



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For Fiscal Year Ended June 30, 2012  
Town of Prescott Valley  
ARIZONA**



# *Comprehensive Annual Financial Report*

*For Fiscal Year Ended  
June 30, 2012*

*Town of Prescott Valley, Arizona*



Prepared by the Management Services Department

William 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, 2012

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November 8, 2012

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, 2012 is submitted herewith. This report was prepared by the Town's Management Services Department, in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The Town of Prescott Valley's financial statements have been audited by Heinfeld, Meech & Co., PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Prescott Valley for the fiscal year ended June 30, 2012, 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, 2012, are presented fairly in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Reporting Entity**

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

## **Town of Prescott Valley Profile**

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

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

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

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

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

## **Factors Affecting the Town's Financial Condition**

### **Local Economy**

For the first time since November 2007, the Town of Prescott Valley has experienced increases in the areas of sales tax and state-shared revenues. All local and state-shared sales tax, construction revenues and state-shared income tax have increased over the prior two years. The Highway Users Revenue Fund experienced a slight decrease over the prior year. The Town has seen some growth in the housing market and sales over the prior year. In addition, the median home price has appeared to have either stabilized or increased slightly. Overall, our community partners in the public, private and governmental sectors still have not fully recovered from the downturn in the economy that effected any businesses that included business 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 has resulted in an increase to the Town's percentage of state-shared revenues.

In 2012, local sales tax increases have been realized every month since November 2010, in comparison to the same months in the prior years. Overall, Town sales tax receipts have increased 6.6% over the previous year (the lowest since fiscal year 2003/04). Most local sales tax sectors experienced increases over the prior year; the greatest impact was in the area of construction with a 32.7% increase. In 2012, construction represented only 7.2% 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 \$153,000 more for fiscal year 2011/12 than what had been projected for the same fiscal year a year ago. Sales and use tax revenues are 42% (no change compared to previous year) of the Town's general fund revenues and are largely dependent upon consumer confidence in the economy. In addition, modest increases were experienced in the areas of retail, hotels/motels, and restaurant and bars over the previous year, notably in the December to March time period. 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 2012. 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 56% increase (56 additional permits were issued) in fiscal year 2011/12 over fiscal year 2010/11, compared to the decrease of 35% from fiscal year 2010/11 to fiscal year 2009/10. In addition, actual building permit revenues collected are 42% higher (approximately \$117,000) than the previous fiscal year. This is primarily due to an increase in single family permits. Building activity is projected to continue to increase slightly in fiscal year 2012/13, demonstrating what we believe is a turn in the housing market trend in Prescott Valley.

With the uncertainty of the local sales tax collections and the relatively weak local economy, changes implemented to the General Fund the previous fiscal year were continued in fiscal year 2011/12. They include: positions were frozen, staff hours were reduced, travel was decreased, retirement contributions 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 user fees and charges have not met projections due to successful conservation efforts.

For the fiscal year ended June 30, 2012, the Highway User Revenue Fund (HURF) actual collections were only \$60,536 less than fiscal year 2011. These revenues are distributed based on a fairly complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in our region. In the February to June time period, revenues have increased slightly 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.

### **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**

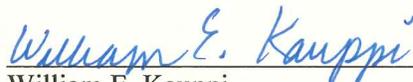
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Prescott Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the fifteenth 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.

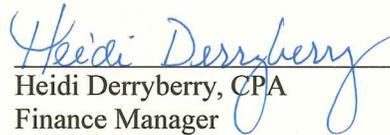
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2011. 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,

  
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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, 2011

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*

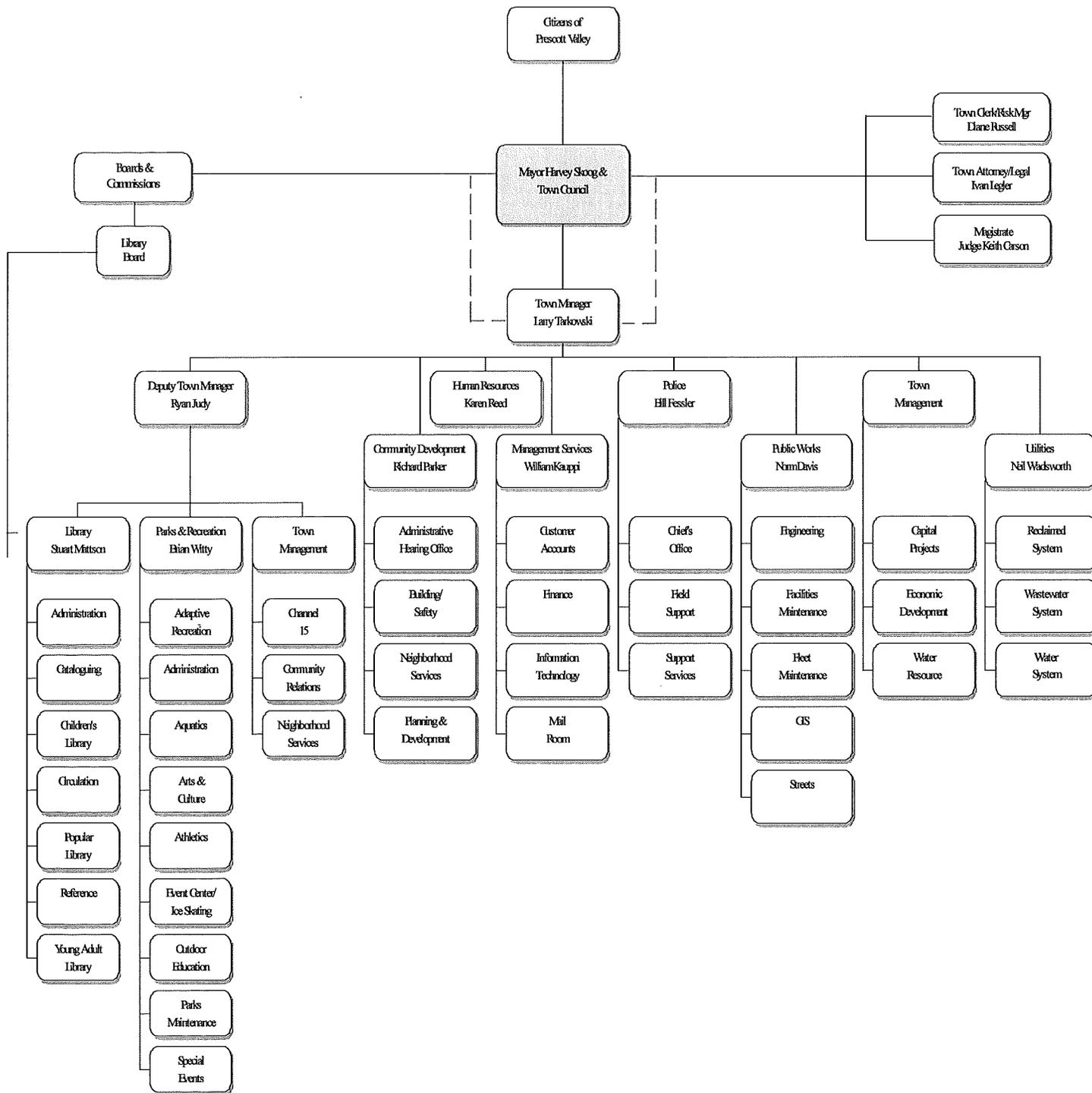
President

*Jeffrey R. Emmer*

Executive Director

# Town of Prescott Valley, Arizona

## TOWN ORGANIZATION CHART



# Town of Prescott Valley

## Key Officials and Staff

For Fiscal Year Ended

June 30, 2012

Harvey Skoog  
*Mayor*

Don Tjiema  
*Vice Mayor*

Patty Lasker  
*Councilmember*

Lora Lee Nye  
*Councilmember*



Richard Anderson  
*Councilmember*

Mary Mallory  
*Councilmember*

Michael Whiting  
*Councilmember*

Larry Tarkowski  
*Town Manager*

### Executive Team

Keith Carson  
*Presiding Judge*

Norm Davis  
*Public Works Director*

Greg Fister  
*Economic Development Manager*

Karen 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*

## 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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Prescott Valley, Arizona, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway User Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, 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 69 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.  
CPAs and Business Consultants

November 8, 2012

## 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, 2012. 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 \$217,724,639 (net assets). Of this amount, \$17,724,769 (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 \$4,426,644. This decrease can primarily be attributed to depreciation expense.
- As of June 30, 2012, the Town's governmental funds reported combined ending fund balances of \$36,766,437, a decrease of \$6,823,014 over the prior year. This decrease can primarily be attributed to approximately \$2.7 million in one-time developer reimbursements per the Town's development agreements, \$826,472 in developer contributions per the Town's development agreements and approximately \$1.0 million in debt service payments for the water importation bonds. Approximately 20% of this total amount, \$7,336,526, 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 \$9,500,430, or 40% of total general fund expenditures of \$23,732,333.
- During fiscal year 2011/12, the Town's total bonded debt (not including community facilities districts) decreased by \$4,691,000. There were no new issues of capital debt during this fiscal year. The decline of debt is related to current year debt payments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *statement of net 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 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 69 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 72-93 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

Town of Prescott Valley, Arizona

**Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$217,724,639 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, 2012 and 2011

|   | Governmental Activities |                | Business-Type Activities |                | Total          |                |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|   | 2012                    | 2011           | 2012                     | 2011           | 2012           | 2011           |
| <b>Assets</b>                                   |                         |                |                          |                |                |                |
| Current and other assets                        | \$ 48,516,469           | \$ 53,369,570  | \$ 7,440,763             | \$ 6,103,367   | \$ 55,957,232  | \$ 59,472,937  |
| Capital Assets                                  | 165,510,736             | 170,956,835    | 111,192,006              | 114,820,905    | 276,702,742    | 285,777,740    |
| Total assets                                    | 214,027,205             | 224,326,405    | 118,632,769              | 120,924,272    | 332,659,974    | 345,250,677    |
| <b>Liabilities</b>                              |                         |                |                          |                |                |                |
| Long-term liabilities outstanding               | 75,796,145              | 79,591,630     | 24,891,179               | 28,117,717     | 100,687,324    | 107,709,347    |
| Other Liabilities                               | 10,465,058              | 11,516,602     | 3,782,953                | 3,873,445      | 14,248,011     | 15,390,047     |
| Total liabilities                               | 86,261,203              | 91,108,232     | 28,674,132               | 31,991,162     | 114,935,335    | 123,099,394    |
| <b>Net Assets</b>                               |                         |                |                          |                |                |                |
| Invested in capital assets, net of related debt | 89,515,976              | 91,352,654     | 83,825,248               | 84,334,580     | 173,341,224    | 175,687,234    |
| Restricted                                      | 26,658,646              | 23,533,080     | -                        | -              | 26,658,646     | 23,533,080     |
| Unrestricted                                    | 11,591,380              | 18,332,439     | 6,133,389                | 4,598,530      | 17,724,769     | 22,930,969     |
| Total net assets                                | 127,766,002             | 133,218,173    | 89,958,637               | 88,933,110     | 217,724,639    | 222,151,283    |
| Total liabilities and net assets                | \$ 214,027,205          | \$ 224,326,405 | \$ 118,632,769           | \$ 120,924,272 | \$ 332,659,974 | \$ 345,250,677 |

A portion of the Town's net assets (80%) reflects its investment of \$173,341,224 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, \$26,658,646, or 12%, 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, \$17,724,769, or 8%, 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.

**Analysis of Changes in Net Assets**

For the current fiscal year, the Town's net assets decreased by \$4,426,644. This decrease can primarily be attributed to depreciation expense.

Town of Prescott Valley, Arizona

**Town of Prescott Valley, Arizona**

**Changes in Net Assets**

June 30, 2012 and 2011

|  | Governmental Activities |                       | Business-Type Activities |                      | Total                 |                       |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|  | 2012                    | 2011                  | 2012                     | 2011                 | 2012                  | 2011                  |
| <b>Revenues</b>                                    |                         |                       |                          |                      |                       |                       |
| Program revenues:                                  |                         |                       |                          |                      |                       |                       |
| Charges for services                               | \$ 1,887,024            | \$ 1,714,758          | \$ 12,145,059            | \$ 11,678,948        | \$ 14,032,083         | \$ 13,393,706         |
| Operating grants and contributions                 | 2,418,314               | 2,605,296             | -                        | -                    | 2,418,314             | 2,605,296             |
| Capital grants and contributions                   | 4,689,533               | 3,008,745             | 765,584                  | 1,354,631            | 5,455,117             | 4,363,376             |
| General revenues:                                  |                         |                       |                          |                      |                       |                       |
| Taxes and franchise fees                           | 13,461,253              | 13,017,345            | -                        | -                    | 13,461,253            | 13,017,345            |
| Intergovernmental                                  | 12,535,886              | 12,397,820            | -                        | -                    | 12,535,886            | 12,397,820            |
| Interest and investment income                     | 187,846                 | 107,125               | 134,311                  | 267,913              | 322,157               | 375,038               |
| Other  | 227,309                 | 66,521                | 4                        | 8,770                | 227,313               | 75,291                |
| Total revenues                                     | <u>35,407,165</u>       | <u>32,917,610</u>     | <u>13,044,958</u>        | <u>13,310,262</u>    | <u>48,452,123</u>     | <u>46,227,872</u>     |
| <b>Expenses</b>                                    |                         |                       |                          |                      |                       |                       |
| General government                                 | 11,997,108              | 9,349,601             | -                        | -                    | 11,997,108            | 9,349,601             |
| Public safety                                      | 9,272,516               | 9,540,750             | -                        | -                    | 9,272,516             | 9,540,750             |
| Culture and recreation                             | 4,829,228               | 4,695,196             | -                        | -                    | 4,829,228             | 4,695,196             |
| Public works                                       | 3,153,248               | 2,884,128             | -                        | -                    | 3,153,248             | 2,884,128             |
| Highway and streets                                | 6,334,044               | 6,009,001             | -                        | -                    | 6,334,044             | 6,009,001             |
| Interest on long-term debt                         | 4,237,965               | 4,744,657             | -                        | -                    | 4,237,965             | 4,744,657             |
| Wastewater utility                                 | -                       | -                     | 6,129,626                | 6,241,143            | 6,129,626             | 6,241,143             |
| Prescott Valley water system                       | -                       | -                     | 6,925,032                | 7,221,333            | 6,925,032             | 7,221,333             |
| Total expenses                                     | <u>39,824,109</u>       | <u>37,223,333</u>     | <u>13,054,658</u>        | <u>13,462,476</u>    | <u>52,878,767</u>     | <u>50,685,809</u>     |
| Increase (decrease) in net assets before transfers | (4,416,944)             | (4,305,723)           | (9,700)                  | (152,214)            | (4,426,644)           | (4,457,937)           |
| Transfers  | (1,035,227)             | 348,991               | 1,035,227                | (348,991)            | -                     | -                     |
| Increase (decrease) in net assets                  | <u>(5,452,171)</u>      | <u>(3,956,732)</u>    | <u>1,025,527</u>         | <u>(501,205)</u>     | <u>(4,426,644)</u>    | <u>(4,457,937)</u>    |
| Net assets - beginning                             | 133,218,173             | 137,174,905           | 88,933,110               | 89,434,315           | 222,151,283           | 226,609,220           |
| Net assets at end of year                          | <u>\$ 127,766,002</u>   | <u>\$ 133,218,173</u> | <u>\$ 89,958,637</u>     | <u>\$ 88,933,110</u> | <u>\$ 217,724,639</u> | <u>\$ 222,151,283</u> |

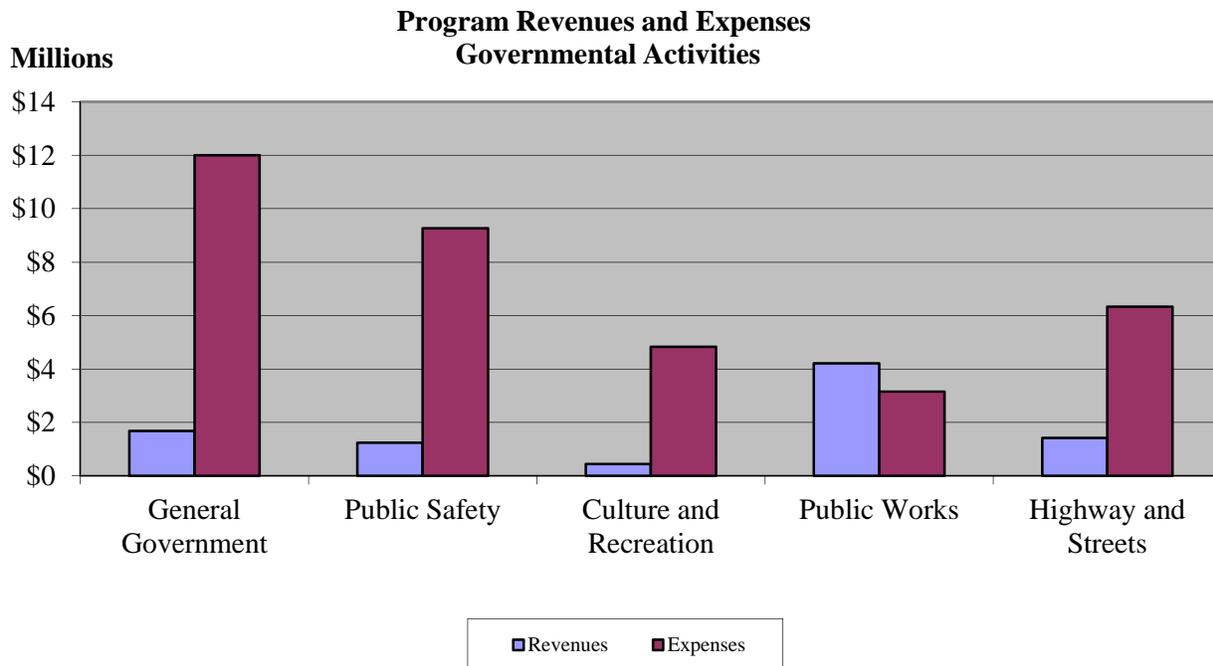
**Governmental activities.** Governmental activities decreased the Town's net assets by \$5,452,171. Key factors of this decrease are as follows:

- Total revenues for governmental funds increased by \$2,489,555 over the previous fiscal year.
  - Charges for services increased by \$172,266 over the prior fiscal year. For the fiscal year 2011/12, 156 permits were issued compared to 100 the previous year; an increase of 56%. There was an increase in building and related permit revenues of \$117,280 which resulted from an increase in commercial and housing permits. Recreation fees increased by \$17,223, court fines (which included photo radar) increased by \$88,368, while property rentals and other decreased \$13,980 and \$41,730 respectively over the previous year.
  - Operating grants and contributions decreased \$186,982. Operating contributions decreased by \$147,951 over the previous year which accounts for the majority of the revenue decrease.
  - Capital grants and contributions increased \$1,680,788. For the fiscal year 2011/12, capital contributions decreased by approximately \$1.0 million and capital grants decreased by \$724,471. These significant decreases were offset by an increase of \$117,409 in impact fees and \$3,324,241 in assessments.
  - The Town's tax and franchise revenues increased in fiscal year 2011/12 by \$443,908. Sales and use tax collections increased by \$717,261, with construction sales taxes increasing by approximately 33% and retail sales taxes increasing by 6% over the prior year. Additionally, property tax revenues for the various Community Facilities Districts (CFD) decreased \$238,896 over the previous year.

Town of Prescott Valley, Arizona

- Intergovernmental revenues increased \$138,066 in fiscal year 2011/12. State-shared sales tax increased \$430,243 or 17%, state revenue sharing increased \$8,657 or .3%, highway user revenue decreased \$60,536 or 2%, and Yavapai County Flood Control contributions decreased by \$208,208 over the previous year.
  - Investment earnings increased \$80,721 over the previous year primarily due to the amount of available cash for investing and the diversification of the investment portfolio. The average yield on investments for fiscal year 2011/12 was .88% compared to 1.13% in fiscal year 2010/11.
- Total expenses increased by \$2,600,776 over the previous year. This increase is accounted for by:
    - General Government increased by \$2,647,507 over the previous year. This increase is primarily attributed to a one-time developer reimbursement payment as required by the Town’s development agreement.
    - Public Safety decreased by \$268,234 over the previous year. The decrease is mainly the result of a decrease in Public Safety grants received.
    - Culture and Recreation increased by \$134,032 over the previous year. This increase is primarily due to an increase in depreciation expense.
    - Public Works increased by \$269,120 over the previous year. This increase is primarily due to an increase in grants received.
    - Highway and Streets increased by \$325,043 from the previous year. This increase is primarily attributed to street maintenance efforts through the Town’s chip seal and AC overlay programs.

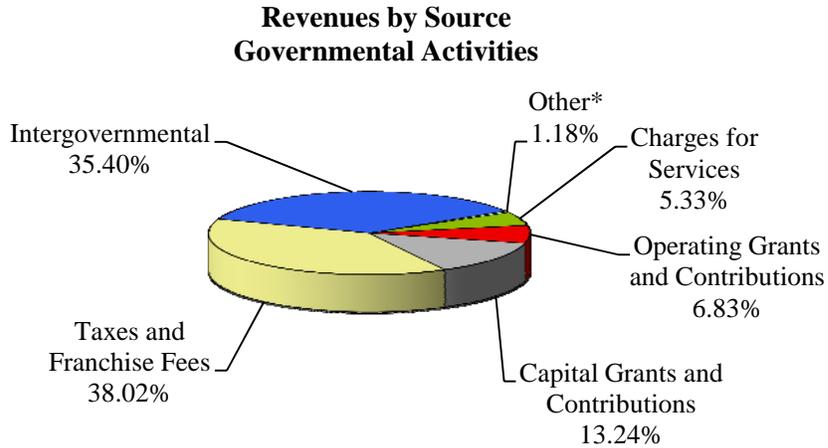
The chart below illustrates the Town’s governmental expenses and revenues by function.



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 34% and 26% respectively, followed by Highways and Streets at 18%.

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 38% of the total. Intergovernmental revenues (e.g. state-shared sales tax, state revenue sharing and auto lieu) account for 35% of the total.



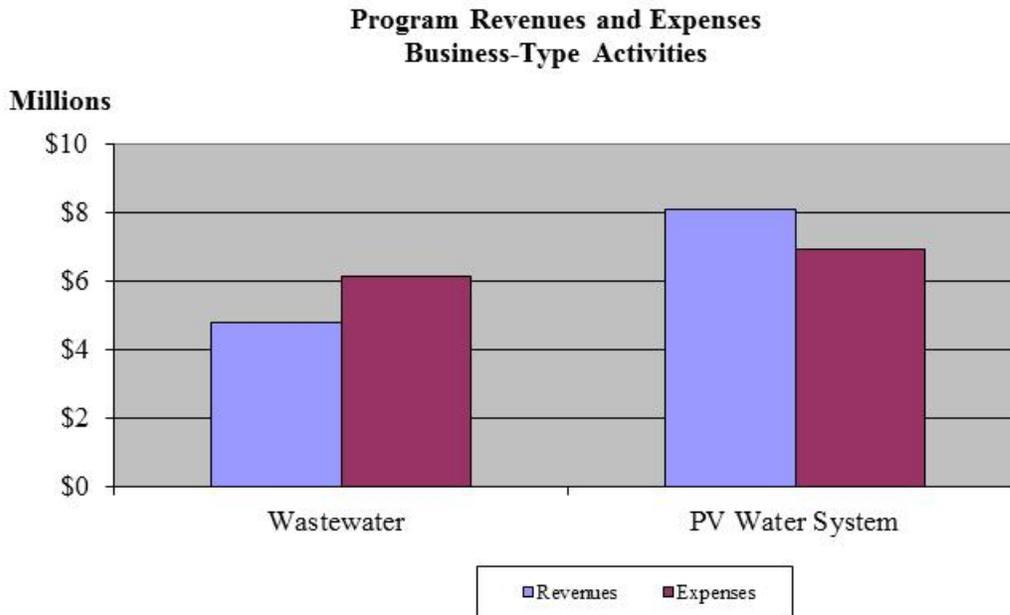
\*Other includes interest and investment income.

**Business-type activities.** Business-type activities increased the Town's net assets by approximately \$1.0 million. Key factors of this increase are as follows:

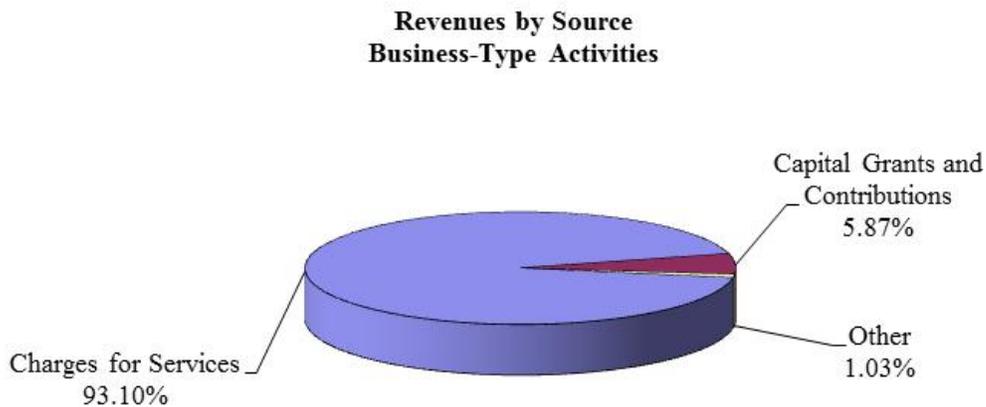
- Total revenues for business-type activities decreased by \$265,304, with the majority of the decrease being attributable to decreased capital grants and contributions.
  - Charges for services increased by \$466,111. The number of Water System customers increased by 38 and consumption increased by 3.6%. Wastewater System user charges increased \$208,915 and Water System user charges increased \$248,802.
  - Capital grants and contributions decreased \$589,047. Connection fee revenue (e.g. water resource and capacity fees) related to new housing permits issued, decreased by \$37,104 over the previous year. Infrastructure contributions from developers equaled \$134,815, a decrease of \$551,943.
  - Interest and investment income decreased by \$133,602 due to lower interest rates and the amount of funds available to be invested.
- Total expenses decreased by \$407,818 over the previous year. The decreases were primarily attributed to the following:
  - Administration and professional services increased by \$118,164, primarily due to increased costs in the Town's management agreement with a private contractor.
  - Utilities decreased by \$34,155.
  - Repairs and maintenance decreased by \$50,186.
  - Supplies expense decreased by \$192,408.
  - Depreciation and amortization expenses decreased by \$32,237.
  - Interest expense decreased by \$233,037.

Town of Prescott Valley, Arizona

As shown in the chart below, the Prescott Valley Water System had expenses of approximately \$6.9 million with Wastewater expenses totaling approximately \$6.1 million. For the fiscal year, the Prescott Valley Water System revenues exceeded expenses by approximately \$1.1 million, 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 93% 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 6% of the revenues. Other revenue (e.g. interest, investment and rental income) provides 1% of total revenues.



## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$36,766,437, a decrease of \$6,823,014. Approximately \$7.3 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 (\$2.2 million) for inventory, prepaid items and advances to other funds, (2) restricted (\$24.7 million) for special revenue funds, capital improvement funds, community facilities districts and debt service, (3) committed (\$2.6 million) for capital project growth savings and asset replacement.

Revenues for governmental functions overall totaled \$32,658,874 in the fiscal year ended June 30, 2012, which represents an increase of \$109,519 from the fiscal year ended June 30, 2011. Expenditures for governmental functions totaled \$38,866,123, a decrease of approximately \$1.3 million or 3% from the fiscal year ended June 30, 2011. This decrease is mainly due to a decrease of approximately \$1.4 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, 2012, expenditures exceeded revenues for governmental functions by approximately \$6.2 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 \$9,500,430. 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 40% of total general fund expenditures of \$23,732,333.

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, 2012, the Town had set aside 43% 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 \$2,879,105 during the current fiscal year, this is \$820,337 lower than the budgeted decrease of \$3,699,442.

The HURF fund has a total fund balance of \$2,057,187. The net decrease in fund balance during the current year was \$199,697. This decrease is \$191,272 lower than the budgeted decrease of \$390,969. This decrease 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 \$31,280 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 \$14,783,488 for the current year. The net decrease in fund balance was \$861,739. Principal and interest payments decreased by \$3.7 million mainly due to the \$3.3 million defeasance of the Municipal Property Corporation Facilities Revenue Bonds, Second Series 2003 in fiscal year 2010/11.

Total fund balance for the StoneRidge CFD is \$542,309 for the current year. The net decrease in fund balance was \$12,240. Total revenues were \$1,525,751, primarily offset by debt payments of \$1,386,088.

**Proprietary Funds**

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

The total net assets for business-type activities (enterprise funds) were \$89,958,637, an increase of \$1,025,527. At the end of the fiscal year, unrestricted net assets for the Prescott Valley Water System and Wastewater System were \$6,133,389, an increase of \$1,534,859.

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, 2012, 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, 2012, both utility systems have met the minimum net revenues to debt ratio. Additional information is available in Table 14 in the statistical section. The Prescott Valley Water System and Prescott Valley Wastewater System have completed the process of revising their utility rates. No rates increases were proposed for the Prescott Valley Water System. A slight rate increase for the Prescott Valley Wastewater System is scheduled to become effective November 1, 2012.

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

**General Fund Budgetary Highlights**

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

The Town's final total budget remained unchanged from the original budget in fiscal year 2011/12. All budget transfers completed during the fiscal year remained within the General Fund.

As a result of the budget process (as approved by Council), the general fund's fund balance was anticipated to decrease by \$3,699,442. Actual results in the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2012 of \$2,879,105, a net difference of \$820,337. The difference was primarily attributable to the following reasons:

- Revenue results were over budget by \$53,789. Transaction Privilege Tax revenues (TPT) were higher than estimates by \$399,124, specifically in construction and retail; intergovernmental revenues combined fell short of budget by \$687,752, due to a variety of reasons, (1) the Yavapai County Flood Control grant funding was \$673,978 lower than budgeted, (2) the Yavapai County Library funding was \$111,733 below the amount budgeted and, (3) greater than projected total reimbursements of \$66,706 for operation and

Town of Prescott Valley, Arizona

maintenance of shared facilities. Franchise fee revenues were below budget by \$80,276, while fines and forfeitures exceeded estimates by \$150,009. Interest earnings were below budget by \$119,817 due to continuously lower rates realized on investments and cash available to be spent.

- 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 2011/12 was a total savings of \$53,691.
- Budgeted transfers in from other funds varied from estimate by \$264,775. An unbudgeted transfer for the purchase and remodel of a new facility was the main reason for the variance. Budgeted transfers out to other funds varied from estimate by \$208,418.

### Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2012, amount to \$276,702,742 (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 3.2% for governmental activities and business-type activities. Total capital assets for the government are shown in the following table.

#### Town of Prescott Valley, Arizona

##### Capital Assets

June 30, 2012

|                                   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
|-----------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Land                              | \$ 7,019,213                       | \$ 1,026,656                        | \$ 8,045,869          |
| Buildings                         | 28,838,436                         | 648,441                             | 29,486,877            |
| Improvements other than buildings | 12,057,579                         | 20,077,521                          | 32,135,100            |
| Machinery and equipment           | 2,638,201                          | 1,045,177                           | 3,683,378             |
| Infrastructure                    | 114,463,912                        | 82,626,282                          | 197,090,194           |
| Construction in progress          | 493,395                            | 5,767,929                           | 6,261,324             |
| Total                             | <u>\$ 165,510,736</u>              | <u>\$ 111,192,006</u>               | <u>\$ 276,702,742</u> |

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

#### Governmental activities:

- Land increased by \$117,455 due to the purchase of a new facility.
- Buildings decreased by \$677,362 due to the purchase of a new facility for \$215,817 offset by depreciation.
- Improvements other than buildings decreased by \$1,069,630 due to the improvements completed on the newly purchased facility offset by depreciation.
- Machinery and equipment decreased by \$490,948 primarily due to the purchase of police vehicles and equipment, reductions through the Town's surplus auction process, offset by depreciation of \$425,199.
- Infrastructure decreased by \$2,635,762, this includes completed infrastructure projects offset by depreciation of approximately \$5.3 million.
- Construction in progress decreased by a net of \$689,852 due to several projects being completed this year. Current year additions to governmental activities consisted of the Central Core Multiuse Path, Civic Center Remodel, Loos Drive Widening, Pipeline Multiuse Path, Robert Road Improvements and the Viewpoint Drive Extension.

Town of Prescott Valley, Arizona

Business-type activities:

- Buildings decreased by \$181,464 due to depreciation.
- Improvements other than buildings decreased by \$810,503 due mainly to depreciation of \$795,011.
- Machinery and equipment decreased by \$156,799 primarily due to depreciation of \$188,123.
- Infrastructure decreased by \$2,649,838, which includes donated infrastructure of \$134,815 from various developers, completion of the Robert Road Improvement project, offset by the depreciation of approximately \$3.2 million.
- Construction in progress increased by \$169,705. Current year additions to business-type activities construction in progress, consisted of the North Plains Recharge Facility, utility line relocations due to widening and improvements of Robert Road 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 \$107.0 million, a decrease of approximately \$7.4 million over the previous year.

**Governmental Activities**

In the governmental activities, Municipal Property Corporation (MPC) revenue bonds backed by the full faith and credit of the Town (excise taxes) total \$29.8 million. Road and sewer collection system improvement bonds represent \$550,000 and are paid through assessments collected from the property owners. Certificates of Participation equal \$13.5 million to pay for costs related to the construction of the library.

Total outstanding *ad valorem* bonds issued for community facilities districts equaled approximately \$28.8 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 \$13.0 million, Pronghorn Ranch of \$6.3 million, Quailwood Meadows of \$6.3 million and Parkway No. 1 of \$3.2 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 (\$1.3 million) and Southside No. 1 (\$2.2 million) are payable from assessments collected from the property owners. The outstanding Water Infrastructure Financing Authority (WIFA) loan for the Raven Ridge project (\$240,893) 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 \$27.4 million. This represents \$11.2 million for the Prescott Valley Water System, \$5.8 million for the Wastewater System and \$11.0 million in WIFA loans for the Town's wastewater utility.

Town of Prescott Valley, Arizona

**Town of Prescott Valley, Arizona**

**Outstanding Debt**

June 30, 2012

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| Municipal Property Corporation bonds                           | \$ 29,765,000              | \$ -                        | \$ 29,765,000         |
| Certificates of Participation                                  | 13,480,000                 | -                           | 13,480,000            |
| Special assessment debt with<br>governmental commitment        | 550,000                    | -                           | 550,000               |
| Community facilities district general<br>obligation bonds      | 28,805,000                 | -                           | 28,805,000            |
| Community facilities district special<br>assessment lien bonds | 3,509,000                  | -                           | 3,509,000             |
| Community facilities district long-term<br>loan payable        | 240,893                    | -                           | 240,893               |
| Less: deferred amounts   |                            |                             |                       |
| For issuance premiums  | 1,677,940                  | -                           | 1,677,940             |
| On refunding   | (2,033,073)                | -                           | (2,033,073)           |
| Long-term obligations  | 2,565,284                  | -                           | 2,565,284             |
| Compensated absences   | 1,348,115                  | -                           | 1,348,115             |
| Revenue bonds  | -                          | 17,030,000                  | 17,030,000            |
| Long term loan payable   | -                          | 11,015,299                  | 11,015,299            |
| Less deferred amounts:   |                            |                             |                       |
| For issuance premiums  | -                          | 458,895                     | 458,895               |
| On refunding   | -                          | (1,137,436)                 | (1,137,436)           |
| Total long term liabilities                                    | <u>\$ 79,908,159</u>       | <u>\$ 27,366,758</u>        | <u>\$ 107,274,917</u> |

**Debt Limitations**

The State Constitution imposes certain debt limitations on the Town of six percent (6%) of secondary assessed valuation of the taxable property for general municipal purposes and twenty percent (20%) of the outstanding assessed valuation of the Town for Water, Light, Sewer, Open Space and Park purposes. The Town's available debt margin at June 30, 2012 is \$20.1 million in the 6% capacity and \$67.0 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, 2012 were:

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

**Economic Factors and Next Year's Budget and Rates**

- The fiscal year 2011/12 reflects the continued economic decline experienced nationwide and in the Prescott Valley-Prescott area.
- Unemployment rate as of June 2012 was 8.8% for Yavapai County and 8.5% for the state.
- Some growth occurred in the retail segment during the fiscal year.
- Residential housing construction starts are a major factor in the Town's growth; they continue to progress at a much slower pace than in prior years but are seeing some positive growth.
- Yavapai Regional Medical Center East is currently in the process of completing a \$5 million expansion project for the existing emergency department which is scheduled to open in March 2013.

All of the above factors were considered in preparing the Town's budget for fiscal year 2012/13. The budget for the fiscal year 2012/13 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 2012/13 budget. Town staff finished updating a utility rate study and presented the information to Council for approval effective November 1, 2012.

**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, 2012

|   | Primary Government         |                             |                |
|---|----------------------------|-----------------------------|----------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
| <b>ASSETS</b>   |                            |                             |                |
| Current assets:   |                            |                             |                |
| Cash and investments  | \$ 21,992,100              | \$ 16,212,085               | \$ 38,204,185  |
| Accounts receivable (net of uncollectible amounts)              |                            |                             |                |
| Intergovernmental   | 1,446,468                  | -                           | 1,446,468      |
| Charges for services  | -                          | 926,625                     | 926,625        |
| Grants  | 373,526                    | -                           | 373,526        |
| Interest and other  | 49,825                     | 45,890                      | 95,715         |
| Special assessments   | 3,424,011                  | -                           | 3,424,011      |
| Miscellaneous   | 687,091                    | -                           | 687,091        |
| Internal balances   | 11,420,000                 | (11,420,000)                | -              |
| Supplies inventory  | 2,124                      | 9,738                       | 11,862         |
| Prepaid items   | 66,118                     | 4,261                       | 70,379         |
| Total current assets  | 39,461,263                 | 5,778,599                   | 45,239,862     |
| Noncurrent assets:  |                            |                             |                |
| Deferred charges  | 1,874,450                  | 124,505                     | 1,998,955      |
| Restricted cash and cash equivalents                            | 7,180,756                  | 1,537,659                   | 8,718,415      |
| Capital assets:   |                            |                             |                |
| Land and construction in progress                               | 7,512,608                  | 6,794,585                   | 14,307,193     |
| Facilities, infrastructure, and equipment (net of depreciation) | 157,998,128                | 104,397,421                 | 262,395,549    |
| Total noncurrent assets   | 174,565,942                | 112,854,170                 | 287,420,112    |
| Total assets  | 214,027,205                | 118,632,769                 | 332,659,974    |
| <b>LIABILITIES</b>  |                            |                             |                |
| Current liabilities:  |                            |                             |                |
| Accounts payable  | 1,224,222                  | 608,496                     | 1,832,718      |
| Accrued payroll   | 526,754                    | 15,539                      | 542,293        |
| Long-term liabilities - due within one year                     | 4,112,014                  | 2,475,579                   | 6,587,593      |
| Total current liabilities                                       | 5,862,990                  | 3,099,614                   | 8,962,604      |
| Noncurrent liabilities:   |                            |                             |                |
| Customer advances and deposits                                  | 4,242,455                  | 602,772                     | 4,845,227      |
| Unearned revenue  | 359,613                    | 80,567                      | 440,180        |
| Long-term liabilities - due in more than one year               | 75,796,145                 | 24,891,179                  | 100,687,324    |
| Total noncurrent liabilities                                    | 80,398,213                 | 25,574,518                  | 105,972,731    |
| Total liabilities   | 86,261,203                 | 28,674,132                  | 114,935,335    |
| <b>NET ASSETS</b>   |                            |                             |                |
| Invested in capital assets, net of related debt                 | 89,515,976                 | 83,825,248                  | 173,341,224    |
| Restricted for:   |                            |                             |                |
| Capital projects  | 4,518,458                  | -                           | 4,518,458      |
| Community facilities districts                                  | 523,035                    | -                           | 523,035        |
| Debt service  | 18,431,308                 | -                           | 18,431,308     |
| Grantor and contributor purposes                                | 1,128,658                  | -                           | 1,128,658      |
| Street improvements   | 2,057,187                  | -                           | 2,057,187      |
| Unrestricted  | 11,591,380                 | 6,133,389                   | 17,724,769     |
| Total net assets  | \$ 127,766,002             | \$ 89,958,637               | \$ 217,724,639 |

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, 2012

| Function/Programs              | Expenses      | Program Revenues     |                                    |
|--------------------------------|---------------|----------------------|------------------------------------|
|                                |               | Charges for Services | Operating Grants and Contributions |
| <b>Primary government:</b>     |               |                      |                                    |
| Governmental activities:       |               |                      |                                    |
| General government             | \$ 11,997,108 | \$ 1,638,864         | \$ 32,156                          |
| Public safety                  | 9,272,516     | 27,238               | 1,051,058                          |
| Culture and recreation         | 4,829,228     | 220,922              | 5,444                              |
| Public works                   | 3,153,248     | -                    | 324,005                            |
| Highway and streets            | 6,334,044     | -                    | 1,005,651                          |
| Interest on long-term debt     | 4,237,965     | -                    | -                                  |
| Total governmental activities  | 39,824,109    | 1,887,024            | 2,418,314                          |
| Business-type activities:      |               |                      |                                    |
| Wastewater utility             | 6,129,626     | 4,449,769            | -                                  |
| Prescott Valley water system   | 6,925,032     | 7,695,290            | -                                  |
| Total business-type activities | 13,054,658    | 12,145,059           | -                                  |
| Total primary government       | \$ 52,878,767 | \$ 14,032,083        | \$ 2,418,314                       |

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<br>Grants and<br>Contributions | Primary Government         |                             |                       |
|--|----------------------------|-----------------------------|-----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| \$ 4,794                               | \$ (10,321,294)            | \$ -                        | \$ (10,321,294)       |
| 167,536                                | (8,026,684)                | -                           | (8,026,684)           |
| 216,520                                | (4,386,342)                | -                           | (4,386,342)           |
| 3,893,405                              | 1,064,162                  | -                           | 1,064,162             |
| 407,278                                | (4,921,115)                | -                           | (4,921,115)           |
| -                                      | (4,237,965)                | -                           | (4,237,965)           |
| 4,689,533                              | (30,829,238)               | -                           | (30,829,238)          |
| 352,643                                | -                          | (1,327,214)                 | (1,327,214)           |
| 412,941                                | -                          | 1,183,199                   | 1,183,199             |
| 765,584                                | -                          | (144,015)                   | (144,015)             |
| <u>\$ 5,455,117</u>                    | <u>(30,829,238)</u>        | <u>(144,015)</u>            | <u>(30,973,253)</u>   |
|  | 11,177,768                 | -                           | 11,177,768            |
|  | 425,224                    | -                           | 425,224               |
|  | 1,858,261                  | -                           | 1,858,261             |
|  | 3,033,563                  | -                           | 3,033,563             |
|  | 3,276,605                  | -                           | 3,276,605             |
|  | 2,460,595                  | -                           | 2,460,595             |
|  | 3,765,123                  | -                           | 3,765,123             |
|  | 187,846                    | 134,311                     | 322,157               |
|  | 227,309                    | 4                           | 227,313               |
|  | (1,035,227)                | 1,035,227                   | -                     |
|  | 25,377,067                 | 1,169,542                   | 26,546,609            |
|  | (5,452,171)                | 1,025,527                   | (4,426,644)           |
|  | 133,218,173                | 88,933,110                  | 222,151,283           |
| <u>\$</u>                              | <u>127,766,002</u>         | <u>\$ 89,958,637</u>        | <u>\$ 217,724,639</u> |

# Town of Prescott Valley, Arizona

## Balance Sheet

### Governmental Funds

June 30, 2012

|   | General<br>Fund      | Highway<br>Users<br>Revenue<br>Fund | Municipal<br>Property Corp<br>Debt<br>Service Fund |
|---|----------------------|-------------------------------------|--|
| <b>ASSETS</b>                                     |                      |                                     |  |
| Cash and investments                              | \$ 10,297,967        | \$ 1,867,741                        | \$ 3,363,488                                       |
| Restricted cash and investments                   | 364,775              | -                                   | -  |
| Receivables (net of allowance for uncollectibles) |                      |                                     |  |
| Interest  | 32,106               | 4,756                               | -  |
| Intergovernmental                                 | 1,183,071            | 263,397                             | -  |
| Grants  | -                    | -                                   | -  |
| Special assessments                               | -                    | -                                   | -  |
| Miscellaneous                                     | 433,559              | 29,990                              | -  |
| Due from other funds                              | 1,171,917            | -                                   | -  |
| Prepaid items                                     | 31,475               | -                                   | -  |
| Supplies inventory                                | 2,124                | -                                   | -  |
| Advances to other funds                           | 2,129,261            | -                                   | 11,420,000   |
| Total assets                                      | <u>\$ 15,646,255</u> | <u>\$ 2,165,884</u>                 | <u>\$ 14,783,488</u>                               |
| <b>LIABILITIES AND FUND BALANCES</b>              |                      |                                     |  |
| Liabilities:                                      |                      |                                     |  |
| Accounts payable                                  | \$ 797,109           | \$ 77,277                           | -  |
| Accrued payroll                                   | 482,219              | 31,420                              | -  |
| Due to other funds                                | -                    | -                                   | -  |
| Deferred revenue:                                 |                      |                                     |  |
| Special assessments                               | -                    | -                                   | -  |
| Court   | 134,481              | -                                   | -  |
| Other   | 184,770              | -                                   | -  |
| Guaranty and other deposits                       | 193,023              | -                                   | -  |
| Advance from other funds                          | -                    | -                                   | -  |
| Total liabilities                                 | <u>1,791,602</u>     | <u>108,697</u>                      | <u>-</u>   |
| Fund Balances:                                    |                      |                                     |  |
| Nonspendable                                      | 2,162,860            | -                                   | -  |
| Restricted  | -                    | 2,057,187                           | 14,783,488   |
| Committed   | 2,191,363            | -                                   | -  |
| Unassigned  | 9,500,430            | -                                   | -  |
| Total fund balances                               | <u>13,854,653</u>    | <u>2,057,187</u>                    | <u>14,783,488</u>                                  |
| Total liabilities and fund balances               | <u>\$ 15,646,255</u> | <u>\$ 2,165,884</u>                 | <u>\$ 14,783,488</u>                               |

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

| <b>Community<br/>Facilities<br/>District<br/>StoneRidge</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|--|---|
| \$ -  | \$ 6,364,377   | \$ 21,893,573                           |
| 4,013,688   | 2,802,293  | 7,180,756                               |
| -   | 12,963   | 49,825                                  |
| -   | -  | 1,446,468                               |
| -   | 373,526  | 373,526                                 |
| -   | 3,424,011  | 3,424,011                               |
| 20,292  | 203,250  | 687,091                                 |
| -   | -  | 1,171,917                               |
| -   | 34,643   | 66,118                                  |
| -   | -  | 2,124                                   |
| -   | -  | 13,549,261                              |
| <u>\$ 4,033,980</u>   | <u>\$ 13,215,063</u>                                 | <u>\$ 49,844,670</u>                    |

|                  |                  |                   |
|------------------|------------------|-------------------|
| \$ 111,582       | \$ 238,254       | \$ 1,224,222      |
| -                | 13,115           | 526,754           |
| 420,089          | 751,828          | 1,171,917         |
| -                | 3,424,011        | 3,424,011         |
| -                | -                | 134,481           |
| -                | 40,362           | 225,132           |
| 2,960,000        | 1,089,432        | 4,242,455         |
| -                | 2,129,261        | 2,129,261         |
| <u>3,491,671</u> | <u>7,686,263</u> | <u>13,078,233</u> |

|                     |                      |                      |
|---------------------|----------------------|----------------------|
| -                   | 34,643               | 2,197,503            |
| 542,309             | 7,299,210            | 24,682,194           |
| -                   | 358,851              | 2,550,214            |
| -                   | (2,163,904)          | 7,336,526            |
| <u>542,309</u>      | <u>5,528,800</u>     | <u>36,766,437</u>    |
| <u>\$ 4,033,980</u> | <u>\$ 13,215,063</u> | <u>\$ 49,844,670</u> |



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# Town of Prescott Valley, Arizona

Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
Governmental Activities  
June 30, 2012

---

Fund balances - total governmental funds balance sheet \$ 36,766,437

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    | 222,033,576         |             |
| Less: accumulated depreciation | <u>(56,522,840)</u> | 165,510,736 |

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

|                                     |                  |           |
|-------------------------------------|------------------|-----------|
| Change in fair value of investments | 98,527           |           |
| Deferred bond issue costs           | <u>1,874,450</u> | 1,972,977 |

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 | (75,994,760)       |              |
| Long-term obligations      | (2,565,284)        |              |
| Compensated absences       | <u>(1,348,115)</u> | (79,908,159) |

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

|                     |  |           |
|---------------------|--|-----------|
| Special assessments |  | 3,424,011 |
|---------------------|--|-----------|

|   |  |                              |
|---|--|------------------------------|
| Net assets of governmental activities - statement of net assets |  | <u><u>\$ 127,766,002</u></u> |
|---|--|------------------------------|

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

# Town of Prescott Valley, Arizona

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended June 30, 2012

|   | General<br>Fund      | Highway<br>Users<br>Revenue<br>Fund | Municipal<br>Property Corp<br>Debt<br>Service Fund |
|---|----------------------|-------------------------------------|--|
| <b>REVENUES</b>                                   |                      |                                     |  |
| Taxes - local                                     | \$ 9,842,348         | \$ -                                | \$ -   |
| Taxes - intergovernmental                         | 10,075,291           | 2,460,595                           | -  |
| Taxes - property                                  | -                    | -                                   | -  |
| Licenses and permits:                             |                      |                                     |  |
| Business and liquor licenses                      | 138,423              | -                                   | -  |
| Building and related permits                      | 393,552              | -                                   | -  |
| Charges for services:                             |                      |                                     |  |
| Building and related                              | 55,838               | -                                   | -  |
| Recreation fees                                   | 203,224              | -                                   | -  |
| Public safety reports and services                | 27,238               | -                                   | -  |
| Fines and forfeitures:                            |                      |                                     |  |
| Court fines                                       | 745,811              | -                                   | -  |
| Library   | 17,698               | -                                   | -  |
| Special assessments                               | -                    | -                                   | -  |
| Property rental                                   | 152,102              | -                                   | -  |
| Interest earnings                                 | 60,183               | 8,663                               | 2  |
| Intergovernmental:                                |                      |                                     |  |
| Federal grants                                    | -                    | 30,593                              | -  |
| State grants                                      | -                    | -                                   | -  |
| Contributions                                     | 48,786               | -                                   | -  |
| Other   | 153,138              | 13,528                              | -  |
| Total revenues                                    | <u>21,913,632</u>    | <u>2,513,379</u>                    | <u>2</u>   |
| <b>EXPENDITURES</b>                               |                      |                                     |  |
| Current:  |                      |                                     |  |
| General government                                | 10,569,978           | -                                   | -  |
| Public safety                                     | 7,636,327            | -                                   | -  |
| Culture and recreation                            | 3,274,762            | -                                   | -  |
| Public works                                      | 1,080,219            | -                                   | -  |
| Highway and streets                               | -                    | 2,699,271                           | -  |
| Debt service:                                     |                      |                                     |  |
| Principal   | -                    | -                                   | 1,315,000  |
| Interest and fiscal charges                       | -                    | -                                   | 1,222,282  |
| Bond issuance costs                               | -                    | -                                   | 386,798  |
| Capital outlay                                    | 1,171,047            | 95,085                              | -  |
| Total expenditures                                | <u>23,732,333</u>    | <u>2,794,356</u>                    | <u>2,924,080</u>                                   |
| Excess (deficiency) of revenues over expenditures | <u>(1,818,701)</u>   | <u>(280,977)</u>                    | <u>(2,924,078)</u>                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                                     |  |
| Transfers in                                      | 2,010,415            | 81,280                              | 2,678,104  |
| Transfers out                                     | (3,070,819)          | -                                   | (1,035,227)  |
| Debt issued                                       | -                    | -                                   | 25,785,000   |
| Premium on refunding bonds issued                 | -                    | -                                   | 1,766,293  |
| Payments to advanced refunding escrow agent       | -                    | -                                   | (27,131,831)                                       |
| Total other financing sources and uses            | <u>(1,060,404)</u>   | <u>81,280</u>                       | <u>2,062,339</u>                                   |
| Net change in fund balances                       | <u>(2,879,105)</u>   | <u>(199,697)</u>                    | <u>(861,739)</u>                                   |
| Fund balances - beginning                         | 16,733,758           | 2,256,884                           | 15,645,227   |
| Fund balances - ending                            | <u>\$ 13,854,653</u> | <u>\$ 2,057,187</u>                 | <u>\$ 14,783,488</u>                               |

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

| <b>Community<br/>Facilities<br/>District<br/>StoneRidge</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|--|---|
| \$ -  | \$ 1,760,644   | \$ 11,602,992                           |
| -   | -  | 12,535,886                              |
| 742,978   | 1,115,283  | 1,858,261                               |
| -   | -  | 138,423                                 |
| -   | -  | 393,552                                 |
| -   | -  | 55,838                                  |
| -   | -  | 203,224                                 |
| -   | -  | 27,238                                  |
| -   | -  | 745,811                                 |
| -   | -  | 17,698                                  |
| -   | 1,350,833  | 1,350,833                               |
| -   | -  | 152,102                                 |
| 383   | 23,157   | 92,388                                  |
| -   | 1,477,093  | 1,507,686                               |
| -   | 12,578   | 12,578                                  |
| 652,186   | 869,417  | 1,570,389                               |
| 130,204   | 97,105   | 393,975                                 |
| 1,525,751   | 6,706,110  | 32,658,874                              |
| 151,903   | 797,816  | 11,519,697                              |
| -   | 1,049,409  | 8,685,736                               |
| -   | 5,444  | 3,280,206                               |
| -   | 324,005  | 1,404,224                               |
| -   | -  | 2,699,271                               |
| 505,000   | 2,224,247  | 4,044,247                               |
| 881,088   | 1,939,109  | 4,042,479                               |
| -   | -  | 386,798                                 |
| -   | 1,537,333  | 2,803,465                               |
| 1,537,991   | 7,877,363  | 38,866,123                              |
| (12,240)  | (1,171,253)  | (6,207,249)                             |
| -   | 1,829,817  | 6,599,616                               |
| -   | (3,528,797)  | (7,634,843)                             |
| -   | -  | 25,785,000                              |
| -   | -  | 1,766,293                               |
| -   | -  | (27,131,831)                            |
| -   | (1,698,980)  | (615,765)                               |
| (12,240)  | (2,870,233)  | (6,823,014)                             |
| 554,549   | 8,399,033  | 43,589,451                              |
| \$ 542,309  | \$ 5,528,800   | \$ 36,766,437                           |

**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, 2012

Net change in fund balances - total governmental funds \$ (6,823,014)

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

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

|                                 |                    |             |
|---------------------------------|--------------------|-------------|
| Expenditures for capital assets | 2,803,465          |             |
| Less amount not capitalized     | (319,324)          |             |
| Less disposal of assets         | (52,146)           |             |
| Less current year depreciation  | <u>(7,988,355)</u> | (5,556,360) |

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities. 110,261

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 (9,977)

Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 95,458

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:

|                                   |                  |           |
|-----------------------------------|------------------|-----------|
| Bond Proceeds                     | (27,551,293)     |           |
| Payment to refunding escrow agent | 27,131,831       |           |
| Amortization on outstanding debt  | (15,364)         |           |
| Payment of long-term obligations  | 372,792          |           |
| Principal payments on debt        | <u>4,044,247</u> | 3,982,213 |

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. 206,676

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 2,542,572

Change in net assets of governmental activities - statement of activities \$ (5,452,171)

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, 2012

|                                    | Budgeted Amounts  |                   | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts |
|------------------------------------|-------------------|-------------------|------------------------------------|--|
|                                    | Original          | Final             |                                    |  |
| <b>REVENUES</b>                    |                   |                   |                                    |  |
| Taxes - local:                     |                   |                   |                                    |  |
| Transaction privilege              | \$ 9,018,000      | \$ 9,018,000      | \$ 9,417,124                       | \$ 399,124   |
| Cable TV franchise                 | 275,000           | 275,000           | 206,234                            | (68,766)   |
| Light and power franchise          | 230,500           | 230,500           | 218,990                            | (11,510)   |
| Licenses and permits:              |                   |                   |                                    |  |
| Business and liquor licenses       | 135,200           | 135,200           | 138,423                            | 3,223  |
| Building and related permits       | 190,500           | 190,500           | 393,552                            | 203,052  |
| Intergovernmental:                 |                   |                   |                                    |  |
| State revenue sharing              | 3,276,741         | 3,276,741         | 3,276,605                          | (136)  |
| Auto lieu                          | 2,061,428         | 2,061,428         | 1,996,386                          | (65,042)   |
| State-shared sales                 | 2,937,133         | 2,937,133         | 3,033,563                          | 96,430   |
| Other intergovernmental            | 2,487,741         | 2,487,741         | 1,768,737                          | (719,004)  |
| Charges for services:              |                   |                   |                                    |  |
| Building and related               | 48,700            | 48,700            | 55,838                             | 7,138  |
| Recreation fees                    | 183,400           | 183,400           | 203,224                            | 19,824   |
| Public safety reports and services | 32,000            | 32,000            | 27,238                             | (4,762)  |
| Fines and forfeitures:             |                   |                   |                                    |  |
| Court fines                        | 597,500           | 597,500           | 745,811                            | 148,311  |
| Library fines                      | 16,000            | 16,000            | 17,698                             | 1,698  |
| Interest earnings                  | 180,000           | 180,000           | 60,183                             | (119,817)  |
| Property rental                    | 169,500           | 169,500           | 152,102                            | (17,398)   |
| Contributions                      | 5,000             | 5,000             | 48,786                             | 43,786   |
| Other                              | 15,500            | 15,500            | 153,138                            | 137,638  |
| Total revenues                     | <u>21,859,843</u> | <u>21,859,843</u> | <u>21,913,632</u>                  | <u>53,789</u>  |
| <b>EXPENDITURES</b>                |                   |                   |                                    |  |
| Current:                           |                   |                   |                                    |  |
| General government:                |                   |                   |                                    |  |
| <b>Council</b>                     |                   |                   |                                    |  |
| Personnel services                 | 51,046            | 51,846            | 51,414                             | 432  |
| Operating expenditures             | 57,130            | 63,397            | 62,642                             | 755  |
| Total Council                      | <u>108,176</u>    | <u>115,243</u>    | <u>114,056</u>                     | <u>1,187</u>   |
| <b>Town Management</b>             |                   |                   |                                    |  |
| Personnel services                 | 530,778           | 530,778           | 515,483                            | 15,295   |
| Operating expenditures             | 31,930            | 30,708            | 29,813                             | 895  |
| Total Town Management              | <u>562,708</u>    | <u>561,486</u>    | <u>545,296</u>                     | <u>16,190</u>  |
| <b>Human Resources</b>             |                   |                   |                                    |  |
| Personnel services                 | 128,188           | 128,188           | 121,074                            | 7,114  |
| Operating expenditures             | 67,816            | 67,816            | 49,022                             | 18,794   |
| Total Human Resources              | <u>196,004</u>    | <u>196,004</u>    | <u>170,096</u>                     | <u>25,908</u>  |
| <b>Town Clerk</b>                  |                   |                   |                                    |  |
| Personnel services                 | 215,263           | 215,263           | 197,500                            | 17,763   |
| Operating expenditures             | 75,676            | 75,676            | 51,888                             | 23,788   |
| Total Town Clerk                   | <u>290,939</u>    | <u>290,939</u>    | <u>249,388</u>                     | <u>41,551</u>  |

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

(continued)

# Town of Prescott Valley, Arizona

## General Fund

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

#### Governmental Funds

For the Year Ended June 30, 2012

|   | Budgeted Amounts |            | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts |
|---|------------------|------------|------------------------------------|--|
|   | Original         | Final      |                                    |  |
| <b>Management Services</b>              |                  |            |                                    |  |
| Personnel services                      | 1,411,904        | 1,411,904  | 1,380,703                          | 31,201   |
| Operating expenditures                  | 486,170          | 494,211    | 476,908                            | 17,303   |
| Total Management Services               | 1,898,074        | 1,906,115  | 1,857,611                          | 48,504   |
| <b>Legal</b>                            |                  |            |                                    |  |
| Personnel services                      | 535,639          | 535,639    | 500,810                            | 34,829   |
| Operating expenditures                  | 185,951          | 135,951    | 115,836                            | 20,115   |
| Total Legal                             | 721,590          | 671,590    | 616,646                            | 54,944   |
| <b>Magistrate Court</b>                 |                  |            |                                    |  |
| Personnel services                      | 460,428          | 460,428    | 452,909                            | 7,519  |
| Operating expenditures                  | 44,860           | 44,860     | 40,055                             | 4,805  |
| Total Magistrate Court                  | 505,288          | 505,288    | 492,964                            | 12,324   |
| <b>Facilities and Fleet Maintenance</b> |                  |            |                                    |  |
| Personnel services                      | 179,368          | 179,368    | 168,410                            | 10,958   |
| Operating expenditures                  | 288,925          | 288,925    | 278,478                            | 10,447   |
| Total Facilities and Fleet Maintenance  | 468,293          | 468,293    | 446,888                            | 21,405   |
| <b>Other-Unclassified</b>               |                  |            |                                    |  |
| Personnel services                      | (195,000)        | (195,000)  | -                                  | (195,000)  |
| Operating expenditures                  | 6,284,451        | 6,174,801  | 6,077,033                          | 97,768   |
| Total Other-Unclassified                | 6,089,451        | 5,979,801  | 6,077,033                          | (97,232)   |
| Total general government                | 10,840,523       | 10,694,759 | 10,569,978                         | 124,781  |
| Public safety:                          |                  |            |                                    |  |
| <b>Building/Safety</b>                  |                  |            |                                    |  |
| Personnel services                      | 499,116          | 499,116    | 487,455                            | 11,661   |
| Operating expenditures                  | 39,416           | 37,250     | 28,416                             | 8,834  |
| Total Building/Safety                   | 538,532          | 536,366    | 515,871                            | 20,495   |
| <b>Police</b>                           |                  |            |                                    |  |
| Personnel services                      | 5,667,239        | 5,667,239  | 5,653,378                          | 13,861   |
| Operating expenditures                  | 1,431,428        | 1,470,878  | 1,467,078                          | 3,800  |
| Total Police                            | 7,098,667        | 7,138,117  | 7,120,456                          | 17,661   |
| Total public safety                     | 7,637,199        | 7,674,483  | 7,636,327                          | 38,156   |
| Culture and recreation:                 |                  |            |                                    |  |
| <b>Channel 15</b>                       |                  |            |                                    |  |
| Personnel services                      | 122,046          | 128,046    | 126,754                            | 1,292  |
| Operating expenditures                  | 48,870           | 49,825     | 49,729                             | 96   |
| Total Channel 15                        | 170,916          | 177,871    | 176,483                            | 1,388  |
| <b>Parks and Recreation</b>             |                  |            |                                    |  |
| Personnel services                      | 857,131          | 862,431    | 860,289                            | 2,142  |
| Operating expenditures                  | 683,520          | 714,520    | 672,972                            | 41,548   |
| Total Parks and Recreation              | 1,540,651        | 1,576,951  | 1,533,261                          | 43,690   |

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, 2012

|   | Budgeted Amounts |               | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts |
|---|------------------|---------------|------------------------------------|--|
|   | Original         | Final         |                                    |  |
| <b>Library</b>                                    |                  |               |                                    |  |
| Personnel services                                | 1,056,374        | 1,066,374     | 1,058,010                          | 8,364  |
| Operating expenditures                            | 578,788          | 584,788       | 507,008                            | 77,780   |
| Total Library                                     | 1,635,162        | 1,651,162     | 1,565,018                          | 86,144   |
| Total culture and recreation                      | 3,346,729        | 3,405,984     | 3,274,762                          | 131,222  |
| <b>Public works:</b>                              |                  |               |                                    |  |
| <b>Planning and Development</b>                   |                  |               |                                    |  |
| Personnel services                                | 285,929          | 285,929       | 253,702                            | 32,227   |
| Operating expenditures                            | 54,902           | 52,735        | 33,892                             | 18,843   |
| Total Planning and Development                    | 340,831          | 338,664       | 287,594                            | 51,070   |
| <b>Neighborhood Services</b>                      |                  |               |                                    |  |
| Personnel services                                | 236,148          | 236,148       | 222,224                            | 13,924   |
| Operating expenditures                            | 44,279           | 42,112        | 32,920                             | 9,192  |
| Total Neighborhood Services                       | 280,427          | 278,260       | 255,144                            | 23,116   |
| <b>Administrative Hearing Office</b>              |                  |               |                                    |  |
| Operating expenditures                            | 3,771            | 3,771         | 2,824                              | 947  |
| Total Administrative Hearing Office               | 3,771            | 3,771         | 2,824                              | 947  |
| <b>Engineering and GIS</b>                        |                  |               |                                    |  |
| Personnel services                                | 493,922          | 493,922       | 453,813                            | 40,109   |
| Operating expenditures                            | 93,065           | 91,001        | 80,844                             | 10,157   |
| Total Engineering and GIS                         | 586,987          | 584,923       | 534,657                            | 50,266   |
| Total public works                                | 1,212,016        | 1,205,618     | 1,080,219                          | 125,399  |
| Capital outlay                                    | 1,406,057        | 1,461,680     | 1,171,047                          | 290,633  |
| Total expenditures                                | 24,442,524       | 24,442,524    | 23,732,333                         | 710,191  |
| Excess (deficiency) of revenues over expenditures | (2,582,681)      | (2,582,681)   | (1,818,701)                        | 763,980  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |               |                                    |  |
| Transfers in                                      | 1,745,640        | 1,745,640     | 2,010,415                          | 264,775  |
| Transfers out                                     | (2,862,401)      | (2,862,401)   | (3,070,819)                        | (208,418)  |
| Total other financing sources and uses            | (1,116,761)      | (1,116,761)   | (1,060,404)                        | 56,357   |
| Net change in fund balances                       | (3,699,442)      | (3,699,442)   | (2,879,105)                        | 820,337  |
| Fund balances - beginning                         | 15,500,000       | 15,500,000    | 16,733,758                         | 1,233,758  |
| Fund balances - ending                            | \$ 11,800,558    | \$ 11,800,558 | \$ 13,854,653                      | \$ 2,054,095   |

# 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, 2012

|   | Budgeted Amounts    |                     | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts |
|---|---------------------|---------------------|------------------------------------|--|
|   | Original            | Final               |                                    |  |
| <b>REVENUES</b>                                   |                     |                     |                                    |  |
| Intergovernmental:                                |                     |                     |                                    |  |
| Grants  | \$ 1,810,000        | \$ 1,810,000        | \$ 30,593                          | \$ (1,779,407)   |
| Highway user tax                                  | 2,421,704           | 2,421,704           | 2,460,595                          | 38,891   |
| Interest earnings                                 | 24,000              | 24,000              | 8,663                              | (15,337)   |
| Other   | 30,000              | 30,000              | 13,528                             | (16,472)   |
| Total revenues                                    | <u>4,285,704</u>    | <u>4,285,704</u>    | <u>2,513,379</u>                   | <u>(1,772,325)</u>                                     |
| <b>EXPENDITURES</b>                               |                     |                     |                                    |  |
| Current:  |                     |                     |                                    |  |
| <b>Highway and Streets</b>                        |                     |                     |                                    |  |
| Personnel services                                | 847,804             | 847,804             | 822,467                            | 25,337   |
| Operating expenditures                            | 2,042,649           | 2,041,649           | 1,876,804                          | 164,845  |
| Total Highway and Streets                         | <u>2,890,453</u>    | <u>2,889,453</u>    | <u>2,699,271</u>                   | <u>190,182</u>   |
| Capital outlay                                    | 1,867,500           | 1,868,500           | 95,085                             | 1,773,415  |
| Total expenditures                                | <u>4,757,953</u>    | <u>4,757,953</u>    | <u>2,794,356</u>                   | <u>1,963,597</u>                                       |
| Excess (deficiency) of revenues over expenditures | <u>(472,249)</u>    | <u>(472,249)</u>    | <u>(280,977)</u>                   | <u>191,272</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                                    |  |
| Transfers in                                      | 81,280              | 81,280              | 81,280                             | -  |
| Transfers out                                     | -                   | -                   | -                                  | -  |
| Total other financing sources and uses            | <u>81,280</u>       | <u>81,280</u>       | <u>81,280</u>                      | <u>-</u>   |
| Net change in fund balances                       | (390,969)           | (390,969)           | (199,697)                          | 191,272  |
| Fund balances - beginning                         | <u>2,250,000</u>    | <u>2,250,000</u>    | <u>2,256,884</u>                   | <u>6,884</u>   |
| Fund balances - ending                            | <u>\$ 1,859,031</u> | <u>\$ 1,859,031</u> | <u>\$ 2,057,187</u>                | <u>\$ 198,156</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, 2012

|  | <u>Wastewater</u>    | <u>PV Water System</u> | <u>Total</u>          |
|--|----------------------|------------------------|-----------------------|
| <b>ASSETS</b>  |                      |                        |                       |
| Current assets:  |                      |                        |                       |
| Cash and investments                                   | \$ 9,459,498         | \$ 6,752,587           | \$ 16,212,085         |
| Receivables (net of allowance for uncollectibles)      | 297,213              | 629,412                | 926,625               |
| Interest receivable                                    | 28,353               | 17,537                 | 45,890                |
| Prepaid Expense  | -                    | 4,261                  | 4,261                 |
| Inventories  | -                    | 9,738                  | 9,738                 |
| Total current assets                                   | <u>9,785,064</u>     | <u>7,413,535</u>       | <u>17,198,599</u>     |
| Noncurrent assets:                                     |                      |                        |                       |
| Restricted cash, cash equivalents                      | 200,750              | 1,336,909              | 1,537,659             |
| Deferred charges                                       | 124,505              | -                      | 124,505               |
| Capital assets:  |                      |                        |                       |
| Land   | 250,100              | 776,556                | 1,026,656             |
| Buildings  | 3,498,027            | 209,214                | 3,707,241             |
| Improvements other than buildings                      | -                    | 28,199,864             | 28,199,864            |
| Machinery and equipment                                | 5,612,649            | 1,226,908              | 6,839,557             |
| Infrastructure   | 76,227,511           | 32,583,826             | 108,811,337           |
| Construction in progress                               | 78,109               | 5,689,820              | 5,767,929             |
| Less accumulated depreciation                          | <u>(29,413,157)</u>  | <u>(13,747,421)</u>    | <u>(43,160,578)</u>   |
| Total capital assets (net of accumulated depreciation) | <u>56,253,239</u>    | <u>54,938,767</u>      | <u>111,192,006</u>    |
| Total noncurrent assets                                | <u>56,578,494</u>    | <u>56,275,676</u>      | <u>112,854,170</u>    |
| Total assets   | <u>\$ 66,363,558</u> | <u>\$ 63,689,211</u>   | <u>\$ 130,052,769</u> |

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

# Town of Prescott Valley, Arizona

## Statement of Net Assets

### Proprietary Funds

June 30, 2012

|   | <u>Wastewater</u>    | <u>PV Water<br/>System</u> | <u>Total</u>         |
|---|----------------------|----------------------------|----------------------|
| <b>LIABILITIES</b>                              |                      |                            |                      |
| Current liabilities:                            |                      |                            |                      |
| Accounts payable                                | \$ 262,560           | \$ 345,936                 | \$ 608,496           |
| Accrued payroll                                 | 5,101                | 10,438                     | 15,539               |
| Notes payable - due within one year             | 650,536              | -                          | 650,536              |
| Bonds payable - due within one year             | 492,792              | 1,332,251                  | 1,825,043            |
| Total current liabilities                       | <u>1,410,989</u>     | <u>1,688,625</u>           | <u>3,099,614</u>     |
| Noncurrent liabilities:                         |                      |                            |                      |
| Customer advances and deposits                  | 200,750              | 402,022                    | 602,772              |
| Deferred revenue                                | -                    | 80,567                     | 80,567               |
| Notes payable                                   | 10,364,763           | -                          | 10,364,763           |
| Bonds payable, net of unamortized discounts     | 5,212,913            | 9,313,503                  | 14,526,416           |
| Advance from other funds                        | -                    | 11,420,000                 | 11,420,000           |
| Total noncurrent liabilities                    | <u>15,778,426</u>    | <u>21,216,092</u>          | <u>36,994,518</u>    |
| Total liabilities                               | <u>17,189,415</u>    | <u>22,904,717</u>          | <u>40,094,132</u>    |
| <b>NET ASSETS</b>                               |                      |                            |                      |
| Invested in capital assets, net of related debt | 39,532,235           | 44,293,013                 | 83,825,248           |
| Unrestricted                                    | 9,641,908            | (3,508,519)                | 6,133,389            |
| Total net assets                                | <u>\$ 49,174,143</u> | <u>\$ 40,784,494</u>       | <u>\$ 89,958,637</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, 2012

|  | <u>Wastewater</u>    | <u>PV Water<br/>System</u> | <u>Total</u>         |
|--|----------------------|----------------------------|----------------------|
| <b>OPERATING REVENUES</b>                                |                      |                            |                      |
| Charges for sales and services                           | \$ 4,344,346         | \$ 7,348,729               | \$ 11,693,075        |
| Other  | 105,423              | 346,561                    | 451,984              |
| Total operating revenues                                 | <u>4,449,769</u>     | <u>7,695,290</u>           | <u>12,145,059</u>    |
| <b>OPERATING EXPENSES</b>                                |                      |                            |                      |
| Administration   | 467,258              | 699,176                    | 1,166,434            |
| Professional   | 1,218,354            | 2,375,009                  | 3,593,363            |
| Utilities  | 551,397              | 1,005,449                  | 1,556,846            |
| Repairs and maintenance                                  | 337,849              | 377,220                    | 715,069              |
| Supplies   | 1,397                | 37,793                     | 39,190               |
| Capital outlay   | 80,181               | 2,180                      | 82,361               |
| Depreciation and amortization                            | 2,752,025            | 1,564,760                  | 4,316,785            |
| Other  | 33,372               | 237,666                    | 271,038              |
| Total operating expenses                                 | <u>5,441,833</u>     | <u>6,299,253</u>           | <u>11,741,086</u>    |
| Operating income (loss)                                  | (992,064)            | 1,396,037                  | 403,973              |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                 |                      |                            |                      |
| Utility connection charges                               | 343,393              | 287,376                    | 630,769              |
| Investment and rental income                             | 59,033               | 75,278                     | 134,311              |
| Interest expense   | (530,924)            | (504,625)                  | (1,035,549)          |
| Other expenses   | (156,869)            | (121,154)                  | (278,023)            |
| Other revenues   | -                    | 4                          | 4                    |
| Net non-operating revenues (expenses)                    | <u>(285,367)</u>     | <u>(263,121)</u>           | <u>(548,488)</u>     |
| Income (loss) before capital contributions and transfers | (1,277,431)          | 1,132,916                  | (144,515)            |
| Capital contributions                                    | 9,250                | 125,565                    | 134,815              |
| Transfers in   | 227,271              | 1,035,227                  | 1,262,498            |
| Transfers out  | -                    | (227,271)                  | (227,271)            |
| Total capital contributions and transfers                | <u>236,521</u>       | <u>933,521</u>             | <u>1,170,042</u>     |
| Change in net assets                                     | (1,040,910)          | 2,066,437                  | 1,025,527            |
| Total net assets - beginning                             | <u>50,215,053</u>    | <u>38,718,057</u>          | <u>88,933,110</u>    |
| Total net assets - ending                                | <u>\$ 49,174,143</u> | <u>\$ 40,784,494</u>       | <u>\$ 89,958,637</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, 2012

|  | <u>Wastewater</u>   | <u>PV Water<br/>System</u> | <u>Total</u>         |
|--|---------------------|----------------------------|----------------------|
| <b>Cash flows from operating activities</b>                          |                     |                            |                      |
| Receipts from customers and users                                    | \$ 4,486,817        | \$ 7,542,387               | \$ 12,029,204        |
| Payments to suppliers  | (2,546,484)         | (4,301,518)                | (6,848,002)          |
| Payments to employees  | (127,942)           | (265,570)                  | (393,512)            |
| Other operating revenues   | -                   | 5,685                      | 5,685                |
|  | <u>1,812,391</u>    | <u>2,980,984</u>           | <u>4,793,375</u>     |
| <b>Cash flows from noncapital financing activities</b>               |                     |                            |                      |
| Transfer from other funds  | 227,271             | 1,035,227                  | 1,262,498            |
| Transfer to other funds  | -                   | (227,271)                  | (227,271)            |
| Payable to other funds   | -                   | (1,035,227)                | (1,035,227)          |
| Net cash provided (used) by noncapital financing activities          | <u>227,271</u>      | <u>(227,271)</u>           | <u>-</u>             |
| <b>Cash flows from capital and related financing activities</b>      |                     |                            |                      |
| Utility connection charges   | 343,393             | 287,376                    | 630,769              |
| Acquisition and construction of property and equipment               | (15,189)            | (602,024)                  | (617,213)            |
| Principal paid on capital debt                                       | (2,163,986)         | (1,380,000)                | (3,543,986)          |
| Interest paid on capital debt  | (530,924)           | (504,625)                  | (1,035,549)          |
| Net cash provided (used) by capital and related financing activities | <u>(2,366,706)</u>  | <u>(2,199,273)</u>         | <u>(4,565,979)</u>   |
| <b>Cash flows from investing activities</b>                          |                     |                            |                      |
| Interest and dividends received                                      | <u>66,608</u>       | <u>85,845</u>              | <u>152,453</u>       |
| Net cash provided (used) by investing activities                     | <u>66,608</u>       | <u>85,845</u>              | <u>152,453</u>       |
| Net increase (decrease) in cash and cash equivalents                 | (260,436)           | 640,285                    | 379,849              |
| Cash and cash equivalents, July 1                                    | <u>9,920,684</u>    | <u>7,449,211</u>           | <u>17,369,895</u>    |
| Cash and cash equivalents, June 30                                   | <u>\$ 9,660,248</u> | <u>\$ 8,089,496</u>        | <u>\$ 17,749,744</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, 2012

|   | <u>Wastewater</u>   | <u>PV Water System</u> | <u>Total</u>         |
|---|---------------------|------------------------|----------------------|
| Cash and cash equivalents at end of year includes:  |                     |                        |                      |
| Cash and investments  | \$ 9,459,498        | \$ 6,752,587           | \$ 16,212,085        |
| Restricted cash and investments   | 200,750             | 1,336,909              | 1,537,659            |
| Total cash and cash equivalents   | <u>\$ 9,660,248</u> | <u>\$ 8,089,496</u>    | <u>\$ 17,749,744</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities:               |                     |                        |                      |
| Operating income (loss)   | \$ (992,064)        | \$ 1,396,037           | \$ 403,973           |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                     |                        |                      |
| Depreciation and amortization   | 2,752,025           | 1,564,760              | 4,316,785            |
| (Increase) decrease in accounts receivable  | 75,410              | (47,642)               | 27,768               |
| Decrease in accounts payable  | 137,602             | 168,173                | 305,775              |
| (Increase) decrease in prepaid items  | 2,194               | (2,067)                | 127                  |
| Increase in customer deposits   | (38,362)            | (105,261)              | (143,623)            |
| Increase in accrued payroll   | 812                 | 1,370                  | 2,182                |
| Increase in deferred charges  | 31,643              | -                      | 31,643               |
| Other revenues (expenses)   | (156,869)           | 5,614                  | (151,255)            |
| Total adjustments   | <u>2,804,455</u>    | <u>1,584,947</u>       | <u>4,389,402</u>     |
| Net cash provided by operating activities   | <u>\$ 1,812,391</u> | <u>\$ 2,980,984</u>    | <u>\$ 4,793,375</u>  |
| Noncash investing, capital and financing activities:  |                     |                        |                      |
| Additions to property, plant and equipment  |                     |                        |                      |
| Contributions from developers   | \$ 9,250            | \$ 125,565             | \$ 134,815           |

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Financial Reporting Entity**

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

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

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

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

#### **Individual Component Units - Blended**

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

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

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

For StoneRidge, Pronghorn Ranch, Quailwood Meadows and Parkway No. 1, the bonds are repaid from revenues generated through an *ad valorem* tax against property located within the respective districts. Raven Ridge was created as a funding mechanism for a sewer line installation project and funded by a low interest loan through the Water Infrastructure Financing Authority (WIFA). Raven Ridge's low interest loan, Eastridge's bonds and Southside's bonds are repaid from assessments paid by the property owners within the districts. No Town revenues are pledged toward these obligations. For StoneRidge, Pronghorn Ranch and Quailwood Meadows, the developers are solely responsible for repaying the bonds until sufficient *ad valorem* taxes are collected from the property owners. In the event a developer files for bankruptcy or discontinues paying any difference owed (that which is the difference between the taxes owed by property owners and the debt service requirement), the District anticipates drawing on the reserve, which equals 10% of the amount of bonds issued for the District, to pay this

difference. For Parkway No. 1, the property owners are solely responsible for repaying the bonds through *ad valorem* tax collections. The Town Council serves as the board of directors for these districts. For financial reporting purposes, the districts are reported as blended component units. All of these community facilities districts are reported as nonmajor funds as if the districts were a part of the Town's operation. Additional information for these districts can be obtained from the Town of Prescott Valley, Management Services Department, located at 7501 E. Civic Circle, Prescott Valley, AZ 86314.

## **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (e.g. *statement of net assets* and *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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

The *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 *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. current portion of inter-fund loans) or “advances to/from other funds” (e.g. non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

All accounts are shown net of an allowance for uncollectible accounts. All receivables outstanding for greater than 90 days comprise the allowance for uncollectible accounts at June 30, 2012.

**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 2011/12.

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 2011/12. 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 2011/12 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 2011/12, 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, the following line item accounts within departments exceeded the amounts budgeted. Expenditure appropriations are adopted in the budget at the fund level. For presentation purposes, we have elected to show any deficits at the line item level within departments:

|                           | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Expenditures</u> | <u>Variance between Final Budget and Actual Amounts</u> |
|---------------------------|------------------------|---------------------|----------------------------|---|
| <b>General Fund:</b>      |                        |                     |                            |   |
| <b>Other-Unclassified</b> |                        |                     |                            |   |
| Personnel services        | (195,000)              | (195,000)           | -                          | (195,000)   |

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

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.

**C. Deficit Fund Equity**

For the fiscal year June 30, 2012, the Development Impact Fees fund had 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.

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

Town of Prescott Valley, Arizona

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, 2012 are as follows:

|                                  | General Fund  | Highway Users Revenue Fund | Municipal Property Corp Debt Service Fund | Community Facilities District StoneRidge | Total Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------|----------------------------|---|--|-----------------------------------|--------------------------|
| Fund balances:                   |               |                            |   |  |                                   |                          |
| Nonspendable:                    |               |                            |   |  |                                   |                          |
| Prepaid items                    | \$ 31,475     | \$ -                       | \$ -                                      | \$ -                                     | \$ 34,643                         | \$ 66,118                |
| Supplies inventory               | 2,124         | -                          | -   | -  | -                                 | 2,124                    |
| Advances to other funds          | 2,129,261     | -                          | -   | -  | -                                 | 2,129,261                |
| Restricted for:                  |               |                            |   |  |                                   |                          |
| Capital projects                 | -             | -                          | -   | -  | 4,518,458                         | 4,518,458                |
| Community facilities districts   | -             | -                          | -   | 542,309                                  | 1,428,285                         | 1,970,594                |
| Debt service                     | -             | -                          | 14,783,488                                | -  | 223,809                           | 15,007,297               |
| Grantor and contributor purposes | -             | -                          | -   | -  | 1,128,658                         | 1,128,658                |
| Street improvements              | -             | 2,057,187                  | -   | -  | -                                 | 2,057,187                |
| Committed to:                    |               |                            |   |  |                                   |                          |
| Replacement fund                 | -             | -                          | -   | -  | 358,851                           | 358,851                  |
| Stabilization fund               | 2,191,363     | -                          | -   | -  | -                                 | 2,191,363                |
| Unassigned:                      | 9,500,430     | -                          | -   | -  | (2,163,904)                       | 7,336,526                |
| Total                            | \$ 13,854,653 | \$ 2,057,187               | \$ 14,783,488                             | \$ 542,309                               | \$ 5,528,800                      | \$ 36,766,437            |

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, 2012.

#### **Deposits**

At June 30, 2012, the carrying amount of the Town's deposits was \$8,139,634 and the bank balance was \$8,092,535. The \$47,099 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, 2012, 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, 2012, all investments of that pool were rated AAA.

#### **Investments**

The Town's investments at June 30, 2012, are summarized below.

#### **Investment Matures (in years)**

| <b>Investment Type</b>           | <b>Fair Value</b>    | <b>Less Than 1</b>   | <b>1 - 2</b>        | <b>2 - 3</b>        | <b>3+</b>            |
|----------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| US Treasuries                    | \$ 4,920,642         | \$ 4,920,642         | \$ -                | \$ -                | \$ -                 |
| US Agencies                      | 18,042,550           | -                    | 2,000,910           | 6,011,630           | 10,030,010           |
| Corporate Bonds                  | 2,018,420            | 2,018,420            | -                   | -                   | -                    |
| Money Markets                    | 6,983,054            | 6,983,054            | -                   | -                   | -                    |
| Certificates of Deposit          | 3,702,666            | 996,058              | 984,272             | 485,910             | 1,236,426            |
| Local Government Investment Pool | 3,115,634            | 3,115,634            | -                   | -                   | -                    |
|                                  | <u>\$ 38,782,966</u> | <u>\$ 18,033,808</u> | <u>\$ 2,985,182</u> | <u>\$ 6,497,540</u> | <u>\$ 11,266,436</u> |

Town of Prescott Valley, Arizona

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

|                                  |                     |
|----------------------------------|---------------------|
| Carrying amount of Town deposits | \$ 8,139,634        |
| Investments                      | <u>38,782,966</u>   |
| Total cash and investments       | <u>\$46,922,600</u> |

Total Town cash and investments are reported as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Primary government:                  |                     |
| Cash and investments                 | \$38,204,185        |
| Restricted cash and cash equivalents | <u>8,718,415</u>    |
| Total cash and investments           | <u>\$46,922,600</u> |

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

**B. Receivables**

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

| <b>Receivables:</b>         | Interest         | Inter-<br>governmental | Special<br>Assessments | Grants/<br>Miscellaneous | Gross<br>Receivables | Less:<br>Allowance for | Net Total<br>Receivables |
|-----------------------------|------------------|------------------------|------------------------|--------------------------|----------------------|------------------------|--------------------------|
| General Fund                | \$ 32,106        | \$ 1,183,071           | \$ -                   | \$ 433,559               | \$ 1,648,736         | \$ -                   | \$ 1,648,736             |
| Highway Users Revenue Fund  | 4,756            | 263,397                | -                      | 29,990                   | 298,143              | -                      | 298,143                  |
| CFD - StoneRidge            | -                | -                      | -                      | 20,292                   | 20,292               | -                      | 20,292                   |
| Wastewater System           | 28,353           | -                      | -                      | 315,335                  | 343,688              | (18,122)               | 325,566                  |
| Water System                | 17,537           | -                      | -                      | 687,487                  | 705,024              | (58,075)               | 646,949                  |
| Nonmajor Governmental Funds | 12,963           | -                      | 3,424,011              | 576,776                  | 4,013,750            | -                      | 4,013,750                |
| Total                       | <u>\$ 95,715</u> | <u>\$ 1,446,468</u>    | <u>\$ 3,424,011</u>    | <u>\$ 2,063,439</u>      | <u>\$ 7,029,633</u>  | <u>\$ (76,197)</u>     | <u>\$ 6,953,436</u>      |

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)            | \$ 3,424,011        | \$ -              |
| Court bonds payable  | -                   | 134,481           |
| Other  |                     |                   |
| Grant drawdown's prior to meeting all eligibility requirements | -                   | 40,362            |
| Developer advance payments                                     | -                   | 184,770           |
| Total deferred/unearned revenue for governmental funds         | <u>\$ 3,424,011</u> | <u>\$ 359,613</u> |

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Town of Prescott Valley, Arizona**

**Schedule of Activity in Capital Assets**

Year Ended June 30, 2012

|  | Capital<br>Assets<br>June 30, 2011 | Increases             | Decreases          | Transfers          | Capital<br>Assets<br>June 30, 2012 |
|--|------------------------------------|-----------------------|--------------------|--------------------|------------------------------------|
| <b>Governmental activities:</b>              |                                    |                       |                    |                    |                                    |
| Capital assets, not being depreciated:       |                                    |                       |                    |                    |                                    |
| Land   | \$ 6,901,758                       | \$ 117,455            | \$ -               | \$ -               | \$ 7,019,213                       |
| Construction in progress                     | 1,183,247                          | 1,293,147             | -                  | (1,982,999)        | 493,395                            |
| Total capital assets, not being depreciated: | <u>8,085,005</u>                   | <u>1,410,602</u>      | <u>-</u>           | <u>(1,982,999)</u> | <u>7,512,608</u>                   |
| Capital assets, being depreciated:           |                                    |                       |                    |                    |                                    |
| Buildings                                    | 35,187,255                         | 215,817               | -                  | -                  | 35,403,072                         |
| Improvements other than buildings            | 17,620,869                         | 21,397                | -                  | -                  | 17,642,266                         |
| Machinery and equipment                      | 8,226,784                          | 261,652               | (327,401)          | -                  | 8,161,035                          |
| Infrastructure                               | 150,646,662                        | 684,934               | -                  | 1,982,999          | 153,314,595                        |
| Total capital assets, being depreciated:     | <u>211,681,570</u>                 | <u>1,183,800</u>      | <u>(327,401)</u>   | <u>1,982,999</u>   | <u>214,520,968</u>                 |
| Less accumulated depreciation for:           |                                    |                       |                    |                    |                                    |
| Buildings                                    | (5,671,457)                        | (893,179)             | -                  | -                  | (6,564,636)                        |
| Improvements other than buildings            | (4,493,660)                        | (1,091,027)           | -                  | -                  | (5,584,687)                        |
| Machinery and equipment                      | (5,097,635)                        | (700,454)             | 275,255            | -                  | (5,522,834)                        |
| Infrastructure                               | (33,546,988)                       | (5,303,695)           | -                  | -                  | (38,850,683)                       |
| Total accumulated depreciation:              | <u>(48,809,740)</u>                | <u>(7,988,355)</u>    | <u>275,255</u>     | <u>-</u>           | <u>(56,522,840)</u>                |
| Total capital assets, being depreciated, net | <u>162,871,830</u>                 | <u>(6,804,555)</u>    | <u>(52,146)</u>    | <u>1,982,999</u>   | <u>157,998,128</u>                 |
| Governmental activities capital assets, net  | <u>\$ 170,956,835</u>              | <u>\$ (5,393,953)</u> | <u>\$ (52,146)</u> | <u>\$ -</u>        | <u>\$ 165,510,736</u>              |
| <b>Business-type activities:</b>             |                                    |                       |                    |                    |                                    |
| Capital assets, not being depreciated:       |                                    |                       |                    |                    |                                    |
| Land   | \$ 1,026,656                       | \$ -                  | \$ -               | \$ -               | \$ 1,026,656                       |
| Construction in progress                     | 5,598,224                          | 395,997               | -                  | (226,292)          | 5,767,929                          |
| Total capital assets, not being depreciated: | <u>6,624,880</u>                   | <u>395,997</u>        | <u>-</u>           | <u>(226,292)</u>   | <u>6,794,585</u>                   |
| Capital assets, being depreciated:           |                                    |                       |                    |                    |                                    |
| Buildings                                    | 3,707,241                          | -                     | -                  | -                  | 3,707,241                          |
| Improvements other than buildings            | 28,215,356                         | -                     | (15,492)           | -                  | 28,199,864                         |
| Machinery and equipment                      | 6,808,233                          | 31,324                | -                  | -                  | 6,839,557                          |
| Infrastructure                               | 108,260,338                        | 324,707               | -                  | 226,292            | 108,811,337                        |
| Total capital assets, being depreciated:     | <u>146,991,168</u>                 | <u>356,031</u>        | <u>(15,492)</u>    | <u>226,292</u>     | <u>147,557,999</u>                 |
| Less accumulated depreciation for:           |                                    |                       |                    |                    |                                    |
| Buildings                                    | (2,877,336)                        | (181,464)             | -                  | -                  | (3,058,800)                        |
| Improvements other than buildings            | (7,327,332)                        | (804,822)             | 9,811              | -                  | (8,122,343)                        |
| Machinery and equipment                      | (5,606,257)                        | (188,123)             | -                  | -                  | (5,794,380)                        |
| Infrastructure                               | (22,984,218)                       | (3,200,837)           | -                  | -                  | (26,185,055)                       |
| Total accumulated depreciation:              | <u>(38,795,143)</u>                | <u>(4,375,246)</u>    | <u>9,811</u>       | <u>-</u>           | <u>(43,160,578)</u>                |
| Total capital assets, being depreciated, net | <u>108,196,025</u>                 | <u>(4,019,215)</u>    | <u>(5,681)</u>     | <u>226,292</u>     | <u>104,397,421</u>                 |
| Business-type activities capital assets, net | <u>\$ 114,820,905</u>              | <u>\$ (3,623,218)</u> | <u>\$ (5,681)</u>  | <u>\$ -</u>        | <u>\$ 111,192,006</u>              |

Town of Prescott Valley, Arizona

Construction in progress activity for the year ended June 30, 2012 was as follows:

**Town of Prescott Valley, Arizona**

**Schedule of Activity in Construction in Progress**

Year Ended June 30, 2012

|   | Construction<br>in Progress<br>June 30, 2011 | Increases           | Decreases   | Transfers             | Construction<br>in Progress<br>June 30, 2012 |
|---|--|---------------------|-------------|-----------------------|--|
| <b>Governmental activities:</b>         |  |                     |             |                       |  |
| Central Core Multiuse Path              | \$ 2,250                                     | \$ 10,415           | \$ -        | \$ -                  | \$ 12,665                                    |
| Civic Center Remodel                    | 32,215                                       | 12,094              | -           | -                     | 44,309                                       |
| Loos Drive Widening                     | -  | 29,768              | -           | -                     | 29,768                                       |
| Old Town Park                           | 78,244                                       | -                   | -           | -                     | 78,244                                       |
| Pipeline Multiuse Path                  | 2,296  | 21,255              | -           | -                     | 23,551                                       |
| Robert Road - Spouse/Tranquil           | 973,794                                      | 1,009,205           | -           | (1,982,999)           | -  |
| Roundup Industrial District             | 27,134                                       | -                   | -           | -                     | 27,134                                       |
| Section 14 Multiuse Field               | 65,814                                       | -                   | -           | -                     | 65,814                                       |
| SR69 Multiuse Trail - Phase II/III      | 1,500  | -                   | -           | -                     | 1,500  |
| Viewpoint Drive Connector               | -  | 210,410             | -           | -                     | 210,410                                      |
| Total governmental activities           | <u>1,183,247</u>                             | <u>1,293,147</u>    | <u>-</u>    | <u>(1,982,999)</u>    | <u>493,395</u>                               |
| <b>Business-type activities:</b>        |  |                     |             |                       |  |
| Lone Tree Recharge Facility             | 536,865                                      | 206,082             | -           | -                     | 742,947                                      |
| Robert Road - Spouse/Tranquil Waterline | 175,000                                      | 51,292              | -           | (226,292)             | -  |
| Roundup Sewer Upsize                    | 44,368                                       | -                   | -           | -                     | 44,368                                       |
| Short Mesa Connector                    | 33,741                                       | -                   | -           | -                     | 33,741                                       |
| StoneRidge Storage Tank                 | 663,074                                      | -                   | -           | -                     | 663,074                                      |
| Tri-City Pipeline and Tanks             | 3,722,248                                    | 138,623             | -           | -                     | 3,860,871                                    |
| Water Transmission Pipeline             | 422,928                                      | -                   | -           | -                     | 422,928                                      |
| Total business-type activities          | <u>5,598,224</u>                             | <u>395,997</u>      | <u>-</u>    | <u>(226,292)</u>      | <u>5,767,929</u>                             |
| Total                                   | <u>\$ 6,781,471</u>                          | <u>\$ 1,689,144</u> | <u>\$ -</u> | <u>\$ (2,209,291)</u> | <u>\$ 6,261,324</u>                          |

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

|   |                     |
|---|---------------------|
| <b>Governmental activities:</b>                                       |                     |
| General government  | \$ 789,597          |
| Public safety   | 520,660             |
| Highways and streets, including depreciation of infrastructure assets | 3,392,992           |
| Culture and recreation  | 1,540,932           |
| Public works  | 1,744,174           |
| Total depreciation expense - governmental activities                  | <u>\$ 7,988,355</u> |
| <b>Business-type activities:</b>                                      |                     |
| Wastewater  | \$ 2,767,152        |
| Prescott Valley water system  | 1,608,094           |
| Total depreciation expense - business-type activities                 | <u>\$ 4,375,246</u> |

**D. Construction Commitments**

The Town has active construction projects as of June 30, 2012. At year end, the government’s commitments with contractors for specific projects are as follows:

|                 | Total<br>Contract | Remaining<br>Balance |
|-----------------|-------------------|----------------------|
| Streets         | \$ 267,305        | \$ 32,693            |
| PV Water System | 163,371           | 65,852               |
|                 | \$ 430,676        | \$ 98,545            |

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, 2012 is as follows:

*Due To/From Other Funds*

| Receivable Fund | Payable Fund                 | Amount       |
|-----------------|------------------------------|--------------|
| General Fund    | Grants                       | \$ 255,317   |
| General Fund    | Certificate of Participation | 283,534      |
| General Fund    | Stoneridge CFD               | 420,089      |
| General Fund    | Pronghorn CFD                | 165,934      |
| General Fund    | Quailwood CFD                | 45,761       |
| General Fund    | Parkway No. 1 CFD            | 1,282        |
|                 |                              | \$ 1,171,917 |

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 | \$ 2,129,261  |
| MPC Debt Service Fund | PV Water System         | 11,420,000    |
|                       |                         | \$ 13,549,261 |

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                  | \$ 2,120,147                              | \$ -              | \$ -                | \$ 900,672                  | \$ 3,070,819        |       |
| Municipal Property Corp Debt Fund | -                   | -                          | -   | -                 | 1,035,227           | -                           | 1,035,227           |       |
| Water System                      | -                   | -                          | -   | 227,271           | -                   | -                           | 227,271             |       |
| Nonmajor Governmental Funds       | 2,010,415           | 31,280                     | 557,957                                   | -                 | -                   | 929,145                     | 3,528,797           |       |
| <b>Total</b>                      | <b>\$ 2,010,415</b> | <b>\$ 81,280</b>           | <b>\$ 2,678,104</b>                       | <b>\$ 227,271</b> | <b>\$ 1,035,227</b> | <b>\$ 1,829,817</b>         | <b>\$ 7,862,114</b> |       |

**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, 2012. There are a number of limitations and restrictions contained in the various documents, and the Town is in compliance with all significant limitations and restrictions.

**Municipal Property Corporation Bonds**

The Municipal Property Corporation (MPC) is a nonprofit corporation that issues bonds to finance public improvements. The MPC currently has three bond issues outstanding (e.g. Municipal Facilities Revenue Refunding Series 2004, Series 2011 and Series 2012) totaling \$29,765,000. In 2012, the MPC issued \$14.4 million to refinance the remaining bonds for the street improvements resulting in present value cash flow savings of \$708,852 and net present value savings of \$400,454. In 2012, the MPC also issued \$11.4 million to refinance the remaining bonds for the water importation project resulting in a present value cash flow savings of (\$8,747) and net present value savings of \$303,023.

At June 30, 2012, \$39,218,260 in bonds are outstanding to be repaid by future excise tax revenues. For the fiscal year ended June 30, 2012, the revenues available for service of this debt were \$18,989,450. The debt principal and interest paid on this debt in fiscal year 2011/12 was \$2,532,762 (13.3% 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, 2012, the Town's debt service coverage ranges from 5.49 to 7.27 times the rental payments due.

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.

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

### **Utility Revenue Bonds and Loans**

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

In 2012, the MPC issued \$5.8 million to refinance the remaining sewer revenue bonds resulting in a present value cash flow savings of \$1.7 million and net present value savings of \$470,974. For the fiscal year ended June 30, 2012, the net revenues available for service of this debt were \$2,162,386. The debt principal and interest paid on this debt in fiscal year ended June 30, 2012 was \$1,557,003 (72.0% of available net pledged revenues).

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

In 2006, Arizona statutes relating to water infrastructure financing were amended. For towns and cities with populations of less than fifty thousand, the revenues of the towns' and cities' utility systems may now be pledged towards repayment of loan agreements without an election if the pledge does not violate any covenant pertaining to previous bond/loan issues. In March 2007, the Town entered into an additional loan agreement with WIFA in the amount of \$5,000,000 to finance the balance of the wastewater treatment facility expansion project. The debt principal and interest paid on this debt in fiscal year ended June 30, 2012 was \$1,003,612.

Current Wastewater Revenue Bond covenants require that the Town's net wastewater system revenues (revenues remaining after providing sufficient funds for the system) are at least one and one-quarter (1¼) times the maximum annual debt service payment. As of June 30, 2012, the Town's debt service coverage is 1.32 times the annual debt service payment (see Table 14 in the statistical section).

At June 30, 2012, \$11,190,000 in water revenue bonds remain outstanding to be repaid by future water revenues. For the fiscal year ended June 30, 2012, the net revenues available for service of this debt were \$3,323,452. The debt principal and interest paid on this debt in fiscal year ended June 30, 2012 was \$1,884,625 (56.7% of available net pledged revenues).

Current Water Revenue Bond covenants require that the Town's net water system revenues (revenues remaining after providing sufficient funds for the system) are at least one and one-quarter (1¼) times the maximum annual debt service payment. As of June 30, 2012, the Town's debt service coverage (net water system revenues) is 1.76 times the annual debt service payment (see Table 14 in the statistical section).

### **Special Assessment Bonds**

Special Assessment Bonds are issued by the Town on behalf of improvement districts that include designated properties for the purpose of financing public improvements that benefit those properties. Property owners in the districts agree to be assessed for their share of construction costs. If they choose not to initially pay that share in cash, then property owners agree to pay a share of principal and interest on bonds issued to cover the balance. The Town's responsibility for improvement districts is to collect the assessments levied and to disburse the amounts needed to retire the bonds. The receivables, revenues and debt service expenses related to these bonds are recorded in the Special Assessments Debt Service Fund. As of June 30, 2012, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are sufficient for the scheduled maturities of the bonds payable and the related interest.

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

The Town Council's adopted policy is that Special Assessment Bonds be sold only when the ratio of the full cash value of the property (prior to improvements) when compared to debt is a minimum of 3 to 1 (and 5 to 1 or higher after construction of improvements). In addition, cumulative Special Assessment Bonds are not permitted to exceed 5% of the Town's secondary assessed valuation. As of June 30, 2012, there was one series of Special Assessment Bonds outstanding which was issued as serial bonds to be repaid over various terms.

### **Community Facilities District (CFD) Bonds**

Community facilities districts (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.

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 \$3.4 million, payable from *ad valorem* taxes levied directly on property within the CFD and collected by the county. The Southside CFD No. 1 has issued bonds in the amount of \$3.0 million for the purpose of financing certain public infrastructure improvements within the District, payable from assessments against property within the CFD.

### **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.

Town of Prescott Valley, Arizona

In 2000, the Town entered into a development agreement with Yavapai County Fairgrounds Association (YCFA) for a period of forty (40) years. Under the terms of the agreement, the Town would reimburse YCFA for a portion of YCFA's costs to design and construct roadways, traffic control signals, storm water drainage facilities, water storage and distribution facilities, and wastewater collection facilities for its new fairgrounds facility. On an annual basis, the Town would appropriate funds in the general fund to pay YCFA or its designated assignee. The remaining balance is \$1,936,336 as of June 30, 2012.

In 2003, the Town entered into a development agreement with Yavapai Community Hospital Association (Hospital) to reimburse the Hospital for costs associated with infrastructure improvements (up to \$1,000,000) needed for a new campus in Prescott Valley. If actual costs were less than the \$1 million, the Town would reimburse the Hospital the balance of the \$1,000,000 over a period of ten (10) years. In addition, the Town would pay the Hospital \$100,000 annually for the next ten (10) years within sixty (60) days after the final adoption of the Town's general fund budget. The Town has a remaining balance of \$628,949 as of June 30, 2012.

**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, 2012:

**Town of Prescott Valley, Arizona**

**General Long-Term Debt Schedule**

|   | Balance<br>6/30/2011 | Increases            | Decreases            | Balance<br>6/30/2012 | Due within<br>One Year |
|---|----------------------|----------------------|----------------------|----------------------|------------------------|
| <b>Governmental activities:</b>                 |                      |                      |                      |                      |                        |
| Bonds payable:                                  |                      |                      |                      |                      |                        |
| MPC revenue bonds                               | \$ 30,565,000        | \$ 25,785,000        | \$ 26,585,000        | \$ 29,765,000        | \$ 1,610,000           |
| Certificates of participation                   | 14,125,000           | -                    | 645,000              | 13,480,000           | 670,000                |
| Special assessments bonds                       | 1,016,000            | -                    | 466,000              | 550,000              | 175,000                |
| Community facilities districts:                 |                      |                      |                      |                      |                        |
| General obligation bonds                        | 29,785,000           | -                    | 980,000              | 28,805,000           | 1,030,000              |
| Special assessments                             | 4,127,000            | -                    | 618,000              | 3,509,000            | 195,000                |
| Long-term loan payable                          | 261,140              | -                    | 20,247               | 240,893              | 20,248                 |
| Less deferred amounts:                          |                      |                      |                      |                      |                        |
| For issuance premiums                           | -                    | 1,766,293            | 88,353               | 1,677,940            | 143,214                |
| On refunding                                    | (274,959)            | 103,717              | 1,861,831            | (2,033,073)          | (205,349)              |
| Total bonds payable                             | 79,604,181           | 27,655,010           | 31,264,431           | 75,994,760           | 3,638,113              |
| Long-term obligations                           | 2,938,076            | -                    | 372,792              | 2,565,284            | 372,792                |
| Compensated absences                            | 1,338,138            | 1,165,344            | 1,155,367            | 1,348,115            | 101,109                |
| Governmental activity<br>Long-term liabilities  | <u>\$ 83,880,395</u> | <u>\$ 28,820,354</u> | <u>\$ 32,792,590</u> | <u>\$ 79,908,159</u> | <u>\$ 4,112,014</u>    |
| <b>Business-type activities:</b>                |                      |                      |                      |                      |                        |
| Revenue bonds                                   | \$ 19,810,000        | \$ 5,840,000         | \$ 8,620,000         | \$ 17,030,000        | \$ 1,915,000           |
| Less deferred amounts:                          |                      |                      |                      |                      |                        |
| For issuance premiums                           | 346,670              | 155,559              | 43,334               | 458,895              | 43,334                 |
| On refunding                                    | (968,665)            | 121,083              | 289,854              | (1,137,436)          | (121,083)              |
| Total revenue bonds payable                     | 19,188,005           | 6,116,642            | 8,953,188            | 16,351,459           | 1,837,251              |
| Long-term loan payable                          | 11,644,990           | -                    | 629,691              | 11,015,299           | 650,536                |
| Business-type activity<br>Long-term liabilities | <u>\$ 30,832,995</u> | <u>\$ 6,116,642</u>  | <u>\$ 9,582,879</u>  | <u>\$ 27,366,758</u> | <u>\$ 2,487,787</u>    |
| Total long-term liabilities                     | <u>\$114,713,390</u> | <u>\$ 34,936,996</u> | <u>\$ 42,375,469</u> | <u>\$107,274,917</u> | <u>\$ 6,599,801</u>    |

Details of bonded debt as of June 30, 2012, are as follows:

**Municipal Property Corporation (MPC) Revenue Bonds**

Details of MPC revenue bonds as of June 30, 2012, are as follows:

|   |                     |
|---|---------------------|
| \$6,420,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2004, dated March 1, 2004, is due in annual installments of \$30,000 to \$735,000 through January 1, 2018, with interest at 2.00% to 3.75% per annum (Payable from Excise Tax revenues – refunding prior bonds for Police Department facility and Town Hall/Library).               | \$4,075,000         |
| \$14,365,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2011, dated August 25, 2011, is due in annual installments of \$95,000 to \$1,930,000 through January 1, 2025, with interest at 2.00% to 5.00% (Payable from Excise Tax revenues – refunding prior bonds for streets and related improvements).                                    | 14,270,000          |
| \$11,420,000 Municipal Property Corporation Facilities Revenue Refunding Bonds, Series 2012B, dated June 28, 2012, is due in annual installments of \$625,000 to \$1,385,000 through January 1, 2025, with interest at 2.50% to 4.00% (Payable from Excise Tax revenues – refunding prior bonds for the Town’s share of costs for land with an underground water source). | <u>11,420,000</u>   |
| Total MPC Revenue Bonds   | <u>\$29,765,000</u> |

**Certificates of Participation (COP) Bonds**

Details of COP bonds as of June 30, 2012, are as follows:

|  |                     |
|--|---------------------|
| \$15,910,000 Certificates of Participation Bonds, Series 2007, dated December 27, 2007 is due in annual installments of \$570,000 to \$1,185,000 through January 1, 2027, with interest at 3.00% to 4.50% per annum (Leased property of the Town and subject to annual appropriation by Town Council – new Library). | <u>\$13,480,000</u> |
| Total COP Bonds  | <u>\$13,480,000</u> |

**Special Assessment Bonds**

Details of special assessment bonds payable as of June 30, 2012, are as follows:

|  |                  |
|--|------------------|
| \$5,100,000 Special Assessment Bonds payable for wastewater collection system is due in annual payments of \$125,000 to \$485,000 through January 1, 2015, with interest at 7.85% per annum (Payable from special assessments with contingent Town obligation – Phase II). | <u>\$550,000</u> |
| Total Special Assessment Bonds   | <u>\$550,000</u> |

**CFD Bonds/Loans**

Details of bonds and loans payable as of June 30, 2012, 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>  | <p>\$12,955,000</p> |
| <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>   | <p>6,325,000</p>    |
| <p>\$2,500,000 Eastridge Community Facilities District Special Assessment Lien Bonds, Series 2003, is due in annual payments of \$125,000 to \$275,000 through July 1, 2018, with interest at 6.00% to 7.25% per annum (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, utilities and related improvements).</p>  | <p>1,275,000</p>    |
| <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>   | <p>6,285,000</p>    |
| <p>\$925,446 Raven Ridge Community Facilities District long-term loan. A loan agreement with the Water Infrastructure Financing Authority (WIFA) dated January 21, 2003, for a maximum principal amount of \$925,446, at an interest rate of 3.188%, the proceeds of which are designated for capital construction within the identified district. The total loan debt service was determined at the completion of the project after final loan drawdowns were submitted for a payback period of twenty (20) years with annual principal and semi-annual interest payments (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – wastewater collection system).</p> | <p>240,893</p>      |

Town of Prescott Valley, Arizona

\$3,425,000 Parkway Community Facilities District No. 1 General Obligation Bonds, Series 2006, is due in annual payments of \$126,698 to \$269,780 through July 15, 2031, with interest at 4.85% to 5.35% per annum (Payable from revenues generated through an *ad valorem* tax assessed by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – parking facilities).

3,240,000

\$3,025,000 Southside Community Facilities District No. 1 Special Assessment Revenue Bonds, Series 2008, is due in annual payments of \$55,000 to \$245,000 through July 1, 2032, with interest at 6.125% to 7.25% per annum (Payable from revenues generated through an assessment by the district against the properties located within the boundaries of the district. The Town has no contingent obligation with respect to these bonds – streets, utilities and related improvements).

2,234,000

Total Community Facilities District Bonds and Loans \$32,554,893

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

**Revenue Bonds and Loans**

Details of revenue bonds and loans payable as of June 30, 2012 are as follows:

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

\$5,840,000

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

11,190,000

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

6,994,201

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

4,021,098

Total Revenue Bonds and Loans \$28,045,299

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, 2012. Deferred issuance costs and deferred amounts on refunding are not included.

| <b>Governmental Activities</b> |                         |                     |                               |                     |                     |                  |                      |                      |
|--------------------------------|-------------------------|---------------------|-------------------------------|---------------------|---------------------|------------------|----------------------|----------------------|
| Fiscal Year<br>Ending          | Municipal Property Corp |                     |                               |                     |                     |                  | Total Debt           |                      |
|                                | Revenue Bond            |                     | Certificates of Participation |                     | Special Assessments |                  | Primary Government   |                      |
|                                | Principal               | Interest            | Principal                     | Interest            | Principal           | Interest         | Principal            | Interest             |
| 2013                           | 1,610,000               | 1,002,542           | 670,000                       | 567,112             | 175,000             | 43,175           | 2,455,000            | 1,612,829            |
| 2014                           | 1,525,000               | 1,129,145           | 695,000                       | 540,312             | 185,000             | 29,437           | 2,405,000            | 1,698,894            |
| 2015                           | 1,815,000               | 1,081,461           | 725,000                       | 512,512             | 190,000             | 14,915           | 2,730,000            | 1,608,888            |
| 2016                           | 1,915,000               | 1,024,351           | 755,000                       | 483,512             | -                   | -                | 2,670,000            | 1,507,863            |
| 2017                           | 2,115,000               | 951,151             | 785,000                       | 453,313             | -                   | -                | 2,900,000            | 1,404,464            |
| 2018-22                        | 11,925,000              | 3,480,526           | 4,415,000                     | 1,767,215           | -                   | -                | 16,340,000           | 5,247,741            |
| 2023-27                        | 8,860,000               | 784,084             | 5,435,000                     | 746,963             | -                   | -                | 14,295,000           | 1,531,047            |
|                                | <u>\$ 29,765,000</u>    | <u>\$ 9,453,260</u> | <u>\$ 13,480,000</u>          | <u>\$ 5,070,939</u> | <u>\$ 550,000</u>   | <u>\$ 87,527</u> | <u>\$ 43,795,000</u> | <u>\$ 14,611,726</u> |

| <b>Governmental Activities (continued)</b> |                      |                     |                     |                     |                     |                   |                       |                     |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|
| <b>Community Facilities Districts</b>      |                      |                     |                     |                     |                     |                   |                       |                     |
| Fiscal Year<br>Ending                      | StoneRidge CFD       |                     | Pronghorn Ranch CFD |                     | Eastridge CFD       |                   | Quailwood Meadows CFD |                     |
|  | Principal            | Interest            | Principal           | Interest            | Principal           | Interest          | Principal             | Interest            |
| 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                                       | 680,000              | 693,562             | 250,000             | 353,077             | 185,000             | 38,606            | 255,000               | 320,100             |
| 2018-22                                    | 4,165,000            | 2,686,668           | 1,505,000           | 1,490,988           | 440,000             | 32,626            | 1,535,000             | 1,343,100           |
| 2023-27                                    | 5,770,000            | 1,024,313           | 2,090,000           | 894,865             | -                   | -                 | 2,055,000             | 803,831             |
| 2028-30                                    | -                    | -                   | 1,620,000           | 160,780             | -                   | -                 | 1,550,000             | 146,389             |
| CFD Bonded Debt                            | <u>\$ 12,955,000</u> | <u>\$ 7,584,828</u> | <u>\$ 6,325,000</u> | <u>\$ 4,453,804</u> | <u>\$ 1,275,000</u> | <u>\$ 351,808</u> | <u>\$ 6,285,000</u>   | <u>\$ 4,029,190</u> |

| <b>Governmental Activities (continued)</b>        |                   |                  |                     |                     |                     |                     |                               |                   |
|---|-------------------|------------------|---------------------|---------------------|---------------------|---------------------|-------------------------------|-------------------|
| <b>Community Facilities Districts (continued)</b> |                   |                  |                     |                     |                     |                     |                               |                   |
| Fiscal Year<br>Ending                             | RavenRidge CFD    |                  | Parkway CFD #1      |                     | Southside CFD #1    |                     | Community Facilities District |                   |
|   | Principal         | Interest         | Principal           | Interest            | Principal           | Interest            | Principal                     | Interest          |
| 2013  | 20,248            | 6,956            | 95,000              | 167,591             | 50,000              | 153,903             | 1,245,248                     | 2,044,342         |
| 2014  | 20,248            | 6,372            | 100,000             | 162,863             | 55,000              | 150,687             | 1,310,248                     | 1,968,181         |
| 2015  | 20,248            | 5,786            | 105,000             | 157,891             | 59,000              | 147,195             | 1,404,248                     | 1,884,679         |
| 2016  | 20,248            | 5,202            | 110,000             | 152,678             | 63,000              | 143,459             | 1,498,248                     | 1,794,106         |
| 2017  | 20,248            | 4,618            | 115,000             | 147,020             | 67,000              | 139,478             | 1,572,248                     | 1,696,461         |
| 2018-22   | 101,239           | 14,314           | 685,000             | 634,405             | 399,000             | 627,070             | 8,830,239                     | 6,829,171         |
| 2023-27   | 38,414            | 1,634            | 885,000             | 428,493             | 557,000             | 463,457             | 11,395,414                    | 3,616,593         |
| 2028-2032   | -                 | -                | 1,145,000           | 159,832             | 791,000             | 221,379             | 5,106,000                     | 688,380           |
| 2033  | -                 | -                | -                   | -                   | 193,000             | 6,996               | 193,000                       | 6,996             |
| CFD Bonded Debt                                   | <u>\$ 240,893</u> | <u>\$ 44,882</u> | <u>\$ 3,240,000</u> | <u>\$ 2,010,773</u> | <u>\$ 2,234,000</u> | <u>\$ 2,053,624</u> | <u>32,554,893</u>             | <u>20,528,909</u> |

Total Government Activities Bonded and Long-Term Debt \$ 76,349,893 \$ 35,140,635

| <b>Business Type Activities</b> |                               |                     |                                 |                     |  |                  |
|---------------------------------|-------------------------------|---------------------|---------------------------------|---------------------|--|------------------|
| Fiscal Year<br>Ending           | Prescott Valley<br>Wastewater |                     | Prescott Valley<br>Water System |                     | Total Debt<br>Business Type Activities |                  |
|                                 | Principal                     | Interest            | Principal                       | Interest            | Principal                              | Interest         |
| 2013                            | 1,155,536                     | 440,698             | 1,410,000                       | 459,775             | 2,565,536                              | 900,473          |
| 2014                            | 1,137,072                     | 488,738             | 1,475,000                       | 410,425             | 2,612,072                              | 899,163          |
| 2015                            | 1,174,322                     | 452,169             | 1,535,000                       | 358,800             | 2,709,322                              | 810,969          |
| 2016                            | 1,207,309                     | 414,401             | 1,580,000                       | 297,400             | 2,787,309                              | 711,801          |
| 2017                            | 1,251,059                     | 370,657             | 1,665,000                       | 234,200             | 2,916,059                              | 604,857          |
| 2018-22                         | 6,875,053                     | 1,234,150           | 3,525,000                       | 257,350             | 10,400,053                             | 1,491,500        |
| 2023-27                         | 4,054,948                     | 240,523             | -                               | -                   | 4,054,948                              | 240,523          |
|                                 | <u>\$ 16,855,299</u>          | <u>\$ 3,641,336</u> | <u>\$ 11,190,000</u>            | <u>\$ 2,017,950</u> | <u>28,045,299</u>                      | <u>5,659,286</u> |

Total Business-Type Activity Bonded and Long-Term Debt \$ 28,045,299 \$ 5,659,286

**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, 2012:

| <u>20% Constitutional Limit</u>                 |                      | <u>6% Constitutional Limit</u>                 |                      |
|---|----------------------|--|----------------------|
| 20% Constitutional Limit                        | \$ 67,045,370        | 6% Constitutional Limit                        | \$ 20,113,611        |
| Less General Obligation<br>20% Bond Outstanding | <u>-</u>             | Less General Obligation<br>6% Bond Outstanding | <u>-</u>             |
| Available 20% Limitation<br>Borrowing Capacity  | <u>\$ 67,045,370</u> | Available 6% Limitation<br>Borrowing Capacity  | <u>\$ 20,113,611</u> |

**IV. OTHER INFORMATION**

**A. Risk Management**

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

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

At the end of the tenth 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, 2012 is approximately \$22.9 million.

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

The Prescott Valley Water System and Wastewater rates have been reviewed for the upcoming fiscal year 2012/13 budget. Town staff finished updating a utility rate study and presented the information to Council for approval effective November 1, 2012.

**D. Community Facilities District Debt and Related Activities**

The Pronghorn Ranch, Quailwood Meadows, Parkway District No. 1 and Southside District No. 1 Community Facility Districts have situations in which contributions and assessments will not be as expected due to the bankruptcy of the developer or a similar circumstance. Separately issued financial statements for each Community Facilities District are available from the Town of Prescott Valley, Management Services Department, 7501 E Civic Circle, Prescott Valley, AZ 86314. These separate reports discuss in more detail the impact of each situation on the particular District.

**E. Retirement and Pension Plans**

**Defined Contribution Plans**

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

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

The employee's contribution is one hundred percent (100%) vested at all times. The employer's contribution vests at the rate of twenty percent (20%) per year of service, thus employees are one hundred percent (100%) after five years of service. The following describes the payroll and contribution requirements for the year ended June 30, 2012:

|          | <u>Total<br/>Payroll</u> | <u>Covered<br/>Payroll</u> | <u>% of<br/>Covered<br/>Payroll</u> | <u>Required<br/>Contribution</u> | <u>Actual<br/>Contribution</u> |
|----------|--------------------------|----------------------------|-------------------------------------|----------------------------------|--------------------------------|
| Employer | \$10,643,588             | \$6,191,900                | 8%                                  | \$495,352                        | \$495,191                      |
| Employee | N/A                      | \$6,191,900                | 7%                                  | \$433,433                        | \$433,293                      |

### **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 8.65% of their annual salary. The Town is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2012 was 15.09 % of annual covered payroll.

*Annual pension cost.* For the year ended June 30, 2012, the Town's annual pension cost for APSPRS has not yet been calculated. The required contribution was determined as part of the June 30, 2011 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 8.25% per year, compounded annually, b) projected salary increases of 5.00% 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, 2011, the most recent actuarial calculation date, the plan was 77.3% funded. The actuarial accrued liability for benefits was \$13,640,344, and the actuarial value of assets was \$10,537,929, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,102,415. The covered payrolls (annual payrolls of active employees covered by the plans) were \$3,443,714, and the ratio of the UAAL to the covered payroll was 90.1%.

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

**Summary of Actuarial Methods and Assumptions**

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

|                               |   |
|-------------------------------|---|
| Valuation Date                | June 30, 2011                                       |
| Actuarial cost method         | Entry Age Normal                                    |
| Amortization method           | Level percent-of-pay closed                         |
| Remaining amortization period | 25 years for underfunded<br>20 years for overfunded |
| Asset valuation method        | 7-year smoothed market                              |
| Actuarial Assumptions:        |   |
| Investment rate of return     | 8.25%   |
| Projected salary increases    | 5.0% - 8.0%   |
| Payroll growth                | 5.0%  |
| Cost-of-living adjustments    | None  |

**Three-Year Trend Information for APSRS**

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

**Required Supplementary Information**

Schedule of Funding Progress for APSPRS

|                          | (1)                       | (2)                                 | (3)                    | (4)                    | (5)                    | (6)                                    |
|--------------------------|---------------------------|-------------------------------------|------------------------|------------------------|------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability (AAL) Entry Age | Percent Funded (1)/(2) | Unfunded AAL (2) – (1) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4)/(5) |
| 2009                     | \$8,800,227               | \$11,220,645                        | 78.4%                  | \$2,420,418            | \$4,090,427            | 59.2%                                  |
| 2010                     | 9,628,085                 | 11,915,220                          | 80.8%                  | 2,287,135              | 3,923,257              | 58.3%                                  |
| 2011                     | 10,537,929                | 13,640,344                          | 77.3%                  | 3,102,415              | 3,443,714              | 90.1%                                  |



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## Non-major Governmental Funds

### Special Revenue Funds

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

**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 purposes.

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

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

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

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

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

### Debt Service Fund

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

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

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

### Capital Project Funds

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

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

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

### Community Facilities Districts Funds

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

**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, 2012

|                                      | Special Revenue Funds |                                      |                                |                         |                       |
|--------------------------------------|-----------------------|--------------------------------------|--------------------------------|-------------------------|-----------------------|
|                                      | Replacement Fund      | Local Transportation Assistance Fund | UNS Facilities Relocation Fund | Entertainment Area Fund | Library Building Fund |
| <b>ASSETS</b>                        |                       |                                      |                                |                         |                       |
| Cash and investments                 | \$ 357,890            | \$ -                                 | \$ 223,495                     | \$ 305,491              | \$ 208,980            |
| Restricted cash and investments      | -                     | -                                    | -                              | -                       | -                     |
| Receivables:                         |                       |                                      |                                |                         |                       |
| Interest                             | 961                   | -                                    | -                              | 256                     | 567                   |
| Grants                               | -                     | -                                    | -                              | -                       | -                     |
| Special assessments                  | -                     | -                                    | -                              | -                       | -                     |
| Miscellaneous                        | -                     | -                                    | 38,805                         | -                       | 6,268                 |
| Prepaid items                        | -                     | -                                    | -                              | -                       | -                     |
| Total assets                         | <u>\$ 358,851</u>     | <u>\$ -</u>                          | <u>\$ 262,300</u>              | <u>\$ 305,747</u>       | <u>\$ 215,815</u>     |
| <b>LIABILITIES AND FUND BALANCES</b> |                       |                                      |                                |                         |                       |
| 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     | -                     | -                                    | 262,300                        | 305,747                 | 215,815               |
| Committed to:                        |                       |                                      |                                |                         |                       |
| Replacement fund                     | 358,851               | -                                    | -                              | -                       | -                     |
| Unassigned                           | -                     | -                                    | -                              | -                       | -                     |
| Total fund balances                  | <u>358,851</u>        | <u>-</u>                             | <u>262,300</u>                 | <u>305,747</u>          | <u>215,815</u>        |
| Total liabilities and fund balances  | <u>\$ 358,851</u>     | <u>\$ -</u>                          | <u>\$ 262,300</u>              | <u>\$ 305,747</u>       | <u>\$ 215,815</u>     |

| Maranda<br>Donation<br>Fund | Development<br>Impact<br>Fees Fund | Grants<br>Fund    | Debt Service                             |                                | Capital Project Funds                |   |
|-----------------------------|------------------------------------|-------------------|--|--------------------------------|--------------------------------------|---|
|                             |                                    |                   | Certificates<br>of Participation<br>Fund | Special<br>Assessments<br>Fund | Capital<br>Project<br>Growth<br>Fund | Streets<br>Capital<br>Improvement<br>Fund |
| \$ 343,935                  | \$ 1,846,455                       | \$ 4,128          | \$ 283,556                               | \$ 224,138                     | \$ -                                 | \$ 2,566,309                              |
| -                           | -                                  | -                 | -  | -                              | -                                    | -   |
| 861                         | 4,619                              | -                 | -  | -                              | -                                    | 5,699                                     |
| -                           | -                                  | 373,526           | -  | -                              | -                                    | -   |
| -                           | -                                  | -                 | -  | 466,591                        | -                                    | -   |
| -                           | -                                  | -                 | -  | -                              | -                                    | 95,952                                    |
| -                           | -                                  | 34,643            | -  | -                              | -                                    | -   |
| <u>\$ 344,796</u>           | <u>\$ 1,851,074</u>                | <u>\$ 412,297</u> | <u>\$ 283,556</u>                        | <u>\$ 690,729</u>              | <u>\$ -</u>                          | <u>\$ 2,667,960</u>                       |
| \$ -                        | \$ 576                             | \$ 103,503        | \$ -                                     | \$ 351                         | \$ -                                 | \$ -                                      |
| -                           | -                                  | 13,115            | -  | -                              | -                                    | -   |
| -                           | -                                  | 255,317           | 283,534                                  | -                              | -                                    | -   |
| -                           | -                                  | -                 | -  | 466,591                        | -                                    | -   |
| -                           | -                                  | 40,362            | -  | -                              | -                                    | -   |
| -                           | -                                  | -                 | -  | -                              | -                                    | -   |
| -                           | 2,129,261                          | -                 | -  | -                              | -                                    | -   |
| -                           | <u>2,129,837</u>                   | <u>412,297</u>    | <u>283,534</u>                           | <u>466,942</u>                 | -                                    | -   |
| -                           | -                                  | 34,643            | -  | -                              | -                                    | -   |
| -                           | 1,850,498                          | -                 | -  | -                              | -                                    | 2,667,960                                 |
| -                           | -                                  | -                 | -  | -                              | -                                    | -   |
| -                           | -                                  | -                 | 22                                       | 223,787                        | -                                    | -   |
| 344,796                     | -                                  | -                 | -  | -                              | -                                    | -   |
| -                           | -                                  | -                 | -  | -                              | -                                    | -   |
| -                           | (2,129,261)                        | (34,643)          | -  | -                              | -                                    | -   |
| <u>344,796</u>              | <u>(278,763)</u>                   | <u>-</u>          | <u>22</u>                                | <u>223,787</u>                 | <u>-</u>                             | <u>2,667,960</u>                          |
| <u>\$ 344,796</u>           | <u>\$ 1,851,074</u>                | <u>\$ 412,297</u> | <u>\$ 283,556</u>                        | <u>\$ 690,729</u>              | <u>\$ -</u>                          | <u>\$ 2,667,960</u>                       |

(continued)

# Town of Prescott Valley, Arizona

## Combining Balance Sheet

### Non-major Governmental Funds

June 30, 2012

|                                      | Community Facilities Districts |                      |                           |                   |                     |
|--------------------------------------|--------------------------------|----------------------|---------------------------|-------------------|---------------------|
|                                      | Pronghorn<br>Ranch             | Quailwood<br>Meadows | Parkway<br>District No. 1 | Raven Ridge       | Eastridge           |
| <b>ASSETS</b>                        |                                |                      |                           |                   |                     |
| Cash and investments                 | \$ -                           | \$ -                 | \$ -                      | \$ -              | \$ -                |
| Restricted cash and investments      | 652,037                        | 1,022,571            | 409,387                   | 39,520            | 483,515             |
| Receivables:                         |                                |                      |                           |                   |                     |
| Interest                             | -                              | -                    | -                         | -                 | -                   |
| Grants                               | -                              | -                    | -                         | -                 | -                   |
| Special assessments                  | -                              | -                    | -                         | 222,093           | 1,122,410           |
| Miscellaneous                        | 58,884                         | 3,341                | -                         | -                 | -                   |
| Prepaid items                        | -                              | -                    | -                         | -                 | -                   |
| Total assets                         | <u>\$ 710,921</u>              | <u>\$ 1,025,912</u>  | <u>\$ 409,387</u>         | <u>\$ 261,613</u> | <u>\$ 1,605,925</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                                |                      |                           |                   |                     |
| Liabilities:                         |                                |                      |                           |                   |                     |
| Accounts payable                     | \$ 89,969                      | \$ 32,581            | \$ 11,274                 | \$ -              | \$ -                |
| Accrued payroll                      | -                              | -                    | -                         | -                 | -                   |
| Due to other funds                   | 165,934                        | 45,761               | 1,282                     | -                 | -                   |
| Deferred revenue:                    |                                |                      |                           |                   |                     |
| Special assessments                  | -                              | -                    | -                         | 222,093           | 1,122,410           |
| Other                                | -                              | -                    | -                         | -                 | -                   |
| Guaranty and other deposits          | 442,929                        | 646,503              | -                         | -                 | -                   |
| Advance from other funds             | -                              | -                    | -                         | -                 | -                   |
| Total liabilities                    | <u>698,832</u>                 | <u>724,845</u>       | <u>12,556</u>             | <u>222,093</u>    | <u>1,122,410</u>    |
| Fund balances:                       |                                |                      |                           |                   |                     |
| Nonspendable:                        |                                |                      |                           |                   |                     |
| Prepaid items                        | -                              | -                    | -                         | -                 | -                   |
| Restricted for:                      |                                |                      |                           |                   |                     |
| Capital projects                     | -                              | -                    | -                         | -                 | -                   |
| Community facilities districts       | 12,089                         | 301,067              | 396,831                   | 39,520            | 483,515             |
| Debt service                         | -                              | -                    | -                         | -                 | -                   |
| Grantor and contributor purposes     | -                              | -                    | -                         | -                 | -                   |
| Committed to:                        |                                |                      |                           |                   |                     |
| Replacement fund                     | -                              | -                    | -                         | -                 | -                   |
| Unassigned                           | -                              | -                    | -                         | -                 | -                   |
| Total fund balances                  | <u>12,089</u>                  | <u>301,067</u>       | <u>396,831</u>            | <u>39,520</u>     | <u>483,515</u>      |
| Total liabilities and fund balances  | <u>\$ 710,921</u>              | <u>\$ 1,025,912</u>  | <u>\$ 409,387</u>         | <u>\$ 261,613</u> | <u>\$ 1,605,925</u> |

| <b>Southside<br/>District No. 1</b> | <b>Total<br/>Non-major<br/>Governmental<br/>Funds</b> |
|-------------------------------------|---|
| \$ -                                | \$ 6,364,377  |
| 195,263                             | 2,802,293   |
| -                                   | 12,963  |
| -                                   | 373,526   |
| 1,612,917                           | 3,424,011   |
| -                                   | 203,250   |
| -                                   | 34,643  |
| <u>\$ 1,808,180</u>                 | <u>\$ 13,215,063</u>                                  |

|                  |                  |
|------------------|------------------|
| \$ -             | \$ 238,254       |
| -                | 13,115           |
| -                | 751,828          |
| 1,612,917        | 3,424,011        |
| -                | 40,362           |
| -                | 1,089,432        |
| -                | 2,129,261        |
| <u>1,612,917</u> | <u>7,686,263</u> |

|                     |                      |
|---------------------|----------------------|
| -                   | 34,643               |
| -                   | 4,518,458            |
| 195,263             | 1,428,285            |
| -                   | 223,809              |
| -                   | 1,128,658            |
| -                   | 358,851              |
| -                   | (2,163,904)          |
| <u>195,263</u>      | <u>5,528,800</u>     |
| <u>\$ 1,808,180</u> | <u>\$ 13,215,063</u> |

# Town of Prescott Valley, Arizona

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-major Governmental Funds

For the Year Ended June 30, 2012

|   | Special Revenue Funds |   |   |                               |                             |
|---|-----------------------|---|---|-------------------------------|-----------------------------|
|   | Replacement<br>Fund   | Local<br>Transportation<br>Assistance<br>Fund | UNS<br>Facilities<br>Relocation<br>Fund | Entertainment<br>Area<br>Fund | Library<br>Building<br>Fund |
| <b>REVENUES</b>                                   |                       |   |   |                               |                             |
| Taxes - local                                     | \$ -                  | \$ -  | \$ 219,194                              | \$ -                          | \$ -                        |
| Taxes - property                                  | -                     | -   | -                                       | -                             | -                           |
| Special assessments                               | -                     | -   | -                                       | -                             | -                           |
| Interest earnings                                 | 1,641                 | -   | -                                       | 415                           | 1,202                       |
| Intergovernmental:                                |                       |   |   |                               |                             |
| Federal grants                                    | -                     | -   | -                                       | -                             | -                           |
| State grants                                      | -                     | -   | -                                       | -                             | -                           |
| Refunds and reimbursements                        | -                     | -   | -                                       | -                             | 74,554                      |
| Contributions                                     | -                     | -   | -                                       | -                             | -                           |
| Other   | 13,195                | -   | -                                       | -                             | -                           |
| Total revenues                                    | 14,836                | -   | 219,194                                 | 415                           | 75,756                      |
| <b>EXPENDITURES</b>                               |                       |   |   |                               |                             |
| Current:  |                       |   |   |                               |                             |
| General government                                | 924                   | -   | -                                       | 588,241                       | -                           |
| Public safety                                     | -                     | -   | -                                       | -                             | -                           |
| Culture and recreation                            | -                     | -   | -                                       | -                             | -                           |
| Public works                                      | -                     | -   | -                                       | -                             | -                           |
| Debt service:                                     |                       |   |   |                               |                             |
| Principal   | -                     | -   | -                                       | -                             | -                           |
| Interest and fiscal charges                       | -                     | -   | -                                       | -                             | -                           |
| Capital outlay                                    | -                     | -   | 225,984                                 | -                             | -                           |
| Total expenditures                                | 924                   | -   | 225,984                                 | 588,241                       | -                           |
| Excess (deficiency) of revenues over expenditures | 13,912                | -   | (6,790)                                 | (587,826)                     | 75,756                      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |   |   |                               |                             |
| Transfers in                                      | -                     | -   | -                                       | 590,958                       | -                           |
| Transfers out                                     | (115,000)             | (31,280)                                      | -                                       | -                             | (56,638)                    |
| Total other financing sources and uses            | (115,000)             | (31,280)                                      | -                                       | 590,958                       | (56,638)                    |
| Net change in fund balances                       | (101,088)             | (31,280)                                      | (6,790)                                 | 3,132                         | 19,118                      |
| Fund balances - beginning                         | 459,939               | 31,280  | 269,090                                 | 302,615                       | 196,697                     |
| Fund balances - ending                            | \$ 358,851            | \$ -  | \$ 262,300                              | \$ 305,747                    | \$ 215,815                  |

|                             |                                    |                | Debt Service                             |                                | Capital Project Funds                |   |
|-----------------------------|------------------------------------|----------------|--|--------------------------------|--------------------------------------|---|
| Maranda<br>Donation<br>Fund | Development<br>Impact<br>Fees Fund | Grants<br>Fund | Certificates<br>of Participation<br>Fund | Special<br>Assessments<br>Fund | Capital<br>Project<br>Growth<br>Fund | Streets<br>Capital<br>Improvement<br>Fund |
| \$ -                        | \$ -                               | \$ -           | \$ -                                     | \$ -                           | \$ -                                 | \$ 1,541,450                              |
| -                           | -                                  | -              | -  | -                              | -                                    | -   |
| -                           | -                                  | -              | -  | 473,337                        | -                                    | -   |
| 1,787                       | 8,633                              | -              | 23                                       | -                              | (215)                                | 9,451                                     |
| -                           | -                                  | 1,477,093      | -  | -                              | -                                    | -   |
| -                           | -                                  | 12,578         | -  | -                              | -                                    | -   |
| -                           | -                                  | -              | -  | -                              | -                                    | -   |
| -                           | 529,480                            | -              | -  | -                              | -                                    | -   |
| -                           | -                                  | 191            | -  | 9,165                          | -                                    | -   |
| 1,787                       | 538,113                            | 1,489,862      | 23                                       | 482,502                        | (215)                                | 1,550,901                                 |
| -                           | -                                  | 30,255         | -  | -                              | -                                    | -   |
| -                           | -                                  | 1,049,409      | -  | -                              | -                                    | -   |
| -                           | -                                  | 5,444          | -  | -                              | -                                    | -   |
| -                           | -                                  | 324,005        | -  | -                              | -                                    | -   |
| -                           | -                                  | -              | 645,000                                  | 466,000                        | -                                    | -   |
| -                           | -                                  | -              | 593,984                                  | 47,931                         | -                                    | -   |
| -                           | 12,670                             | 78,909         | -  | -                              | -                                    | 1,219,770                                 |
| -                           | 12,670                             | 1,488,022      | 1,238,984                                | 513,931                        | -                                    | 1,219,770                                 |
| 1,787                       | 525,443                            | 1,840          | (1,238,961)                              | (31,429)                       | (215)                                | 331,131                                   |
| -                           | -                                  | -              | 1,238,859                                | -                              | -                                    | -   |
| -                           | (1,510,919)                        | (1,840)        | -  | -                              | (1,505,163)                          | (307,957)                                 |
| -                           | (1,510,919)                        | (1,840)        | 1,238,859                                | -                              | (1,505,163)                          | (307,957)                                 |
| 1,787                       | (985,476)                          | -              | (102)                                    | (31,429)                       | (1,505,378)                          | 23,174                                    |
| 343,009                     | 706,713                            | -              | 124                                      | 255,216                        | 1,505,378                            | 2,644,786                                 |
| \$ 344,796                  | \$ (278,763)                       | \$ -           | \$ 22                                    | \$ 223,787                     | \$ -                                 | \$ 2,667,960                              |

(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, 2012

|   | Community Facilities Districts |                      |                           |                  |                   |
|---|--------------------------------|----------------------|---------------------------|------------------|-------------------|
|   | Pronghorn<br>Ranch             | Quailwood<br>Meadows | Parkway<br>District No. 1 | Raven Ridge      | Eastridge         |
| <b>REVENUES</b>                                   |                                |                      |                           |                  |                   |
| Taxes - local                                     | \$ -                           | \$ -                 | \$ -                      | \$ -             | \$ -              |
| Taxes - property                                  | 465,185                        | 379,249              | 270,849                   | -                | -                 |
| Special assessments                               | -                              | -                    | -                         | 40,538           | 266,258           |
| Interest earnings                                 | 58                             | 81                   | 32                        | -                | 30                |
| Intergovernmental:                                |                                |                      |                           |                  |                   |
| Federal grants                                    | -                              | -                    | -                         | -                | -                 |
| State grants                                      | -                              | -                    | -                         | -                | -                 |
| Refunds and reimbursements                        | -                              | -                    | -                         | -                | -                 |
| Contributions                                     | 117,300                        | 222,637              | -                         | -                | -                 |
| Other   | -                              | -                    | -                         | -                | -                 |
| <b>Total revenues</b>                             | <b>582,543</b>                 | <b>601,967</b>       | <b>270,881</b>            | <b>40,538</b>    | <b>266,288</b>    |
| <b>EXPENDITURES</b>                               |                                |                      |                           |                  |                   |
| Current:  |                                |                      |                           |                  |                   |
| General government                                | 100,089                        | 60,459               | 16,784                    | 938              | -                 |
| Public safety                                     | -                              | -                    | -                         | -                | -                 |
| Culture & recreation                              | -                              | -                    | -                         | -                | -                 |
| Public works                                      | -                              | -                    | -                         | -                | -                 |
| Debt service:                                     |                                |                      |                           |                  |                   |
| Principal   | 185,000                        | 195,000              | 95,000                    | 20,247           | 140,000           |
| Interest and fiscal charges                       | 418,286                        | 382,945              | 173,199                   | 8,597            | 100,612           |
| Capital outlay                                    | -                              | -                    | -                         | -                | -                 |
| <b>Total expenditures</b>                         | <b>703,375</b>                 | <b>638,404</b>       | <b>284,983</b>            | <b>29,782</b>    | <b>240,612</b>    |
| Excess (deficiency) of revenues over expenditures | (120,832)                      | (36,437)             | (14,102)                  | 10,756           | 25,676            |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                |                      |                           |                  |                   |
| Transfers in                                      | -                              | -                    | -                         | -                | -                 |
| Transfers out                                     | -                              | -                    | -                         | -                | -                 |
| <b>Total other financing sources and uses</b>     | <b>-</b>                       | <b>-</b>             | <b>-</b>                  | <b>-</b>         | <b>-</b>          |
| Net change in fund balances                       | (120,832)                      | (36,437)             | (14,102)                  | 10,756           | 25,676            |
| Fund balances - beginning                         | 132,921                        | 337,504              | 410,933                   | 28,764           | 457,839           |
| Fund balances - ending                            | <b>\$ 12,089</b>               | <b>\$ 301,067</b>    | <b>\$ 396,831</b>         | <b>\$ 39,520</b> | <b>\$ 483,515</b> |

| <u>Southside</u><br><u>District No. 1</u> | <u>Total</u><br><u>Non-major</u><br><u>Governmental</u><br><u>Funds</u> |
|---|---|
| \$ -                                      | \$ 1,760,644  |
| -   | 1,115,283   |
| 570,700                                   | 1,350,833   |
| 19  | 23,157  |
| -   | 1,477,093   |
| -   | 12,578  |
| -   | 74,554  |
| -   | 869,417   |
| -   | 22,551  |
| 570,719                                   | 6,706,110   |
| 126                                       | 797,816   |
| -   | 1,049,409   |
| -   | 5,444   |
| -   | 324,005   |
| 478,000                                   | 2,224,247   |
| 213,555                                   | 1,939,109   |
| -   | 1,537,333   |
| 691,681                                   | 7,877,363   |
| (120,962)                                 | (1,171,253)   |
| -   | 1,829,817   |
| -   | (3,528,797)   |
| -   | (1,698,980)   |
| (120,962)                                 | (2,870,233)   |
| 316,225                                   | 8,399,033   |
| \$ 195,263                                | \$ 5,528,800  |



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# 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, 2012

|   | Budgeted Amounts  |                   | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|-------------------|-------------------|------------------------------------|---|
|   | Original          | Final             |                                    |   |
| <b>REVENUES</b>                                   |                   |                   |                                    |   |
| Interest earnings                                 | \$ 6,500          | \$ 6,500          | \$ 1,641                           | \$ (4,859)  |
| Other   | -                 | -                 | 13,195                             | 13,195  |
| Total revenues                                    | <u>6,500</u>      | <u>6,500</u>      | <u>14,836</u>                      | <u>8,336</u>  |
| <b>EXPENDITURES</b>                               |                   |                   |                                    |   |
| Current:  |                   |                   |                                    |   |
| Operating expenditures                            | -                 | -                 | 924                                | (924)   |
| Total expenditures                                | <u>-</u>          | <u>-</u>          | <u>924</u>                         | <u>(924)</u>  |
| Excess (deficiency) of revenues over expenditures | <u>6,500</u>      | <u>6,500</u>      | <u>13,912</u>                      | <u>7,412</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                   |                                    |   |
| Transfers in                                      | -                 | -                 | -                                  | -   |
| Transfers out                                     | (115,000)         | (115,000)         | (115,000)                          | -   |
| Total other financing sources and uses            | <u>(115,000)</u>  | <u>(115,000)</u>  | <u>(115,000)</u>                   | <u>-</u>  |
| Net change in fund balances                       | (108,500)         | (108,500)         | (101,088)                          | 7,412   |
| Fund balances - beginning                         | <u>472,000</u>    | <u>472,000</u>    | <u>459,939</u>                     | <u>(12,061)</u>   |
| Fund balances - ending                            | <u>\$ 363,500</u> | <u>\$ 363,500</u> | <u>\$ 358,851</u>                  | <u>\$ (4,649)</u>   |

# 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, 2012

|   | Budgeted Amounts |          | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|----------|------------------------------------|---|
|   | Original         | Final    |                                    |   |
| <b>REVENUES</b>                                   |                  |          |                                    |   |
| Total revenues                                    | \$ -             | \$ -     | \$ -                               | \$ -  |
| <b>EXPENDITURES</b>                               |                  |          |                                    |   |
| Total expenditures                                | -                | -        | -                                  | -   |
| Excess (deficiency) of revenues over expenditures | -                | -        | -                                  | -   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |          |                                    |   |
| Transfers in                                      | -                | -        | -                                  | -   |
| Transfers out                                     | (31,280)         | (31,280) | (31,280)                           | -   |
| Total other financing sources and uses            | (31,280)         | (31,280) | (31,280)                           | -   |
| Net change in fund balances                       | (31,280)         | (31,280) | (31,280)                           | -   |
| Fund balances - beginning                         | 31,280           | 31,280   | 31,280                             | -   |
| Fund balances - ending                            | \$ -             | \$ -     | \$ -                               | \$ -  |

# 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, 2012

|  | Budgeted Amounts |            | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|------------|------------------------------------|---|
|  | Original         | Final      |                                    |   |
| <b>REVENUES</b>                                      |                  |            |                                    |   |
| Taxes - franchise                                    | \$ 230,500       | \$ 230,500 | \$ 219,194                         | \$ (11,306)   |
| Total revenues                                       | 230,500          | 230,500    | 219,194                            | (11,306)  |
| <b>EXPENDITURES</b>                                  |                  |            |                                    |   |
| Capital outlay                                       | 296,000          | 296,000    | 225,984                            | 70,016  |
| Total expenditures                                   | 296,000          | 296,000    | 225,984                            | 70,016  |
| Excess (deficiency) of revenues over<br>expenditures | (65,500)         | (65,500)   | (6,790)                            | 58,710  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |            |                                    |   |
| Transfers in   | -                | -          | -                                  | -   |
| Transfers out  | -                | -          | -                                  | -   |
| Total other financing sources and uses               | -                | -          | -                                  | -   |
| Net change in fund balances                          | (65,500)         | (65,500)   | (6,790)                            | 58,710  |
| Fund balances - beginning                            | 65,500           | 65,500     | 269,090                            | 203,590   |
| Fund balances - ending                               | \$ -             | \$ -       | \$ 262,300                         | \$ 262,300  |

# 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, 2012

|  | Budgeted Amounts |            | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|------------|------------------------------------|---|
|  | Original         | Final      |                                    |   |
| <b>REVENUES</b>                                      |                  |            |                                    |   |
| Interest earnings                                    | \$ 1,500         | \$ 1,500   | \$ 415                             | \$ (1,085)  |
| Total revenues                                       | 1,500            | 1,500      | 415                                | (1,085)   |
| <b>EXPENDITURES</b>                                  |                  |            |                                    |   |
| Current:   |                  |            |                                    |   |
| Operating Expenditures                               | 661,500          | 661,500    | 588,241                            | 73,259  |
| Total expenditures                                   | 661,500          | 661,500    | 588,241                            | 73,259  |
| Excess (deficiency) of revenues over<br>expenditures | (660,000)        | (660,000)  | (587,826)                          | 72,174  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |            |                                    |   |
| Transfers in   | 660,000          | 660,000    | 590,958                            | (69,042)  |
| Transfers out  | -                | -          | -                                  | -   |
| Total other financing sources and uses               | 660,000          | 660,000    | 590,958                            | (69,042)  |
| Net change in fund balances                          | -                | -          | 3,132                              | 3,132   |
| Fund balances - beginning                            | 270,000          | 270,000    | 302,615                            | 32,615  |
| Fund balances - ending                               | \$ 270,000       | \$ 270,000 | \$ 305,747                         | \$ 35,747   |

# 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, 2012

|   | Budgeted Amounts  |                   | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|-------------------|-------------------|------------------------------------|---|
|   | Original          | Final             |                                    |   |
| <b>REVENUES</b>                                   |                   |                   |                                    |   |
| Interest earnings                                 | \$ 2,600          | \$ 2,600          | \$ 1,202                           | \$ (1,398)  |
| Refunds and reimbursements                        | 60,000            | 60,000            | 74,554                             | 14,554  |
| Total revenues                                    | <u>62,600</u>     | <u>62,600</u>     | <u>75,756</u>                      | <u>13,156</u>   |
| <b>EXPENDITURES</b>                               |                   |                   |                                    |   |
| Total expenditures                                | <u>-</u>          | <u>-</u>          | <u>-</u>                           | <u>-</u>  |
| Excess (deficiency) of revenues over expenditures | <u>62,600</u>     | <u>62,600</u>     | <u>75,756</u>                      | <u>13,156</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                   |                                    |   |
| Transfers in                                      | -                 | -                 | -                                  | -   |
| Transfer out                                      | (130,640)         | (130,640)         | (56,638)                           | 74,002  |
| Total other financing sources and uses            | <u>(130,640)</u>  | <u>(130,640)</u>  | <u>(56,638)</u>                    | <u>74,002</u>   |
| Net change in fund balances                       | (68,040)          | (68,040)          | 19,118                             | 87,158  |
| Fund balances - beginning                         | <u>250,000</u>    | <u>250,000</u>    | <u>196,697</u>                     | <u>(53,303)</u>   |
| Fund balances - ending                            | <u>\$ 181,960</u> | <u>\$ 181,960</u> | <u>\$ 215,815</u>                  | <u>\$ 33,855</u>  |

# 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, 2012

|   | Budgeted Amounts |            | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|------------|------------------------------------|---|
|   | Original         | Final      |                                    |   |
| <b>REVENUES</b>                                   |                  |            |                                    |   |
| Interest earnings                                 | \$ 3,900         | \$ 3,900   | \$ 1,787                           | \$ (2,113)  |
| Total revenues                                    | 3,900            | 3,900      | 1,787                              | (2,113)   |
| <b>EXPENDITURES</b>                               |                  |            |                                    |   |
| Total expenditures                                | -                | -          | -                                  | -   |
| Excess (deficiency) of revenues over expenditures | 3,900            | 3,900      | 1,787                              | (2,113)   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |            |                                    |   |
| Transfers in                                      | -                | -          | -                                  | -   |
| Transfers out                                     | -                | -          | -                                  | -   |
| Total other financing sources and uses            | -                | -          | -                                  | -   |
| Net change in fund balances                       | 3,900            | 3,900      | 1,787                              | (2,113)   |
| Fund balances - beginning                         | 342,000          | 342,000    | 343,009                            | 1,009   |
| Fund balances - ending                            | \$ 345,900       | \$ 345,900 | \$ 344,796                         | \$ (1,104)  |

# 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, 2012

|   | Budgeted Amounts   |                    | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|--------------------|--------------------|------------------------------------|---|
|   | Original           | Final              |                                    |   |
| <b>REVENUES</b>                                   |                    |                    |                                    |   |
| Interest earnings                                 | \$ 27,500          | \$ 27,500          | \$ 8,633                           | \$ (18,867)   |
| Impact fees                                       | 447,000            | 447,000            | 529,480                            | 82,480  |
| Total revenues                                    | <u>474,500</u>     | <u>474,500</u>     | <u>538,113</u>                     | <u>63,613</u>   |
| <b>EXPENDITURES</b>                               |                    |                    |                                    |   |
| Capital Outlay                                    | -                  | -                  | 12,670                             | (12,670)  |
| Total expenditures                                | <u>-</u>           | <u>-</u>           | <u>12,670</u>                      | <u>(12,670)</u>   |
| Excess (deficiency) of revenues over expenditures | <u>474,500</u>     | <u>474,500</u>     | <u>525,443</u>                     | <u>50,943</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                    |                    |                                    |   |
| Transfers in                                      | -                  | -                  | -                                  | -   |
| Transfers out                                     | (1,180,313)        | (1,180,313)        | (1,510,919)                        | (330,606)   |
| Total other financing sources                     | <u>(1,180,313)</u> | <u>(1,180,313)</u> | <u>(1,510,919)</u>                 | <u>(330,606)</u>  |
| Net change in fund balances                       | (705,813)          | (705,813)          | (985,476)                          | (279,663)   |
| Fund balances - beginning                         | <u>810,000</u>     | <u>810,000</u>     | <u>706,713</u>                     | <u>(103,287)</u>  |
| Fund balances - ending                            | <u>\$ 104,187</u>  | <u>\$ 104,187</u>  | <u>\$ (278,763)</u>                | <u>\$ (382,950)</u>   |

# Town of Prescott Valley, Arizona

## Grants Fund - Special Revenue Fund

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

#### Governmental Funds

For the Year Ended June 30, 2012

|   | Budgeted Amounts |                  | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|------------------|------------------------------------|---|
|   | Original         | Final            |                                    |   |
| <b>REVENUES</b>                                   |                  |                  |                                    |   |
| Intergovernmental:                                |                  |                  |                                    |   |
| Federal grants                                    | \$ 1,700,000     | \$ 1,700,000     | \$ 1,477,093                       | \$ (222,907)  |
| State grants                                      | 864,371          | 864,371          | 12,578                             | (851,793)   |
| Donations   | -                | -                | 191                                | 191   |
| Total revenues                                    | <u>2,564,371</u> | <u>2,564,371</u> | <u>1,489,862</u>                   | <u>(1,074,509)</u>  |
| <b>EXPENDITURES</b>                               |                  |                  |                                    |   |
| Current:  |                  |                  |                                    |   |
| General government                                | 660,000          | 660,000          | 30,255                             | 629,745   |
| Public safety                                     | 1,814,371        | 1,814,371        | 1,049,409                          | 764,962   |
| Culture and recreation                            | 90,000           | 90,000           | 5,444                              | 84,556  |
| Public works                                      | -                | -                | 324,005                            | (324,005)   |
| Capital outlay                                    | -                | -                | 78,909                             | (78,909)  |
| Total expenditures                                | <u>2,564,371</u> | <u>2,564,371</u> | <u>1,488,022</u>                   | <u>1,076,349</u>  |
| Excess (deficiency) of revenues over expenditures | <u>-</u>         | <u>-</u>         | <u>1,840</u>                       | <u>1,840</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                  |                                    |   |
| Transfers in                                      | -                | -                | -                                  | -   |
| Transfers out                                     | -                | -                | (1,840)                            | (1,840)   |
| Total other financing sources and uses            | <u>-</u>         | <u>-</u>         | <u>(1,840)</u>                     | <u>(1,840)</u>  |
| Net change in fund balances                       | -                | -                | -                                  | -   |
| Fund balances - beginning                         | -                | -                | -                                  | -   |
| Fund balances - ending                            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                        | <u>\$ -</u>   |

# Town of Prescott Valley, Arizona

## Municipal Property Corporation - Debt Service Fund

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

#### Governmental Funds

For the Year Ended June 30, 2012

|   | Budgeted Amounts |               | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|---------------|------------------------------------|---|
|   | Original         | Final         |                                    |   |
| <b>REVENUES</b>                                   |                  |               |                                    |   |
| Interest earnings                                 | \$ 50            | \$ 50         | \$ 2                               | \$ (48)   |
| Total revenues                                    | 50               | 50            | 2                                  | (48)  |
| <b>EXPENDITURES</b>                               |                  |               |                                    |   |
| Current:  |                  |               |                                    |   |
| Debt service:                                     |                  |               |                                    |   |
| Principal   | 1,545,000        | 1,545,000     | 1,315,000                          | 230,000   |
| Interest and fiscal charges                       | 1,346,380        | 1,346,380     | 1,222,282                          | 124,098   |
| Bond issuance costs                               | -                | -             | 386,798                            | (386,798)   |
| Total expenditures                                | 2,891,380        | 2,891,380     | 2,924,080                          | (32,700)  |
| Excess (deficiency) of revenues over expenditures | (2,891,330)      | (2,891,330)   | (2,924,078)                        | (32,748)  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |               |                                    |   |
| Transfers in                                      | 2,906,403        | 2,906,403     | 2,678,104                          | (228,299)   |
| Transfers out                                     | -                | -             | (1,035,227)                        | (1,035,227)   |
| Debt issued                                       | -                | -             | 25,785,000                         | 25,785,000  |
| Premium on refunding bonds issued                 | -                | -             | 1,766,293                          | 1,766,293   |
| Payments to advanced refunding escrow agent       | -                | -             | (27,131,831)                       | (27,131,831)  |
| Total other financing sources                     | 2,906,403        | 2,906,403     | 2,062,339                          | (844,064)   |
| Net change in fund balances                       | 15,073           | 15,073        | (861,739)                          | (876,812)   |
| Fund balances - beginning                         | 15,580,000       | 15,580,000    | 15,645,227                         | 65,227  |
| Fund balances - ending                            | \$ 15,595,073    | \$ 15,595,073 | \$ 14,783,488                      | \$ (811,585)  |

# 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, 2012

|   | Budgeted Amounts |             | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|-------------|------------------------------------|---|
|   | Original         | Final       |                                    |   |
| <b>REVENUES</b>                                   |                  |             |                                    |   |
| Interest earnings                                 | \$ 500           | \$ 500      | \$ 23                              | \$ (477)  |
| Total revenues                                    | 500              | 500         | 23                                 | (477)   |
| <b>EXPENDITURES</b>                               |                  |             |                                    |   |
| Current:  |                  |             |                                    |   |
| Debt service:                                     |                  |             |                                    |   |
| Principal   | 645,000          | 645,000     | 645,000                            | -   |
| Interest and fiscal charges                       | 595,413          | 595,413     | 593,984                            | 1,429   |
| Total expenditures                                | 1,240,413        | 1,240,413   | 1,238,984                          | 1,429   |
| Excess (deficiency) of revenues over expenditures | (1,239,913)      | (1,239,913) | (1,238,961)                        | 952   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |             |                                    |   |
| Transfers in                                      | 1,240,413        | 1,240,413   | 1,238,859                          | (1,554)   |
| Transfers out                                     | -                | -           | -                                  | -   |
| Total other financing sources                     | 1,240,413        | 1,240,413   | 1,238,859                          | (1,554)   |
| Net change in fund balances                       | 500              | 500         | (102)                              | (602)   |
| Fund balances - beginning                         | -                | -           | 124                                | 124   |
| Fund balances - ending                            | \$ 500           | \$ 500      | \$ 22                              | \$ (478)  |

# 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, 2012

|   | Budgeted Amounts |                  | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|------------------|------------------------------------|---|
|   | Original         | Final            |                                    |   |
| <b>REVENUES</b>                                   |                  |                  |                                    |   |
| Special assessments                               | \$ 492,982       | \$ 492,982       | \$ 473,337                         | \$ (19,645)   |
| Other   | -                | -                | 9,165                              | 9,165   |
| Total revenues                                    | <u>492,982</u>   | <u>492,982</u>   | <u>482,502</u>                     | <u>(10,480)</u>   |
| <b>EXPENDITURES</b>                               |                  |                  |                                    |   |
| Debt service:                                     |                  |                  |                                    |   |
| Principal   | 466,000          | 466,000          | 466,000                            | -   |
| Interest and fiscal charges                       | 92,504           | 92,504           | 47,931                             | 44,573  |
| Total expenditures                                | <u>558,504</u>   | <u>558,504</u>   | <u>513,931</u>                     | <u>44,573</u>   |
| Excess (deficiency) of revenues over expenditures | <u>(65,522)</u>  | <u>(65,522)</u>  | <u>(31,429)</u>                    | <u>34,093</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                  |                                    |   |
| Transfers in                                      | -                | -                | -                                  | -   |
| Transfers out                                     | -                | -                | -                                  | -   |
| Total other financing sources and uses            | <u>-</u>         | <u>-</u>         | <u>-</u>                           | <u>-</u>  |
| Net change in fund balances                       | (65,522)         | (65,522)         | (31,429)                           | 34,093  |
| Fund balances - beginning                         | <u>150,000</u>   | <u>150,000</u>   | <u>255,216</u>                     | <u>105,216</u>  |
| Fund balances - ending                            | <u>\$ 84,478</u> | <u>\$ 84,478</u> | <u>\$ 223,787</u>                  | <u>\$ 139,309</u>   |

# Town of Prescott Valley, Arizona

## Capital Project Growth Fund - Capital Projects Fund

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

#### Governmental Funds

For the Year Ended June 30, 2012

|  | Budgeted Amounts |             | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|-------------|------------------------------------|---|
|  | Original         | Final       |                                    |   |
| <b>REVENUES</b>                                      |                  |             |                                    |   |
| Interest earnings                                    | \$ 500           | \$ 500      | \$ (215)                           | \$ (715)  |
| Total revenues                                       | 500              | 500         | (215)                              | (715)   |
| <b>EXPENDITURES</b>                                  |                  |             |                                    |   |
| Total expenditures                                   | -                | -           | -                                  | -   |
| Excess (deficiency) of revenues over<br>expenditures | 500              | 500         | (215)                              | (715)   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |             |                                    |   |
| Transfers in   | -                | -           | -                                  | -   |
| Transfers out  | (1,500,000)      | (1,500,000) | (1,505,163)                        | (5,163)   |
| Total other financing sources and uses               | (1,500,000)      | (1,500,000) | (1,505,163)                        | (5,163)   |
| Net change in fund balances                          | (1,499,500)      | (1,499,500) | (1,505,378)                        | (5,878)   |
| Fund balances - beginning                            | 1,500,000        | 1,500,000   | 1,505,378                          | 5,378   |
| Fund balances - ending                               | \$ 500           | \$ 500      | \$ -                               | \$ (500)  |

# Town of Prescott Valley, Arizona

## Streets Capital Improvement Fund - Capital Projects Fund

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

#### Governmental Funds

For the Year Ended June 30, 2012

|  | Budgeted Amounts    |                     | Actual Amounts,<br>Budgetary Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|---------------------|---------------------|------------------------------------|---|
|  | Original            | Final               |                                    |   |
| <b>REVENUES</b>                                      |                     |                     |                                    |   |
| Taxes - local  | \$ 1,478,118        | \$ 1,478,118        | \$ 1,541,450                       | \$ 63,332   |
| Interest earnings                                    | 37,000              | 37,000              | 9,451                              | (27,549)  |
| Total revenues                                       | <u>1,515,118</u>    | <u>1,515,118</u>    | <u>1,550,901</u>                   | <u>35,783</u>   |
| <b>EXPENDITURES</b>                                  |                     |                     |                                    |   |
| Capital outlay                                       | 1,225,000           | 1,225,000           | 1,219,770                          | 5,230   |
| Total expenditures                                   | <u>1,225,000</u>    | <u>1,225,000</u>    | <u>1,219,770</u>                   | <u>5,230</u>  |
| Excess (deficiency) of revenues over<br>expenditures | <u>290,118</u>      | <u>290,118</u>      | <u>331,131</u>                     | <u>41,013</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                                    |   |
| Transfers in   | -                   | -                   | -                                  | -   |
| Transfers out  | (814,102)           | (814,102)           | (307,957)                          | 506,145   |
| Total other financing sources                        | <u>(814,102)</u>    | <u>(814,102)</u>    | <u>(307,957)</u>                   | <u>506,145</u>  |
| Net change in fund balances                          | (523,984)           | (523,984)           | 23,174                             | 547,158   |
| Fund balances - beginning                            | <u>2,750,000</u>    | <u>2,750,000</u>    | <u>2,644,786</u>                   | <u>(105,214)</u>  |
| Fund balances - ending                               | <u>\$ 2,226,016</u> | <u>\$ 2,226,016</u> | <u>\$ 2,667,960</u>                | <u>\$ 441,944</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.

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Financial Trends<br>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.   | 96          |
| Revenue Capacity<br>These schedules contain information to help the reader assess the Town's most significant local revenue sources, sales and use tax.   | 104         |
| Debt Capacity<br>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.                            | 114         |
| Demographic and Economic Information<br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.                                    | 124         |
| Operating Information<br>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. | 130         |

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 Ten Fiscal Years

(accrual basis of accounting)

|   | Fiscal Year          |                       |                       |                       |
|---|----------------------|-----------------------|-----------------------|-----------------------|
|   | 2003                 | 2004                  | 2005                  | 2006                  |
| <b>Governmental activities</b>                  |                      |                       |                       |                       |
| 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> |
| <b>Business-type activities</b>                 |                      |                       |                       |                       |
| 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>  |
| <b>Primary government</b>                       |                      |                       |                       |                       |
| 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> |

Table 1

| <b>Fiscal Year</b>    |                       |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           | <b>2012</b>           |
| \$ 77,730,515         | \$ 94,064,610         | \$ 80,732,177         | \$ 87,698,756         | \$ 91,352,654         | \$ 89,515,976         |
| 22,005,395            | 5,337,207             | 4,891,889             | 4,003,008             | 23,533,080            | 26,658,646            |
| 41,144,635            | 50,960,200            | 58,709,781            | 45,473,141            | 18,332,439            | 11,591,380            |
| <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> | <u>\$ 127,766,002</u> |
| \$ 81,806,434         | \$ 85,707,927         | \$ 87,053,889         | \$ 85,252,073         | \$ 84,334,580         | \$ 83,825,248         |
| 8,515,151             | 12,693,861            | 4,258,712             | 4,182,242             | 4,598,530             | 6,133,389             |
| <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>  | <u>\$ 89,958,637</u>  |
| \$ 159,536,949        | \$ 179,772,537        | \$ 167,786,066        | \$ 172,950,829        | \$ 175,687,234        | \$ 173,341,224        |
| 22,005,395            | 5,337,207             | 4,891,889             | 4,003,008             | 23,533,080            | 26,658,646            |
| 49,659,786            | 63,654,061            | 62,968,493            | 49,655,383            | 22,930,969            | 17,724,769            |
| <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> | <u>\$ 217,724,639</u> |

# Town of Prescott Valley, Arizona

## Changes in Net Assets

Last Ten Fiscal Years  
(accrual basis of accounting)

|   | Fiscal Year                 |                            |                             |                             |                             |
|---|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | 2003                        | 2004                       | 2005                        | 2006                        | 2007                        |
| <b>Expenses</b>                                 |                             |                            |                             |                             |                             |
| Governmental activities:                        |                             |                            |                             |                             |                             |
| General government                              | \$ 7,039,716                | \$ 6,461,543               | \$ 7,042,829                | \$ 7,968,306                | \$ 9,611,555                |
| Public safety                                   | 4,214,549                   | 4,969,379                  | 5,437,388                   | 6,703,996                   | 7,712,574                   |
| Culture and recreation                          | 2,751,520                   | 2,451,113                  | 3,095,954                   | 3,043,174                   | 3,572,145                   |
| Public works                                    | 1,684,209                   | 2,516,685                  | 1,921,143                   | 2,365,488                   | 3,336,155                   |
| Highway and streets                             | 1,840,839                   | 2,514,418                  | 2,815,703                   | 4,484,893                   | 5,374,323                   |
| Interest on long-term debt                      | 1,628,650                   | 3,319,069                  | 3,517,481                   | 4,516,440                   | 4,185,588                   |
| Total governmental activities expenses          | <u>19,159,483</u>           | <u>22,232,207</u>          | <u>23,830,498</u>           | <u>29,082,297</u>           | <u>33,792,340</u>           |
| Business-type activities:                       |                             |                            |                             |                             |                             |
| Wastewater utility                              | 2,884,531                   | 4,198,517                  | 4,151,355                   | 4,878,568                   | 5,737,771                   |
| Prescott Valley water system                    | 707,310                     | 535,309                    | 675,700                     | 841,630                     | 1,202,450                   |
| Water district                                  | 4,854,985                   | 4,767,074                  | 5,831,891                   | 8,165,539                   | 7,598,327                   |
| Total business-type activities expenses         | <u>8,446,826</u>            | <u>9,500,900</u>           | <u>10,658,946</u>           | <u>13,885,737</u>           | <u>14,538,548</u>           |
| Total primary government expenses               | <u><u>27,606,309</u></u>    | <u><u>31,733,107</u></u>   | <u><u>34,489,444</u></u>    | <u><u>42,968,034</u></u>    | <u><u>48,330,888</u></u>    |
| <b>Program Revenues</b>                         |                             |                            |                             |                             |                             |
| Governmental activities:                        |                             |                            |                             |                             |                             |
| Charges for services:                           |                             |                            |                             |                             |                             |
| General government                              | 1,456,226                   | 1,830,050                  | 2,512,462                   | 3,185,000                   | 2,335,311                   |
| Public safety                                   | 5,928                       | 21,415                     | 35,017                      | 4,929                       | 12,469                      |
| Culture and recreation                          | 132,913                     | 131,846                    | 133,883                     | 163,549                     | 217,858                     |
| Operating grants and contributions              | 138,198                     | 164,876                    | 416,548                     | 496,099                     | 464,592                     |
| Capital grants and contributions                | 6,304,610                   | 5,723,013                  | 47,999,642                  | 9,814,366                   | 6,496,180                   |
| Total governmental activities program revenues  | <u>8,037,875</u>            | <u>7,871,200</u>           | <u>51,097,552</u>           | <u>13,663,943</u>           | <u>9,526,410</u>            |
| Business-type activities:                       |                             |                            |                             |                             |                             |
| Charges for services:                           |                             |                            |                             |                             |                             |
| Wastewater utility                              | 2,411,681                   | 3,114,639                  | 3,259,626                   | 3,243,345                   | 3,974,215                   |
| Prescott Valley water system                    | 690,002                     | 684,768                    | 676,738                     | 948,437                     | 767,627                     |
| Water district                                  | 4,487,421                   | 4,888,725                  | 5,224,531                   | 6,046,065                   | 6,602,824                   |
| Capital grants and contributions                | 4,647,251                   | 5,175,225                  | 34,136,934                  | 17,792,293                  | 4,455,083                   |
| Total business-type activities program revenues | <u>12,236,355</u>           | <u>13,863,357</u>          | <u>43,297,829</u>           | <u>28,030,140</u>           | <u>15,799,749</u>           |
| Total primary government program revenues       | <u><u>20,274,230</u></u>    | <u><u>21,734,557</u></u>   | <u><u>94,395,381</u></u>    | <u><u>41,694,083</u></u>    | <u><u>25,326,159</u></u>    |
| Net (expense)/revenue                           |                             |                            |                             |                             |                             |
| Governmental activities                         | 8,037,875                   | (14,361,007)               | 27,267,054                  | (15,418,354)                | (24,265,930)                |
| Business-type activities                        | 12,236,355                  | 4,362,457                  | 32,638,883                  | 14,144,403                  | 1,261,201                   |
| Total primary government net expense            | <u><u>20,274,230</u></u>    | <u><u>(9,998,550)</u></u>  | <u><u>59,905,937</u></u>    | <u><u>(1,273,951)</u></u>   | <u><u>(23,004,729)</u></u>  |
| Governmental activities:                        |                             |                            |                             |                             |                             |
| Taxes:  |                             |                            |                             |                             |                             |
| Sales and use taxes                             | 7,602,800                   | 8,665,348                  | 11,292,767                  | 14,309,814                  | 15,047,108                  |
| Franchise taxes                                 | 469,001                     | 535,892                    | 284,678                     | 528,349                     | 390,287                     |
| Property taxes                                  | -                           | 55,290                     | 177,409                     | 417,434                     | 837,270                     |
| Intergovernmental                               | 9,797,102                   | 9,357,981                  | 10,621,476                  | 13,076,508                  | 16,238,921                  |
| Interest and investment income                  | (8,924)                     | 330,195                    | 946,556                     | 2,285,186                   | 2,629,889                   |
| Miscellaneous                                   | -                           | -                          | -                           | 1,610,000                   | 4,522                       |
| Transfers                                       | (2,912,605)                 | 44,623                     | -                           | 95,323                      | 93,938                      |
| Total governmental activities                   | <u>14,947,374</u>           | <u>18,989,329</u>          | <u>23,322,886</u>           | <u>32,322,614</u>           | <u>35,241,935</u>           |
| Business-type activities:                       |                             |                            |                             |                             |                             |
| Interest and investment income                  | (186,644)                   | 123,239                    | 327,976                     | 766,544                     | 953,405                     |
| Proceeds from sale of effluent water            | -                           | -                          | -                           | -                           | -                           |
| Miscellaneous                                   | 950,317                     | -                          | -                           | 432,275                     | (12,883)                    |
| Transfers                                       | 2,912,605                   | (44,623)                   | -                           | (95,323)                    | (93,938)                    |
| Total business-type activities                  | <u>3,676,278</u>            | <u>78,616</u>              | <u>327,976</u>              | <u>1,103,496</u>            | <u>846,584</u>              |
| Total primary government                        | <u><u>18,623,652</u></u>    | <u><u>19,067,945</u></u>   | <u><u>23,650,862</u></u>    | <u><u>33,426,110</u></u>    | <u><u>36,088,519</u></u>    |
| <b>Change in Net Assets</b>                     |                             |                            |                             |                             |                             |
| Governmental activities                         | 22,985,249                  | 4,628,322                  | 50,589,940                  | 16,904,260                  | 10,976,005                  |
| Business-type activities                        | 15,912,633                  | 4,441,073                  | 32,966,859                  | 15,247,899                  | 2,107,785                   |
| Total primary government                        | <u><u>\$ 38,897,882</u></u> | <u><u>\$ 9,069,395</u></u> | <u><u>\$ 83,556,799</u></u> | <u><u>\$ 32,152,159</u></u> | <u><u>\$ 13,083,790</u></u> |

Table 2

| Fiscal Year          |                       |                       |                       |                       |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2008                 | 2009                  | 2010                  | 2011                  | 2012                  |
| \$ 10,476,111        | \$ 12,359,343         | \$ 10,413,658         | \$ 9,349,601          | \$ 11,997,108         |
| 9,138,937            | 9,751,720             | 9,318,245             | 9,540,750             | 9,272,516             |
| 3,951,339            | 4,120,940             | 8,650,856             | 4,695,196             | 4,829,228             |
| 3,636,603            | 5,863,362             | 3,284,971             | 2,884,128             | 3,153,248             |
| 7,445,584            | 5,402,589             | 5,260,537             | 6,009,001             | 6,334,044             |
| 4,181,678            | 4,944,534             | 4,715,164             | 4,744,657             | 4,237,965             |
| <u>38,830,252</u>    | <u>42,442,488</u>     | <u>41,643,431</u>     | <u>37,223,333</u>     | <u>39,824,109</u>     |
| 6,615,695            | 6,628,846             | 6,360,996             | 6,241,143             | 6,129,626             |
| 3,185,604            | 16,854,701            | 7,593,403             | 7,221,333             | 6,925,032             |
| 7,016,814            | -                     | -                     | -                     | -                     |
| <u>16,818,113</u>    | <u>23,483,547</u>     | <u>13,954,399</u>     | <u>13,462,476</u>     | <u>13,054,658</u>     |
| <u>55,648,365</u>    | <u>65,926,035</u>     | <u>55,597,830</u>     | <u>50,685,809</u>     | <u>52,878,767</u>     |
| 2,157,223            | 2,871,704             | 1,404,286             | 1,481,643             | 1,638,864             |
| 8,544                | 7,199                 | 17,549                | 29,348                | 27,238                |
| 200,463              | 221,280               | 239,673               | 203,767               | 220,922               |
| 339,740              | 308,508               | 1,408,750             | 2,605,296             | 2,418,314             |
| <u>11,260,876</u>    | <u>3,718,931</u>      | <u>3,081,303</u>      | <u>3,008,745</u>      | <u>4,689,533</u>      |
| <u>13,966,846</u>    | <u>7,127,622</u>      | <u>6,151,561</u>      | <u>7,328,799</u>      | <u>8,994,871</u>      |
| 4,229,843            | 4,181,492             | 4,151,592             | 4,245,252             | 4,449,769             |
| 2,281,698            | 8,025,941             | 7,588,187             | 7,433,696             | 7,695,290             |
| 5,669,747            | -                     | -                     | -                     | -                     |
| 6,434,349            | 4,782,391             | 925,703               | 1,354,631             | 765,584               |
| <u>18,615,637</u>    | <u>16,989,824</u>     | <u>12,665,482</u>     | <u>13,033,579</u>     | <u>12,910,643</u>     |
| <u>32,582,483</u>    | <u>24,117,446</u>     | <u>18,817,043</u>     | <u>20,362,378</u>     | <u>21,905,514</u>     |
| (24,863,406)         | (35,314,866)          | (35,491,870)          | (29,894,534)          | (30,829,238)          |
| 1,797,524            | (6,493,723)           | (1,288,917)           | (428,897)             | (144,015)             |
| <u>(23,065,882)</u>  | <u>(41,808,589)</u>   | <u>(36,780,787)</u>   | <u>(30,323,431)</u>   | <u>(30,973,253)</u>   |
| 12,729,336           | 11,400,416            | 10,698,887            | 10,470,048            | 11,177,768            |
| 487,251              | 485,612               | 465,433               | 450,140               | 425,224               |
| 1,603,666            | 2,190,751             | 2,313,022             | 2,097,157             | 1,858,261             |
| 17,454,570           | 17,216,586            | 13,335,644            | 12,397,820            | 12,535,886            |
| 1,975,567            | 936,950               | 598,471               | 107,125               | 187,846               |
| 313                  | 26,533                | 16,106                | 66,521                | 227,309               |
| 94,175               | 1,155,988             | 905,365               | 348,991               | (1,035,227)           |
| <u>34,344,878</u>    | <u>33,412,836</u>     | <u>28,332,928</u>     | <u>25,937,802</u>     | <u>25,377,067</u>     |
| 834,018              | 560,524               | 315,996               | 267,913               | 134,311               |
| 5,797,237            | -                     | -                     | -                     | -                     |
| (254,401)            | -                     | -                     | 8,770                 | 4                     |
| (94,175)             | (1,155,988)           | (905,365)             | (348,991)             | 1,035,227             |
| <u>6,282,679</u>     | <u>(595,464)</u>      | <u>(589,369)</u>      | <u>(72,308)</u>       | <u>1,169,542</u>      |
| <u>40,627,557</u>    | <u>32,817,372</u>     | <u>27,743,559</u>     | <u>25,865,494</u>     | <u>26,546,609</u>     |
| 9,481,472            | (1,902,030)           | (7,158,942)           | (3,956,732)           | (5,452,171)           |
| 8,080,203            | (7,089,187)           | (1,878,286)           | (501,205)             | 1,025,527             |
| <u>\$ 17,561,675</u> | <u>\$ (8,991,217)</u> | <u>\$ (9,037,228)</u> | <u>\$ (4,457,937)</u> | <u>\$ (4,426,644)</u> |

# Town of Prescott Valley, Arizona

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

|                                     | Fiscal Year          |                      |                      |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | 2003                 | 2004                 | 2005                 | 2006                 |
| <b>General fund</b>                 |                      |                      |                      |                      |
| 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>    |
| <b>All other governmental funds</b> |                      |                      |                      |                      |
| 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> |

Table 3

| Fiscal Year          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 |
| \$ -                 | \$ 7,872             | \$ 10,800            | \$ 587,801           | \$ -                 | \$ -                 |
| 21,327,904           | 34,692,068           | 25,239,726           | 17,548,648           | -                    | -                    |
| -                    | -                    | -                    | -                    | 1,401,864            | 2,162,860            |
| -                    | -                    | -                    | -                    | 2,111,047            | 2,191,363            |
| -                    | -                    | -                    | -                    | 13,220,847           | 9,500,430            |
| <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>    | <u>13,854,653</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            | -                    | -                    |
| -                    | -                    | -                    | -                    | 64,712               | 34,643               |
| -                    | -                    | -                    | -                    | 24,890,376           | 24,682,194           |
| -                    | -                    | -                    | -                    | 1,965,317            | 358,851              |
| -                    | -                    | -                    | -                    | (64,712)             | (2,163,904)          |
| <u>\$ 42,946,041</u> | <u>\$ 37,527,919</u> | <u>\$ 36,932,494</u> | <u>\$ 32,675,015</u> | <u>\$ 26,855,693</u> | <u>\$ 22,911,784</u> |

# Town of Prescott Valley, Arizona

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

|   | Fiscal Year          |                     |                      |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | 2003                 | 2004                | 2005                 | 2006                |
| <b>Revenues</b>   |                      |                     |                      |                     |
| 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  | <u>26,956,571</u>    | <u>28,086,352</u>   | <u>33,535,162</u>    | <u>42,186,527</u>   |
| <b>Expenditures</b>                                     |                      |                     |                      |                     |
| 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                                     | 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                                      | <u>29,518,263</u>    | <u>31,494,076</u>   | <u>41,371,206</u>    | <u>41,192,874</u>   |
| Excess of revenues over (under) expenditures            | (2,561,692)          | (3,407,724)         | (7,836,044)          | 993,653             |
| <b>Other financing sources (uses)</b>                   |                      |                     |                      |                     |
| 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                                | -                    | -                   | -                    | -                   |
| Payments to advanced refunding escrow agent             | -                    | -                   | -                    | -                   |
| 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           | -                   |
| Premium on refunding bonds issued                       | -                    | -                   | -                    | -                   |
| Total other financing sources and (uses)                | <u>14,907,715</u>    | <u>11,796,142</u>   | <u>25,600,567</u>    | <u>106,131</u>      |
| Net change in fund balances                             | <u>\$ 12,346,023</u> | <u>\$ 8,388,418</u> | <u>\$ 17,764,523</u> | <u>\$ 1,099,784</u> |
| Debt service as a percentage of noncapital expenditures | 19.9%                | 24.7%               | 27.5%                | 30.2%               |

Table 4

| Fiscal Year           |                     |                        |                        |                       |                       |
|-----------------------|---------------------|------------------------|------------------------|-----------------------|-----------------------|
| 2007                  | 2008                | 2009                   | 2010                   | 2011                  | 2012                  |
| \$ 15,437,395         | \$ 13,216,587       | \$ 11,886,028          | \$ 11,164,320          | \$ 10,920,188         | \$ 11,602,992         |
| 16,238,921            | 17,454,570          | 17,216,586             | 13,932,418             | 12,397,820            | 12,535,886            |
| 837,270               | 1,603,666           | 2,190,751              | 2,313,022              | 2,097,157             | 1,858,261             |
| 1,055,619             | 756,726             | 553,007                | 363,051                | 411,725               | 531,975               |
| 507,988               | 372,075             | 331,324                | 358,281                | 266,874               | 286,300               |
| 551,478               | 673,351             | 779,386                | 623,565                | 675,209               | 763,509               |
| 1,712,438             | 1,250,009           | 1,323,126              | 1,348,178              | 1,117,252             | 1,350,833             |
| 2,607,504             | 1,961,913           | 1,016,586              | 393,182                | 243,286               | 92,388                |
| 868,007               | 388,461             | 410,698                | 2,549,543              | 2,271,289             | 1,520,264             |
| 2,963,744             | 3,116,482           | 2,380,846              | 1,430,534              | 2,148,555             | 2,116,466             |
| <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>     | <u>32,658,874</u>     |
| 8,723,101             | 8,888,114           | 11,760,135             | 9,295,019              | 8,708,728             | 11,519,697            |
| 7,392,991             | 8,831,807           | 9,143,146              | 8,831,350              | 8,921,567             | 8,685,736             |
| 3,031,871             | 3,361,957           | 3,548,012              | 4,060,473              | 3,314,352             | 3,280,206             |
| 1,943,035             | 1,664,904           | 1,578,240              | 1,403,528              | 1,167,649             | 1,404,224             |
| 2,776,810             | 2,817,805           | 2,112,236              | 2,041,828              | 2,215,823             | 2,699,271             |
| 2,612,216             | 2,082,646           | 3,616,248              | 3,833,248              | 6,862,910             | 4,044,247             |
| 4,144,954             | 4,141,044           | 4,903,900              | 4,663,230              | 4,704,023             | 4,042,479             |
| 363,891               | 959,186             | -                      | -                      | -                     | 386,798               |
| 465,000               | 165,000             | -                      | 576,300                | -                     | -                     |
| 17,009,989            | 18,941,812          | 12,627,248             | 12,048,039             | 4,225,307             | 2,803,465             |
| <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>     | <u>38,866,123</u>     |
| (5,683,494)           | (11,060,435)        | (11,200,827)           | (12,276,921)           | (7,571,004)           | (6,207,249)           |
| 7,802,928             | 10,383,142          | 5,260,351              | 8,244,932              | 5,270,966             | 6,599,616             |
| (7,708,990)           | (10,288,967)        | (4,104,363)            | (7,339,567)            | (4,921,975)           | (7,634,843)           |
| -                     | -                   | -                      | -                      | -                     | -                     |
| -                     | -                   | -                      | -                      | -                     | -                     |
| -                     | -                   | -                      | -                      | -                     | -                     |
| -                     | (14,826)            | -                      | -                      | -                     | -                     |
| -                     | -                   | -                      | -                      | -                     | (27,131,831)          |
| -                     | -                   | -                      | -                      | -                     | -                     |
| -                     | -                   | -                      | -                      | -                     | -                     |
| 3,425,000             | 18,935,000          | -                      | -                      | -                     | 25,785,000            |
| -                     | -                   | -                      | -                      | -                     | 1,766,293             |
| <u>3,518,938</u>      | <u>19,014,349</u>   | <u>1,155,988</u>       | <u>905,365</u>         | <u>348,991</u>        | <u>(615,765)</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> | <u>\$ (6,823,014)</u> |
| 24.1%                 | 22.3%               | 23.2%                  | 26.1%                  | 32.2%                 | 23.5%                 |

# Town of Prescott Valley, Arizona

## General Governmental Tax Revenues by Source

Last Ten 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> |

\* 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

| <b>Fiscal Year</b>   |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>2007</b>          | <b>2008</b>          | <b>2009</b>          | <b>2010</b>          | <b>2011</b>          | <b>2012</b>          |
| \$ 14,821,243        | \$ 12,500,181        | \$ 11,169,107        | \$ 10,473,107        | \$ 10,241,313        | \$ 10,958,574        |
| 616,152              | 716,406              | 714,028              | 691,213              | 678,875              | 644,418              |
| 3,191,209            | 3,085,676            | 2,671,333            | 2,463,915            | 2,603,320            | 3,033,563            |
| 3,811,960            | 4,725,011            | 5,006,330            | 4,334,885            | 3,267,948            | 3,276,605            |
| 2,150,126            | 2,080,348            | 1,981,539            | 1,824,921            | 1,813,235            | 1,996,386            |
| 3,022,836            | 2,799,297            | 2,517,929            | 2,498,515            | 2,521,131            | 2,460,595            |
| 4,062,790            | 4,764,238            | 5,039,455            | 2,810,182            | 2,192,186            | 1,768,737            |
| 837,270              | 1,603,666            | 2,190,751            | 2,313,022            | 2,097,157            | 1,858,261            |
| <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> | <u>\$ 25,997,139</u> |

## Town of Prescott Valley, Arizona

### General Governmental Taxable Sales by Category

Last Ten 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              |
| <b>Total</b>                     | <b>\$ 7,602,800</b> | <b>\$ 8,665,348</b> | <b>\$ 11,292,767</b> | <b>\$ 13,781,465</b> |

Source: Arizona Department of Revenue

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

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

Table 6

| <b>Fiscal Year</b>   |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>2007</b>          | <b>2008</b>          | <b>2009</b>          | <b>2010</b>          | <b>2011</b>          | <b>2012</b>          |
| \$ 53                | \$ 29                | \$ 97                | \$ 35                | \$ 1,006             | \$ 7,368             |
| 4,528,174            | 2,836,996            | 1,783,434            | 1,015,288            | 586,972              | 778,855              |
| 453,093              | 428,751              | 379,823              | 262,357              | 240,828              | 238,433              |
| 1,350,309            | 1,504,095            | 1,334,285            | 1,432,800            | 1,410,446            | 1,431,378            |
| 163,389              | 190,936              | 157,532              | 233,362              | 236,117              | 237,434              |
| 5,723,780            | 5,141,365            | 5,318,986            | 5,406,340            | 5,578,893            | 5,925,245            |
| 913,840              | 956,567              | 947,387              | 911,260              | 900,239              | 948,651              |
| 455,771              | 449,552              | 361,874              | 277,369              | 299,504              | 318,908              |
| 154,804              | 163,494              | 152,647              | 207,788              | 229,591              | 247,673              |
| 479,565              | 437,841              | 356,907              | 351,574              | 344,006              | 404,601              |
| 114,890              | 137,326              | 270,020              | 253,351              | 273,425              | 288,124              |
| 246,803              | 104,093              | 49,440               | 48,034               | 107,941              | 56,900               |
| 236,772              | 149,136              | 56,675               | 73,549               | 32,345               | 75,004               |
| <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> | <u>\$ 10,958,574</u> |

# Town of Prescott Valley, Arizona

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

Last Ten 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

Table 7

| Fiscal Year |       |       |       |       |       |
|-------------|-------|-------|-------|-------|-------|
| 2007        | 2008  | 2009  | 2010  | 2011  | 2012  |
| 2.00%       | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| 0.33%       | 0.33% | 0.33% | 0.33% | 0.33% | 0.33% |
| 2.33%       | 2.33% | 2.33% | 2.33% | 2.33% | 2.33% |
| 0.75%       | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |
| 5.60%       | 5.60% | 5.60% | 6.60% | 6.60% | 6.60% |
| 8.68%       | 8.68% | 8.68% | 9.68% | 9.68% | 9.68% |
| 4.00%       | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |

# Town of Prescott Valley, Arizona

## Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Fiscal Year | Primary Tax                |                        | Ratio of Net Assessed Value to Limited Property Value | Primary Tax Rate | Full Cash Value (3) | Centrally Valued (4) |
|-------------|----------------------------|------------------------|---|------------------|---------------------|----------------------|
|             | Limited Property Value (1) | Net Assessed Value (2) |   |                  |                     |                      |
| 2003        | \$ 1,021,107,753           | \$ 133,820,619         | 13.11%  | \$ 7.7532        | \$ 1,038,653,357    | \$ 6,870,030         |
| 2004        | 1,132,160,583              | 150,298,428            | 13.28%  | 7.8094           | 1,149,392,679       | 8,148,888            |
| 2005        | 1,325,283,133              | 170,887,793            | 12.89%  | 7.0743           | 1,404,411,385       | 7,034,105            |
| 2006        | 1,578,181,045              | 201,229,477            | 12.75%  | 6.6385           | 1,720,821,649       | 7,927,126            |
| 2007        | 1,890,395,385              | 241,326,028            | 12.77%  | 6.4535           | 2,066,866,127       | 8,728,028            |
| 2008        | 2,362,099,424              | 289,680,782            | 12.26%  | 6.6095           | 2,737,126,465       | 9,795,016            |
| 2009        | 2,830,028,886              | 346,091,932            | 12.23%  | 5.6813           | 3,646,306,432       | 10,521,331           |
| 2010        | 3,205,173,068              | 378,032,185            | 11.79%  | 5.3317           | 3,519,291,514       | 10,902,613           |
| 2011        | 3,079,315,880              | 367,492,033            | 11.93%  | 6.2646           | 3,191,140,841       | 10,502,302           |
| 2012        | 2,602,868,738              | 317,949,696            | 12.22%  | 6.9204           | 2,716,026,629       | 12,265,374           |

Source: Yavapai County Assessor

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

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

(2) Assessed values are based on property use:

|                              |     |
|------------------------------|-----|
| 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

| <b>Secondary Tax</b> |                     |                  | <b>Ratio of Net</b>   | <b>Secondary</b> |
|----------------------|---------------------|------------------|-----------------------|------------------|
| <b>Real</b>          | <b>Personal</b>     | <b>Total</b>     | <b>Assessed Value</b> | <b>Tax</b>       |
| <b>Property (2)</b>  | <b>Property (2)</b> | <b>Secondary</b> | <b>to Full</b>        | <b>Rate</b>      |
|                      |                     |                  | <b>Cash Value</b>     |                  |
| \$ 123,570,828       | \$ 5,539,381        | \$ 135,980,239   | 13.09%                | \$ 7.7532        |
| 139,540,223          | 5,112,997           | 152,802,108      | 13.29%                | 7.1075           |
| 169,959,437          | 5,368,121           | 182,361,663      | 12.98%                | 6.8784           |
| 203,592,438          | 6,483,226           | 218,002,790      | 12.67%                | 6.8998           |
| 243,909,307          | 6,495,779           | 259,133,114      | 12.54%                | 6.8998           |
| 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           | 378,071,370      | 11.85%                | 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 Ten Fiscal Years

| Fiscal Year | Town |   | Yavapai County |      | State of Arizona |   | Humboldt USD |   | Community College |
|-------------|------|---|----------------|------|------------------|---|--------------|---|-------------------|
| 2003        | \$ - | P | \$ 2.1525      | \$ - | -                | P | \$ 4.0335    | P | \$ 1.5672         |
|             |      | S | 0.4307         |      |                  | S | 1.2670       |   | S                 |
| 2004        | -    | P | 2.1568         | -    | -                | P | 4.0900       | P | 1.5626            |
|             |      | S | 0.4069         |      |                  | S | 1.0831       |   | S                 |
| 2005        | -    | P | 2.1366         | -    | -                | P | 3.4477       | P | 1.4900            |
|             |      | S | 0.4034         |      |                  | S | 0.9278       |   | S                 |
| 2006        | -    | P | 1.7008         | -    | -                | P | 3.4477       | P | 1.4900            |
|             |      | S | 0.4034         |      |                  | S | 0.9278       |   | S                 |
| 2007        | -    | P | 1.6552         | -    | -                | P | 3.3675       | P | 1.4308            |
|             |      | S | 0.3898         |      |                  | S | 0.7859       |   | S                 |
| 2008        | -    | P | 1.5292         | -    | -                | P | 3.7406       | P | 1.3397            |
|             |      | S | 0.3568         |      |                  | S | 0.8538       |   | S                 |
| 2009        | -    | P | 1.3683         | -    | -                | P | 3.1141       | P | 1.1989            |
|             |      | S | 0.3465         |      |                  | S | 0.7688       |   | S                 |
| 2010        | -    | P | 1.6148         | -    | -                | P | 2.5919       | P | 1.1250            |
|             |      | S | 0.3479         |      |                  | S | 0.9036       |   | S                 |
| 2011        | -    | P | 1.7088         | -    | -                | P | 3.3512       | P | 1.2046            |
|             |      | S | 0.3995         |      |                  | S | 1.1218       |   | S                 |
| 2012        | -    | P | 1.8564         | -    | -                | P | 3.6366       | P | 1.4274            |
|             |      | S | 0.4867         |      |                  | S | 1.0996       |   | S                 |

Source: Yavapai County Assessor

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

P - Primary

S - Secondary

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

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

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

(4) All Special Districts have a rate of \$3.90 per \$100 Secondary Assessed Value except Parkway No. 1 which has a rate of \$11.40 and Quailwood which has a rate of 4.23.

Table 9

| Yavapai<br>Fire District |    |        | Special<br>District |           | Total |           |
|--------------------------|----|--------|---------------------|-----------|-------|-----------|
|                          |    |        |                     |           | P     | \$ 7.7532 |
| S                        | \$ | 1.7992 | S                   | \$ 3.3000 | S     | 7.1075    |
|                          |    |        |                     |           | P     | 7.8094    |
| S                        |    | 1.7996 | S                   | 3.3000    | S     | 6.8784    |
|                          |    |        |                     |           | P     | 7.0743    |
| S                        |    | 2.0072 | S                   | 3.3000    | S     | 6.8998    |
|                          |    |        |                     |           | P     | 6.6385    |
| S                        |    | 2.0072 | S                   | 3.3000    | S     | 6.8998    |
|                          |    |        |                     |           | P     | 6.4535    |
| S                        |    | 1.9940 | S                   | 3.3000    | S     | 6.6962    |
|                          |    |        |                     |           | P     | 6.6095    |
| S                        |    | 1.8910 | S                   | 3.3000    | S     | 6.5844    |
|                          |    |        |                     |           | P     | 5.6813    |
| S                        |    | 1.6359 | S                   | 3.3000    | (1) S | 6.1917    |
|                          |    |        |                     |           | P     | 5.3317    |
| S                        |    | 1.6323 | S                   | 3.3000    | (2) S | 6.3205    |
|                          |    |        |                     |           | P     | 6.2646    |
| S                        |    | 1.8774 | S                   | 3.3000    | (3) S | 6.8550    |
|                          |    |        |                     |           | P     | 6.9204    |
| S                        |    | 2.0793 | S                   | 3.9000    | (4) S | 7.7557    |

# Town of Prescott Valley, Arizona

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities              |                               |                          |                              |           |                |
|-------------|--------------------------------------|-------------------------------|--------------------------|------------------------------|-----------|----------------|
|             | Municipal Property Corporation Bonds | Certificates of Participation | Special Assessment Bonds | General Obligation Bonds (1) | Loans (2) | Capital Leases |
| 2003        | \$ 25,760,000                        | \$ -                          | \$ 9,995,000             | \$ 17,800,000                | \$ -      | \$ -           |
| 2004        | 30,620,000                           | -                             | 6,902,000                | 20,300,000                   | 564,879   | -              |
| 2005        | 43,695,000                           | -                             | 6,204,000                | 31,115,000                   | 879,174   | -              |
| 2006        | 41,810,000                           | -                             | 4,527,000                | 30,990,000                   | 390,084   | 9,187          |
| 2007        | 39,815,000                           | -                             | 5,861,000                | 34,415,000                   | 351,030   | 7,025          |
| 2008        | 38,325,000                           | 15,910,000                    | 8,107,000                | 37,080,000                   | 319,546   | -              |
| 2009        | 36,740,000                           | 15,340,000                    | 7,296,000                | 36,165,000                   | 299,298   | -              |
| 2010        | 35,050,000                           | 14,745,000                    | 5,978,000                | 30,690,000                   | 279,050   | -              |
| 2011        | 30,565,000                           | 14,125,000                    | 5,143,000                | 29,785,000                   | 261,140   | -              |
| 2012        | 29,765,000                           | 13,480,000                    | 4,059,000                | 28,805,000                   | 240,893   | -              |

(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

| <b>Business-Type Activities</b> |              | <b>Total Primary<br/>Government</b> | <b>Percentage of<br/>Taxable<br/>Property (3)</b> | <b>Percentage of<br/>Personal<br/>Income (4)</b> |
|---------------------------------|--------------|-------------------------------------|---|--|
| <b>Revenue Bonds</b>            | <b>Loans</b> |                                     |   |  |
| \$ 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%   |
| 27,460,000                      | 9,320,470    | 114,506,741                         | 5.54%   | 15.31%   |
| 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%   |
| 17,030,000                      | 11,015,299   | 104,395,192                         | 4.63%   | 12.80%   |

# Town of Prescott Valley, Arizona

## Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

| <b>Fiscal Year</b> | <b>Municipal Property Corporation Bonds</b> | <b>Less: Amounts Available in Debt Service Funds</b> | <b>Total</b>  | <b>Certificates of Participation</b> | <b>Less: Amounts Available in Debt Service Funds</b> |
|--------------------|---|--|---------------|--------------------------------------|--|
| 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)  |
| 2012               | 29,765,000                                  | (3,363,488)  | 26,401,512    | 13,480,000                           | (283,556)  |

(1) General obligation bonds for community facilities districts.

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

Table 11

| <b>Total</b> | <b>General<br/>Obligation Bonds<br/>(1)</b> | <b>Less: Amounts<br/>Available in Debt<br/>Service Funds</b> | <b>Total</b>  | <b>Percentage of<br/>Taxable Property<br/>(2)</b> | <b>Per<br/>Capita</b> |
|--------------|---|--|---------------|---|-----------------------|
| \$ -         | \$ 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                 |
| 13,196,444   | 28,805,000                                  | (6,097,683)  | 22,707,317    | 2.76%   | 1,605                 |

**Town of Prescott Valley, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
As of June 30, 2012

Table 12

|  | <u>Debt<br/>Outstanding</u>             | <u>Estimated<br/>Percentage<br/>Applicable (1)</u> | <u>Estimated<br/>Share of<br/>Overlapping Debt</u> |
|--|---|--|--|
| Direct debt  |   |  |  |
| General obligation bonds payable from property tax | \$ -                                    | 100.00%  | \$ -   |
| Overlapping debt                                   |   |  |  |
| Yavapai Community College District                 | 40,470,000                              | 12.17%   | 4,926,708  |
| Humboldt Unified School District                   | 42,895,000                              | 79.05%   | 33,908,272   |
| Total overlapping debt                             | <u>83,365,000</u>                       |  | <u>38,834,980</u>                                  |
| Total direct and overlapping debt                  |   |  | <u>\$ 38,834,980</u>                               |
|  | <u>Total<br/>Assessed<br/>Valuation</u> | <u>Valuation in<br/>Prescott Valley</u>            | <u>Percentage in<br/>Prescott Valley</u>           |
| Taxing district                                    |   |  |  |
| Yavapai Community College District                 | \$ 2,753,690,772                        | \$ 335,226,849                                     | 12.17%   |
| Humboldt Unified School District                   | 424,072,207                             | 335,226,849  | 79.05%   |

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

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



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## Town of Prescott Valley, Arizona

### Legal Debt Margin Information

Last Ten Fiscal Years

|  | 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%                |

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

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

(3) For statutory purposes, the Town's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the Town's bonds outstanding at June 30, 2012 were secured by sales taxes instead of property taxes.

Table 13

| Fiscal Year          |                       |                       |                      |                      |                      |
|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| 2007                 | 2008                  | 2009                  | 2010                 | 2011                 | 2012                 |
| \$ 85,933,272        | \$ 113,422,929        | \$ 108,552,737        | \$ 98,779,537        | \$ 87,158,981        | \$ 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> | <u>\$ 87,158,981</u> |

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

**Legal Debt Margin Calculation for Fiscal Year 2012**

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

## Town of Prescott Valley, Arizona

### Pledged-Revenue Coverage

Last Ten 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    |
| 2012        | 4,852,195          | 2,689,808                    | 2,162,387             | 1,109,691    | 530,924    |

#### 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    |
| 2012        | 8,057,944          | 4,734,493                    | 3,323,451             | 1,380,000    | 504,625    |

Source: Town of Prescott Valley Management Services Department

(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

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|    | <b>Total</b> | <b>Coverage</b> |
|----|--------------|-----------------|
| \$ | 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            |
|    | 1,640,615    | 1.32            |

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|    | <b>Total</b> | <b>Coverage</b> |
|----|--------------|-----------------|
| \$ | 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            |
|    | 1,884,625    | 1.76            |

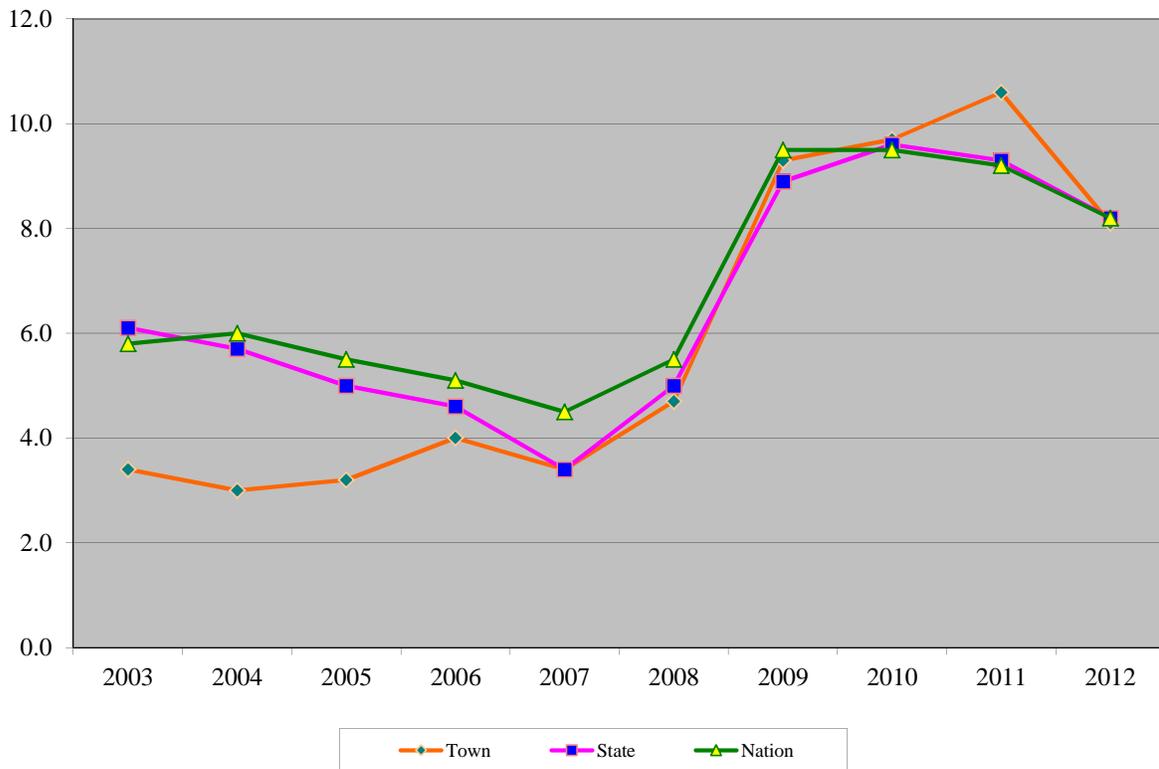
# Town of Prescott Valley, Arizona

## Demographic and Economic Statistics

Last Ten Fiscal Years

| Fiscal Year | Estimated Population (1) | Personal Income (thousands) | Per Capita Personal Income |        | Median Age (1) | Public School Enrollment (2) |
|-------------|--------------------------|-----------------------------|----------------------------|--------|----------------|------------------------------|
|             |                          |                             | (1)                        | (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                        |
| 2012        | 38,822                   | 8,158,832                   |                            | 21,016 | 40             | 5,896                        |

Unemployment Rate



Source:

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

Table 15

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| <b>Education Level in<br/>Years of Schooling<br/>(1)</b> | <b>Unemployment Rate -<br/>Prescott Valley (3)</b> | <b>Unemployment Rate -<br/>State (3)</b> | <b>Unemployment Rate -<br/>Nation (3)</b> |
|--|--|--|---|
| 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                                       |
| 13 to 16   | 8.1  | 8.2                                      | 8.2                                       |

# Town of Prescott Valley, Arizona

## Principal Employers

Current Year and Seven Years Ago

| Employer                         | Product/Service               | 2012         |      |                                     |
|----------------------------------|-------------------------------|--------------|------|-------------------------------------|
|                                  |                               | Employees    | Rank | Percentage of Total Town Employment |
| Humboldt Unified School District | Education                     | 712          | 1    | N/A                                 |
| Yavapai Regional Medical Center  | Hospital                      | 472          | 2    | N/A                                 |
| Lockheed Martin                  | Aeronautical                  | 195          | 3    | N/A                                 |
| Ace Hardware, Inc.               | Regional distribution center  | 191          | 4    | N/A                                 |
| MI Windows and Doors             | Manufacture aluminum products | 184          | 5    | N/A                                 |
| Mountain Valley Regional*        | Rehabilitation hospital       | 183          | 6    | N/A                                 |
| Fry's                            | Retail grocery                | 181          | 7    | N/A                                 |
| Town of Prescott Valley          | Municipality                  | 165          | 8    | N/A                                 |
| Safeway                          | Retail grocery                | 135          | 9    | N/A                                 |
| Printpak, Inc.                   | Manufacture packaging         | 121          | 10   | N/A                                 |
| Sam's Club                       | Retail grocery                | 120          | 11   | N/A                                 |
| Prescott Newspapers              | Newspaper                     | 107          | 12   | N/A                                 |
| K-Mart                           | Retail                        | 96           | 13   | N/A                                 |
|                                  |                               | <u>2,862</u> |      |                                     |

Source: Town of Prescott Valley Economic Development

\*Mountain Valley Regional Rehabilitation Hospital

Table 16

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

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

Table 17

**Employees at June 30**

| <b>2008</b>   | <b>2009</b>   | <b>2010</b>   | <b>2011</b>   | <b>2012</b>   |
|---------------|---------------|---------------|---------------|---------------|
| 12.12         | 11.00         | 9.56          | 9.31          | 8.56          |
| 4.00          | 3.00          | 3.00          | 3.00          | 3.00          |
| 2.00          | 2.00          | 1.05          | 1.08          | 1.50          |
| 25.63         | 21.57         | 19.80         | 17.78         | 19.10         |
| 5.00          | 5.18          | 5.50          | 5.50          | 5.50          |
| 8.63          | 10.35         | 8.72          | 6.50          | 7.63          |
| 4.00          | 5.00          | 5.00          | 5.00          | 5.00          |
| 13.00         | 10.00         | 10.00         | 10.00         | 10.00         |
| 82.00         | 79.00         | 75.00         | 71.00         | 67.63         |
| 25.19         | 28.20         | 29.53         | 28.73         | 28.35         |
| 13.75         | 14.75         | 18.75         | 16.15         | 18.15         |
| 3.00          | 3.00          | 3.00          | 3.00          | 3.00          |
| 4.00          | 4.00          | 3.00          | 2.00          | 2.00          |
| 11.00         | 11.78         | 9.70          | 9.70          | 8.00          |
| 14.00         | 14.91         | 13.00         | 13.00         | 13.00         |
| <u>227.32</u> | <u>223.74</u> | <u>214.61</u> | <u>201.75</u> | <u>200.42</u> |

# Town of Prescott Valley, Arizona

## Operating Indicators by Function/Program

Last Ten 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

Table 18

| Fiscal Year |           |           |           |           |           |
|-------------|-----------|-----------|-----------|-----------|-----------|
| 2007        | 2008      | 2009      | 2010      | 2011      | 2012      |
| 27          | 15        | 9         | 7         | 12        | 16        |
| 39          | 28        | 4         | 0         | 5         | 21        |
| 77          | 58        | 141       | 53        | 90        | 125       |
| 875         | 776       | 682       | 580       | 500       | 489       |
| 7,069       | 6,521     | 6,123     | 5,260     | 4,964     | 4,755     |
| 6,019       | 5,147     | 4,610     | 3,792     | 3,530     | 3,805     |
| 6.73%       | -15.31%   | -10.03%   | -6.44%    | -1.83%    | 6.61%     |
| 70%         | 65%       | 65%       | 65%       | 65%       | n/a       |
| 16,542      | 23,240    | 29,165    | 18,769    | 23,471    | 26,666    |
| 1,246       | 1,024     | 1,039     | 441       | 850       | 1,179     |
| 36,402      | 23,190    | 19,543    | 11,926    | 8,551     | 9,515     |
| 2,961       | 2,708     | 2,657     | 2,683     | 2,217     | 2,811     |
| 26,927      | 26,253    | 24,725    | 23,376    | 21,372    | 23,238    |
| 81          | 228       | 211       | 54        | 40        | 46        |
| 86,582      | 61,582    | 76,586    | 60,696    | 50,441    | 186,420   |
| 29,615      | 30,681    | 19,644    | 23,441    | 17,199    | 21,298    |
| 145,365     | 157,139   | 179,337   | 160,202   | 233,209   | 239,808   |
| 2,163       | 2,877     | 5,872     | 3,517     | 6,758     | 9,082     |
| 17,898      | 18,080    | 18,045    | 18,069    | 18,039    | 18,078    |
| 1,493,966   | 1,726,524 | 1,558,751 | 1,491,065 | 1,463,350 | 1,513,362 |
| 72,683      | 113,702   | 98,888    | 118,174   | 94,825    | 100,844   |
| 14,875      | 15,205    | 15,248    | 15,347    | 15,326    | 15,333    |
| 851,794     | 874,034   | 839,682   | 841,947   | 803,400   | 776,269   |

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

Table 19

| Fiscal Year |         |         |        |        |        |
|-------------|---------|---------|--------|--------|--------|
| 2007        | 2008    | 2009    | 2010   | 2011   | 2012   |
| 127,044     | 127,044 | 127,044 | 88,782 | 88,782 | 88,872 |
| 38          | 38      | 38      | 38     | 38     | 38     |
| 1           | 1       | 1       | 1      | 1      | 1      |
| 12,340      | 25,038  | 25,038  | 25,038 | 25,038 | 25,038 |
| 34          | 36      | 43      | 73     | 90     | 133    |
| 307         | 311     | 316     | 316    | 316    | 317    |
| 18          | 18      | 18      | 20     | 21     | 21     |
| 8           | 9       | 10      | 11     | 11     | 11     |
| 319         | 324     | 329     | 332    | 333    | 334    |
| 1116        | 1158    | 1181    | 1488   | 1491   | 1497   |
| 220         | 223     | 227     | 231    | 231    | 231    |
| 20          | 23      | 23      | 23     | 24     | 24     |
| 252         | 263     | 269     | 269    | 269    | 269    |
| 1           | 1       | 1       | 1      | 1      | 1      |

# Town of Prescott Valley, Arizona

## Retirement and Pension Plans

Last Ten Fiscal Years

Table 20a

|                                   | <u>Total Payroll</u> | <u>Covered Payroll</u> | <u>% of Covered Payroll</u> | <u>Required Contribution</u> | <u>Actual Contribution</u> |
|-----------------------------------|----------------------|------------------------|-----------------------------|------------------------------|----------------------------|
| <b>Defined Contribution Plans</b> |                      |                        |                             |                              |                            |
| 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                    |
| Fiscal Year 2012                  |                      |                        |                             |                              |                            |
| Employer                          | 10,643,588           | 6,191,900              | 8%                          | 495,352                      | 495,191                    |
| Employee                          | N/A                  | 6,191,900              | 7%                          | 433,433                      | 433,293                    |

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 Ten Fiscal Years

Table 20b

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

| <b>Fiscal Year</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Funded Ratio</b> | <b>Unfunded Actuarial Accrued Liability</b> | <b>Annual Covered Payroll</b> | <b>UAAL as a Percentage of ACP</b> |
|--------------------|----------------------------------|--|---------------------|---|-------------------------------|------------------------------------|
| 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%                              |
| 2011               | 10,537,929                       | 13,640,344                               | 77.3%               | 3,102,415                                   | 3,443,714                     | 90.1%                              |

Note: Information for fiscal year 2011/12 is not available from APSPRS at this time.



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