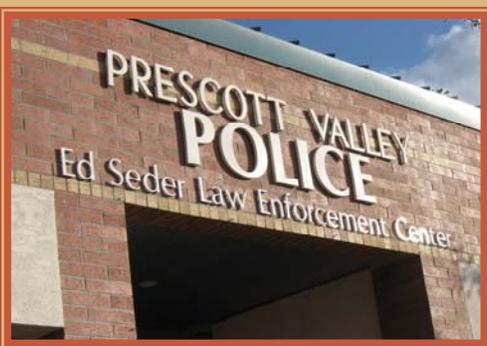


TOWN OF PRESCOTT VALLEY, ARIZONA



COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2015

Comprehensive Annual Financial Report

*For Fiscal Year Ended
June 30, 2015*

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, 2015

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November 19, 2015

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, 2015 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, 2015, 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, 2015, 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 the government's manager, attorney, clerk, and magistrate. 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 continued recovering 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 Sprouts Farmers Market, Little Dealer Little Prices, ULTA Beauty, T.J. Maxx, Men's Warehouse, and Chipotle Mexican Grill restaurant. Ross Dress for Less and Earnhardt Volkswagen dealership will be opening in fiscal year 2015-16. 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 still behind nationally with full recovery approximately one to two 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 including audit revenues have increased 17% over the previous year with retail tax receipts increasing by 24%. All local sales tax sectors experienced increases over the prior year with the exception of construction. Construction sales tax receipts decreased by 16% compared to the previous year. This was primarily due to legislative changes that altered the taxability of construction contracting. Local sales tax was approximately \$1,350,000 more for fiscal year 2014/15 than what had been projected for the same fiscal year a year ago. Sales and use tax revenues are 44% (compared to 42% 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 2015. 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 17% increase (63 additional permits were issued) in fiscal year 2014/15 over fiscal year 2013/14. In addition, actual building permit revenues collected are 33% higher (approximately \$483,000) 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 2015/16, demonstrating what we believe is a turn in the housing market trend in Prescott Valley.

With the continued growth in local sales tax collections and the improvement in local economy, the Town has been 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, 2015, the Highway User Revenue Fund (HURF) actual collections were approximately \$246,000 more than fiscal year 2013/14. 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. We credit this increase 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

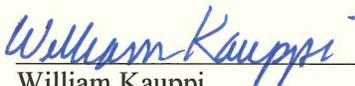
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Prescott Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the eighteenth 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.

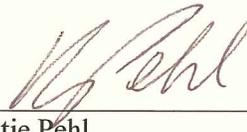
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2014. In order to qualify for the Distinguished Budget Presentation Award, the government budget document was judged to be proficient in several 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 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**

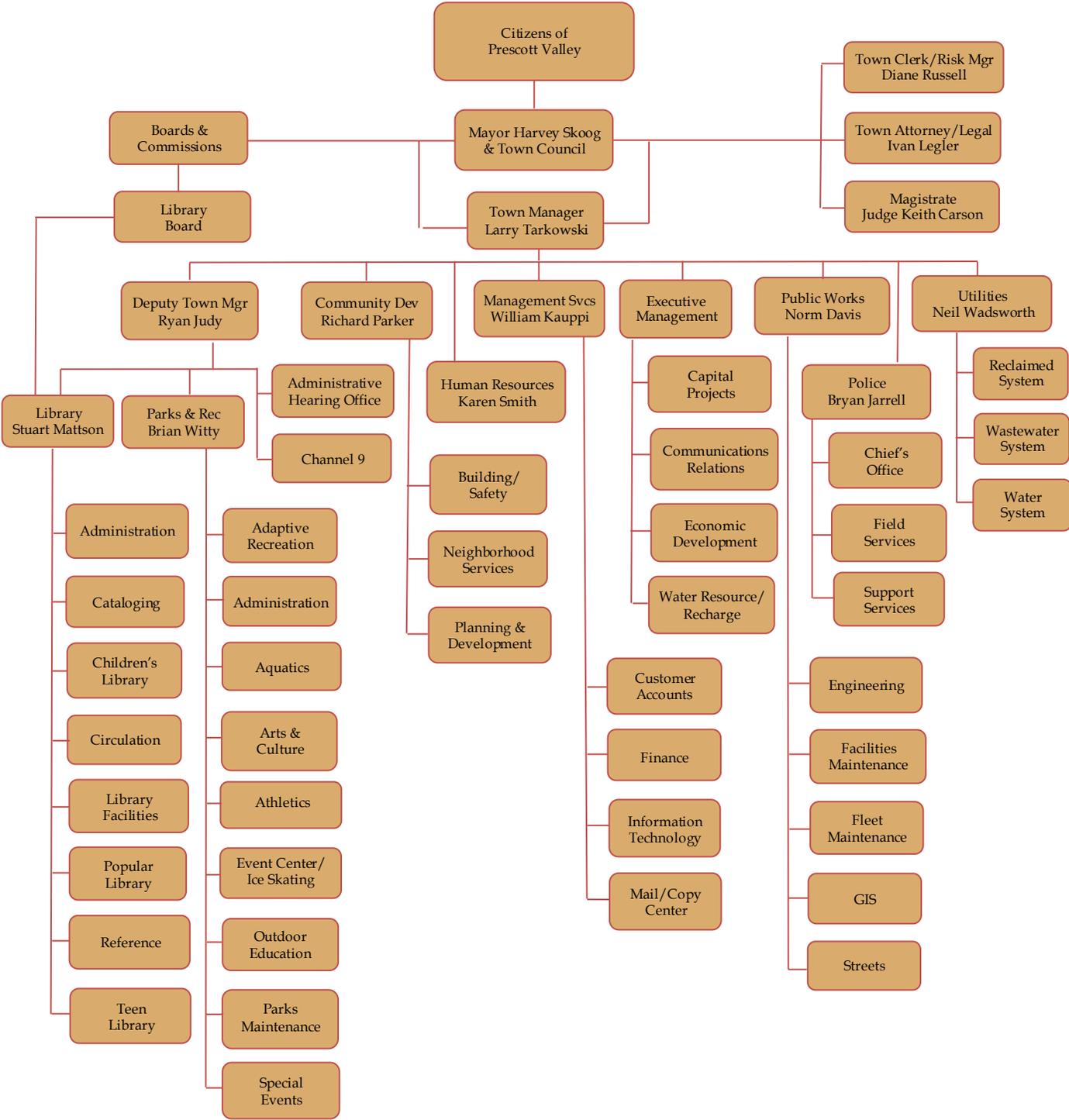
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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, 2015

Harvey Skoog
Mayor

Richard Anderson
Vice Mayor

Martin Grossman
Councilmember

Stephen Marshall
Councilmember

Lora Lee Nye
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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Highway User Revenue Fund, and Development Impact Fees Fund 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 I.A., the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, 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 and net pension liability information, as listed in the table of contents, 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 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 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 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 Section and Statistical Section 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, 2015, 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.
CPAs and Business Consultants

November 6, 2015

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, 2015. 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 \$220,790,830 (net position). Of this amount, \$13,234,879 (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 \$5,270,046. The majority of this increase can be attributed to capital contributions by developers in the amount of \$4.1 million and tax revenue increases.
- As of June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$39,179,039, an increase of \$2,468,212 over the prior year. The increase can primarily be attributed to increased revenue collections in the areas of building permits, and local sales tax collections. Approximately 9% of this total amount, \$3,428,699, 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 \$7,424,030, or 30% of total general fund expenditures of \$24,622,009.
- During fiscal year 2014/15, the Town's total bonded debt (not including community facilities districts) decreased by \$4,717,000. 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 77 of this report with notes on page 79.

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 81-100 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 \$220,790,830 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, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 44,412,825	\$ 41,908,664	\$ 9,161,229	\$ 9,811,630	\$ 53,574,054	\$ 51,720,294
Capital assets	154,522,950	156,066,841	104,947,579	105,710,703	259,470,529	261,777,544
Total assets	198,935,775	197,975,505	114,108,808	115,522,333	313,044,583	313,497,838
Deferred Outflows of Resources						
Deferred outflows related to pensions	2,682,880	-	-	-	2,682,880	-
Deferred charges on refunding	2,428,239	2,669,384	695,137	842,570	3,123,376	3,511,954
Total deferred outflows of resources	5,111,119	2,669,384	695,137	842,570	5,806,256	3,511,954
Total assets and deferred outflows of resources	\$ 204,046,894	\$ 200,644,889	\$ 114,803,945	\$ 116,364,903	\$ 318,850,839	\$ 317,009,792
Liabilities						
Long-term liabilities outstanding	\$ 68,394,756	\$ 65,801,207	\$ 17,657,527	\$ 20,502,312	\$ 86,052,283	\$ 86,303,519
Other liabilities	6,959,696	6,475,849	4,524,332	4,097,537	11,484,028	10,573,386
Total liabilities	75,354,452	72,277,056	22,181,859	24,599,849	97,536,311	96,876,905
Deferred Inflows of Resources						
Deferred inflows related to pensions	523,698	-	-	-	523,698	-
Total deferred inflows of resources	523,698	-	-	-	523,698	-
Net Position						
Net investment in capital assets	93,910,316	86,491,264	85,197,880	81,656,499	179,108,196	168,147,763
Restricted	28,447,755	28,137,124	-	-	28,447,755	28,137,124
Unrestricted	5,810,673	13,739,445	7,424,206	10,108,555	13,234,879	23,848,000
Total net position	128,168,744	128,367,833	92,622,086	91,765,054	220,790,830	220,132,887
Total liabilities, deferred inflows of resources and net position	\$ 204,046,894	\$ 200,644,889	\$ 114,803,945	\$ 116,364,903	\$ 318,850,839	\$ 317,009,792

A portion of the Town's net position (81%) reflects its investment of \$179,108,196 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, \$28,447,755, 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, \$13,234,879, or 6%, 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.

Town of Prescott Valley, Arizona

Analysis of Changes in Net Position

For the current fiscal year, the Town's net position increased by \$5,270,046.

Town of Prescott Valley, Arizona

Changes in Net Position

June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 3,557,483	\$ 3,243,035	\$ 12,813,822	\$ 13,018,376	\$ 16,371,305	\$ 16,261,411
Operating grants and contributions	1,505,325	2,735,533	-	-	1,505,325	2,735,533
Capital grants and contributions	4,842,756	4,679,348	2,764,541	1,788,914	7,607,297	6,468,262
General revenues:						
Taxes and franchise fees	17,942,673	15,752,088	-	-	17,942,673	15,752,088
Intergovernmental	15,415,689	14,509,668	-	-	15,415,689	14,509,668
Interest and investment income	213,461	255,481	183,599	132,069	397,060	387,550
Other	-	75,016	11,834	66,297	11,834	141,313
Total revenues	<u>43,477,387</u>	<u>41,250,169</u>	<u>15,773,796</u>	<u>15,005,656</u>	<u>59,251,183</u>	<u>56,255,825</u>
Expenses						
General government	11,232,735	10,053,941	-	-	11,232,735	10,053,941
Public safety	10,567,773	10,207,382	-	-	10,567,773	10,207,382
Culture and recreation	5,233,436	5,126,785	-	-	5,233,436	5,126,785
Public works	3,192,335	3,212,354	-	-	3,192,335	3,212,354
Highways and streets	5,914,736	5,797,407	-	-	5,914,736	5,797,407
Interest on long-term debt	2,923,358	3,257,938	-	-	2,923,358	3,257,938
Wastewater utility	-	-	6,805,036	6,213,772	6,805,036	6,213,772
Prescott Valley water system	-	-	8,111,728	7,395,511	8,111,728	7,395,511
Total expenses	<u>39,064,373</u>	<u>37,655,807</u>	<u>14,916,764</u>	<u>13,609,283</u>	<u>53,981,137</u>	<u>51,265,090</u>
Increase (decrease) in net position	4,413,014	3,594,362	857,032	1,396,373	5,270,046	4,990,735
Total net position - June 30, 2014, as previously reported	128,367,833	124,773,471	91,765,054	90,368,681	220,132,887	215,142,152
Net effect of prior period adjustments	(4,612,103)	-	-	-	(4,612,103)	-
Total net position - July 1, 2014, as restated	<u>123,755,730</u>	<u>124,773,471</u>	<u>91,765,054</u>	<u>90,368,681</u>	<u>215,520,784</u>	<u>215,142,152</u>
Net position at end of year	<u>\$ 128,168,744</u>	<u>\$ 128,367,833</u>	<u>\$ 92,622,086</u>	<u>\$ 91,765,054</u>	<u>\$ 220,790,830</u>	<u>\$ 220,132,887</u>

Governmental activities. Governmental activities increased the Town's net position by \$4,413,014. Key factors of this increase are as follows:

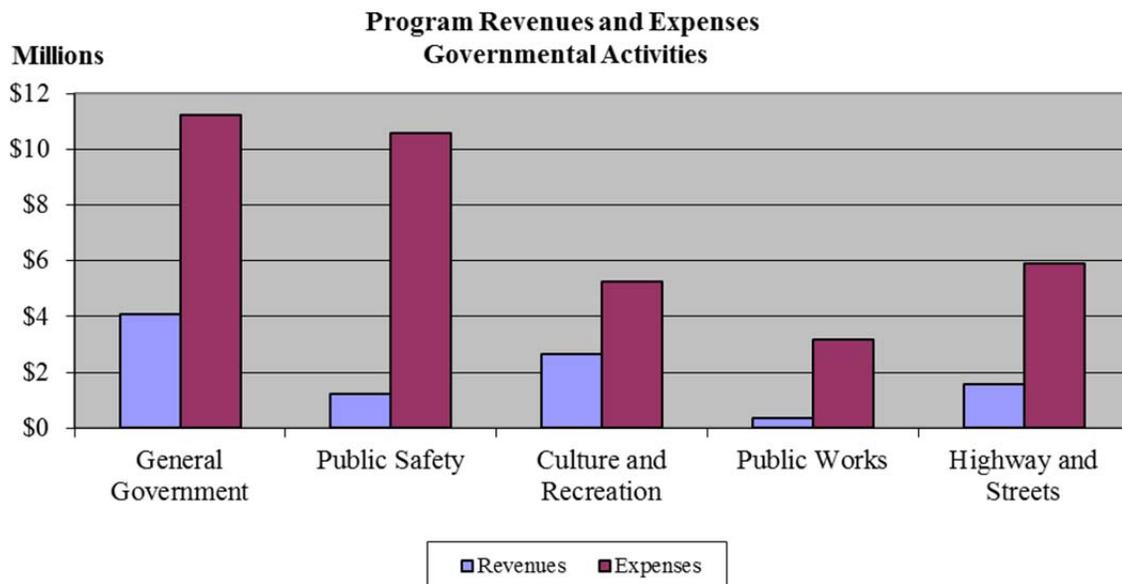
- Total revenues for governmental funds increased by \$2,227,218 over the previous fiscal year.
 - Charges for services increased by \$314,448 over the prior fiscal year. For the fiscal year 2014/15, 429 permits were issued compared to 366 the previous year; an increase of 17%. There was an increase in building and related permit revenues of \$527,532, an increase in property rentals of \$7,669, and an increase in Library fines of \$8,965. Building and related charges for services decreased by \$40,968. Court fines decreased by \$120,997 due to the elimination of photo radar at the beginning of the prior year. Other revenues decreased by \$63,408 mainly due to lower than prior year revenues received from sale of capital assets, insurance proceeds and refunds and reimbursements.
 - Operating grants and contributions decreased by \$1,230,208. Operating contributions decreased by \$1,031,900 over the previous year mainly due to the refinancing of Quailwood Meadows and Pronghorn Ranch in the prior year. Operating grants decreased by \$206,788 due to a reduction in funding received from the Arizona Department of Housing's Home Investment Partnership Program.
 - Capital grants and contributions increased by \$163,408. For the fiscal year 2014/15, capital contributions increased by \$199,869 which was primarily due to donated assets received from

Town of Prescott Valley, Arizona

developers. Capital grants increased by \$73,547 while impact fees decreased by \$120,175 due to lower than prior year Street impact fee revenues.

- The Town’s tax and franchise revenues increased in fiscal year 2014/15 by \$2,190,585. Sales and use tax collections increased by \$2,028,916, with retail sales taxes increasing by 24% and construction decreasing 16% over the prior year.
 - Intergovernmental revenues increased by \$906,021 in fiscal year 2014/15. State-shared sales tax increased \$168,720, or 5%, state revenue sharing increased by \$361,621, or 9%, highway user revenue increased by \$94,082, or 3.5%, over the previous year.
 - Investment earnings decreased by \$42,020 over the previous year primarily due to an increase in interest earnings of \$46,854 offset by an \$88,874 decrease in market value of the investment portfolio as reported in fiscal year 2013/14. The average yield on investments for fiscal year 2014/15 was 1.21% compared to .81% in fiscal year 2013/14.
 - Other revenues decreased by \$75,016 due to no contributions from Northcentral University in fiscal year 2014/15.
- Total expenses increased by \$1,408,566 over the previous year. This increase is accounted for by:
 - General Government increased by \$1,178,794 over the previous year. This increase is attributed to more developer reimbursement payments being made in the current fiscal year compared to the prior year.
 - Public Safety increased by \$360,391 over the previous year. The increase is mainly the result of an increase in Public Safety workers’ compensation costs.
 - Culture and Recreation increased by \$106,651 over the previous year. This increase is primarily due to an increase in personnel benefit costs associated with operating the Library and Parks and Recreation departments.
 - Public Works decreased by \$20,019 over the previous year. This decrease is primarily due to reduced Community Development grant expenditures.
 - Highway and Streets increased by \$117,329 from the previous year. This increase is primarily attributed to additional funding in the Town’s chip seal and AC overlay street maintenance programs.
 - Interest on Long-Term Debt decreased by \$334,580 from the previous year due to bond issuance costs incurred in the prior year.

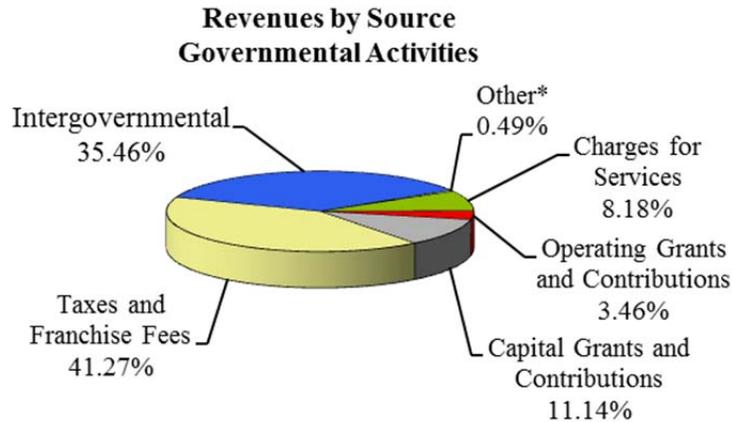
The chart below illustrates the Town’s governmental expenses and revenues by function.



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 31% and 29% respectively, followed by Highways and Streets at 16%.

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 41% of the total. Intergovernmental revenues (e.g. state-shared sales tax, state revenue sharing and auto lieu) account for 35% of the total.



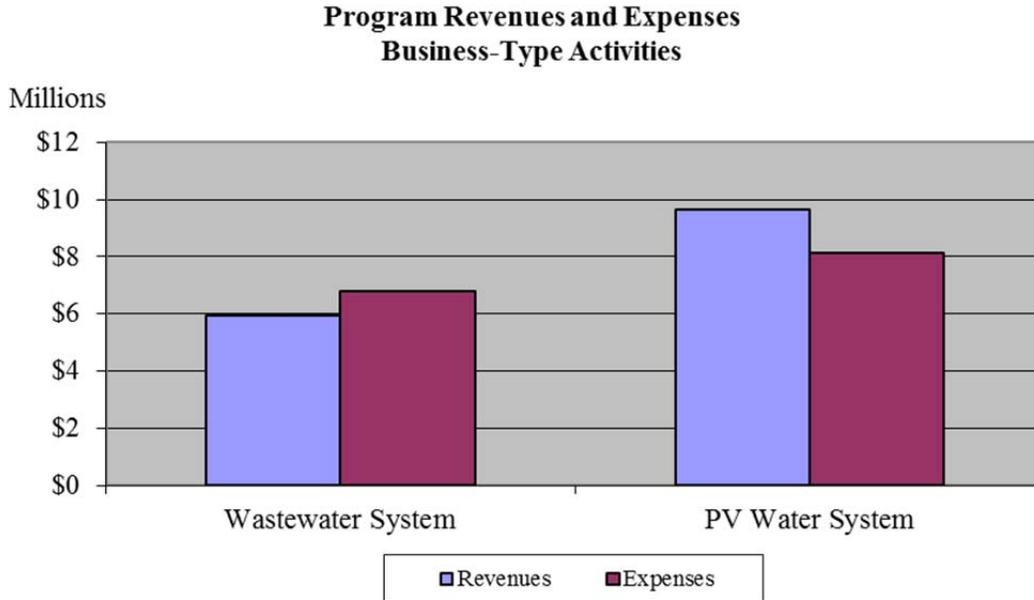
*Other includes interest and investment income.

Business-type activities. Business-type activities increased the Town’s net position by \$857,032. Key factors of this increase are as follows:

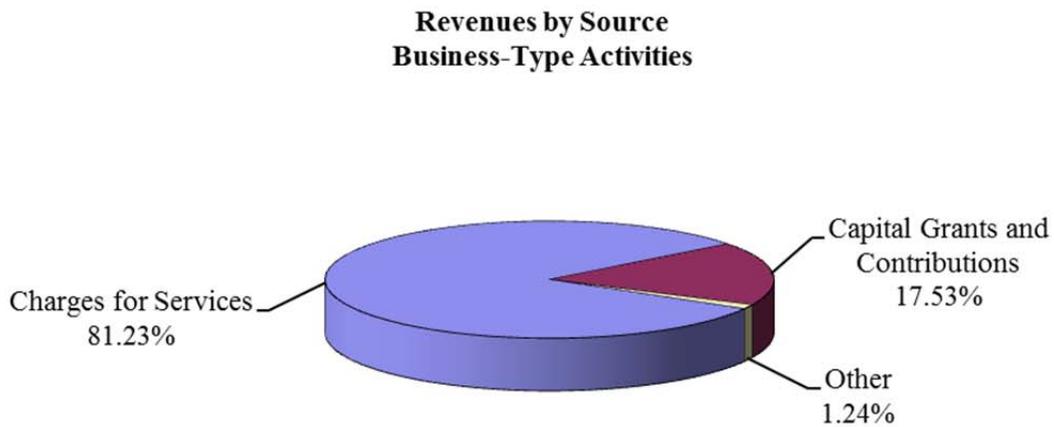
- Total revenues for business-type activities increased by \$768,140, with the majority of the increase being attributable to the following:
 - The number of Water System customers increased by 382 and consumption decreased by approximately 52.4 million gallons. The number of Wastewater System customers increased by 335 and consumption increased by approximately 27.3 million gallons. Wastewater System user charges increased by \$2,018 and Water System user charges decreased by \$206,948.
 - Capital grants and contributions increased by \$975,627. Connection fee revenue (e.g. water resource and capacity fees) related to new housing permits issued, decreased by \$285,618 over the previous year. Infrastructure contributions from developers increased by \$1,261,245 over fiscal year 2013/14.
- Total expenses increased by \$1,307,481 over the previous year. The increases were primarily attributed to the following:
 - Administration and professional services increased by \$410,256.
 - Utilities increased by \$71,915.
 - Repairs and maintenance increased by \$638,629.
 - Supplies expense increased by \$189,587.
 - Depreciation and amortization expenses increased by \$84,539.
 - Interest expense decreased by \$88,194.

Town of Prescott Valley, Arizona

As shown in the chart below, the Prescott Valley Water System had expenses of approximately \$8.1 million with Wastewater expenses totaling approximately \$6.8 million. For the fiscal year, the Prescott Valley Water System revenues exceeded expenses by \$1,526,030, while the Wastewater expenses exceeded revenues by \$864,431.



Charges for services (e.g. usage fees) are the largest single source of funds for 81% 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 18% 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 \$39,179,039, an increase of \$2,468,212. Approximately \$3.4 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 (\$5.9 million) for inventory, prepaid items and advances to other funds, 2) restricted (\$26.7 million) for special revenue funds, capital improvement funds, community facilities districts and debt service, and 3) committed (\$3.1 million) for capital project growth savings and asset replacement.

Revenues for governmental functions overall totaled \$41,374,353 in the fiscal year ended June 30, 2015, which represents an increase of \$1,982,344 from the fiscal year ended June 30, 2014. Expenditures for governmental functions totaled \$38,906,141, an increase of \$2,426,066, or about 7% from the fiscal year ended June 30, 2014. In the fiscal year ended June 30, 2015, revenues exceeded expenditures for governmental functions by \$2,468,212.

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 \$7,424,030. 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 30% of total general fund expenditures of \$24,622,009.

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, 2015, the Town had set aside 26% of general fund revenues.

The fund balance of the Town's general fund increased by \$2,349,214 during the current fiscal year. This is \$2,470,877 higher than the budgeted decrease of \$121,663.

The HURF fund has a total fund balance of \$1,643,594. The net decrease in fund balance during the current year was \$691,364. This decrease is \$470,973 lower than the budgeted decrease of \$1,162,337. This decrease 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 \$60,000 from the general fund.

The Development Impact Fees fund had a negative total fund balance of \$1,076,508 for the current year. The net decrease in fund balance was \$129,433. Total revenues were \$1,417,293, offset by capital expenditures of \$382,008 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 \$13,933,462 for the current year. The net decrease in fund balance was \$46,222.

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 \$92,622,086, an increase of \$857,032. At the end of the fiscal year, unrestricted net position for the Prescott Valley Water System and Wastewater System was \$7,424,206, a decrease of \$2.68 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, 2015, 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, 2015, 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. A Water volume rate increase was approved for the Prescott Valley Water System for the fiscal year 2015/16.

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 changed slightly from the original budget in fiscal year 2014/15 due to a transfer from the grant fund to the general fund for anticipated costs related to a mid-decadal census. All other 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 \$121,663. Actual results in the general fund's performance resulted in revenues over expenditures and transfers in the fiscal year ended June 30, 2015 of \$2,349,214, a net difference of \$2,470,877. The difference was primarily attributable to the following reasons:

- Revenue results were over budget by \$2,355,310. Transaction Privilege Tax revenues (TPT) were above estimates by \$1,335,677; licenses and permit revenues for building and related permits were \$823,531 over budget; intergovernmental revenues combined were over budget by \$122,835 due to a variety of reasons: 1) the Yavapai County, HUSD and YCC funding was \$14,554 lower than budgeted, and 2) the Yavapai County Library funding was \$21,166 below the amount budgeted; other revenues were higher than the budget by \$73,267.
- Capital outlay had a positive variance to budget of \$76,419 mainly due to Right of Way Acquisition: Glassford Hill Trail & StoneRidge Path project being delayed until next fiscal year.
- Net budgeted transfers in/out to other funds varied from estimate by \$23,678.

Town of Prescott Valley, Arizona

- Culture and recreation had a negative variance to budget of \$117,124 due to increased personnel benefit costs in both the Library and Parks and Recreation departments.

Capital Assets

The Town’s capital assets for its governmental and business-type activities as of June 30, 2015, amount to \$259,470,529 (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 0.89% 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, 2015

	Governmental Activities	Business-Type Activities	Total
Land	\$ 9,160,557	\$ 1,027,578	\$ 10,188,135
Buildings	26,205,914	104,423	26,310,337
Improvements other than buildings	9,911,721	17,738,697	27,650,418
Machinery and equipment	1,892,140	1,548,267	3,440,407
Infrastructure	106,348,202	79,312,100	185,660,302
Construction in progress	1,004,416	5,216,514	6,220,930
Total	\$ 154,522,950	\$ 104,947,579	\$ 259,470,529

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

Governmental activities:

- Buildings decreased by \$853,864 due to completion of Interview Room Soundproofing in the Police Department building offset by depreciation.
- Improvements other than buildings decreased by \$394,959, mainly due to improvements to Antelope Park and completion of Civic Center Stage offset by depreciation.
- Machinery and equipment decreased by \$19,012, primarily due to the purchase of vehicles and equipment for various departments, purchase of office and computer equipment, playground for Tonto Park and reductions through the Town’s surplus auction process offset by depreciation.
- Infrastructure decreased by \$328,977, which includes completion of Tonopah Stormwater Management Phase II and Loos Drive Widening Phase IV projects and developer contributions of drainage and roadway and paving offset by depreciation.
- Construction in progress increased by a net of \$52,921 due to the completion of Enterprise Parkway, Ortiz Street Rehabilitation projects offset by current year additions to governmental activities including Agua Fria Drainage Project, Lakeshore Drive Improvements, Viewpoint Stormwater and Glassford Hill Trail projects.

Business-type activities:

- Land increased by \$2,180 due to purchase of easement related to High School Sewer Upsize and Northside Sewer projects.
- Buildings decreased by \$181,181 due to depreciation.
- Improvements other than buildings decreased by \$748,254 due to completion of Long Mesa Yard Paving work and installation of inter-ties for booster station offset by depreciation.

Town of Prescott Valley, Arizona

- Machinery and equipment increased by \$28,459 primarily due to purchase of six anoxic basin mixers and vehicles for Wastewater System; and purchase of Flex Net system, vehicles and equipment, and emergency transfer switches for PV Water System offset by depreciation.
- Infrastructure increased by \$284,213, which includes developer contributions of waterlines, sewers and fire hydrants offset by depreciation.
- Construction in progress decreased by \$148,541. This decrease resulted from the completion of High School Sewer Upsize project, Northside Sewer project, Short Mesa Connector and Ortiz Street Rehabilitation projects offset by current year of Chlorine Containment, Glassford Hill Trail and Treatment Plant Storage Building projects to business-type activities construction in progress.

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 \$93.1 million, a decrease of \$5.4 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 \$24.8 million. Certificates of Participation equal \$11.4 million to pay for costs related to the construction of the Library.

Total outstanding *ad valorem* bonds issued for community facilities districts equaled approximately \$22.7 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 \$8.2 million, Pronghorn Ranch of \$5.9 million, Quailwood Meadows of \$5.6 million and Parkway No. 1 of \$2.9 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 (\$585,000) 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 (\$180,149) 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.

The Town's net pension liability for the Public Safety Personnel Retirement System (PSPRS) is \$6,779,416. Additional information regarding this liability is located in Section IV.E of the notes to the financial statements.

Business-Type Activities

Outstanding debt associated with business-type activities totaled approximately \$20.4 million. This represents \$6.9 million for the Prescott Valley Water System, \$4.5 million for the Wastewater System and \$9.0 million in WIFA loans for the Town's wastewater utility.

Town of Prescott Valley, Arizona

Town of Prescott Valley, Arizona

Outstanding Debt

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Municipal Property Corporation bonds	\$ 24,815,000	\$ -	\$ 24,815,000
Certificates of Participation	11,390,000	-	11,390,000
Community facilities district general obligation bonds	22,710,000	-	22,710,000
Community facilities district special assessment lien bonds	2,655,000	-	2,655,000
Community facilities district long-term loan payable	180,149	-	180,149
Less: deferred amounts			
For issuance premiums	1,290,724	-	1,290,724
Net pension liability	6,779,416	-	6,779,416
Long-term obligations	1,446,911	-	1,446,911
Compensated absences	1,420,103	-	1,420,103
Revenue bonds	-	11,160,000	11,160,000
Long-term loan payable	-	8,998,369	8,998,369
Premium	-	286,467	286,467
Total long-term liabilities	<u>\$ 72,687,303</u>	<u>\$ 20,444,836</u>	<u>\$ 93,132,139</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, 2015 is \$15.9 million in the 6% capacity and \$53.1 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, 2015 were:

	Moody's Investors Services	Standard and Poor's Rating Group	Fitch Investors Service, Inc.
Municipal Property Corporation (Series 2004)	---	---	AA-
Municipal Property Corporation (Series 2011)	---	AA-	AA-
Municipal Property Corporation (Series 2012)	---	AA-	---
Municipal Property Corporation, Water Revenue Refunding Bonds (Series 2008)	A2	AA-	---

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2014/15 shows signs of a stabilizing economy nationwide and in the Prescott Valley area.
- Unemployment rate as of June 2015 was 5.7% for the Town and 5.9% for the State.
- Growth occurred in the retail and restaurant segments during the fiscal year, some of which was attributed to the recent openings of Little Dealer Little Prices, Men's Wearhouse, ULTA Beauty, Sprouts Farmers Market, TJ Maxx, and Chipotle Mexican Grill. Ross Dress for Less and Earnhardt Volkswagen dealership are expected to open during fiscal year 2015/16.
- Residential housing construction starts are a major factor in the Town's growth; they continue to see positive growth.

All of the above factors were considered in preparing the Town's budget for fiscal year 2015/16. The budget for the fiscal year 2015/16 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, 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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 20,231,623	\$ 18,995,955	\$ 39,227,578
Accounts receivable (net of uncollectible amounts)			
Intergovernmental	1,712,623	-	1,712,623
Charges for services	-	884,660	884,660
Grants	447,168	-	447,168
Interest and other	44,891	46,642	91,533
Special assessments	2,533,978	-	2,533,978
Miscellaneous	617,183	-	617,183
Internal balances	11,420,000	(11,420,000)	-
Supplies inventory	-	9,738	9,738
Prepaid items	40,526	-	40,526
Total current assets	37,047,992	8,516,995	45,564,987
Noncurrent assets:			
Restricted cash and cash equivalents	7,364,833	644,234	8,009,067
Capital assets:			
Land and construction in progress	10,164,973	6,244,092	16,409,065
Facilities, infrastructure, and equipment (net of depreciation)	144,357,977	98,703,487	243,061,464
Total noncurrent assets	161,887,783	105,591,813	267,479,596
Total assets	198,935,775	114,108,808	313,044,583
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,682,880	-	2,682,880
Deferred charges on refunding	2,428,239	695,137	3,123,376
Total deferred outflows of resources	5,111,119	695,137	5,806,256
LIABILITIES			
Current liabilities:			
Accounts payable	1,371,042	1,057,583	2,428,625
Accrued payroll	806,238	23,706	829,944
Long-term liabilities - due within one year	4,292,547	2,787,309	7,079,856
Total current liabilities	6,469,827	3,868,598	10,338,425
Noncurrent liabilities:			
Customer advances and deposits	196,805	575,167	771,972
Unearned revenue	293,064	80,567	373,631
Long-term liabilities - due in more than one year	68,394,756	17,657,527	86,052,283
Total noncurrent liabilities	68,884,625	18,313,261	87,197,886
Total liabilities	75,354,452	22,181,859	97,536,311
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	523,698	-	523,698
Total deferred inflows of resources	523,698	-	523,698
NET POSITION			
Net investment in capital assets	93,910,316	85,197,880	179,108,196
Restricted for:			
Capital projects	8,581,483	-	8,581,483
Community facilities districts	531,167	-	531,167
Debt service	16,558,243	-	16,558,243
Grantor and contributor purposes	1,134,053	-	1,134,053
Street improvements	1,642,809	-	1,642,809
Unrestricted	5,810,673	7,424,206	13,234,879
Total net position	\$ 128,168,744	\$ 92,622,086	\$ 220,790,830

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, 2015

Function/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 11,232,735	\$ 3,254,576	\$ 22,762
Public safety	10,567,773	60,724	1,023,150
Culture and recreation	5,233,436	234,966	3,639
Public works	3,192,335	-	219,502
Highways and streets	5,914,736	7,217	236,272
Interest on long-term debt	2,923,358	-	-
Total governmental activities	39,064,373	3,557,483	1,505,325
Business-type activities:			
Wastewater utility	6,805,036	4,981,299	-
Prescott Valley water system	8,111,728	7,832,523	-
Total business-type activities	14,916,764	12,813,822	-
Total primary government	\$ 53,981,137	\$ 16,371,305	\$ 1,505,325

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

Change in net position

Total net position - June 30, 2014, as previously reported

Net pension liability

Deferred outflows - employer contributions

Total net position - July 1, 2014, 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
\$ 797,750	\$ (7,157,647)	\$ -	\$ (7,157,647)
153,692	(9,330,207)	-	(9,330,207)
2,428,938	(2,565,893)	-	(2,565,893)
153,900	(2,818,933)	-	(2,818,933)
1,308,476	(4,362,771)	-	(4,362,771)
-	(2,923,358)	-	(2,923,358)
4,842,756	(29,158,809)	-	(29,158,809)
959,306	-	(864,431)	(864,431)
1,805,235	-	1,526,030	1,526,030
2,764,541	-	661,599	661,599
\$ 7,607,297	(29,158,809)	661,599	(28,497,210)
	15,577,231	-	15,577,231
	610,627	-	610,627
	1,754,815	-	1,754,815
	3,547,894	-	3,547,894
	4,699,643	-	4,699,643
	3,024,969	-	3,024,969
	4,143,183	-	4,143,183
	213,461	183,599	397,060
	-	11,834	11,834
	33,571,823	195,433	33,767,256
	4,413,014	857,032	5,270,046
	128,367,833	91,765,054	220,132,887
	(5,351,793)	-	(5,351,793)
	739,690	-	739,690
	123,755,730	91,765,054	215,520,784
\$	\$ 128,168,744	\$ 92,622,086	\$ 220,790,830

Town of Prescott Valley, Arizona

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Highway Users Revenue Fund	Development Impact Fees Fund
ASSETS			
Cash and investments	\$ 9,430,164	\$ 1,479,416	\$ 2,732,478
Restricted cash and investments	376,417	-	-
Receivables (net of allowance for uncollectibles)			
Grants	-	-	-
Interest	21,034	4,741	5,656
Intergovernmental	1,424,578	288,045	-
Special assessments	-	-	-
Miscellaneous	433,023	-	-
Due from other funds	1,221,911	-	181,309
Prepaid items	37,141	785	-
Advances to other funds	5,901,709	-	-
Total assets	<u>\$ 18,845,977</u>	<u>\$ 1,772,987</u>	<u>\$ 2,919,443</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,122,721	\$ 92,607	\$ -
Accrued payroll	756,822	36,786	-
Due to other funds	-	-	-
Unearned revenue:			
Court	169,698	-	-
Other	123,216	-	-
Guaranty and other deposits	196,805	-	-
Advance from other funds	-	-	3,995,951
Total liabilities	<u>2,369,262</u>	<u>129,393</u>	<u>3,995,951</u>
Deferred inflows of resources:			
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	5,938,850	785	-
Restricted	-	1,642,809	2,738,133
Committed	3,113,835	-	-
Unassigned	7,424,030	-	(3,814,641)
Total fund balances	<u>16,476,715</u>	<u>1,643,594</u>	<u>(1,076,508)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,845,977</u>	<u>\$ 1,772,987</u>	<u>\$ 2,919,443</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
\$ -	\$ 6,556,906	\$ 20,198,964
3,983,033	3,005,383	7,364,833
-	447,168	447,168
-	13,460	44,891
-	-	1,712,623
-	2,533,978	2,533,978
-	184,160	617,183
-	620,741	2,023,961
-	2,600	40,526
11,420,000	-	17,321,709
<u>\$ 15,403,033</u>	<u>\$ 13,364,396</u>	<u>\$ 52,305,836</u>
\$ -	\$ 155,714	\$ 1,371,042
-	12,630	806,238
1,469,571	554,390	2,023,961
-	-	169,698
-	150	123,366
-	-	196,805
-	1,905,758	5,901,709
<u>1,469,571</u>	<u>2,628,642</u>	<u>10,592,819</u>
-	2,533,978	2,533,978
-	2,533,978	2,533,978
-	2,600	5,942,235
13,933,462	8,379,866	26,694,270
-	-	3,113,835
-	(180,690)	3,428,699
<u>13,933,462</u>	<u>8,201,776</u>	<u>39,179,039</u>
<u>\$ 15,403,033</u>	<u>\$ 13,364,396</u>	<u>\$ 52,305,836</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, 2015

Fund balances - total governmental funds balance sheet \$ 39,179,039

Amounts reported for governmental activities in the statement 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	234,561,394	
Less: accumulated depreciation	<u>(80,038,444)</u>	154,522,950

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		32,659
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Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(63,040,873)	
Net pension liability	(6,779,416)	
Long-term obligations	(1,446,911)	
Compensated absences	<u>(1,420,103)</u>	(72,687,303)

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore are not reported in the funds.

Deferred charges on refunding	2,428,239	
Deferred outflows of resources	2,682,880	
Deferred inflows of resources	<u>(523,698)</u>	4,587,421

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

Special assessments		<u>2,533,978</u>
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Net position of governmental activities - statement of net position		<u><u>\$ 128,168,744</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, 2015

	General Fund	Highway Users Revenue Fund	Development Impact Fees Fund
REVENUES			
Taxes - local	\$ 13,214,007	\$ -	\$ -
Taxes - intergovernmental	12,390,720	3,024,969	-
Taxes - property	-	-	-
Licenses and permits:			
Business and liquor licenses	148,257	-	-
Building and related permits	2,148,531	-	-
Charges for services:			
Building and related	71,809	-	-
Recreation fees	195,140	-	-
Other	32,932	7,217	-
Fines and forfeitures:			
Court fines	471,539	-	-
Library	28,350	-	-
Special assessments	-	-	-
Property rental	170,909	-	-
Interest earnings	79,018	17,071	18,864
Intergovernmental:			
Federal grants	-	-	-
State grants	-	-	-
Contributions	22,805	-	1,398,429
Other	62,628	8,480	-
Total revenues	<u>29,036,645</u>	<u>3,057,737</u>	<u>1,417,293</u>
EXPENDITURES			
Current:			
General government	9,699,576	-	-
Public safety	8,976,054	-	-
Culture and recreation	3,747,906	-	-
Public works	1,161,354	-	-
Highways and streets	-	2,162,262	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	1,037,119	358,979	382,008
Total expenditures	<u>24,622,009</u>	<u>2,521,241</u>	<u>382,008</u>
Excess (deficiency) of revenues over expenditures	<u>4,414,636</u>	<u>536,496</u>	<u>1,035,285</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	60,000	14,197
Transfers out	(2,065,422)	(1,287,860)	(1,178,915)
Total other financing sources and uses	<u>(2,065,422)</u>	<u>(1,227,860)</u>	<u>(1,164,718)</u>
Net change in fund balances	2,349,214	(691,364)	(129,433)
Fund balances - beginning	14,127,501	2,334,958	(947,075)
Fund balances - ending	<u>\$ 16,476,715</u>	<u>\$ 1,643,594</u>	<u>\$ (1,076,508)</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
\$ -	\$ 2,973,851	\$ 16,187,858
-	-	15,415,689
-	1,754,815	1,754,815
-	-	148,257
-	-	2,148,531
-	-	71,809
-	-	195,140
-	-	40,149
-	51,562	523,101
-	-	28,350
-	562,637	562,637
-	168,609	339,518
420	49,770	165,143
-	988,040	988,040
-	1,085,182	1,085,182
-	227,792	1,649,026
-	-	71,108
420	7,862,258	41,374,353
-	966,813	10,666,389
-	1,077,879	10,053,933
-	3,639	3,751,545
-	219,502	1,380,856
-	-	2,162,262
1,815,000	1,921,248	3,736,248
1,085,171	1,726,114	2,811,285
-	2,565,517	4,343,623
2,900,171	8,480,712	38,906,141
(2,899,751)	(618,454)	2,468,212
2,853,529	2,526,413	5,454,139
-	(921,942)	(5,454,139)
2,853,529	1,604,471	-
(46,222)	986,017	2,468,212
13,979,684	7,215,759	36,710,827
\$ 13,933,462	\$ 8,201,776	\$ 39,179,039

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, 2015

Net change in fund balances - total governmental funds \$ 2,468,212

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	4,343,623	
Less amount not capitalized	(314,252)	
Less disposal of assets	(24,288)	
Less current year depreciation	<u>(8,012,427)</u>	(4,007,344)

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities. 2,463,453

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	(139,723)	
Amortization of deferred bond items	<u>(112,073)</u>	(251,796)

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 48,318

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:

Payment of long-term obligations	372,791	
Principal payments on debt	<u>3,736,248</u>	4,109,039

Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	855,036	
Pension expense	<u>(863,167)</u>	(8,131)

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		(408,737)
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Change in net position of governmental activities - statement of activities \$ 4,413,014

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ 11,469,000	\$ 11,469,000	\$ 12,804,677	\$ 1,335,677
Cable TV franchise	200,000	200,000	209,017	9,017
Light and power franchise	225,000	225,000	200,313	(24,687)
Licenses and permits:				
Business and liquor licenses	136,800	136,800	148,257	11,457
Building and related permits	1,325,000	1,325,000	2,148,531	823,531
Intergovernmental:				
State revenue sharing	4,699,367	4,699,367	4,699,643	276
Auto lieu	2,142,776	2,142,776	2,259,164	116,388
State-shared sales	3,507,893	3,507,893	3,547,894	40,001
Other intergovernmental	1,917,849	1,917,849	1,884,019	(33,830)
Charges for services:				
Building and related	118,550	118,550	71,809	(46,741)
Recreation fees	199,000	199,000	195,140	(3,860)
Other	26,000	26,000	32,932	6,932
Fines and forfeitures:				
Court fines	394,000	394,000	471,539	77,539
Library fines	19,000	19,000	28,350	9,350
Interest earnings	75,500	75,500	79,018	3,518
Property rental	155,000	155,000	170,909	15,909
Contributions	-	-	22,805	22,805
Other	70,600	70,600	62,628	(7,972)
Total revenues	<u>26,681,335</u>	<u>26,681,335</u>	<u>29,036,645</u>	<u>2,355,310</u>
EXPENDITURES				
Current:				
General government:				
Council				
Personnel services	51,152	51,152	52,075	(923)
Operating expenditures	63,395	63,395	61,745	1,650
Total Council	<u>114,547</u>	<u>114,547</u>	<u>113,820</u>	<u>727</u>
Executive Management				
Personnel services	691,918	691,918	712,447	(20,529)
Operating expenditures	43,410	43,410	34,439	8,971
Total Executive Management	<u>735,328</u>	<u>735,328</u>	<u>746,886</u>	<u>(11,558)</u>
Human Resources				
Personnel services	232,462	232,462	243,362	(10,900)
Operating expenditures	101,744	99,849	93,434	6,415
Total Human Resources	<u>334,206</u>	<u>332,311</u>	<u>336,796</u>	<u>(4,485)</u>
Town Clerk				
Personnel services	222,301	222,301	230,113	(7,812)
Operating expenditures	57,577	57,577	46,047	11,530
Total Town Clerk	<u>279,878</u>	<u>279,878</u>	<u>276,160</u>	<u>3,718</u>

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Management Services				
Personnel services	1,463,062	1,463,062	1,434,372	28,690
Operating expenditures	580,061	580,061	602,890	(22,829)
Total Management Services	2,043,123	2,043,123	2,037,262	5,861
Legal				
Personnel services	580,089	580,089	596,283	(16,194)
Operating expenditures	133,201	133,201	50,830	82,371
Total Legal	713,290	713,290	647,113	66,177
Magistrate Court				
Personnel services	497,224	497,224	507,355	(10,131)
Operating expenditures	52,180	52,180	42,665	9,515
Total Magistrate Court	549,404	549,404	550,020	(616)
Facilities and Fleet Maintenance				
Personnel services	199,099	199,099	187,165	11,934
Operating expenditures	319,277	319,277	322,017	(2,740)
Total Facilities and Fleet Maintenance	518,376	518,376	509,182	9,194
Other-Unclassified				
Operating expenditures	4,167,784	4,481,171	4,482,337	(1,166)
Total Other-Unclassified	4,167,784	4,481,171	4,482,337	(1,166)
Total General Government	9,455,936	9,767,428	9,699,576	67,852
Public safety:				
Building/Safety				
Personnel services	710,929	710,929	636,536	74,393
Operating expenditures	36,645	36,645	24,639	12,006
Total Building/Safety	747,574	747,574	661,175	86,399
Police				
Personnel services	6,586,999	6,586,999	6,751,314	(164,315)
Operating expenditures	1,674,526	1,674,526	1,563,565	110,961
Total Police	8,261,525	8,261,525	8,314,879	(53,354)
Total Public Safety	9,009,099	9,009,099	8,976,054	33,045
Culture and recreation:				
Channel 9				
Personnel services	141,026	141,026	142,768	(1,742)
Operating expenditures	49,350	49,350	47,807	1,543
Total Channel 9	190,376	190,376	190,575	(199)
Parks and Recreation				
Personnel services	987,237	987,237	1,014,837	(27,600)
Operating expenditures	765,794	765,794	778,856	(13,062)
Total Parks and Recreation	1,753,031	1,753,031	1,793,693	(40,662)

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Library				
Personnel services	1,180,837	1,180,837	1,262,650	(81,813)
Operating expenditures	506,538	506,538	500,988	5,550
Total Library	1,687,375	1,687,375	1,763,638	(76,263)
Total Culture and Recreation	3,630,782	3,630,782	3,747,906	(117,124)
Public works:				
Planning and Development				
Personnel services	274,944	274,944	257,601	17,343
Operating expenditures	28,100	28,100	19,839	8,261
Total Planning and Development	303,044	303,044	277,440	25,604
Neighborhood Services				
Personnel services	227,731	227,731	274,233	(46,502)
Operating expenditures	27,830	27,830	20,374	7,456
Total Neighborhood Services	255,561	255,561	294,607	(39,046)
Administrative Hearing Office				
Operating expenditures	4,900	4,900	2,705	2,195
Total Administrative Hearing Office	4,900	4,900	2,705	2,195
Engineering and GIS				
Personnel services	535,131	535,131	504,552	30,579
Operating expenditures	94,415	94,415	82,050	12,365
Total Engineering and GIS	629,546	629,546	586,602	42,944
Total Public Works	1,193,051	1,193,051	1,161,354	31,697
Capital outlay	1,111,643	1,113,538	1,037,119	76,419
Total expenditures	24,400,511	24,713,898	24,622,009	91,889
Excess (deficiency) of revenues over expenditures	2,280,824	1,967,437	4,414,636	2,447,199
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	170,000	-	(170,000)
Transfers out	(2,244,100)	(2,259,100)	(2,065,422)	193,678
Total other financing sources and uses	(2,074,100)	(2,089,100)	(2,065,422)	23,678
Net change in fund balances	206,724	(121,663)	2,349,214	2,470,877
Fund balances - beginning	14,575,000	14,575,000	14,127,501	(447,499)
Fund balances - ending	\$ 14,781,724	\$ 14,453,337	\$ 16,476,715	\$ 2,023,378

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Intergovernmental:				
Highway user tax	\$ 2,763,679	\$ 2,763,679	\$ 3,024,969	\$ 261,290
Charges for services	5,000	5,000	7,217	2,217
Interest earnings	5,000	5,000	17,071	12,071
Other	-	-	8,480	8,480
Total revenues	<u>2,773,679</u>	<u>2,773,679</u>	<u>3,057,737</u>	<u>284,058</u>
EXPENDITURES				
Current:				
Highways and Streets				
Personnel services	799,967	799,967	788,452	11,515
Operating expenditures	1,479,049	1,477,173	1,373,810	103,363
Total Highways and Streets	<u>2,279,016</u>	<u>2,277,140</u>	<u>2,162,262</u>	<u>114,878</u>
Capital outlay	417,000	418,876	358,979	59,897
Total expenditures	<u>2,696,016</u>	<u>2,696,016</u>	<u>2,521,241</u>	<u>174,775</u>
Excess (deficiency) of revenues over expenditures	<u>77,663</u>	<u>77,663</u>	<u>536,496</u>	<u>458,833</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Transfers out	(1,300,000)	(1,300,000)	(1,287,860)	12,140
Total other financing sources and uses	<u>(1,240,000)</u>	<u>(1,240,000)</u>	<u>(1,227,860)</u>	<u>12,140</u>
Net change in fund balances	(1,162,337)	(1,162,337)	(691,364)	470,973
Fund balances - beginning	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,334,958</u>	<u>234,958</u>
Fund balances - ending	<u>\$ 937,663</u>	<u>\$ 937,663</u>	<u>\$ 1,643,594</u>	<u>\$ 705,931</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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 4,500	\$ 4,500	\$ 18,864	\$ 14,364
Impact fees	2,659,618	2,659,618	1,398,429	(1,261,189)
Total revenues	2,664,118	2,664,118	1,417,293	(1,246,825)
EXPENDITURES				
Capital outlay	380,000	380,000	382,008	(2,008)
Total expenditures	380,000	380,000	382,008	(2,008)
Excess (deficiency) of revenues over expenditures	2,284,118	2,284,118	1,035,285	(1,248,833)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	14,197	14,197
Transfers out	(1,180,400)	(1,180,400)	(1,178,915)	1,485
Total other financing sources	(1,180,400)	(1,180,400)	(1,164,718)	15,682
Net change in fund balances	1,103,718	1,103,718	(129,433)	(1,233,151)
Fund balances - beginning	(910,000)	(910,000)	(947,075)	(37,075)
Fund balances - ending	\$ 193,718	\$ 193,718	\$ (1,076,508)	\$ (1,270,226)

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, 2015

	Wastewater	PV Water System	Total
ASSETS			
Current assets:			
Cash and investments	\$ 8,533,529	\$ 10,462,426	\$ 18,995,955
Receivables (net of allowance for uncollectibles)	363,885	520,775	884,660
Interest receivable	22,099	24,543	46,642
Inventories	-	9,738	9,738
Total current assets	8,919,513	11,017,482	19,936,995
Noncurrent assets:			
Restricted cash, cash equivalents	182,446	461,788	644,234
Advance to other funds	1,705,661	-	1,705,661
Capital assets:			
Land	252,281	775,297	1,027,578
Buildings	3,498,027	209,214	3,707,241
Improvements other than buildings	-	28,238,927	28,238,927
Machinery and equipment	6,347,821	1,638,740	7,986,561
Infrastructure	78,970,241	36,250,828	115,221,069
Construction in progress	137,818	5,078,696	5,216,514
Less accumulated depreciation	(37,843,830)	(18,606,481)	(56,450,311)
Total capital assets (net of accumulated depreciation)	51,362,358	53,585,221	104,947,579
Total noncurrent assets	53,250,465	54,047,009	107,297,474
Total assets	62,169,978	65,064,491	127,234,469
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	210,804	484,333	695,137
Total deferred outflows of resources	\$ 210,804	\$ 484,333	\$ 695,137

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, 2015

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 538,267	\$ 519,316	\$ 1,057,583
Accrued payroll	8,103	15,603	23,706
Notes payable - due within one year	717,309	-	717,309
Bonds payable - due within one year	490,000	1,580,000	2,070,000
Total current liabilities	<u>1,753,679</u>	<u>2,114,919</u>	<u>3,868,598</u>
Noncurrent liabilities:			
Customer advances and deposits	182,446	392,721	575,167
Unearned revenue	-	80,567	80,567
Notes payable	8,281,060	-	8,281,060
Bonds payable, net of unamortized discounts	4,013,133	5,363,334	9,376,467
Advance from other funds	-	13,125,661	13,125,661
Total noncurrent liabilities	<u>12,476,639</u>	<u>18,962,283</u>	<u>31,438,922</u>
Total liabilities	<u>14,230,318</u>	<u>21,077,202</u>	<u>35,307,520</u>
NET POSITION			
Net investment in capital assets	38,071,660	47,126,220	85,197,880
Unrestricted	10,078,804	(2,654,598)	7,424,206
Total net position	<u>\$ 48,150,464</u>	<u>\$ 44,471,622</u>	<u>\$ 92,622,086</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, 2015

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
OPERATING REVENUES			
Charges for sales and services	\$ 4,870,642	\$ 7,556,054	\$ 12,426,696
Other	110,657	276,469	387,126
Total operating revenues	<u>4,981,299</u>	<u>7,832,523</u>	<u>12,813,822</u>
OPERATING EXPENSES			
Administration	518,557	770,350	1,288,907
Professional	1,459,295	2,676,357	4,135,652
Technical	875	875	1,750
Utilities	607,925	1,008,373	1,616,298
Repairs and maintenance	765,420	632,020	1,397,440
Supplies	53,891	507,037	560,928
Capital outlay	41,534	206,171	247,705
Depreciation and amortization	2,870,219	1,661,036	4,531,255
Other	7,368	167,081	174,449
Total operating expenses	<u>6,325,084</u>	<u>7,629,300</u>	<u>13,954,384</u>
Operating income (loss)	(1,343,785)	203,223	(1,140,562)
NON-OPERATING REVENUES (EXPENSES)			
Capital utility connection charges	480,077	629,267	1,109,344
Investment and rental income	52,025	131,574	183,599
Interest expense	(452,170)	(358,800)	(810,970)
Other expenses	(27,782)	(123,628)	(151,410)
Other revenues	-	11,834	11,834
Net non-operating revenues (expenses)	<u>52,150</u>	<u>290,247</u>	<u>342,397</u>
Income (loss) before transfers	(1,291,635)	493,470	(798,165)
Capital contributions	479,229	1,175,968	1,655,197
Transfers in	171,202	-	171,202
Transfers out	-	(171,202)	(171,202)
Total transfers and capital contributions	<u>650,431</u>	<u>1,004,766</u>	<u>1,655,197</u>
Change in net position	(641,204)	1,498,236	857,032
Total net position - beginning	<u>48,791,668</u>	<u>42,973,386</u>	<u>91,765,054</u>
Total net position - ending	<u>\$ 48,150,464</u>	<u>\$ 44,471,622</u>	<u>\$ 92,622,086</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, 2015

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 4,957,963	\$ 7,853,010	\$ 12,810,973
Payments to suppliers	(2,959,212)	(5,529,941)	(8,489,153)
Payments to employees	(179,078)	(343,808)	(522,886)
Other operating revenues	-	11,834	11,834
Net cash provided by operating activities	<u>1,819,673</u>	<u>1,991,095</u>	<u>3,810,768</u>
Cash flows from noncapital financing activities			
Transfer from other funds	171,202	-	171,202
Transfer to other funds	-	(171,202)	(171,202)
Advances (to) from other funds	<u>(138,540)</u>	<u>138,540</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>32,662</u>	<u>(32,662)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Utility connection charges	480,077	629,267	1,109,344
Acquisition and construction of property and equipment	(1,880,418)	(289,993)	(2,170,411)
Principal paid on capital debt	(1,174,322)	(1,535,000)	(2,709,322)
Interest paid on capital debt	<u>(452,170)</u>	<u>(358,800)</u>	<u>(810,970)</u>
Net cash used by capital and related financing activities	<u>(3,026,833)</u>	<u>(1,554,526)</u>	<u>(4,581,359)</u>
Cash flows from investing activities			
Interest and dividends received	<u>48,567</u>	<u>127,450</u>	<u>176,017</u>
Net cash provided by investing activities	<u>48,567</u>	<u>127,450</u>	<u>176,017</u>
Net increase (decrease) in cash and cash equivalents	(1,125,931)	531,357	(594,574)
Cash and cash equivalents, July 1	<u>9,841,906</u>	<u>10,392,857</u>	<u>20,234,763</u>
Cash and cash equivalents, June 30	<u>\$ 8,715,975</u>	<u>\$ 10,924,214</u>	<u>\$ 19,640,189</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, 2015

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash and cash equivalents at end of year includes:			
Cash and investments	\$ 8,533,529	\$ 10,462,426	\$ 18,995,955
Restricted cash and investments	182,446	461,788	644,234
Total cash and cash equivalents	<u>\$ 8,715,975</u>	<u>\$ 10,924,214</u>	<u>\$ 19,640,189</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,343,785)	\$ 203,223	\$ (1,140,562)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,870,219	1,661,036	4,531,255
Decrease in accounts receivables	21,250	37,827	59,077
Increase in accounts payable	317,258	91,807	409,065
Decrease in prepaid items	-	4,333	4,333
Decrease in customer deposits	(44,586)	(17,340)	(61,926)
Increase in accrued payroll	749	920	1,669
Other revenues (expenses)	(1,432)	9,289	7,857
Total adjustments	<u>3,163,458</u>	<u>1,787,872</u>	<u>4,951,330</u>
Net cash provided by operating activities	<u>\$ 1,819,673</u>	<u>\$ 1,991,095</u>	<u>\$ 3,810,768</u>
Noncash investing, capital and financing activities:			
Additions to property, plant and equipment			
Contributions from developers	\$ 479,229	\$ 1,175,968	\$ 1,655,197
Amortization of deferred charges	(26,350)	(121,083)	(147,433)
Amortization of bond premium	14,142	43,334	57,476

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, 2015, the Town implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

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 sixty (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.

Town of Prescott Valley, Arizona

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, 2015.

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. Prepayments are recorded under the purchases method as expenditures when incurred rather when consumed.

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 (1) 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 2014/15.

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 ninety (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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

9. 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 2014/15. 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 2014/15 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.

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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 2014/15, 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	51,152	51,152	52,075	(923)
Executive Management				
Personnel services	691,918	691,918	712,447	(20,529)
Human Resources				
Personnel services	232,462	232,462	243,362	(10,900)
Town Clerk				
Personnel services	222,301	222,301	230,113	(7,812)
Management Services				
Operating expenditures	580,061	580,061	602,890	(22,829)
Legal				
Personnel services	580,089	580,089	596,283	(16,194)
Magistrate Court				
Personnel services	497,224	497,224	507,355	(10,131)
Facilities and Fleet Maintenance				
Operating services	319,277	319,277	322,017	(2,740)
Other-Unclassified				
Operating expenditures	4,167,784	4,481,171	4,482,337	(1,166)
Police				
Personnel services	6,586,999	6,586,999	6,751,314	(164,315)
Channel 9				
Personnel services	141,026	141,026	142,768	(1,742)
Parks and Recreation				
Personnel services	987,237	987,237	1,014,837	(27,600)
Operating expenditures	765,794	765,794	778,856	(13,062)
Library				
Personnel services	1,180,837	1,180,837	1,262,650	(81,813)
Neighborhood Services				
Personnel services	227,731	227,731	274,233	(46,502)

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. The deficit in personnel services in Executive Management, Human Resources, Town Clerk, Legal, Magistrate Court, Channel 9, Library and Neighborhood Services was due to unbudgeted merit increases and benefit rate changes. The deficit in personnel services in Police was mainly due to higher than budgeted overtime and holiday pay. 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, holiday pay, and unbudgeted redemption payoff in Park Maintenance. The deficit in operating expenditures in Management Services was due to higher than expected bank fees. The deficit in Facilities and Fleet Maintenance was due to higher than expected repairs and maintenance costs. The deficit in Other-Unclassified was the result of higher than budgeted

Town of Prescott Valley, Arizona

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, 2015, 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, 2015 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	\$ 37,141	\$ 785	\$ -	\$ -	\$ 2,600	\$ 40,526
Advances to other funds	5,901,709	-	-	-	-	5,901,709
Restricted for:						
Capital projects	-	-	2,738,133	-	5,843,350	8,581,483
Community facilities districts	-	-	-	-	1,311,660	1,311,660
Debt service	-	-	-	13,933,462	90,803	14,024,265
Grantor and contributor purposes	-	-	-	-	1,134,053	1,134,053
Street improvements	-	1,642,809	-	-	-	1,642,809
Committed to:						
Replacement fund	210,170	-	-	-	-	210,170
Stabilization fund	2,903,665	-	-	-	-	2,903,665
Unassigned:	7,424,030	-	(3,814,641)	-	(180,690)	3,428,699
Total	\$ 16,476,715	\$ 1,643,594	\$ (1,076,508)	\$ 13,933,462	\$ 8,201,776	\$ 39,179,039

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 25% 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 10% 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 (5) 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 (5) 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 \$3,705 at June 30, 2015.

Deposits

At June 30, 2015, the carrying amount of the Town's deposits was \$8,477,887 and the bank balance was \$8,539,717. The \$61,830 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, 2015, all 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, leaving no funds uninsured or 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 (5) years, unless matched to a specific cash flow.

Credit Risk

Town Charter, Ordinances 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, 2015, all investments of that pool were rated AAA.

Town of Prescott Valley, Arizona

Investments

The Town's investments at June 30, 2015 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	\$ 5,794,340	\$ 5,794,340	\$ -	\$ -	\$ -
US Agencies	21,393,762	-	5,997,720	4,987,980	10,408,062
Corporate Bonds	995,720	-	-	995,720	-
Money Markets	3,006,592	3,006,592	-	-	-
Certificates of Deposit	4,222,887	1,504,468	507,431	976,558	1,234,430
Local Government Investment Pool	3,345,457	3,345,457	-	-	-
	<u>\$ 38,758,758</u>	<u>\$ 13,650,857</u>	<u>\$ 6,505,151</u>	<u>\$ 6,960,258</u>	<u>\$ 11,642,492</u>

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

Carrying amount of Town deposits	\$ 8,477,887
Investments	<u>38,758,758</u>
Total cash and investments	<u>\$47,236,645</u>

Total Town cash and investments are reported as follows:

Primary government:	
Cash and investments	\$39,227,578
Restricted cash and cash equivalents	<u>8,009,067</u>
Total cash and investments	<u>\$47,236,645</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	\$ 21,034	\$ 1,424,578	\$ -	\$ 433,023	\$ 1,878,635	\$ -	\$ 1,878,635
Highway Users Revenue Fund	4,741	288,045	-	-	292,786	-	292,786
Development Impact Fees Fund	5,656	-	-	-	5,656	-	5,656
Wastewater System	22,099	-	-	393,582	415,681	(29,697)	385,984
Water System	24,543	-	-	647,820	672,363	(127,045)	545,318
Nonmajor Governmental Funds	13,460	-	2,533,978	631,328	3,178,766	-	3,178,766
Total	<u>\$ 91,533</u>	<u>\$ 1,712,623</u>	<u>\$ 2,533,978</u>	<u>\$ 2,105,753</u>	<u>\$ 6,443,887</u>	<u>\$ (156,742)</u>	<u>\$ 6,287,145</u>

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C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

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Schedule of Activity in Capital Assets

Year Ended June 30, 2015

	Capital Assets June 30, 2014	Increases	Decreases	Transfers	Capital Assets June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,160,557	\$ -	\$ -	\$ -	\$ 9,160,557
Construction in progress	951,495	2,785,240	(1,976)	(2,730,343)	1,004,416
Total capital assets, not being depreciated:	<u>10,112,052</u>	<u>2,785,240</u>	<u>(1,976)</u>	<u>(2,730,343)</u>	<u>10,164,973</u>
Capital assets, being depreciated:					
Buildings	35,412,927	11,934	(1,764)	31,732	35,454,829
Improvements other than buildings	18,010,922	21,968	-	656,878	18,689,768
Machinery and equipment	8,469,868	615,711	(184,348)	-	8,901,231
Infrastructure	156,248,913	3,059,947	-	2,041,733	161,350,593
Total capital assets, being depreciated:	<u>218,142,630</u>	<u>3,709,560</u>	<u>(186,112)</u>	<u>2,730,343</u>	<u>224,396,421</u>
Less accumulated depreciation for:					
Buildings	(8,353,149)	(895,766)	-	-	(9,248,915)
Improvements other than buildings	(7,704,242)	(1,073,805)	-	-	(8,778,047)
Machinery and equipment	(6,558,716)	(612,199)	161,824	-	(7,009,091)
Infrastructure	(49,571,734)	(5,430,657)	-	-	(55,002,391)
Total accumulated depreciation:	<u>(72,187,841)</u>	<u>(8,012,427)</u>	<u>161,824</u>	<u>-</u>	<u>(80,038,444)</u>
Total capital assets, being depreciated, net	<u>145,954,789</u>	<u>(4,302,866)</u>	<u>(24,288)</u>	<u>2,730,343</u>	<u>144,357,977</u>
Governmental activities capital assets, net	<u>\$ 156,066,841</u>	<u>\$ (1,517,626)</u>	<u>\$ (26,264)</u>	<u>\$ -</u>	<u>\$ 154,522,950</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,025,398	\$ -	\$ -	\$ 2,180	\$ 1,027,578
Construction in progress	5,365,055	1,756,282	-	(1,904,823)	5,216,514
Total capital assets, not being depreciated:	<u>6,390,453</u>	<u>1,756,282</u>	<u>-</u>	<u>(1,902,643)</u>	<u>6,244,092</u>
Capital assets, being depreciated:					
Buildings	3,707,241	-	-	-	3,707,241
Improvements other than buildings	28,199,864	39,063	-	-	28,238,927
Machinery and equipment	7,741,114	375,065	(129,618)	-	7,986,561
Infrastructure	111,663,229	1,655,197	-	1,902,643	115,221,069
Total capital assets, being depreciated:	<u>151,311,448</u>	<u>2,069,325</u>	<u>(129,618)</u>	<u>1,902,643</u>	<u>155,153,798</u>
Less accumulated depreciation for:					
Buildings	(3,421,637)	(181,181)	-	-	(3,602,818)
Improvements other than buildings	(9,712,913)	(787,317)	-	-	(10,500,230)
Machinery and equipment	(6,221,306)	(346,606)	129,618	-	(6,438,294)
Infrastructure	(32,635,342)	(3,273,627)	-	-	(35,908,969)
Total accumulated depreciation:	<u>(51,991,198)</u>	<u>(4,588,731)</u>	<u>129,618</u>	<u>-</u>	<u>(56,450,311)</u>
Total capital assets, being depreciated, net	<u>99,320,250</u>	<u>(2,519,406)</u>	<u>-</u>	<u>1,902,643</u>	<u>98,703,487</u>
Business-type activities capital assets, net	<u>\$ 105,710,703</u>	<u>\$ (763,124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,947,579</u>

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Construction in progress activity for the year ended June 30, 2015 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Construction in Progress

Year Ended June 30, 2015

	Construction in Progress				Construction in Progress
	June 30, 2014	Increases	Decreases	Transfers	June 30, 2015
Governmental activities:					
Agua Fria Drainage Project	\$ 225,000	\$ 100,000	\$ -	\$ -	\$ 325,000
Antelope Park Expansion	125,112	168,951	(1,976)	(292,087)	-
Central Core Multi-use Path	36,979	-	-	-	36,979
Civic Center Remodel	183,812	212,711	-	(396,523)	-
Enterprise Parkway	51,281	1,780,198	-	(1,831,479)	-
Glassford Hill Trail	-	6,440	-	-	6,440
Lakeshore Drive Improvement	-	110,040	-	-	110,040
Old Town Park	101,466	-	-	-	101,466
Ortiz Street Rehabilitation	13,405	196,849	-	(210,254)	-
Pipeline Multi-use Path	107,610	-	-	-	107,610
Roundup Industrial District	27,134	-	-	-	27,134
Section 14 Multi-use Field	65,814	-	-	-	65,814
SR69 Multi-use Trail - Phase II/III	1,500	-	-	-	1,500
Viewpoint Stormwater	-	199,680	-	-	199,680
Viewpoint Drive Connector	12,382	10,372	-	-	22,754
Total governmental activities	951,495	2,785,240	(1,976)	(2,730,343)	1,004,416
Business-type activities:					
Chlorine Containment	-	43,842	-	-	43,842
Glassford Hill Trail	-	6,440	-	-	6,440
High School Sewer Upsize	223,609	255,030	-	(478,639)	-
Northside Sewer	34,630	1,321,408	-	(1,356,038)	-
Ortiz Street Rehabilitation	3,400	33,005	-	(36,405)	-
Roundup Sewer Upsize	44,368	73,159	-	-	117,527
Short Mesa Connector	33,741	-	-	(33,741)	-
StoneRidge Storage Tank	663,074	-	-	-	663,074
Treatment Plant Storage Building	-	20,291	-	-	20,291
Tri-City Pipeline and Tanks	3,939,305	3,107	-	-	3,942,412
Water Transmission Pipeline	422,928	-	-	-	422,928
Total business-type activities	5,365,055	1,756,282	-	(1,904,823)	5,216,514
Total	\$ 6,316,550	\$ 4,541,522	\$ (1,976)	\$ (4,635,166)	\$ 6,220,930

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

Governmental activities:	
General government	\$ 795,251
Public safety	505,709
Highways and streets, including depreciation of infrastructure assets	3,450,654
Culture and recreation	1,450,135
Public works	<u>1,810,678</u>
Total depreciation expense - governmental activities	<u>\$ 8,012,427</u>
Business-type activities:	
Wastewater	\$ 2,884,361
Prescott Valley water system	<u>1,704,370</u>
Total depreciation expense - business-type activities	<u>\$ 4,588,731</u>

D. Construction Commitments

The Town has active construction projects as of June 30, 2015. At year end, the government’s commitments with contractors for specific projects are as follows:

	Total Contract	Remaining Balance
PV Wastewater System	\$ 20,791	\$ 5,514
	\$ 20,791	\$ 5,514

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, 2015 is as follows:

<i>Due To/From Other Funds</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Grants	\$ 312,644
General Fund	MPC Debt Service	848,830
General Fund	Certificates of Participation	60,437
Development Impact Fees Fund	Certificates of Participation	181,309
Streets Capital Improvement	MPC Debt Service	620,741
		\$ 2,023,961

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	\$ 3,995,951
General Fund	StoneRidge CFD	881,154
General Fund	Parkway CFD No. 1	62,646
General Fund	Pronghorn CFD	463,780
General Fund	Quailwood CFD	209,549
General Fund	Southside CFD No. 1	288,629
MPC Debt Service Fund	PV Water System	11,420,000
PV Wasterwater System	PV Water System	1,705,661
		\$ 19,027,370

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
	Highway Users Revenue Fund	Development Impact Fees Fund	Municipal Property Corp Debt Service Fund	Wastewater System	Nonmajor Governmental Funds		
General Fund	\$ 60,000	\$ 14,197	\$ 1,681,587	\$ -	\$ 309,638	\$ 2,065,422	
Highway Users Revenue Fund	-	-	-	-	1,287,860	1,287,860	
Development Impact Fees Fund	-	-	250,000	-	928,915	1,178,915	
Water System	-	-	-	171,202	-	171,202	
Nonmajor Governmental Funds	-	-	921,942	-	-	921,942	
Total	\$ 60,000	\$ 14,197	\$ 2,853,529	\$ 171,202	\$ 2,526,413	\$ 5,625,341	

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, 2015. 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 (3) bond issues outstanding (Municipal Facilities Revenue Refunding Series 2004, Series 2011 and Series 2012) totaling \$24,815,000.

At June 30, 2015, \$31,055,111 in bonds (including principal and interest) remained outstanding to be repaid by future excise tax revenues. For the fiscal year ended June 30, 2015, the revenues available for service of this debt were \$26,994,329. The debt principal and interest paid on this debt in fiscal year 2014/15 was \$2,896,461 (10.7% 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, 2015, the Town's debt service coverage was 9.32 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, 2015, \$4,969,400 in sewer revenue bonds (including principal and interest) remained outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2015, the net revenues available for service of this debt were \$2,100,070. The debt principal and interest paid on this debt in fiscal year ended June 30, 2015 was \$623,950 (29.7% 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, 2015, \$10,678,699 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, 2015 was \$1,002,541.

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, 2015, the Town's debt service coverage is 1.29 times the annual debt service payment (see Table 14 in the statistical section).

Town of Prescott Valley, Arizona

At June 30, 2015, \$7,558,950 in Water Revenue Bonds (including principal and interest) remained outstanding to be repaid by future water revenues. For the fiscal year ended June 30, 2015, the net revenues available for service of this debt were \$2,596,221. The debt principal and interest paid on this debt in fiscal year ended June 30, 2015 was \$1,893,800 (72.9% 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, 2015, the Town's debt service coverage (net water system revenues) is 1.37 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, 2015, all special assessment bonds were paid off.

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.

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 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.

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 an annual basis, the Town would appropriate funds in the general fund to pay YCFA or its designated assignee. The remaining balance is \$1,289,677 as of June 30, 2015.

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 \$157,234 as of June 30, 2015.

Town of Prescott Valley, Arizona

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, 2015:

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

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015	Due within One Year
Governmental activities:					
Bonds payable:					
MPC revenue bonds	\$ 26,630,000	\$ -	\$ 1,815,000	\$ 24,815,000	\$ 1,915,000
Certificates of participation	12,115,000	-	725,000	11,390,000	755,000
Special assessments bonds	162,000	-	162,000	-	-
Community facilities districts:					
General obligation bonds	23,545,000	-	835,000	22,710,000	920,000
Special assessments	2,834,000	-	179,000	2,655,000	203,000
Long-term loan payable	200,397	-	20,248	180,149	20,248
Premium	1,419,796	-	129,072	1,290,724	-
Total bonds payable	66,906,193	-	3,865,320	63,040,873	3,813,248
Net pension liability	5,351,793	4,780,228	3,352,605	6,779,416	-
Long-term obligations	1,819,702	-	372,791	1,446,911	372,791
Compensated absences	1,280,380	1,356,177	1,216,454	1,420,103	106,508
Governmental activity Long-term liabilities	<u>\$ 75,358,068</u>	<u>\$ 6,136,405</u>	<u>\$ 8,807,170</u>	<u>\$ 72,687,303</u>	<u>\$ 4,292,547</u>
Business-type activities:					
Revenue bonds	\$ 13,175,000	\$ -	\$ 2,015,000	\$ 11,160,000	\$ 2,070,000
Premium	343,943	-	57,476	286,467	-
Total revenue bonds payable	13,518,943	-	2,072,476	11,446,467	2,070,000
Long-term loan payable	9,692,691	-	694,322	8,998,369	717,309
Business-type activity Long-term liabilities	<u>\$ 23,211,634</u>	<u>\$ -</u>	<u>\$ 2,766,798</u>	<u>\$ 20,444,836</u>	<u>\$ 2,787,309</u>
Total long-term liabilities	<u>\$ 98,569,702</u>	<u>\$ 6,136,405</u>	<u>\$ 11,573,968</u>	<u>\$ 93,132,139</u>	<u>\$ 7,079,856</u>

Town of Prescott Valley, Arizona

Details of bonded debt as of June 30, 2015 are as follows:

Municipal Property Corporation (MPC) Revenue Bonds

Details of MPC revenue bonds as of June 30, 2015, 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).	\$2,135,000
\$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% per annum (Payable from Excise Tax revenues – refunding prior bonds for streets and related improvements).	13,495,000
\$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% per annum (Payable from Excise Tax revenues – refunding prior bonds for the Town’s share of costs for land with an underground water source).	<u>9,185,000</u>
Total MPC Revenue Bonds	<u>\$24,815,000</u>

Certificates of Participation (COP) Bonds

Details of COP bonds as of June 30, 2015 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).	<u>\$11,390,000</u>
Total COP Bonds	<u>\$11,390,000</u>

CFD Bonds/Loans

Details of bonds and loans payable as of June 30, 2015 are as follows:

\$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).	\$5,915,000
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Town of Prescott Valley, Arizona

\$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).

585,000

\$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).

180,149

\$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 *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).

5,645,000

\$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 *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 – parking facilities).

2,940,000

\$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).

2,070,000

\$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).

8,210,000

Total Community Facilities District Bonds and Loans

\$25,545,149

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, 2015 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% per annum (Payable from Town wastewater system revenue charges and pledged by excise tax revenues – refunding prior bonds for wastewater improvements).

\$4,390,000

\$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).

6,770,000

\$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).

5,640,793

\$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).

3,357,576

Total Revenue Bonds and Loans \$20,158,369

Town of Prescott Valley, Arizona

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2015. Deferred issuance costs and deferred amounts on refunding are not included.

Governmental Activities						
Fiscal Year Ending	Municipal Property Corp Revenue Bond		Certificates of Participation		Total Debt Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 1,915,000	\$ 1,024,351	\$ 755,000	\$ 483,512	\$ 2,670,000
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	2,380,000	702,788	880,000	355,513	3,260,000	1,058,301
2021-25	13,935,000	1,885,034	4,995,000	1,189,939	18,930,000	3,074,973
2026-27	-	-	2,315,000	157,498	2,315,000	157,498
	<u>\$ 24,815,000</u>	<u>\$ 6,240,111</u>	<u>\$ 11,390,000</u>	<u>\$ 3,451,001</u>	<u>\$ 36,205,000</u>	<u>\$ 9,691,112</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	
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	440,000	255,800	350,000	192,489	-	-	265,000	196,829	
2021-25	2,480,000	994,600	1,985,000	725,335	-	-	1,975,000	765,938	
2026-30	3,015,000	446,900	2,445,000	263,863	-	-	2,565,000	278,973	
2031	680,000	13,600	-	-	-	-	-	-	
CFD Bonded Debt	<u>\$ 8,210,000</u>	<u>\$ 2,900,200</u>	<u>\$ 5,915,000</u>	<u>\$ 2,081,745</u>	<u>\$ 585,000</u>	<u>\$ 88,270</u>	<u>\$ 5,645,000</u>	<u>\$ 2,125,522</u>	

Governmental Activities (continued)									
Community Facilities Districts (continued)									
Fiscal Year Ending	Raven Ridge CFD		Parkway CFD No. 1		Southside CFD No. 1		Total Debt Community Facilities Districts		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
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	20,248	2,864	135,000	127,260	78,000	125,900	1,288,248	901,142	
2021-25	78,909	5,606	800,000	517,643	484,000	537,498	7,802,909	3,546,620	
2026-30	-	-	1,030,000	276,013	689,000	328,680	9,744,000	1,594,429	
2031-33	-	-	495,000	26,884	543,000	60,792	1,718,000	101,276	
CFD Bonded Debt	<u>\$ 180,149</u>	<u>\$ 25,770</u>	<u>\$ 2,940,000</u>	<u>\$ 1,522,428</u>	<u>\$ 2,070,000</u>	<u>\$ 1,601,840</u>	<u>25,545,149</u>	<u>10,345,775</u>	

Total Government Activities Bonded and Long-Term Debt \$ 61,750,149 \$ 20,036,887

Business Type Activities						
Fiscal Year Ending	Prescott Valley Wastewater		Prescott Valley Water System		Total Debt Business Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,377,141	245,914	-	-	1,377,141	245,914
2021-25	6,277,614	589,113	-	-	6,277,614	589,113
2026-27	648,700	20,341	-	-	648,700	20,341
	<u>\$ 13,388,369</u>	<u>\$ 2,259,730</u>	<u>\$ 6,770,000</u>	<u>\$ 788,950</u>	<u>20,158,369</u>	<u>3,048,680</u>

Total Business-Type Activity Bonded and Long-Term Debt \$ 20,158,369 \$ 3,048,680

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, 2015:

20% Constitutional Limit		6% Constitutional Limit			
20% Constitutional Limit	\$	53,091,902	6% Constitutional Limit	\$	15,927,571
Less General Obligation			Less General Obligation		
20% Bond Outstanding		-	6% Bond Outstanding		-
Available 20% Limitation			Available 6% Limitation		
Borrowing Capacity	\$	53,091,902	Borrowing Capacity	\$	15,927,571

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, 2015 is approximately \$45.1 million.

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 11%, with 10% 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, 2015:

	Total Payroll	Covered Payroll	% of Covered Payroll	Required Contribution	Actual Contribution
Employer	\$12,427,734	\$7,379,271	11%	\$811,720	\$811,783
Employee	N/A	\$7,379,271	7%	\$516,549	\$516,627

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.

Public Safety Personnel Retirement System

Plan description. Town public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits provided. The PSPRS provides retirement, health insurance premium supplement, disability and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date:	
	Before December 31, 2011	On or After December 31, 2011
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member’s pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Town of Prescott Valley, Arizona

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the agent pension plan's benefit terms:

	<u>PSPRS - Police</u>
Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>60</u>
Total	<u><u>85</u></u>

Contributions and annual OPEB cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015 are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS - Police</u>
Active members - pension	11.05%
Town of Prescott Valley:	
Pension	17.25%
Health insurance	1.21%

For the agent plan, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	<u>PSPRS - Police</u>
Pension:	
Contributions made	\$ 855,036
Health insurance premium benefit:	
Annual OPEB cost	49,878
Contributions made	49,878

Pension liability. At June 30, 2015, the Town reported \$6,779,416 in net pension liability for police. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

Town of Prescott Valley, Arizona

Actuarial assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Asset valuation	Market Value of Assets
Discount rate	7.85%
Projected salary increases	4.0 - 8.0%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Pension discount rates. The discount rate of 7.85% was used to measure the total pension liability.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Arizona Public Safety Personnel Retirement System plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PSPRS – Police			
Balances at June 30, 2014	\$ 16,543,964	\$ 11,192,171	\$ 5,351,793
Changes for the year:			
Service cost	727,967	-	727,967
Interest on the total pension liability	1,292,899	-	1,292,899
Changes of benefit terms	203,115	-	203,115
Differences between expected and actual experience in the measurement of the pension liability	608,324	-	608,324
Changes of assumptions or other inputs	1,559,117	-	1,559,117
Contributions – employer	-	739,690	(739,690)
Contributions – employee	-	644,582	(644,582)
Net investment income	-	1,557,510	(1,557,510)
Benefit payments, including refunds of employee contributions	(875,793)	(875,793)	-
Health Insurance Fund Transfer	-	410,823	(410,823)
Other changes	-	(388,806)	388,806
Net changes	<u>3,515,629</u>	<u>2,088,006</u>	<u>1,427,623</u>
Balances at June 30, 2015	<u>\$ 20,059,593</u>	<u>\$ 13,280,177</u>	<u>\$ 6,779,416</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Town’s net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

PSPRS – Police:	Current		
	1% Decrease	Discount Rate	1% Increase
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 9,533,719	\$ 6,779,416	\$ 4,521,690

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension expense. For the year ended June 30, 2015, the Town recognized \$863,167 as pension expense.

Pension deferred outflows/inflows of resources. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Prescott Valley, Arizona

PSPRS – Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 513,011	\$ -
Changes of assumptions or other inputs	1,314,833	-
Net difference between projected and actual earnings on pension plan investments	-	523,698
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	855,036	-
Total	\$ 2,682,880	\$ 523,698

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ 208,672
2017	208,672
2018	208,672
2019	208,672
2020	339,597
Thereafter	129,861
Total	\$ 1,304,146

Agent plan OPEB trend information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS – Police:			
June 30, 2015	\$ 49,878	100%	\$ -
June 30, 2014	43,056	100%	-
June 30, 2013	47,459	100%	-

Agent plan OPEB actuarial assumptions. Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on: 1) the plan as understood by the Town and plan's members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and

Town of Prescott Valley, Arizona

plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.5%-8.5% 4.50%

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4%-8% 4%

Agent plan OPEB funded status. The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2014.

	<u>PSPRS – Police</u>
Actuarial value of assets	\$ 511,871
Actuarial accrued liability	550,880
Unfunded actuarial accrued liability (funding excess)	39,009
Funded ratio	92.92%
Annual covered payroll	3,889,756
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	1.00%

F. Prior Period Adjustments

The July 1, 2014 government-wide net position of Governmental Activities does not agree to the prior year financial statements due to the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions.

	<u>Governmental Activities</u>
Total net position - June 30, 2014, as previously reported	\$ 128,367,833
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date 2013)	(5,351,793)
Deferred outflows - employer contributions subsequent to the 2013 measurement date	<u>739,690</u>
Total prior period adjustment	<u>(4,612,103)</u>
Total net position - July 1, 2014, as restated	<u><u>\$ 123,755,730</u></u>

G. Future Year Material Events

On October 22, 2015, the Town Council approved an increase in the Town Transaction Privilege Tax rate. The current tax rate of 2.33% will increase to 2.83% effective January 1, 2016.

Town of Prescott Valley, Arizona

Required Supplementary Information

Town of Prescott Valley, Arizona
Schedule of Contributions
Public Safety Personnel Retirement System
For the Fiscal Year Ended June 30, 2015

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 855,036	\$ 739,690	Information not available
Contributions in relation to the actuarially required contribution	855,036	739,690	
Contribution deficiency (excess)	\$ -	\$ -	
Town's covered-employee payroll	\$ 4,217,215	\$ 3,889,756	
Contributions as a percentage of covered-employee payroll	20.27%	19.02%	

Town of Prescott Valley, Arizona
Schedule of Funding Progress - Other Postemployment Benefits
Public Safety Personnel Retirement System
For the Fiscal Year Ended June 30, 2015

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a percentage of Covered Payroll (3)/(5)
2014	\$ 511,871	\$ 550,880	\$ 39,009	92.9%	\$ 3,889,756	1.0%
2013	-	525,280	525,280	0.0%	3,774,794	13.9%
2012	-	479,538	479,538	0.0%	3,486,908	13.8%

See accompanying notes to the schedule.

Town of Prescott Valley, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios
Public Safety Personnel Retirement System
For the Fiscal Year Ended June 30, 2015

	Reporting Fiscal Year	
	2015	2014 through 2006
Total pension liability		
Service cost	\$ 727,967	
Interest	1,292,899	
Changes of benefit terms	203,115	
Differences between expected and actual experience	608,324	
Changes of assumptions	1,559,117	
Benefit payments, including refunds	(875,793)	
Net change in total pension liability	3,515,629	
Total pension liability—beginning	16,543,964	
Total pension liability—ending	<u>\$ 20,059,593</u>	
Plan fiduciary net position		Information not available
Contributions—employer	\$ 739,690	
Contributions—employee	644,582	
Net investment income	1,557,510	
Benefit payments, including refunds	(875,793)	
Administrative expense	-	
Health insurance fund transfer	410,823	
Other	(388,806)	
Net change in plan fiduciary net position	2,088,006	
Plan fiduciary net position—beginning	11,192,171	
Plan fiduciary net position—ending	<u>\$ 13,280,177</u>	
Net pension liability—ending	<u>\$ 6,779,416</u>	
Plan fiduciary net position as a percentage of the total pension liability	66.20%	
Covered-employee payroll	\$ 3,889,756	
Net pension liability as a percentage of covered-employee payroll	174.29%	

See accompanying notes to the schedule.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2014, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.



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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, 2015

	Special Revenue			
	UNS	Entertainment	Police	Donations
	Facilities Relocation Fund			
ASSETS				
Cash and investments	\$ 211,526	\$ 293,985	\$ 179	\$ 233,809
Restricted cash and investments	-	-	-	-
Receivables:				
Interest	-	233	-	645
Grants	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	41,492	-	874	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 253,018	\$ 294,218	\$ 1,053	\$ 234,454
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 179	\$ 2,777
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	-	-	179	2,777
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	253,018	294,218	874	231,677
Unassigned	-	-	-	-
Total fund balances	253,018	294,218	874	231,677
Total liabilities, deferred inflows of resources and fund balances	\$ 253,018	\$ 294,218	\$ 1,053	\$ 234,454

Maranda Donation Fund	Grants Fund	Debt Service		Capital Projects
		Certificates of Participation Fund	Special Assessments Fund	Streets Capital Improvement Fund
\$ 353,388	\$ 14,500	\$ 241,756	\$ 90,793	\$ 5,116,970
-	-	-	-	-
878	-	-	-	11,704
-	447,168	-	-	-
-	-	-	-	-
-	-	-	-	107,627
-	-	-	-	620,741
-	2,600	-	-	-
\$ 354,266	\$ 464,268	\$ 241,756	\$ 90,793	\$ 5,857,042
\$ -	\$ 138,844	\$ -	\$ -	\$ 13,692
-	12,630	-	-	-
-	312,644	241,746	-	-
-	150	-	-	-
-	-	-	-	-
-	464,268	241,746	-	13,692
-	-	-	-	-
-	-	-	-	-
-	2,600	-	-	-
-	-	-	-	5,843,350
-	-	-	-	-
-	-	10	90,793	-
354,266	-	-	-	-
-	(2,600)	-	-	-
354,266	-	10	90,793	5,843,350
\$ 354,266	\$ 464,268	\$ 241,756	\$ 90,793	\$ 5,857,042

(continued)

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2015

	Community			
	StoneRidge	Pronghorn Ranch	Quailwood Meadows	Parkway District No. 1
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments	681,758	542,859	567,681	360,592
Receivables:				
Interest	-	-	-	-
Grants	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	21,306	10,804	2,057	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 703,064	\$ 553,663	\$ 569,738	\$ 360,592
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Advance from other funds	881,154	463,780	209,549	62,646
Total liabilities	881,154	463,780	209,549	62,646
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	-	89,883	360,189	297,946
Debt service	-	-	-	-
Grantor and contributor purposes	-	-	-	-
Unassigned	(178,090)	-	-	-
Total fund balances	(178,090)	89,883	360,189	297,946
Total liabilities, deferred inflows of resources and fund balances	\$ 703,064	\$ 553,663	\$ 569,738	\$ 360,592

Facilities Districts			Total
Raven Ridge	Eastridge	Southside District No. 1	Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 6,556,906
113,848	417,528	321,117	3,005,383
-	-	-	13,460
-	-	-	447,168
92,208	433,384	2,008,386	2,533,978
-	-	-	184,160
-	-	-	620,741
-	-	-	2,600
<u>\$ 206,056</u>	<u>\$ 850,912</u>	<u>\$ 2,329,503</u>	<u>\$ 13,364,396</u>

\$ 196	\$ 13	\$ 13	\$ 155,714
-	-	-	12,630
-	-	-	554,390
-	-	-	150
-	-	288,629	1,905,758
<u>196</u>	<u>13</u>	<u>288,642</u>	<u>2,628,642</u>

92,208	433,384	2,008,386	2,533,978
<u>92,208</u>	<u>433,384</u>	<u>2,008,386</u>	<u>2,533,978</u>

-	-	-	2,600
-	-	-	5,843,350
113,652	417,515	32,475	1,311,660
-	-	-	90,803
-	-	-	1,134,053
-	-	-	(180,690)
<u>113,652</u>	<u>417,515</u>	<u>32,475</u>	<u>8,201,776</u>

<u>\$ 206,056</u>	<u>\$ 850,912</u>	<u>\$ 2,329,503</u>	<u>\$ 13,364,396</u>
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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, 2015

	Special Revenue			
	UNS			
	Facilities Relocation Fund	Entertainment Area Fund	Police Safety Fund	Donations Fund
REVENUES				
Taxes - local	\$ 201,297	\$ 582,564	\$ -	\$ -
Taxes - intergovernmental:				
Taxes - property	-	-	-	-
Fines and forfeitures	-	-	51,562	-
Special assessments	-	-	-	-
Property rental	-	-	-	-
Interest earnings	-	697	-	2,187
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions	-	-	-	-
Total revenues	<u>201,297</u>	<u>583,261</u>	<u>51,562</u>	<u>2,187</u>
EXPENDITURES				
Current:				
General government	-	607,372	-	6,389
Public safety	-	-	54,729	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	297,039	-	-	33,275
Total expenditures	<u>297,039</u>	<u>607,372</u>	<u>54,729</u>	<u>39,664</u>
Excess (deficiency) of revenues over expenditures	<u>(95,742)</u>	<u>(24,111)</u>	<u>(3,167)</u>	<u>(37,477)</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	(95,742)	(24,111)	(3,167)	(37,477)
Fund balances - beginning	<u>348,760</u>	<u>318,329</u>	<u>4,041</u>	<u>269,154</u>
Fund balances - ending	<u>\$ 253,018</u>	<u>\$ 294,218</u>	<u>\$ 874</u>	<u>\$ 231,677</u>

Maranda Donation Fund	Grants Fund	Debt Service		Capital Projects
		Certificates of Participation Fund	Special Assessments Fund	Streets Capital Improvement Fund
\$ -	\$ -	\$ -	\$ -	\$ 2,189,990
-	-	-	-	-
-	-	-	-	-
-	-	-	95,207	-
-	-	-	-	-
2,947	-	13	-	43,893
-	988,040	-	-	-
-	1,085,182	-	-	-
-	-	-	-	-
2,947	2,073,222	13	95,207	2,233,883
-	-	-	-	-
-	1,023,150	-	-	-
-	3,639	-	-	-
-	219,502	-	-	-
-	-	725,000	162,000	-
-	-	513,572	17,533	-
-	2,114,791	-	-	120,412
-	3,361,082	1,238,572	179,533	120,412
2,947	(1,287,860)	(1,238,559)	(84,326)	2,113,471
-	1,287,860	1,238,553	-	-
-	-	-	-	(921,942)
-	1,287,860	1,238,553	-	(921,942)
2,947	-	(6)	(84,326)	1,191,529
351,319	-	16	175,119	4,651,821
\$ 354,266	\$ -	\$ 10	\$ 90,793	\$ 5,843,350

(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, 2015

	Community			
	StoneRidge	Pronghorn Ranch	Quailwood Meadows	Parkway District No. 1
REVENUES				
Taxes - local	\$ -	\$ -	\$ -	\$ -
Taxes - intergovernmental:				
Taxes - property	600,851	511,735	396,363	245,866
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Property rental	168,609	-	-	-
Interest earnings	-	-	2	27
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions	-	97,382	130,410	-
Total revenues	<u>769,460</u>	<u>609,117</u>	<u>526,775</u>	<u>245,893</u>
EXPENDITURES				
Current:				
General government	163,698	104,043	62,018	18,747
Public safety	-	-	-	-
Culture & recreation	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	330,000	235,000	165,000	105,000
Interest and fiscal charges	335,000	252,131	240,246	158,892
Capital outlay	-	-	-	-
Total expenditures	<u>828,698</u>	<u>591,174</u>	<u>467,264</u>	<u>282,639</u>
Excess (deficiency) of revenues over expenditures	<u>(59,238)</u>	<u>17,943</u>	<u>59,511</u>	<u>(36,746)</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	(59,238)	17,943	59,511	(36,746)
Fund balances - beginning	<u>(118,852)</u>	<u>71,940</u>	<u>300,678</u>	<u>334,692</u>
Fund balances - ending	<u>\$ (178,090)</u>	<u>\$ 89,883</u>	<u>\$ 360,189</u>	<u>\$ 297,946</u>

Facilities Districts			Total
Raven Ridge	Eastridge	Southside District No. 1	Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 2,973,851
-	-	-	1,754,815
-	-	-	51,562
85,826	225,173	156,431	562,637
-	-	-	168,609
-	2	2	49,770
-	-	-	988,040
-	-	-	1,085,182
-	-	-	227,792
85,826	225,175	156,433	7,862,258
652	2,041	1,853	966,813
-	-	-	1,077,879
-	-	-	3,639
-	-	-	219,502
20,248	120,000	59,000	1,921,248
7,217	50,827	150,696	1,726,114
-	-	-	2,565,517
28,117	172,868	211,549	8,480,712
57,709	52,307	(55,116)	(618,454)
-	-	-	2,526,413
-	-	-	(921,942)
-	-	-	1,604,471
57,709	52,307	(55,116)	986,017
55,943	365,208	87,591	7,215,759
\$ 113,652	\$ 417,515	\$ 32,475	\$ 8,201,776



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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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - franchise	\$ 225,000	\$ 225,000	\$ 201,297	\$ (23,703)
Total revenues	225,000	225,000	201,297	(23,703)
EXPENDITURES				
Capital outlay	360,000	360,000	297,039	62,961
Total expenditures	360,000	360,000	297,039	62,961
Excess (deficiency) of revenues over expenditures	(135,000)	(135,000)	(95,742)	39,258
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(135,000)	(135,000)	(95,742)	39,258
Fund balances - beginning	375,000	375,000	348,760	(26,240)
Fund balances - ending	\$ 240,000	\$ 240,000	\$ 253,018	\$ 13,018

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ 630,000	\$ 630,000	\$ 582,564	\$ (47,436)
Interest earnings	-	-	697	697
Total revenues	630,000	630,000	583,261	(46,739)
EXPENDITURES				
Current:				
Operating expenditures	630,000	630,000	607,372	22,628
Total expenditures	630,000	630,000	607,372	22,628
Excess (deficiency) of revenues over expenditures	-	-	(24,111)	(24,111)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	(24,111)	(24,111)
Fund balances - beginning	314,000	314,000	318,329	4,329
Fund balances - ending	\$ 314,000	\$ 314,000	\$ 294,218	\$ (19,782)

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Fines and forfeitures:				
Court fines	\$ 95,000	\$ 95,000	\$ 51,562	\$ (43,438)
Total revenues	95,000	95,000	51,562	(43,438)
EXPENDITURES				
Current:				
Operating expenditures	69,000	69,000	54,729	14,271
Total expenditures	69,000	69,000	54,729	14,271
Excess (deficiency) of revenues over expenditures	26,000	26,000	(3,167)	(29,167)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	26,000	26,000	(3,167)	(29,167)
Fund balances - beginning	50,000	50,000	4,041	(45,959)
Fund balances - ending	\$ 76,000	\$ 76,000	\$ 874	\$ (75,126)

Town of Prescott Valley, Arizona

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 2,187	\$ 2,187
Total revenues	-	-	2,187	2,187
EXPENDITURES				
Current:				
Operating expenditures	5,000	5,000	6,389	(1,389)
Capital outlay	45,000	45,000	33,275	11,725
Total expenditures	50,000	50,000	39,664	10,336
Excess (deficiency) of revenues over expenditures	(50,000)	(50,000)	(37,477)	12,523
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(50,000)	(50,000)	(37,477)	12,523
Fund balances - beginning	250,000	250,000	269,154	19,154
Fund balances - ending	\$ 200,000	\$ 200,000	\$ 231,677	\$ 31,677

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 2,947	\$ 2,947
Total revenues	-	-	2,947	2,947
EXPENDITURES				
Current:				
Operating expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	2,947	2,947
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	2,947	2,947
Fund balances - beginning	350,000	350,000	351,319	1,319
Fund balances - ending	\$ 350,000	\$ 350,000	\$ 354,266	\$ 4,266

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Intergovernmental:				
Federal grants	\$ 4,995,977	\$ 4,995,977	\$ 988,040	\$ (4,007,937)
State grants	334,000	334,000	1,085,182	751,182
Total revenues	<u>5,329,977</u>	<u>5,329,977</u>	<u>2,073,222</u>	<u>(3,256,755)</u>
EXPENDITURES				
Current:				
General government	250,000	250,000	-	250,000
Public safety	1,466,977	1,466,977	1,023,150	443,827
Culture and recreation	325,000	325,000	3,639	321,361
Public works	-	-	219,502	(219,502)
Capital outlay	4,588,000	4,259,613	2,114,791	2,144,822
Total expenditures	<u>6,629,977</u>	<u>6,301,590</u>	<u>3,361,082</u>	<u>2,940,508</u>
Excess (deficiency) of revenues over expenditures	<u>(1,300,000)</u>	<u>(971,613)</u>	<u>(1,287,860)</u>	<u>(316,247)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,300,000	1,300,000	1,287,860	(12,140)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,287,860</u>	<u>(12,140)</u>
Net change in fund balances	-	328,387	-	(328,387)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 328,387</u>	<u>\$ -</u>	<u>\$ (328,387)</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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 420	\$ 420
Total revenues	-	-	420	420
EXPENDITURES				
Debt service:				
Principal	1,815,000	1,815,000	1,815,000	-
Interest and fiscal charges	1,087,961	1,087,961	1,085,171	2,790
Total expenditures	2,902,961	2,902,961	2,900,171	2,790
Excess (deficiency) of revenues over expenditures	(2,902,961)	(2,902,961)	(2,899,751)	3,210
OTHER FINANCING SOURCES (USES)				
Transfers in	2,926,500	2,926,500	2,853,529	(72,971)
Transfers out	-	-	-	-
Total other financing sources	2,926,500	2,926,500	2,853,529	(72,971)
Net change in fund balances	23,539	23,539	(46,222)	(69,761)
Fund balances - beginning	13,925,000	13,925,000	13,979,684	54,684
Fund balances - ending	\$ 13,948,539	\$ 13,948,539	\$ 13,933,462	\$ (15,077)

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 13	\$ 13
Total revenues	-	-	13	13
EXPENDITURES				
Debt service:				
Principal	725,000	725,000	725,000	-
Interest and fiscal charges	513,613	513,613	513,572	41
Total expenditures	1,238,613	1,238,613	1,238,572	41
Excess (deficiency) of revenues over expenditures	(1,238,613)	(1,238,613)	(1,238,559)	54
OTHER FINANCING SOURCES (USES)				
Transfers in	1,240,500	1,240,500	1,238,553	(1,947)
Transfers out	-	-	-	-
Total other financing sources	1,240,500	1,240,500	1,238,553	(1,947)
Net change in fund balances	1,887	1,887	(6)	(1,893)
Fund balances - beginning, restated	-	-	16	16
Fund balances - ending	\$ 1,887	\$ 1,887	\$ 10	\$ (1,877)

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Special assessments	\$ 175,817	\$ 175,817	\$ 95,207	\$ (80,610)
Total revenues	175,817	175,817	95,207	(80,610)
EXPENDITURES				
Debt service:				
Principal	162,000	162,000	162,000	-
Interest and fiscal charges	16,817	16,817	17,533	(716)
Total expenditures	178,817	178,817	179,533	(716)
Excess (deficiency) of revenues over expenditures	(3,000)	(3,000)	(84,326)	(81,326)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(3,000)	(3,000)	(84,326)	(81,326)
Fund balances - beginning	145,000	145,000	175,119	30,119
Fund balances - ending	\$ 142,000	\$ 142,000	\$ 90,793	\$ (51,207)

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local	\$ 1,993,000	\$ 1,993,000	\$ 2,189,990	\$ 196,990
Interest earnings	10,000	10,000	43,893	33,893
Total revenues	<u>2,003,000</u>	<u>2,003,000</u>	<u>2,233,883</u>	<u>230,883</u>
EXPENDITURES				
Capital outlay	<u>3,825,000</u>	<u>3,825,000</u>	<u>120,412</u>	<u>3,704,588</u>
Total expenditures	<u>3,825,000</u>	<u>3,825,000</u>	<u>120,412</u>	<u>3,704,588</u>
Excess (deficiency) of revenues over expenditures	<u>(1,822,000)</u>	<u>(1,822,000)</u>	<u>2,113,471</u>	<u>3,935,471</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(972,500)</u>	<u>(972,500)</u>	<u>(921,942)</u>	<u>50,558</u>
Total other financing sources	<u>(972,500)</u>	<u>(972,500)</u>	<u>(921,942)</u>	<u>50,558</u>
Net change in fund balances	(2,794,500)	(2,794,500)	1,191,529	3,986,029
Fund balances - beginning	<u>3,600,000</u>	<u>3,600,000</u>	<u>4,651,821</u>	<u>1,051,821</u>
Fund balances - ending	<u>\$ 805,500</u>	<u>\$ 805,500</u>	<u>\$ 5,843,350</u>	<u>\$ 5,037,850</u>

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.	102
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, sales and use tax.	110
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.	120
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.	130
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.	136

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			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 64,214,749	\$ 77,730,515	\$ 94,064,610	\$ 80,732,177
Restricted	21,023,627	22,005,395	5,337,207	4,891,889
Unrestricted	49,468,196	41,144,635	50,960,200	58,709,781
Total governmental activities net position	<u>\$ 134,706,572</u>	<u>\$ 140,880,545</u>	<u>\$ 150,362,017</u>	<u>\$ 144,333,847</u>
Business-type activities				
Net investment in capital assets	\$ 58,780,861	\$ 81,806,434	\$ 85,707,927	\$ 87,053,889
Unrestricted	29,432,939	8,515,151	12,693,861	4,258,712
Total business-type activities net position	<u>\$ 88,213,800</u>	<u>\$ 90,321,585</u>	<u>\$ 98,401,788</u>	<u>\$ 91,312,601</u>
Primary government				
Net investment in capital assets	\$ 122,995,610	\$ 159,536,949	\$ 179,772,537	\$ 167,786,066
Restricted	21,023,627	22,005,395	5,337,207	4,891,889
Unrestricted	78,901,135	49,659,786	63,654,061	62,968,493
Total primary government net position	<u>\$ 222,920,372</u>	<u>\$ 231,202,130</u>	<u>\$ 248,763,805</u>	<u>\$ 235,646,448</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					
2010	2011	2012	2013*	2014	2015
\$ 87,698,756	\$ 91,352,654	\$ 89,515,976	\$ 91,468,927	\$ 86,491,264	\$ 93,910,316
4,003,008	23,533,080	26,658,646	26,715,333	28,137,124	28,447,755
45,473,141	18,332,439	11,591,380	6,589,211	13,739,445	5,810,673
<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>	<u>\$ 128,168,744</u>
\$ 85,252,073	\$ 84,334,580	\$ 83,825,248	\$ 83,514,122	\$ 81,656,499	\$ 85,197,880
4,182,242	4,598,530	6,133,389	6,854,559	10,108,555	7,424,206
<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>	<u>\$ 92,622,086</u>
\$ 172,950,829	\$ 175,687,234	\$ 173,341,224	\$ 174,983,049	\$ 168,147,763	\$ 179,108,196
4,003,008	23,533,080	26,658,646	26,715,333	28,137,124	28,447,755
49,655,383	22,930,969	17,724,769	13,443,770	23,848,000	13,234,879
<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>	<u>\$ 220,790,830</u>

Town of Prescott Valley, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	\$ 7,968,306	\$ 9,611,555	\$ 10,476,111	\$ 12,359,343	\$ 10,413,658
Public safety	6,703,996	7,712,574	9,138,937	9,751,720	9,318,245
Culture and recreation	3,043,174	3,572,145	3,951,339	4,120,940	8,650,856
Public works	2,365,488	3,336,155	3,636,603	5,863,362	3,284,971
Highway and streets	4,484,893	5,374,323	7,445,584	5,402,589	5,260,537
Interest on long-term debt	4,516,440	4,185,588	4,181,678	4,944,534	4,715,164
Total governmental activities expenses	<u>29,082,297</u>	<u>33,792,340</u>	<u>38,830,252</u>	<u>42,442,488</u>	<u>41,643,431</u>
Business-type activities:					
Wastewater utility	4,878,568	5,737,771	6,615,695	6,628,846	6,360,996
Prescott Valley water system	841,630	1,202,450	3,185,604	16,854,701	7,593,403
Water district	8,165,539	7,598,327	7,016,814	-	-
Total business-type activities expenses	<u>13,885,737</u>	<u>14,538,548</u>	<u>16,818,113</u>	<u>23,483,547</u>	<u>13,954,399</u>
Total primary government expenses	<u>42,968,034</u>	<u>48,330,888</u>	<u>55,648,365</u>	<u>65,926,035</u>	<u>55,597,830</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	3,185,000	2,335,311	2,157,223	2,871,704	1,404,286
Public safety	4,929	12,469	8,544	7,199	17,549
Culture and recreation	163,549	217,858	200,463	221,280	239,673
Highway & streets	-	-	-	-	-
Operating grants and contributions	496,099	464,592	339,740	308,508	1,408,750
Capital grants and contributions	9,814,366	6,496,180	11,260,876	3,718,931	3,081,303
Total governmental activities program revenues	<u>13,663,943</u>	<u>9,526,410</u>	<u>13,966,846</u>	<u>7,127,622</u>	<u>6,151,561</u>
Business-type activities:					
Charges for services:					
Wastewater utility	3,243,345	3,974,215	4,229,843	4,181,492	4,151,592
Prescott Valley water system	948,437	767,627	2,281,698	8,025,941	7,588,187
Water district	6,046,065	6,602,824	5,669,747	-	-
Capital grants and contributions	17,792,293	4,455,083	6,434,349	4,782,391	925,703
Total business-type activities program revenues	<u>28,030,140</u>	<u>15,799,749</u>	<u>18,615,637</u>	<u>16,989,824</u>	<u>12,665,482</u>
Total primary government program revenues	<u>41,694,083</u>	<u>25,326,159</u>	<u>32,582,483</u>	<u>24,117,446</u>	<u>18,817,043</u>
Net (expense)/revenue					
Governmental activities	(15,418,354)	(24,265,930)	(24,863,406)	(35,314,866)	(35,491,870)
Business-type activities	14,144,403	1,261,201	1,797,524	(6,493,723)	(1,288,917)
Total primary government net expense	<u>(1,273,951)</u>	<u>(23,004,729)</u>	<u>(23,065,882)</u>	<u>(41,808,589)</u>	<u>(36,780,787)</u>
Governmental activities:					
Taxes:					
Sales and use taxes	14,309,814	15,047,108	12,729,336	11,400,416	10,698,887
Franchise taxes	528,349	390,287	487,251	485,612	465,433
Property taxes	417,434	837,270	1,603,666	2,190,751	2,313,022
Intergovernmental	13,076,508	16,238,921	17,454,570	17,216,586	13,335,644
Interest and investment income	2,285,186	2,629,889	1,975,567	936,950	598,471
Miscellaneous	1,610,000	4,522	313	26,533	16,106
Transfers	95,323	93,938	94,175	1,155,988	905,365
Total governmental activities	<u>32,322,614</u>	<u>35,241,935</u>	<u>34,344,878</u>	<u>33,412,836</u>	<u>28,332,928</u>
Business-type activities:					
Interest and investment income	766,544	953,405	834,018	560,524	315,996
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)	(905,365)
Total business-type activities	<u>1,103,496</u>	<u>846,584</u>	<u>6,282,679</u>	<u>(595,464)</u>	<u>(589,369)</u>
Total primary government	<u>33,426,110</u>	<u>36,088,519</u>	<u>40,627,557</u>	<u>32,817,372</u>	<u>27,743,559</u>
Change in Net Position					
Governmental activities	16,904,260	10,976,005	9,481,472	(1,902,030)	(7,158,942)
Business-type activities	15,247,899	2,107,785	8,080,203	(7,089,187)	(1,878,286)
Total primary government	<u>\$ 32,152,159</u>	<u>\$ 13,083,790</u>	<u>\$ 17,561,675</u>	<u>\$ (8,991,217)</u>	<u>\$ (9,037,228)</u>

Table 2

Fiscal Year				
2011	2012	2013	2014	2015
\$ 9,349,601	\$ 11,997,108	\$ 11,245,821	\$ 10,053,941	\$ 11,232,735
9,540,750	9,272,516	9,689,545	10,207,382	10,567,773
4,695,196	4,829,228	4,908,858	5,126,785	5,233,436
2,884,128	3,153,248	3,661,770	3,212,354	3,192,335
6,009,001	6,334,044	6,388,801	5,797,407	5,914,736
4,744,657	4,237,965	3,860,771	3,257,938	2,923,358
<u>37,223,333</u>	<u>39,824,109</u>	<u>39,755,566</u>	<u>37,655,807</u>	<u>39,064,373</u>
6,241,143	6,129,626	6,081,358	6,213,772	6,805,036
7,221,333	6,925,032	7,572,437	7,395,511	8,111,728
-	-	-	-	-
<u>13,462,476</u>	<u>13,054,658</u>	<u>13,653,795</u>	<u>13,609,283</u>	<u>14,916,764</u>
<u>50,685,809</u>	<u>52,878,767</u>	<u>53,409,361</u>	<u>51,265,090</u>	<u>53,981,137</u>
1,481,643	1,638,864	2,331,028	2,984,647	3,254,576
29,348	27,238	14,378	15,454	60,724
203,767	220,922	226,889	234,580	234,966
-	-	8,777	8,354	7,217
2,605,296	2,418,314	4,652,649	2,735,533	1,505,325
3,008,745	4,689,533	2,467,175	4,679,348	4,842,756
<u>7,328,799</u>	<u>8,994,871</u>	<u>9,700,896</u>	<u>10,657,916</u>	<u>9,905,564</u>
4,245,252	4,449,769	4,703,453	4,980,242	4,981,299
7,433,696	7,695,290	7,800,224	8,038,134	7,832,523
-	-	-	-	-
<u>1,354,631</u>	<u>765,584</u>	<u>1,395,909</u>	<u>1,788,914</u>	<u>2,764,541</u>
<u>13,033,579</u>	<u>12,910,643</u>	<u>13,899,586</u>	<u>14,807,290</u>	<u>15,578,363</u>
<u>20,362,378</u>	<u>21,905,514</u>	<u>23,600,482</u>	<u>25,465,206</u>	<u>25,483,927</u>
(29,894,534)	(30,829,238)	(30,054,670)	(26,997,891)	(29,158,809)
(428,897)	(144,015)	245,791	1,198,007	661,599
<u>(30,323,431)</u>	<u>(30,973,253)</u>	<u>(29,808,879)</u>	<u>(25,799,884)</u>	<u>(28,497,210)</u>
10,470,048	11,177,768	11,602,664	13,442,182	15,577,231
450,140	425,224	611,841	584,602	610,627
2,097,157	1,858,261	1,925,702	1,725,304	1,754,815
12,397,820	12,535,886	13,555,792	14,509,668	15,415,689
107,125	187,846	(60,726)	255,481	213,461
66,521	227,309	1,444,900	75,016	-
348,991	(1,035,227)	(8,532)	-	-
<u>25,937,802</u>	<u>25,377,067</u>	<u>29,071,641</u>	<u>30,592,253</u>	<u>33,571,823</u>
267,913	134,311	252,080	132,069	183,599
-	-	-	-	-
8,770.00	4	35,120	66,297	11,834
(348,991)	1,035,227	8,532	-	-
<u>(72,308)</u>	<u>1,169,542</u>	<u>295,732</u>	<u>198,366</u>	<u>195,433</u>
<u>25,865,494</u>	<u>26,546,609</u>	<u>29,367,373</u>	<u>30,790,619</u>	<u>33,767,256</u>
(3,956,732)	(5,452,171)	(983,029)	3,594,362	4,413,014
(501,205)	1,025,527	541,523	1,396,373	857,032
<u>\$ (4,457,937)</u>	<u>\$ (4,426,644)</u>	<u>\$ (441,506)</u>	<u>\$ 4,990,735</u>	<u>\$ 5,270,046</u>

Town of Prescott Valley, Arizona

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ -	\$ -	\$ 7,872	\$ 10,800	\$ 587,801
Unreserved	21,367,149	21,327,904	34,692,068	25,239,726	17,548,648
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>21,367,149</u>	<u>21,327,904</u>	<u>34,699,940</u>	<u>25,250,526</u>	<u>18,136,449</u>
All other governmental funds					
Reserved	21,023,627	22,005,395	22,054,510	21,339,192	19,885,311
Unreserved, reported in:					
Special revenue funds	19,368,524	15,533,977	13,048,889	11,478,236	8,121,956
Capital projects funds	4,679,201	5,406,669	2,424,520	4,115,066	4,667,748
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 45,071,352</u>	<u>\$ 42,946,041</u>	<u>\$ 37,527,919</u>	<u>\$ 36,932,494</u>	<u>\$ 32,675,015</u>

Note: The Town implemented GASB 34 for the fiscal year ended June 30, 2003 and GASB 54 for the fiscal year ended June 30, 2011. Prior financial statements have not been restated.

Table 3

Fiscal Year				
2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,401,864	2,162,860	2,730,483	5,178,749	5,938,850
2,111,047	2,191,363	2,716,578	2,989,059	3,113,835
13,220,847	9,500,430	7,349,190	5,959,693	7,424,030
<u>16,733,758</u>	<u>13,854,653</u>	<u>12,796,251</u>	<u>14,127,501</u>	<u>16,476,715</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
64,712	34,643	20,469	3,607	3,385
24,890,376	24,682,194	23,845,139	25,989,310	26,694,270
1,965,317	358,851	-	-	-
(64,712)	(2,163,904)	(3,202,617)	(3,409,591)	(3,995,331)
<u>\$ 26,855,693</u>	<u>\$ 22,911,784</u>	<u>\$ 20,662,991</u>	<u>\$ 22,583,326</u>	<u>\$ 22,702,324</u>

Town of Prescott Valley, Arizona

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes-local	\$ 14,309,814	\$ 15,437,395	\$ 13,216,587	\$ 11,886,028
Taxes-intergovernmental	13,604,857	16,238,921	17,454,570	17,216,586
Taxes-property	417,434	837,270	1,603,666	2,190,751
Licenses and permits	2,237,688	1,055,619	756,726	553,007
Charges for services	168,478	507,988	372,075	331,324
Fines and forfeitures	390,829	551,478	673,351	779,386
Special assessments	1,795,188	1,712,438	1,250,009	1,323,126
Investment earnings	2,121,163	2,607,504	1,961,913	1,016,586
Intergovernmental	938,967	868,007	388,461	410,698
Miscellaneous	6,202,109	2,963,744	3,116,482	2,380,846
Total revenues	42,186,527	42,780,364	40,793,840	38,088,338
Expenditures				
General government	7,194,077	8,723,101	8,888,114	11,760,135
Public safety	6,543,281	7,392,991	8,831,807	9,143,146
Culture and recreation	2,666,180	3,031,871	3,361,957	3,548,012
Public works	1,427,548	1,943,035	1,664,904	1,578,240
Highway and streets	2,154,915	2,776,810	2,817,805	2,112,236
Debt service:				
Principal	2,962,710	2,612,216	2,082,646	3,616,248
Interest and fiscal charges	4,475,806	4,144,954	4,141,044	4,903,900
Bond issuance costs	-	363,891	959,186	-
Payment to advance refunding escrow agent	1,215,000	465,000	165,000	-
Capital outlay	12,553,357	17,009,989	18,941,812	12,627,248
Total expenditures	41,192,874	48,463,858	51,854,275	49,289,165
Excess of revenues over (under) expenditures	993,653	(5,683,494)	(11,060,435)	(11,200,827)
Other financing sources (uses)				
Transfers in	6,811,479	7,802,928	10,383,142	5,260,351
Transfers out	(6,716,156)	(7,708,990)	(10,288,967)	(4,104,363)
Long-term capital-related debt issued	-	-	-	-
Discount on bonds issued	-	-	(14,826)	-
Payments to advanced refunding escrow agent	-	-	-	-
Proceeds from capital lease	10,808	-	-	-
Proceeds from bonds issued	-	3,425,000	18,935,000	-
Premium on refunding bonds issued	-	-	-	-
Total other financing sources and (uses)	106,131	3,518,938	19,014,349	1,155,988
Net change in fund balances	\$ 1,099,784	\$ (2,164,556)	\$ 7,953,914	\$ (10,044,839)
Debt service as a percentage of noncapital expenditures	30.2%	23.0%	19.4%	23.2%

Table 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 11,164,320	\$ 10,920,188	\$ 11,602,992	\$ 12,214,505	\$ 14,026,784	\$ 16,187,858
13,932,418	12,397,820	12,535,886	13,555,792	14,509,668	15,415,689
2,313,022	2,097,157	1,858,261	1,925,702	1,725,304	1,754,815
363,051	411,725	531,975	959,474	1,767,289	2,296,788
358,281	266,874	286,300	334,586	354,378	307,098
623,565	675,209	763,509	715,189	663,483	551,451
1,348,178	1,117,252	1,350,833	741,650	690,091	562,637
393,182	243,286	92,388	190,652	118,289	165,143
2,549,543	2,271,289	1,520,264	1,698,761	2,206,463	2,073,222
1,430,534	2,148,555	2,116,466	6,529,574	3,330,260	2,059,652
<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>	<u>41,374,353</u>
9,295,019	8,708,728	11,519,697	10,888,502	9,632,124	10,666,389
8,831,350	8,921,567	8,685,736	9,162,837	9,729,079	10,053,933
4,060,473	3,314,352	3,280,206	3,394,827	3,541,111	3,751,545
1,403,528	1,167,649	1,404,224	1,393,947	1,441,527	1,380,856
2,041,828	2,215,823	2,699,271	2,775,243	2,230,497	2,162,262
3,833,248	6,862,910	4,044,247	3,786,248	3,372,248	3,736,248
4,663,230	4,704,023	4,042,479	3,684,970	2,852,151	2,811,285
-	-	386,798	260,926	331,335	-
576,300	-	-	-	766,566	-
12,048,039	4,225,307	2,803,465	2,520,129	2,583,437	4,343,623
<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>	<u>38,906,141</u>
(12,276,921)	(7,571,004)	(6,207,249)	998,256	2,911,934	2,468,212
8,244,932	5,270,966	6,599,616	3,148,462	3,952,741	5,454,139
(7,339,567)	(4,921,975)	(7,634,843)	(3,156,994)	(3,952,741)	(5,454,139)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(27,131,831)	(12,836,919)	(11,620,349)	-
-	-	-	-	-	-
-	-	25,785,000	8,540,000	11,960,000	-
-	-	1,766,293	-	-	-
<u>905,365</u>	<u>348,991</u>	<u>(615,765)</u>	<u>(4,305,451)</u>	<u>339,651</u>	<u>-</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>	<u>\$ 2,468,212</u>
26.1%	32.2%	22.4%	21.1%	20.6%	18.9%

Town of Prescott Valley, Arizona

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Transaction Privilege Tax (1)*	\$ 13,781,465	\$ 14,821,243	\$ 12,500,181	\$ 11,169,107
Franchise Tax (2)*	528,349	616,152	716,406	714,028
State-Shared Sales Tax (3)**	2,565,294	3,191,209	3,085,676	2,671,333
Urban Revenue Sharing Tax (4)**	2,258,836	3,811,960	4,725,011	5,006,330
Auto in Lieu Tax (5)**	1,819,449	2,150,126	2,080,348	1,981,539
Highway User Tax (6)**	2,463,256	3,022,836	2,799,297	2,517,929
Other Tax (7)**	4,498,022	4,062,790	4,764,238	5,039,455
Property Tax (8)***	417,434	837,270	1,603,666	2,190,751
Total	<u>\$ 28,332,105</u>	<u>\$ 32,513,586</u>	<u>\$ 32,274,823</u>	<u>\$ 31,290,472</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 category breakdown.

(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 property tax on vehicles.

(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					
2010	2011	2012	2013	2014	2015
\$ 10,473,107	\$ 10,241,313	\$ 10,958,574	\$ 11,602,664	\$ 13,442,182	\$ 15,577,231
691,213	678,875	644,418	611,841	584,602	610,627
2,463,915	2,603,320	3,033,563	3,184,232	3,379,174	3,547,894
4,334,885	3,267,948	3,276,605	3,965,584	4,327,205	4,699,643
1,824,921	1,813,235	1,996,386	2,025,147	2,142,326	2,259,164
2,498,515	2,521,131	2,460,595	2,684,968	2,779,050	3,024,969
2,810,182	2,192,186	1,768,737	1,695,861	1,881,913	1,884,019
2,313,022	2,097,157	1,858,261	1,925,702	1,725,304	1,754,815
<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>	<u>\$ 33,358,362</u>

Town of Prescott Valley, Arizona

General Governmental Taxable Sales by Category

Last Ten Fiscal Years

(modified accrual basis of accounting)

Category	Fiscal Year			
	2006	2007	2008	2009
Mining	\$ 13	\$ 53	\$ 29	\$ 97
Construction	4,303,842	4,528,174	2,836,996	1,783,434
Manufacturing	425,914	453,093	428,751	379,823
Transportation, comm., utilities	1,172,130	1,350,309	1,504,095	1,334,285
Wholesale	157,700	163,389	190,936	157,532
Retail	5,334,047	5,723,780	5,141,365	5,318,986
Restaurant/bars	823,379	913,840	956,567	947,387
Finance, insurance, real estate	459,535	455,771	449,552	361,874
Hotels	160,543	154,804	163,494	152,647
Services	511,750	479,565	437,841	356,907
Government	111,741	114,890	137,326	270,020
Others	203,601	246,803	104,093	49,440
City sales tax audit	117,270	236,772	149,136	56,675
Total	<u>\$ 13,781,465</u>	<u>\$ 14,821,243</u>	<u>\$ 12,500,181</u>	<u>\$ 11,169,107</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					
2010	2011	2012	2013	2014	2015
\$ 35	\$ 1,006	\$ 7,368	\$ 4,075	\$ 24,357	\$ 3,172
1,015,288	586,972	778,855	641,648	1,151,159	975,051
262,357	240,828	238,433	254,715	272,067	293,780
1,432,800	1,410,446	1,431,378	1,469,176	1,445,413	1,504,656
233,362	236,117	237,434	261,521	304,538	283,895
5,406,340	5,578,893	5,925,245	6,379,260	7,374,901	9,179,114
911,260	900,239	948,651	1,027,210	1,140,585	1,231,961
277,369	299,504	318,908	516,190	687,351	838,902
207,788	229,591	247,673	255,711	290,610	317,122
351,574	344,006	404,601	385,219	369,094	453,167
253,351	273,425	288,124	298,645	304,284	301,831
48,034	107,941	56,900	49,475	61,859	80,005
73,549	32,345	75,004	59,819	15,964	114,575
<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>	<u>\$ 15,577,231</u>

Town of Prescott Valley, Arizona

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

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
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					
2010	2011	2012	2013	2014	2015
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%
6.60%	6.60%	6.60%	5.60%	5.60%	5.60%
9.68%	9.68%	9.68%	8.68%	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)				
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
2015	2,252,153,569	258,722,097	11.49%	8.8275	2,315,468,942	12,194,903

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		
\$ 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
245,490,896	7,773,713	265,459,512	11.46%	8.3837

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
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
2015	-	P	2.4669		-	P	4.5000	P	1.8606
		S	0.4636			S	1.0765	S	0.2231

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.
- (7) Pronghorn Ranch Special District has a rate of \$4.00 per \$100 Secondary Assessed Value, StoneRidge has a rate of \$3.178, Parkway No. 1 has a rate of \$16.51 and Quailwood Meadows has a rate of \$4.60.

Table 9

Yavapai Fire District		Special District		Total	
S	\$ 2.0072	S	\$ 3.3000	P	\$ 6.6385
				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
				P	8.8275
S	2.6205	S	4.0000	(7) S	8.3837

Town of Prescott Valley, Arizona

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	Municipal Property Corporation Bonds (1)	Certificates of Participation	Special Assessment Bonds	General Obligation Bonds (2)	Loans (3)	Capital Leases
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	31,442,940	13,480,000	4,059,000	28,805,000	240,893	-
2013	29,703,868	12,810,000	3,603,000	23,895,000	220,645	-
2014	28,049,796	12,115,000	2,996,000	23,545,000	200,397	-
2015	26,105,724	11,390,000	2,655,000	22,710,000	180,149	-

(1) MPC Bonds for fiscal years 2012-2014 were reinstated to recognize outstanding bond issuance premiums.

(2) Community facilities districts general obligation bonds.

(3) Community facilities districts long-term loan payable.

(4) Full cash value from Table 8 used in this calculation.

(5) Personal income (not in thousands) from Table 15 used in this calculation.

(6) Estimated Population from Table 15 used in this calculation.

Table 10

Business-Type Activities		Total Primary Government	Percentage of Taxable Property (4)	Percentage of Personal Income (5)	Total Debt per Capita (6)
Revenue Bonds	Loans				
\$ 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	106,073,132	3.91%	13.00%	2,732
15,115,000	10,364,763	95,712,276	4.25%	11.51%	2,447
12,831,057	9,692,691	89,429,941	4.14%	10.72%	2,247
11,446,467	8,998,369	83,485,709	3.61%	9.93%	2,098

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

Fiscal Year	Municipal Property Corporation Bonds (1)	Less: Amounts Available in Debt Service Funds	Total	Certificates of Participation	Less: Amounts Available in Debt Service Funds
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	31,442,940	(3,363,488)	28,079,452	13,480,000	(296,456)
2013	29,703,868	(3,882,678)	25,821,190	12,810,000	(270,156)
2014	28,049,796	(4,007,881)	24,041,915	12,115,000	(256,256)
2015	26,105,724	(3,983,033)	22,122,691	11,390,000	(241,756)

- (1) MPC Bonds for fiscal years 2012-2014 were reinstated to recognize outstanding bond issuance premiums.
- (2) General obligation bonds for community facilities districts.
- (3) Full cash value from Table 8 used in this calculation.

Table 11

Total	General Obligation Bonds (2)	Less: Amounts Available in Debt Service Funds	Total	Percentage of Taxable Property (3)	Per Capita
\$ -	\$ 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	2.36%	1,648
12,539,844	23,895,000	(2,686,101)	21,208,899	2.64%	1,523
11,858,744	23,545,000	(2,703,348)	20,841,652	2.63%	1,426
11,148,244	22,710,000	(3,005,383)	19,704,617	2.29%	1,331

Town of Prescott Valley, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

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	\$ 63,040,873	100.00%	\$ 63,040,873
Overlapping debt			
Central Yavapai Fire District	12,886,240	50.95%	6,565,539
Humboldt Unified School District	39,650,000	76.89%	30,486,885
Yavapai Community College District	28,600,000	11.70%	3,346,200
Total overlapping debt	<u>81,136,240</u>		<u>40,398,624</u>
 Total direct and overlapping debt			 <u>\$ 103,439,497</u>
	<u>Total Assessed Valuation</u>	<u>Valuation in Prescott Valley</u>	<u>Percentage in Prescott Valley</u>
Taxing district			
Central Yavapai Fire District	\$ 521,054,327	\$ 265,459,512	50.95%
Humboldt Unified School District	345,242,250	265,459,512	76.89%
Yavapai Community College District	2,268,389,484	265,459,512	11.70%

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 67,345,970	\$ 85,933,272	\$ 113,422,929	\$ 108,552,737
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 67,345,970</u>	<u>\$ 85,933,272</u>	<u>\$ 113,422,929</u>	<u>\$ 108,552,737</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, 2015 were secured by sales taxes instead of property taxes.

Table 13

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 98,779,537	\$ 87,158,981	\$ 87,158,981	\$ 70,086,409	\$ 66,048,325	\$ 69,019,473
-	-	-	-	-	-
<u>\$ 98,779,537</u>	<u>\$ 87,158,981</u>	<u>\$ 87,158,981</u>	<u>\$ 70,086,409</u>	<u>\$ 70,086,409</u>	<u>\$ 69,019,473</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 265,459,512
Debt limit (1):	
Water and sewer 20%	53,091,902
All others 6%	15,927,571
Total debt limit	<u>69,019,473</u>
Debt applicable to limit (2)(3):	
General obligation bonds	-
Legal debt margin	<u>\$ 69,019,473</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
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
2015	5,513,401	-	3,413,331	2,100,070

Water System Revenue Bonds

Fiscal Year	Gross Revenues	Less: Excluded Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue
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
2015	8,605,198	565,850	5,443,127	2,596,221

Municipal Property Corporation Bonds

Fiscal Year	Excise Taxes Pledged (3)	Debt Service		Total
		Principal	Interest	
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	1,129,145	2,654,145
2015	27,030,775	1,815,000	1,081,461	2,896,461

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		Total	Coverage
Principal	Interest		
\$ 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
1,174,322	452,170	1,626,492	1.29

Debt Service		Total	Coverage
Principal	Interest		
\$ 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
1,535,000	358,800	1,893,800	1.37

Coverage

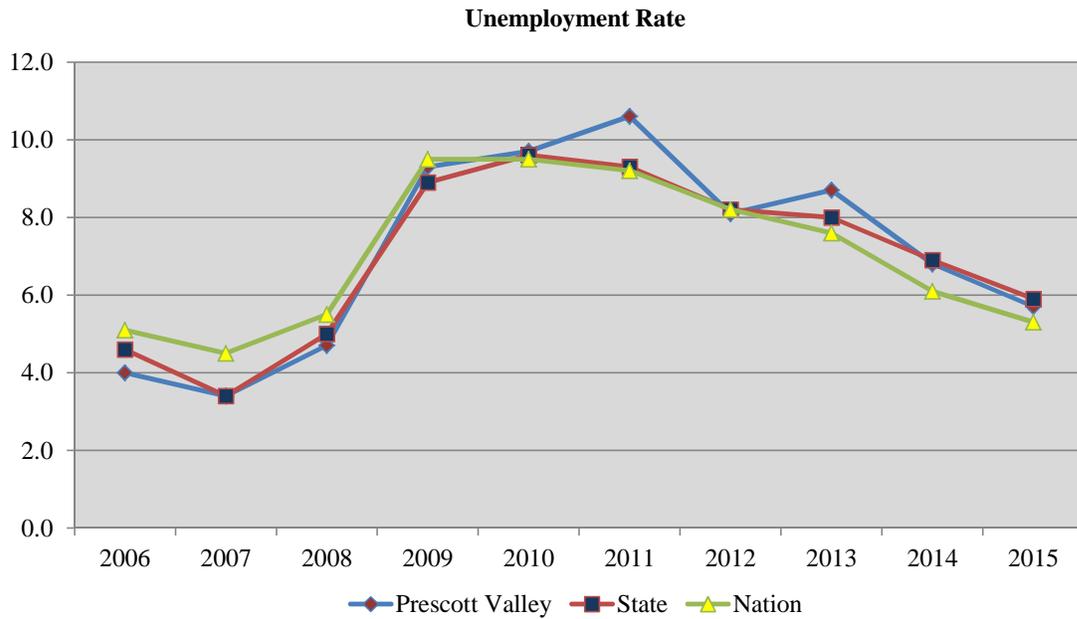
5.10
6.36
6.99
4.64
5.71
2.84
7.48
7.97
9.03
9.33

Town of Prescott Valley, Arizona

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Estimated Population (1)	Personal Income (thousands)	Per Capita Personal Income		Median Age (1)	Public School Enrollment (2)
				(1)		
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	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
2015	41,075	8,677,094		21,125	41.7	5,869



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	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
13 to 16	5.7	5.9	5.3

Town of Prescott Valley, Arizona

Principal Employers

Current Year and Seven Years Ago

Employer	Product/Service	2015		
		Employees	Rank	Percentage of Total Town Employment
Humboldt Unified School District	Education	712	1	N/A
Yavapai Regional Medical Center	Hospital	589	2	N/A
Walmart	Retail grocery	314	3	N/A
MI Windows and Doors	Manufacture aluminum products	224	4	N/A
Town of Prescott Valley	Municipality	210	5	N/A
Ace Hardware, Inc.	Regional distribution center	206	6	N/A
Mountain Valley Regional*	Rehabilitation hospital	190	7	N/A
Fry's	Retail grocery	190	8	N/A
Lockheed Martin	Aeronautical	140	9	N/A
Sam's Club	Retail grocery	140	10	N/A
Prescott Newspapers	Newspaper	-		N/A
Kohl's	Retail	-		N/A
		<u>2,915</u>		

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

2008		
Employees	Rank	Percentage of Total Town Employment
675	1	N/A
350	3	N/A
-		N/A
410	2	N/A
210	6	N/A
240	5	N/A
115	10	N/A
150	8	N/A
250	4	N/A
-		N/A
195	7	N/A
125	9	N/A
<u>2,720</u>		

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

Function	Full-time Equivalent				
	2006	2007	2008	2009	2010
General government					
Executive Management	10.25	12.29	12.12	11.00	9.56
Town Clerk	4.00	4.00	4.00	3.00	3.00
Human Resources	2.00	2.00	2.00	2.00	1.05
Management Services	26.00	26.13	25.63	21.57	19.80
Legal	4.30	5.00	5.00	5.18	5.50
Magistrate Court	5.20	7.60	8.63	10.35	8.72
Facilities and Fleet Maintenance	4.00	5.00	4.00	5.00	5.00
Public safety					
Building/Safety	17.40	15.00	13.00	10.00	10.00
Police	68.50	79.25	82.00	79.00	75.00
Culture and recreation					
Parks and Recreation	26.33	28.54	25.19	28.20	29.53
Library	12.50	15.00	13.75	14.75	18.75
Public works					
Planning and Development	3.00	3.00	3.00	3.00	3.00
Neighborhood Services	-	4.00	4.00	4.00	3.00
Engineering	11.50	11.00	11.00	11.78	9.70
Streets	19.54	18.00	14.00	14.91	13.00
Total	<u>214.52</u>	<u>235.81</u>	<u>227.32</u>	<u>223.74</u>	<u>214.61</u>

Source: Town of Prescott Valley Human Resources Department

Table 17

Employees at June 30

2011	2012	2013	2014	2015
9.31	8.56	8.63	10.00	10.00
3.00	3.00	3.00	3.00	3.00
1.08	1.50	2.56	3.56	3.56
17.78	19.10	19.23	17.63	18.63
5.50	5.50	5.50	5.50	5.50
6.50	7.63	7.00	8.00	7.00
5.00	5.00	5.00	5.00	4.00
10.00	10.00	10.00	11.00	11.00
71.00	67.63	75.60	74.30	76.98
28.73	28.35	22.57	19.84	24.26
16.15	18.15	18.65	19.15	20.93
3.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	3.00	2.00
9.70	8.00	7.00	7.00	9.00
13.00	13.00	15.00	13.00	14.00
<u>201.75</u>	<u>200.42</u>	<u>204.74</u>	<u>202.98</u>	<u>212.86</u>

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

Function / Program	Fiscal Year			
	2006	2007	2008	2009
General government:				
Executive Management				
Number of active capital projects	58	27	15	9
Human Resources				
Number of new hires	31	39	28	4
Town Clerk				
Number of legal postings	97	77	58	141
Number of business licenses issued	852	875	776	682
Management Services				
Number of accounts payable checks issued	7,753	7,069	6,521	6,123
Purchase orders/field purchase orders issued	5,606	6,019	5,147	4,610
Sales tax growth (% annual change)	22.02%	6.73%	-15.31%	-10.03%
Legal				
Percentage of cases resolved at first court appearance	75%	70%	65%	65%
Magistrate Court				
Charges filed / charges adjudicated (resolved)	7,195	16,542	23,240	29,165
Public safety:				
Building/Safety				
Permits issued	2,006	1,246	1,024	1,039
Inspections performed	34,232	36,402	23,190	19,543
Police				
Criminal arrests	2,860	2,961	2,708	2,657
Calls for service	27,147	26,927	26,253	24,725
Culture and recreation:				
Parks and Recreation				
Number of activities offered	86	81	228	211
Number of attendees - all programs except aquatics	107,396	86,582	61,582	76,586
Number of attendees - aquatics	21,599	29,615	30,681	19,644
Library				
Number of visitors annually	145,858	145,365	157,139	179,337
Public works:				
Neighborhood Services				
Number of code enforcement cases processed per year	1,874	2,163	2,877	5,872
Utilities				
Number of water service connections	17,250	17,898	18,080	18,045
Residential/commercial water billed (thousands of gallons)	1,479,265	1,493,966	1,726,524	1,558,751
Reclaimed water supplied (thousands of gallons)	99,819	72,683	113,702	98,888
Number of sewer service connections	14,050	14,875	15,205	15,248
Sewage treated (thousands of gallons)	774,560	851,794	874,034	839,682

Source: Town of Prescott Valley

Table 18

Fiscal Year					
2010	2011	2012	2013	2014	2015
7	12	16	30	26	16
0	5	21	30	41	40
53	90	125	75	155	114
580	500	489	473	529	449
5,260	4,964	4,755	10,728	5,598	4,655
3,792	3,530	3,805	3,750	4,289	3,561
-6.44%	-1.83%	6.61%	5.99%	16.46%	15.10%
65%	65%	n/a	n/a	n/a	n/a
18,769	23,471	26,666	21,776	15,185	7,645
441	850	1,179	1,427	1,732	1,916
11,926	8,551	9,515	12,312	20,817	18,664
2,683	2,217	2,811	2,296	2,480	2,609
23,376	21,372	23,238	21,966	22,711	22,796
54	40	46	63	79	91
60,696	50,441	186,420	190,950	209,953	211,377
23,441	17,199	21,298	19,856	23,877	29,460
160,202	233,209	239,808	241,388	247,357	268,601
3,517	6,758	9,082	5,417	4,512	5,490
18,069	18,039	18,078	18,401	18,855	19,237
1,491,065	1,463,350	1,513,362	1,514,019	1,587,033	1,534,653
118,174	94,825	100,844	120,702	109,573	66,703
15,347	15,326	15,333	15,592	16,040	16,375
841,947	858,000	870,600	886,900	903,700	931,000

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

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

Source: Town of Prescott Valley

Table 19

Fiscal Year					
2010	2011	2012	2013	2014	2015
88,782	88,782	88,872	88,872	88,872	88,872
38	38	38	38	38	38
1	1	1	1	1	1
25,038	25,038	25,038	25,038	25,038	25,038
73	90	133	81	81	86
316	316	317	317	317	318
20	21	21	21	21	21
11	11	11	11	11	12
332	333	334	334	334	337
1,488	1,491	1,497	1,498	1,503	1,524
231	231	231	231	232	234
23	24	24	24	27	29
269	269	269	269	429	429
1	1	1	1	1	1

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Ten Fiscal Years

Table 20

	<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 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
Fiscal Year 2015					
Employer	12,427,734	7,379,271	11%	811,720	811,783
Employee	N/A	7,379,271	7%	516,549	516,627

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 7% of their earnings and the Town to contribute 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.