2,407
13,175,000	9,692,691	88,354,088	4.09%	10.59%	2,220

Town of Prescott Valley, Arizona
Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years

Fiscal Year	Municipal Property Corporation Bonds	Less: Amounts Available in Debt Service Funds	Total	Certificates of Participation	Less: Amounts Available in Debt Service Funds
2005	\$ 43,695,000	\$ (3,887,641)	\$ 39,807,359	\$ -	\$ -
2006	41,810,000	(4,013,911)	37,796,089	-	-
2007	39,815,000	(3,763,439)	36,051,561	-	-
2008	38,325,000	(3,908,856)	34,416,144	15,910,000	(13,379,817)
2009	36,740,000	(3,843,254)	32,896,746	15,340,000	(2,850,739)
2010	35,050,000	(3,834,408)	31,215,592	14,745,000	(620,682)
2011	30,565,000	(3,190,000)	27,375,000	14,125,000	(296,456)
2012	29,765,000	(3,363,488)	26,401,512	13,480,000	(296,456)
2013	28,155,000	(3,882,678)	24,272,322	12,810,000	(270,156)
2014	26,630,000	(4,007,881)	22,622,119	12,115,000	(256,256)

- (1) General obligation bonds for community facilities districts.
- (2) Full cash value from Table 8 used in this calculation.

Table 11

Total	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Funds	Total	Percentage of Taxable Property (2)	Per Capita
\$ -	\$ 31,115,000	\$ (5,390,462)	\$ 25,724,538	4.67%	\$ 2,048
-	30,990,000	(5,328,803)	25,661,197	3.69%	1,890
-	34,415,000	(5,737,524)	28,677,476	3.13%	1,717
2,530,183	37,080,000	(6,632,046)	30,447,954	2.46%	1,821
12,489,261	36,165,000	(6,248,382)	29,916,618	2.07%	2,059
14,124,318	30,690,000	(6,240,049)	24,449,951	1.98%	1,888
13,828,544	29,785,000	(6,248,688)	23,536,312	2.03%	1,668
13,183,544	28,805,000	(6,097,683)	22,707,317	2.29%	1,605
12,539,844	23,895,000	(2,686,101)	21,208,899	2.57%	1,483
11,858,744	23,545,000	(2,703,348)	20,841,652	2.56%	1,390

Town of Prescott Valley, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Table 12

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
Town of Prescott Valley direct debt	\$ 88,354,088	100.00%	\$ 88,354,088
Overlapping debt			
Central Yavapai Fire District	13,653,380	51.94%	7,091,566
Humboldt Unified School District	43,145,000	79.09%	34,123,381
Yavapai Community College District	36,610,000	11.14%	4,078,354
Total overlapping debt	<u>93,408,380</u>		<u>45,293,300</u>
 Total direct and overlapping debt			 <u>\$ 133,647,388</u>
	<u>Total Assessed Valuation</u>	<u>Valuation in Prescott Valley</u>	<u>Percentage in Prescott Valley</u>
Taxing district			
Central Yavapai Fire District	\$ 489,046,527	\$ 254,032,019	51.94%
Humboldt Unified School District	321,199,489	254,032,019	79.09%
Yavapai Community College District	2,279,676,521	254,032,019	11.14%

Source: Yavapai County Assessor, Central Yavapai Fire District, Yavapai Community College District and Humboldt Unified School District

(1) Debt allocation is based on distribution of assessed valuation within overlapping tax districts.



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Town of Prescott Valley, Arizona

Legal Debt Margin Information

Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 56,680,725	\$ 67,345,970	\$ 85,933,272	\$ 113,422,929
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 56,680,725</u>	<u>\$ 67,345,970</u>	<u>\$ 85,933,272</u>	<u>\$ 113,422,929</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

(1) Under Arizona law, cities can issue general obligation bonds for the purposes of water, artificial light, sewer, open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities, but outstanding bonds issued for such purposes may not exceed 20% of the Town's secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6% of the Town's secondary assessed valuation.

(2) General obligation bonds of community facilities districts are not subject to or included in this computation since these bonds are not bonds of the Town of Prescott Valley.

(3) For statutory purposes, the Town's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the Town's bonds outstanding at June 30, 2014 were secured by sales taxes instead of property taxes.

Table 13

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 108,552,737	\$ 98,779,537	\$ 87,158,981	\$ 87,158,981	\$ 70,086,409	\$ 66,048,325
-	-	-	-	-	-
<u>\$ 108,552,737</u>	<u>\$ 98,779,537</u>	<u>\$ 87,158,981</u>	<u>\$ 87,158,981</u>	<u>\$ 70,086,409</u>	<u>\$ 66,048,325</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 254,032,019
Debt limit (1):	
Water and sewer 20%	50,806,404
All others 6%	15,241,921
Total debt limit	<u>66,048,325</u>
Debt applicable to limit (2)(3):	
General obligation bonds	-
Legal debt margin	<u>\$ 66,048,325</u>

Town of Prescott Valley, Arizona

Pledged-Revenue Coverage

Last Ten Fiscal Years

Wastewater System Revenue Bonds and Loans

Fiscal Year	Gross Revenues	Less: Excluded Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue
2005	\$ 5,760,526	\$ 310,101	\$ 2,318,553	\$ 3,131,872
2006	5,889,448	-	2,621,617	3,267,831
2007	5,772,263	-	3,069,535	2,702,728
2008	6,061,851	-	3,188,341	2,873,510
2009	5,443,535	-	2,781,204	2,662,331
2010	4,659,211	-	2,536,889	2,122,322
2011	4,712,378	-	2,728,114	1,984,264
2012	4,852,195	-	2,689,808	2,162,387
2013	5,599,246	238	2,864,712	2,734,296
2014	5,788,251	710	2,812,590	2,974,951

Water System Revenue Bonds

Fiscal Year	Gross Revenues	Less: Excluded Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue
2005	\$ 8,433,866	\$ 38,513	\$ 3,607,425	\$ 4,787,928
2006	9,631,748	1,633,152	4,081,331	3,917,265
2007	8,653,036	876,771	3,973,551	3,802,714
2008	15,738,563	6,845,948	4,902,568	3,990,047
2009	8,946,229	838,507	4,841,826	3,265,896
2010	8,167,453	546,591	4,546,003	3,074,859
2011	7,909,108	404,587	4,360,344	3,144,177
2012	8,057,948	317,577	4,506,343	3,234,028
2013	8,587,540	541,587	5,194,874	2,851,079
2014	8,823,453	589,927	4,679,262	3,554,264

Municipal Property Corporation Bonds

Fiscal Year	Excise Taxes Pledged (3)	Debt Service		Total
		Principal	Interest	
2005	\$ 16,389,125	\$ 1,225,000	\$ 1,317,750	\$ 2,542,750
2006	19,684,458	1,885,000	1,973,715	3,858,715
2007	23,821,796	1,995,000	1,748,096	3,743,096
2008	22,228,196	1,490,000	1,689,705	3,179,705
2009	20,667,668	2,155,000	2,303,377	4,458,377
2010	18,723,956	1,690,000	1,590,813	3,280,813
2011	17,649,655	4,485,000	1,732,495	6,217,495
2012	18,989,450	1,315,000	1,222,282	2,537,282
2013	20,833,317	1,610,000	1,002,542	2,612,542
2014	23,967,005	1,525,000	1,125,087	2,650,087

Source: Town of Prescott Valley Management Services Department

(1) Total excluded revenues (including other revenues, Water Resource/Recharge revenues and Upper Verde River Water Protection Coalition revenues).

(2) Total operating expenses (excluding depreciation and amortization expense).

(3) Total excise taxes pledged (including transaction privilege tax, franchise fees, state revenue sharing, state-shared sales tax, licenses and permits, fines and forfeitures).

Table 14

Debt Service			
Principal	Interest	Total	Coverage
\$ 390,000	\$ 394,280	\$ 784,280	3.99
400,000	386,380	786,380	4.16
761,669	496,135	1,257,804	2.15
972,793	763,158	1,735,951	1.66
1,001,087	786,164	1,787,251	1.49
1,034,989	742,153	1,777,142	1.19
1,061,942	724,061	1,786,003	1.11
1,109,691	530,924	1,640,615	1.32
1,155,536	440,698	1,596,234	1.71
1,137,072	488,739	1,625,811	1.83

Debt Service			
Principal	Interest	Total	Coverage
\$ 975,000	\$ 900,530	\$ 1,875,530	2.55
1,000,000	868,968	1,868,968	2.10
1,100,000	830,968	1,930,968	1.97
1,100,000	786,968	1,886,968	2.11
1,440,000	445,244	1,885,244	1.73
1,280,000	582,925	1,862,925	1.65
1,330,000	544,525	1,874,525	1.68
1,380,000	504,625	1,884,625	1.72
1,410,000	459,775	1,869,775	1.52
1,475,000	410,425	1,885,425	1.89

Coverage

6.45
5.10
6.36
6.99
4.64
5.71
2.84
7.48
7.97
9.04

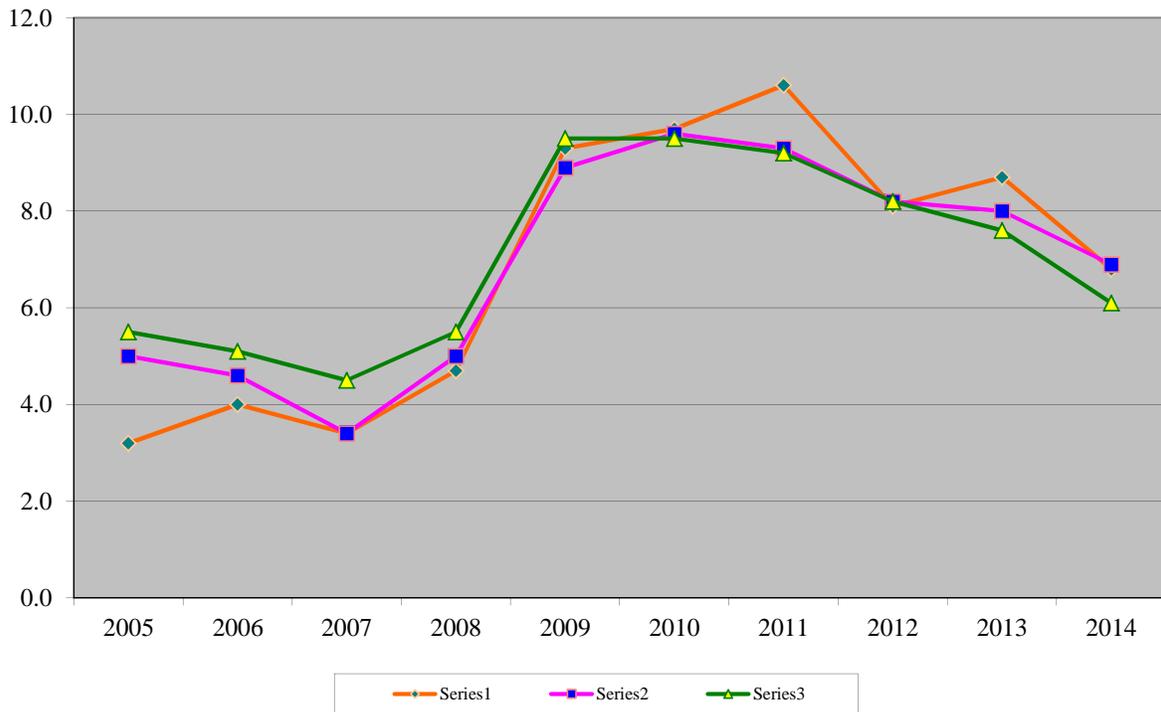
Town of Prescott Valley, Arizona

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Estimated Population (1)	Personal Income (thousands)	Per Capita		Public School Enrollment (2)
			Personal Income (1)	Median Age (1)	
2005	32,000	\$ 6,354,560	19,858	42.1	5,648
2006	33,575	7,481,182	22,282	42.4	6,188
2007	37,700	8,232,172	21,836	39.1	6,104
2008	37,018	8,193,194	22,133	39.8	6,122
2009	36,569	7,795,414	21,317	38.8	5,988
2010	36,959	7,951,359	21,514	39.2	5,866
2011	38,822	8,089,340	20,837	38.2	6,032
2012	38,822	8,158,832	21,016	40.0	5,896
2013	39,114	8,319,157	21,269	41.8	5,745
2014	39,791	8,344,173	20,970	41.4	5,860

Unemployment Rate



Source:

- (1) U.S. Census Bureau and ESRI
- (2) Humboldt Unified School District #22
- (3) U.S. Bureau of Labor Statistics

Table 15

Education Level in Years of Schooling (1)	Unemployment Rate - Prescott Valley (3)	Unemployment Rate - State (3)	Unemployment Rate - Nation (3)
13 to 16	3.2	5.0	5.5
13 to 16	4.0	4.6	5.1
13 to 16	3.4	3.4	4.5
13 to 16	4.7	5.0	5.5
13 to 16	9.3	8.9	9.5
13 to 16	9.7	9.6	9.5
13 to 16	10.6	9.3	9.2
13 to 16	8.1	8.2	8.2
13 to 16	8.7	8.0	7.6
13 to 16	6.8	6.9	6.1

Town of Prescott Valley, Arizona

Principal Employers

Current Year and Seven Years Ago

Employer	Product/Service	2014		
		Employees	Rank	Percentage of Total Town Employment
Humboldt Unified School District	Education	687	1	N/A
Yavapai Regional Medical Center	Hospital	472	2	N/A
Ace Hardware, Inc.	Regional distribution center	211	3	N/A
Town of Prescott Valley	Municipality	203	4	N/A
Lockheed Martin	Aeronautical	195	5	N/A
MI Windows and Doors	Manufacture aluminum products	184	6	N/A
Mountain Valley Regional*	Rehabilitation hospital	183	7	N/A
Fry's	Retail grocery	181	8	N/A
Safeway	Retail grocery	135	9	N/A
Yavapai College (PV Campus)	Education	125	10	N/A
Prescott Newspapers	Newspaper	-		N/A
Foxworth Galbraith Truss	Construction	-		N/A
		2,576		

Source: Town of Prescott Valley Economic Development, Town of Prescott Valley Human Resources Department, Yavapai College, Humboldt USD

*Mountain Valley Regional Rehabilitation Hospital

Table 16

2007		
Employees	Rank	Percentage of Total Town Employment
675	1	N/A
350	3	N/A
240	5	N/A
210	6	N/A
250	4	N/A
410	2	N/A
115	9	N/A
150	8	N/A
-		N/A
-		N/A
195	7	N/A
110	10	N/A
<u>2,705</u>		

Town of Prescott Valley, Arizona
Full-time Equivalent Town Government Employees by Function
 Last Ten Fiscal Years

Function	Full-time Equivalent				
	2005	2006	2007	2008	2009
General government					
Executive Management	8.50	10.25	12.29	12.12	11.00
Town Clerk	5.00	4.00	4.00	4.00	3.00
Human Resources	2.50	2.00	2.00	2.00	2.00
Management Services	24.50	26.00	26.13	25.63	21.57
Legal	4.00	4.30	5.00	5.00	5.18
Magistrate Court	5.20	5.20	7.60	8.63	10.35
Facilities and Fleet Maintenance	4.00	4.00	5.00	4.00	5.00
Public safety					
Building/Safety	16.40	17.40	15.00	13.00	10.00
Police	62.50	68.50	79.25	82.00	79.00
Culture and recreation					
Parks and Recreation	28.50	26.33	28.54	25.19	28.20
Library	12.00	12.50	15.00	13.75	14.75
Public works					
Planning and Development	3.00	3.00	3.00	3.00	3.00
Neighborhood Services	-	-	4.00	4.00	4.00
Engineering	11.50	11.50	11.00	11.00	11.78
Streets	20.50	19.54	18.00	14.00	14.91
Total	208.10	214.52	235.81	227.32	223.74

Source: Town of Prescott Valley Human Resources Department

Table 17

Employees at June 30

2010	2011	2012	2013	2014
9.56	9.31	8.56	8.63	10.00
3.00	3.00	3.00	3.00	3.00
1.05	1.08	1.50	2.56	3.56
19.80	17.78	19.10	19.23	17.63
5.50	5.50	5.50	5.50	5.50
8.72	6.50	7.63	7.00	8.00
5.00	5.00	5.00	5.00	5.00
10.00	10.00	10.00	10.00	11.00
75.00	71.00	67.63	75.60	74.30
29.53	28.73	28.35	22.57	19.84
18.75	16.15	18.15	18.65	19.15
3.00	3.00	3.00	3.00	3.00
3.00	2.00	2.00	2.00	3.00
9.70	9.70	8.00	7.00	7.00
13.00	13.00	13.00	15.00	13.00
<u>214.61</u>	<u>201.75</u>	<u>200.42</u>	<u>204.74</u>	<u>202.98</u>

Town of Prescott Valley, Arizona
Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function / Program	Fiscal Year			
	2005	2006	2007	2008
General government:				
Executive Management				
Number of active capital projects	66	58	27	15
Human Resources				
Number of new hires	45	31	39	28
Town Clerk				
Number of legal postings	81	97	77	58
Number of business licenses issued	845	852	875	776
Management Services				
Number of accounts payable checks issued	7,617	7,753	7,069	6,521
Purchase orders/field purchase orders issued	4,913	5,606	6,019	5,147
Sales tax growth (% annual change)	27.15%	22.02%	6.73%	-15.31%
Legal				
Percentage of cases resolved at first court appearance	50%	75%	70%	65%
Magistrate Court				
Charges filed / charges adjudicated (resolved)	7,576	7,195	16,542	23,240
Public safety:				
Building/Safety				
Permits issued	1,875	2,006	1,246	1,024
Inspections performed	48,983	34,232	36,402	23,190
Police				
Criminal arrests	2,316	2,860	2,961	2,708
Calls for service	25,770	27,147	26,927	26,253
Culture and recreation:				
Parks and Recreation				
Number of activities offered	71	86	81	228
Number of attendees - all programs except aquatics	194,454	107,396	86,582	61,582
Number of attendees - aquatics	23,641	21,599	29,615	30,681
Library				
Number of visitors annually	137,879	145,858	145,365	157,139
Public works:				
Neighborhood Services				
Number of code enforcement cases processed per year	2,630	1,874	2,163	2,877
Utilities				
Number of water service connections	16,048	17,250	17,898	18,080
Residential/commercial water billed (thousands of gallons)	1,362,659	1,479,265	1,493,966	1,726,524
Reclaimed water supplied (thousands of gallons)	93,497	99,819	72,683	113,702
Number of sewer service connections	12,837	14,050	14,875	15,205
Sewage treated (thousands of gallons)	711,559	774,560	851,794	874,034

Source: Town of Prescott Valley

Table 18

Fiscal Year					
2009	2010	2011	2012	2013	2014
9	7	12	16	30	26
4	0	5	21	30	41
141	53	90	125	75	155
682	580	500	489	473	529
6,123	5,260	4,964	4,755	10,728	5,598
4,610	3,792	3,530	3,805	3,750	4,289
-10.03%	-6.44%	-1.83%	6.61%	5.99%	16.46%
65%	65%	65%	n/a	n/a	n/a
29,165	18,769	23,471	26,666	21,776	15,185
1,039	441	850	1,179	1,427	1,732
19,543	11,926	8,551	9,515	12,312	20,817
2,657	2,683	2,217	2,811	2,296	2,480
24,725	23,376	21,372	23,238	21,966	22,711
211	54	40	46	63	79
76,586	60,696	50,441	186,420	190,950	209,953
19,644	23,441	17,199	21,298	19,856	23,877
179,337	160,202	233,209	239,808	241,388	247,357
5,872	3,517	6,758	9,082	5,417	4,512
18,045	18,069	18,039	18,078	18,401	18,855
1,558,751	1,491,065	1,463,350	1,513,362	1,514,019	1,587,033
98,888	118,174	94,825	100,844	120,702	109,573
15,248	15,347	15,326	15,333	15,592	16,040
839,682	841,947	858,000	870,600	886,900	903,700

Town of Prescott Valley, Arizona
Capital Asset and Infrastructure Statistics by Function
 Last Ten Fiscal Years

Function / Program	Fiscal Year				
	2005	2006	2007	2008	2009
General government					
Square footage occupied	127,044	127,044	127,044	127,044	127,044
Area of Town (square miles)	37	38	38	38	38
Public safety					
Police stations	1	1	1	1	1
Square footage of building	12,340	12,340	12,340	25,038	25,038
Number of patrol units	25	30	34	36	43
Public works					
Miles of roads	214	260	307	311	316
Traffic signals	13	14	18	18	18
Miles of storm sewer/channel	6	8	8	9	10
Miles of water mains	299	318	319	324	329
Fire hydrants	983	1,115	1,116	1,158	1,181
Sanitary sewers (miles)	210	220	220	223	227
Culture and recreation					
Number of parks	19	19	20	23	23
Parks acreage	238	238	252	263	269
Swimming pools	1	1	1	1	1

Source: Town of Prescott Valley

Table 19

Fiscal Year				
2010	2011	2012	2013	2014
88,782	88,782	88,872	88,872	88,872
38	38	38	38	38
1	1	1	1	1
25,038	25,038	25,038	25,038	25,038
73	90	133	81	81
316	316	317	317	317
20	21	21	21	21
11	11	11	11	11
332	333	334	334	334
1,488	1,491	1,497	1,498	1,503
231	231	231	231	232
23	24	24	24	27
269	269	269	269	429
1	1	1	1	1

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Ten Fiscal Years

Table 20a

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>
Defined Contribution Plans					
Fiscal Year 2005					
Employer	\$ 8,145,972	\$ 5,286,012	7%	\$ 370,021	\$ 370,021
Employee	N/A	5,286,012	5%	264,301	264,301
Fiscal Year 2006					
Employer	9,818,584	6,071,550	12%	728,586	728,586
Employee	N/A	6,071,550	7%	425,009	425,009
Fiscal Year 2007					
Employer	10,761,282	6,712,283	12%	805,474	805,474
Employee	N/A	6,712,283	7%	469,860	469,860
Fiscal Year 2008					
Employer	12,244,155	7,510,458	12%	901,255	901,255
Employee	N/A	7,510,458	7%	525,732	525,732
Fiscal Year 2009					
Employer	12,248,938	7,398,092	12%	887,771	887,771
Employee	N/A	7,398,092	7%	517,866	517,866
Fiscal Year 2010					
Employer	11,392,220	6,925,117	8%	554,009	554,009
Employee	N/A	6,925,117	7%	475,001	475,001
Fiscal Year 2011					
Employer	10,634,494	6,375,030	8%	510,002	509,788
Employee	N/A	6,375,030	7%	446,252	446,132
Fiscal Year 2012					
Employer	10,643,588	6,191,900	8%	495,352	495,191
Employee	N/A	6,191,900	7%	433,433	433,293
Fiscal Year 2013					
Employer	11,495,058	6,734,737	8%	538,779	538,717
Employee	N/A	6,734,737	7%	471,432	471,530
Fiscal Year 2014					
Employer	11,696,118	6,821,922	9%	613,973	617,262
Employee	N/A	6,821,922	7%	477,535	477,851

Note: In lieu of participating in FICA - Social Security, the Town has a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full-time employees of the Town, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (APSPRS). The plan requires participants to contribute seven percent (7%) of their earnings and the Town to contribute nine percent (9%). The plan is administered through ICMA Retirement Corporation, and participants are allowed to choose from among various investment funds offered by the company. There are no securities of the Town included in the plan assets.

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Ten Fiscal Years

Table 20b

Analysis of Funding Progress and Contribution Rates for Arizona Public Safety Personnel Retirement System (APSPRS)

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded	Annual Covered Payroll (ACP)	UAAL as a Percentage of ACP
				Actuarial Accrued Liability (UAAL)		
2004	\$ 3,918,650	\$ 3,867,382	101.3%	\$ (51,268)	\$ 2,148,670	0.0%
2005	4,972,283	5,061,136	98.2%	88,853	2,390,794	3.7%
2006	5,620,323	6,433,238	87.4%	812,915	2,978,450	27.3%
2007	6,288,518	8,844,665	71.1%	2,556,147	3,549,306	72.0%
2008	7,316,481	9,433,338	77.6%	2,116,857	3,966,754	53.4%
2009	8,800,227	11,220,645	78.4%	2,420,418	4,090,427	59.2%
2010	9,628,085	11,915,220	80.8%	2,287,135	3,923,257	58.3%
2011	10,537,929	13,640,344	77.3%	3,102,415	3,443,714	90.1%
2012	11,972,313	15,517,927	77.2%	3,545,614	3,486,908	101.7%
2013	12,975,252	16,543,964	78.4%	3,568,712	3,774,794	94.5%

Note: Information for fiscal year 2013/14 is not available from APSPRS at this time.



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