



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2011



Town of Prescott Valley,
ARIZONA

Comprehensive Annual Financial Report

*For Fiscal Year Ended
June 30, 2011*

Town of Prescott Valley, Arizona



Prepared by the Management Services Department

William E. Kauppi
Management Services Director

Heidi Derryberry, CPA
Finance Manager

Town of Prescott Valley, Arizona

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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November 9, 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, 2011 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, 2011, 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, 2011, are presented fairly in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Reporting Entity

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

Town of Prescott Valley Profile

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

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

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

The Town of Prescott Valley provides a full range of services including police protection, water and sewer service, the construction and maintenance of highways, streets and other infrastructure, recreational activities, a library facility and cultural events. Telephone service is provided by 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.

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

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 1.9% over the previous year, the lowest since fiscal year 2006/07. While most local sales tax sectors have experienced reductions, the greatest impact was in construction with a 42.1% decrease. In 2011, construction represented only 5.7% 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 \$660,000 less for fiscal year 2010/11 than what had been projected for the same fiscal year a year ago. Sales and use tax revenues are 42% (compared to 40% last year) of the Town's general fund revenues and are largely dependent upon consumer confidence in the economy. Retail and hotels/motels have seen modest increases over the previous year, notably in the November to March months. Holiday-themed events are a contributing factor to these increases, as well as Prescott Valley being host to numerous high school athletic championship events, i.e. basketball, cheerleading and wrestling in the early spring of 2011. These revenues, along with state-shared revenues, are tremendously susceptible to national, regional and local trends in the retail and construction markets.

Building permit activity demonstrated a 35% decline in fiscal year 2010/11 over fiscal year 2009/10, compared to the decrease of 8% from fiscal year 2008/09 to fiscal year 2009/10. However, actual building permit revenues collected are 30% higher than the previous fiscal year. This is primarily due to a couple of large commercial projects. Building activity is projected to continue to remain slow in fiscal year 2011/12, 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.

Highway user revenue funds (HURF) ended fiscal year 2011 at only \$22,616 more than fiscal year 2010. Previously, HURF revenues 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. In the November to March time period, revenues have increased and we

credit this to be a result of tourism in the Prescott-Prescott Valley area as we are a popular drive destination for Phoenix. Additionally, the activities mentioned earlier in this section further explain the HURF revenue increase.

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, 2010. This was the fourteenth 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.

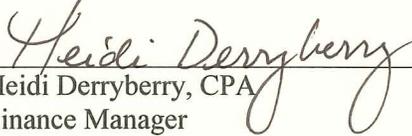
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the government budget document was judged to be proficient in several 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



Heidi Derryberry, CPA
Finance Manager

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, 2010

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.



Linda C. Davison

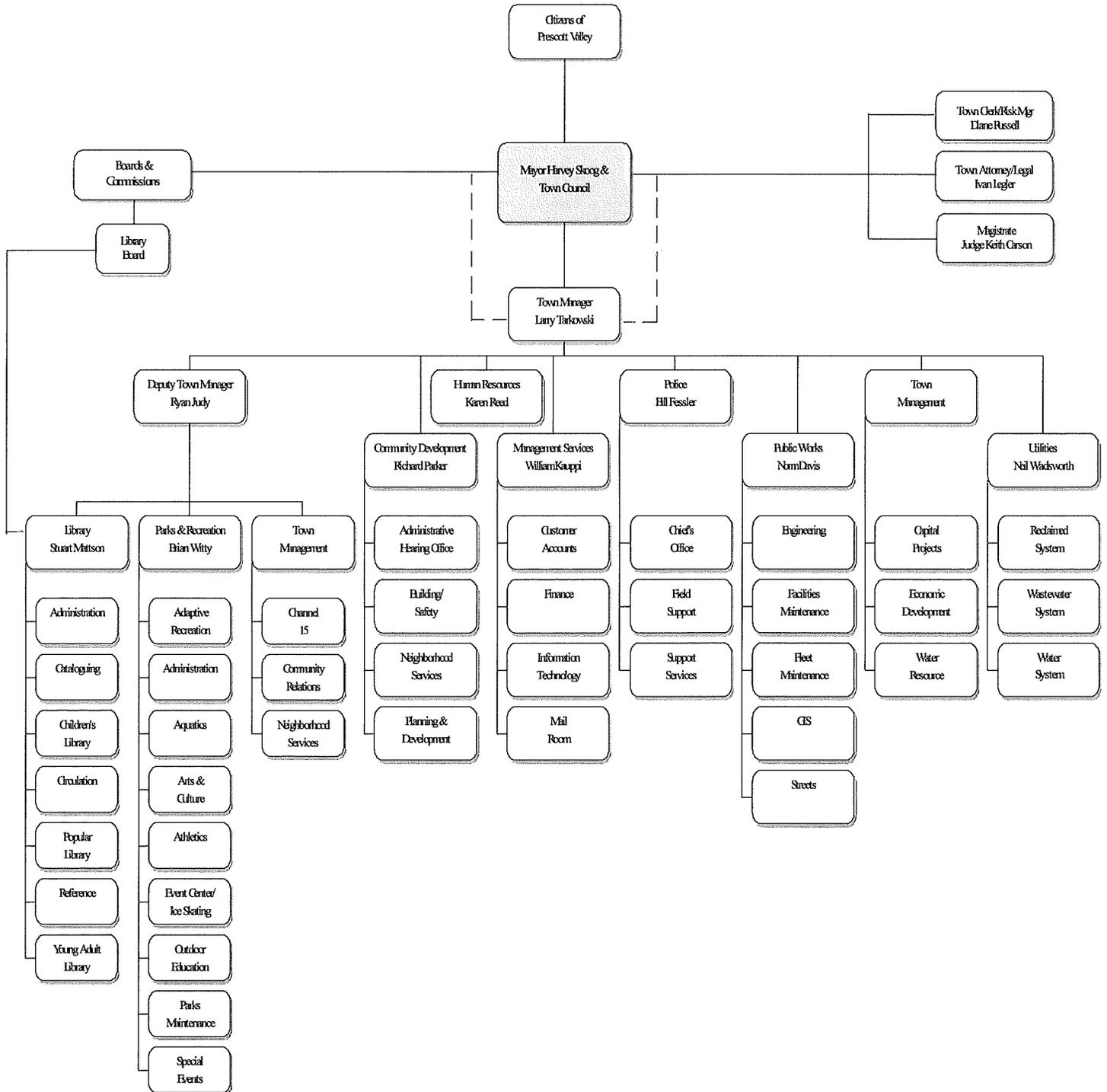
President

Jeffrey R. Emer

Executive Director

Town of Prescott Valley, Arizona

TOWN ORGANIZATION CHART



Town of Prescott Valley

Key Officials and Staff

For Fiscal Year Ended

June 30, 2011

Harvey Skoog
Mayor

Patty Lasker
Vice Mayor

Mary Mallory
Councilmember

Henry Schmitt
Councilmember

Richard Anderson
Councilmember

Lora Lee Nye
Councilmember

Don Tjiema
Councilmember



Larry Tarkowski
Town Manager

Executive Team

Keith Carson
Presiding Judge

Norm Davis
Public Works Director

Greg Fister
Economic Development Manager

Karen Reed
Human Resources Director

Ryan Judy
Deputy Town Manager

William Kauppi
Management Services Director

Ivan Legler
Town Attorney

Stuart Mattson
Library Director

Bill Fessler
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

Heidi Derryberry
Finance Manager

Lee Allbritton
Administrative Assistant



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 Town of Prescott Valley, Arizona (Town), as of and for the year ended June 30, 2011, 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, each major fund, and the aggregate remaining fund information of the Town of Prescott Valley, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 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 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 them.

Heinfeld, Meech & Co., P.C.

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

November 9, 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, 2011. 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 \$222,151,283 (net assets). Of this amount, \$22,930,969 (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 \$4,457,937. This decrease can primarily be attributed to depreciation expense.
- As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$43,589,451, a decrease of \$7,222,013 over the prior year. This decrease can primarily be attributed to the \$3.3 million defeasance of the Municipal Property Corporation Facilities Revenue Bonds, Second Series 2003 bonds and capital outlay of \$1.0 million for street improvements on Robert Road. Approximately 30% of this total amount, \$13,156,135, is unassigned fund balance available for spending at the government's discretion.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$13,220,847 or 61% of total general fund expenditures of \$21,701,844.
- During fiscal year 2010/11, the Town's total bonded debt (not including community facilities districts) decreased by \$7,342,000. There were no new issues of capital debt during this fiscal year. The decline of debt is related to the defeasance of the Municipal Property Corporation Facilities Revenue Bonds, Second Series 2003 bonds of \$3.0 million and 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. For additional information related to component units, please refer to the separately issued financial statements.

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

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Highway Users Revenue Fund (HURF), Municipal Property Corporation Debt Service Fund, Streets Capital Improvement Fund and StoneRidge Community Facilities District Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the 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 28-38 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 72-91 of this report.

Implementation of GASB Statement No. 54

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. Additional information on the fund balance classifications, components of fund balance, and other information related to fund balance can be found in Note II.D.

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.

Town of Prescott Valley, Arizona

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.

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 \$222,151,283 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, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 53,369,570	\$ 62,251,692	\$ 6,103,367	\$ 6,700,209	\$ 59,472,937	\$ 68,951,901
Capital Assets	170,956,835	174,126,888	114,820,905	118,009,256	285,777,740	292,136,144
Total assets	<u>224,326,405</u>	<u>236,378,580</u>	<u>120,924,272</u>	<u>124,709,465</u>	<u>345,250,677</u>	<u>361,088,045</u>
Liabilities						
Long-term liabilities outstanding	79,591,630	86,731,243	28,117,717	30,478,750	107,709,347	117,209,993
Other Liabilities	11,516,602	12,472,432	3,873,445	4,796,400	15,390,047	17,268,832
Total liabilities	<u>91,108,232</u>	<u>99,203,675</u>	<u>31,991,162</u>	<u>35,275,150</u>	<u>123,099,394</u>	<u>134,478,825</u>
Net Assets						
Invested in capital assets, net of related debt	91,352,654	87,698,756	84,334,580	85,252,073	175,687,234	172,950,829
Restricted	23,533,080	4,003,008	-	-	23,533,080	4,003,008
Unrestricted	18,332,439	45,473,141	4,598,530	4,182,242	22,930,969	49,655,383
Total net assets	<u>133,218,173</u>	<u>137,174,905</u>	<u>88,933,110</u>	<u>89,434,315</u>	<u>222,151,283</u>	<u>226,609,220</u>
Total liabilities and net assets	<u>\$ 224,326,405</u>	<u>\$ 236,378,580</u>	<u>\$ 120,924,272</u>	<u>\$ 124,709,465</u>	<u>\$ 345,250,677</u>	<u>\$ 361,088,045</u>

A portion of the Town's net assets (79%) reflects its investment of \$175,687,234 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, \$23,533,080, or 11%, represents resources that are subject to external restrictions (e.g. capital projects, debt service obligations, grantor and contributor purposes and street improvements) on how they may be used.

The remaining balance of unrestricted net assets, \$22,930,969, or 10%, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

Town of Prescott Valley, Arizona

Analysis of Changes in Net Assets

For the current fiscal year, the Town's net assets decreased by \$4,457,937. This decrease can primarily be attributed to depreciation expense.

Town of Prescott Valley, Arizona

Changes in Net Assets

June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 1,714,758	\$ 1,661,508	\$ 11,678,948	\$ 11,739,779	\$ 13,393,706	\$ 13,401,287
Operating grants and contributions	2,605,296	1,408,750	-	-	2,605,296	1,408,750
Capital grants and contributions	3,008,745	3,081,303	1,354,631	925,703	4,363,376	4,007,006
General revenues:						
Taxes and franchise fees	13,017,345	13,477,342	-	-	13,017,345	13,477,342
Intergovernmental	12,397,820	13,335,644	-	-	12,397,820	13,335,644
Interest and investment income	107,125	598,471	267,913	315,996	375,038	914,467
Other	66,521	16,106	8,770	-	75,291	16,106
Total revenues	32,917,610	33,579,124	13,310,262	12,981,478	46,227,872	46,560,602
Expenses						
General government	9,349,601	10,413,658	-	-	9,349,601	10,413,658
Public safety	9,540,750	9,318,245	-	-	9,540,750	9,318,245
Culture and recreation	4,695,196	8,650,856	-	-	4,695,196	8,650,856
Public works	2,884,128	3,284,971	-	-	2,884,128	3,284,971
Highway and streets	6,009,001	5,260,537	-	-	6,009,001	5,260,537
Interest on long-term debt	4,744,657	4,715,164	-	-	4,744,657	4,715,164
Wastewater utility	-	-	6,241,143	6,360,996	6,241,143	6,360,996
Prescott Valley water system	-	-	7,221,333	7,593,403	7,221,333	7,593,403
Total expenses	37,223,333	41,643,431	13,462,476	13,954,399	50,685,809	55,597,830
Increase (decrease) in net assets before transfers	(4,305,723)	(8,064,307)	(152,214)	(972,921)	(4,457,937)	(9,037,228)
Transfers	348,991	905,365	(348,991)	(905,365)	-	-
Increase (decrease) in net assets	(3,956,732)	(7,158,942)	(501,205)	(1,878,286)	(4,457,937)	(9,037,228)
Net assets - beginning	137,174,905	144,333,847	89,434,315	91,312,601	226,609,220	235,646,448
Net assets at end of year	\$ 133,218,173	\$ 137,174,905	\$ 88,933,110	\$ 89,434,315	\$ 222,151,283	\$ 226,609,220

Governmental activities. Governmental activities decreased the Town's net assets by \$3,956,732, thereby accounting for 89% of the total reduction in the net assets of the Town. Key factors of this decrease are as follows:

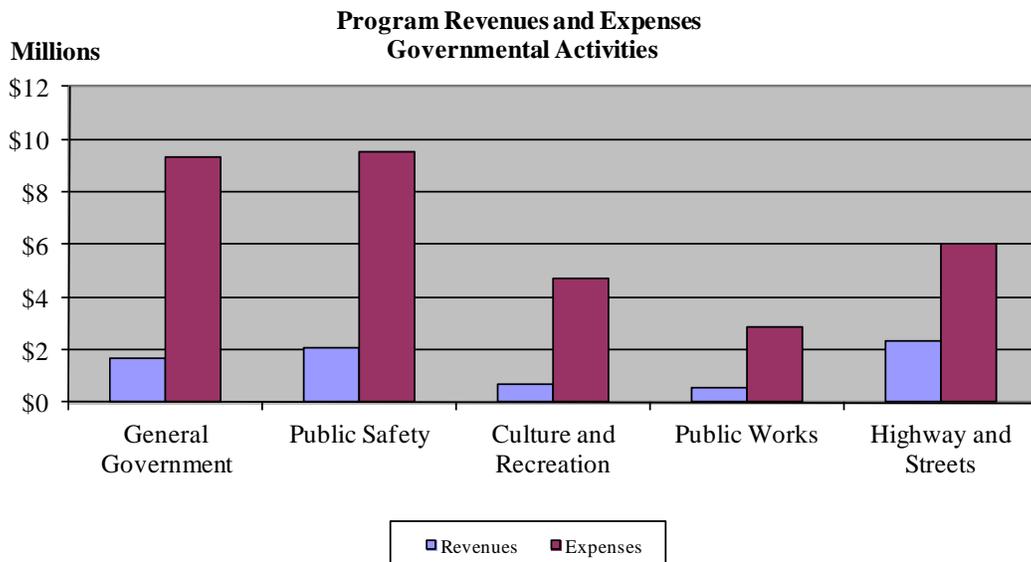
Total revenues for governmental funds decreased by \$661,514 over the previous fiscal year.

- Charges for services increased by \$53,250 over the prior fiscal year. For the fiscal year 2010/11, 100 permits were issued compared to 154 the previous year; a decrease of 35%. However, there was an increase in building permit revenues of \$56,913 which resulted from an increase in commercial permits. In addition, Court fees (which included photo radar) increased by \$65,594 over the previous year. Engineering and Planning and Zoning fees decreased by \$68,832 and Culture and Recreation fees decreased by \$31,425.
- Operating grants and contributions increased \$1,196,546. Operating grants increased by \$722,116 over the previous year which accounts for the majority of the revenue increase.
- Capital grants and contributions decreased \$72,558. For the fiscal year 2010/11, capital grants decreased by approximately \$1.0 million which was offset by an increase of approximately \$1.2 million in capital contributions.

Town of Prescott Valley, Arizona

- The Town’s sales tax and franchise revenues decreased in fiscal year 2010/11 by \$459,997. Sales and use tax collections decreased by \$190,590, with construction sales taxes decreasing by approximately 42% and retail sales taxes increasing by 3% over the prior year. Additionally, property tax revenues for the various Community Facilities Districts (CFD) decreased \$215,865 over the previous year.
 - Intergovernmental revenues decreased \$937,824 in fiscal year 2010/11. State-shared sales tax increased \$139,405 or 6%, state revenue sharing decreased \$1.1 million or 25%, and highway user revenue increased \$22,616 or 1%, above the previous year.
 - Investment earnings decreased \$491,346 over the previous year primarily due to reduced interest rates realized on investments. The average yield on investment for fiscal year 2010/11 was 1.13% compared to 1.51% in fiscal year 2009/10.
- Total expenses decreased by \$4,420,098 over the previous year. This decrease is accounted for by:
 - General Government decreased by \$1,064,057 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 increased by \$222,505 over the previous year. The increase mainly the result of increased grant expenditures. The grant expenditures are covered by grant revenues.
 - Culture and Recreation decreased by \$3,955,660 over the previous year. This decrease is primarily due to the completion of the new library building in fiscal year 2009/10, offset by increased costs experienced in library operations.
 - Public Works decreased by \$400,843 over the previous year. This reduction is due to a reduction in capital spending and reduced personnel and operating expenditures.
 - Highway and Streets increased by \$748,464 from the previous year. This increase is primarily attributed to street improvement projects including Viewpoint Drive and Robert Road.

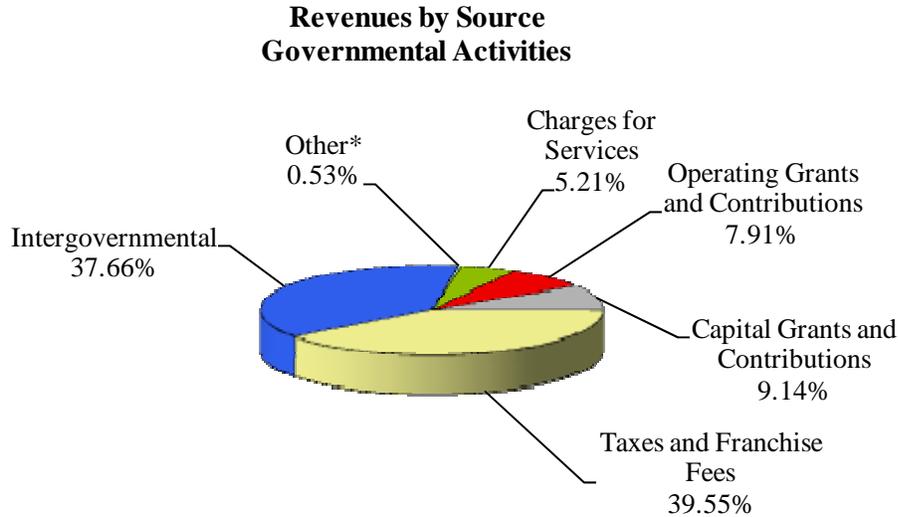
The chart below illustrates the Town’s governmental expenses and revenues by function.



As shown, General Government (Town Council, Town Manager, Town Clerk, Management Services, Legal, Magistrate Court, Facilities and Fleet Maintenance and other unclassified departments) and Public Safety (Building Safety and Police) are the largest functions in expenses at 29% each, followed by Highways and Streets at 19%.

Town of Prescott Valley, Arizona

General revenues such as sales and use taxes (e.g. transaction privilege taxes), franchise taxes and intergovernmental are not shown by program, but are effectively used to support program activities of the Town. Taxes and franchise fees account for 40% of the total. Intergovernmental revenues (e.g. state-shared sales tax, state revenue sharing and auto lieu) account for 38% of the total.



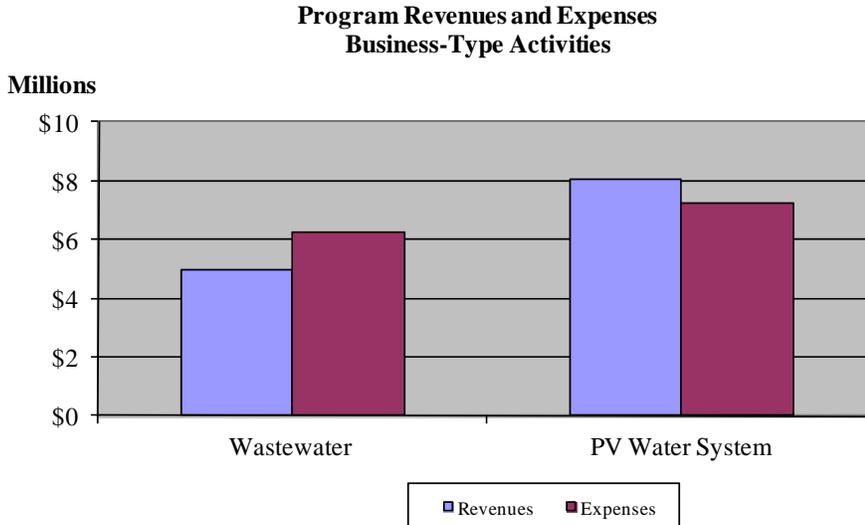
*Other includes interest and investment income.

Business-type activities. Business-type activities decreased the Town’s net assets by \$501,205 accounting for 11% of the total change in the Town’s net assets. Key factors of this decrease are as follows:

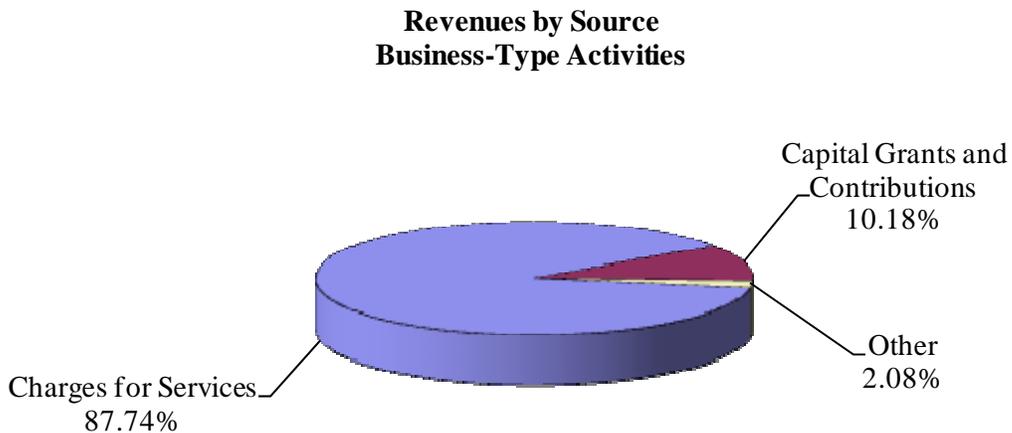
- Total revenues for business-type activities increased by \$328,784, with the majority of the increase being attributable to increased connection charges.
 - Charges for services decreased by \$60,831. The number of Water System customers decreased by 30 and consumption decreased by 2.0%, offset by an increase in Wastewater System user charges of \$98,865 and an increase in revenue from the Upper Verde River Water Project of \$62,510.
 - Capital grants and contributions increased \$428,928. Connection fee revenue (e.g. water resource and capacity fees) related to new housing permits issued, decreased by \$109,587 over the previous year. Infrastructure contributions from developers equaled \$686,758, an increase of \$531,944.
 - Interest and investment income decreased by \$48,083 due to lower interest rates.
- Total expenses decreased by \$491,923 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 \$520,900, 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 \$279,196.
 - Repairs and maintenance expenses increased by \$323,389.
 - Supplies expense decreased by \$163,626.
 - Interest expense decreased by \$66,514.

Town of Prescott Valley, Arizona

As shown in the chart below, the Prescott Valley Water System had expenses of approximately \$7.2 million with Wastewater expenses totaling approximately \$6.2 million. For the fiscal year, the Prescott Valley Water System revenues exceeded expenses by \$823,191, while the Wastewater expenses exceeded revenues by approximately \$1.3 million.



Charges for services (e.g. usage fees) are the largest single source of funds for 88% 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 10% 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the general fund, special revenue funds, debt service funds and capital project funds.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$43,589,451, a decrease of \$7,222,013. Approximately \$13.2 million of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is (1) nonspendable (\$1.5 million) for inventory, prepaid items and advances to other funds, (2) restricted (\$24.9 million) for special revenue funds, capital improvement fund, community facilities districts and debt service, (3) committed (\$4.1 million) for capital project growth savings and asset replacement.

Revenues for governmental functions overall totaled \$32,549,355 in the fiscal year ended June 30, 2011, which represents a decrease of \$1,926,739 or 6% from the fiscal year ended June 30, 2010. Expenditures for governmental functions totaled \$40,120,359, a decrease of \$6,632,656 or 14% from the fiscal year ended June 30, 2010. This decrease is mainly due to a decrease of approximately \$8 million in capital outlay resulting from a continued weakened economy and less availability of capital funding. Additionally, the Town continues to reduce operating expenditures through reduced spending and furloughs. In the fiscal year ended June 30, 2011, expenditures exceeded revenues for governmental functions by approximately \$7.6 million.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$13,220,847. As a measure of the general fund's liquidity, it may be useful to compare total unassigned and total fund balance to total fund expenditures. The unassigned fund balance represents 61% of total general fund expenditures of \$21,701,844.

According to the Town's financial policy, the Town's general fund will maintain an "unassigned" fund balance with a target of a minimum of twenty-five percent (25%) of general fund revenues, excluding transfers. The intention of the "unassigned" fund balance is to provide additional stability to the general fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the Town. Funds in excess of the minimum targets will be retained in the unassigned general fund balance. As of June 30, 2011, the Town had set aside 63% of general fund revenues.

Management has implemented considerable cost containment measures; however revenues have not kept pace with operating expenditures. The fund balance of the Town's general fund decreased by \$1,402,691 during the current fiscal year, this is \$262,927 lower than the planned (budgeted) use of fund balance.

The HURF fund has a total fund balance of \$2,256,884. The net increase in fund balance during the current year was \$419,125. This increase is \$325,070 higher than the budgeted increase of \$94,055. This increase is primarily due to a positive variance to budget in operating expenditures and several budgeted capital projects which were either cancelled or delayed until future fiscal years. The HURF fund received a transfer of \$54,386 from the Local Transportation Assistance Fund (LTAF) and a transfer of \$50,000 from the general fund.

Town of Prescott Valley, Arizona

Total fund balance for the Municipal Property Corporation debt service fund was \$15,645,227 for the current year. The net decrease in fund balance was \$4,072,929 primarily due to the \$3.3 million defeasance of the Municipal Property Corporation Facilities Revenue Bonds, Second Series 2003 bonds. Principal and interest payments increased by \$2,936,682. Interest earnings decreased by \$7,687, due to lower interest rates on investments for the current year. Transfers in decreased by \$226,797 mainly as a result of the debt defeasance.

The streets capital improvement fund has a total fund balance of \$2,644,786. The net decrease in fund balance was \$531,857. Fiscal year 2010/11 sales tax receipts decreased by \$26,994, or 1.8%, compared to the prior year. Additionally, capital outlay increased by \$300,846 over the prior year.

Total fund balance for the StoneRidge CFD is \$554,549 for the current year. The net increase in the fund balance was \$246,845. Total revenues were \$1,784,494, primarily offset by debt payments of \$1,385,488.

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 \$88,933,110, a decrease of \$501,205. At the end of the fiscal year, unrestricted net assets for the Prescott Valley Water System and Wastewater System were \$4,598,530, an increase of \$416,288.

According to the Town's financial policy, contingency and reserve funds in the Water and Wastewater utility operating funds should be equal to a minimum of ninety (90) days operating expenditures. As of June 30, 2011, 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, 2011, 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 wastewater 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. New rates for the Prescott Valley Wastewater System are scheduled to become effective November 1, 2011.

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

General Fund Budgetary Highlights

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

The Town's final total budget increased \$50,000 from the original budget in fiscal year 2010/11. This increase was due to a budget transfer from the grant fund.

As a result of the budget process (as approved by Council), the general fund's fund balance was anticipated to decrease by \$1,665,618. Actual results in the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2011 of \$1,402,691, a net difference of \$262,927. The difference was primarily attributable to the following reasons:

Town of Prescott Valley, Arizona

- Revenue results were under budget by \$547,753. Transaction Privilege Tax revenues (TPT) fell short of estimates by \$665,592, specifically in construction; intergovernmental revenues combined fell short of budget by \$50,664, due to a variety of reasons, (1) the Northern Arizona Regional Training Academy was put on hold resulting in a loss of funding of \$105,783, (2) an intergovernmental grant came in \$215,770 below expectations and, (3) greater than projected total reimbursements of \$33,487 for operation and maintenance of shared facilities. Franchise fee revenues were below budget by \$251,791, while fines and forfeitures exceeded estimates by \$127,709 as did insurance proceeds by \$104,831. Interest earnings were below budget by \$105,013 due to continuously lower rates realized on investments.
- 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) in fiscal year 2010/11 was a total savings of \$544,614.
- Budgeted transfers in from other funds varied from estimate by \$128,597. Transfers were budgeted to fund costs associated with improvements to Mountain Valley Park which were delayed, so a portion of the funds were not transferred into the general fund during fiscal year 2010/11. Budgeted transfers out to other funds varied from estimate by \$9,619.

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2011, amount to \$285,777,740 (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 2.2% (a 1.8% decrease for governmental activities and a 2.7% 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, 2011

	Governmental Activities	Business-Type Activities	Total
Land	\$ 6,901,758	\$ 1,026,656	\$ 7,928,414
Buildings	29,515,798	829,905	30,345,703
Improvements other than buildings	13,127,209	20,888,024	34,015,233
Machinery and equipment	3,129,149	1,201,976	4,331,125
Infrastructure	117,099,674	85,276,120	202,375,794
Construction in progress	1,183,247	5,598,224	6,781,471
Total	\$ 170,956,835	\$ 114,820,905	\$ 285,777,740

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

Governmental activities:

- Buildings decreased by \$899,733 due to depreciation.
- Improvements other than buildings increased by \$1,135,797 due to the completion of and transfer in from construction in progress offset by depreciation.
- Machinery and equipment decreased by \$353,211 primarily due to the purchase of police vehicles and equipment and the completion of the communications tower offset by depreciation cost of \$755,014.

Town of Prescott Valley, Arizona

- Infrastructure decreased by \$2,451,364, this includes completed infrastructure projects offset by depreciation cost of approximately \$5.2 million.
- Construction in progress decreased by a net of \$601,542 due to several projects being completed this year. Current year additions to governmental activities consisted of the Bison Lane Path, Telecommunications Improvements, Viewpoint Drive Extension and Western Boulevard storm water drainage improvements.

Business-type activities:

- Improvements other than buildings decreased by \$694,442 due mainly to depreciation cost of \$802,279.
- Infrastructure decreased by \$2,502,159, which includes donated infrastructure of \$686,758 from various developers, offset by the depreciation cost of approximately \$3.2 million.
- Construction in progress increased by \$343,634. Current year additions to business-type activities construction in progress consisted of the utility line relocations due to widening and improvement of Robert Road, the North Plains Recharge Facility and the Tri-City Pipeline.

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 \$114.3 million, a decrease of approximately \$9.8 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 \$30.6 million. Road and sewer collection system improvement bonds represent \$1.0 million and are paid through assessments collected from the property owners. Certificates of participation equal \$14.1 million to pay for costs related to the construction of the library.

Total outstanding *ad valorem* bonds issued for community facilities districts equaled approximately \$29.8 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 \$13.5 million, Pronghorn Ranch of \$6.5 million, Quailwood Meadows of \$6.5 million and Parkway No. 1 of \$3.3 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 (\$1.4 million) and Southside No. 1 (\$2.7 million) are payable from assessments collected from the property owners. The outstanding Water Infrastructure Financing Authority (WIFA) loan for the Raven Ridge project (\$261,140) will be repaid from assessments collected from the property owners. No Town revenues are pledged toward these bonds/loan and the developers/property owners are solely responsible for contributing any differences between the property taxes collected and the annual debt service payment.

Business-Type Activities

Outstanding debt associated with business-type activities totaled approximately \$30.5 million. This represents \$7.2 million in revenue bonds for the Town's wastewater utility, \$12.6 million for the Prescott Valley Water System and \$11.6 million in WIFA loans for the Town's wastewater utility.

Town of Prescott Valley, Arizona

Town of Prescott Valley, Arizona

Outstanding Debt

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Municipal Property Corporation bonds	\$ 30,565,000	\$ -	\$ 30,565,000
Certificates of Participation	14,125,000	-	14,125,000
Special assessment debt with governmental commitment	1,016,000	-	1,016,000
Community facilities district general obligation bonds	29,785,000	-	29,785,000
Community facilities district special assessment lien bonds	4,127,000	-	4,127,000
Community facilities district long-term loan payable	261,140	-	261,140
Less: deferred amounts			
On refunding	(274,959)	-	(274,959)
Long-term obligations	2,938,076	-	2,938,076
Compensated absences	1,338,138	-	1,338,138
Revenue bonds	-	19,810,000	19,810,000
Long term loan payable	-	11,644,990	11,644,990
Less deferred amounts:			
On refunding	-	(968,665)	(968,665)
Total long term liabilities	<u>\$ 83,880,395</u>	<u>\$ 30,486,325</u>	<u>\$ 114,366,720</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, 2011 is \$20.1 million (a decrease of 12% over the previous year) in the 6% capacity and \$67 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in Section III.F of the notes to the financial statements and also in Table 13 in the statistical section of this report.

The Town's bonded debt ratings as of June 30, 2011 were:

	Moody's Investors Service	Standard and Poor's Rating Group	Fitch Investors Service, Inc.
Municipal Property Corporation (Series 2003)	A3	A+	AA-
Sewer Revenue Refunding Bonds	Aaa (1)	--	--
Municipal Property Corporation (Series 2004)	A3	--	AA-
Municipal Property Corporation, Water Revenue Refunding Bonds (Series 2008)	--	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 2010/11 reflects the continued economic decline experienced nationwide and in the Prescott Valley-Prescott area.
- Unemployment rate as of June 2011 was 10.4% for Yavapai County and 9.3% for the state.
- Some growth occurred in the retail segment during the fiscal year.
- Residential housing construction starts are a major factor in the Town's growth, they continue to progress at a much slower pace than in prior years.
- Three commercial projects began during the year; the construction of a multi-family housing unit and the construction of two schools.
- Yavapai Regional Medical Center East is in the finishing stages of construction of a new breast cancer facility which is scheduled to open in October 2011.

All of the above factors were considered in preparing the Town's budget for fiscal year 2011/12. The budget for the fiscal year 2011/12 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 in the upcoming fiscal year 2011/12 budget. Town staff finished updating a utility rate study and presented the information to Council for approval effective November 1, 2011.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 27,685,105	\$ 15,681,167	\$ 43,366,272
Accounts receivable (net of uncollectible amounts)			
Intergovernmental	1,655,694	-	1,655,694
Charges for services	-	954,393	954,393
Grants	637,782	-	637,782
Interest and other	85,224	64,032	149,256
Special assessments	881,439	-	881,439
Miscellaneous	774,613	-	774,613
Internal balances	12,455,227	(12,455,227)	-
Supplies inventory	1,508	9,738	11,246
Prepaid items	65,310	4,388	69,698
Total current assets	44,241,902	4,258,491	48,500,393
Noncurrent assets:			
Deferred charges	1,667,774	156,148	1,823,922
Restricted cash and cash equivalents	7,459,894	1,688,728	9,148,622
Capital assets:			
Land and construction in progress	8,085,005	6,624,880	14,709,885
Facilities, infrastructure, and equipment (net of depreciation)	162,871,830	108,196,025	271,067,855
Total noncurrent assets	180,084,503	116,665,781	296,750,284
Total assets	224,326,405	120,924,272	345,250,677
LIABILITIES			
Current liabilities:			
Accounts payable	1,977,390	302,721	2,280,111
Accrued payroll	469,364	13,357	482,721
Long-term liabilities - due within one year	4,288,765	2,368,608	6,657,373
Other liabilities	-	361,797	361,797
Total current liabilities	6,735,519	3,046,483	9,782,002
Noncurrent liabilities:			
Customer advances and deposits	4,406,792	746,395	5,153,187
Unearned revenue	374,291	80,567	454,858
Long-term liabilities - due in more than one year	79,591,630	28,117,717	107,709,347
Total noncurrent liabilities	84,372,713	28,944,679	113,317,392
Total liabilities	91,108,232	31,991,162	123,099,394
NET ASSETS			
Invested in capital assets, net of related debt	91,352,654	84,334,580	175,687,234
Restricted for:			
Capital projects	706,713	-	706,713
Debt service	16,782,006	-	16,782,006
Grantor and contributor purposes	1,142,691	-	1,142,691
Street improvements	4,901,670	-	4,901,670
Unrestricted	18,332,439	4,598,530	22,930,969
Total net assets	\$ 133,218,173	\$ 88,933,110	\$ 222,151,283

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, 2011

Function/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 9,349,601	\$ 1,481,643	\$ 100,086
Public safety	9,540,750	29,348	1,348,840
Culture and recreation	4,695,196	203,767	18,126
Public works	2,884,128	-	-
Highway and streets	6,009,001	-	1,138,244
Interest on long-term debt	4,744,657	-	-
Total governmental activities	<u>37,223,333</u>	<u>1,714,758</u>	<u>2,605,296</u>
Business-type activities:			
Wastewater utility	6,241,143	4,245,252	-
Prescott Valley water system	7,221,333	7,433,696	-
Total business-type activities	<u>13,462,476</u>	<u>11,678,948</u>	<u>-</u>
Total primary government	<u>\$ 50,685,809</u>	<u>\$ 13,393,706</u>	<u>\$ 2,605,296</u>

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
\$ 98,264	\$ (7,669,608)	\$ -	\$ (7,669,608)
669,657	(7,492,905)	-	(7,492,905)
472,661	(4,000,642)	-	(4,000,642)
569,164	(2,314,964)	-	(2,314,964)
1,198,999	(3,671,758)	-	(3,671,758)
-	(4,744,657)	-	(4,744,657)
<u>3,008,745</u>	<u>(29,894,534)</u>	<u>-</u>	<u>(29,894,534)</u>
743,803	-	(1,252,088)	(1,252,088)
610,828	-	823,191	823,191
<u>1,354,631</u>	<u>-</u>	<u>(428,897)</u>	<u>(428,897)</u>
<u>\$ 4,363,376</u>	<u>(29,894,534)</u>	<u>(428,897)</u>	<u>(30,323,431)</u>
	10,470,048	-	10,470,048
	450,140	-	450,140
	2,097,157	-	2,097,157
	2,603,320	-	2,603,320
	3,267,948	-	3,267,948
	2,521,131	-	2,521,131
	4,005,421	-	4,005,421
	107,125	267,913	375,038
	66,521	8,770	75,291
	348,991	(348,991)	-
	<u>25,937,802</u>	<u>(72,308)</u>	<u>25,865,494</u>
	(3,956,732)	(501,205)	(4,457,937)
	137,174,905	89,434,315	226,609,220
<u>\$</u>	<u>\$ 133,218,173</u>	<u>\$ 88,933,110</u>	<u>\$ 222,151,283</u>

Town of Prescott Valley, Arizona

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	Highway Users Revenue Fund	Municipal Property Corp Debt Service Fund
ASSETS			
Cash and investments	\$ 13,866,881	\$ 2,552,994	\$ 3,190,000
Restricted cash and investments	401,066	-	-
Receivables (net of allowance for uncollectibles)			
Interest	50,959	7,488	-
Intergovernmental	1,288,773	258,165	-
Grants	-	-	-
Special assessments	-	-	-
Miscellaneous	456,527	-	-
Due from other funds	1,226,298	-	-
Prepaid items	598	-	-
Supplies inventory	1,508	-	-
Advances to other funds	1,399,758	-	12,455,227
Total assets	<u>\$ 18,692,368</u>	<u>\$ 2,818,647</u>	<u>\$ 15,645,227</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 998,027	\$ 532,442	\$ -
Accrued payroll	430,262	29,321	-
Due to other funds	-	-	-
Deferred revenue:			
Special assessments	-	-	-
Court	116,302	-	-
Other	221,456	-	-
Guaranty and other deposits	192,563	-	-
Advance from other funds	-	-	-
Total liabilities	<u>1,958,610</u>	<u>561,763</u>	<u>-</u>
Fund Balances:			
Nonspendable	1,401,864	-	-
Restricted	-	2,256,884	15,645,227
Committed	2,111,047	-	-
Unassigned	13,220,847	-	-
Total fund balances	<u>16,733,758</u>	<u>2,256,884</u>	<u>15,645,227</u>
Total liabilities and fund balances	<u>\$ 18,692,368</u>	<u>\$ 2,818,647</u>	<u>\$ 15,645,227</u>

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

Streets Capital Improvement Fund	Community Facilities District StoneRidge	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,543,022	\$ -	\$ 5,529,139	\$ 27,682,036
-	3,938,925	3,119,903	7,459,894
10,325	-	16,452	85,224
91,439	17,317	-	1,655,694
-	-	637,782	637,782
-	-	881,439	881,439
-	-	318,086	774,613
-	-	-	1,226,298
-	-	64,712	65,310
-	-	-	1,508
-	-	-	13,854,985
\$ 2,644,786	\$ 3,956,242	\$ 10,567,513	\$ 54,324,783
\$ -	\$ 164,261	\$ 282,660	\$ 1,977,390
-	-	9,781	469,364
-	277,432	948,866	1,226,298
-	-	881,439	881,439
-	-	-	116,302
-	-	36,533	257,989
-	2,960,000	1,254,229	4,406,792
-	-	1,399,758	1,399,758
-	3,401,693	4,813,266	10,735,332
-	-	64,712	1,466,576
2,644,786	554,549	3,788,930	24,890,376
-	-	1,965,317	4,076,364
-	-	(64,712)	13,156,135
2,644,786	554,549	5,754,247	43,589,451
\$ 2,644,786	\$ 3,956,242	\$ 10,567,513	\$ 54,324,783



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Town of Prescott Valley, Arizona

Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Activities
June 30, 2011

Fund balances - total governmental funds balance sheet \$ 43,589,451

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	219,766,575	
Less: accumulated depreciation	<u>(48,809,740)</u>	170,956,835

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	3,069	
Deferred bond discount	87,168	
Deferred bond issue costs	<u>1,580,606</u>	1,670,843

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	(79,604,181)	
Long-term obligations	(2,938,076)	
Compensated absences	<u>(1,338,138)</u>	(83,880,395)

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

881,439

Net assets of governmental activities - statement of net assets

\$ 133,218,173

Town of Prescott Valley, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Highway Users Revenue Fund	Municipal Property Corp Debt Service Fund
REVENUES			
Taxes - local	\$ 9,245,548	\$ -	\$ -
Taxes - intergovernmental	9,845,409	2,521,131	-
Taxes - property	-	-	-
Licenses and permits:			
Business and liquor licenses	135,453	-	-
Building and related permits	276,272	-	-
Charges for services:			
Building and related	51,525	-	-
Recreation fees	186,001	-	-
Public safety reports and services	29,348	-	-
Fines and forfeitures:			
Court fines	657,443	-	-
Library	17,766	-	-
Special assessments	-	-	-
Property rental	166,082	-	-
Interest earnings	133,987	20,583	116
Intergovernmental:			
Federal grants	-	21,678	-
State grants	-	-	-
Contributions	170,769	-	-
Other	194,868	26,005	-
Total revenues	<u>21,110,471</u>	<u>2,589,397</u>	<u>116</u>
EXPENDITURES			
Current:			
General government	7,829,359	-	-
Public safety	7,511,435	-	-
Culture and recreation	3,296,231	-	-
Public works	1,167,649	-	-
Highway and streets	-	2,215,823	-
Debt service:			
Principal	-	-	4,485,000
Interest and fiscal charges	-	-	1,732,495
Capital outlay	1,897,170	58,835	-
Total expenditures	<u>21,701,844</u>	<u>2,274,658</u>	<u>6,217,495</u>
Excess (deficiency) of revenues over expenditures	<u>(591,373)</u>	<u>314,739</u>	<u>(6,217,379)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	885,363	104,386	2,473,812
Transfers out	(1,696,681)	-	(329,362)
Total other financing sources and uses	<u>(811,318)</u>	<u>104,386</u>	<u>2,144,450</u>
Net change in fund balances	(1,402,691)	419,125	(4,072,929)
Fund balances - beginning	18,136,449	1,837,759	19,718,156
Fund balances - ending	<u>\$ 16,733,758</u>	<u>\$ 2,256,884</u>	<u>\$ 15,645,227</u>

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

Streets Capital Improvement Fund	Community Facilities District StoneRidge	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,445,905	\$ -	\$ 228,735	\$ 10,920,188
-	-	31,280	12,397,820
-	811,608	1,285,549	2,097,157
-	-	-	135,453
-	-	-	276,272
-	-	-	51,525
-	-	-	186,001
-	-	-	29,348
-	-	-	657,443
-	-	-	17,766
-	-	1,117,252	1,117,252
-	-	-	166,082
35,461	418	52,721	243,286
-	-	2,233,605	2,255,283
-	-	16,006	16,006
-	972,468	551,842	1,695,079
-	-	66,521	287,394
1,481,366	1,784,494	5,583,511	32,549,355
-	152,161	727,208	8,708,728
-	-	1,410,132	8,921,567
-	-	18,121	3,314,352
-	-	-	1,167,649
-	-	-	2,215,823
-	475,000	1,902,910	6,862,910
-	910,488	2,061,040	4,704,023
1,059,422	-	1,209,880	4,225,307
1,059,422	1,537,649	7,329,291	40,120,359
421,944	246,845	(1,745,780)	(7,571,004)
-	-	1,807,405	5,270,966
(953,801)	-	(1,942,131)	(4,921,975)
(953,801)	-	(134,726)	348,991
(531,857)	246,845	(1,880,506)	(7,222,013)
3,176,643	307,704	7,634,753	50,811,464
\$ 2,644,786	\$ 554,549	\$ 5,754,247	\$ 43,589,451

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, 2011

Net change in fund balances - total governmental funds \$ (7,222,013)

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

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

Expenditures for capital assets	4,225,307	
Less amount not capitalized	(601,465)	
Less disposal of assets	(98,917)	
Less current year depreciation	<u>(7,747,482)</u>	(4,222,557)

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities. 1,052,504

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 5,996

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (136,161)

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:

Amortization on outstanding debt	40,634	
Payment to defease North Wells bonds	3,035,000	
Payment of long-term obligations	372,791	
Principal payments on debt	<u>3,746,642</u>	7,195,067

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. (81,480)

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 (548,088)

Change in net assets of governmental activities - statement of activities \$ (3,956,732)

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege	\$ 9,461,000	\$ 9,461,000	\$ 8,795,408	\$ (665,592)
Cable TV franchise	245,500	245,500	221,431	(24,069)
Light and power franchise	480,500	480,500	228,709	(251,791)
Licenses and permits:				
Business and liquor licenses	146,100	146,100	135,453	(10,647)
Building and related permits	182,500	182,500	276,272	93,772
Intergovernmental:				
State revenue sharing	3,268,419	3,268,419	3,267,948	(471)
Auto lieu	1,871,934	1,871,934	1,813,235	(58,699)
State-shared sales	2,345,558	2,345,558	2,603,320	257,762
Other intergovernmental	2,410,162	2,410,162	2,160,906	(249,256)
Charges for services:				
Building and related	66,725	66,725	51,525	(15,200)
Recreation fees	196,078	196,078	186,001	(10,077)
Public safety reports and services	26,660	26,660	29,348	2,688
Fines and forfeitures:				
Court fines	532,500	532,500	657,443	124,943
Library fines	15,000	15,000	17,766	2,766
Interest earnings	239,000	239,000	133,987	(105,013)
Property rental	148,088	148,088	166,082	17,994
Contributions	5,000	5,000	170,769	165,769
Other	17,500	17,500	194,868	177,368
Total revenues	21,658,224	21,658,224	21,110,471	(547,753)
EXPENDITURES				
Current:				
General government:				
Council				
Personnel services	51,072	51,072	51,992	(920)
Operating expenditures	49,987	46,887	47,371	(484)
Total Council	101,059	97,959	99,363	(1,404)
Town Management				
Personnel services	529,803	529,803	501,862	27,941
Operating expenditures	31,577	29,177	28,238	939
Total Town Management	561,380	558,980	530,100	28,880
Human Resources				
Personnel services	151,611	151,611	121,224	30,387
Operating expenditures	60,206	70,206	62,923	7,283
Total Human Resources	211,817	221,817	184,147	37,670
Town Clerk				
Personnel services	208,575	208,575	204,172	4,403
Operating expenditures	114,120	114,120	90,038	24,082
Total Town Clerk	322,695	322,695	294,210	28,485

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Management Services				
Personnel services	1,479,280	1,479,280	1,340,039	139,241
Operating expenditures	430,229	430,229	400,875	29,354
Total Management Services	1,909,509	1,909,509	1,740,914	168,595
Legal				
Personnel services	534,789	534,789	510,950	23,839
Operating expenditures	139,476	139,476	130,583	8,893
Total Legal	674,265	674,265	641,533	32,732
Magistrate Court				
Personnel services	444,836	444,836	415,195	29,641
Operating expenditures	47,540	47,540	41,640	5,900
Total Magistrate Court	492,376	492,376	456,835	35,541
Facilities and Fleet Maintenance				
Personnel services	179,450	179,450	161,252	18,198
Operating expenditures	262,509	262,509	264,363	(1,854)
Total Facilities and Fleet Maintenance	441,959	441,959	425,615	16,344
Other-Unclassified				
Personnel services	(508,000)	(508,000)	-	(508,000)
Operating expenditures	3,645,144	3,520,144	3,456,642	63,502
Total Other-Unclassified	3,137,144	3,012,144	3,456,642	(444,498)
Total general government	7,852,204	7,731,704	7,829,359	(97,655)
Public safety:				
Building/Safety				
Personnel services	497,749	497,749	476,345	21,404
Operating expenditures	40,636	40,636	38,244	2,392
Total Building/Safety	538,385	538,385	514,589	23,796
Police				
Personnel services	6,090,261	6,090,261	5,687,316	402,945
Operating expenditures	1,315,207	1,326,207	1,309,530	16,677
Total Police	7,405,468	7,416,468	6,996,846	419,622
Total public safety	7,943,853	7,954,853	7,511,435	443,418
Culture and recreation:				
Channel 15				
Personnel services	121,951	121,951	116,946	5,005
Operating expenditures	53,700	53,700	45,967	7,733
Total Channel 15	175,651	175,651	162,913	12,738
Parks and Recreation				
Personnel services	909,671	909,671	835,646	74,025
Operating expenditures	687,345	769,345	776,101	(6,756)
Total Parks and Recreation	1,597,016	1,679,016	1,611,747	67,269

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
Library				
Personnel services	1,138,723	1,138,723	1,034,812	103,911
Operating expenditures	537,082	506,968	486,759	20,209
Total Library	1,675,805	1,645,691	1,521,571	124,120
Total culture and recreation	3,448,472	3,500,358	3,296,231	204,127
Public works:				
Planning and Development				
Personnel services	285,586	285,586	272,179	13,407
Operating expenditures	35,982	35,982	36,280	(298)
Total Planning and Development	321,568	321,568	308,459	13,109
Neighborhood Services				
Personnel services	320,391	320,391	237,957	82,434
Operating expenditures	45,649	45,649	47,402	(1,753)
Total Neighborhood Services	366,040	366,040	285,359	80,681
Administrative Hearing Office				
Operating expenditures	3,888	3,888	4,074	(186)
Total Administrative Hearing Office	3,888	3,888	4,074	(186)
Engineering and GIS				
Personnel services	572,670	572,670	495,917	76,753
Operating expenditures	108,847	108,847	73,840	35,007
Total Engineering and GIS	681,517	681,517	569,757	111,760
Total public works	1,373,013	1,373,013	1,167,649	205,364
Capital outlay	1,963,960	2,071,574	1,897,170	174,404
Total expenditures	22,581,502	22,631,502	21,701,844	929,658
Excess (deficiency) of revenues over expenditures	(923,278)	(973,278)	(591,373)	381,905
OTHER FINANCING SOURCES (USES)				
Transfers in	1,013,960	1,013,960	885,363	(128,597)
Transfers out	(1,706,300)	(1,706,300)	(1,696,681)	9,619
Total other financing sources and uses	(692,340)	(692,340)	(811,318)	(118,978)
Net change in fund balances	(1,615,618)	(1,665,618)	(1,402,691)	262,927
Fund balances - beginning	18,048,000	18,048,000	18,136,449	88,449
Fund balances - ending	\$ 16,432,382	\$ 16,382,382	\$ 16,733,758	\$ 351,376

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Original	Final		
REVENUES				
Intergovernmental:				
Grants	\$ 365,000	\$ 365,000	\$ 21,678	\$ (343,322)
Highway user tax	2,390,900	2,390,900	2,521,131	130,231
Interest earnings	18,000	18,000	20,583	2,583
Other	35,000	35,000	26,005	(8,995)
Total revenues	<u>2,808,900</u>	<u>2,808,900</u>	<u>2,589,397</u>	<u>(219,503)</u>
EXPENDITURES				
Current:				
Highway and Streets				
Personnel services	738,474	738,474	787,443	(48,969)
Operating expenditures	1,639,871	1,638,471	1,428,380	210,091
Total Highway and Streets	<u>2,378,345</u>	<u>2,376,945</u>	<u>2,215,823</u>	<u>161,122</u>
Capital outlay	440,500	441,900	58,835	383,065
Total expenditures	<u>2,818,845</u>	<u>2,818,845</u>	<u>2,274,658</u>	<u>544,187</u>
Excess (deficiency) of revenues over expenditures	<u>(9,945)</u>	<u>(9,945)</u>	<u>314,739</u>	<u>324,684</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	104,000	104,000	104,386	386
Transfers out	-	-	-	-
Total other financing sources and uses	<u>104,000</u>	<u>104,000</u>	<u>104,386</u>	<u>386</u>
Net change in fund balances	94,055	94,055	419,125	325,070
Fund balances - beginning	<u>964,000</u>	<u>964,000</u>	<u>1,837,759</u>	<u>873,759</u>
Fund balances - ending	<u>\$ 1,058,055</u>	<u>\$ 1,058,055</u>	<u>\$ 2,256,884</u>	<u>\$ 1,198,829</u>

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



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Town of Prescott Valley, Arizona

Statement of Net Assets

Proprietary Funds

June 30, 2011

ASSETS	Wastewater	PV Water System	Total
Current assets:			
Cash and investments	\$ 9,681,572	\$ 5,999,595	\$ 15,681,167
Receivables (net of allowance for uncollectibles)	372,623	581,770	954,393
Interest receivable	35,928	28,104	64,032
Prepaid Expense	2,194	2,194	4,388
Inventories	-	9,738	9,738
Total current assets	10,092,317	6,621,401	16,713,718
Noncurrent assets:			
Restricted cash, cash equivalents	239,112	1,449,616	1,688,728
Deferred charges	156,148	-	156,148
Capital assets:			
Land	250,100	776,556	1,026,656
Buildings	3,498,027	209,214	3,707,241
Improvements other than buildings	-	28,215,356	28,215,356
Machinery and equipment	5,597,461	1,210,772	6,808,233
Infrastructure	76,218,260	32,042,078	108,260,338
Construction in progress	78,109	5,520,115	5,598,224
Less accumulated depreciation	(26,646,005)	(12,149,138)	(38,795,143)
Total capital assets (net of accumulated depreciation)	58,995,952	55,824,953	114,820,905
Total noncurrent assets	59,391,212	57,274,569	116,665,781
Total assets	\$ 69,483,529	\$ 63,895,970	\$ 133,379,499

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, 2011

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 124,958	\$ 166,140	\$ 291,098
Accrued payroll	4,289	9,068	13,357
Taxes payable	-	11,623	11,623
Premium payable	15,127	346,670	361,797
Notes payable - due within one year	629,692	-	629,692
Bonds payable - due within one year	480,000	1,258,916	1,738,916
Total current liabilities	<u>1,254,066</u>	<u>1,792,417</u>	<u>3,046,483</u>
Noncurrent liabilities:			
Customer advances and deposits	239,112	507,283	746,395
Deferred revenue	-	80,567	80,567
Notes payable	11,015,298	-	11,015,298
Bonds payable, net of unamortized discounts	6,760,000	10,342,419	17,102,419
Advance from other funds	-	12,455,227	12,455,227
Total noncurrent liabilities	<u>18,014,410</u>	<u>23,385,496</u>	<u>41,399,906</u>
Total liabilities	<u>19,268,476</u>	<u>25,177,913</u>	<u>44,446,389</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,110,962	44,223,618	84,334,580
Unrestricted	10,104,091	(5,505,561)	4,598,530
Total net assets	<u>\$ 50,215,053</u>	<u>\$ 38,718,057</u>	<u>\$ 88,933,110</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, 2011

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
OPERATING REVENUES			
Charges for sales and services	\$ 4,135,431	\$ 7,099,927	\$ 11,235,358
Other	109,821	333,769	443,590
Total operating revenues	<u>4,245,252</u>	<u>7,433,696</u>	<u>11,678,948</u>
OPERATING EXPENSES			
Administration	479,256	705,499	1,184,755
Professional	1,169,819	2,286,334	3,456,153
Technical	575	150	725
Utilities	577,039	1,013,963	1,591,002
Repairs and maintenance	467,514	297,741	765,255
Supplies	3,239	228,359	231,598
Capital outlay	9,999	114,735	124,734
Depreciation and amortization	2,765,052	1,583,970	4,349,022
Other	30,672	261,785	292,457
Total operating expenses	<u>5,503,165</u>	<u>6,492,536</u>	<u>11,995,701</u>
Operating income (loss)	(1,257,913)	941,160	(316,753)
NON-OPERATING REVENUES (EXPENSES)			
Utility connection charges	360,068	307,805	667,873
Investment and rental income	107,058	160,855	267,913
Interest expense	(724,061)	(544,525)	(1,268,586)
Other expenses	(13,917)	(184,272)	(198,189)
Other revenues	2,018	6,752	8,770
Net non-operating revenues (expenses)	<u>(268,834)</u>	<u>(253,385)</u>	<u>(522,219)</u>
Income (loss) before capital contributions and transfers	(1,526,747)	687,775	(838,972)
Capital contributions	383,735	303,023	686,758
Transfers in	247,000	329,362	576,362
Transfers out	-	(925,353)	(925,353)
Total capital contributions and transfers	<u>630,735</u>	<u>(292,968)</u>	<u>337,767</u>
Change in net assets	(896,012)	394,807	(501,205)
Total net assets - beginning	<u>51,111,065</u>	<u>38,323,250</u>	<u>89,434,315</u>
Total net assets - ending	<u>\$ 50,215,053</u>	<u>\$ 38,718,057</u>	<u>\$ 88,933,110</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, 2011

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 4,299,585	\$ 7,931,873	\$ 12,231,458
Payments to suppliers	(2,827,026)	(5,430,141)	(8,257,167)
Payments to employees	(133,033)	(268,125)	(401,158)
Other operating revenues	2,018	6,752	8,770
	<u>1,341,544</u>	<u>2,240,359</u>	<u>3,581,903</u>
Cash flows from noncapital financing activities			
Transfer from other funds	247,000	329,362	576,362
Transfer to other funds	-	(925,353)	(925,353)
Payable to other funds	-	(3,427,076)	(3,427,076)
Net cash provided (used) by noncapital financing activities	<u>247,000</u>	<u>(4,023,067)</u>	<u>(3,776,067)</u>
Cash flows from capital and related financing activities			
Utility connection charges	360,068	307,805	667,873
Acquisition and construction of property and equipment	-	(518,508)	(518,508)
Principal paid on capital debt	(1,061,942)	(1,330,000)	(2,391,942)
Interest paid on capital debt	(724,061)	(544,525)	(1,268,586)
Net cash provided (used) by capital and related financing activities	<u>(1,425,935)</u>	<u>(2,085,228)</u>	<u>(3,511,163)</u>
Cash flows from investing activities			
Interest and dividends received	94,931	156,070	251,001
Net cash provided (used) by investing activities	<u>94,931</u>	<u>156,070</u>	<u>251,001</u>
Net increase (decrease) in cash and cash equivalents	257,540	(3,711,866)	(3,454,326)
Cash and cash equivalents, July 1	<u>9,663,144</u>	<u>11,161,077</u>	<u>20,824,221</u>
Cash and cash equivalents, June 30	<u>\$ 9,920,684</u>	<u>\$ 7,449,211</u>	<u>\$ 17,369,895</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, 2011

	<u>Wastewater</u>	<u>PV Water System</u>	<u>Total</u>
Cash and cash equivalents at end of year includes:			
Cash and investments	\$ 9,681,572	\$ 5,999,595	\$ 15,681,167
Restricted cash and investments	239,112	1,449,616	1,688,728
Total cash and cash equivalents	<u>\$ 9,920,684</u>	<u>\$ 7,449,211</u>	<u>\$ 17,369,895</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,257,913)	\$ 941,160	\$ (316,753)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,765,052	1,583,970	4,349,022
Increase in accounts receivable	40,005	477,952	517,957
Decrease in accounts payable	(218,545)	(783,893)	(1,002,438)
Increase in prepaid items	(2,194)	(2,194)	(4,388)
Increase in customer deposits	14,328	20,225	34,553
Increase in accrued payroll	(486)	(164)	(650)
Increase in deferred charges	13,196	59,739	72,935
Other revenues (expenses)	(11,899)	(56,436)	(68,335)
Total adjustments	<u>2,599,457</u>	<u>1,299,199</u>	<u>3,898,656</u>
Net cash provided by operating activities	<u>\$ 1,341,544</u>	<u>\$ 2,240,359</u>	<u>\$ 3,581,903</u>
Noncash investing, capital and financing activities:			
Additions to property, plant and equipment			
Contributions from developers	\$ 383,735	\$ 303,023	\$ 686,758

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

Individual Component Units - Blended

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

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

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

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

Town of Prescott Valley, Arizona

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.

Town of Prescott Valley, Arizona

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

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.

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, 2011.

3. Inventories and Prepaid Items

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

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

4. Deferred 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 2010/11.

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

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

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

7. Compensated Absences

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

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

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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The Town prepared an annual budget that covered fiscal year 2010/11. 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 2010/11 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 2010/11, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are approved at the fund level. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year.

Upon the recommendation of the Town Manager and with the approval of the Town Council: 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 and Highway Users Revenue 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:

Town of Prescott Valley, Arizona

	<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	\$ 51,072	\$ 51,072	\$ 51,992	\$ (920)
Operating expenditures	49,987	46,887	47,371	(484)
Facilities and Fleet Maintenance				
Operating expenditures	262,509	262,509	264,363	(1,854)
Other-Unclassified				
Personnel services	(508,000)	(508,000)	-	(508,000)
Parks and Recreation				
Operating expenditures	687,345	769,345	776,101	(6,756)
Planning and Development				
Operating expenditures	35,982	35,982	36,280	(298)
Neighborhood Services				
Operating expenditures	45,649	45,649	47,402	(1,753)
Administrative Hearing Office				
Operating expenditures	3,888	3,888	4,074	(186)
Highway Users Revenue Fund - Special Revenue Fund				
Personnel services	738,474	738,474	787,443	(48,969)

These deficits were funded by available fund balances within the General fund and Highway Users Revenue fund.

The Council deficit in personnel services was driven by the transition of three new Council members to office. The deficit in operating expenditures was driven mainly by higher than budgeted fuel costs. The Facilities and Fleet Maintenance deficit in operating expenditures was the result of higher than budgeted costs for utilities including water and electricity. The deficit in Other-Unclassified was the result of budgeting salary savings for the entire General fund within this department while the actual salary savings were seen within the individual departments in the General fund. The deficit in operating expenditures for Parks and Recreation is the result of higher costs for electricity during the year. The Planning and Development deficit in operating expenditures was mainly driven by higher than anticipated telephone use. The deficit in Neighborhood Services and Administrative Hearing office were mainly driven by increased postage expenses. The deficit in personnel services in the Highway Users Revenue fund was the result of the transfer of several positions to the Highway Users Revenue fund from the General fund to fill vacant positions resulting from the hiring freeze currently in effect.

C. Deficit Fund Equity

For the fiscal year June 30, 2011, there were no instances of any funds having a deficit fund balance.

D. Fund Balance Classifications

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

Town of Prescott Valley, Arizona

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

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. The order in which the Town would apply resources when multiple categories of unrestricted fund balance are available is committed, assigned and then unassigned.

Governmental fund balances as of June 30, 2011 are as follows:

	General Fund	Highway Revenue Fund	Municipal Property Corp Debt Service Fund	Streets Capital Improvement Fund	Community Facilities District StoneRidge	Total Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Prepaid items	\$ 598	\$ -	\$ -	\$ -	\$ -	\$ 64,712	\$ 65,310
Supplies inventory	1,508	-	-	-	-	-	1,508
Advances to other funds	1,399,758	-	-	-	-	-	1,399,758
Restricted for:							
Capital projects	-	-	-	-	-	706,713	706,713
Community facilities districts	-	-	-	-	554,549	1,684,186	2,238,735
Debt service	-	-	15,645,227	-	-	255,340	15,900,567
Grantor and contributor purposes	-	-	-	-	-	1,142,691	1,142,691
Street improvements	-	2,256,884	-	2,644,786	-	-	4,901,670
Committed to:							
Capital projects	-	-	-	-	-	1,505,378	1,505,378
Replacement fund	-	-	-	-	-	459,939	459,939
Stabilization fund	2,111,047	-	-	-	-	-	2,111,047
Unassigned:	13,220,847	-	-	-	-	(64,712)	13,156,135
Total	\$ 16,733,758	\$ 2,256,884	\$ 15,645,227	\$ 2,644,786	\$ 554,549	\$ 5,754,247	\$ 43,589,451

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town maintains a cash and investment pool for use by all funds except the Municipal Property Corporation and community facilities district funds, which have investments held separately by a trustee. The Town maintains petty cash funds in various departments, which amount to \$4,105 at June 30, 2011.

Deposits

At June 30, 2011, the carrying amount of the Town's deposits was \$8,308,653 and the bank balance was \$9,108,023. The \$799,370 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, 2011, 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, corporations or sponsored corporations, money markets, consisting of the foregoing and the State of Arizona Local Government Investment Pool (LGIP).

The Town's investment in the bonds of U.S. agencies was rated AA+ by Standard & Poor's, AAA by Fitch Ratings and Aaa by Moody's Investors Service. The Town's investment in the State of Arizona Local Government Investment Pool is limited to a pool that invests only in government securities. At June 30, 2011, all investments of that pool were rated AAA.

Investments

The Town's investments at June 30, 2011, are summarized below.

Investment Matures (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3+</u>
US Treasuries	\$ 4,468,803	\$ 4,468,803	\$ -	\$ -	\$ -
US Agencies	23,656,880	-	-	9,007,350	14,649,530
Corporate Bonds	2,047,860	-	2,047,860	-	-
Money Markets	7,013,005	7,013,005	-	-	-
Certificates of Deposit	3,909,078	997,096	989,393	974,329	948,260
Local Government Investment Pool	3,110,615	3,110,615	-	-	-
	<u>\$ 44,206,241</u>	<u>\$ 15,589,519</u>	<u>\$ 3,037,253</u>	<u>\$ 9,981,679</u>	<u>\$ 15,597,790</u>

Town of Prescott Valley, Arizona

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

Carrying amount of Town deposits	\$ 8,308,653
Investments	44,206,241
Total cash and investments	\$52,514,894

Total Town cash and investments are reported as follows:

Primary government:	
Cash and investments	\$43,366,272
Restricted cash and cash equivalents	9,148,622
Total cash and investments	\$52,514,894

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	Special Assessments	Grants/ Miscellaneous	Gross Receivables	Less: Allowance for Uncollectibles	Net Total Receivables
General Fund	\$ 50,959	\$ 1,288,773	\$ -	\$ 456,527	\$ 1,796,259	\$ -	\$ 1,796,259
Highway Users Revenue Fund	7,488	258,165	-	-	265,653	-	265,653
Streets Capital Improvement Fund	10,325	91,439	-	-	101,764	-	101,764
CFD - StoneRidge	-	17,317	-	-	17,317	-	17,317
Wastewater System	35,928	-	-	384,379	420,307	(11,756)	408,551
Water System	28,104	-	-	609,888	637,992	(28,118)	609,874
Nonmajor Governmental Funds	16,452	-	881,439	955,868	1,853,759	-	1,853,759
Total	\$ 149,256	\$ 1,655,694	\$ 881,439	\$ 2,406,662	\$ 5,093,051	\$ (39,874)	\$ 5,053,177

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:

	Unavailable	Unearned
Special assessments not yet due (debt service fund)	\$ 881,439	\$ -
Court bonds payable	-	116,302
Other		
Grant drawdown's prior to meeting all eligibility requirements	-	36,533
Developer advance payments	-	221,456
Total deferred/unearned revenue for governmental funds	\$ 881,439	\$ 374,291

Town of Prescott Valley, Arizona

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Capital Assets

Year Ended June 30, 2011

	Capital Assets June 30, 2010	Increases	Decreases	Transfers	Capital Assets June 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,901,758	\$ -	\$ -	\$ -	\$ 6,901,758
Construction in progress	1,784,789	2,242,153	(30,263)	(2,813,432)	1,183,247
Total capital assets, not being depreciated:	<u>8,686,547</u>	<u>2,242,153</u>	<u>(30,263)</u>	<u>(2,813,432)</u>	<u>8,085,005</u>
Capital assets, being depreciated:					
Buildings	35,187,255	-	-	-	35,187,255
Improvements other than buildings	15,655,982	941,866	(88,021)	1,111,042	17,620,869
Machinery and equipment	8,047,579	454,984	(275,779)	-	8,226,784
Infrastructure	147,877,166	1,067,606	(500)	1,702,390	150,646,662
Total capital assets, being depreciated:	<u>206,767,982</u>	<u>2,464,456</u>	<u>(364,300)</u>	<u>2,813,432</u>	<u>211,681,570</u>
Less accumulated depreciation for:					
Buildings	(4,771,724)	(899,733)	-	-	(5,671,457)
Improvements other than buildings	(3,664,570)	(871,758)	42,668	-	(4,493,660)
Machinery and equipment	(4,565,219)	(755,014)	222,598	-	(5,097,635)
Infrastructure	(28,326,128)	(5,220,977)	117	-	(33,546,988)
Total accumulated depreciation:	<u>(41,327,641)</u>	<u>(7,747,482)</u>	<u>265,383</u>	<u>-</u>	<u>(48,809,740)</u>
Total capital assets, being depreciated, net	<u>165,440,341</u>	<u>(5,283,026)</u>	<u>(98,917)</u>	<u>2,813,432</u>	<u>162,871,830</u>
Governmental activities capital assets, net	<u>\$ 174,126,888</u>	<u>\$ (3,040,873)</u>	<u>\$ (129,180)</u>	<u>\$ -</u>	<u>\$ 170,956,835</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,026,656	\$ -	\$ -	\$ -	\$ 1,026,656
Construction in progress	5,254,590	413,745	(3,074)	(67,037)	5,598,224
Total capital assets, not being depreciated:	<u>6,281,246</u>	<u>413,745</u>	<u>(3,074)</u>	<u>(67,037)</u>	<u>6,624,880</u>
Capital assets, being depreciated:					
Buildings	3,707,241	-	-	-	3,707,241
Improvements other than buildings	28,107,519	107,837	-	-	28,215,356
Machinery and equipment	6,741,196	-	-	67,037	6,808,233
Infrastructure	107,573,580	686,758	-	-	108,260,338
Total capital assets, being depreciated:	<u>146,129,536</u>	<u>794,595</u>	<u>-</u>	<u>67,037</u>	<u>146,991,168</u>
Less accumulated depreciation for:					
Buildings	(2,694,858)	(182,478)	-	-	(2,877,336)
Improvements other than buildings	(6,525,053)	(802,279)	-	-	(7,327,332)
Machinery and equipment	(5,386,314)	(219,943)	-	-	(5,606,257)
Infrastructure	(19,795,301)	(3,188,917)	-	-	(22,984,218)
Total accumulated depreciation:	<u>(34,401,526)</u>	<u>(4,393,617)</u>	<u>-</u>	<u>-</u>	<u>(38,795,143)</u>
Total capital assets, being depreciated, net	<u>111,728,010</u>	<u>(3,599,022)</u>	<u>-</u>	<u>67,037</u>	<u>108,196,025</u>
Business-type activities capital assets, net	<u>\$ 118,009,256</u>	<u>\$ (3,185,277)</u>	<u>\$ (3,074)</u>	<u>\$ -</u>	<u>\$ 114,820,905</u>

Town of Prescott Valley, Arizona

Construction in progress activity for the year ended June 30, 2011 was as follows:

Town of Prescott Valley, Arizona

Schedule of Activity in Construction in Progress

Year Ended June 30, 2011

	Construction in Progress June 30, 2010	Increases	Decreases	Transfers	Construction in Progress June 30, 2011
Governmental activities:					
Bison Lane Path	\$ 641,320	\$ -	\$ -	\$ (641,320)	\$ -
Central Core Multiuse Path	-	2,250	-	-	2,250
Civic Center Remodel	32,215	-	-	-	32,215
Old Town Park	78,244	-	-	-	78,244
Pipeline Multiuse Path	-	-	-	2,296	2,296
Robert Road - Spouse/Tranquil	33,196	969,597	(28,999)	-	973,794
Roundup Industrial District	27,134	-	-	-	27,134
Section 14 Multi-use Field	65,814	-	-	-	65,814
SR69 Multiuse Path	-	-	-	1,500	1,500
Telecommunication Improvements	8,386	466,397	(1,264)	(473,519)	-
Viewpoint Drive Extension	704,828	21,608	-	(726,436)	-
Western Blvd Storm Water Mgmt	193,652	782,301	-	(975,953)	-
Total governmental activities	<u>1,784,789</u>	<u>2,242,153</u>	<u>(30,263)</u>	<u>(2,813,432)</u>	<u>1,183,247</u>
Business-type activities:					
Lone Tree Recharge Facility	357,431	182,484	(3,050)	-	536,865
Robert Road - Spouse/Tranquil	-	175,000	-	-	175,000
Roundup Sewer Upsize	44,368	-	-	-	44,368
Short Mesa Connector	33,741	-	-	-	33,741
StoneRidge Storage Tank	730,111	-	-	(67,037)	663,074
Tri-City Pipeline and Tanks	2,825,408	56,261	(24)	840,603	3,722,248
Water Transmission Pipeline	1,263,531	-	-	(840,603)	422,928
Total business-type activities	<u>5,254,590</u>	<u>413,745</u>	<u>(3,074)</u>	<u>(67,037)</u>	<u>5,598,224</u>
Total	<u>\$ 7,039,379</u>	<u>\$ 2,655,898</u>	<u>\$ (33,337)</u>	<u>\$ (2,880,469)</u>	<u>\$ 6,781,471</u>

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

Governmental activities:

General government	\$ 835,638
Public safety	520,410
Highways and streets, including depreciation of infrastructure assets	3,304,501
Culture and recreation	1,378,460
Public works	1,708,473
Total depreciation expense - governmental activities	<u>\$ 7,747,482</u>

Business-type activities:

Wastewater	\$ 2,766,313
Prescott Valley water system	1,627,304
Total depreciation expense - business-type activities	<u>\$ 4,393,617</u>

D. Construction Commitments

The Town has active construction projects as of June 30, 2011. At year end, the government’s commitments with contractors for specific projects are as follows:

	Total Contract	Remaining Balance
Streets	\$ 1,222,296	\$ 927,713
PV Water System	576,849	9,774
	\$ 1,799,145	\$ 937,487

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, 2011 is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Grants	\$ 514,913
General Fund	Certificate of Participation	296,332
General Fund	Stoneridge CFD	277,432
General Fund	Pronghorn CFD	112,828
General Fund	Quailwood CFD	23,472
General Fund	Parkway No. 1 CFD	1,321
		\$ 1,226,298

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

Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Development Impact Fees	\$ 1,399,758
MPC Debt Service Fund	PV Water System	12,455,227
		\$ 13,854,985

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

Transfer Out:	Transfer In:							Total
	General Fund	Highway Users Revenue Fund	Municipal Property Corp Debt Service Fund	Wastewater System	Water System	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 50,000	\$ 770,658	\$ -	\$ -	\$ 876,023	\$ 1,696,681	
Municipal Property Corp Debt Fund	-	-	-	-	329,362	-	329,362	
Streets Capital Improvement Fund	-	-	953,801	-	-	-	953,801	
Water System	-	-	678,353	247,000	-	-	925,353	
Nonmajor Governmental Funds	885,363	54,386	71,000	-	-	931,382	1,942,131	
Total	\$ 885,363	\$ 104,386	\$ 2,473,812	\$ 247,000	\$ 329,362	\$ 1,807,405	\$ 5,847,328	

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, 2011. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2011. There are a number of limitations and restrictions contained in the various documents, and the Town is in compliance with all significant limitations and restrictions.

Municipal Property Corporation Bonds

The Municipal Property Corporation (MPC) is a nonprofit corporation that issues bonds to finance public improvements. The MPC currently has three bond issues outstanding (e.g. Street Improvements, Municipal Facilities Revenue Refunding and Water Importation Project) totaling \$30,565,000. In 2003, the MPC issued \$17.9 million to finance improvements to major arterial streets. 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. On December 16, 2010, the Town defeased the Second Series 2003 MPC Facilities Revenue Bonds for water system improvements.

At June 30, 2011, \$42,827,150 in bonds are outstanding to be repaid by future excise tax revenues. For the fiscal year ended June 30, 2011, the net revenues available for service of this debt were \$17,649,655. The debt principal and interest paid on this debt in fiscal year 2010/11 was \$5,934,751 (33.6% of available net pledged revenues).

The Town’s obligations with regard to these public projects are 1) to make rental payments from its excise tax revenues on lease agreements between the Town and the MPC sufficient to cover the amounts due on the MPC bonds, and 2) to increase excise taxes, if necessary, to maintain collections equal to two and one-half (2 ½) times the highest combined interest and principal requirements for any succeeding 12-month period for the bonds then outstanding (and any additional bonds proposed to be secured by a pledge of excise tax revenues). As of June 30, 2011, the Town’s debt service coverage ranges from 5.60 to 13.13 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.

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.

Town of Prescott Valley, Arizona

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

Utility Revenue Bonds and Loans

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

At June 30, 2011, \$9,524,160 in wastewater revenue bonds remain outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2011, the net revenues available for service of this debt were \$1,974,265. The debt principal and interest paid on this debt in fiscal year ended June 30, 2011 was \$782,055 (39.6% of available net pledged revenues). At June 30, 2011, \$15,092,575 in water revenue bonds remain outstanding to be repaid by future water revenues. For the fiscal year ended June 30, 2011, the net revenues available for service of this debt were \$2,993,790. The debt principal and interest paid on this debt in fiscal year ended June 30, 2011 was \$1,874,525 (62.6% of available net pledged revenues).

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, 2011, the Town's debt service coverage (net wastewater system revenues) is 1.11 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, 2011, 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

Town of Prescott Valley, Arizona

exceed 5% of the Town's secondary assessed valuation. As of June 30, 2011, there were two 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.

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 \$2,151,889 as of June 30, 2011.

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 \$786,187 as of June 30, 2011.

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 was paid out in the current fiscal year since the sale of effluent water was 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, 2011:

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

	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011	Due within One Year
Governmental activities:					
Bonds payable:					
MPC revenue bonds	\$ 35,050,000	\$ -	\$ 4,485,000	\$ 30,565,000	\$ 1,545,000
Certificates of Participation	14,745,000	-	620,000	14,125,000	645,000
Special assessments bonds	1,463,000	-	447,000	1,016,000	466,000
Community facilities districts:					
General obligation bonds	30,690,000	-	905,000	29,785,000	980,000
Special assessments	4,515,000	-	388,000	4,127,000	200,000
Long-term loan payable	279,050	-	17,910	261,140	20,248
Less deferred amounts:					
On refunding	(315,593)	40,634	-	(274,959)	(40,634)
Total bonds payable	86,426,457	40,634	6,862,910	79,604,181	3,815,614
Long-term obligations	3,310,867	-	372,791	2,938,076	372,791
Compensated absences	1,344,134	1,119,263	1,125,259	1,338,138	100,360
Governmental activity Long-term liabilities	<u>\$ 91,081,458</u>	<u>\$ 1,159,897</u>	<u>\$ 8,360,960</u>	<u>\$ 83,880,395</u>	<u>\$ 4,288,765</u>
Business-type activities:					
Revenue bonds	\$ 21,600,000	\$ -	\$ 1,790,000	\$ 19,810,000	\$ 1,860,000
Less deferred amounts:					
On refunding	(1,089,749)	121,084	-	(968,665)	(121,084)
Total revenue bonds payable	20,510,251	121,084	1,790,000	18,841,335	1,738,916
Long-term obligations	320,276	-	320,276	-	-
Long-term loan payable	12,246,932	-	601,942	11,644,990	629,692
Business-type activity Long-term liabilities	<u>\$ 33,077,459</u>	<u>\$ 121,084</u>	<u>\$ 2,712,218</u>	<u>\$ 30,486,325</u>	<u>\$ 2,368,608</u>
Total long-term liabilities	<u>\$ 124,158,917</u>	<u>\$ 1,280,981</u>	<u>\$ 11,073,178</u>	<u>\$ 114,366,720</u>	<u>\$ 6,657,373</u>

Town of Prescott Valley, Arizona

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.

Details of bonded debt as of June 30, 2011, are as follows:

Municipal Property Corporation (MPC) Revenue Bonds

Details of MPC revenue bonds as of June 30, 2011, 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).

\$14,830,000

\$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).

4,690,000

\$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).

11,045,000

Total MPC Revenue Bonds

\$30,565,000

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).

\$14,125,000

Total COP Bonds

\$14,125,000

Special Assessment Bonds

Details of Special Assessment Bonds payable as of June 30, 2011, 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).

\$296,000

\$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).

720,000

Total Special Assessment Bonds

\$1,016,000

Town of Prescott Valley, Arizona

CFD Bonds/Loans

The CFD Bonds and Loans payable as of June 30, 2011 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>	\$13,460,000
<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>	6,510,000
<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>	1,415,000
<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>	6,480,000
<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 was determined at the completion of the project after final loan drawdowns were submitted for a payback period of twenty (20) years with annual principal and semi-annual interest payments. (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – wastewater collection system).</p>	261,140
<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>	3,335,000

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).

2,712,000

Total Community Facilities District Bonds and Loans

\$34,173,140

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, 2011 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).

\$ 7,240,000

\$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).

7,415,932

\$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).

4,229,058

\$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).

12,570,000

Total Revenue Bonds and Loans

\$31,454,990

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, 2011. Deferred issuance costs and deferred amounts on refunding are not included.

Governmental Activities								
Fiscal Year Ending	Municipal Property Corp						Total Debt	
	Revenue Bond		Certificates of Participation		Special Assessments		Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	1,545,000	1,337,950	645,000	592,912	466,000	79,904	2,656,000	2,010,766
2013	1,630,000	1,282,855	670,000	567,112	175,000	43,175	2,475,000	1,893,142
2014	1,730,000	1,225,667	695,000	540,312	185,000	29,437	2,610,000	1,795,416
2015	1,835,000	1,162,876	725,000	512,512	190,000	14,915	2,750,000	1,690,303
2016	1,960,000	1,090,141	755,000	483,512	-	-	2,715,000	1,573,653
2017-21	9,585,000	4,200,799	4,245,000	1,939,265	-	-	13,830,000	6,140,064
2022-26	11,000,000	1,897,862	5,205,000	974,901	-	-	16,205,000	2,872,763
2027-31	1,280,000	64,000	1,185,000	53,325	-	-	2,465,000	117,325
	<u>\$ 30,565,000</u>	<u>\$ 12,262,150</u>	<u>\$ 14,125,000</u>	<u>\$ 5,663,851</u>	<u>\$ 1,016,000</u>	<u>\$ 167,431</u>	<u>\$ 45,706,000</u>	<u>\$ 18,093,432</u>

Governmental Activities (continued)								
Community Facilities Districts								
Fiscal Year Ending	StoneRidge CFD		Pronghorn Ranch CFD		Eastridge CFD		Quailwood Meadows CFD	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	640,000	737,312	235,000	368,305	190,000	52,200	240,000	334,950
2017-21	3,900,000	2,958,861	1,415,000	1,587,345	625,000	71,232	1,445,000	1,432,500
2022-26	5,405,000	1,401,469	1,955,000	1,030,425	-	-	1,940,000	925,506
2027-31	1,310,000	44,213	2,095,000	281,940	-	-	2,010,000	255,414
CFD Bonded Debt	<u>\$ 13,460,000</u>	<u>\$ 8,465,916</u>	<u>\$ 6,510,000</u>	<u>\$ 4,872,090</u>	<u>\$ 1,415,000</u>	<u>\$ 448,595</u>	<u>\$ 6,480,000</u>	<u>\$ 4,411,135</u>

Governmental Activities (continued)								
Community Facilities Districts (continued)								
Fiscal Year Ending	RavenRidge CFD		Parkway CFD #1		Southside CFD #1		Total Debt Community Facilities District	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	20,248	7,540	95,000	172,198	60,000	186,354	1,200,248	2,144,198
2013	20,248	6,956	95,000	167,591	60,000	182,679	1,255,248	2,073,118
2014	20,248	6,372	100,000	162,863	65,000	178,851	1,320,248	1,996,345
2015	20,248	5,786	105,000	157,891	70,000	174,716	1,415,248	1,912,200
2016	20,249	5,202	110,000	152,678	75,000	170,275	1,510,249	1,820,922
2017-21	80,992	17,240	650,000	669,190	447,000	773,864	8,562,992	7,510,232
2022-26	78,907	3,327	840,000	474,255	613,000	595,946	10,831,907	4,430,928
2027-31	-	-	1,085,000	219,484	878,000	328,642	7,378,000	1,129,693
2032-35	-	-	255,000	6,821	444,000	32,697	699,000	39,518
CFD Bonded Debt	<u>\$ 261,140</u>	<u>\$ 52,423</u>	<u>\$ 3,335,000</u>	<u>\$ 2,182,971</u>	<u>\$ 2,712,000</u>	<u>\$ 2,624,024</u>	<u>\$ 34,173,140</u>	<u>\$ 23,057,154</u>

Total CFD Bonded and Long-Term Debt \$ 34,173,140 \$ 23,057,154

Business Type Activities							
Fiscal Year Ending	Prescott Valley Wastewater		Prescott Valley Water System		Total Debt Business Type Activities		
	Principal	Interest	Principal	Interest	Principal	Interest	
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	1,272,309	517,598	1,580,000	297,400	2,852,309	814,998	
2017-21	7,123,949	1,844,473	5,190,000	491,550	12,313,949	2,336,023	
2022-26	5,487,792	457,026	-	-	5,487,792	457,026	
2027-31	329,319	5,124	-	-	329,319	5,124	
	<u>\$ 18,884,990</u>	<u>\$ 5,326,717</u>	<u>\$ 12,570,000</u>	<u>\$ 2,522,575</u>	<u>\$ 31,454,990</u>	<u>\$ 7,849,292</u>	

Total Business-Type Activity Bonded and Long-Term Debt \$ 31,454,990 \$ 7,849,292

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, 2011:

20% Constitutional Limit		6% Constitutional Limit	
20% Constitutional Limit	\$ 67,045,370	6% Constitutional Limit	\$ 20,113,611
Less General Obligation		Less General Obligation	
20% Bond Outstanding	-	6% Bond Outstanding	-
Available 20% Limitation		Available 6% Limitation	
Borrowing Capacity	\$ 67,045,370	Borrowing Capacity	\$ 20,113,611

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, 2011 is approximately \$25,695,413.

On August 25, 2011 the Town initiated the refunding of the Municipal Property Corporation Facilities Revenue Bonds, Series 2003. The refunding of the bonds will result in a net present value savings of \$400,454. As a result of the refunding, Standard & Poor and Fitch Ratings affirmed the Town's bond rating of AA-.

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.

The Prescott Valley Water System and Wastewater rates have been revised in the upcoming fiscal year 2011/12 budget. Town staff finished updating a utility rate study and presented the information to Council for approval effective November 1, 2011.

D. Community Facilities District Debt and Related Activities

Three of the Town's Community Facility Districts (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.

Town of Prescott Valley, Arizona

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 years of service. The following describes the payroll and contribution requirements for the year ended June 30, 2011:

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>
Employer	\$ 10,634,494	\$ 6,375,030	8%	\$ 510,002	\$ 509,788
Employee	N/A	6,375,030	7%	446,252	446,132

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.

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, 2011 was 14.72 % of annual covered payroll.

Annual pension cost. For the year ended June 30, 2011, 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 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, 2010, the most recent actuarial calculation date, the plan was 80.8% funded. The actuarial accrued liability for benefits was \$11,915,220, and the actuarial value of assets was \$9,628,085, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,287,135. The covered payrolls (annual payrolls of active employees covered by the plans) were \$3,923,257, and the ratio of the UAAL to the covered payroll was 58.3%.

Town of Prescott Valley, Arizona

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, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	26 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

Three-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, 2008	\$ 384,228	100%	--
June 30, 2009	631,976	100%	--
June 30, 2010	533,698	100%	--

Town of Prescott Valley, Arizona

Required Supplementary Information

Schedule of Funding Progress for APSPRS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Percent Funded (1)/(2)	Unfunded AAL (2) – (1)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(5)
2008	7,316,481	9,433,338	77.6%	2,116,857	3,966,754	53.4%
2009	8,800,227	11,220,645	78.4%	2,420,418	4,090,427	59.2%
2010	9,628,085	11,915,220	80.8%	2,287,135	3,923,257	58.3%

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 the 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.

Development Impact Fees Fund – This fund was established to accumulate funds to help pay for capital improvements that are proposed due to growth.

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

**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, 2011

	Special Revenue Funds				
	Replacement Fund	Local Transportation Assistance Fund	UNS Facilities Relocation Fund	Library Building Fund	Entertainment Area Fund
ASSETS					
Cash and investments	\$ 458,174	\$ 31,280	\$ 222,822	\$ 191,069	\$ 302,280
Restricted cash and investments	-	-	-	-	-
Receivables:					
Interest	1,765	-	-	790	335
Grants	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	46,268	4,838	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 459,939</u>	<u>\$ 31,280</u>	<u>\$ 269,090</u>	<u>\$ 196,697</u>	<u>\$ 302,615</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue:					
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Guaranty and other deposits	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Community facilities districts	-	-	-	-	-
Debt service	-	-	-	-	-
Grantor and contributor purposes	-	31,280	269,090	196,697	302,615
Committed to:					
Capital projects	-	-	-	-	-
Replacement fund	459,939	-	-	-	-
Unassigned:					
	-	-	-	-	-
Total fund balances	<u>459,939</u>	<u>31,280</u>	<u>269,090</u>	<u>196,697</u>	<u>302,615</u>
Total liabilities and fund balances	<u>\$ 459,939</u>	<u>\$ 31,280</u>	<u>\$ 269,090</u>	<u>\$ 196,697</u>	<u>\$ 302,615</u>

Maranda Donation Fund	Development Impact Fees	Grants Fund	Debt Service			Capital Projects Fund	Community Facilities Districts	
			Certificates of Participation	Special Assessments	Capital Project Growth Fund	Pronghorn Ranch	Quailwood Meadows	
\$ 341,887	\$ 1,897,158	\$ 31,698	\$ 296,456	\$ 255,863	\$ 1,500,452	\$ -	\$ -	
-	-	-	-	-	-	841,273	1,059,080	
1,122	7,514	-	-	-	4,926	-	-	
-	-	637,782	-	-	-	-	-	
-	-	-	-	881,439	-	-	-	
-	201,799	-	-	-	-	45,690	19,491	
-	-	64,712	-	-	-	-	-	
\$ 343,009	\$ 2,106,471	\$ 734,192	\$ 296,456	\$ 1,137,302	\$ 1,505,378	\$ 886,963	\$ 1,078,571	
\$ -	\$ -	\$ 172,965	\$ -	\$ 647	\$ -	\$ 80,985	\$ 23,595	
-	-	9,781	-	-	-	-	-	
-	-	514,913	296,332	-	-	112,828	23,472	
-	-	-	-	881,439	-	-	-	
-	-	36,533	-	-	-	-	-	
-	-	-	-	-	-	560,229	694,000	
-	1,399,758	-	-	-	-	-	-	
-	1,399,758	734,192	296,332	882,086	-	754,042	741,067	
-	-	64,712	-	-	-	-	-	
-	706,713	-	-	-	-	-	-	
-	-	-	-	-	-	132,921	337,504	
-	-	-	124	255,216	-	-	-	
343,009	-	-	-	-	-	-	-	
-	-	-	-	-	1,505,378	-	-	
-	-	-	-	-	-	-	-	
-	-	(64,712)	-	-	-	-	-	
343,009	706,713	-	124	255,216	1,505,378	132,921	337,504	
\$ 343,009	\$ 2,106,471	\$ 734,192	\$ 296,456	\$ 1,137,302	\$ 1,505,378	\$ 886,963	\$ 1,078,571	

(continued)

Town of Prescott Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2011

	Community Facilities Districts				Total Non-major Governmental Funds
	Parkway	Raven Ridge	Eastridge	Southside	
	District No. 1			District No. 1	
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 5,529,139
Restricted cash and investments	416,681	28,764	457,846	316,259	3,119,903
Receivables:					
Interest	-	-	-	-	16,452
Grants	-	-	-	-	637,782
Special assessments	-	-	-	-	881,439
Miscellaneous	-	-	-	-	318,086
Prepaid	-	-	-	-	64,712
Total assets	\$ 416,681	\$ 28,764	\$ 457,846	\$ 316,259	\$ 10,567,513
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,427	\$ -	\$ 7	\$ 34	\$ 282,660
Accrued payroll	-	-	-	-	9,781
Due to other funds	1,321	-	-	-	948,866
Deferred revenue:					
Special assessments	-	-	-	-	881,439
Other	-	-	-	-	36,533
Guaranty and other deposits	-	-	-	-	1,254,229
Advance from other funds	-	-	-	-	1,399,758
Total liabilities	5,748	-	7	34	4,813,266
Fund balances:					
Nonspendable:					
Prepaid items	-	-	-	-	64,712
Restricted for:					
Capital projects	-	-	-	-	706,713
Community facilities districts	410,933	28,764	457,839	316,225	1,684,186
Debt service	-	-	-	-	255,340
Grantor and contributor purposes	-	-	-	-	1,142,691
Committed to:					
Capital projects	-	-	-	-	1,505,378
Replacement fund	-	-	-	-	459,939
Unassigned:	-	-	-	-	(64,712)
Total fund balances	410,933	28,764	457,839	316,225	5,754,247
Total liabilities and fund balances	\$ 416,681	\$ 28,764	\$ 457,846	\$ 316,259	\$ 10,567,513



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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, 2011

	Special Revenue Funds				
	Replacement Fund	Local Transportation Assistance Fund	UNS Facilities Relocation Fund	Library Building Fund	Entertainment Area Fund
REVENUES					
Taxes - local	\$ -	\$ -	\$ 228,735	\$ -	\$ -
Taxes - intergovernmental:					
Local transportation assistance fund	-	31,280	-	-	-
Taxes - property	-	-	-	-	-
Special assessments	-	-	-	-	-
Interest earnings	5,043	-	-	2,998	1,145
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
Refunds and reimbursements	-	-	-	66,526	-
Contributions	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	5,043	31,280	228,735	69,524	1,145
EXPENDITURES					
Current:					
General government	-	-	-	-	539,431
Public safety	-	-	-	-	-
Culture & recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	397,585	-	-
Total expenditures	-	-	397,585	-	539,431
Excess (deficiency) of revenues over expenditures	5,043	31,280	(168,850)	69,524	(538,286)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	565,457
Transfers out	(113,960)	(54,386)	-	(96,127)	-
Total other financing sources and uses	(113,960)	(54,386)	-	(96,127)	565,457
Net change in fund balances	(108,917)	(23,106)	(168,850)	(26,603)	27,171
Fund balances - beginning	568,856	54,386	437,940	223,300	275,444
Fund balances - ending	\$ 459,939	\$ 31,280	\$ 269,090	\$ 196,697	\$ 302,615

Maranda Donation Fund	Development Impact Fees	Grants Fund	Debt Service		Capital Projects Fund	Community Facilities Districts	
			Certificates of Participation	Special Assessments	Capital Project Growth Fund	Pronghorn Ranch	Quailwood Meadows
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	585,375	444,941
3,918	24,743	-	344	651,036	-	-	-
-	-	-	-	-	14,273	72	97
-	-	2,233,605	-	-	-	-	-
-	-	16,006	-	-	-	-	-
-	-	-	-	-	-	-	-
-	412,071	-	-	-	-	139,771	-
-	-	(5)	-	-	-	-	-
3,918	436,814	2,249,606	344	651,036	14,273	725,218	445,038
-	-	9,158	-	-	-	98,026	62,574
-	-	1,410,132	-	-	-	-	-
-	-	18,121	-	-	-	-	-
-	-	-	620,000	447,000	-	175,000	165,000
-	-	-	622,213	115,824	-	428,158	391,363
-	-	812,295	-	-	-	-	-
-	-	2,249,706	1,242,213	562,824	-	701,184	618,937
3,918	436,814	(100)	(1,241,869)	88,212	14,273	24,034	(173,899)
-	-	106	1,241,842	-	-	-	-
-	(1,677,652)	(6)	-	-	-	-	-
-	(1,677,652)	100	1,241,842	-	-	-	-
3,918	(1,240,838)	-	(27)	88,212	14,273	24,034	(173,899)
339,091	1,947,551	-	151	167,004	1,491,105	108,887	511,403
\$ 343,009	\$ 706,713	\$ -	\$ 124	\$ 255,216	\$ 1,505,378	\$ 132,921	\$ 337,504

(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, 2011

	Community Facilities Districts				Total Non-major Governmental Funds
	Parkway District No. 1	Raven Ridge	Eastridge	Southside District No. 1	
REVENUES					
Taxes - local	\$ -	\$ -	\$ -	\$ -	\$ 228,735
Taxes - intergovernmental:					
Local transportation assistance fund	-	-	-	-	31,280
Taxes - property	255,233	-	-	-	1,285,549
Special assessments	-	26,399	244,778	195,039	1,117,252
Interest earnings	34	-	32	22	52,721
Intergovernmental:					
Federal grants	-	-	-	-	2,233,605
State grants	-	-	-	-	16,006
Refunds and reimbursements	-	-	-	-	66,526
Contributions	-	-	-	-	551,842
Other	-	-	-	-	(5)
Total revenues	255,267	26,399	244,810	195,061	5,583,511
EXPENDITURES					
Current:					
General government	17,762	250	-	7	727,208
Public safety	-	-	-	-	1,410,132
Culture & recreation	-	-	-	-	18,121
Debt service:					
Principal	90,000	17,910	130,000	258,000	1,902,910
Interest and fiscal charges	177,185	11,531	110,070	204,696	2,061,040
Capital outlay	-	-	-	-	1,209,880
Total expenditures	284,947	29,691	240,070	462,703	7,329,291
Excess (deficiency) of revenues over expenditures	(29,680)	(3,292)	4,740	(267,642)	(1,745,780)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	1,807,405
Transfers out	-	-	-	-	(1,942,131)
Total other financing sources and uses	-	-	-	-	(134,726)
Net change in fund balances	(29,680)	(3,292)	4,740	(267,642)	(1,880,506)
Fund balances - beginning	440,613	32,056	453,099	583,867	7,634,753
Fund balances - ending	\$ 410,933	\$ 28,764	\$ 457,839	\$ 316,225	\$ 5,754,247

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 7,000	\$ 7,000	\$ 5,043	\$ (1,957)
Total revenues	7,000	7,000	5,043	(1,957)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,000	7,000	5,043	(1,957)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(113,960)	(113,960)	(113,960)	-
Total other financing sources and uses	(113,960)	(113,960)	(113,960)	-
Net change in fund balances	(106,960)	(106,960)	(108,917)	(1,957)
Fund balances - beginning	566,000	566,000	568,856	2,856
Fund balances - ending	\$ 459,040	\$ 459,040	\$ 459,939	\$ 899

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - intergovernmental	\$ -	\$ -	\$ 31,280	\$ 31,280
Total revenues	-	-	31,280	31,280
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	31,280	31,280
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(54,000)	(54,000)	(54,386)	(386)
Total other financing sources and uses	(54,000)	(54,000)	(54,386)	(386)
Net change in fund balances	(54,000)	(54,000)	(23,106)	30,894
Fund balances - beginning	54,000	54,000	54,386	386
Fund balances - ending	\$ -	\$ -	\$ 31,280	\$ 31,280

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - franchise	\$ 230,500	\$ 230,500	\$ 228,735	\$ (1,765)
Total revenues	230,500	230,500	228,735	(1,765)
EXPENDITURES				
Capital outlay	668,500	668,500	397,585	270,915
Total expenditures	668,500	668,500	397,585	270,915
Excess (deficiency) of revenues over expenditures	(438,000)	(438,000)	(168,850)	269,150
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(438,000)	(438,000)	(168,850)	269,150
Fund balances - beginning	438,000	438,000	437,940	(60)
Fund balances - ending	\$ -	\$ -	\$ 269,090	\$ 269,090

Town of Prescott Valley, Arizona

Library Building 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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 2,998	\$ 2,998
Refunds and reimbursements	48,000	48,000	66,526	18,526
Total revenues	48,000	48,000	69,524	21,524
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	48,000	48,000	69,524	21,524
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfer out	(150,000)	(150,000)	(96,127)	53,873
Total other financing sources and uses	(150,000)	(150,000)	(96,127)	53,873
Net change in fund balances	(102,000)	(102,000)	(26,603)	75,397
Fund balances - beginning	288,000	288,000	223,300	(64,700)
Fund balances - ending	\$ 186,000	\$ 186,000	\$ 196,697	\$ 10,697

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 1,000	\$ 1,000	\$ 1,145	\$ 145
Total revenues	1,000	1,000	1,145	145
EXPENDITURES				
Current:				
Operating Expenditures	573,000	573,000	539,431	33,569
Total expenditures	573,000	573,000	539,431	33,569
Excess (deficiency) of revenues over expenditures	(572,000)	(572,000)	(538,286)	33,714
OTHER FINANCING SOURCES (USES)				
Transfers in	572,000	572,000	565,457	(6,543)
Transfers out	-	-	-	-
Total other financing sources and uses	572,000	572,000	565,457	(6,543)
Net change in fund balances	-	-	27,171	27,171
Fund balances - beginning	251,000	251,000	275,444	24,444
Fund balances - ending	\$ 251,000	\$ 251,000	\$ 302,615	\$ 51,615

Town of Prescott Valley, Arizona

Maranda Donation Fund - Special Revenue Fund

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

Governmental Funds

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 4,000	\$ 4,000	\$ 3,918	\$ (82)
Total revenues	4,000	4,000	3,918	(82)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	4,000	4,000	3,918	(82)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	4,000	4,000	3,918	(82)
Fund balances - beginning	340,000	340,000	339,091	(909)
Fund balances - ending	\$ 344,000	\$ 344,000	\$ 343,009	\$ (991)

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 31,500	\$ 31,500	\$ 24,743	\$ (6,757)
Impact fees	262,000	262,000	412,071	150,071
Total revenues	<u>293,500</u>	<u>293,500</u>	<u>436,814</u>	<u>143,314</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>293,500</u>	<u>293,500</u>	<u>436,814</u>	<u>143,314</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,751,200)</u>	<u>(1,751,200)</u>	<u>(1,677,652)</u>	<u>73,548</u>
Total other financing sources	<u>(1,751,200)</u>	<u>(1,751,200)</u>	<u>(1,677,652)</u>	<u>73,548</u>
Net change in fund balances	(1,457,700)	(1,457,700)	(1,240,838)	216,862
Fund balances - beginning	<u>2,408,000</u>	<u>2,408,000</u>	<u>1,947,551</u>	<u>(460,449)</u>
Fund balances - ending	<u>\$ 950,300</u>	<u>\$ 950,300</u>	<u>\$ 706,713</u>	<u>\$ (243,587)</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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Intergovernmental:				
Federal grants	\$ 7,228,281	\$ 7,228,281	\$ 2,233,605	\$ (4,994,676)
State grants	1,732,106	1,732,106	16,006	(1,716,100)
Donations	-	-	(5)	(5)
Total revenues	<u>8,960,387</u>	<u>8,960,387</u>	<u>2,249,606</u>	<u>(6,710,781)</u>
EXPENDITURES				
Current:				
General government	36,000	36,000	9,158	26,842
Public safety	2,602,672	2,602,672	1,410,132	1,192,540
Culture and recreation	5,500	5,500	18,121	(12,621)
Capital outlay	6,316,215	6,266,215	812,295	5,453,920
Total expenditures	<u>8,960,387</u>	<u>8,910,387</u>	<u>2,249,706</u>	<u>6,660,681</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>50,000</u>	<u>(100)</u>	<u>(50,100)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	106	106
Transfers out	-	-	(6)	(6)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Net change in fund balances	-	50,000	-	(50,000)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 11,000	\$ 11,000	\$ 116	\$ (10,884)
Total revenues	11,000	11,000	116	(10,884)
EXPENDITURES				
Current:				
Debt service:				
Principal	1,735,000	1,735,000	1,450,000	285,000
Interest and fiscal charges	1,522,868	1,522,868	1,456,551	66,317
Advance refunding escrow	-	-	3,310,944	(3,310,944)
Total expenditures	3,257,868	3,257,868	6,217,495	(2,959,627)
Excess (deficiency) of revenues over expenditures	(3,246,868)	(3,246,868)	(6,217,379)	(2,970,511)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,269,700	3,269,700	2,473,812	(795,888)
Transfers out	-	-	(329,362)	(329,362)
Total other financing sources	3,269,700	3,269,700	2,144,450	(1,125,250)
Net change in fund balances	22,832	22,832	(4,072,929)	(4,095,761)
Fund balances - beginning	17,669,000	17,669,000	19,718,156	2,049,156
Fund balances - ending	\$ 17,691,832	\$ 17,691,832	\$ 15,645,227	\$ (2,046,605)

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 344	\$ 344
Total revenues	-	-	344	344
EXPENDITURES				
Current:				
Debt service:				
Principal	620,000	620,000	620,000	-
Interest and fiscal charges	620,212	620,212	622,213	(2,001)
Total expenditures	1,240,212	1,240,212	1,242,213	(2,001)
Excess (deficiency) of revenues over expenditures	(1,240,212)	(1,240,212)	(1,241,869)	(1,657)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,240,300	1,240,300	1,241,842	1,542
Transfers out	-	-	-	-
Total other financing sources	1,240,300	1,240,300	1,241,842	1,542
Net change in fund balances	88	88	(27)	(115)
Fund balances - beginning	-	-	151	151
Fund balances - ending	\$ 88	\$ 88	\$ 124	\$ 36

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Special assessments	\$ 533,500	\$ 533,500	\$ 651,036	\$ 117,536
Total revenues	533,500	533,500	651,036	117,536
EXPENDITURES				
Debt service:				
Principal	607,000	607,000	447,000	160,000
Interest and fiscal charges	181,720	181,720	115,824	65,896
Total expenditures	788,720	788,720	562,824	225,896
Excess (deficiency) of revenues over expenditures	(255,220)	(255,220)	88,212	343,432
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(255,220)	(255,220)	88,212	343,432
Fund balances - beginning	320,000	320,000	167,004	(152,996)
Fund balances - ending	\$ 64,780	\$ 64,780	\$ 255,216	\$ 190,436

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, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ 15,000	\$ 15,000	\$ 14,273	\$ (727)
Total revenues	15,000	15,000	14,273	(727)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	15,000	15,000	14,273	(727)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	15,000	15,000	14,273	(727)
Fund balances - beginning	1,460,000	1,460,000	1,491,105	31,105
Fund balances - ending	\$ 1,475,000	\$ 1,475,000	\$ 1,505,378	\$ 30,378

Town of Prescott Valley, Arizona

Streets Capital Improvement Fund

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

Governmental Funds

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Taxes - local	\$ 1,509,000	\$ 1,509,000	\$ 1,445,905	\$ (63,095)
Interest earnings	40,000	40,000	35,461	(4,539)
Total revenues	<u>1,549,000</u>	<u>1,549,000</u>	<u>1,481,366</u>	<u>(67,634)</u>
EXPENDITURES				
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,059,422</u>	<u>940,578</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,059,422</u>	<u>940,578</u>
Excess (deficiency) of revenues over expenditures	<u>(451,000)</u>	<u>(451,000)</u>	<u>421,944</u>	<u>872,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(955,100)</u>	<u>(955,100)</u>	<u>(953,801)</u>	<u>1,299</u>
Total other financing sources	<u>(955,100)</u>	<u>(955,100)</u>	<u>(953,801)</u>	<u>1,299</u>
Net change in fund balances	(1,406,100)	(1,406,100)	(531,857)	874,243
Fund balances - beginning	<u>3,129,000</u>	<u>3,129,000</u>	<u>3,176,643</u>	<u>47,643</u>
Fund balances - ending	<u>\$ 1,722,900</u>	<u>\$ 1,722,900</u>	<u>\$ 2,644,786</u>	<u>\$ 921,886</u>



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Statistical Section

This part of the Town of Prescott Valley’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Town’s overall financial health.

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

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

Town of Prescott Valley, Arizona

Net Assets by Component

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,124,779	\$ 13,550,128	\$ 46,666,116	\$ 64,214,749
Restricted	2,968,875	8,111,272	22,651,636	21,023,627
Unrestricted	56,490,395	45,550,971	48,484,559	49,468,196
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>
Business-type activities				
Invested in capital assets, net of related debt	\$ 14,432,828	\$ 22,901,555	\$ 48,539,873	\$ 58,780,861
Unrestricted	21,125,139	17,097,487	24,426,028	29,432,939
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>
Primary government				
Invested in capital assets, net of related debt	\$ 17,557,607	\$ 36,451,683	\$ 95,205,989	\$ 122,995,610
Restricted	2,968,875	8,111,272	22,651,636	21,023,627
Unrestricted	77,615,534	62,648,458	72,910,587	78,901,135
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>

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

Table 1

Fiscal Year				
2007	2008	2009	2010	2011
\$ 77,730,515	\$ 94,064,610	\$ 80,732,177	\$ 87,698,756	\$ 91,352,654
22,005,395	5,337,207	4,891,889	4,003,008	23,533,080
41,144,635	50,960,200	58,709,781	45,473,141	18,332,439
<u>\$ 140,880,545</u>	<u>\$ 150,362,017</u>	<u>\$ 144,333,847</u>	<u>\$ 137,174,905</u>	<u>\$ 133,218,173</u>
\$ 81,806,434	\$ 85,707,927	\$ 87,053,889	\$ 85,252,073	\$ 84,334,580
8,515,151	12,693,861	4,258,712	4,182,242	4,598,530
<u>\$ 90,321,585</u>	<u>\$ 98,401,788</u>	<u>\$ 91,312,601</u>	<u>\$ 89,434,315</u>	<u>\$ 88,933,110</u>
\$ 159,536,949	\$ 179,772,537	\$ 167,786,066	\$ 172,950,829	\$ 175,687,234
22,005,395	5,337,207	4,891,889	4,003,008	23,533,080
49,659,786	63,654,061	62,968,493	49,655,383	22,930,969
<u>\$ 231,202,130</u>	<u>\$ 248,763,805</u>	<u>\$ 235,646,448</u>	<u>\$ 226,609,220</u>	<u>\$ 222,151,283</u>

Town of Prescott Valley, Arizona

Changes in Net Assets

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 7,039,716	\$ 6,461,543	\$ 7,042,829	\$ 7,968,306
Public safety	4,214,549	4,969,379	5,437,388	6,703,996
Culture and recreation	2,751,520	2,451,113	3,095,954	3,043,174
Public works	1,684,209	2,516,685	1,921,143	2,365,488
Highway and streets	1,840,839	2,514,418	2,815,703	4,484,893
Interest on long-term debt	1,628,650	3,319,069	3,517,481	4,516,440
Total governmental activities expenses	19,159,483	22,232,207	23,830,498	29,082,297
Business-type activities:				
Wastewater utility	2,884,531	4,198,517	4,151,355	4,878,568
Prescott Valley water system	707,310	535,309	675,700	841,630
Water district	4,854,985	4,767,074	5,831,891	8,165,539
Total business-type activities expenses	8,446,826	9,500,900	10,658,946	13,885,737
Total primary government expenses	27,606,309	31,733,107	34,489,444	42,968,034
Program Revenues				
Governmental activities:				
Charges for services:				
General government	1,456,226	1,830,050	2,512,462	3,185,000
Public safety	5,928	21,415	35,017	4,929
Culture and recreation	132,913	131,846	133,883	163,549
Operating grants and contributions	138,198	164,876	416,548	496,099
Capital grants and contributions	6,304,610	5,723,013	47,999,642	9,814,366
Total governmental activities program revenues	8,037,875	7,871,200	51,097,552	13,663,943
Business-type activities:				
Charges for services:				
Wastewater utility	2,411,681	3,114,639	3,259,626	3,243,345
Prescott Valley water system	690,002	684,768	676,738	948,437
Water district	4,487,421	4,888,725	5,224,531	6,046,065
Capital grants and contributions	4,647,251	5,175,225	34,136,934	17,792,293
Total business-type activities program revenues	12,236,355	13,863,357	43,297,829	28,030,140
Total primary government program revenues	20,274,230	21,734,557	94,395,381	41,694,083
Net (expense)/revenue				
Governmental activities	8,037,875	(14,361,007)	27,267,054	(15,418,354)
Business-type activities	12,236,355	4,362,457	32,638,883	14,144,403
Total primary government net expense	20,274,230	(9,998,550)	59,905,937	(1,273,951)
Governmental activities:				
Taxes:				
Sales and use taxes	7,602,800	8,665,348	11,292,767	14,309,814
Franchise taxes	469,001	535,892	284,678	528,349
Property taxes	-	55,290	177,409	417,434
Intergovernmental	9,797,102	9,357,981	10,621,476	13,076,508
Interest and investment income	(8,924)	330,195	946,556	2,285,186
Miscellaneous	-	-	-	1,610,000
Transfers	(2,912,605)	44,623	-	95,323
Total governmental activities	14,947,374	18,989,329	23,322,886	32,322,614
Business-type activities:				
Interest and investment income	(186,644)	123,239	327,976	766,544
Proceeds from sale of effluent water	-	-	-	-
Miscellaneous	950,317	-	-	432,275
Transfers	2,912,605	(44,623)	-	(95,323)
Total business-type activities	3,676,278	78,616	327,976	1,103,496
Total primary government	18,623,652	19,067,945	23,650,862	33,426,110
Change in Net Assets				
Governmental activities	22,985,249	4,628,322	50,589,940	16,904,260
Business-type activities	15,912,633	4,441,073	32,966,859	15,247,899
Total primary government	\$ 38,897,882	\$ 9,069,395	\$ 83,556,799	\$ 32,152,159

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

Table 2

		Fiscal Year				
	2007	2008	2009	2010	2011	
\$	9,611,555	\$ 10,476,111	\$ 12,359,343	\$ 10,413,658	\$ 9,349,601	
	7,712,574	9,138,937	9,751,720	9,318,245	9,540,750	
	3,572,145	3,951,339	4,120,940	8,650,856	4,695,196	
	3,336,155	3,636,603	5,863,362	3,284,971	2,884,128	
	5,374,323	7,445,584	5,402,589	5,260,537	6,009,001	
	4,185,588	4,181,678	4,944,534	4,715,164	4,744,657	
	<u>33,792,340</u>	<u>38,830,252</u>	<u>42,442,488</u>	<u>41,643,431</u>	<u>37,223,333</u>	
	5,737,771	6,615,695	6,628,846	6,360,996	6,241,143	
	1,202,450	3,185,604	16,854,701	7,593,403	7,221,333	
	7,598,327	7,016,814	-	-	-	
	<u>14,538,548</u>	<u>16,818,113</u>	<u>23,483,547</u>	<u>13,954,399</u>	<u>13,462,476</u>	
	<u>48,330,888</u>	<u>55,648,365</u>	<u>65,926,035</u>	<u>55,597,830</u>	<u>50,685,809</u>	
	2,335,311	2,157,223	2,871,704	1,404,286	1,481,643	
	12,469	8,544	7,199	17,549	29,348	
	217,858	200,463	221,280	239,673	203,767	
	464,592	339,740	308,508	1,408,750	2,605,296	
	<u>6,496,180</u>	<u>11,260,876</u>	<u>3,718,931</u>	<u>3,081,303</u>	<u>3,008,745</u>	
	<u>9,526,410</u>	<u>13,966,846</u>	<u>7,127,622</u>	<u>6,151,561</u>	<u>7,328,799</u>	
	3,974,215	4,229,843	4,181,492	4,151,592	4,245,252	
	767,627	2,281,698	8,025,941	7,588,187	7,433,696	
	6,602,824	5,669,747	-	-	-	
	<u>4,455,083</u>	<u>6,434,349</u>	<u>4,782,391</u>	<u>925,703</u>	<u>1,354,631</u>	
	<u>15,799,749</u>	<u>18,615,637</u>	<u>16,989,824</u>	<u>12,665,482</u>	<u>13,033,579</u>	
	<u>25,326,159</u>	<u>32,582,483</u>	<u>24,117,446</u>	<u>18,817,043</u>	<u>20,362,378</u>	
	(24,265,930)	(24,863,406)	(35,314,866)	(35,491,870)	(29,894,534)	
	1,261,201	1,797,524	(6,493,723)	(1,288,917)	(428,897)	
	<u>(23,004,729)</u>	<u>(23,065,882)</u>	<u>(41,808,589)</u>	<u>(36,780,787)</u>	<u>(30,323,431)</u>	
	15,047,108	12,729,336	11,400,416	10,698,887	10,470,048	
	390,287	487,251	485,612	465,433	450,140	
	837,270	1,603,666	2,190,751	2,313,022	2,097,157	
	16,238,921	17,454,570	17,216,586	13,335,644	12,397,820	
	2,629,889	1,975,567	936,950	598,471	107,125	
	4,522	313	26,533	16,106	66,521	
	93,938	94,175	1,155,988	905,365	348,991	
	<u>35,241,935</u>	<u>34,344,878</u>	<u>33,412,836</u>	<u>28,332,928</u>	<u>25,937,802</u>	
	953,405	834,018	560,524	315,996	267,913	
	-	5,797,237	-	-	-	
	(12,883)	(254,401)	-	-	8,770	
	<u>(93,938)</u>	<u>(94,175)</u>	<u>(1,155,988)</u>	<u>(905,365)</u>	<u>(348,991)</u>	
	846,584	6,282,679	(595,464)	(589,369)	(72,308)	
	<u>36,088,519</u>	<u>40,627,557</u>	<u>32,817,372</u>	<u>27,743,559</u>	<u>25,865,494</u>	
	10,976,005	9,481,472	(1,902,030)	(7,158,942)	(3,956,732)	
	2,107,785	8,080,203	(7,089,187)	(1,878,286)	(501,205)	
\$	<u>13,083,790</u>	<u>\$ 17,561,675</u>	<u>\$ (8,991,217)</u>	<u>\$ (9,037,228)</u>	<u>\$ (4,457,937)</u>	

Town of Prescott Valley, Arizona

Fund Balances of Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 210,221	\$ -	\$ -	\$ -
Unreserved	17,268,777	16,755,376	18,838,057	21,367,149
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>17,478,998</u>	<u>16,755,376</u>	<u>18,838,057</u>	<u>21,367,149</u>
All other governmental funds				
Reserved	2,771,713	8,111,272	22,651,636	21,023,627
Unreserved, reported in:				
Special revenue funds	7,180,752	10,657,729	18,728,299	19,368,524
Capital projects funds	17,409,313	12,049,817	5,120,725	4,679,201
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
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>

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

Table 3

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ 7,872	\$ 10,800	\$ 587,801	\$ -
21,327,904	34,692,068	25,239,726	17,548,648	-
-	-	-	-	1,401,864
-	-	-	-	2,111,047
-	-	-	-	13,220,847
<u>21,327,904</u>	<u>34,699,940</u>	<u>25,250,526</u>	<u>18,136,449</u>	<u>16,733,758</u>
22,005,395	22,054,510	21,339,192	19,885,311	-
15,533,977	13,048,889	11,478,236	8,121,956	-
5,406,669	2,424,520	4,115,066	4,667,748	-
-	-	-	-	1,466,576
-	-	-	-	24,890,376
-	-	-	-	4,076,364
-	-	-	-	13,156,135
<u>\$ 42,946,041</u>	<u>\$ 37,527,919</u>	<u>\$ 36,932,494</u>	<u>\$ 32,675,015</u>	<u>\$ 43,589,451</u>

Town of Prescott Valley, Arizona
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes-local	\$ 8,071,801	\$ 9,201,240	\$ 11,577,445	\$ 14,309,814
Taxes-intergovernmental	9,797,102	9,403,342	10,621,476	13,604,857
Taxes-property	-	55,290	177,409	417,434
Licenses and permits	129,259	1,436,932	1,887,901	2,237,688
Charges for services	1,135,502	153,261	168,900	168,478
Fines and forfeitures	162,947	213,937	292,019	390,829
Special assessments	1,833,917	1,749,083	1,705,903	1,795,188
Investment earnings	108,325	438,091	1,059,465	2,121,163
Intergovernmental	478,092	1,083,410	638,353	938,967
Miscellaneous	5,239,626	4,351,766	5,406,291	6,202,109
Total revenues	26,956,571	28,086,352	33,535,162	42,186,527
Expenditures				
General government	6,588,637	5,936,948	6,339,834	7,194,077
Public safety	4,044,573	4,795,392	5,276,155	6,543,281
Culture and recreation	2,405,354	2,054,987	2,589,391	2,666,180
Public works	1,336,566	2,008,978	1,422,306	1,427,548
Highway and streets	1,218,494	1,526,534	1,668,671	2,154,915
Debt service:				
Principal	2,235,905	1,310,000	2,094,272	2,962,710
Interest and fiscal charges	1,505,920	3,309,588	3,476,847	4,475,806
Bond issuance costs (1)	122,730	165,816	986,516	-
Advance refunding escrow	-	568,878	-	1,215,000
Capital outlay	10,060,084	9,816,955	17,517,214	12,553,357
Total expenditures	29,518,263	31,494,076	41,371,206	41,192,874
Excess of revenues over (under) expenditures	(2,561,692)	(3,407,724)	(7,836,044)	993,653
Other financing sources (uses)				
Transfers in	2,351,068	6,510,326	4,959,590	6,811,479
Transfers out	(5,263,673)	(6,465,703)	(4,959,590)	(6,716,156)
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	-	-	-	-
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	-
Total other financing sources and (uses)	14,907,715	11,796,142	25,600,567	106,131
Net change in fund balances	\$ 12,346,023	\$ 8,388,418	\$ 17,764,523	\$ 1,099,784
Debt service as a percentage of noncapital expenditures	19.9%	24.7%	27.5%	30.2%

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.

Table 4

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	15,437,395	\$	13,216,587	\$	11,886,028	\$	11,164,320	\$	10,920,188
	16,238,921		17,454,570		17,216,586		13,932,418		12,397,820
	837,270		1,603,666		2,190,751		2,313,022		2,097,157
	1,055,619		756,726		553,007		363,051		411,725
	507,988		372,075		331,324		358,281		266,874
	551,478		673,351		779,386		623,565		675,209
	1,712,438		1,250,009		1,323,126		1,348,178		1,117,252
	2,607,504		1,961,913		1,016,586		393,182		243,286
	868,007		388,461		410,698		2,549,543		2,271,289
	2,963,744		3,116,482		2,380,846		1,430,534		2,148,555
	<u>42,780,364</u>		<u>40,793,840</u>		<u>38,088,338</u>		<u>34,476,094</u>		<u>32,549,355</u>
	8,723,101		8,888,114		11,760,135		9,295,019		8,708,728
	7,392,991		8,831,807		9,143,146		8,831,350		8,921,567
	3,031,871		3,361,957		3,548,012		4,060,473		3,314,352
	1,943,035		1,664,904		1,578,240		1,403,528		1,167,649
	2,776,810		2,817,805		2,112,236		2,041,828		2,215,823
	2,612,216		2,082,646		3,616,248		3,833,248		6,862,910
	4,144,954		4,141,044		4,903,900		4,663,230		4,704,023
	363,891		959,186		-		-		-
	465,000		165,000		-		576,300		-
	17,009,989		18,941,812		12,627,248		12,048,039		4,225,307
	<u>48,463,858</u>		<u>51,854,275</u>		<u>49,289,165</u>		<u>46,753,015</u>		<u>40,120,359</u>
	(5,683,494)		(11,060,435)		(11,200,827)		(12,276,921)		(7,571,004)
	7,802,928		10,383,142		5,260,351		8,244,932		5,270,966
	(7,708,990)		(10,288,967)		(4,104,363)		(7,339,567)		(4,921,975)
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		(14,826)		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	3,425,000		18,935,000		-		-		-
	<u>3,518,938</u>		<u>19,014,349</u>		<u>1,155,988</u>		<u>905,365</u>		<u>348,991</u>
\$	<u>(2,164,556)</u>	\$	<u>7,953,914</u>	\$	<u>(10,044,839)</u>	\$	<u>(11,371,556)</u>	\$	<u>(7,222,013)</u>
	24.1%		22.3%		23.2%		26.1%		32.2%

Town of Prescott Valley, Arizona

General Governmental Tax Revenues by Source

Last Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Transaction Privilege Tax (1)*	\$ 7,602,800	\$ 8,665,348	\$ 11,292,767	\$ 13,781,465
Franchise Tax (2)*	469,001	535,892	284,678	528,349
State-Shared Sales Tax (3)**	1,840,621	1,980,004	2,180,290	2,565,294
Urban Revenue Sharing Tax (4)**	2,472,976	2,125,574	2,188,452	2,258,836
Auto in Lieu Tax (5)**	1,570,471	1,520,915	1,578,183	1,819,449
Highway User Tax (6)**	1,989,445	2,213,107	2,250,227	2,463,256
Other Tax (7)**	1,923,589	1,563,742	2,424,324	4,498,022
Property Tax (8)***	-	55,290	177,409	417,434
Total	<u>\$ 17,868,903</u>	<u>\$ 18,659,872</u>	<u>\$ 22,376,330</u>	<u>\$ 28,332,105</u>

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.

Table 5

Fiscal Year				
2007	2008	2009	2010	2011
\$ 14,821,243	\$ 12,500,181	\$ 11,169,107	\$ 10,473,107	\$ 10,241,313
616,152	716,406	714,028	691,213	678,875
3,191,209	3,085,676	2,671,333	2,463,915	2,603,320
3,811,960	4,725,011	5,006,330	4,334,885	3,267,948
2,150,126	2,080,348	1,981,539	1,824,921	1,813,235
3,022,836	2,799,297	2,517,929	2,498,515	2,521,131
4,062,790	4,764,238	5,039,455	2,810,182	2,192,186
837,270	1,603,666	2,190,751	2,313,022	2,097,157
<u>\$ 32,513,586</u>	<u>\$ 32,274,823</u>	<u>\$ 31,290,472</u>	<u>\$ 27,409,760</u>	<u>\$ 25,415,165</u>

Town of Prescott Valley, Arizona

General Governmental Taxable Sales by Category

Last Nine Fiscal Years

(modified accrual basis of accounting)

Category	Fiscal Year			
	2003	2004	2005	2006
Mining	\$ -	\$ 7,913	\$ 2,928	\$ 13
Construction	2,268,133	2,291,804	3,410,916	4,303,842
Manufacturing	131,637	221,484	462,600	425,914
Transportation, comm., utilities	459,931	479,744	958,579	1,172,130
Wholesale	172,664	150,805	110,747	157,700
Retail	3,101,557	3,948,565	4,397,241	5,334,047
Restaurant/bars	461,991	560,439	702,153	823,379
Finance, insurance, real estate	37,148	70,934	285,314	459,535
Hotels	116,800	124,814	125,949	160,543
Services	470,172	479,646	412,593	511,750
Government	477	699	68,375	111,741
Others	263,274	269,545	260,664	203,601
City sales tax audit	119,016	58,956	94,708	117,270
Total	\$ 7,602,800	\$ 8,665,348	\$ 11,292,767	\$ 13,781,465

Source: Arizona Department of Revenue

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

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

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

Table 6

Fiscal Year				
2007	2008	2009	2010	2011
\$ 53	\$ 30	\$ 97	\$ 35	\$ 1,006
4,528,174	2,836,996	1,783,434	1,015,288	586,972
453,093	428,751	379,823	262,357	240,828
1,350,309	1,504,095	1,334,285	1,432,800	1,410,446
163,389	190,936	157,532	233,362	236,117
5,723,780	5,141,365	5,318,986	5,406,340	5,578,893
913,840	956,567	947,387	911,260	900,239
455,771	449,552	361,874	277,369	299,504
154,804	163,494	152,647	207,788	229,591
479,565	437,841	356,907	351,574	344,008
114,890	137,326	270,020	253,351	273,425
246,804	104,093	49,440	48,034	107,941
236,772	149,136	56,675	73,549	32,345
<u>\$ 14,821,243</u>	<u>\$ 12,500,181</u>	<u>\$ 11,169,107</u>	<u>\$ 10,473,107</u>	<u>\$ 10,241,313</u>

Town of Prescott Valley, Arizona

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

Last Nine Fiscal Years

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

Source:

(1) Arizona Department of Revenue

(2) Arizona Department of Transportation

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

Table 7

Fiscal Year				
2007	2008	2009	2010	2011
2.00%	2.00%	2.00%	2.00%	2.00%
0.33%	0.33%	0.33%	0.33%	0.33%
2.33%	2.33%	2.33%	2.33%	2.33%
0.75%	0.75%	0.75%	0.75%	0.75%
5.60%	5.60%	5.60%	6.60%	6.60%
8.68%	8.68%	8.68%	9.68%	9.68%
4.00%	4.00%	4.00%	4.00%	4.00%

Town of Prescott Valley, Arizona

Assessed Value and Estimated Actual Value of Taxable Property

Last Nine Fiscal Years

Fiscal Year	Primary Tax		Ratio of Net Assessed Value to Limited Property Value	Primary Tax Rate	Full Cash Value (3)	Centrally Valued (4)
	Limited Property Value (1)	Net Assessed Value (2)				
2003	\$ 1,132,160,583	\$ 150,298,428	13.28%	7.7532	\$ 1,149,392,679	\$ 8,148,888
2004	1,325,283,133	170,887,793	12.89%	7.8094	1,404,411,385	7,186,713
2005	1,578,181,045	201,229,477	12.75%	7.0743	1,720,821,649	7,927,126
2006	1,890,395,385	241,326,028	12.77%	6.6385	2,066,866,127	8,728,028
2007	2,362,099,424	289,680,782	12.26%	6.4535	2,737,126,465	9,795,016
2008	2,830,028,886	346,091,932	12.23%	6.6095	3,646,306,432	10,521,331
2009	3,205,173,068	378,032,185	11.79%	5.6813	3,519,291,514	10,902,613
2010	3,079,315,880	367,492,033	11.93%	5.3317	3,191,140,841	12,352,226
2011	2,602,868,738	317,949,696	12.22%	6.2646	2,716,026,629	12,265,374

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.

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

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

(2) Assessed values are based on property use:

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.

Table 8

Secondary Tax			Ratio of Net Assessed Value to Full Cash Value	Secondary Tax Rate
Real Property (2)	Personal Property (2)	Total Secondary		
\$ 139,540,223	\$ 5,112,997	\$ 152,802,108	13.29%	7.1075
169,959,437	5,368,121	182,514,271	13.00%	6.8784
203,592,438	6,483,226	218,002,790	12.67%	6.8998
243,904,903	6,390,030	259,022,961	12.53%	6.8998
313,888,821	6,828,750	330,512,587	12.08%	6.6962
419,118,096	6,602,609	436,242,036	11.96%	6.5844
400,301,979	6,305,933	417,510,525	11.86%	6.1917
357,693,530	9,875,538	379,921,294	11.91%	6.3205
312,976,601	9,984,874	335,226,849	12.34%	6.8550

Town of Prescott Valley, Arizona

Property Tax Rates

Direct and Overlapping Governments

Last Nine Fiscal Years

Fiscal Year	Town		Yavapai County		State of Arizona		Humboldt USD
2003	-	P	2.1525	-	P	4.0335	
		S	0.4307		S	1.2670	
2004	-	P	2.1568	-	P	4.0900	
		S	0.4069		S	1.0831	
2005	-	P	2.1366	-	P	3.4477	
		S	0.4034		S	0.9278	
2006	-	P	1.7008	-	P	3.4477	
		S	0.4034		S	0.9278	
2007	-	P	1.6552	-	P	3.3675	
		S	0.3898		S	0.7859	
2008	-	P	1.5292	-	P	3.7406	
		S	0.3568		S	0.8538	
2009	-	P	1.3683	-	P	3.1141	
		S	0.3465		S	0.7688	
2010	-	P	1.6148	-	P	2.5919	
		S	0.3479		S	0.9036	
2011	-	P	1.7088	-	P	3.3512	
		S	0.3995		S	1.1218	

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.

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

P - Primary

S - Secondary

(1) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$3.42.

(2) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$7.36.

(3) All Special Districts have a rate of \$3.30 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$9.66.

Table 9

Community College		Yavapai Fire District		Special District		Total	
P	1.5672					P	7.7532
S	0.3106	S	1.7992	S	3.3000	S	7.1075
P	1.5626					P	7.8094
S	0.2888	S	1.7996	S	3.3000	S	6.8784
P	1.4900					P	7.0743
S	0.2614	S	2.0072	S	3.3000	S	6.8998
P	1.4900					P	6.6385
S	0.2614	S	2.0072	S	3.3000	S	6.8998
P	1.4308					P	6.4535
S	0.2265	S	1.9940	S	3.3000	S	6.6962
P	1.3397					P	6.6095
S	0.1828	S	1.8910	S	3.3000	S	6.5844
P	1.1989					P	5.6813
S	0.1405	S	1.6359	S	3.3000	(1) S	6.1917
P	1.1250					P	5.3317
S	0.1367	S	1.6323	S	3.3000	(2) S	6.3205
P	1.2046					P	6.2646
S	0.1563	S	1.8774	S	3.3000	(3) S	6.8550

Town of Prescott Valley, Arizona

Ratios of Outstanding Debt by Type

Last Nine Fiscal Years

Fiscal Year	Governmental Activities				
	Municipal Property Corporation Bonds	Certificates of Participation	Special Assessment Bonds	General Obligation Bonds (1)	Loans (2)
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
2007	39,815,000	-	5,861,000	34,415,000	351,030
2008	38,325,000	15,910,000	8,107,000	37,080,000	319,546
2009	36,740,000	15,340,000	7,296,000	36,165,000	299,298
2010	35,050,000	14,745,000	5,978,000	30,690,000	279,050
2011	30,565,000	14,125,000	5,143,000	29,785,000	261,140

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.

Table 10

Business-Type Activities			Total Primary Government	Percentage of Taxable Property (3)	Percentage of Personal Income (4)
Capital Leases	Revenue Bonds	Loans			
\$ -	\$ 31,505,000	\$ -	\$ 85,060,000	7.40%	17.74%
-	30,225,000	-	88,611,879	6.31%	16.03%
-	28,860,000	-	110,753,174	6.44%	17.43%
9,187	27,460,000	9,320,470	114,506,741	5.54%	15.31%
7,025	25,955,000	13,960,801	120,364,856	4.40%	14.62%
-	25,195,000	13,408,008	138,344,554	3.79%	16.89%
-	23,325,000	12,836,921	132,002,219	3.75%	16.93%
-	21,600,000	12,246,932	120,588,982	3.78%	15.17%
-	19,810,000	11,644,990	111,334,130	4.10%	13.76%

Town of Prescott Valley, Arizona

Ratios of General Bonded Debt Outstanding

Last Nine Fiscal Years

Fiscal Year	Municipal Property Corporation Bonds	Less: Amounts Available in Debt Service Funds	Total	Certificates of Participation	Less: Amounts Available in Debt Service Funds
2003	\$ 25,760,000	\$ (2,964,981)	\$ 22,795,019	\$ -	\$ -
2004	30,620,000	(3,662,238)	27,341,253	-	-
2005	43,695,000	(3,887,641)	39,781,036	-	-
2006	41,810,000	(4,013,911)	38,019,748	-	-
2007	39,815,000	(3,763,439)	35,393,320	-	-
2008	38,325,000	(3,908,856)	33,703,112	15,910,000	(13,379,817)
2009	36,740,000	(3,843,254)	32,576,952	15,340,000	(2,850,739)
2010	35,050,000	(3,834,408)	31,214,147	14,745,000	(620,682)
2011	30,565,000	(3,190,000)	27,375,000	14,125,000	(296,456)

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.

Table 11

Total	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Funds	Total	Percentage of Taxable Property (2)	Per Capita
\$ -	\$ 17,800,000	\$ (3,850,969)	\$ 13,949,031	3.20%	\$ 1,336
-	20,300,000	(3,852,435)	16,447,565	3.12%	1,477
-	31,115,000	(5,390,462)	25,724,538	3.81%	2,047
-	30,990,000	(5,328,803)	25,661,197	3.08%	1,897
-	34,415,000	(5,737,524)	28,677,476	2.34%	1,699
2,530,183	37,080,000	(6,632,046)	30,447,954	1.83%	1,801
12,489,261	36,165,000	(6,248,382)	29,916,618	2.13%	2,050
14,124,318	30,690,000	(6,240,049)	24,449,951	2.19%	1,888
13,828,544	29,785,000	(6,248,688)	23,536,312	2.38%	1,668

Town of Prescott Valley, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Table 12

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
General obligation bonds payable from property tax	\$ -	100.00%	\$ -
Overlapping debt			
Yavapai Community College District	43,935,000	10.01%	4,397,894
Humboldt Unified School District	46,315,000	65.61%	30,387,272
Total overlapping debt	<u>90,250,000</u>		<u>34,785,166</u>
 Total direct and overlapping debt			 <u>\$ 34,785,166</u>
	<u>Total Assessed Valuation</u>	<u>Valuation in Prescott Valley</u>	<u>Percentage in Prescott Valley</u>
Taxing district			
Yavapai Community College District	\$ 3,350,111,921	\$ 335,226,849	10.01%
Humboldt Unified School District	510,962,087	335,226,849	65.61%

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.



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Town of Prescott Valley, Arizona

Legal Debt Margin Information

Last Nine Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Debt limit	\$ 39,728,548	\$ 47,453,710	\$ 56,680,725	\$ 67,345,970
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>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

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, 2011 were secured by sales taxes instead of property taxes.

Table 13

Fiscal Year				
2007	2008	2009	2010	2011
\$ 85,933,272	\$ 113,422,929	\$ 108,552,737	\$ 98,779,537	\$ 87,158,981
-	-	-	-	-
<u>\$ 85,933,272</u>	<u>\$ 113,422,929</u>	<u>\$ 108,552,737</u>	<u>\$ 98,779,537</u>	<u>\$ 87,158,981</u>
0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 335,226,849
Debt limit (1):	
Water and sewer 20%	67,045,370
All others 6%	<u>20,113,611</u>
Total debt limit	87,158,981
Debt applicable to limit (2)(3):	
General obligation bonds	<u>-</u>
Legal debt margin	<u>\$ 87,158,981</u>

Town of Prescott Valley, Arizona

Pledged-Revenue Coverage

Last Nine Fiscal Years

Wastewater System Revenue Bonds and Loans

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service	
				Principal	Interest
2003	\$ 3,883,893	\$ 1,334,338	\$ 2,549,555	\$ 262,788	\$ 620,684
2004	4,737,999	2,261,587	2,476,412	355,000	503,050
2005	5,760,526	2,321,687	3,438,839	390,000	394,280
2006	5,889,448	2,647,483	3,241,965	400,000	387,855
2007	5,772,263	3,158,954	2,613,309	761,669	496,135
2008	6,061,851	3,189,817	2,872,034	972,793	763,158
2009	5,443,535	2,781,204	2,662,331	1,001,087	786,164
2010	4,659,211	2,536,889	2,122,322	1,034,989	742,153
2011	4,712,378	2,738,113	1,974,265	1,061,942	724,061

Water System Revenue Bonds

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service	
				Principal	Interest
2003	\$ 6,768,157	\$ 3,043,702	\$ 3,724,455	\$ 900,000	\$ 972,373
2004	7,796,513	2,761,944	5,034,569	925,000	936,374
2005	8,395,353	3,651,952	4,743,401	975,000	900,530
2006	9,597,442	4,709,226	4,888,216	100,000	863,968
2007	8,599,745	3,980,821	4,618,924	1,100,000	803,967
2008	6,754,834	4,118,200	2,636,634	1,100,000	781,968
2009	8,946,229	6,212,153	2,734,076	1,440,000	445,244
2010	8,167,453	5,313,354	2,854,099	1,280,000	582,925
2011	7,902,356	4,908,566	2,993,790	1,330,000	544,525

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 non-operating revenues for capital contributions - utility connection charges, investment and rental income).
- (2) Total operating expenses (excluding depreciation and amortization expense).

Table 14

	Total	Coverage
\$	883,472	2.89
	858,050	2.89
	784,280	4.38
	787,855	4.11
	1,257,804	2.08
	1,735,951	1.65
	1,787,251	1.49
	1,777,142	1.19
	1,786,003	1.11

	Total	Coverage
\$	1,872,373	1.99
	1,861,374	2.70
	1,875,530	2.53
	963,968	5.07
	1,903,967	2.43
	1,881,968	1.40
	1,885,244	1.45
	1,862,925	1.53
	1,874,525	1.60

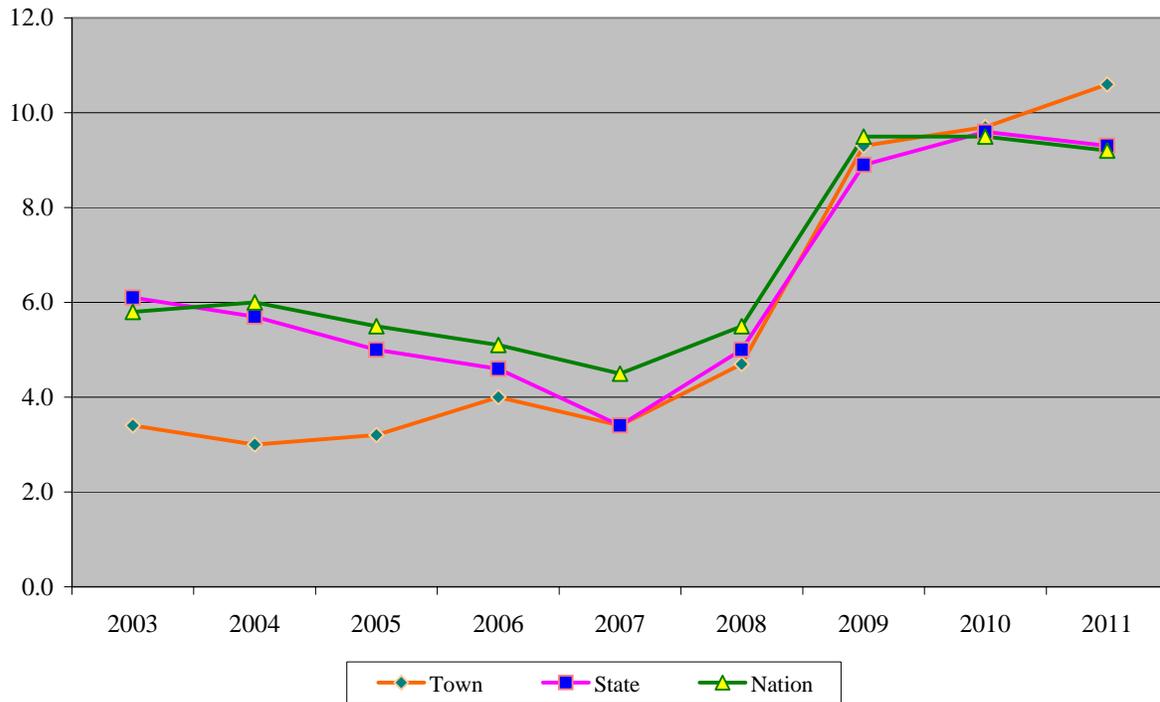
Town of Prescott Valley, Arizona

Demographic and Economic Statistics

Last Nine Fiscal Years

Fiscal Year	Estimated Population (1)	Personal Income (thousands)	Per Capita Personal Income		Median Age (1)	Public School Enrollment (2)
				(1)		
2003	27,500	\$ 4,794,350	\$	17,434	40.1	5,281
2004	29,655	5,529,471		18,646	41.3	5,296
2005	32,000	6,354,560		19,858	42.1	5,648
2006	33,575	7,481,182		22,282	42.4	6,188
2007	37,700	8,232,172		21,836	39.1	6,104
2008	37,018	8,193,194		22,133	39.8	6,122
2009	36,569	7,795,414		21,317	38.8	5,988
2010	36,959	7,951,359		21,514	39.2	5,866
2011	38,822	8,089,340		20,837	38.2	6,032

Unemployment Rate



Source:

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

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

Table 15

Education Level in Years of Schooling (1)	Unemployment Rate - Prescott Valley (3)	Unemployment Rate - State (3)	Unemployment Rate - Nation (3)
13 to 16	3.4	6.1	5.8
13 to 16	3.0	5.7	6.0
13 to 16	3.2	5.0	5.5
13 to 16	4.0	4.6	5.1
13 to 16	3.4	3.4	4.5
13 to 16	4.7	5.0	5.5
13 to 16	9.3	8.9	9.5
13 to 16	9.7	9.6	9.5
13 to 16	10.6	9.3	9.2

Town of Prescott Valley, Arizona

Principal Employers

Current Year and Six Years Ago

Employer	Product/Service	2011		
		Employees	Rank	Percentage of Total Town Employment
Humboldt Unified School District	Education	740	1	N/A
Yavapai Regional Medical Center	Hospital	478	2	N/A
Town of Prescott Valley	Municipality	211	3	N/A
Ace Hardware, Inc.	Regional distribution center	203	4	N/A
Lockheed Martin	Aeronautical	200	5	N/A
Fry's	Retail grocery	183	6	N/A
MI Windows and Doors	Manufacture aluminum products	180	7	N/A
Mountain Valley Regional*	Rehabilitation hospital	171	8	N/A
Sam's Club	Retail grocery	170	9	N/A
Prescott Newspapers	Newspaper	150	10	N/A
Safeway	Retail grocery	130	11	N/A
Printpak, Inc.	Manufacture packaging	120	12	N/A
K-Mart	Retail	100	13	N/A
		<u>3,036</u>		

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.

*Mountain Valley Regional Rehabilitation Hospital

Table 16

2005		
Employees	Rank	Percentage of Total Town Employment
635	1	N/A
-		N/A
266	3	N/A
238	4	N/A
-		N/A
127	6	N/A
459	2	N/A
-		N/A
-		N/A
-		N/A
140	5	N/A
125	7	N/A
95	8	N/A
<u>2,085</u>		

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

Function	Full-time Equivalent				
	2003	2004	2005	2006	2007
General government					
Town Management	8.45	10.20	8.50	10.25	12.29
Town Clerk	5.00	5.00	5.00	4.00	4.00
Human Resources	2.50	2.50	2.50	2.00	2.00
Management Services	24.60	24.50	24.50	26.00	26.13
Legal	4.00	4.00	4.00	4.30	5.00
Magistrate Court	4.10	4.10	5.20	5.20	7.60
Facilities and Fleet Maintenance	4.00	4.00	4.00	4.00	5.00
Public safety					
Building/Safety	17.40	17.40	16.40	17.40	15.00
Police	56.00	59.50	62.50	68.50	79.25
Culture and recreation					
Parks and Recreation	19.26	19.62	28.50	26.33	28.54
Library	10.45	11.93	12.00	12.50	15.00
Public works					
Planning and Development	2.18	3.30	3.00	3.00	3.00
Neighborhood Services	-	-	-	-	4.00
Engineering	9.00	10.50	11.50	11.50	11.00
Streets	21.00	21.00	20.50	19.54	18.00
Total	<u>187.94</u>	<u>197.55</u>	<u>208.10</u>	<u>214.52</u>	<u>235.81</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.

Table 17

Employees at June 30

2008	2009	2010	2011
12.12	11.00	9.56	10.92
4.00	3.00	3.00	3.00
2.00	2.00	1.05	1.08
25.63	21.57	19.80	19.17
5.00	5.18	5.50	5.00
8.63	10.35	8.72	7.50
4.00	5.00	5.00	4.00
13.00	10.00	10.00	11.00
82.00	79.00	75.00	74.00
25.19	28.20	29.53	28.73
13.75	14.75	18.75	17.75
3.00	3.00	3.00	3.00
4.00	4.00	3.00	2.00
11.00	11.78	9.70	9.70
14.00	14.91	13.00	14.00
<u>227.32</u>	<u>223.74</u>	<u>214.61</u>	<u>210.85</u>

Town of Prescott Valley, Arizona

Operating Indicators by Function/Program

Last Nine Fiscal Years

Function / Program	Fiscal Year			
	2003	2004	2005	2006
General government:				
Town Management				
Number of active capital projects	69	68	66	58
Human Resource				
Number of new hires	30	60	45	31
Town Clerk				
Number of legal postings	87	78	81	97
Number of business licenses issued	462	733	845	852
Management Services				
Number of accounts payable checks issued	5,249	6,710	7,617	7,753
Purchase orders/field purchase orders issued	2,698	3,154	4,913	5,606
Sales tax growth (% annual change)	25.18%	20.71%	27.15%	22.02%
Legal				
Percentage of cases resolved at first court appearance	50%	50%	50%	75%
Magistrate Court				
Charges filed / charges adjudicated (resolved)	5,595	6,542	7,576	7,195
Public safety:				
Building/Safety				
Permits issued	1,621	1,964	1,875	2,006
Inspections performed	25,994	26,000	48,983	34,232
Police				
Criminal arrests	1,895	2,535	2,316	2,860
Calls for service	23,178	24,219	25,770	27,147
Culture and recreation:				
Parks and Recreation				
Number of activities offered	51	58	71	86
Number of attendees - all programs except aquatics	119,102	269,417	194,454	107,396
Number of attendees - aquatics	17,780	31,464	23,641	21,599
Library				
Number of visitors annually	125,768	127,391	137,879	145,858
Public works:				
Neighborhood Services				
Number of code enforcement cases processed per year	1,430	1,503	2,630	1,874
Utilities				
Number of water service connections	14,235	14,957	16,048	17,250
Residential/commercial water billed (thousands of gallons)	1,332,000	1,357,696	1,362,659	1,479,265
Reclaimed water supplied (thousands of gallons)	103,295	118,240	93,497	99,819
Number of sewer service connections	10,833	11,536	12,837	14,050
Sewage treated (thousands of gallons)	671,200	684,201	711,559	774,560

Source: Town of Prescott Valley

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

Table 18

Fiscal Year				
2007	2008	2009	2010	2011
27	15	9	7	12
	2	2	2	2
39	28	4	0	5
77	58	141	53	90
875	776	682	580	500
7,069	6,521	6,123	5,260	4,964
6,019	5,147	4,610	3,792	3,530
6.73%	-15.31%	-10.03%	-6.44%	-1.83%
70%	65%	65%	65%	65%
16,542	23,240	29,165	18,769	23,471
1,246	1,024	1,039	441	850
36,402	23,190	19,543	11,926	8,551
2,961	2,708	2,657	2,683	2,301
26,927	26,253	24,725	23,376	21,372
81	228	211	54	40
86,582	61,582	76,586	60,696	50,441
29,615	30,681	19,644	23,441	17,199
145,365	157,139	179,337	160,202	233,209
2,163	2,877	5,872	3,517	6,758
17,898	18,080	18,045	18,069	18,039
1,493,966	1,726,524	1,558,751	1,491,065	1,463,350
72,683	113,702	98,888	118,174	94,825
14,875	15,205	15,248	15,347	15,326
851,794	874,034	839,682	841,947	803,400

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

Function / Program	Fiscal Year			
	2003	2004	2005	2006
General government				
Square footage occupied	127,044	127,044	127,044	127,044
Area of Town (square miles)	33	36	37	38
Public safety				
Police stations	1	1	1	1
Square footage of building	12,340	12,340	12,340	12,340
Number of patrol units	20	22	25	30
Public works				
Miles of roads	201	209	214	260
Traffic signals	12	12	13	14
Miles of storm sewer/channel	5	6	6	8
Miles of water mains	259	283	299	318
Fire hydrants	673	862	983	1115
Sanitary sewers (miles)	184	199	210	220
Culture and recreation				
Number of parks	16	17	19	19
Parks acreage	225	237	238	238
Swimming pools	1	1	1	1

Source: Town of Prescott Valley

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

Table 19

Fiscal Year				
2007	2008	2009	2010	2011
127,044	127,044	127,044	88,782	88,782
38	38	38	38	38
1	1	1	1	1
12,340	25,038	25,038	25,038	25,038
34	36	43	73	90
307	311	316	316	316
18	18	18	20	21
8	9	10	11	11
319	324	329	332	333
1116	1158	1181	1488	1491
220	223	227	231	231
20	23	23	23	24
252	263	269	269	269
1	1	1	1	1

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Nine 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 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
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 2005					
Employer	\$ 8,145,972	\$ 5,286,012	7%	\$ 370,021	\$ 370,021
Employee	N/A	5,286,012	5%	264,301	264,301
Fiscal Year 2006					
Employer	\$ 9,818,584	\$ 6,071,550	12%	\$ 728,586	\$ 728,586
Employee	N/A	6,071,550	7%	425,009	425,009
Fiscal Year 2007					
Employer	\$ 10,761,282	\$ 6,712,283	12%	\$ 805,474	\$ 805,474
Employee	N/A	6,712,283	7%	469,860	469,860
Fiscal Year 2008					
Employer	\$ 12,244,155	\$ 7,510,458	12%	\$ 901,255	\$ 901,255
Employee	N/A	7,510,458	7%	525,732	525,732
Fiscal Year 2009					
Employer	\$ 12,248,938	\$ 7,398,092	12%	\$ 887,771	\$ 887,771
Employee	N/A	7,398,092	7%	517,866	517,866
Fiscal Year 2010					
Employer	\$ 11,392,220	\$ 6,925,117	8%	\$ 554,009	\$ 554,009
Employee	N/A	6,925,117	7%	475,001	475,001
Fiscal Year 2011					
Employer	\$ 10,634,494	\$ 6,375,030	8%	\$ 510,002	\$ 509,788
Employee	N/A	6,375,030	7%	446,252	446,132

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

Note: In lieu of participating in FICA - Social Security, the Town has a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all full-time employees of the Town, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (APSPRS). The plan requires participants to contribute seven percent (7%) of their earnings and the Town to contribute eight percent (8%). The plan is administered through ICMA Retirement Corporation, and participants are allowed to choose from among various investment funds offered by the company. There are no securities of the Town included in the plan assets.

Town of Prescott Valley, Arizona

Retirement and Pension Plans

Last Nine Fiscal Years

Table 20b

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

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded 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%
2010	9,628,085	11,915,220	80.8%	2,287,135	3,923,257	58.3%

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

Note: Information for fiscal year 2010/11 is not available from APSPRS at this time.



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