

TOWN OF PRESCOTT VALLEY, ARIZONA

2010



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2010



Comprehensive Annual Financial Report

*For Fiscal Year Ended
June 30, 2010*

Town of Prescott Valley, Arizona



Prepared by the Management Services Department

William E. Kauppi
Management Services Director



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Town of Prescott Valley, Arizona

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

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January 18, 2011

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, 2010 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 all 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 was to provide reasonable assurance that the financial statements of the Town of Prescott Valley for the fiscal year ended June 30, 2010, 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 unqualified opinion that the Town of Prescott Valley's statements for the fiscal year ended June 30, 2010, 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 38,463 per the most recent estimate from the Arizona Department of Economic Security.

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

The Town of Prescott Valley provides a full range of services including police protection, water and sewer service, the construction and maintenance of highways, streets and other infrastructure, recreational activities, a library facility and cultural events. Telephone service is provided by Qwest, 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 Town of Prescott Valley has had negative economic indicators since approximately November 2007. All local and state-shared sales tax, construction revenues, state-shared income tax and highway user revenues have decreased. Housing sales have decreased and the median home price has decreased moderately. Our community partners in the public, private and governmental sectors have experienced closure, staffing layoffs or furloughs, and declining revenues. A number of new projects anticipated to build the retail sector have been delayed or canceled due to the lack of available capital. The economic analysts for our local and state region give mixed messages on when the recovery may start.

Local sales tax declines have been realized every month since March 2007 until November 2009, in comparison to the same months in the prior year, except for December 2007 and November 2008. Overall, Town sales tax receipts have decreased 6.4%. While most local sales tax sectors have experienced reductions, the greatest impact was in construction with a 43.1% decrease. In 2010, construction represented only 9.8% of all sales tax receipts in comparison to 2007 when construction tax receipts represented 31% of all sales tax receipts. Overall, local sales tax estimates are approximately \$1.8 million less for fiscal year 2009/10 than what had been projected for the same fiscal year a year ago.

Building permit activity demonstrated an 8% decline in fiscal year 2009/10 over fiscal year 2008/09, compared to the decrease of 40% from fiscal year 2007/08 to fiscal year 2008/09. Building activity is projected to continue to remain slow in fiscal year 2010/11, demonstrating the severity of the housing market. The decline in the building permits and construction of new residential homes provides economic challenges to Prescott Valley and its citizens, and also presents significant challenges to properly manage current or new Town services and maintain existing infrastructure. Sales and use tax revenues are 40% (compared to 34% last year) of the Town's general fund revenues and are largely dependent upon consumer confidence in the economy. These revenues, along with state-shared revenues, are tremendously susceptible to national, regional and local trends in the retail and construction markets.

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. The Town's greatest challenge is that while population is growing, it is growing at a slower rate than some of the other communities in the state. This has translated into a decreased proportionate share in the past. Currently, the Town is holding a steady population percentage in relationship to the rest of the state at approximately 0.7%.

Highway user revenue funds (HURF) ended fiscal year 2010 at only \$19,414 less than fiscal year 2009. HURF revenues have experienced three consecutive years of decreases with a cumulative reduction of \$.5 million, or 17.35%. These revenues are distributed based on a fairly complex Arizona Department of Transportation formula, based on part on the amount of fuel purchased in our region. As fuel prices have decreased from their peak of \$3 plus per gallon, we anticipate tourism in the Prescott-Prescott Valley area to increase as we are a popular drive destination for Phoenix. However, that trend is not yet evident in our monthly receipts.

A combination of all the revenue declines noted caused the General Fund to continue with the changes implemented at the beginning of the year. They include: positions were frozen, staff hours were reduced, travel was decreased, benefits were reduced and capital projects were either eliminated or deferred if the projects didn't have a designated funding source. Other funds also had to curb spending to meet anticipated revenue reductions, particularly water and wastewater, as service fees have not met projections due to the decreased construction activity and successful conservation efforts.

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, due to the economic downturn, Prescott Valley's financial forecast generally includes decreases in sales tax, income tax and building-related revenues. Many user fees have been static or have decreased. 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, 2009. This was the thirteenth 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, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

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

Respectfully submitted,



William E. Kauppi
Management Services Director
WEK:lla

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

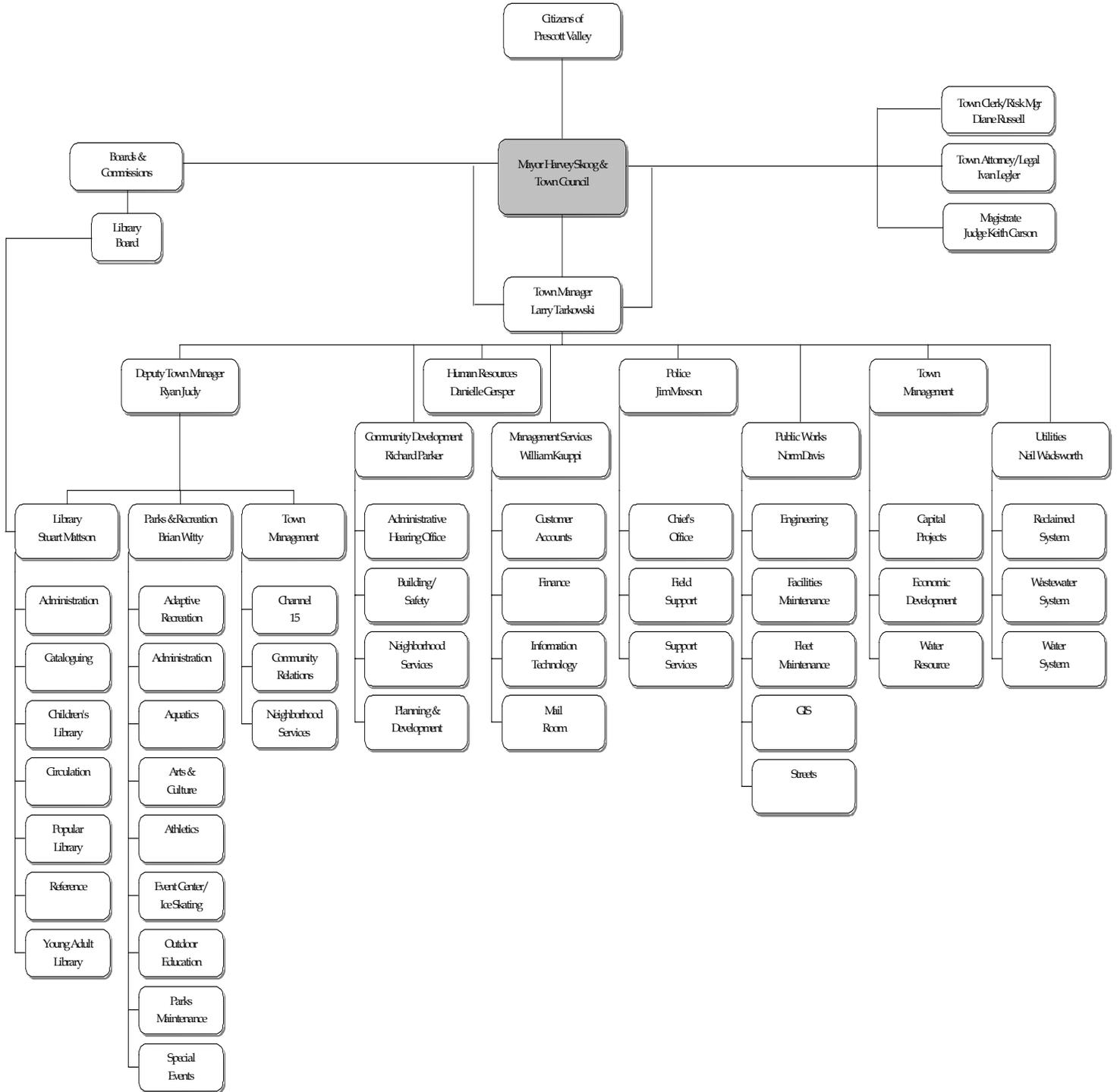


President

Executive Director

Town of Prescott Valley, Arizona

TOWN ORGANIZATION CHART



Town of Prescott Valley

Key Officials and Staff

For Fiscal Year Ended

June 30, 2010

Harvey Skoog
Mayor

Richard Anderson
Vice Mayor
(appointed 6/10/10)

Patty Lasker
Councilmember

Fran Schumacher
Councilmember



Mike Flannery
Councilmember

Lora Lee Nye
Councilmember

Harold Wise
Councilmember

Larry Tarkowski
Town Manager

Executive Team

Keith Carson
Presiding Judge

Norm Davis
Public Works Director

Greg Fister
Economic Development Manager

Danielle Gersper
Human Resources Director

Ryan Judy
Deputy Town Manager

William Kauppi
Management Services Director

Ivan Legler
Town Attorney

Stuart Mattson
Library Director

Jim Maxson
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

Jim Clemens
Finance Manager

Lee Allbritton
Administrative Assistant

Heidi Derryberry
Budget Analyst



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Prescott Valley, Arizona (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Prescott Valley, Arizona, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Highway User Revenue Fund and Development Impact Fees Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 24 and schedule of funding progress on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

January 18, 2011

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, 2010. 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 \$226,609,220 (net assets). Of this amount, \$49,655,383 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$9,037,228. This decrease can primarily be attributed to the capital outlay of \$7.6 million (offset by \$842,000 from Yavapai College) for the library and \$1.4 million in improvements to Mountain Valley Park.
- As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$50,811,464, a decrease of \$11,371,556 over the prior year. Approximately 60% of this total amount, \$30,338,352, is unreserved fund balance available for spending at the government's discretion. Of this amount, \$3,176,643 has been set aside for specific street capital improvements. This amount is not considered restricted since a separate fund has been established to account for this activity.
- At the close of the current fiscal year, the unreserved and undesignated fund balance for the general fund was \$17,548,648 or 57% of total general fund expenditures of \$31,058,538.
- During fiscal year 2009/10, the Town's total bonded debt (not including community facilities districts) decreased by approximately \$5,143,000. There were no new issues of capital debt during this fiscal year so 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating.

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

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, Municipal Property Corporation Debt Service Fund and Streets Capital Improvement Fund and StoneRidge Community Facilities District, 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 nonmajor 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 28-34 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 70 of this report.

Combining Statements

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

Combining and individual fund statements and schedules can be found on pages 72-90 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 assets 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 assets and the changes in those assets. The change in assets is important because it tells the reader whether the financial position 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 Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$226,609,220 at the close of the current fiscal year. Net assets consist of three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

Town of Prescott Valley, Arizona

Statement of Net Assets

June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 62,251,692	\$ 73,636,706	\$ 6,700,209	\$ 6,935,873	\$ 68,951,901	\$ 80,572,579
Capital Assets	174,126,888	174,046,163	118,009,256	122,004,978	292,136,144	296,051,141
Total assets	<u>236,378,580</u>	<u>247,682,869</u>	<u>124,709,465</u>	<u>128,940,851</u>	<u>361,088,045</u>	<u>376,623,720</u>
Liabilities						
Long-term liabilities outstanding	86,731,243	91,393,266	30,478,750	33,077,459	117,209,993	124,470,725
Other Liabilities	12,472,432	11,955,756	4,796,400	4,550,791	17,268,832	16,506,547
Total liabilities	<u>99,203,675</u>	<u>103,349,022</u>	<u>35,275,150</u>	<u>37,628,250</u>	<u>134,478,825</u>	<u>140,977,272</u>
Net Assets						
Invested in capital assets, net of related debt	87,698,756	80,732,177	85,252,073	87,053,889	172,950,829	167,786,066
Restricted	4,003,008	4,891,889	-	-	4,003,008	4,891,889
Unrestricted	45,473,141	58,709,781	4,182,242	4,258,712	49,655,383	62,968,493
Total net assets	<u>137,174,905</u>	<u>144,333,847</u>	<u>89,434,315</u>	<u>91,312,601</u>	<u>226,609,220</u>	<u>235,646,448</u>
Total liabilities and net assets	<u>\$ 236,378,580</u>	<u>\$ 247,682,869</u>	<u>\$ 124,709,465</u>	<u>\$ 128,940,851</u>	<u>\$ 361,088,045</u>	<u>\$ 376,623,720</u>

A portion of the Town's net assets (76%) reflects its investment of \$172,950,829 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 assets, \$4,003,008, or 2%, represents resources that are subject to external restrictions (e.g. debt service obligations) on how they may be used.

The remaining balance of unrestricted net assets, \$49,655,383, or 22%, may be used to meet the government's ongoing obligations to citizens and creditors. However, \$3.2 million has been designated for specific street improvements. This amount is not considered restricted since a separate fund has been established to account for this activity. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

Analysis of Changes in Net Assets

For the current fiscal year, the Town's net assets decreased by \$9,037,228. This decrease can primarily be attributed to the capital outlay of \$7.6 million (offset by \$842,000 from Yavapai College) for the library and \$1.4 million in improvements to Mountain Valley Park.

Town of Prescott Valley, Arizona

Town of Prescott Valley, Arizona

Changes in Net Assets

June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 1,661,508	\$ 3,100,183	\$ 11,739,779	\$ 12,207,433	\$ 13,401,287	\$ 15,307,616
Operating grants and contributions	1,408,750	308,508	-	-	1,408,750	308,508
Capital grants and contributions	3,081,303	3,718,931	925,703	4,782,391	4,007,006	8,501,322
General revenues:						
Taxes and franchise fees	13,477,342	14,076,779	-	-	13,477,342	14,076,779
Intergovernmental	13,335,644	17,216,586	-	-	13,335,644	17,216,586
Interest and investment income	598,471	936,950	315,996	560,524	914,467	1,497,474
Other	16,106	26,533	-	-	16,106	26,533
Total revenues	<u>33,579,124</u>	<u>39,384,470</u>	<u>12,981,478</u>	<u>17,550,348</u>	<u>46,560,602</u>	<u>56,934,818</u>
Expenses						
General government	10,413,658	12,359,343	-	-	10,413,658	12,359,343
Public safety	9,318,245	9,751,720	-	-	9,318,245	9,751,720
Culture and recreation	8,650,856	4,120,940	-	-	8,650,856	4,120,940
Public works	3,284,971	5,863,362	-	-	3,284,971	5,863,362
Highway and streets	5,260,537	5,402,589	-	-	5,260,537	5,402,589
Interest on long-term debt	4,715,164	4,944,534	-	-	4,715,164	4,944,534
Wastewater utility	-	-	6,360,996	6,628,846	6,360,996	6,628,846
Prescott Valley water system	-	-	7,593,403	16,854,701	7,593,403	16,854,701
Total expenses	<u>41,643,431</u>	<u>42,442,488</u>	<u>13,954,399</u>	<u>23,483,547</u>	<u>55,597,830</u>	<u>65,926,035</u>
Increase (decrease) in net assets before transfers	(8,064,307)	(3,058,018)	(972,921)	(5,933,199)	(9,037,228)	(8,991,217)
Transfers	905,365	1,155,988	(905,365)	(1,155,988)	-	-
Increase (decrease) in net assets	<u>(7,158,942)</u>	<u>(1,902,030)</u>	<u>(1,878,286)</u>	<u>(7,089,187)</u>	<u>(9,037,228)</u>	<u>(8,991,217)</u>
Net assets - beginning	144,333,847	146,235,877	91,312,601	98,401,788	235,646,448	244,637,665
Net assets at end of year	<u>\$ 137,174,905</u>	<u>\$ 144,333,847</u>	<u>\$ 89,434,315</u>	<u>\$ 91,312,601</u>	<u>\$ 226,609,220</u>	<u>\$ 235,646,448</u>

Governmental activities. Governmental activities decreased the Town's net assets by \$7,158,942, thereby accounting for 80% of the total reduction in the net assets of the Town. Key factors of this decrease are as follows:

Total revenues for the governmental funds decreased by approximately \$5.8 million over the previous fiscal year, with the majority of the decrease being attributable to a decrease in intergovernmental revenue categories, which would include the state-shared revenues and the reimbursement agreement with Yavapai College.

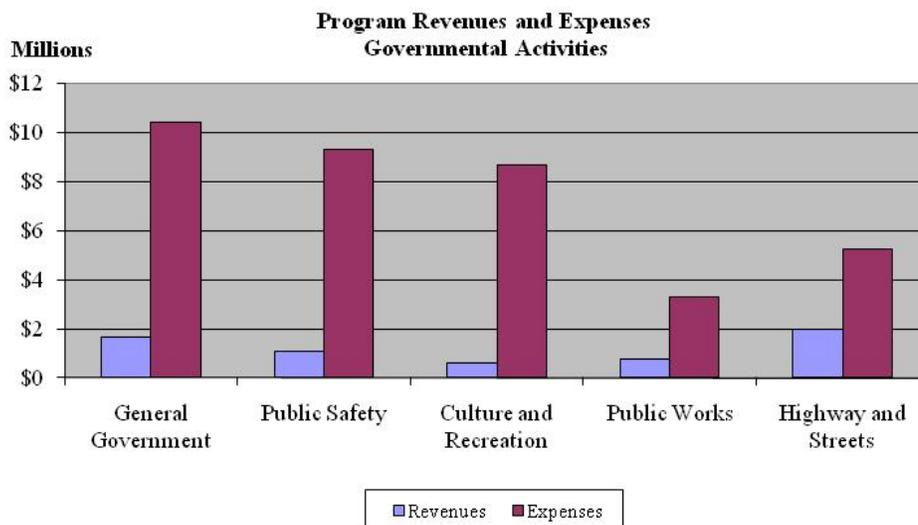
- Charges for services decreased by \$1,438,675 and the decrease was primarily due to prior year infrastructure reimbursement (\$1,054,000), from Northcentral University and the Northside development project. For the fiscal year 2009/10, 154 permits were issued compared to 168 the previous year; a decrease of 8%, which resulted in a \$181,747 decrease in building permits revenues. In addition, Court fees (which included photo radar) decreased by \$162,627 over the previous year.
- Capital grants and contributions decreased \$637,628. Capital and monetary contributions from developers decreased by \$1,926,845 in fiscal year 2009/10, which accounts for the majority of the revenue decline. For the fiscal year 2009/10, impact fees collected were approximately \$79,841 less than the previous year. Capital grants increased by approximately \$1.4 million over the prior year.
- The Town's sales tax and franchise revenues decreased in fiscal year 2009/10 by \$599,437. Sales and use tax collections decreased by \$712,874, with construction sales taxes decreasing

Town of Prescott Valley, Arizona

by approximately 31% and retail sales taxes increasing by 2% over the prior year. Additionally, property tax revenues for the various CFDs increased \$122,271 over the previous year.

- Intergovernmental revenues decreased \$3,880,942 in fiscal year 2009/10. State-shared sales tax decreased \$207,418 or 8%, state revenue sharing decreased \$671,445 or 13%, and highway user revenue decreased \$19,414 or 1%, below the previous year. The Town did receive approximately \$842,000 (compared to \$2.2 million the previous year) from Yavapai College for the reimbursement of construction costs associated with the new library building.
 - Investment earnings decreased \$338,479 over the previous year primarily due to reduced interest rates realized on investments. The average yield on investment for fiscal year 2009/10 was 1.51% compared to 2.68% in fiscal year 2008/09.
- Total expenses decreased by \$799,057 over the previous year. This decrease is accounted for by:
 - General Government decreased by \$1,945,685 over the previous year. This reduction is primarily attributed to lower personnel and operating expenditures due to a hiring freeze and cost control measures implemented by the Town management.
 - Public Safety decreased by \$433,475 over the previous year. The decrease is a result of lower personnel and operating expenditures of \$900,000, offset by increased grant expenditures. The grant expenditures are covered by grant revenues.
 - Culture and Recreation increased by \$4,529,916 over the previous year. This increase is primarily due to increased costs of \$1,325,873 experienced in library operations, offset by reductions in parks maintenance of \$620,138. The increase of \$3,529,072 is the capital building costs for the Yavapai College portion of the library building construction. This cost was reimbursed to the Town by Yavapai College.
 - Public Works decreased by \$2,578,391 over the previous year. This reduction is due to \$2,314,000 in reduced capital spending. The balance of the difference is due to reduced personnel and operating expenditures.
 - Highway and Streets decreased by \$142,052 from the previous year. This reduction is primarily attributed to lower personnel and operating expenditures.

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

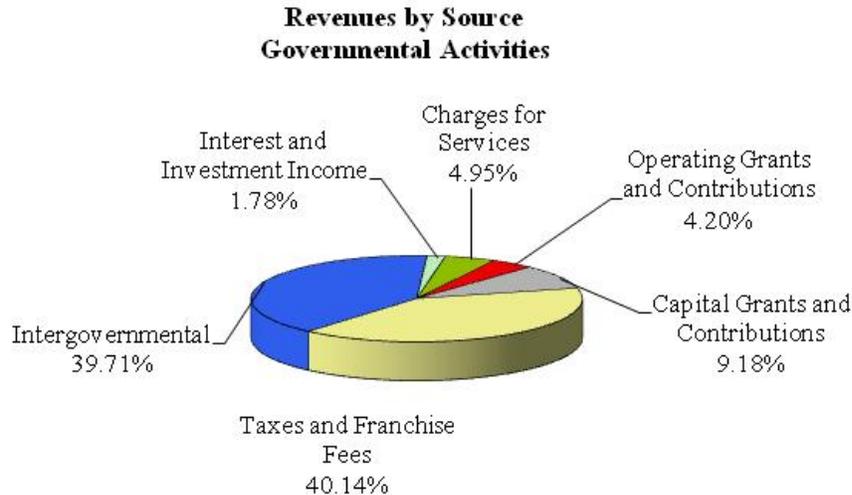


As shown, General Government (Town Council, Town Manager, Town Clerk, Management Services, Legal, Magistrate Court, Facilities and Fleet Maintenance and other unclassified departments) is the largest function in

Town of Prescott Valley, Arizona

expenses at 29%, followed by Public Safety (Building Safety, Police and Animal Control) at 25% and Culture and Recreation at 23%.

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 and intergovernmental (e.g. state-shared sales tax, state revenue sharing and auto lieu) each account for 40% of the total. Capital grants and contributions account for 9% of the total.

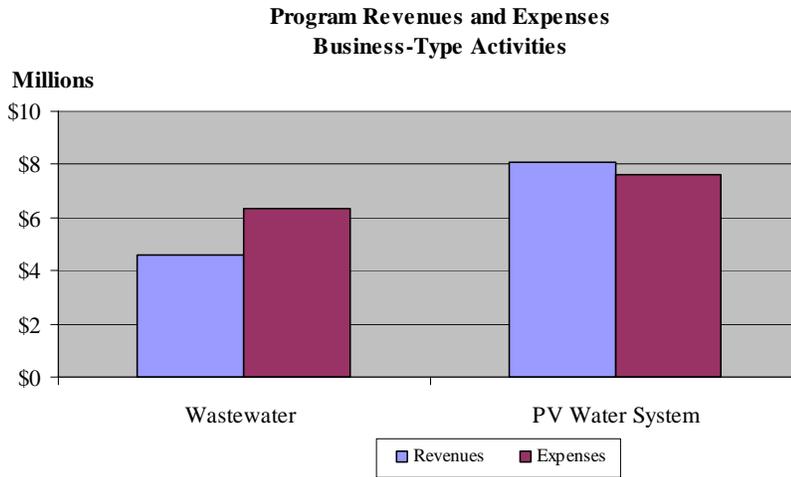


Business-type activities. Business-type activities decreased the Town’s net assets by \$1,878,286 accounting for 20% of the total change in the Town’s net assets. Key factors of this increase are as follows:

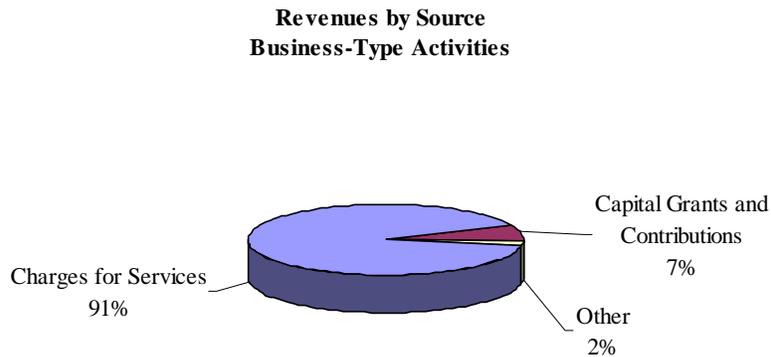
- Total revenues for business-type activities decreased by \$4,568,870, with the majority of the decrease being attributable to decreased connection charges and reduced infrastructure contributions from developers and reductions in the sale of effluent water.
 - Charges for services decreased by \$467,654. The number of Water System customers increased by 68, but consumption decreased by 2.3%, offset by revenue from the Upper Verde River Water Project of \$175,500 and the Big Chino Pipeline project cost reimbursement of \$143,000 from the City of Prescott.
 - Capital grants and contributions decreased \$3,856,688. Development fee revenue (e.g. water resource and capacity fees) related to new housing permits issued, decreased by \$890,918 over the previous year. Infrastructure contributions from developers equaled \$154,814, a decrease of \$3,005,770.
 - Interest and investment income decreased by \$244,528 due to lower interest rates.
- Total expenses decreased by approximately \$9,529,000 over the previous year. The decreases were primarily attributed to the following:
 - Administration and professional services (including repair and maintenance, capital outlay, supplies and other) decreased by \$1,158,622, primarily due to non-capitalized assets and reduced costs in the Town’s management agreement with a private contractor.
 - Depreciation and amortization expenses decreased by \$93,432.
 - Other expenses category decreased by \$8,396,296, primarily due to the write-off of goodwill last year.
 - Utilities expense increased by \$15,510.
 - Interest expense increased by \$103,692.

Town of Prescott Valley, Arizona

As shown in the chart below, the Prescott Valley Water System had expenses of \$7.6 million with Wastewater expenses totaling \$6.4 million. For the fiscal year, the Prescott Valley Water System revenues exceeded expenses by approximately \$464,000, while the Wastewater expenses exceeded revenues by approximately \$1.4 million.



Charges for services (e.g. usage fees) are the largest single source of funds for 91% 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 7% of the revenues. Other revenue (e.g. interest, investment and rental income) provides 2% 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 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 \$50,811,464, a decrease of \$11,371,556. Approximately \$30.3 million of this total amount constitutes unreserved fund balance, which is available for spending at the Town's discretion. This includes \$3.2 million designated for specific street improvements. This amount is not considered restricted since a separate fund has been established to account for this activity. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) to pay debt service (\$19,718,156), or 2) for contractual obligations that have not been fulfilled during the year.

Revenues for governmental functions overall totaled \$34,476,094 in the fiscal year ended June 30, 2010, which represents a decrease of \$3,612,244 or 9% from the fiscal year ended June 30, 2009. Expenditures for governmental functions totaled \$46,753,015, a decrease of \$2,536,150 or 5% from the fiscal year ended June 30, 2009. In the fiscal year ended June 30, 2010, expenditures exceeded revenues for governmental functions by approximately \$12.3 million.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$17,548,648. As a measure of the general fund's liquidity, it can be useful to compare unreserved and undesignated fund balances to total fund expenditures. The unreserved and undesignated fund balance represents 58% of total general fund expenditures of \$31,058,538.

According to the Town's financial policy, the Town will maintain a general fund balance that represents at least 25% of the general government (General Fund and HURF) operating expenditures (\$23,685,173). As of June 30, 2010, the Town had an unreserved and undesignated fund balance equal to 76% of the general government operating expenditures. In addition, Town policy states that the general fund will maintain a year-to-year carryover balance in an amount necessary to maintain adequate cash flow and to reduce the demand for short-term borrowing. The carryover balance will equal at least 90 days of operating expenditures, and not be less than \$10,000,000. As of year end, the Town had a carryover balance equivalent to 279 days of operating expenditures.

The fund balance of the Town's general fund decreased by \$7,114,077 during the current fiscal year. This resulted from total revenues coming in substantially less than budgeted, especially in the area of transaction privilege taxes. While some expenditures categories decreased, it was not sufficient to offset the poor revenue performance caused by the weak economy. In addition, capital projects consisting of the library construction project and improvements to Mountain Valley Park, were substantially completed during the year. Also, transfers from other funds were \$1.3 million less than budget. This was primarily due to delay of the Civic Center remodeling and the purchase of additional library materials. The decrease in fund balance was planned for this fiscal year.

The HURF fund has a total fund balance of \$1,837,759. The net increase in fund balance during the current year was \$769,467. This increase is primarily due to the reduction of personnel and operating expenditures (e.g. chip seal and A/C overlay) of \$70,408. Capital outlay increased by \$891,114 during the current year, but was offset by

Town of Prescott Valley, Arizona

grant revenues of \$1,190,438. The HURF fund also received a transfer from the Local Transportation Assistance Fund (LTAF) in the amount of \$263,926.

The development impact fees fund has a total fund balance of \$1,947,551. Planned transfers were made to cover debt service costs and capital improvements for the current fiscal year. The net decrease in fund balance for the current fiscal year was \$2,900,400. One-time development impact fees are directly attributable to new housing. For the fiscal year 2009/10, impact fees collected were \$79,841 less than the previous year.

Total fund balance for the Municipal Property Corporation debt service fund was \$19,718,156 for the current year. The net decrease in fund balance was \$572,401. Principal and interest payments increased by \$1.2 million. Interest earnings also decreased by \$39,832, due to lower interest rates on investments for the current year. Transfers from other funds decreased by \$980,755.

The streets capital improvement fund has a total fund balance of \$3,176,643. The net increase in fund balance was \$100,562. Fiscal year 2009/10 sales tax receipts decreased \$101,375, or 6%, compared to the prior year. Additionally, capital outlay increased by \$152,287 over the prior year.

Total fund balance for the StoneRidge CFD is \$307,704 for the current year. The net decrease in the fund balance was \$63,033. Total revenues were \$1,468,921, primarily offset by debt payments of \$1,385,087.

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 assets for business-type activities (enterprise funds) were \$89,434,315, a decrease of \$1,878,286. At the end of the fiscal year, unrestricted net assets for the Prescott Valley Water System and Wastewater Utility were \$4,182,242, a decrease of \$76,470. The decrease is related to the net loss of approximately \$739,000 from less water and wastewater gallons billed to utility customers, and depreciation, totaling \$4.6 million.

According to the Town's financial policy, the proprietary funds should maintain cash reserve funds equal to at least 90 days operating expenditures. As of June 30, 2010, all utility funds had cash reserves equivalent to at least 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, 2010, only the Water System fund has met the minimum net revenues to debt ratio. The Wastewater fund was below the minimum net revenue to debt ratio test. The utility rates will have to be increased to meet the net revenue test. 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 and the new rates are scheduled to become effective November 1, 2010.

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.

Town of Prescott Valley, Arizona

The Town's final total budget remained unchanged from the original budget in fiscal year 2009/10. All budget transfers completed during the fiscal year remained within the general fund.

As a result of the budget process (as approved by Council), the general fund's fund balance was anticipated to decrease by \$5,790,456. Actual results in the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2010 of \$7,114,077, a net difference of \$1,323,621. The difference was primarily attributable to the following reasons:

- Revenue results were under budget by \$3,197,125. Transaction Privilege Tax revenues (TPT) fell short of estimates by \$1,564,792, specifically in construction; intergovernmental revenues combined fell short of budget by \$856,891, due to lower revenue actually collected from Yavapai College for the intergovernmental agreement on the new library building. Building and permit revenues were below budget by \$187,293, which is attributed to a decline in new construction of homes in the area; fines and forfeitures were below estimates by \$231,585 (primarily due to photo enforcement collections), and interest earnings were below budget by \$171,796 due to lower rates realized on investments.
- Approximately \$1.2 million of capital improvements were budgeted but not spent during the year.
- A hiring freeze was established early in fiscal year 2007/08 to reduce costs for the Town. The result of cost reductions for personnel services (salaries and benefits) was a savings of approximately \$1,070,000 compared to budget.
- Budgeted transfers in from other funds varied from estimate by \$1,282,937 – transfers were initially budgeted to fund costs associated with the furniture, equipment and opening day collection for the new library, the remodeling of the Civic Center and improvements to Mountain Valley Park – these transfers were delayed, so the funds were not transferred into the general fund during fiscal year 2009/10. Budgeted transfers out to other funds varied from estimate by \$32,422. Fifty percent of construction TPT is designated for capital projects funds. Due to reduced collections in construction TPT, less funds were transferred to the Capital growth fund.

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2010, amount to \$292,136,144 (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, machinery and equipment, and construction in progress. The total decrease in the Town's capital assets (net of accumulated depreciation) for the current fiscal year was 1.3% (no change for governmental activities and a 3% decrease for business-type activities). Total capital assets for the government are shown in the following table.

Town of Prescott Valley, Arizona

Capital Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Land	\$ 6,901,758	\$ 1,026,656	\$ 7,928,414
Buildings	30,415,531	1,012,383	31,427,914
Improvements other than buildings	11,991,412	21,582,466	33,573,878
Machinery and equipment	3,482,360	1,354,882	4,837,242
Infrastructure	119,551,038	87,778,279	207,329,317
Construction in progress	1,784,789	5,254,590	7,039,379
Total	<u>\$ 174,126,888</u>	<u>\$ 118,009,256</u>	<u>\$ 292,136,144</u>

Town of Prescott Valley, Arizona

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

Governmental activities:

- Infrastructure decreased by \$3,403,780 due to the depreciation cost of approximately \$5.1 million.
- Construction in progress decreased by a net of \$13,325,765 due to several major projects being completed this year. Current year additions to governmental activities consisted of Lakeshore Drive improvements, library building construction and improvements to Mountain Valley Park.

Business-type activities:

- Infrastructure decreased by \$3,019,752, which includes donated infrastructure of approximately \$155,000 from various developers, offset by the depreciation cost of approximately \$3.2 million.
- Construction in progress increased by \$418,509. Current year additions to business-type activities construction in progress consisted of the Lone Tree Recharge Facility and Tri-City Pipeline and tanks rehabilitation expenses.

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 \$124.2 million, a decrease of \$6.8 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 \$35.1 million. Road and sewer collection system improvement bonds represent \$1.5 million and are paid through assessments collected from the property owners. Certificates of participation equal \$14.7 million to pay for costs related to the construction of the library.

Total outstanding *ad valorem* bonds issued for community facilities districts equaled \$30.7 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 \$13.9 million, Pronghorn Ranch of \$6.7 million, Quailwood Meadows of \$6.6 million and Parkway No. 1 of \$3.4 million. The bonds issued for StoneRidge, Pronghorn Ranch, Quailwood Meadows and Parkway No. 1 are payable from revenues generated through an *ad valorem* tax assessed against the properties located within the boundaries of the district.

The outstanding bonds issued for Eastridge (\$1.5 million) and Southside No. 1 (\$3.0 million) are payable from assessments collected from the property owners. The outstanding Water Infrastructure Financing Authority (WIFA) loan for the Raven Ridge project (\$279,050) 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.

Town of Prescott Valley, Arizona

Business-Type Activities

Outstanding debt associated with business-type activities totaled \$33.1 million. This represents \$7.7 million in revenue bonds for the Town's wastewater utility, \$13.9 million for the Prescott Valley Water System and \$12.2 million in WIFA loans for the Town's wastewater utility.

Town of Prescott Valley, Arizona

Outstanding Debt

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Municipal Property Corporation bonds	\$ 35,050,000	\$ -	\$ 35,050,000
Certificates of Participation	14,745,000	-	14,745,000
Special assessment debt with governmental commitment	1,463,000	-	1,463,000
Community facilities district general obligation bonds	30,690,000	-	30,690,000
Community facilities district special assessment lien bonds	4,515,000	-	4,515,000
Community facilities district long-term loan payable	279,050	-	279,050
Less: deferred amounts			
On refunding	(315,593)	-	(315,593)
Long-term obligations	3,310,867	320,276	3,631,143
Compensated absences	1,344,134	-	1,344,134
Revenue bonds	-	21,600,000	21,600,000
Long term loan payable	-	12,246,932	12,246,932
Less deferred amounts:			
On refunding	-	(1,089,749)	(1,089,749)
Total long term liabilities	<u>\$ 91,081,458</u>	<u>\$ 33,077,459</u>	<u>\$ 124,158,917</u>

Debt Limitations

The State Constitution imposes certain debt limitations on the Town of six percent (6%) of secondary assessed valuation of the taxable property for general municipal purposes and twenty percent (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, 2010 is \$22.7 million (a decrease of 9% over the previous year) in the 6% capacity and \$75.6 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.

Town of Prescott Valley, Arizona

The Town's bonded debt ratings as of June 30, 2010 were:

	Moody's Investors Service	Standard and Poor's Rating Group	Fitch Investors Service, Inc.
Municipal Property Corporation (Series 2003) Sewer Revenue Refunding Bonds	A3	A+	A+
Municipal Property Corporation (Series 2004) Municipal Property Corporation, Water Revenue Refunding Bonds (Series 2008)	Aaa (1) A3 --	-- -- A	-- A+ --

- (1) Moody's assigned the rating with the understanding that the bonds will be insured by a financial guaranty insurance policy. MBIA Insurance Corporation characterizes it as an insured "AAA" rating.

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2009/10 reflects the continued economic decline experienced nationwide and in the Prescott Valley-Prescott area.
- Unemployment rate as of June 2010 was 9.6% for Yavapai County and 9.9% for the state.
- Very little growth occurred in the retail segment during the fiscal year.
- New housing construction starts continue to be a major factor in the Town's growth, continuing to progress at a much slower pace than in prior years.
- Yavapai Regional Medical Center East has finished construction of an obstetrics unit, which replaced the current unit at the Yavapai Regional Medical Center West campus located in Prescott, Arizona, and is preparing to begin construction of a new breast cancer facility.

All of the above factors were considered in preparing the Town's budget for fiscal year 2010/11. The budget for the 2010/11 year includes:

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

The Prescott Valley Water System and Wastewater rates have been revised (pending Council approval) in the upcoming fiscal year 2010/11 budget. Town staff finished updating a utility rate study and presented the information to Council for approval.

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 Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 31,872,779	\$ 19,884,292	\$ 51,757,071
Accounts receivable (net of uncollectible amounts)			
Intergovernmental	2,120,490	-	2,120,490
Charges for services	-	1,472,350	1,472,350
Grants	328,798	-	328,798
Interest and other	66,549	47,120	113,669
Special assessments	1,429,527	-	1,429,527
Miscellaneous	1,068,027	-	1,068,027
Internal balances	15,882,303	(15,882,303)	-
Supplies inventory	2,126	9,738	11,864
Prepaid items	7,400	-	7,400
Total current assets	52,777,999	5,531,197	58,309,196
Noncurrent assets:			
Deferred charges	1,749,254	229,083	1,978,337
Restricted cash and cash equivalents:			
Water and sewer system replacement	-	939,929	939,929
Streets and infrastructure replacement	7,724,439	-	7,724,439
Capital assets:			
Land and construction in progress	8,686,547	6,281,246	14,967,793
Facilities, infrastructure, and equipment (net of depreciation)	165,440,341	111,728,010	277,168,351
Total noncurrent assets	183,600,581	119,178,268	302,778,849
Total assets	236,378,580	124,709,465	361,088,045
LIABILITIES			
Current liabilities:			
Accounts payable	2,486,120	984,883	3,471,003
Accrued payroll	465,622	14,007	479,629
Long-term liabilities - due within one year	4,350,215	2,598,709	6,948,924
Accrued interest payable	623,837	-	623,837
Other liabilities	-	406,392	406,392
Total current liabilities	7,925,794	4,003,991	11,929,785
Noncurrent liabilities:			
Customer advances and deposits	4,546,638	711,842	5,258,480
Unearned revenue	-	80,567	80,567
Long-term liabilities - due in more than one year	86,731,243	30,478,750	117,209,993
Total noncurrent liabilities	91,277,881	31,271,159	122,549,040
Total liabilities	99,203,675	35,275,150	134,478,825
NET ASSETS			
Invested in capital assets, net of related debt	87,698,756	85,252,073	172,950,829
Restricted			
Debt service	4,003,008	-	4,003,008
Unrestricted	45,473,141	4,182,242	49,655,383
Total net assets	\$ 137,174,905	\$ 89,434,315	\$ 226,609,220

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, 2010

Function/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 10,413,658	\$ 1,404,286	\$ 257,459
Public safety	9,318,245	17,549	397,498
Culture and recreation	8,650,856	239,673	126,291
Public works	3,284,971	-	-
Highway and streets	5,260,537	-	627,502
Interest on long-term debt	4,715,164	-	-
Total governmental activities	41,643,431	1,661,508	1,408,750
Business-type activities:			
Wastewater utility	6,360,996	4,151,592	-
Prescott Valley water system	7,593,403	7,588,187	-
Total business-type activities	13,954,399	11,739,779	-
Total primary government	\$ 55,597,830	\$ 13,401,287	\$ 1,408,750

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - 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
\$ 9,729	\$ (8,742,184)	\$ -	\$ (8,742,184)
678,796	(8,224,402)	-	(8,224,402)
249,554	(8,035,338)	-	(8,035,338)
790,870	(2,494,101)	-	(2,494,101)
1,352,354	(3,280,681)	-	(3,280,681)
-	(4,715,164)	-	(4,715,164)
<u>3,081,303</u>	<u>(35,491,870)</u>	<u>-</u>	<u>(35,491,870)</u>
430,479	-	(1,778,925)	(1,778,925)
495,224	-	490,008	490,008
<u>925,703</u>	<u>-</u>	<u>(1,288,917)</u>	<u>(1,288,917)</u>
<u>\$ 4,007,006</u>	<u>(35,491,870)</u>	<u>(1,288,917)</u>	<u>(36,780,787)</u>
	10,698,887	-	10,698,887
	465,433	-	465,433
	2,313,022	-	2,313,022
	2,463,915	-	2,463,915
	4,334,885	-	4,334,885
	2,498,515	-	2,498,515
	4,038,329	-	4,038,329
	598,471	315,996	914,467
	16,106	-	16,106
	905,365	(905,365)	-
	<u>28,332,928</u>	<u>(589,369)</u>	<u>27,743,559</u>
	(7,158,942)	(1,878,286)	(9,037,228)
	144,333,847	91,312,601	235,646,448
<u>\$</u>	<u>\$ 137,174,905</u>	<u>\$ 89,434,315</u>	<u>\$ 226,609,220</u>

Town of Prescott Valley, Arizona

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	Highway Users Revenue Fund	Development Impact Fees
ASSETS			
Cash and investments	\$ 16,219,560	\$ 2,009,593	\$ 2,302,152
Restricted cash and investments	326,445	-	-
Receivables (net of allowance for uncollectibles)			
Interest	42,778	3,545	8,508
Intergovernmental	1,777,198	233,588	-
Grants	-	-	-
Special assessments	-	-	-
Miscellaneous	797,427	102	217,566
Due from other funds	1,166,564	-	-
Prepaid items	5,000	-	-
Supplies inventory	2,126	-	-
Advances to other funds	580,675	-	-
Total assets	<u>\$ 20,917,773</u>	<u>\$ 2,246,828</u>	<u>\$ 2,528,226</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,728,433	\$ 383,835	\$ -
Accrued payroll	430,227	25,234	-
Due to other funds	-	-	-
Bond interest payable	-	-	-
Deferred revenue:			
Special assessments	-	-	-
Court	95,328	-	-
Other	334,698	-	-
Guaranty and other deposits	192,638	-	-
Advance from other funds	-	-	580,675
Total liabilities	<u>2,781,324</u>	<u>409,069</u>	<u>580,675</u>
Fund Balances:			
Reserved for:			
Advances	580,675	-	-
Debt service	-	-	-
Prepaid items	5,000	-	-
Supplies inventory	2,126	-	-
Unreserved, reported in:			
Capital project funds	-	-	-
Special revenue funds	-	1,837,759	1,947,551
General fund	17,548,648	-	-
Total fund balances	<u>18,136,449</u>	<u>1,837,759</u>	<u>1,947,551</u>
Total liabilities and fund balances	<u>\$ 20,917,773</u>	<u>\$ 2,246,828</u>	<u>\$ 2,528,226</u>

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

Municipal Property Corp Debt Service Fund	Streets Capital Improvement Fund	Community Facilities District Stoneridge	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,835,853	\$ 3,059,748	\$ -	\$ 4,306,643	\$ 31,733,549
-	-	3,657,023	3,740,971	7,724,439
-	7,191	-	4,527	66,549
-	109,704	-	-	2,120,490
-	-	-	328,798	328,798
-	-	-	1,429,527	1,429,527
-	-	-	52,932	1,068,027
-	-	-	-	1,166,564
-	-	-	2,400	7,400
-	-	-	-	2,126
15,882,303	-	-	-	16,462,978
\$ 19,718,156	\$ 3,176,643	\$ 3,657,023	\$ 9,865,798	\$ 62,110,447
\$ -	\$ -	\$ 252,361	\$ 121,491	\$ 2,486,120
-	-	-	10,161	465,622
-	-	136,958	1,029,606	1,166,564
-	-	-	57,569	57,569
-	-	-	1,429,527	1,429,527
-	-	-	-	95,328
-	-	-	136,242	470,940
-	-	2,960,000	1,394,000	4,546,638
-	-	-	-	580,675
-	-	3,349,319	4,178,596	11,298,983
15,882,303	-	-	-	16,462,978
3,835,853	-	-	167,155	4,003,008
-	-	-	-	5,000
-	-	-	-	2,126
-	3,176,643	-	1,491,105	4,667,748
-	-	307,704	4,028,942	8,121,956
-	-	-	-	17,548,648
19,718,156	3,176,643	307,704	5,687,202	50,811,464
\$ 19,718,156	\$ 3,176,643	\$ 3,657,023	\$ 9,865,798	\$ 62,110,447



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Town of Prescott Valley, Arizona

Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Activities
June 30, 2010

Fund balances - total governmental funds balance sheet \$ 50,811,464

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

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

Governmental capital assets	215,454,529	
Less: accumulated depreciation	<u>(41,327,641)</u>	174,126,888

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

Change in fair market value of investments	139,230	
Deferred bond discount	93,665	
Deferred bond issue costs	<u>1,655,589</u>	1,888,484

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(86,426,457)	
Long-term obligations	(3,310,867)	
Compensated absences	<u>(1,344,134)</u>	(91,081,458)

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

1,429,527

Net assets of governmental activities - statement of net assets

\$ 137,174,905

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, 2010

	General Fund	Highway Users Revenue Fund	Development Impact Fees
REVENUES			
Taxes - local	\$ 9,465,641	\$ -	\$ -
Taxes - intergovernmental	11,285,750	2,498,515	-
Taxes - property	-	-	-
Licenses and permits:			
Business and liquor licenses	146,344	-	-
Building and related permits	216,707	-	-
Charges for services:			
Building and related	123,307	-	-
Recreation fees	217,425	-	-
Public safety reports and services	17,549	-	-
Fines and forfeitures:			
Court fines	601,317	-	-
Library	22,248	-	-
Special assessments	-	-	-
Property rental	131,372	-	-
Interest earnings	235,204	21,389	44,380
Intergovernmental:			
Federal grants	-	1,190,438	-
State grants	-	-	-
Contributions	13,363	-	456,087
Other	185,239	47,176	-
Total revenues	<u>22,661,466</u>	<u>3,757,518</u>	<u>500,467</u>
EXPENDITURES			
Current:			
General government	8,498,428	-	-
Public safety	7,915,950	-	-
Culture & recreation	3,835,728	-	-
Public works	1,393,239	-	-
Highway & streets	-	2,041,828	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Advance refunding escrow	-	-	-
Capital outlay	9,415,193	1,210,149	-
Total expenditures	<u>31,058,538</u>	<u>3,251,977</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(8,397,072)</u>	<u>505,541</u>	<u>500,467</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,377,573	263,926	-
Transfers out	(2,094,578)	-	(3,400,867)
Total other financing sources and uses	<u>1,282,995</u>	<u>263,926</u>	<u>(3,400,867)</u>
Net change in fund balances	(7,114,077)	769,467	(2,900,400)
Fund balances - beginning	25,250,526	1,068,292	4,847,951
Fund balances - ending	<u>\$ 18,136,449</u>	<u>\$ 1,837,759</u>	<u>\$ 1,947,551</u>

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

Municipal Property Corp Debt Service Fund	Streets Capital Improvement Fund	Community Facilities District StoneRidge	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,472,899	\$ -	\$ 225,780	\$ 11,164,320
-	-	-	148,153	13,932,418
-	-	939,324	1,373,698	2,313,022
-	-	-	-	146,344
-	-	-	-	216,707
-	-	-	-	123,307
-	-	-	-	217,425
-	-	-	-	17,549
-	-	-	-	601,317
-	-	-	-	22,248
-	-	-	1,348,178	1,348,178
-	-	-	-	131,372
7,803	43,953	1,171	39,359	393,259
-	-	-	1,280,420	2,470,858
-	-	-	78,685	78,685
-	-	528,426	52,688	1,050,564
-	400	-	15,706	248,521
7,803	1,517,252	1,468,921	4,562,667	34,476,094
-	-	146,867	649,724	9,295,019
-	-	-	915,400	8,831,350
-	-	-	224,745	4,060,473
-	-	-	10,289	1,403,528
-	-	-	-	2,041,828
1,690,000	-	445,000	1,698,248	3,833,248
1,590,813	-	940,087	2,132,330	4,663,230
-	-	-	576,300	576,300
-	758,576	-	664,121	12,048,039
3,280,813	758,576	1,531,954	6,871,157	46,753,015
(3,273,010)	758,676	(63,033)	(2,308,490)	(12,276,921)
2,700,609	-	-	1,902,824	8,244,932
-	(658,114)	-	(1,186,008)	(7,339,567)
2,700,609	(658,114)	-	716,816	905,365
(572,401)	100,562	(63,033)	(1,591,674)	(11,371,556)
20,290,557	3,076,081	370,737	7,278,876	62,183,020
\$ 19,718,156	\$ 3,176,643	\$ 307,704	\$ 5,687,202	\$ 50,811,464

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, 2010

Net change in fund balances - total governmental funds \$ (11,371,556)

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	12,048,039	
Less amount not capitalized	(4,655,685)	
Less disposal of assets	(3,400)	
Less current year depreciation	<u>(7,360,129)</u>	28,825

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities. 51,900

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 (164,940)

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 205,212

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 assets. In the current period, these amounts are:

Payment of long-term obligations	372,791	
Principal payments on debt	<u>3,781,314</u>	4,154,105

Bond issuance costs are recognized as debt service expenditures in the governmental funds, however these costs are capitalized on the statement of net assets and amortized in the statement of activities. 494,820

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 (557,308)

Change in net assets of governmental activities - statement of activities \$ (7,158,942)

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ 10,565,000	\$ 10,565,000	\$ 9,000,208	\$ (1,564,792)
Cable TV franchise	264,000	264,000	239,653	(24,347)
Light and power franchise	270,500	270,500	225,780	(44,720)
Licenses and permits:				
Business and liquor licenses	153,500	153,500	146,344	(7,156)
Building and related permits	404,000	404,000	216,707	(187,293)
Intergovernmental:				
State revenue sharing	4,334,755	4,334,755	4,334,885	130
Auto lieu	2,001,160	2,001,160	1,824,921	(176,239)
State-shared sales	2,470,500	2,470,500	2,463,915	(6,585)
Other intergovernmental	3,336,226	3,336,226	2,662,029	(674,197)
Charges for services:				
Building and related	103,500	103,500	123,307	19,807
Recreation fees	202,350	202,350	217,425	15,075
Public safety reports and services	7,000	7,000	17,549	10,549
Fines and forfeitures:				
Court fines	839,400	839,400	601,317	(238,083)
Library	15,750	15,750	22,248	6,498
Interest earnings	407,000	407,000	235,204	(171,796)
Property rental	170,450	170,450	131,372	(39,078)
Contributions	11,000	11,000	13,363	2,363
Other	302,500	302,500	185,239	(117,261)
Total revenues	<u>25,858,591</u>	<u>25,858,591</u>	<u>22,661,466</u>	<u>(3,197,125)</u>
EXPENDITURES				
Current:				
General government:				
Council				
Personnel services	51,366	51,366	51,396	(30)
Operating expenditures	58,423	58,423	58,013	410
Total Council	<u>109,789</u>	<u>109,789</u>	<u>109,409</u>	<u>380</u>
Town Management				
Personnel services	664,880	664,880	576,570	88,310
Operating expenditures	35,783	35,758	32,246	3,512
Total Town Management	<u>700,663</u>	<u>700,638</u>	<u>608,816</u>	<u>91,822</u>
Human Resources				
Personnel services	148,668	148,668	128,373	20,295
Operating expenditures	67,000	67,000	59,912	7,088
Total Human Resources	<u>215,668</u>	<u>215,668</u>	<u>188,285</u>	<u>27,383</u>
Town Clerk				
Personnel services	216,584	216,584	203,440	13,144
Operating expenditures	74,853	74,853	42,190	32,663
Total Town Clerk	<u>291,437</u>	<u>291,437</u>	<u>245,630</u>	<u>45,807</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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Management Services				
Personnel services	1,633,830	1,633,830	1,454,760	179,070
Operating expenditures	452,930	452,930	433,735	19,195
Total Management Services	2,086,760	2,086,760	1,888,495	198,265
Legal				
Personnel services	509,696	509,696	503,031	6,665
Operating expenditures	164,634	164,634	40,075	124,559
Total Legal	674,330	674,330	543,106	131,224
Magistrate Court				
Personnel services	561,737	561,737	489,706	72,031
Operating expenditures	43,995	43,995	40,218	3,777
Total Magistrate Court	605,732	605,732	529,924	75,808
Facilities and Fleet Maintenance				
Personnel services	259,628	259,628	255,123	4,505
Operating expenditures	321,420	321,420	254,819	66,601
Total Facilities and Fleet Maintenance	581,048	581,048	509,942	71,106
Other-Unclassified				
Operating expenditures	4,189,792	4,189,792	3,874,821	314,971
Total Other-Unclassified	4,189,792	4,189,792	3,874,821	314,971
Total general government	9,455,219	9,455,194	8,498,428	956,766
Public safety:				
Building/Safety				
Personnel services	496,917	496,917	474,620	22,297
Operating expenditures	52,197	52,197	52,339	(142)
Total Building/Safety	549,114	549,114	526,959	22,155
Police				
Personnel services	6,687,965	6,687,965	6,113,710	574,255
Operating expenditures	1,326,537	1,329,236	1,275,281	53,955
Total Police	8,014,502	8,017,201	7,388,991	628,210
Total public safety	8,563,616	8,566,315	7,915,950	650,365
Culture and recreation:				
Channel 15				
Personnel services	120,844	120,844	117,590	3,254
Operating expenditures	58,690	58,715	51,641	7,074
Total Channel 15	179,534	179,559	169,231	10,328
Parks and Recreation				
Personnel services	1,052,049	1,052,049	947,604	104,445
Operating expenditures	762,898	762,898	730,429	32,469
Total Parks and Recreation	1,814,947	1,814,947	1,678,033	136,914

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Library				
Personnel services	864,799	864,799	966,011	(101,212)
Operating expenditures	1,298,607	1,226,190	1,022,453	203,737
Total Library	2,163,406	2,090,989	1,988,464	102,525
Total culture & recreation	4,157,887	4,085,495	3,835,728	249,767
Public works:				
Planning and Development				
Personnel services	285,575	285,575	268,589	16,986
Operating expenditures	56,308	56,308	56,974	(666)
Total Planning & Development	341,883	341,883	325,563	16,320
Neighborhood Services				
Personnel services	366,236	366,236	322,067	44,169
Operating expenditures	58,496	58,496	62,560	(4,064)
Total Neighborhood Services	424,732	424,732	384,627	40,105
Administrative Hearing Office				
Operating expenditures	3,719	3,719	3,310	409
Total Administrative Hearing Office	3,719	3,719	3,310	409
Engineering and GIS				
Personnel services	568,911	568,911	546,135	22,776
Operating expenditures	153,580	153,580	133,604	19,976
Total Engineering and GIS	722,491	722,491	679,739	42,752
Total public works	1,492,825	1,492,825	1,393,239	99,586
Capital outlay	10,513,010	10,582,728	9,415,193	1,167,535
Total expenditures	34,182,557	34,182,557	31,058,538	3,124,019
Excess (deficiency) of revenues over expenditures	(8,323,966)	(8,323,966)	(8,397,072)	(73,106)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,660,510	4,660,510	3,377,573	(1,282,937)
Transfers out	(2,127,000)	(2,127,000)	(2,094,578)	32,422
Total other financing sources and uses	2,533,510	2,533,510	1,282,995	(1,250,515)
Net change in fund balances	(5,790,456)	(5,790,456)	(7,114,077)	(1,323,621)
Fund balances - beginning	22,954,800	25,250,526	25,250,526	-
Fund balances - ending	\$ 17,164,344	\$ 19,460,070	\$ 18,136,449	\$ (1,323,621)

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Intergovernmental:				
Grants	\$ 2,901,080	\$ 2,901,080	\$ 1,190,438	\$ (1,710,642)
Highway user tax	2,412,831	2,412,831	2,498,515	85,684
Interest earnings	16,000	16,000	21,389	5,389
Other	34,000	34,000	47,176	13,176
Total revenues	<u>5,363,911</u>	<u>5,363,911</u>	<u>3,757,518</u>	<u>(1,606,393)</u>
EXPENDITURES				
Current:				
Highway & Streets				
Personnel services	785,257	785,257	728,007	57,250
Operating expenditures	<u>1,920,000</u>	<u>1,920,000</u>	<u>1,313,821</u>	<u>606,179</u>
Total Highway & Streets	<u>2,705,257</u>	<u>2,705,257</u>	<u>2,041,828</u>	<u>663,429</u>
Capital outlay	<u>2,981,580</u>	<u>2,981,580</u>	<u>1,210,149</u>	<u>1,771,431</u>
Total expenditures	<u>5,686,837</u>	<u>5,686,837</u>	<u>3,251,977</u>	<u>2,434,860</u>
Excess (deficiency) of revenues over expenditures	<u>(322,926)</u>	<u>(322,926)</u>	<u>505,541</u>	<u>828,467</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	338,957	338,957	263,926	(75,031)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>338,957</u>	<u>338,957</u>	<u>263,926</u>	<u>(75,031)</u>
Net change in fund balances	16,031	16,031	769,467	753,436
Fund balances - beginning	<u>650,000</u>	<u>1,068,292</u>	<u>1,068,292</u>	<u>-</u>
Fund balances - ending	<u>\$ 666,031</u>	<u>\$ 1,084,323</u>	<u>\$ 1,837,759</u>	<u>\$ 753,436</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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 69,000	\$ 69,000	\$ 44,380	\$ (24,620)
Impact fees	396,000	396,000	456,087	60,087
Total revenues	<u>465,000</u>	<u>465,000</u>	<u>500,467</u>	<u>35,467</u>
EXPENDITURES				
Current:				
Operating expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>465,000</u>	<u>465,000</u>	<u>500,467</u>	<u>35,467</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(4,890,000)	(4,890,000)	(3,400,867)	1,489,133
Total other financing sources	<u>(4,890,000)</u>	<u>(4,890,000)</u>	<u>(3,400,867)</u>	<u>1,489,133</u>
Net change in fund balances	(4,425,000)	(4,425,000)	(2,900,400)	1,524,600
Fund balances - beginning	<u>4,790,000</u>	<u>4,847,951</u>	<u>4,847,951</u>	<u>-</u>
Fund balances - ending	<u>\$ 365,000</u>	<u>\$ 422,951</u>	<u>\$ 1,947,551</u>	<u>\$ 1,524,600</u>

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

Town of Prescott Valley, Arizona

Statement of Net Assets

Proprietary Funds

June 30, 2010

ASSETS	Wastewater	PV Water System	Total
Current assets:			
Cash and investments	\$ 9,663,144	\$ 10,221,148	\$ 19,884,292
Receivables (net of allowance for uncollectibles)	412,628	1,059,722	1,472,350
Interest receivable	23,801	23,319	47,120
Inventories	-	9,738	9,738
Total current assets	10,099,573	11,313,927	21,413,500
Noncurrent assets:			
Restricted cash, cash equivalents	-	939,929	939,929
Deferred charges	169,344	59,739	229,083
Capital assets:			
Land	250,100	776,556	1,026,656
Buildings	3,498,027	209,214	3,707,241
Improvements other than buildings	-	28,107,519	28,107,519
Machinery and equipment	5,597,460	1,143,736	6,741,196
Infrastructure	75,834,525	31,739,055	107,573,580
Construction in progress	78,109	5,176,481	5,254,590
Less accumulated depreciation	(23,879,691)	(10,521,835)	(34,401,526)
Total capital assets (net of accumulated depreciation)	61,378,530	56,630,726	118,009,256
Total noncurrent assets	61,547,874	57,630,394	119,178,268
Total assets	\$ 71,647,447	\$ 68,944,321	\$ 140,591,768

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

Town of Prescott Valley, Arizona

Statement of Net Assets

Proprietary Funds

June 30, 2010

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 343,503	\$ 641,380	\$ 984,883
Accrued payroll	4,775	9,232	14,007
Premium payable	16,388	390,004	406,392
Notes payable - due within one year	609,516	-	609,516
Bonds payable - due within one year	460,000	1,208,917	1,668,917
Total current liabilities	<u>1,434,182</u>	<u>2,249,533</u>	<u>3,683,715</u>
Noncurrent liabilities:			
Customer advances and deposits	224,784	487,058	711,842
Deferred revenue	-	80,567	80,567
Notes payable	11,637,416	-	11,637,416
Bonds payable, net of unamortized discounts	7,240,000	11,601,334	18,841,334
Long term obligations	-	320,276	320,276
Advance from other funds	-	15,882,303	15,882,303
Total noncurrent liabilities	<u>19,102,200</u>	<u>28,371,538</u>	<u>47,473,738</u>
Total liabilities	<u>20,536,382</u>	<u>30,621,071</u>	<u>51,157,453</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,431,598	43,820,475	85,252,073
Unrestricted	9,679,467	(5,497,225)	4,182,242
Total net assets	<u>\$ 51,111,065</u>	<u>\$ 38,323,250</u>	<u>\$ 89,434,315</u>

Town of Prescott Valley, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
OPERATING REVENUES			
Charges for sales and services	\$ 4,037,901	\$ 7,027,072	\$ 11,064,973
Other	113,691	561,115	674,806
Total operating revenues	<u>4,151,592</u>	<u>7,588,187</u>	<u>11,739,779</u>
OPERATING EXPENSES			
Administration	509,867	756,790	1,266,657
Professional	1,223,532	2,671,619	3,895,151
Technical	-	1,785	1,785
Utilities	543,092	1,109,132	1,652,224
Repairs and maintenance	258,900	182,966	441,866
Supplies	1,568	393,656	395,224
Capital outlay	-	76,500	76,500
Depreciation and amortization	3,057,644	1,570,574	4,628,218
Other	(70)	120,906	120,836
Total operating expenses	<u>5,594,533</u>	<u>6,883,928</u>	<u>12,478,461</u>
Operating income (loss)	(1,442,941)	704,259	(738,682)
NON-OPERATING REVENUES (EXPENSES)			
Capital contributions - utility connection charges	371,964	398,925	770,889
Investment and rental income	135,655	180,341	315,996
Interest expense	(752,175)	(582,925)	(1,335,100)
Other expenses	(14,288)	(126,550)	(140,838)
Net non-operating revenues (expenses)	<u>(258,844)</u>	<u>(130,209)</u>	<u>(389,053)</u>
Income (loss) before capital contributions and transfers	(1,701,785)	574,050	(1,127,735)
Capital contributions and transfers	58,515	96,299	154,814
Transfers in	229,000	-	229,000
Transfers out	-	(1,134,365)	(1,134,365)
Total capital contributions and transfers	<u>287,515</u>	<u>(1,038,066)</u>	<u>(750,551)</u>
Change in net assets	(1,414,270)	(464,016)	(1,878,286)
Total net assets - beginning	<u>52,525,335</u>	<u>38,787,266</u>	<u>91,312,601</u>
Total net assets - ending	<u>\$ 51,111,065</u>	<u>\$ 38,323,250</u>	<u>\$ 89,434,315</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, 2010

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 4,450,805	\$ 6,661,386	\$ 11,112,191
Payments to suppliers	(2,282,327)	(5,373,846)	(7,656,173)
Payments to employees	(147,508)	(181,769)	(329,277)
Other operating revenues	-	561,115	561,115
	<u>2,020,970</u>	<u>1,666,886</u>	<u>3,687,856</u>
Cash flows from noncapital financing activities			
Transfer from other funds	229,000	-	229,000
Transfer from (to) other funds	-	(1,134,365)	(1,134,365)
Payable to other funds	-	(565,000)	(565,000)
Net cash provided (used) by noncapital financing activities	<u>229,000</u>	<u>(1,699,365)</u>	<u>(1,470,365)</u>
Cash flows from capital and related financing activities			
Capital contributions	371,964	398,925	770,889
Acquisition and construction of property and equipment	(55,416)	(466,859)	(522,275)
Principal paid on capital debt	(1,034,989)	(1,158,917)	(2,193,906)
Interest paid on capital debt	(752,175)	(582,925)	(1,335,100)
Bond issuance costs	-	(126,550)	(126,550)
Net cash provided (used) by capital and related financing activities	<u>(1,470,616)</u>	<u>(1,936,326)</u>	<u>(3,406,942)</u>
Cash flows from investing activities			
Interest and dividends received	142,163	182,553	324,716
Net cash provided (used) by investing activities	<u>142,163</u>	<u>182,553</u>	<u>324,716</u>
Net increase (decrease) in cash and cash equivalents	921,517	(1,786,252)	(864,735)
Cash and cash equivalents, July 1	<u>8,741,627</u>	<u>12,947,329</u>	<u>21,688,956</u>
Cash and cash equivalents, June 30	<u>\$ 9,663,144</u>	<u>\$ 11,161,077</u>	<u>\$ 20,824,221</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, 2010

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash and cash equivalents at end of year includes:			
Cash and investments	\$ 9,663,144	\$ 10,221,148	\$ 19,884,292
Restricted cash and investments	-	939,929	939,929
Total cash and cash equivalents	<u>\$ 9,663,144</u>	<u>\$ 11,161,077</u>	<u>\$ 20,824,221</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,442,941)	\$ 704,259	\$ (738,682)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,057,644	1,570,574	4,628,218
Increase in accounts receivable	(155,723)	(384,030)	(539,753)
(Increase) decrease in intergovernmental receivable	449,500	-	449,500
Increase (decrease) in accounts payable	107,637	(247,151)	(139,514)
Increase (decrease) in customer deposits	5,436	18,506	23,942
Increase in accrued payroll	510	461	971
Increase in deferred revenue/charges	13,195	4,267	17,462
Other revenues (expenses)	(14,288)	-	(14,288)
Total adjustments	<u>3,463,911</u>	<u>962,627</u>	<u>4,426,538</u>
Net cash provided by operating activities	<u>\$ 2,020,970</u>	<u>\$ 1,666,886</u>	<u>\$ 3,687,856</u>
Noncash investing, capital and financing activities:			
Additions to property, plant and equipment			
Contributions from developers	\$ 58,515	\$ 96,299	\$ 154,814

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.

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 only within the respective districts. 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. For StoneRidge, Pronghorn Ranch and Quailwood Meadows, the developers are solely responsible for repaying the bonds until sufficient *ad valorem* taxes are collected from the property owners. In the event a developer files for bankruptcy or discontinues paying any difference owed (that which is the difference between the taxes owed by property owners and the debt service requirement), the District anticipates drawing on the reserve, which equals 10% of the amount of bonds issued for the District, to pay this difference. For Parkway No. 1, the property owners are solely responsible for repaying the bonds through *ad*

valorem tax collections. 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 nonmajor funds as if the districts were a part of the Town's operation, except for StoneRidge, which is reported as a major fund. 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. the *statement of net assets* and the *statement of changes in net assets*) 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Town receives cash.

The government reports the following major governmental funds:

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

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

Town of Prescott Valley, Arizona

The *Development Impact Fees Fund* accounts for impact fees collected by the Town. Impact fees are collected from new residential or commercial development for the purpose of funding future growth-related capital improvements.

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 *Streets Capital Improvement Fund* accounts for the resources used to acquire, construct and improve major street projects, other than those financed by proprietary funds. The capital projects fund allows the Town to compile project cost data and demonstrate that legal or contractual requirements, regarding the use of the resources, are fully satisfied. In December 2002, the Town's sales tax rate increased from 2.0% to 2.33%. The additional sales tax generated by the .33% is accounted for in this fund.

The *StoneRidge Community Facilities District Fund* is used to account for the principal and interest of general obligation bonds 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 government reports the following major proprietary funds:

The *Wastewater* and *Prescott Valley Water System Funds* account for the operating revenues and expenses of the Town's water and sewer utility systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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. 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 and Net Assets or Entity

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 with maturities of three months or less at acquisition date.

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. the current portion of inter-fund loans) or "advances to/from other funds" (e.g. the 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 90 days comprise the allowance for uncollectible accounts at June 30, 2010.

3. Inventories

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.

4. Deferred Charges

Deferred charges represent the unamortized bond issuance and bond discount cost related to the Town's debt. These costs are amortized over the remaining life of the bonds.

5. Restricted Cash and Investments

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

6. Capital Assets

Capital assets include property, plant, equipment and infrastructure, and are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000, and an estimated useful life in excess of one year. Assets contributed (donated) are recorded by reference to historical costs of the donor 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 2009/10.

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

The excess purchase price over fair market value of assets acquired in the Prescott Valley Water System enterprise fund is amortized on the straight-line method over the next 10 years.

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

7. Compensated Absences

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

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

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums 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.

9. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The Town prepared an annual budget that covered fiscal year 2009/10. 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 2009. The fiscal year 2009/10 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, Replacement fund, Local Transportation Assistance fund, UNS Facilities Relocation fund, Development Impact Fees fund, Library Building fund, Entertainment Area fund, Maranda fund and Grants funds), debt service funds (except for the community facilities districts' debt service fund), capital improvement funds and enterprise funds. Therefore, these funds have appropriated budgets and budget to actual information is presented for governmental fund types. Budgets are adopted under the GAAP method using a modified accrual basis.

Budgets for the community facilities districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the Town budget or adoption by the Town Council. Budgets for capital project funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized.

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

One public hearing is held prior to the budget's final adoption in order to obtain citizens' comments. On or before the first regular Council meeting in July, the budget is legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2009/10, 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.

Town of Prescott Valley, Arizona

Upon the recommendation of the Town Manager and with the approval of the Town Council: 1) transfers may be made from the appropriations for contingencies to departments, 2) unexpended appropriations may be transferred from one department to another, or 3) 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 department.

B. Excess of Expenditures over Appropriations

In the general fund, Municipal Property Corporation-debt service fund and special assessment bond-debt service 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:

	<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	\$ 51,366	\$ 51,366	\$ 51,396	\$ (30)
Building/Safety				
Operating expenditures	52,197	52,197	52,339	(142)
Library				
Personnel services	864,799	864,799	966,011	(101,212)
Planning and Development				
Operating expenditures	56,308	56,308	56,974	(666)
Neighborhood Services				
Operating expenditures	58,496	58,496	62,560	(4,064)
Municipal Property Corporation - Debt Service Fund				
Interest and fiscal charges	1,586,408	1,586,408	1,590,813	(4,405)
Special Assessment Bond - Debt Service Fund				
Advance refunding escrow	-	-	576,300	(576,300)

These deficits were funded by available fund balances within the General fund, Municipal Property Corporation funds and Special Assessment Debt Service funds.

The Council deficit was driven by higher than budgeted state unemployment and workers' compensation. The Building/Safety deficit was the result of postage expenditures over budget for increased activity for building code violations. The deficit for the Library was created by higher than budgeted personnel expenditures due to additional personnel being transferred to the library from other departments for the Prescott Valley HELPS (Hands Employed in Library Patron Services) program and staffing needs. Planning and Development's deficit was the result of a prior year permit fee refund. The deficit for Neighborhood Services was mainly driven by expenditures for the Creative Energy Fair over the budget amount. Additional revenues were collected to offset these expenditures. The Municipal Property Corporation deficit was the result of unbudgeted arbitrage fees. Bonds were defeased in the Special Assessment Bond funds causing the \$576,300 deficit.

C. Deficit Fund Equity

For the fiscal year June 30, 2010, there were no instances of any funds having a deficit fund balance.

D. Fund Balance/Net Assets Reservations and Designations

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. Reservations or designations of fund balances are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The Town does, however, reserve or designate portions of net assets in other funds to demonstrate the government's intended use of those net assets. Designations are created by management's intended use of the fund balance.

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 districts' funds, which have investments held separately by a trustee. The Town maintains petty cash funds in various departments, which amount to \$3,905 at June 30, 2010.

Deposits

At June 30, 2010, the carrying amount of the Town's deposits was \$5,596,015 and the bank balance was \$5,666,067. The \$70,052 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, 2010, the Town's deposits were covered by federal depository insurance or by the collateral held by the Town's agent, pledging financial institution's trust department, or agent in the name of the Town, and thus had no deposits that were exposed to custodial credit risk.

Interest Rate Risk

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

Credit Risk

Town Charter, Ordinance and Trust Agreements authorize the Town to invest in obligations of the U.S. Treasury, U.S. Government agencies, certificates of deposit, bankers' acceptances, repurchase agreements, mutual funds, 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 AAA by Standard & Poor's and 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, 2010, all investments of that pool were rated AAA.

Town of Prescott Valley, Arizona

Investments

The Town's investments at June 30, 2010, are summarized below.

Investment Type	Investment Matures (in years)				
	Fair Value	Less Than 1	1 - 2	2 - 3	3+
US Treasuries	\$ 5,492,601	\$ 5,492,601	\$ -	\$ -	\$ -
US Agencies	30,789,783	2,997,600	7,011,265	11,019,380	9,761,538
Temp Liquidity Guarantee Program	2,058,080	-	-	2,058,080	-
Money Markets	12,873,416	12,873,416	-	-	-
Certificates of Deposit	504,363	504,363	-	-	-
Local Government Investment Pool	3,107,181	3,107,181	-	-	-
	\$ 54,825,424	\$ 24,975,161	\$ 7,011,265	\$ 13,077,460	\$ 9,761,538

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

Carrying amount of Town deposits	\$ 5,596,015
Investments	54,825,424
Total cash and investments	\$60,421,439

Total Town cash and investments are reported as follows:

Primary government:	
Cash and investments	\$51,757,071
Restricted cash and cash equivalents:	
Water and sewer system replacement	939,929
Streets and infrastructure replacement	7,724,439
Total cash and investments	\$60,421,439

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 statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Interest	Inter-governmental	Grants	Special Assessments	Miscellaneous	Gross Receivables	Less: Allowance for Uncollectibles	Net Total Receivables
General Fund	\$ 42,778	\$ 1,777,198	\$ -	\$ -	\$ 797,427	\$ 2,617,403	\$ -	\$ 2,617,403
Highway Users Revenue Fund	3,545	233,588	-	-	102	237,235	-	237,235
Development Impact Fees	8,508	-	-	-	217,566	226,074	-	226,074
Streets Capital Improvement Fund	7,191	109,704	-	-	-	116,895	-	116,895
Wastewater	23,801	-	-	-	427,482	451,283	(14,854)	436,429
Prescott Valley Water System	23,319	-	-	-	1,099,665	1,122,984	(39,943)	1,083,041
Nonmajor Governmental Funds	4,527	-	328,798	1,429,527	52,932	1,815,784	-	1,815,784
Total	\$ 113,669	\$ 2,120,490	\$ 328,798	\$ 1,429,527	\$ 2,595,174	\$ 6,587,658	\$ (54,797)	\$ 6,532,861

Town of Prescott Valley, Arizona

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due (debt service fund)	\$ 1,429,527	\$ -
Court bonds payable	-	95,328
Other		
Grant drawdowns prior to meeting all eligibility requirements	-	334,698
Developer advance payments	-	136,242
Total deferred/unearned revenue for governmental funds	<u>\$ 1,429,527</u>	<u>\$ 566,268</u>



Town of Prescott Valley, Arizona

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Capital Assets

Year Ended June 30, 2010

	Capital Assets June 30, 2009	Increases	Decreases	Transfers	Capital Assets June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,901,758	\$ -	\$ -	\$ -	\$ 6,901,758
Construction in progress	15,110,554	5,786,836	-	(19,112,601)	1,784,789
Total capital assets, not being depreciated:	<u>22,012,312</u>	<u>5,786,836</u>	<u>-</u>	<u>(19,112,601)</u>	<u>8,686,547</u>
Capital assets, being depreciated:					
Buildings	21,064,642	-	-	14,122,613	35,187,255
Improvements other than buildings	12,820,328	-	-	2,835,654	15,655,982
Machinery and equipment	6,160,120	1,605,526	(193,078)	475,011	8,047,579
Infrastructure	146,145,951	1,731,215	-	-	147,877,166
Total capital assets, being depreciated:	<u>186,191,041</u>	<u>3,336,741</u>	<u>(193,078)</u>	<u>17,433,278</u>	<u>206,767,982</u>
Less accumulated depreciation for:					
Buildings	(3,952,589)	(819,135)	-	-	(4,771,724)
Improvements other than buildings	(3,016,261)	(648,309)	-	-	(3,664,570)
Machinery and equipment	(3,997,207)	(757,690)	189,678	-	(4,565,219)
Infrastructure	(23,191,133)	(5,134,995)	-	-	(28,326,128)
Total accumulated depreciation:	<u>(34,157,190)</u>	<u>(7,360,129)</u>	<u>189,678</u>	<u>-</u>	<u>(41,327,641)</u>
Total capital assets, being depreciated, net	<u>152,033,851</u>	<u>(4,023,388)</u>	<u>(3,400)</u>	<u>17,433,278</u>	<u>165,440,341</u>
Governmental activities capital assets, net	<u>\$ 174,046,163</u>	<u>\$ 1,763,448</u>	<u>\$ (3,400)</u>	<u>\$ (1,679,323)</u>	<u>\$ 174,126,888</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,026,656	\$ -	\$ -	\$ -	\$ 1,026,656
Construction in progress	4,836,081	418,509	-	-	5,254,590
Total capital assets, not being depreciated:	<u>5,862,737</u>	<u>418,509</u>	<u>-</u>	<u>-</u>	<u>6,281,246</u>
Capital assets, being depreciated:					
Buildings	3,707,241	-	-	-	3,707,241
Improvements other than buildings	28,107,519	-	-	-	28,107,519
Machinery and equipment	6,637,428	103,768	-	-	6,741,196
Infrastructure	107,418,766	154,814	-	-	107,573,580
Total capital assets, being depreciated:	<u>145,870,954</u>	<u>258,582</u>	<u>-</u>	<u>-</u>	<u>146,129,536</u>
Less accumulated depreciation for:					
Buildings	(2,512,288)	(182,570)	-	-	(2,694,858)
Improvements other than buildings	(5,720,289)	(804,764)	-	-	(6,525,053)
Machinery and equipment	(4,875,401)	(510,913)	-	-	(5,386,314)
Infrastructure	(16,620,735)	(3,174,566)	-	-	(19,795,301)
Total accumulated depreciation:	<u>(29,728,713)</u>	<u>(4,672,813)</u>	<u>-</u>	<u>-</u>	<u>(34,401,526)</u>
Total capital assets, being depreciated, net	<u>116,142,241</u>	<u>(4,414,231)</u>	<u>-</u>	<u>-</u>	<u>111,728,010</u>
Business-type activities capital assets, net	<u>\$ 122,004,978</u>	<u>\$ (3,995,722)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,009,256</u>

Town of Prescott Valley, Arizona

Construction in progress activity for the year ended June 30, 2010 was as follows:

Town of Prescott Valley, Arizona
Schedule of Activity in Construction in Progress
 Year Ended June 30, 2010

	Construction in Progress June 30, 2009	Increases	Decreases	Transfers	Construction in Progress June 30, 2010
Governmental activities:					
Telecommunication Improvements	\$ 4,990	\$ 3,396	\$ -	\$ -	\$ 8,386
Lakeshore Drive - Valley/Victor	922,445	756,870	-	(1,679,315)	-
Library Building	13,870,662	2,141,073	-	(16,011,735)	-
Mountain Valley Park Improvements	13,575	1,407,976	-	(1,421,551)	-
Old Town Park	21,250	56,994	-	-	78,244
Robert Road - Spouse/Tranquil	33,196	-	-	-	33,196
Roundup Industrial District	27,134	-	-	-	27,134
Bison Lane Path	151,488	489,832	-	-	641,320
Western Blvd Storm Water Mgmt	-	193,652	-	-	193,652
Civic Center Remodel	-	32,215	-	-	32,215
Viewpoint Drive Extension	-	704,828	-	-	704,828
Section 14 Multi-use Field	65,814	-	-	-	65,814
Total governmental activities	<u>15,110,554</u>	<u>5,786,836</u>	<u>-</u>	<u>(19,112,601)</u>	<u>1,784,789</u>
Business-type activities:					
Lone Tree Recharge Facility	199,377	158,054	-	-	357,431
Roundup Sewer Upsize	44,368	-	-	-	44,368
Short Mesa Connector	33,741	-	-	-	33,741
StoneRidge Storage Tank	714,276	15,835	-	-	730,111
Tri-City Pipeline and Tanks	2,580,788	244,620	-	-	2,825,408
Water Transmission Pipeline	1,263,531	-	-	-	1,263,531
Total business-type activities	<u>4,836,081</u>	<u>418,509</u>	<u>-</u>	<u>-</u>	<u>5,254,590</u>
Total	<u>\$ 19,946,635</u>	<u>\$ 6,205,345</u>	<u>\$ -</u>	<u>\$ (19,112,601)</u>	<u>\$ 7,039,379</u>

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

Governmental activities:	
General government	\$ 808,949
Public safety	467,541
Highways and streets, including depreciation of infrastructure assets	3,188,723
Culture and recreation	1,042,154
Public works	1,852,762
Total depreciation expense - governmental activities	<u>\$ 7,360,129</u>
Business-type activities:	
Wastewater	\$ 3,058,906
Prescott Valley water system	1,613,907
Total depreciation expense - business-type activities	<u>\$ 4,672,813</u>

D. Construction Commitments

The Town has active construction projects as of June 30, 2010. At year end, the government’s commitments with contractors for specific projects are as follows:

	Total Contract	Remaining Balance
Facilities	\$ 88,277	\$ 66,577
Parks	652,808	571,809
Streets	465,340	430,772
PV Water System	2,392,300	2,297,700
	\$ 3,598,725	\$ 3,366,858

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, 2010 is as follows:

<i>Due To/From Other Funds</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Grants	\$ 287,736
General Fund	Certificate of Participation	618,856
General Fund	StoneRidge CFD	136,958
General Fund	Pronghorn CFD	92,895
General Fund	Quailwood CFD	29,485
General Fund	Parkway No. 1 CFD	634
		\$ 1,166,564

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.

<i>Advance To/From Other Funds</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Development Impact Fees	\$ 580,675
MPC Debt Service Fund	PV Water System	15,882,303
		\$ 16,462,978

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

Town of Prescott Valley, Arizona

Interfund Transfers:

Transfer Out:	Transfer In:						Total
	General Fund	Highway Users Revenue Fund	Municipal Property Corp Debt Service Fund	Wastewater	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 100,000	\$ 777,130	\$ -	\$ 1,217,448	\$ 2,094,578	
Development Impact Fees	2,355,491	-	360,000	-	685,376	3,400,867	
Streets Capital Improvement Fund	-	-	658,114	-	-	658,114	
PV Water System	-	-	905,365	229,000	-	1,134,365	
Nonmajor Governmental Funds	1,022,082	163,926	-	-	-	1,186,008	
Total	\$ 3,377,573	\$ 263,926	\$ 2,700,609	\$ 229,000	\$ 1,902,824	\$ 8,473,932	

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, 2010. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2010. 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 four bond issues outstanding (e.g. Street Improvements, Water System Improvements, Municipal Facilities Revenue Refunding and Water Importation Project) totaling \$35,050,000. In 2003, the MPC issued \$17.9 million to finance improvements to major arterial streets and \$4.6 million to finance construction of new wells for the Water District water system. In 2004, the MPC issued \$6.4 million to refinance the remaining bonds for the Police Department facility and a portion of the bonds for the Town Hall/Library, and \$14.3 million to fund the Town's share of costs for the City of Prescott to acquire certain land from which groundwater would be imported for the benefit of both communities.

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, 2010, the Town's debt service coverage ranges from 5.25 to 13.93 times the rental payments due under the current lease agreements.

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 (including payments based on intergovernmental agreements with the prior Prescott Valley Water District).

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 are 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.

In 2005, the Town had \$9,317,000 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.

Current Wastewater Revenue Bond covenants require that the Town's net wastewater system revenues (revenues remaining after providing sufficient funds for the wastewater system) are at least one and one-quarter (1 ¼) times the maximum annual debt service payment. This year, the Town did not meet this reserve requirement. As of June 30, 2010, the Town's debt service coverage (net wastewater system revenues) is 1.19 times the annual debt service payment (see Table 14 in the statistical section). Utility rates will need to be increased to avoid falling below the minimum coverage.

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, 2010, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are sufficient for the scheduled maturities of the bonds payable and the related interest.

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

The Town Council's adopted policy is that Special Assessment Bonds be sold only when the ratio of the full cash value of the property (prior to improvements) when compared to debt is a minimum of 3 to 1 (and 5 to 1 or higher after construction of improvements). In addition, cumulative Special Assessment Bonds are not permitted to exceed 5 percent of the Town's secondary assessed valuation. As of June 30, 2010, there were two (2) separate series of Special Assessment Bonds outstanding, each series issued as serial bonds to be repaid over various terms.

Community Facilities District (CFD) Bonds

Community facilities districts (CFDs) are special purpose government entities which the Town Council may create under Arizona law to (among other things) acquire and improve public infrastructure. CFDs may issue bonds, which are repaid either with *ad valorem* taxes levied directly on property within the CFD (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 CFDs, the Town has no liability for CFD Bonds.

CFDs are created only by petition to the Town Council from property owners within the CFD area. Because the members of the Town Council generally sit as CFD board members (as required by statute), the Town Council has adopted a policy that CFDs not be formed (or related debt incurred) unless the ratio of the full cash value of the unimproved CFD property to the proposed CFD 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 CFDs should not exceed 15% of the Town's secondary assessed valuation. At present, the cumulative debt of all CFDs does exceed 15% of the Town's secondary assessed valuation because the StoneRidge and Pronghorn Ranch CFDs were approved before the financial policy was in place. However, the cumulative debt of all other CFDs does not exceed the 15% limit.

On October 11, 2007, Town Council approved the formation of the Southside Community Facilities District No. 1 with the intent of issuing special assessment revenue bonds for the purpose of financing certain public infrastructure improvements within the District. The District was authorized to issue \$3,025,000 of special assessment revenue bonds. On April 15, 2008 the district issued the \$3,025,000 of authorized bonds for the above-mentioned purpose. Similar to Eastridge CFD, bonds are repaid by assessments collected from the property owners within the district. The Town has no liability for community facilities district bonds.

As of June 30, 2010, the StoneRidge, Pronghorn Ranch and Quailwood Meadows CFDs 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 CFDs 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 CFD 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 CFD. The Eastridge CFD 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 CFD. The Parkway CFD No. 1 involves commercial property for which parking areas have been constructed, based on general obligation bonds issued in the amount of \$3,425,000, payable from *ad valorem* taxes levied directly on property within the CFD and collected by the county.

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 to pay YCFA or its designated assignee. The remaining balance is \$2,367,443 as of June 30, 2010.

Town of Prescott Valley, Arizona

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 budget. The Town has a remaining balance of \$943,424 as of June 30, 2010.

The Town negotiated with Aqua Capital Management, LP (Aqua) on a price floor agreement to establish a minimum bid price and purchase terms for the Town's effluent interests. On August 23, 2007, the Town Council approved the price floor agreement with Aqua. The oral auction was held on October 30, 2007 and the Town successfully auctioned its effluent interests to the highest bidder. The long-term debt amount of \$320,276 in the business-type activities is related to the agreement with Aqua as a breakup fee to be paid in the event the Town sells the effluent water to a higher bidder. The breakup fee will be paid at 10% of the selling price up to \$1,000,000. The balance will be paid out at the end of the 3-year period if the sale of effluent water is not completed within that time period.

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, 2010:

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

	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010	Due within One Year
Governmental activities:					
Bonds payable:					
MPC revenue bonds	\$ 36,740,000	\$ -	\$ 1,690,000	\$ 35,050,000	\$ 1,735,000
Certificates of Participation	15,340,000	-	595,000	14,745,000	620,000
Special assessments bonds	2,596,000	-	1,133,000	1,463,000	447,000
Community facilities districts:					
General obligation bonds	31,465,000	-	775,000	30,690,000	905,000
Special assessments	4,700,000	-	185,000	4,515,000	190,000
Long-term loan payable	299,298	-	20,248	279,050	20,248
Less deferred amounts:					
On refunding	(356,227)	40,634	-	(315,593)	(40,634)
Total bonds payable	90,784,071	40,634	4,398,248	86,426,457	3,876,614
Long-term obligations	3,683,658	-	372,791	3,310,867	372,791
Compensated absences	1,179,194	1,169,721	1,004,781	1,344,134	100,810
Governmental activity Long-term liabilities	<u>\$ 95,646,923</u>	<u>\$ 1,210,355</u>	<u>\$ 5,775,820</u>	<u>\$ 91,081,458</u>	<u>\$ 4,350,215</u>
Business-type activities:					
Revenue bonds	\$ 23,325,000	\$ -	\$ 1,725,000	\$ 21,600,000	\$ 1,790,000
Less deferred amounts:					
On refunding	(1,210,832)	121,083	-	(1,089,749)	(121,083)
Total revenue bonds payable	22,114,168	121,083	1,725,000	20,510,251	1,668,917
Long-term obligations	320,276	-	-	320,276	320,276
Long-term loan payable	12,836,921	-	589,989	12,246,932	609,516
Business-type activity Long-term liabilities	<u>\$ 35,271,365</u>	<u>\$ 121,083</u>	<u>\$ 2,314,989</u>	<u>\$ 33,077,459</u>	<u>\$ 2,598,709</u>
Total long-term liabilities	<u>\$ 130,918,288</u>	<u>\$ 1,331,438</u>	<u>\$ 8,090,809</u>	<u>\$ 124,158,917</u>	<u>\$ 6,948,924</u>

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the general fund and HURF) as they come due.

Town of Prescott Valley, Arizona

Details of bonded debt as of June 30, 2010, are as follows:

Municipal Property Corporation (MPC) Revenue Bonds

Details of MPC revenue bonds as of June 30, 2010, are as follows:

\$17,895,000 Municipal Property Corporation Facilities Revenue Bonds, Series 2003, dated January 1, 2003, is due in annual installments of \$120,000 to \$1,280,000 through January 1, 2027, with interest at 3.00% to 5.00% per annum. (Payable from Excise Tax revenues – streets and related improvements).	\$15,105,000
\$4,580,000 Municipal Property Corporation Facilities Revenue Bonds, Second Series 2003, dated September 1, 2003, is due in annual installments of \$240,000 to \$395,000 through January 1, 2019, with interest at 2.00% to 4.50% per annum. (Payable from Excise Tax revenues pursuant to an intergovernmental agreement with the Prescott Valley Water System – new water wells).	3,035,000
\$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).	5,280,000
\$14,300,000 Municipal Property Corporation Facilities Revenue Bonds, Second Series 2004, dated December 1, 2004, is due in annual installments of \$500,000 to \$1,025,000 through January 1, 2025, with interest at 3.00% to 4.50% (Payable from Excise Tax revenues – Town share of costs for land with underground water source).	<u>11,630,000</u>
Total MPC Revenue Bonds	<u>\$35,050,000</u>

Certificates of Participation (COP) Bonds

\$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>\$14,745,000</u>
Total COP Bonds	<u>\$14,745,000</u>

Special Assessment Bonds

Details of Special Assessment Bonds payable as of June 30, 2010, are as follows:

\$8,570,000 Special Assessment Bonds payable for wastewater collection system is due in annual payments of \$250,000 to \$840,000 through January 1, 2012, with interest at 7.9% per annum. (Payable from special assessments with contingent Town obligation – Phase I).	\$583,000
\$5,100,000 Special Assessment Bonds payable for wastewater collection system is due in annual payments of \$125,000 to \$485,000 through January 1, 2015, with interest at 7.85% per annum. (Payable from special assessments with contingent Town obligation – Phase II).	<u>880,000</u>
Total Special Assessment Bonds	<u>\$1,463,000</u>

Town of Prescott Valley, Arizona

CFD Bonds/Loans

The CFD Bonds and Loans payable as of June 30, 2010 are as follows:

<p>\$14,800,000 StoneRidge Community Facilities District General Obligation Bonds, Series 2001, is due in annual payments of \$420,000 to \$1,310,000 through January 15, 2026, with interest at 6.000% to 6.750% per annum. (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).</p>	\$13,935,000
<p>\$3,000,000 Pronghorn Ranch Community Facilities District General Obligation Bonds, Series 2002, is due in annual payments of \$70,000 to \$260,000 through January 15, 2027, with interest at 5.750% to 6.250% per annum. \$4,000,000 General Obligation Bonds, Series 2004, is due in annual payments of \$90,000 to \$575,000 through July 15, 2029, with interest at 4.55% to 6.40% per annum. (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).</p>	6,685,000
<p>\$2,500,000 Eastridge Community Facilities District Special Assessment Lien Bonds, Series 2003, is due in annual payments of \$125,000 to \$275,000 through July 1, 2018, with interest at 6.00% to 7.25% per annum. (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, utilities and related improvements).</p>	1,545,000
<p>\$6,940,000 Quailwood Meadows Community Facilities District General Obligation Bonds, Series 2004, is due in annual payments of \$135,000 to \$550,000 through July 15 2029, with interest at 4.25% to 6.13% per annum. (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, parks, utilities and related improvements).</p>	6,645,000
<p>\$925,446 Raven Ridge Community Facilities District long-term loan. A loan agreement with the Water Infrastructure Financing Authority (WIFA) dated January 21, 2003, for a maximum principal amount of \$925,446, at an interest rate of 3.188%, the proceeds of which are designated for capital construction within the identified district. The total loan debt service will be determined at the completion of the project after final loan drawdowns have been submitted for a payback period of twenty (20) years with annual principal and semi-annual interest payments. (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – wastewater collection system).</p>	279,050
<p>\$3,425,000 Parkway Community Facilities District No. 1 General Obligation Bonds, Series 2006, is due in annual payments of \$126,698 to \$269,780 through July 15, 2031, with interest at 4.85% to 5.35% per annum. (Payable from revenues generated through an <i>ad valorem</i> tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – parking facilities).</p>	3,425,000

Town of Prescott Valley, Arizona

\$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).

2,970,000

Total Community Facilities District Bonds and Loans

\$35,484,050

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

Revenue Bonds and Loans

Revenue bonds issued to acquire and construct utility facilities as of June 30, 2010 are as follows:

\$10,545,000 Town of Prescott Valley Sewer Revenue Refunding Bonds, Series 2003, dated April 1, 2003, is due in annual payments of \$355,000 to \$770,000 through January 1, 2023, with an interest rate at 2.00% to 5.00% per annum. (Payable solely from Town wastewater system revenue charges).

\$ 7,700,000

\$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 associated with expansion of the wastewater treatment plant. The payback period is for twenty years with annual principal and semi-annual interest payments. (Payable solely from Town wastewater system revenue charges).

7,816,190

\$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 associated with the expansion of the wastewater treatment plant. The payback period is for twenty years with annual principal and semi-annual interest payments. (Payable solely from Town wastewater system revenue charges).

4,430,742

\$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).

13,900,000

Total Revenue Bonds and Loans

\$33,846,932

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, 2010. Deferred issuance costs and deferred amounts on refunding are not included.

Governmental Activities																
Fiscal Year	Municipal Property Corp				Total Debt											
	Revenue Bond		Certificates of Participation		Special Assessments		Primary Government									
	Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest							
2011	\$	1,735,000	\$	1,512,366	\$	620,000	\$	617,712	\$	447,000	\$	115,137	\$	2,802,000	\$	2,245,215
2012		1,840,000		1,452,917		645,000		592,912		466,000		79,904		2,951,000		2,125,733
2013		1,940,000		1,386,760		670,000		567,112		175,000		43,175		2,785,000		1,997,047
2014		2,050,000		1,317,172		695,000		540,312		185,000		29,437		2,930,000		1,886,921
2015		2,170,000		1,241,581		725,000		512,512		190,000		14,915		3,085,000		1,769,008
2016-20		11,140,000		4,782,147		4,080,000		2,103,564		-		-		15,220,000		6,885,711
2021-25		11,165,000		2,423,395		4,995,000		1,189,939		-		-		16,160,000		3,613,334
2026-30		3,010,000		214,500		2,315,000		157,500		-		-		5,325,000		372,000
	\$	35,050,000	\$	14,330,838	\$	14,745,000	\$	6,281,563	\$	1,463,000	\$	282,568	\$	51,258,000	\$	20,894,969

Governmental Activities (continued)																
Community Facilities Districts																
Fiscal Year	StoneRidge CFD		Pronghorn Ranch CFD		Eastridge CFD		Quailwood Meadows CFD									
	Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest							
2011	\$	475,000	\$	910,488	\$	175,000	\$	428,157	\$	130,000	\$	106,237	\$	165,000	\$	390,862
2012		505,000		881,088		185,000		418,286		140,000		96,787		195,000		381,945
2013		535,000		849,887		195,000		407,627		145,000		86,638		205,000		371,740
2014		565,000		815,474		210,000		395,693		145,000		76,487		215,000		360,605
2015		600,000		777,612		220,000		382,469		170,000		65,251		230,000		348,475
2016-20		3,655,000		3,213,042		1,330,000		1,676,820		815,000		123,432		1,360,000		1,516,650
2021-25		5,065,000		1,754,832		1,830,000		1,157,260		-		-		1,830,000		1,039,872
2026-30		2,535,000		173,981		2,540,000		433,935		-		-		2,445,000		391,848
2031-35		-		-		-		-		-		-		-		-
CFD Bonded Debt	\$	13,935,000	\$	9,376,404	\$	6,685,000	\$	5,300,247	\$	1,545,000	\$	554,832	\$	6,645,000	\$	4,801,997

Governmental Activities (continued)																
Community Facilities Districts (continued)																
Fiscal Year	RavenRidge CFD		Parkway CFD #1		Southside CFD #1		Total Debt									
	Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest							
2011	\$	20,248	\$	8,970	\$	90,000	\$	176,684	\$	60,000	\$	203,750	\$	1,115,248	\$	2,225,148
2012		20,248		8,324		95,000		172,198		65,000		199,922		1,205,248		2,158,550
2013		20,248		7,678		95,000		167,591		65,000		195,941		1,260,248		2,087,102
2014		20,248		7,034		100,000		162,863		70,000		191,806		1,325,248		2,009,962
2015		20,248		6,388		105,000		157,891		75,000		187,365		1,420,248		1,925,451
2016-20		101,240		22,256		615,000		701,888		450,000		859,250		8,326,240		8,113,338
2021-25		76,570		6,190		800,000		517,643		620,000		683,703		10,221,570		5,159,500
2026-30		-		-		1,030,000		276,013		875,000		417,419		9,425,000		1,693,196
2031-35		-		-		495,000		26,884		690,000		77,213		1,185,000		104,097
CFD Bonded Debt	\$	279,050	\$	66,840	\$	3,425,000	\$	2,359,655	\$	2,970,000	\$	3,016,369	\$	35,484,050	\$	25,476,344
Total CFD Bonded and Long-Term Debt									\$	35,484,050	\$	25,476,344				

Business Type Activities																
Fiscal Year	Town of Prescott Valley Wastewater		Prescott Valley Water System		Total Debt											
	Ending	Principal	Interest	Principal	Interest	Principal	Interest									
2011	\$	1,069,516	\$	724,278	\$	1,330,000	\$	544,525	\$	2,399,516	\$	1,268,803				
2012		1,109,692		687,667		1,380,000		504,625		2,489,692		1,192,292				
2013		1,150,536		647,278		1,410,000		459,775		2,560,536		1,107,053				
2014		1,187,072		605,385		1,475,000		410,425		2,662,072		1,015,810				
2015		1,224,321		562,166		1,535,000		358,800		2,759,321		920,966				
2016-20		6,862,055		2,100,676		6,770,000		788,950		13,632,055		2,889,626				
2021-25		6,702,614		703,203		-		-		6,702,614		703,203				
2026-30		641,126		20,342		-		-		641,126		20,342				
	\$	19,946,932	\$	6,050,995	\$	13,900,000	\$	3,067,100	\$	33,846,932	\$	9,118,095				
Total Business-Type Activity Bonded and Long-Term Debt									\$	33,846,932	\$	9,118,095				

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, 2010:

20% Constitutional Limit		6% Constitutional Limit	
20% Constitutional Limit	\$ 75,614,274	6% Constitutional Limit	\$ 22,684,282
Less General Obligation		Less General Obligation	
20% Bond Outstanding	-	6% Bond Outstanding	-
Available 20% Limitation		Available 6% Limitation	
Borrowing Capacity	\$ 75,614,274	Borrowing Capacity	\$ 22,684,282

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 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 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 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 and Subsequent Events

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, 2010 is approximately \$26,682,305.

On July 1, 2010 the Southside Community Facilities District No. 1 initiated a partial defeasance of the outstanding bonds. The total bonds defeased was \$202,000 and the long-term debt schedule was adjusted accordingly.

In 2009, Allstate Insurance Company named the Town and 14 other defendants in a federal lawsuit over bond financing for the Prescott Valley Event and Convention Center (i.e. Tim's Toyota Center). The lawsuit alleges the defendants misrepresented and failed to disclose material information that purportedly indicated the entertainment center could not generate enough revenues to make the construction of the arena feasible. The Town has retained an outside law firm that has expertise in dealing with arena litigation. The litigation is still pending.

D. Community Facilities District Debt and Related Activities

Four of the Town's Community Facility Districts (StoneRidge, Pronghorn Ranch, Quailwood Meadows and Southside District No. 1) have situations in which contributions and assessments will not be as expected due to the bankruptcy of the developer or a similar circumstance. 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 seven percent (7%) of their earnings and the Town to contribute nine percent (9%), with eight percent (8%) being applied to the employees' retirement account and one percent (1%) applied to their retirement health reimbursement 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 one hundred percent (100%) vested at all times. The employer's contribution vests at the rate of twenty percent (20%) per year of service, thus employees are one hundred percent (100%) after five

Town of Prescott Valley, Arizona

years of service. The following describes the payroll and contribution requirements for the year ended June 30, 2010:

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>
Employer	\$ 11,392,220	\$ 6,785,729	12/8%	\$ 554,009	\$ 554,009
Employee	N/A	6,785,729	7%	475,001	475,001

Deferred Compensation Plans

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

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

Arizona Public Safety Personnel Retirement System

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

Summary of significant accounting policies – basis of accounting and valuation of investments. The financial statements of APSPRS are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits are recognized when due and payable in accordance with the terms of the system. Refunds are recorded when paid. The system reports assets on a fair value basis. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year. All plan investments are reported at fair value. Marketable securities, traded on public exchanges are priced by APSPRS custodian Wells Fargo Bank N.A. using third-party pricing services. Equity securities are valued at the last reported sales price. Fixed-income securities are generally valued using the last reported sales price or thinly traded bonds are reported at fair market using estimates. Short-term and alternative investments are generally reported at cost. Investment income is recognized as earned.

Funding policy. The contribution requirements of plan members and the government are established and may be amended by the APSPRS board. Plan members are required to contribute 7.65% of their annual salary. The Town is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2010 was 14.72 % of annual covered payroll.

Annual pension cost. For the year ended June 30, 2010, the Town’s annual pension cost for APSPRS has not yet been calculated. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) a rate of return on the investment of present and future assets of 8.50% per year, compounded annually, b) projected salary increases of 5.50% to

Town of Prescott Valley, Arizona

8.50% per year, compounded annually, attributable to inflation and other across the board increases, and c) projected salary increases ranging from 0.00% to 3.00% per year attributable to seniority/merit.

As of June 30, 2009, the most recent actuarial calculation date, the plan was 78.4% funded. The actuarial accrued liability for benefits was \$11,220,645, and the actuarial value of assets was \$8,800,227, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,420,418. The covered payrolls (annual payrolls of active employees covered by the plans) were \$4,090,427, and the ratio of the UAAL to the covered payroll was 59.2%.

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Systems, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Summary of Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial Assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% - 8.5%
Payroll growth	5.5%
Cost-of-living adjustments	None

Five-Year Trend Information for APSPRS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 269,446	100%	--
June 30, 2007	283,117	100%	--
June 30, 2008	384,228	100%	--
June 30, 2009	631,976	100%	--
June 30, 2010	533,698	100%	--

Required Supplementary Information

Schedule of Funding Progress for APSPRS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Percent Funded (1)/(2)	Unfunded AAL (2) – (1)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(5)
2006	5,620,323	6,433,238	87.4%	812,915	2,978,450	27.3%
2007	6,288,518	8,844,665	71.1%	2,556,147	3,549,306	72.0%
2008	7,316,481	9,433,338	77.6%	2,116,857	3,966,754	53.4%
2009	8,800,227	11,220,645	78.4%	2,420,418	4,090,427	59.2%



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.

Replacement Fund – This fund is used to accumulate funds to be used for the future replacement of vehicles or other major capital asset purchases.

Local Transportation Assistance Fund – This fund is used to account for the Town’s share of State lottery funds which are legally restricted to transportation capital purposes.

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

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

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

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 receives and expends the Town’s grant revenues. The amount of grants received is generally based upon application to granting agencies by the Town and upon availability of funding by the grantors. 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 fund is 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 – This fund is used to account for the debt associated with the new Library building.

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

Capital Project Funds

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

Capital Projects Growth Fund – This fund was established to accumulate funds to be used for capital project requirements due to growth.

Community Facilities Districts Funds

These funds account for the principal and interest of general obligation bonds 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:

**Eastridge
Parkway No. 1**

**Pronghorn Ranch
Quailwood Meadows**

**Raven Ridge
Southside No. 1**

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2010

	Special Revenue Funds				
	Replacement Fund	Local Transportation Assistance Fund	UNS Facilities Relocation Fund	Library Building Fund	Entertainment Area Fund
ASSETS					
Cash and investments	\$ 567,545	\$ 54,386	\$ 390,062	\$ 218,246	\$ 275,141
Restricted cash and investments	-	-	-	-	-
Receivables:					
Interest	1,311	-	-	-	303
Grants	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	47,878	5,054	-
Prepaid	-	-	-	-	-
Total assets	<u>\$ 568,856</u>	<u>\$ 54,386</u>	<u>\$ 437,940</u>	<u>\$ 223,300</u>	<u>\$ 275,444</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Bond interest payable	-	-	-	-	-
Deferred revenue:					
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Guaranty and other deposits	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Capital project funds	-	-	-	-	-
Special revenue fund	568,856	54,386	437,940	223,300	275,444
Total fund balances	<u>568,856</u>	<u>54,386</u>	<u>437,940</u>	<u>223,300</u>	<u>275,444</u>
Total liabilities and fund balances	<u>\$ 568,856</u>	<u>\$ 54,386</u>	<u>\$ 437,940</u>	<u>\$ 223,300</u>	<u>\$ 275,444</u>

Maranda Donation Fund	Grants Fund	Debt Service		Capital Projects Fund	Community Facilities Districts	
		Certificates of Participation	Special Assessments	Capital Project Growth Fund	Pronghorn Ranch	Quailwood Meadows
\$ 339,091	\$ 129,642	\$ 619,007	\$ 225,331	\$ 1,488,192	\$ -	\$ -
-	-	-	-	-	971,079	1,246,796
-	-	-	-	2,913	-	-
-	328,798	-	-	-	-	-
-	-	-	1,429,527	-	-	-
-	-	-	-	-	-	-
-	2,400	-	-	-	-	-
\$ 339,091	\$ 460,840	\$ 619,007	\$ 1,654,858	\$ 1,491,105	\$ 971,079	\$ 1,246,796
\$ -	\$ 26,701	\$ -	\$ 758	\$ -	\$ 69,297	\$ 11,908
-	10,161	-	-	-	-	-
-	287,736	618,856	-	-	92,895	29,485
-	-	-	57,569	-	-	-
-	-	-	1,429,527	-	-	-
-	136,242	-	-	-	-	-
-	-	-	-	-	700,000	694,000
-	460,840	618,856	1,487,854	-	862,192	735,393
-	-	151	167,004	-	-	-
-	-	-	-	1,491,105	-	-
339,091	-	-	-	-	108,887	511,403
339,091	-	151	167,004	1,491,105	108,887	511,403
\$ 339,091	\$ 460,840	\$ 619,007	\$ 1,654,858	\$ 1,491,105	\$ 971,079	\$ 1,246,796

(continued)

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2010

	Community Facilities Districts				Total Non-major Governmental Funds
	Parkway District No. 1	Raven Ridge	Eastridge	Southside District No. 1	
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 4,306,643
Restricted cash and investments	454,066	32,056	453,099	583,875	3,740,971
Receivables:					
Interest	-	-	-	-	4,527
Grants	-	-	-	-	328,798
Special assessments	-	-	-	-	1,429,527
Miscellaneous	-	-	-	-	52,932
Prepaid	-	-	-	-	2,400
Total assets	\$ 454,066	\$ 32,056	\$ 453,099	\$ 583,875	\$ 9,865,798
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,819	\$ -	\$ -	\$ 8	\$ 121,491
Accrued payroll	-	-	-	-	10,161
Due to other funds	634	-	-	-	1,029,606
Bond interest payable	-	-	-	-	57,569
Deferred revenue:					
Special assessments	-	-	-	-	1,429,527
Other	-	-	-	-	136,242
Guaranty and other deposits	-	-	-	-	1,394,000
Total liabilities	13,453	-	-	8	4,178,596
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	167,155
Unreserved, reported in:					
Capital project funds	-	-	-	-	1,491,105
Special revenue fund	440,613	32,056	453,099	583,867	4,028,942
Total fund balances	440,613	32,056	453,099	583,867	5,687,202
Total liabilities and fund balances	\$ 454,066	\$ 32,056	\$ 453,099	\$ 583,875	\$ 9,865,798



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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, 2010

	Special Revenue Funds				
	Replacement Fund	Local	UNS	Library	Entertainment
		Transportation Assistance Fund	Facilities Relocation Fund	Building Fund	Area Fund
REVENUES					
Taxes - local	\$ -	\$ -	\$ 225,780	\$ -	\$ -
Taxes - intergovernmental:					
Local transportation assistance fund	-	148,153	-	-	-
Taxes - property	-	-	-	-	-
Special assessments	-	-	-	-	-
Interest earnings	7,002	976	-	7,558	1,533
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
Refunds and reimbursements	-	-	-	52,688	-
Other	-	-	-	-	-
Total revenues	7,002	149,129	225,780	60,246	1,533
EXPENDITURES					
Current:					
General government	-	-	-	-	443,709
Public safety	-	-	-	-	-
Culture & recreation	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Capital outlay	-	-	429,302	-	-
Total expenditures	-	-	429,302	-	443,709
Excess (deficiency) of revenues over expenditures	7,002	149,129	(203,522)	60,246	(442,176)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	553,244
Transfers out	(35,310)	(163,926)	-	(986,772)	-
Total other financing sources and uses	(35,310)	(163,926)	-	(986,772)	553,244
Net change in fund balances	(28,308)	(14,797)	(203,522)	(926,526)	111,068
Fund balances - beginning	597,164	69,183	641,462	1,149,826	164,376
Fund balances - ending	\$ 568,856	\$ 54,386	\$ 437,940	\$ 223,300	\$ 275,444

Maranda Donation Fund	Grants Fund	Debt Service		Capital Projects Fund	Community Facilities Districts	
		Certificates of Participation	Special Assessments	Capital Project Growth Fund	Pronghorn Ranch	Quailwood Meadows
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	614,169	531,091
-	-	-	714,090	-	-	-
3,516	-	2,006	-	16,374	77	148
-	1,280,420	-	-	-	-	-
-	78,685	-	-	-	-	-
-	-	-	-	-	-	-
-	7,000	-	-	-	-	-
3,516	1,366,105	2,006	714,090	16,374	614,246	531,239
-	-	-	-	-	108,951	76,895
-	915,400	-	-	-	-	-
-	224,745	-	-	-	-	-
-	-	-	10,289	-	-	-
-	-	595,000	568,000	-	170,000	160,000
-	-	641,513	120,308	-	437,735	398,585
-	-	-	576,300	-	-	-
-	225,960	-	-	-	-	-
-	1,366,105	1,236,513	1,274,897	-	716,686	635,480
3,516	-	(1,234,507)	(560,807)	16,374	(102,440)	(104,241)
-	-	913,834	-	435,746	-	-
-	-	-	-	-	-	-
-	-	913,834	-	435,746	-	-
3,516	-	(320,673)	(560,807)	452,120	(102,440)	(104,241)
335,575	-	320,824	727,811	1,038,985	211,327	615,644
\$ 339,091	\$ -	\$ 151	\$ 167,004	\$ 1,491,105	\$ 108,887	\$ 511,403

(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, 2010

	Community Facilities Districts				Total Non-major Governmental Funds
	Parkway	Raven Ridge	Eastridge	Southside	
	District No. 1			District No. 1	
REVENUES					
Taxes - local	\$ -	\$ -	\$ -	\$ -	\$ 225,780
Taxes - intergovernmental:					
Local transportation assistance fund	-	-	-	-	148,153
Taxes - property	228,438	-	-	-	1,373,698
Special assessments	-	33,417	242,587	358,084	1,348,178
Interest earnings	45	-	83	41	39,359
Intergovernmental:					
Federal grants	-	-	-	-	1,280,420
State grants	-	-	-	-	78,685
Refunds and reimbursements	-	-	-	-	52,688
Other	-	-	-	8,706	15,706
Total revenues	228,483	33,417	242,670	366,831	4,562,667
EXPENDITURES					
Current:					
General government	20,002	-	-	167	649,724
Public safety	-	-	-	-	915,400
Culture & recreation	-	-	-	-	224,745
Public works	-	-	-	-	10,289
Debt service:					
Principal	-	20,248	130,000	55,000	1,698,248
Interest and fiscal charges	178,868	10,351	122,328	222,642	2,132,330
Advance refunding escrow	-	-	-	-	576,300
Capital outlay	-	-	-	8,859	664,121
Total expenditures	198,870	30,599	252,328	286,668	6,871,157
Excess (deficiency) of revenues over expenditures	29,613	2,818	(9,658)	80,163	(2,308,490)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	1,902,824
Transfers out	-	-	-	-	(1,186,008)
Total other financing sources and uses	-	-	-	-	716,816
Net change in fund balances	29,613	2,818	(9,658)	80,163	(1,591,674)
Fund balances - beginning	411,000	29,238	462,757	503,704	7,278,876
Fund balances - ending	\$ 440,613	\$ 32,056	\$ 453,099	\$ 583,867	\$ 5,687,202

Town of Prescott Valley, Arizona

Replacement 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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 13,000	\$ 13,000	\$ 7,002	\$ (5,998)
Total revenues	13,000	13,000	7,002	(5,998)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	13,000	13,000	7,002	(5,998)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(45,510)	(45,510)	(35,310)	10,200
Total other financing sources and uses	(45,510)	(45,510)	(35,310)	10,200
Net change in fund balances	(32,510)	(32,510)	(28,308)	4,202
Fund balances - beginning	646,000	597,164	597,164	-
Fund balances - ending	\$ 613,490	\$ 564,654	\$ 568,856	\$ 4,202

Town of Prescott Valley, Arizona

Local Transportation Assistance 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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - intergovernmental	\$ 169,957	\$ 169,957	\$ 148,153	\$ (21,804)
Interest earnings	-	-	976	976
Total revenues	<u>169,957</u>	<u>169,957</u>	<u>149,129</u>	<u>(20,828)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>169,957</u>	<u>169,957</u>	<u>149,129</u>	<u>(20,828)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(238,957)</u>	<u>(238,957)</u>	<u>(163,926)</u>	<u>75,031</u>
Total other financing sources and uses	<u>(238,957)</u>	<u>(238,957)</u>	<u>(163,926)</u>	<u>75,031</u>
Net change in fund balances	(69,000)	(69,000)	(14,797)	54,203
Fund balances - beginning	<u>69,000</u>	<u>69,183</u>	<u>69,183</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 183</u>	<u>\$ 54,386</u>	<u>\$ 54,203</u>

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - franchise	\$ 270,300	\$ 270,300	\$ 225,780	\$ (44,520)
Total revenues	270,300	270,300	225,780	(44,520)
EXPENDITURES				
Capital outlay	950,300	950,300	429,302	520,998
Total expenditures	950,300	950,300	429,302	520,998
Excess (deficiency) of revenues over expenditures	(680,000)	(680,000)	(203,522)	476,478
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(680,000)	(680,000)	(203,522)	476,478
Fund balances - beginning	680,000	641,462	641,462	-
Fund balances - ending	\$ -	\$ (38,538)	\$ 437,940	\$ 476,478

Town of Prescott Valley, Arizona

Library Building Fund - Special Revenue Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 7,558	\$ 7,558
Refunds and reimbursements	42,000	42,000	52,688	10,688
Total revenues	42,000	42,000	60,246	18,246
EXPENDITURES				
Current:				
Operating expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	42,000	42,000	60,246	18,246
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfer out	(1,000,000)	(1,000,000)	(986,772)	13,228
Total other financing sources and uses	(1,000,000)	(1,000,000)	(986,772)	13,228
Net change in fund balances	(958,000)	(958,000)	(926,526)	31,474
Fund balances - beginning	1,120,000	1,149,826	1,149,826	-
Fund balances - ending	\$ 162,000	\$ 191,826	\$ 223,300	\$ 31,474

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 2,000	\$ 2,000	\$ 1,533	\$ (467)
Total revenues	2,000	2,000	1,533	(467)
EXPENDITURES				
Current:				
General government	485,000	485,000	443,709	41,291
Total expenditures	485,000	485,000	443,709	41,291
Excess (deficiency) of revenues over expenditures	(483,000)	(483,000)	(442,176)	40,824
OTHER FINANCING SOURCES (USES)				
Transfers in	483,000	483,000	553,244	70,244
Transfers out	-	-	-	-
Total other financing sources and uses	483,000	483,000	553,244	70,244
Net change in fund balances	-	-	111,068	111,068
Fund balances - beginning	-	164,376	164,376	-
Fund balances - ending	\$ -	\$ 164,376	\$ 275,444	\$ 111,068

Town of Prescott Valley, Arizona

Maranda Donation Fund - Special Revenue Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 7,000	\$ 7,000	\$ 3,516	\$ (3,484)
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>3,516</u>	<u>(3,484)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,000</u>	<u>7,000</u>	<u>3,516</u>	<u>(3,484)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,000	7,000	3,516	(3,484)
Fund balances - beginning	<u>335,000</u>	<u>335,575</u>	<u>335,575</u>	<u>-</u>
Fund balances - ending	<u>\$ 342,000</u>	<u>\$ 342,575</u>	<u>\$ 339,091</u>	<u>\$ (3,484)</u>

Town of Prescott Valley, Arizona

Grants Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Intergovernmental:				
Federal grants	\$ 7,250,720	\$ 7,250,720	\$ 1,280,420	\$ (5,970,300)
State grants	240,000	240,000	78,685	(161,315)
Other	-	-	7,000	7,000
Total revenues	<u>7,490,720</u>	<u>7,490,720</u>	<u>1,366,105</u>	<u>(6,124,615)</u>
EXPENDITURES				
Current:				
General government	36,000	36,000	-	36,000
Public safety	1,466,720	1,466,720	915,400	551,320
Culture and recreation	293,000	293,000	224,745	68,255
Capital outlay	<u>5,695,000</u>	<u>5,695,000</u>	<u>225,960</u>	<u>5,469,040</u>
Total expenditures	<u>7,490,720</u>	<u>7,490,720</u>	<u>1,366,105</u>	<u>6,124,615</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Prescott Valley, Arizona

Municipal Property Corporation - Debt Service Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 41,000	\$ 41,000	\$ 7,803	\$ (33,197)
Total revenues	41,000	41,000	7,803	(33,197)
EXPENDITURES				
Current:				
Debt service:				
Principal	1,690,000	1,690,000	1,690,000	-
Interest and fiscal charges	1,586,408	1,586,408	1,590,813	(4,405)
Total expenditures	3,276,408	3,276,408	3,280,813	(4,405)
Excess (deficiency) of revenues over expenditures	(3,235,408)	(3,235,408)	(3,273,010)	(37,602)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,230,000	3,230,000	2,700,609	(529,391)
Transfers out	-	-	-	-
Total other financing sources	3,230,000	3,230,000	2,700,609	(529,391)
Net change in fund balances	(5,408)	(5,408)	(572,401)	(566,993)
Fund balances - beginning	3,826,000	20,290,557	20,290,557	-
Fund balances - ending	\$ 3,820,592	\$ 20,285,149	\$ 19,718,156	\$ (566,993)

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 21,000	\$ 21,000	\$ 2,006	\$ (18,994)
Total revenues	21,000	21,000	2,006	(18,994)
EXPENDITURES				
Current:				
Debt service:				
Principal	595,000	595,000	595,000	-
Interest and fiscal charges	646,512	646,512	641,513	4,999
Total expenditures	1,241,512	1,241,512	1,236,513	4,999
Excess (deficiency) of revenues over expenditures	(1,220,512)	(1,220,512)	(1,234,507)	(13,995)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,220,000	1,220,000	913,834	(306,166)
Transfers out	-	-	-	-
Total other financing sources	1,220,000	1,220,000	913,834	(306,166)
Net change in fund balances	(512)	(512)	(320,673)	(320,161)
Fund balances - beginning	628,000	320,824	320,824	-
Fund balances - ending	\$ 627,488	\$ 320,312	\$ 151	\$ (320,161)

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, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between
	Original	Final		Final Budget and Actual Amounts Budgetary Basis
REVENUES				
Special assessments	\$ 599,500	\$ 599,500	\$ 714,090	\$ 114,590
Interest earnings	1,000	1,000	-	(1,000)
Total revenues	600,500	600,500	714,090	113,590
EXPENDITURES				
Debt service:				
Principal	568,000	568,000	568,000	-
Interest and fiscal charges	206,497	206,497	120,308	86,189
Collection fees	18,500	18,500	10,289	8,211
Advance refunding escrow	-	-	576,300	(576,300)
Total expenditures	792,997	792,997	1,274,897	(481,900)
Excess (deficiency) of revenues over expenditures	(192,497)	(192,497)	(560,807)	(368,310)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(192,497)	(192,497)	(560,807)	(368,310)
Fund balances - beginning	656,000	727,811	727,811	-
Fund balances - ending	\$ 463,503	\$ 535,314	\$ 167,004	\$ (368,310)

Town of Prescott Valley, Arizona

Capital Project Growth Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 11,000	\$ 11,000	\$ 16,374	\$ 5,374
Total revenues	11,000	11,000	16,374	5,374
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	11,000	11,000	16,374	5,374
OTHER FINANCING SOURCES (USES)				
Transfers in	774,000	774,000	435,746	(338,254)
Transfers out	(305,000)	(305,000)	-	305,000
Total other financing sources and uses	469,000	469,000	435,746	(33,254)
Net change in fund balances	480,000	480,000	452,120	(27,880)
Fund balances - beginning	778,000	1,038,985	1,038,985	-
Fund balances - ending	\$ 1,258,000	\$ 1,518,985	\$ 1,491,105	\$ (27,880)

Town of Prescott Valley, Arizona

Streets Capital Improvement Fund

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

Governmental Funds

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local	\$ 1,733,000	\$ 1,733,000	\$ 1,472,899	\$ (260,101)
Intergovernmental - grants	1,200,000	1,200,000	-	(1,200,000)
Interest earnings	50,000	50,000	43,953	(6,047)
Other	-	-	400	400
Total revenues	<u>2,983,000</u>	<u>2,983,000</u>	<u>1,517,252</u>	<u>(1,465,748)</u>
EXPENDITURES				
Capital outlay:				
Improvements	1,475,000	1,475,000	758,576	716,424
Engineering and design cost	-	-	-	-
Total expenditures	<u>1,475,000</u>	<u>1,475,000</u>	<u>758,576</u>	<u>716,424</u>
Excess (deficiency) of revenues over expenditures	<u>1,508,000</u>	<u>1,508,000</u>	<u>758,676</u>	<u>(749,324)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(605,000)</u>	<u>(605,000)</u>	<u>(658,114)</u>	<u>(53,114)</u>
Total other financing sources	<u>(605,000)</u>	<u>(605,000)</u>	<u>(658,114)</u>	<u>(53,114)</u>
Net change in fund balances	903,000	903,000	100,562	(802,438)
Fund balances - beginning	<u>3,290,000</u>	<u>3,076,081</u>	<u>3,076,081</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,193,000</u>	<u>\$ 3,979,081</u>	<u>\$ 3,176,643</u>	<u>\$ (802,438)</u>

Statistical Section

<u>Contents</u>	<u>Page</u>
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.	92
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, sales and use tax.	98
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.	103
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.	108
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.	111

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 Assets by Component

Last Eight Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 3,124,779	\$ 13,550,128	\$ 46,666,116	\$ 64,214,749	\$ 77,730,515	\$ 94,064,610	\$ 80,732,177	\$ 87,698,756
Restricted	2,968,875	8,111,272	22,651,636	21,023,627	22,005,395	5,337,207	4,891,889	4,003,008
Unrestricted	56,490,395	45,550,971	48,484,559	49,468,196	41,144,635	50,960,200	58,709,781	45,473,141
Total governmental activities net assets	<u>\$ 62,584,049</u>	<u>\$ 67,212,371</u>	<u>\$ 117,802,311</u>	<u>\$ 134,706,572</u>	<u>\$ 140,880,545</u>	<u>\$ 150,362,017</u>	<u>\$ 144,333,847</u>	<u>\$ 137,174,905</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 14,432,828	\$ 22,901,555	\$ 48,539,873	\$ 58,780,861	\$ 81,806,434	\$ 85,707,927	\$ 87,053,889	\$ 85,252,073
Restricted	-	-	-	-	-	-	-	-
Unrestricted	21,125,139	17,097,487	24,426,028	29,432,939	8,515,151	12,693,861	4,258,712	4,182,242
Total business-type activities net assets	<u>\$ 35,557,967</u>	<u>\$ 39,999,042</u>	<u>\$ 72,965,901</u>	<u>\$ 88,213,800</u>	<u>\$ 90,321,585</u>	<u>\$ 98,401,788</u>	<u>\$ 91,312,601</u>	<u>\$ 89,434,315</u>
Primary government								
Invested in capital assets, net of related debt	\$ 17,557,607	\$ 36,451,683	\$ 95,205,989	\$ 122,995,610	\$ 159,536,949	\$ 179,772,537	\$ 167,786,066	\$ 172,950,829
Restricted	2,968,875	8,111,272	22,651,636	21,023,627	22,005,395	5,337,207	4,891,889	4,003,008
Unrestricted	77,615,534	62,648,458	72,910,587	78,901,135	49,659,786	63,654,061	62,968,493	49,655,383
Total primary government net assets	<u>\$ 98,142,016</u>	<u>\$ 107,211,413</u>	<u>\$ 190,768,212</u>	<u>\$ 222,920,372</u>	<u>\$ 231,202,130</u>	<u>\$ 248,763,805</u>	<u>\$ 235,646,448</u>	<u>\$ 226,609,220</u>

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

Town of Prescott Valley, Arizona

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

Table 2a

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 7,039,716	\$ 6,461,543	\$ 7,042,829	\$ 7,968,306	\$ 9,611,555	\$ 10,476,111	\$ 12,359,343	\$ 10,413,658
Public safety	4,214,549	4,969,379	5,437,388	6,703,996	7,712,574	9,138,937	9,751,720	9,318,245
Culture and recreation	2,751,520	2,451,113	3,095,954	3,043,174	3,572,145	3,951,339	4,120,940	8,650,856
Public works	1,684,209	2,516,685	1,921,143	2,365,488	3,336,155	3,636,603	5,863,362	3,284,971
Highway & streets	1,840,839	2,514,418	2,815,703	4,484,893	5,374,323	7,445,584	5,402,589	5,260,537
Interest on long-term debt	1,628,650	3,319,069	3,517,481	4,516,440	4,185,588	4,181,678	4,944,534	4,715,164
Total governmental activities expenses	19,159,483	22,232,207	23,830,498	29,082,297	33,792,340	38,830,252	42,442,488	41,643,431
Business-type activities:								
Wastewater utility	2,884,531	4,198,517	4,151,355	4,878,568	5,737,771	6,615,695	6,628,846	\$ 6,360,996
Municipal water	707,310	535,309	675,700	841,630	1,202,450	3,185,604	16,854,701	7,593,403
Water district	4,854,985	4,767,074	5,831,891	8,165,539	7,598,327	7,016,814	-	-
Total business-type activities expenses	8,446,826	9,500,900	10,658,946	13,885,737	14,538,548	16,818,113	23,483,547	13,954,399
Total primary government expenses	\$ 27,606,309	\$ 31,733,107	\$ 34,489,444	\$ 42,968,034	\$ 48,330,888	\$ 55,648,365	\$ 65,926,035	\$ 55,597,830
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,456,226	\$ 1,830,050	\$ 2,512,462	\$ 3,185,000	\$ 2,335,311	\$ 2,157,223	\$ 2,871,704	\$ 1,404,286
Public safety	5,928	21,415	35,017	4,929	12,469	8,544	7,199	17,549
Culture and recreation	132,913	131,846	133,883	163,549	217,858	200,463	221,280	239,673
Operating grants and contributions	138,198	164,876	416,548	496,099	464,592	339,740	308,508	1,408,750
Capital grants and contributions	6,304,610	5,723,013	47,999,642 (1)	9,814,366	6,496,180	11,260,876	3,718,931	3,081,303
Total governmental activities program revenues	8,037,875	7,871,200	51,097,552	13,663,943	9,526,410	13,966,846	7,127,622	6,151,561
Business-type activities:								
Charges for services:								
Wastewater utility	2,411,681	3,114,639	3,259,626	3,243,345	3,974,215	4,229,843	4,181,492	4,151,592
Municipal water	690,002	684,768	676,738	948,437	767,627	2,281,698	8,025,941	7,588,187
Water district	4,487,421	4,888,725	5,224,531	6,046,065	6,602,824	5,669,747	-	-
Capital grants and contributions	4,647,251	5,175,225	34,136,934 (1)	17,792,293	4,455,083	6,434,349	4,782,391	925,703
Total business-type activities program revenues	12,236,355	13,863,357	43,297,829	28,030,140	15,799,749	18,615,637	16,989,824	12,665,482
Total primary government program revenues	\$ 20,274,230	\$ 21,734,557	\$ 94,395,381	\$ 41,694,083	\$ 25,326,159	\$ 32,582,483	\$ 24,117,446	\$ 18,817,043
Net (expense)/revenue								
Governmental activities	\$ 8,037,875	\$ (14,361,007)	\$ 27,267,054	\$ (15,418,354)	\$ (24,265,930)	\$ (24,863,406)	\$ (35,314,866)	\$ (35,491,870)
Business-type activities	12,236,355	4,362,457	32,638,883	14,144,403	1,261,201	1,797,524	(6,493,723)	(1,288,917)
Total primary government net expense	\$ 20,274,230	\$ (9,998,550)	\$ 59,905,937	\$ (1,273,951)	\$ (23,004,729)	\$ (23,065,882)	\$ (41,808,589)	\$ (36,780,787)

Town of Prescott Valley, Arizona

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

Table 2b

		Fiscal Year							
		2003	2004	2005	2006	2007	2008	2009	2010
Governmental Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
	Sales and use taxes	\$ 7,602,800	\$ 8,665,348	\$ 11,292,767	\$ 14,309,814	\$ 15,047,108	\$ 12,729,336	\$ 11,400,416	\$ 10,698,887
	Franchise taxes	469,001	535,892	284,678	528,349	390,287	487,251	485,612	465,433
	Property taxes	-	55,290	177,409	417,434	837,270	1,603,666	2,190,751	2,313,022
	Intergovernmental	9,797,102	9,357,981	10,621,476	13,076,508	16,238,921	17,454,570	17,216,586	13,335,644
	Interest and investment income	(8,924)	330,195	946,556	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	(2,912,605)	44,623	-	95,323	93,938	94,175	1,155,988	905,365
	Total governmental activities	14,947,374	18,989,329	23,322,886	32,322,614	35,241,935	34,344,878	33,412,836	28,332,928
Business-type activities:									
	Interest and investment income	(186,644)	123,239	327,976	766,544	953,405	834,018	560,524	315,996
	Proceeds from sale of effluent water	-	-	-	-	-	5,797,237	-	-
	Miscellaneous	950,317	-	-	432,275	(12,883)	(254,401)	-	-
	Transfers	2,912,605	(44,623)	-	(95,323)	(93,938)	(94,175)	(1,155,988)	(905,365)
	Total business-type activities	3,676,278	78,616	327,976	1,103,496	846,584	6,282,679	(595,464)	(589,369)
	Total primary government	\$ 18,623,652	\$ 19,067,945	\$ 23,650,862	\$ 33,426,110	\$ 36,088,519	\$ 40,627,557	\$ 32,817,372	\$ 27,743,559
Change in Net Assets									
	Governmental activities	\$ 22,985,249	\$ 4,628,322	\$ 50,589,940	\$ 16,904,260	\$ 10,976,005	\$ 9,481,472	\$ (1,902,030)	\$ (7,158,942)
	Business-type activities	15,912,633	4,441,073	32,966,859	15,247,899	2,107,785	8,080,203	(7,089,187)	(1,878,286)
	Total primary government	\$ 38,897,882	\$ 9,069,395	\$ 83,556,799	\$ 32,152,159	\$ 13,083,790	\$ 17,561,675	\$ (8,991,217)	\$ (9,037,228)

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

(1) The increase from the prior period was caused by infrastructure donations received from the developers of planned communities (StoneRidge, Pronghorn Ranch and Crossroads

Town of Prescott Valley, Arizona

Fund Balances of Governmental Funds

Last Eight Fiscal Years

(modified accrual basis of accounting)

Table 3

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved	\$ 210,221	\$ -	\$ -	\$ -	\$ -	\$ 7,872	\$ 10,800	\$ 587,801
Unreserved	17,268,777	16,755,376	18,838,057	21,367,149	21,327,904	34,692,068	25,239,726	17,548,648
Total general fund	<u>\$ 17,478,998</u>	<u>\$ 16,755,376</u>	<u>\$ 18,838,057</u>	<u>\$ 21,367,149</u>	<u>\$ 21,327,904</u>	<u>\$ 34,699,940</u>	<u>\$ 25,250,526</u>	<u>\$ 18,136,449</u>
All other governmental funds								
Reserved	\$ 2,771,713	\$ 8,111,272	\$ 22,651,636	\$ 21,023,627	\$ 22,005,395	\$ 22,054,510	\$ 21,339,192	\$ 19,885,311
Unreserved, reported in:								
Special revenue funds	7,180,752	10,657,729	18,728,299	19,368,524	15,533,977	13,048,889	11,478,236	8,121,956
Capital projects funds	17,409,313	12,049,817	5,120,725	4,679,201	5,406,669	2,424,520	4,115,066	4,667,748
Total all other governmental funds	<u>\$ 27,361,778</u>	<u>\$ 30,818,818</u>	<u>\$ 46,500,660</u>	<u>\$ 45,071,352</u>	<u>\$ 42,946,041</u>	<u>\$ 37,527,919</u>	<u>\$ 36,932,494</u>	<u>\$ 32,675,015</u>

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

Town of Prescott Valley, Arizona

Changes in Fund Balances of Governmental Funds

Last Eight Fiscal Years

(modified accrual basis of accounting)

Table 4a

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes-local	\$ 8,071,801	\$ 9,201,240	\$ 11,577,445	\$ 14,309,814	\$ 15,437,395	\$ 13,216,587	\$ 11,886,028	\$ 11,164,320
Taxes-intergovernmental	9,797,102	9,403,342	10,621,476	13,604,857	16,238,921	17,454,570	17,216,586	13,932,418
Taxes-property	-	55,290	177,409	417,434	837,270	1,603,666	2,190,751	2,313,022
Licenses and permits	129,259	1,436,932	1,887,901	2,237,688	1,055,619	756,726	553,007	363,051
Charges for services	1,135,502	153,261	168,900	168,478	507,988	372,075	331,324	358,281
Fines and forfeitures	162,947	213,937	292,019	390,829	551,478	673,351	779,386	623,565
Special assessments	1,833,917	1,749,083	1,705,903	1,795,188	1,712,438	1,250,009	1,323,126	1,348,178
Investment earnings	108,325	438,091	1,059,465	2,121,163	2,607,504	1,961,913	1,016,586	393,182
Intergovernmental	478,092	1,083,410	638,353	938,967	868,007	388,461	410,698	2,549,543
Miscellaneous	5,239,626	4,351,766	5,406,291	6,202,109	2,963,744	3,116,482	2,380,846	1,430,534
Total revenues	26,956,571	28,086,352	33,535,162	42,186,527	42,780,364	40,793,840	38,088,338	34,476,094
Expenditures								
General government	6,588,637	5,936,948	6,339,834	7,194,077	8,723,101	8,888,114	11,760,135	9,295,019
Public safety	4,044,573	4,795,392	5,276,155	6,543,281	7,392,991	8,831,807	9,143,146	8,831,350
Culture & recreation	2,405,354	2,054,987	2,589,391	2,666,180	3,031,871	3,361,957	3,548,012	4,060,473
Public works	1,336,566	2,008,978	1,422,306	1,427,548	1,943,035	1,664,904	1,578,240	1,403,528
Highway & streets	1,218,494	1,526,534	1,668,671	2,154,915	2,776,810	2,817,805	2,112,236	2,041,828
Debt service:								
Principal	2,235,905	1,310,000	2,094,272	2,962,710	2,612,216	2,082,646	3,616,248	3,833,248
Interest and fiscal charges	1,505,920	3,309,588	3,476,847	4,475,806	4,144,954	4,141,044	4,903,900	4,663,230
Bond issuance costs (1)	122,730	165,816	986,516	-	363,891	959,186	-	-
Advance refunding escrow	-	568,878	-	1,215,000	465,000	165,000	-	576,300
Capital outlay	10,060,084	9,816,955	17,517,214	12,553,357	17,009,989	18,941,812	12,627,248	12,048,039
Total expenditures	29,518,263	31,494,076	41,371,206	41,192,874	48,463,858	51,854,275	49,289,165	46,753,015
Excess of revenues over (under) expenditures	(2,561,692)	(3,407,724)	(7,836,044)	993,653	(5,683,494)	(11,060,435)	(11,200,827)	(12,276,921)

Town of Prescott Valley, Arizona

Changes in Fund Balances of Governmental Funds

Last Eight Fiscal Years

(modified accrual basis of accounting)

Table 4b

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Other financing sources (uses)								
Transfers in	2,351,068	6,510,326	4,959,590	6,811,479	7,802,928	10,383,142	5,260,351	8,244,932
Transfers out	(5,263,673)	(6,465,703)	(4,959,590)	(6,716,156)	(7,708,990)	(10,288,967)	(4,104,363)	(7,339,567)
Assessment bonds defeased	-	(2,268,000)	-	-	-	-	-	-
Long-term capital-related debt issued	-	564,879	360,567	-	-	-	-	-
Premium on bonds issued	-	(45,360)	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-	(14,826)	-	-
Payment to bond refunding escrow agent	-	(5,655,000)	-	-	-	-	-	-
Proceeds from capital lease	-	-	-	10,808	-	-	-	-
Proceeds from refunding bonds issued	-	6,420,000	-	-	-	-	-	-
Proceeds from bonds issued	17,820,320	7,080,000	25,240,000	-	3,425,000	18,935,000	-	-
Total other financing sources and (uses)	<u>14,907,715</u>	<u>6,141,142</u>	<u>25,600,567</u>	<u>106,131</u>	<u>3,518,938</u>	<u>19,014,349</u>	<u>1,155,988</u>	<u>905,365</u>
Net change in fund balances	<u>\$ 12,346,023</u>	<u>\$ 2,733,418</u>	<u>\$ 17,764,523</u>	<u>\$ 1,099,784</u>	<u>\$ (2,164,556)</u>	<u>\$ 7,953,914</u>	<u>\$ (10,044,839)</u>	<u>\$ (11,371,556)</u>
Debt service as a percentage of noncapital expenditures	19.9%	24.7%	27.5%	28.5%	23.8%	20.3%	22.9%	26.2%

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

(1) Bond issuance costs reclassified from Other financing sources (uses) to Expenditures in fiscal years 2003/04 through 2006/07.

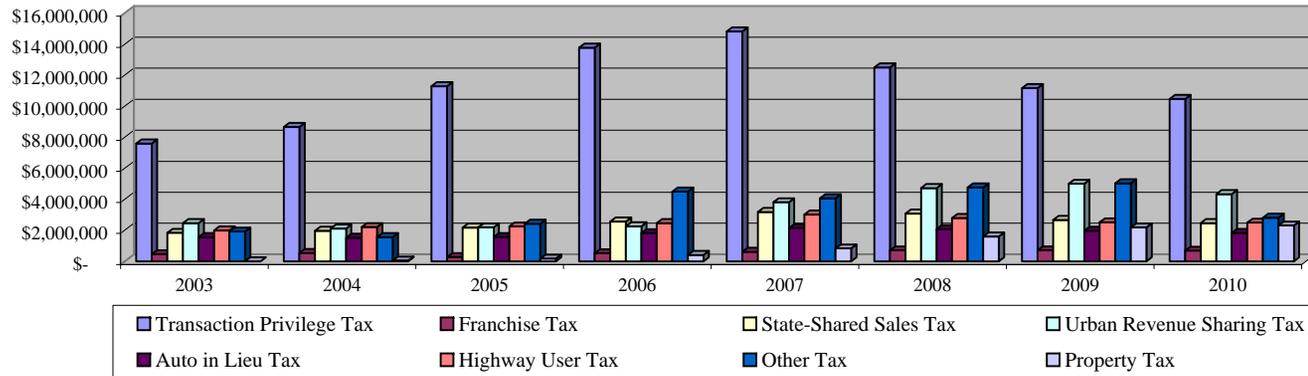
Town of Prescott Valley, Arizona

General Governmental Tax Revenues by Source

Last Eight Fiscal Years

(modified accrual basis of accounting)

Table 5



Fiscal Year	Transaction Privilege Tax	Franchise Tax	State-Shared Sales Tax	Urban Revenue Sharing Tax	Auto in Lieu Tax	Highway User Tax	Other Tax	Property Tax	Total
	(1) *	(2) *	(3) **	(4) **	(5) **	(6) **	(7)**	(8)***	
2003	\$ 7,602,800	\$ 469,001	\$ 1,840,621	\$ 2,472,976	\$ 1,570,471	\$ 1,989,445	\$ 1,923,589	\$ -	\$ 17,868,903
2004	8,665,348	535,892	1,980,004	2,125,574	1,520,915	2,213,107	1,563,742	55,290	18,659,872
2005	11,292,767	284,678	2,180,290	2,188,452	1,578,183	2,250,227	2,424,324	177,409	22,376,330
2006	13,781,465	528,349	2,565,294	2,258,836	1,819,449	2,463,256	4,498,022	417,434	28,332,105
2007	14,821,243	616,152	3,191,209	3,811,960	2,150,126	3,022,836	4,062,790	837,270	32,513,586
2008	12,500,181	716,406	3,085,676	4,725,011	2,080,348	2,799,297	4,764,238	1,603,666	32,274,823
2009	11,172,000	714,028	2,671,333	5,006,330	1,981,539	2,517,929	5,039,455	2,190,751	31,293,365
2010	10,473,107	691,213	2,463,915	4,334,885	1,824,921	2,498,515	2,810,182	2,313,022	27,409,760

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

* 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.

Town of Prescott Valley, Arizona

General Governmental Taxable Sales by Category

Last Eight Fiscal Years

(modified accrual basis of accounting)

Table 6

Category	Fiscal Year							
	2003		2004		2005		2006	
Mining	\$ -	0.00%	\$ 7,913	0.09%	\$ 2,928	0.03%	\$ 13	0.00%
Construction	2,268,133	29.83%	2,291,804	26.45%	3,410,916	30.20%	4,303,842	31.23%
Manufacturing	131,637	1.73%	221,484	2.56%	462,600	4.10%	425,914	3.09%
Transportation, comm., utilities	459,931	6.05%	479,744	5.54%	958,579	8.49%	1,172,130	8.51%
Wholesale	172,664	2.27%	150,805	1.74%	110,747	0.98%	157,700	1.14%
Retail	3,101,557	40.79%	3,948,565	45.57%	4,397,241	38.94%	5,334,047	38.70%
Restaurant/bars	461,991	6.08%	560,439	6.47%	702,153	6.22%	823,379	5.97%
Finance, insurance, real estate	37,148	0.49%	70,934	0.82%	285,314	2.53%	459,535	3.33%
Hotels	116,800	1.54%	124,814	1.44%	125,949	1.12%	160,543	1.16%
Services	470,172	6.18%	479,646	5.54%	412,593	3.65%	511,750	3.71%
Government	477	0.01%	699	0.01%	68,375	0.61%	111,741	0.81%
Others	263,274	3.46%	269,545	3.11%	260,664	2.31%	203,601	1.48%
City sales tax audit	119,016	1.57%	58,956	0.68%	94,708	0.84%	117,270	0.85%
Total	\$ 7,602,800	100.00%	\$ 8,665,348	100.00%	\$ 11,292,767	100.00%	\$ 13,781,465	100.00%
Town direct sales tax rate	2.33%		2.33%		2.33%		2.33%	

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Category	Fiscal Year							
	2007		2008		2009		2010	
Mining	\$ 53	0.00%	\$ 30	0.00%	\$ 97	0.00%	\$ 35	0.00%
Construction	4,528,174	30.55%	2,836,996	22.70%	1,783,434	15.97%	1,015,288	9.69%
Manufacturing	453,093	3.06%	428,751	3.43%	379,823	3.40%	262,357	2.51%
Transportation, comm., utilities	1,350,309	9.11%	1,504,095	12.03%	1,334,285	11.95%	1,432,800	13.68%
Wholesale	163,389	1.10%	190,936	1.53%	157,532	1.41%	233,362	2.23%
Retail	5,723,780	38.62%	5,141,365	41.13%	5,318,986	47.62%	5,406,340	51.62%
Restaurant/bars	913,840	6.17%	956,567	7.65%	947,387	8.48%	911,260	8.70%
Finance, insurance, real estate	455,771	3.08%	449,552	3.60%	361,874	3.24%	277,369	2.65%
Hotels	154,804	1.04%	163,494	1.31%	152,647	1.37%	207,788	1.98%
Services	479,565	3.24%	437,841	3.50%	356,907	3.20%	351,574	3.36%
Government	114,890	0.78%	137,326	1.10%	270,020	2.42%	253,351	2.42%
Others	246,804	1.67%	104,093	0.83%	49,440	0.44%	48,034	0.46%
City sales tax audit	236,772	1.60%	149,136	1.19%	56,675	0.51%	73,549	0.70%
Total	\$ 14,821,243	100.00%	\$ 12,500,181	100.00%	\$ 11,169,107	100.00%	\$ 10,473,107	100.00%
Town direct sales tax rate	2.33%		2.33%		2.33%		2.33%	

Source: Arizona Department of Revenue

Note (1) The Town implemented GASB 34 for the fiscal year ended June 30, 2003. Prior financial statements have not been restated.

Note (2) 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.

Town of Prescott Valley, Arizona
Tax Rates of Direct and Overlapping Governments
 Last Eight Fiscal Years

Table 7

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Street improvements sales tax rate	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
Total Town of Prescott Valley sales tax rate	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%	2.33%
Yavapai County sales tax rate (1)	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
State of Arizona sales tax rate (1)	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%
Total sales tax rate	8.68%	8.68%	8.68%	8.68%	8.68%	8.68%	8.68%	9.68%
Auto in lieu tax per \$100 of assessed valuation (2)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Source:

- (1) Arizona Department of Revenue
- (2) Arizona Department of Transportation

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

Town of Prescott Valley, Arizona

Assessed Value and Estimated Actual Value of Taxable Property

Last Eight Fiscal Years

Table 8

Fiscal Year	Primary Tax		Ratio of Net Assessed Value to Limited Property Value	Primary Tax Rate	Secondary Tax					Ratio of Net Assessed Value to Full Cash Value	Secondary Tax Rate
	Limited Property Value (1)	Net Assessed Value (2)			Full Cash Value (3)	Centrally Valued (4)	Real Property (2)	Personal Property (2)	Total Secondary		
2003	\$ 1,132,160,583	\$ 150,298,428	13.28%	7.7532	\$ 1,149,392,679	\$ 8,148,888	\$ 139,540,223	\$ 5,112,997	\$ 152,802,108	13.29%	7.1075
2004	1,325,283,133	170,887,793	12.89%	7.0743	1,404,411,385	7,186,713	169,959,437	5,368,121	182,514,271	13.00%	6.8784
2005	1,578,181,045	201,229,477	12.75%	6.8998	1,720,821,649	7,927,126	203,592,438	6,483,226	218,002,790	12.67%	6.8998
2006	1,890,395,385	241,326,028	12.77%	6.8998	2,066,866,127	8,728,028	243,904,903	6,390,030	259,022,961	12.53%	6.8998
2007	2,362,099,424	289,680,782	12.26%	6.6962	2,737,126,465	9,795,016	313,888,821	6,828,750	330,512,587	12.08%	6.6962
2008	2,830,028,886	346,091,932	12.23%	6.5844	3,646,306,432	10,521,331	419,118,096	6,602,609	436,242,036	11.96%	6.5844
2009	3,205,173,068	378,032,185	11.79%	5.6813	3,519,291,514	10,902,613	400,301,979	6,305,933	417,510,525	11.86%	6.1551
2010	3,079,315,880	367,492,033	11.93%	6.1551	3,191,140,841	12,352,226	357,693,530	9,875,538	379,921,294	11.91%	6.8550

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Source: Yavapai County Assessor

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

Residential - owner occupied	50%
Residential - rental	12%
Agricultural/vacant land	12%
Commercial	24%
Utilities/government	3%

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

(4) Utilities and railroads

Town of Prescott Valley, Arizona

Property Tax Rates

Direct and Overlapping Governments

Last Eight Fiscal Years

Table 9

Fiscal Year	Town		Yavapai County	State of Arizona		Humboldt USD		Community College		Yavapai Fire District		Special District		Total
2003	-	P	2.1525	-	P	4.0335	P	1.5672					P	7.7532
		S	0.4307	-	S	1.2670	S	0.3106	S	1.7992	S	3.3000	S	7.1075
2004	-	P	2.1568	-	P	4.0900	P	1.5626					P	7.8094
		S	0.4069	-	S	1.0831	S	0.2888	S	1.7996	S	3.3000	S	6.8784
2005	-	P	2.1366	-	P	3.4477	P	1.4900					P	7.0743
		S	0.4034	-	S	0.9278	S	0.2614	S	2.0072	S	3.3000	S	6.8998
2006	-	P	1.7008	-	P	3.4477	P	1.4900					P	6.6385
		S	0.4034	-	S	0.9278	S	0.2614	S	2.0072	S	3.3000	S	6.8998
2007	-	P	1.6552	-	P	3.3675	P	1.4308					P	6.4535
		S	0.3898	-	S	0.7859	S	0.2265	S	1.9940	S	3.3000	S	6.6962
2008	-	P	1.5292	-	P	3.7406	P	1.3397					P	6.6095
		S	0.3568	-	S	0.8538	S	0.1828	S	1.8910	S	3.3000	S	6.5844
2009	-	P	1.3683	-	P	3.1141	P	1.1989					P	5.6813
		S	0.3465	-	S	0.7322	S	0.1405	S	1.6359	S	3.3000	(1) S	6.1551
2010	-	P	1.7088	-	P	3.3512	P	1.2046					P	6.2646
		S	0.3995	-	S	1.1218	S	0.1563	S	1.8774	S	3.3000	(2) S	6.8550

Source: Yavapai County Assessor

Note (1) The Town implemented GASB 34 for the fiscal year ended June 30, 2003. Prior financial statements have not been restated.

Note (2) 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 which has a rate of \$7.36.

(2) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway which has a rate of \$9.66.

Town of Prescott Valley, Arizona

Ratios of Outstanding Debt by Type

Last Eight Fiscal Years

Table 10

Governmental Activities							
Fiscal Year	Municipal Property Corporation Bonds	Certificates of Participation	Special Assessment Bonds	General Obligation Bonds (1)	Loans (2)	Capital Leases	
2003	\$ 25,760,000	\$ -	\$ 9,995,000	\$ 17,800,000	\$ -	\$ -	
2004	30,620,000	-	6,902,000	20,300,000	564,879	-	
2005	43,695,000	-	6,204,000	31,115,000	879,174	-	
2006	41,810,000	-	4,527,000	30,990,000	390,084	9,187	
2007	39,815,000	-	5,861,000	34,415,000	351,030	7,025	
2008	38,325,000	15,910,000	8,107,000	37,080,000	319,546	-	
2009	36,740,000	15,340,000	7,296,000	36,165,000	299,298	-	
2010	35,050,000	14,745,000	5,978,000	30,690,000	279,050	-	

Business-Type Activities						
Fiscal Year	Revenue Bonds	Loans	Total Primary Government	Percentage of Taxable Property (3)	Percentage of Personal Income (4)	
2003	\$ 31,505,000	\$ -	\$ 89,891,879	7.82%	18.75%	
2004	30,225,000	-	88,611,879	5.15%	13.94%	
2005	28,860,000	-	110,753,174	5.36%	14.80%	
2006	27,460,000	9,320,470	114,506,741	4.18%	13.91%	
2007	25,955,000	13,960,801	120,364,856	3.30%	14.69%	
2008	25,195,000	13,408,008	138,344,554	3.93%	17.75%	
2009	23,325,000	12,836,921	132,002,219	3.75%	16.93%	
2010	21,600,000	12,246,932	120,588,982	3.78%	15.17%	

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

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

Town of Prescott Valley, Arizona

Ratios of General Bonded Debt Outstanding

Last Eight Fiscal Years

Table 11

Fiscal Year	Municipal Corporation Bonds	Less: Amounts Available in Debt Service Funds		Certificates of Participation	Less: Amounts Available in Debt Service Funds		General Obligation Bonds (1)	Less: Amounts Available in Debt Service Funds		Percentage of Taxable Property (2)	Per Capita
		Total			Total			Total			
2003	\$ 25,760,000	\$ (2,964,981)	\$ 22,795,019	\$ -	\$ -	\$ -	\$ 17,800,000	\$ (3,852,382)	\$ 13,947,618	3.20%	\$ 1,336
2004	30,620,000	(3,278,747)	27,341,253	-	-	-	20,300,000	(4,775,158)	15,524,842	3.05%	1,340
2005	43,695,000	(3,913,964)	39,781,036	-	-	-	31,115,000	(12,726,662)	18,388,338	3.38%	1,818
2006	41,810,000	(3,790,252)	38,019,748	-	-	-	30,990,000	(10,690,967)	20,299,033	2.82%	1,737
2007	39,815,000	(4,421,680)	35,393,320	-	-	-	34,415,000	(8,177,981)	26,237,019	2.25%	1,836
2008	38,325,000	(4,621,888)	33,703,112	15,910,000	(13,379,817)	2,530,183	37,080,000	(9,551,875)	27,528,125	1.75%	1,654
2009	36,740,000	(4,163,048)	32,576,952	15,340,000	(2,850,739)	12,489,261	36,165,000	(7,883,045)	28,281,955	2.08%	1,664
2010	35,050,000	(3,835,853)	31,214,147	14,745,000	(151)	14,744,849	30,690,000	(6,328,964)	24,361,036	2.20%	1,504

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

(1) General obligation bonds for community facilities districts.

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

Town of Prescott Valley, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

Table 12

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Direct debt			
General obligation bonds payable from property tax	\$ -	100.00%	\$ -
Overlapping debt			
Yavapai Community College District	47,310,000	11.34%	5,364,754
Humboldt Unified School District	49,360,000	75.00%	37,019,918
Total overlapping debt	<u>96,670,000</u>		<u>42,384,672</u>
Total direct and overlapping debt			<u>\$ 42,384,672</u>

	Total Assessed Valuation	Valuation in Prescott Valley	Percentage in Prescott Valley
Taxing district			
Yavapai Community College District	\$ 3,334,086,759	\$ 378,071,370	11.34%
Humboldt Unified School District	504,096,276	378,071,370	75.00%

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

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

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

Town of Prescott Valley, Arizona

Legal Debt Margin Information

Last Eight Fiscal Years

Table 13

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 39,728,548	\$ 47,453,710	\$ 56,680,725	\$ 67,345,970	\$ 85,933,272	\$ 113,422,929	\$ 108,552,737	\$ 98,779,537
Total net debt applicable to limit	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 39,728,548</u>	<u>\$ 47,453,710</u>	<u>\$ 56,680,725</u>	<u>\$ 67,345,970</u>	<u>\$ 85,933,272</u>	<u>\$ 113,422,929</u>	<u>\$ 108,552,737</u>	<u>\$ 98,779,537</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 379,921,294
Debt limit (1):	
Water and sewer 20%	75,984,259
All others 6%	22,795,278
Total debt limit	<u>98,779,537</u>
Debt applicable to limit (2)(3):	
General obligation bonds	-
Legal debt margin	<u>\$ 98,779,537</u>

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

(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 they 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, 2008, were secured by sales taxes instead of property taxes.

Town of Prescott Valley, Arizona

Pledged-Revenue Coverage

Last Eight Fiscal Years

Table 14

Sewer Revenue Bonds

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2003	\$ 3,883,893	\$ 1,334,338	\$ 2,549,555	\$ 262,788	\$ 620,684	\$ 883,472	2.84
2004	4,737,999	2,261,587	2,476,412	355,000	503,050	858,050	2.78
2005	5,760,526	2,321,687	3,438,839	390,000	394,280	784,280	4.32
2006	5,889,448	2,647,483	3,241,965	400,000	387,855	787,855	4.11
2007	5,772,263	3,158,954	2,613,309	761,669	496,135	1,257,804	2.08
2008	6,061,851	3,189,817	2,872,034	972,793	763,158	1,735,951	1.65
2009	5,443,535	2,781,204	2,662,331	1,001,087	786,164	1,787,251	1.49
2010	4,659,211	2,536,889	2,122,322	1,034,989	742,153	1,777,142	1.19

Water System Revenue Bonds

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2003	\$ 6,768,157	\$ 3,043,702	\$ 3,724,455	\$ 900,000	\$ 972,373	\$ 1,872,373	1.99
2004	7,796,513	2,761,944	5,034,569	925,000	936,374	1,861,374	2.70
2005	8,395,353	3,651,952	4,743,401	975,000	900,530	1,875,530	2.53
2006	9,597,442	4,709,226	4,888,216	100,000	863,968	963,968	5.07
2007	8,599,745	3,980,821	4,618,924	1,100,000	803,967	1,903,967	2.43
2008	6,754,834	4,118,200	2,636,634	1,100,000	781,968	1,881,968	1.40
2009	8,946,229	6,212,153	2,734,076	1,440,000	445,244	1,885,244	1.45
2010	8,167,453	5,313,354	2,854,099	1,280,000	582,925	1,862,925	1.53

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Source: Town of Prescott Valley Management Services Department

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

(1) Total operating revenues (including nonoperating revenues for water and wastewater capacity and resource fees and investment income).

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

Town of Prescott Valley, Arizona

Demographic and Economic Statistics

Last Eight Fiscal Years

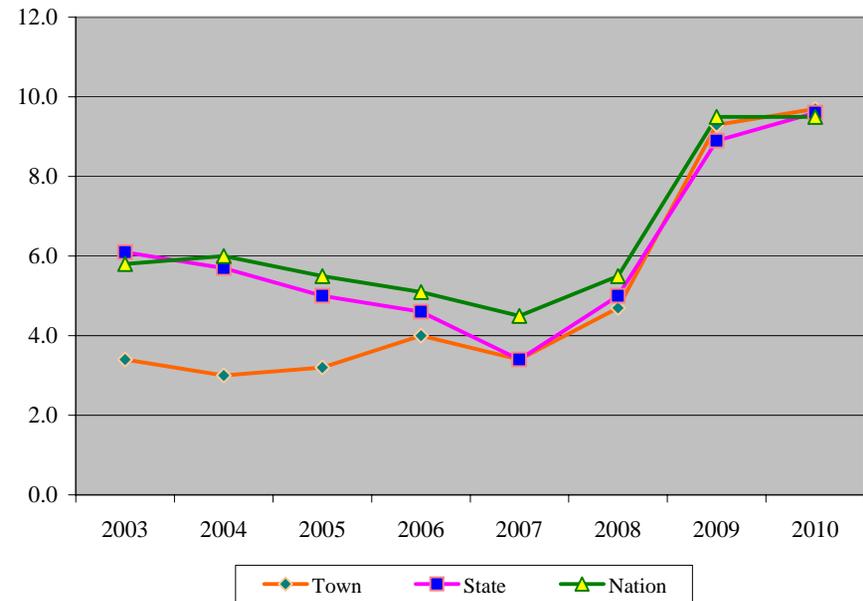
Table 15

Fiscal Year	Estimated Population (1)	Personal Income (thousands)	Per Capita Personal Income (1)	Median Age (1)	Public School Enrollment (2)	Education Level in Years of Schooling (1)	Unemployment Rate (3)
2003	27,500	\$ 4,794,350	\$ 17,434	40.1	5,281	13 to 16	3.4%
2004	29,655	5,529,471	18,646	41.3	5,296	13 to 16	3.0%
2005	32,000	6,354,560	19,858	42.1	5,648	13 to 16	3.2%
2006	33,575	7,481,182	22,282	42.4	6,188	13 to 16	4.0%
2007	37,700	8,232,172	21,836	39.1	6,104	13 to 16	3.4%
2008	37,018	8,193,194	22,133	39.8	6,122	13 to 16	4.7%
2009	36,569	7,795,414	21,317	38.8	5,988	13 to 16	9.3%
2010	36,959	7,951,359	21,514	39.2	5,866	13 to 16	9.7%

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Fiscal Year	Unemployment Rate State	Unemployment Rate Nation	Unemployment Rate Prescott Valley
2003	6.1	5.8	3.4
2004	5.7	6.0	3.0
2005	5.0	5.5	3.2
2006	4.6	5.1	4.0
2007	3.4	4.5	3.4
2008	5.0	5.5	4.7
2009	8.9	9.5	9.3
2010	9.6	9.5	9.7

Unemployment Rate



Source:

- (1) Environmental Systems Research Institute, Inc. (ESRI)
- (2) Humboldt Unified School District #22
- (3) Arizona Department of Economic Security

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

Town of Prescott Valley, Arizona

Principal Employers

Current Year and Six Years Ago

Table 16

Employer	Product/Service	2010			2004		
		Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Humboldt Unified School District	Education	675	1	N/A	662	1	N/A
Yavapai Regional Medical Center	Hospital	350	2	N/A	-		N/A
Ace Hardware, Inc.	Regional distribution center	225	3	N/A	211	3	N/A
Town of Prescott Valley	Municipality	215	4	N/A	203	4	N/A
Lockheed Martin	Aeronautical	210	5	N/A	-		N/A
MI Windows and Doors	Manufacture aluminum products	175	6	N/A	457	2	N/A
Fry's	Retail grocery	170	7	N/A	105	7	N/A
Mountain Valley Regional Rehabilitation Hospital	Rehabilitation hospital	170	8	N/A	-		N/A
Sam's Club	Retail grocery	170	9	N/A	-		N/A
Prescott Newspapers	Newspaper	150	10	N/A	-		N/A
Foxworth Galbraith Truss	Construction	-		N/A	-		N/A
Safeway	Retail grocery	-		N/A	140	5	N/A
Printpak, Inc.	Manufacture packaging	-		N/A	107	6	N/A
K-Mart	Retail	-		N/A	95	8	N/A
Albertson's	Retail grocery	-		N/A	90	9	N/A
		<u>2,510</u>			<u>2,070</u>		

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Source: Town of Prescott Valley Economic Development

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

(1) Total city employment unavailable for the reported fiscal year.

Town of Prescott Valley, Arizona

Full-time Equivalent Town Government Employees by Function

Last Eight Fiscal Years

Table 17

		Full-time Equivalent Employees as of June 30							
Function		2003	2004	2005	2006	2007	2008	2009	2010
110	General government								
	Town Manager	8.45	10.20	8.50	10.25	12.29	12.12	11.00	9.56
	Town Clerk	5.00	5.00	5.00	4.00	4.00	4.00	3.00	3.00
	Human Resources	2.50	2.50	2.50	2.00	2.00	2.00	2.00	1.05
	Management Services	24.60	24.50	24.50	26.00	26.13	25.63	21.57	19.80
	Legal	4.00	4.00	4.00	4.30	5.00	5.00	5.18	5.50
	Magistrate Court	4.10	4.10	5.20	5.20	7.60	8.63	10.35	8.72
	Facilities and Fleet Maintenance	4.00	4.00	4.00	4.00	5.00	4.00	5.00	5.00
	Public safety								
	Building/Safety	17.40	17.40	16.40	17.40	15.00	13.00	10.00	10.00
	Police	54.00	57.00	60.00	66.00	76.25	79.00	77.00	73.00
	Animal Control	2.00	2.50	2.50	2.50	3.00	3.00	2.00	2.00
	Culture and recreation								
	Parks and Recreation	19.26	19.62	28.50	26.33	28.54	25.19	28.20	29.53
	Library	10.45	11.93	12.00	12.50	15.00	13.75	14.75	18.75
	Public works								
	Planning & Development	2.18	3.30	3.00	3.00	3.00	3.00	3.00	3.00
	Neighborhood Services	-	-	-	-	4.00	4.00	4.00	3.00
	Engineering	9.00	10.50	11.50	11.50	11.00	11.00	11.78	9.70
	Streets	21.00	21.00	20.50	19.54	18.00	14.00	14.91	13.00
Total	<u>187.94</u>	<u>197.55</u>	<u>208.10</u>	<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

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

Town of Prescott Valley, Arizona

Operating Indicators by Function/Program

Last Eight Fiscal Years

Table 18a

Function / Program	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General government:								
Town Manager								
Number of new hires ¹	30	60	45	31	39	28	4	0
Number of active capital projects ²	69	68	66	58	27	15	9	7
Town Clerk								
Number of legal postings ³	87	78	81	97	77	58	141	53
Number of business licenses issued ³	462	733	845	852	875	776	682	580
Management Services								
Number of accounts payable checks issued ⁴	5,249	6,710	7,617	7,753	7,069	6,521	6,123	5,260
Purchase orders/field purchase orders issued ⁴	2,698	3,154	4,913	5,606	6,019	5,147	4,610	3,792
Sales tax growth (% annual change) ⁴	25.18%	20.71%	27.15%	22.02%	6.73%	-15.31%	-10.03%	-6.44%
Legal								
Percentage of cases resolved at first court appearance ⁵	50%	50%	50%	75%	70%	65%	65%	65%
Magistrate Court								
Charges filed / charges adjudicated (resolved) ⁶	5,595	6,542	7,576	7,195	16,542	23,240	29,165	18,769
Public safety:								
Building/Safety								
Permits issued ⁷	1,621	1,964	1,875	2,006	1,246	1,024	1,039	441
Inspections performed ⁷	25,994	26,000	48,983	34,232	36,402	23,190	19,543	11,926
Police								
Criminal arrests ⁸	1,895	2,535	2,316	2,860	2,961	2,708	2,657	2,683
Calls for service ⁸	23,178	24,219	25,770	27,147	26,927	26,253	24,725	23,376
Culture and recreation:								
Parks and Recreation								
Number of activities offered ⁹	51	58	71	86	81	228	211	54
Number of attendees - all programs except aquatics ⁹	119,102	269,417	194,454	107,396	86,582	61,582	76,586	60,696
Number of attendees - aquatics ⁹	17,780	31,464	23,641	21,599	29,615	30,681	19,644	23,441
Library								
Number of visitors annually ¹⁰	125,768	127,391	137,879	145,858	145,365	157,139	179,337	160,202
Public works:								
Neighborhood Services								
Number of code enforcement cases processed per year ¹¹	1,430	1,503	2,630	1,874	2,163	2,877	5,872	3,517

Town of Prescott Valley, Arizona

Operating Indicators by Function/Program

Last Eight Fiscal Years

Table 18b

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Utilities								
Number of water service connections ¹²	14,235	14,957	16,048	17,250	17,898	18,080	18,045	18,069
Residential/commercial water billed (thousands of gallons) ¹²	1,332,000	1,357,696	1,362,659	1,479,265	1,493,966	1,726,524	1,558,751	1,491,065
Reclaimed water supplied (thousands of gallons) ¹²	103,295	118,240	93,497	99,819	72,683	113,702	98,888	118,174
Number of sewer service connections ¹²	10,833	11,536	12,837	14,050	14,875	15,205	15,248	15,347
Sewage treated (thousands of gallons) ¹²	671,200	684,201	711,559	774,560	851,794	874,034	839,682	841,947

Source:

- (1) Town of Prescott Valley, Human Resources
- (2) Town of Prescott Valley, Capital Projects
- (3) Town of Prescott Valley, Town Clerk
- (4) Town of Prescott Valley, Finance
- (5) Town of Prescott Valley, Legal
- (6) Town of Prescott Valley, Magistrate Court
- (7) Town of Prescott Valley, Building and Safety
- (8) Town of Prescott Valley, Police
- (9) Town of Prescott Valley, Parks and Recreation
- (10) Town of Prescott Valley, Library
- (11) Town of Prescott Valley, Neighborhood Services
- (12) Town of Prescott Valley, Utilities

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

Town of Prescott Valley, Arizona
Capital Asset and Infrastructure Statistics by Function

Last Eight Fiscal Years

Table 19

Function / Program	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General government								
Square footage occupied ¹	127,044	127,044	127,044	127,044	127,044	127,044	127,044	88,782
Area of Town (square miles) ²	33.0	35.8	37.3	37.5	37.7	37.7	38.1	38.1
Public safety								
Police stations ¹	1	1	1	1	1	1	1	1
Square footage of building ¹	12,340	12,340	12,340	12,340	12,340	25,038	25,038	25,038
Number of patrol units ³	20	22	25	30	34	36	43	73
Public works								
Miles of roads ⁴	201.0	208.9	213.9	260.0	307.4	311.0	315.8	315.98
Traffic signals ⁴	12	12	13	14	18	18.0	18.0	20
Miles of storm sewer/channel ⁴	4.7	5.6	6.1	7.7	7.8	9.3	10.4	10.57
Miles of water mains ⁴	259.0	283.0	299.0	318.0	319.2	323.8	329.3	332.17
Fire hydrants ⁴	673	862	983	1,115	1,116	1,158	1,181	1,488
Sanitary sewers (miles) ⁴	183.8	199.0	210.1	220.3	220.3	222.9	227.3	230.59
Culture and recreation								
Number of parks ⁵	16	17	19	19	20	23	23	23
Parks acreage ⁵	224.70	237.30	237.80	237.80	251.70	263.32	268.65	268.65
Swimming pools ⁵	1	1	1	1	1	1	1	1

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Source:

- (1) Town of Prescott Valley, Facilities
- (2) Town of Prescott Valley, GIS
- (3) Town of Prescott Valley, Fleet
- (4) Town of Prescott Valley, Engineering
- (5) Town of Prescott Valley, Parks and Recreation

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

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Eight Fiscal Years

Table 20a

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>
Defined Contribution Plans					
Fiscal Year 2010					
Employer	\$ 11,392,220	\$ 6,925,117	8%	\$ 554,009	\$ 554,009
Employee		6,925,117	7%	475,001	475,001
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 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 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 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 2005					
Employer	\$ 8,145,972	\$ 5,286,012	7%	\$ 370,021	\$ 370,021
Employee	N/A	5,286,012	5%	264,301	264,301
Fiscal Year 2004					
Employer	\$ 7,761,621	\$ 5,121,788	7% / 11%	\$ 366,436	\$ 365,784
Employee	N/A	5,121,788	5%	256,089	258,633
Fiscal Year 2003					
Employer	\$ 7,036,110	\$ 4,709,153	7% / 11%	\$ 333,999	\$ 333,538
Employee	N/A	4,709,153	5%	235,458	235,115

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Eight Fiscal Years

Table 20b

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

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	UAAL as a Percentage of ACP
2002	\$ 2,976,378	\$ 2,638,806	112.8%	\$ (337,572)	\$ 1,557,554	0.0%
2003	3,393,968	3,196,802	106.2%	(197,166)	1,793,332	0.0%
2004	3,918,650	3,867,382	101.3%	(51,268)	2,148,670	0.0%
2005	4,972,283	5,061,136	98.2%	88,853	2,390,794	3.7%
2006	5,620,323	6,433,238	87.4%	812,915	2,978,450	27.3%
2007	6,288,518	8,844,665	71.1%	2,556,147	3,549,306	72.0%
2008	7,316,481	9,433,338	77.6%	2,116,857	3,966,754	53.4%
2009	8,800,227	11,220,645	78.4%	2,420,418	4,090,427	59.2%

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

(1) In lieu of participating in FICA-Social Security, the Town has a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full-time employees of the Town, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (APSPRS). The plan requires participants to contribute seven percent (7%) of their earnings and the Town to contribute twelve percent (12%). 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.

(2) Information for fiscal year 2008/09 is not available from APSPRS at this time.



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