



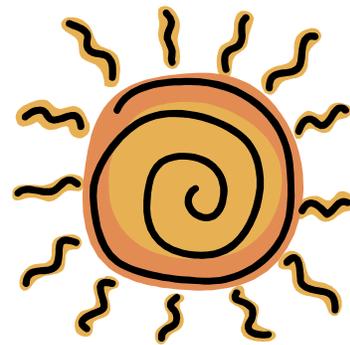
POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

Town of Prescott Valley, ARIZONA

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The information in this report is drawn from the Town of Prescott Valley Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012 (excluding Community Facilities Districts). For any questions related to this report, please review our CAFR online at www.pvaz.net, or email William Kauppi at bkauppi@pvaz.net.

Message from the Town Manager

Dear Citizens:

As we continue to strive to provide transparent and outstanding local government, we are pleased to deliver the Town's first edition of our Popular Annual Financial Report. This is an effort led by the very capable staff of the Management Services Department to demystify the governmental financial reporting process so our citizens can 1) fully understand where their tax dollars go, and 2) elect to provide feedback to the Mayor and Town Council on the quality of the decisions made.

You will note when perusing this report, that Prescott Valley has fared well during these challenging economic times through aggressive management decisions. We look forward to the balance of this decade as a period that will see our community reach new heights.

Thank you.

Larry Tarkowski



Governing Body

The Town of Prescott Valley has a council/manager form of government. The seven-member Town Council includes a voting Mayor and Vice-mayor. The Council serves as the legislative and policy-making body for the Town in an effort to meet the needs of the community and plan for future needs in an effective and representative manner. The Mayor and Council serve four-year elected terms of office. Regular meetings of the Council are usually held on the second and fourth Thursday of each month at 5:30pm in the Prescott Valley Library Auditorium/Council Chambers at 7401 East Civic Circle, 1st floor. Work studies, when held, are typically on the first and third Thursday of the month. All meetings are aired live on local Channel 15 and online at pvaz.net. Meetings are also archived and available for viewing at www.pvaz.net.

Pictured at left: Mayor Harvey Skoog, center
Clockwise from top: Vice-Mayor Don Tjiema and Council members Lora Lee Nye, Michael Whiting, Patty Lasker, Richard Anderson and Mary Mallory

About Prescott Valley

Located almost in the middle of the state of Arizona, the Town of Prescott Valley is a growing, thriving community (38,822 citizens per the 2010 Census) nestled between the Mingus and Bradshaw Mountain ranges. The Town was founded in 1966 and incorporated in 1978, with a population at that time of approximately 1,500 residents. The annual average rainfall is 12.8" and the annual average of snow, sleet and hail is 16.0". The Town attracts people who seek the natural beauty of Arizona, a peaceful lifestyle, moderate climate with four seasons, and a unique blend of modern and recreational amenities. The Town is located in Yavapai County, approximately 85 miles north of Phoenix. Being so close to Interstates I-40 and I-17, four hours of driving can get you to Las Vegas to the north, or Tucson to the south or you can reach Los Angeles after a short days drive.

Accomplishments

Town Management

- ◆ Received a \$300,000 Community Development Block Grant to complete the Loos Drive widening project
- ◆ Distributed the Town News through utility bills for cost savings
- ◆ Completed power purchase agreements with solar providers and managed the installation of solar panels at the tank farm and wastewater treatment plant facilities

Town Clerk

- ◆ Created electronic records management program for email and electronic record retention
- ◆ Renewed business licenses: 2,053
- ◆ New business licenses: 489
- ◆ Special Event business licenses: 416

Management Services

- ◆ Received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the fiscal year beginning June 1, 2011
- ◆ Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2011
- ◆ Refinanced outstanding debt to lower debt service requirements and reduce costs

Community Development

- ◆ Total permits issued: 1,179
- ◆ Began a General Plan Update involving public participation
- ◆ Utilized Neighborhood Services programs to assist low income citizens



Human Resources

- ◆ Implemented Volunteer Central
- ◆ Provided Leadership Development training
- ◆ Provided employee education on Wellness program benefits; obtained over 50% employee participation in the Town's Health Fair and Health Risk Assessment survey

Parks and Recreation

- ◆ Open skating participants: 9,055
- ◆ Fourth of July fireworks participants: 5,000
- ◆ Open swim participants: 13,643
- ◆ Special Events: Festival of Lights, Battle of the Bands, Family Arts Festival, Youth Arts Month, Fourth of July Fireworks, Holiday Tree Display



Legal

- ◆ Resolved Community Facilities District (CFD) bond payment issues for StoneRidge and Quailwood Meadows
- ◆ Resolved outstanding Big Chino Water Ranch Project litigation
- ◆ Updated Criminal Division software applications

Library

- ◆ Circulation: 451,738
- ◆ Library patrons: 239,808
- ◆ Completed the implementation and transition to an upgraded Integrated Library System
- ◆ Completed the PV Helps staffing program

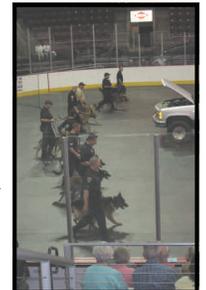


Public Works

- ◆ Chip seal applied: 420,059 square yards
- ◆ Completed widening of Robert Road from Spouse to Tranquil
- ◆ Completed the Western Boulevard Storm Water Management Improvement Project, Phase II
- ◆ Upgraded ArcGIS software and databases for ESRI latest release

Police

- ◆ Created a fully functioning Cold Case team; solved several high profile cases
- ◆ Awarded Homeland Security grant for a SWAT robot
- ◆ Increased crime prevention and community awareness through Block Watch, community seminars and meetings
- ◆ Calls for service: 23,238



Utilities

- ◆ Implemented Solar Power project on booster stations and the wastewater treatment plant
- ◆ Optimized aeration system to reduce power costs and improve plant performance in the wastewater system
- ◆ Implemented modifications for compliance with Storm Water Pollution Prevention Program

Water Resource/Recharge

- ◆ Assisted state-wide Water Resource Development Commission
- ◆ Participated in developing draft legislation for rainwater harvesting
- ◆ Obtained remaining permits, completed design and began construction of Phase I of the North Plains Off-Channel Recharge project



Where the Money Comes From...

The two major sources of revenue for the Town are Transaction Privilege Tax (TPT) or local sales tax and intergovernmental revenues. Local sales taxes and intergovernmental revenues represent 70% of the Town's total revenue receipts. The Arizona Department of Revenue collects the local sales tax on behalf of the Town through filings from businesses. The tax collections are then distributed to the Town on a weekly basis. The local sales taxes increased by 6.6% over the previous year. The Town experienced increases primarily in the areas of construction and retail. With 54% of the total sales tax revenues derived from the retail trade sector, the importance of growing the retail areas (Crossroads, Glassford Hill Marketplace, Entertainment Area, etc.) is apparent. An increase in building permit activity was also experienced in this period for the first time in more than three years.



Help yourself and your neighbor...

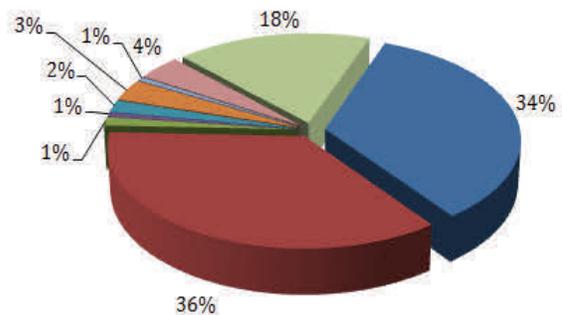
Every time you shop in Prescott Valley, 2.33 cents of every dollar goes to keep our Town running. When you spend your dollars elsewhere, your money pays for someone else's services.



Be smart, shop Prescott Valley first!

MAJOR REVENUE SOURCES:

- ⇒ Taxes - Local (i.e. transaction privilege and franchise)
- ⇒ Intergovernmental (i.e. state income tax, state sales tax, auto in-lieu, Highway Users Revenues, grants)
- ⇒ Licenses and Permits
- ⇒ Charges for Services (i.e. engineering, planning and zoning, police and parks and recreation fees)
- ⇒ Fines and Forfeitures
- ⇒ Special Assessments
- ⇒ Interest and Rental Earnings
- ⇒ Contributions
- ⇒ Other (i.e. refunds and reimbursements, donations, other financing sources, transfers in)

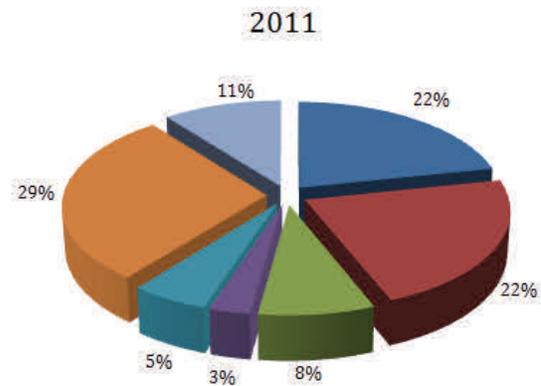
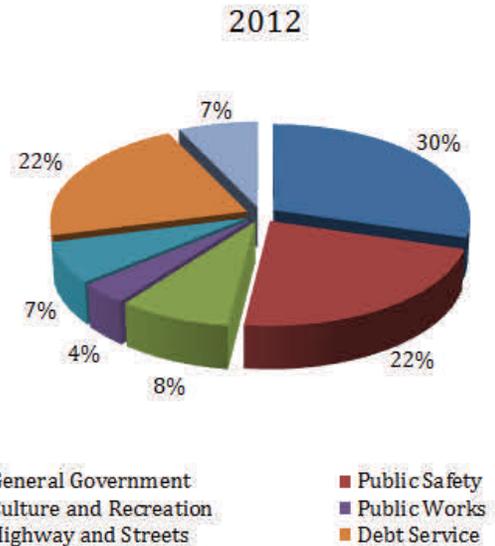


- Taxes - Local
- Intergovernmental
- Licenses and Permits
- Charges for Services
- Fines and Forfeitures
- Special Assessments
- Interest and Rental Earnings
- Contributions
- Other

Where the Money Goes...

The Town currently maintains 22 various funds that provide basic services including public safety, parks and recreation, roads, water, sewer, planning and zoning, library and general administrative services. Additional funds pay for capital projects and debt service.

- ⇒ **General Government** includes expenditures for the administrative offices including Council, Town Management, Human Resources, Town Clerk, Management Services, Legal, Magistrate Court, Facilities and Fleet Maintenance.
- ⇒ **Public Safety** reflects expenditures associated with providing police and code enforcement.
- ⇒ **Culture and Recreation** reflect expenditures related to services that enhance the culture of the community and includes maintenance of the parks, recreational activities, library and Channel 15.
- ⇒ **Public Works** expenditures cover the costs related to the planning and development of the community including Neighborhood Services and Engineering.
- ⇒ **Highway and Streets** reflect the portion of expenditures for maintenance of the Town's roads and streets.
- ⇒ **Capital Outlay** expenditures are for long-term assets exceeding \$3,000 in value. These assets support the operation of the Town and may include items such the purchase of machinery and equipment, drainage projects, building and street improvements.
- ⇒ **Debt Service** is the portion of expenditures the Town pays for principal and interest on its outstanding bonds.



Business-Type Funds

Business-type funds report activity for goods and services that generate revenue, similar to private enterprise. Revenues generated should cover the costs of operations. In fiscal year 2012, the Town of Prescott Valley maintained nine business-type funds.



PV Water System

The Town provides water services to over 18,000 residents and businesses within the area. In addition, other local water providers purchase water from the Town for sale to their customers.

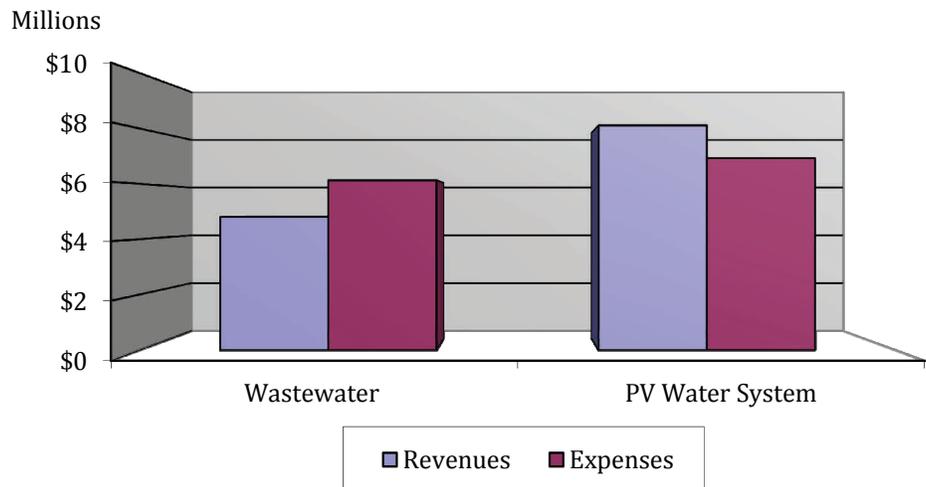


Wastewater System

The Town provides wastewater services to over 15,000 residents and businesses within the area.



Program Revenues and Expenses
Business-Type Activities



Statement of Net Assets

The statement of net assets is a condensed overview of the Town's assets and liabilities as of June 30, 2012 and June 30, 2011. The difference represents the amount the Town owns compared to the amount owed.

Total net assets decreased by 2.0% from 2011 to 2012. The decrease in unrestricted net assets was 22.7% while restricted assets increased by 13.3%. The overall decrease in invested in capital assets, net of related debt is 1.3%. The governmental activities net invested in capital assets decreased by 2.0% compared to 0.6% for the business-type activities.

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
Assets						
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
Liabilities						
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
Net Assets						
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

Assets:

Current and other assets are economic resources held with the expectation of sale, conversion to cash or use within the near future, usually twelve months.

Capital assets are the Town's investments in land, building, equipment, improvements and infrastructure. These assets are long-term in nature and therefore not available for future spending.

Liabilities:

Long-term liabilities outstanding are mainly debt obligations incurred by the Town to finance major projects or large purchases.

Other liabilities are the Town's payment obligations due within one year and include principal and interest on long-term debt due within the next year, accounts payable, and accrued items, such as payroll and interest.

Net Assets:

Invested in capital assets, net of related debt represents the Town's investment in capital assets less any related outstanding debt used to acquire those assets.

Restricted net assets are resources subject to restrictions on how they may be used. The Town sets aside resources for debt service, capital projects, street improvements, grantor and contributor purposes.

Unrestricted net assets are the accessible resources available to the Town to provide services to the residents of Prescott Valley if no additional revenues or resources are obtainable.

Financials

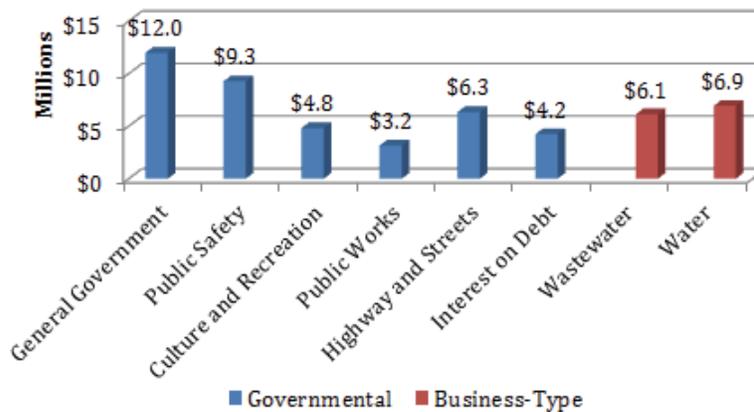
The financial information is drawn from the Town of Prescott Valley Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The CAFR will be presented to the Government Finance Officers Association of the United States and Canada (GFOA) to seek the award for Achievement for Excellence in Financial Reporting*. The Town has received this award for the past 15 years.

Statement of Activities

The following graphs show the revenues and expenses for governmental and business-type activities as it relates to the program category in which the funds were collected or expended. Governmental activities include the General, Debt Service, Capital Projects and Special Revenue Funds. Business-type activities include the Water and Wastewater Funds.

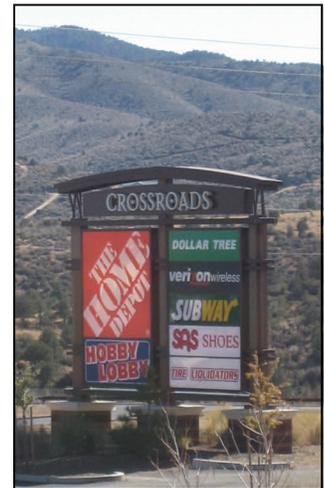
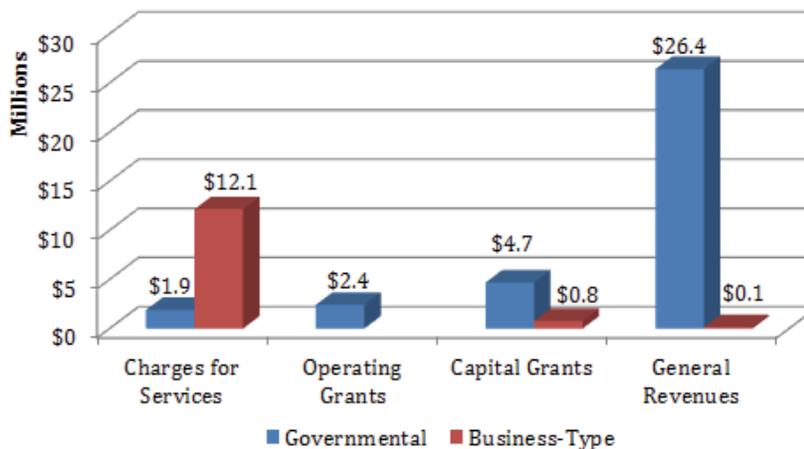
Governmental and Business-Type Activities - Expenses

For the Fiscal Year Ending June 30, 2012



Governmental and Business Type Activities - Revenues

For the Fiscal Year ending June 30, 2012



* The Certificate of Achievement is the highest form of recognition for excellence in state and local government reporting. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our CAFR continues to conform to the award standards. Additional details are available in the report.

Investments and Capital Assets

Investments

The market value of the Town's cash and investments as of June 30, 2012 is as follows:

The Town's investment policies and practices are based upon Arizona state law and prudent money management. The primary objectives of the investment policy and the Town's investments are:

- ◆ Safety
- ◆ Liquidity
- ◆ Return on investment (yield)

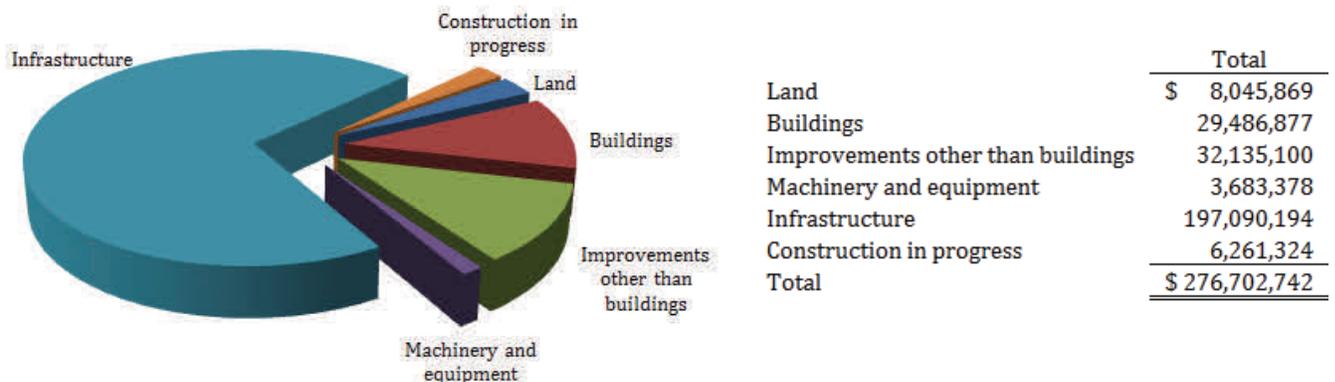
The Town's investment types and maturity schedules are listed in the chart. The rate earned for the year ended June 30, 2012 was .989%.

Investment Type	Investment Matures (in years)				
	Fair Value	Less Than 1	1 - 2	2 - 3	3+
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>

Capital Assets

As of June 30, 2012, the Town's total capital assets (net of depreciation) were \$276,702,742. This total amount is broken down into the following categories:

Town of Prescott Valley Capital Assets
(Net of Depreciation) As of June 30, 2012



Debt and Capital Projects

The objective of the Town's debt management policy is to maintain the Town's ability to incur present and future debt at the most beneficial interest rates in the amounts needed for financing the adopted Capital Improvement Plan without adversely affecting the Town's ability to finance essential Town services.

The Town's fund descriptions and respective funding sources are as follows:

- ⇒ Debt Service Funds - used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest that are not serviced by the Enterprise Funds. Debt service for Enterprise Funds are budgeted within the appropriate Enterprise Fund.
- ⇒ Municipal Property Corporation (MPC) - account for the general long-term debt principal, interest and related costs associated with financing the construction of various improvements. The Town pledges its excise tax collections (all transaction privilege taxes, franchise fees, licenses and permits, income taxes, etc.) for debt repayment.
- ⇒ Certificates of Participation (COP) - account for the general long-term debt principal, interest and related costs associated with financing the construction of the Town's Library building. The related debt is paid by impact fees and General Fund revenues.
- ⇒ Special Assessments - account for the general long-term debt principal, interest and related costs associated with the street and sewer improvement districts. The General Fund is liable to pay the debt service if the assessments are not collected within the districts.

Bison Lane
Multi-Use Path



Viewpoint Drive
Extension

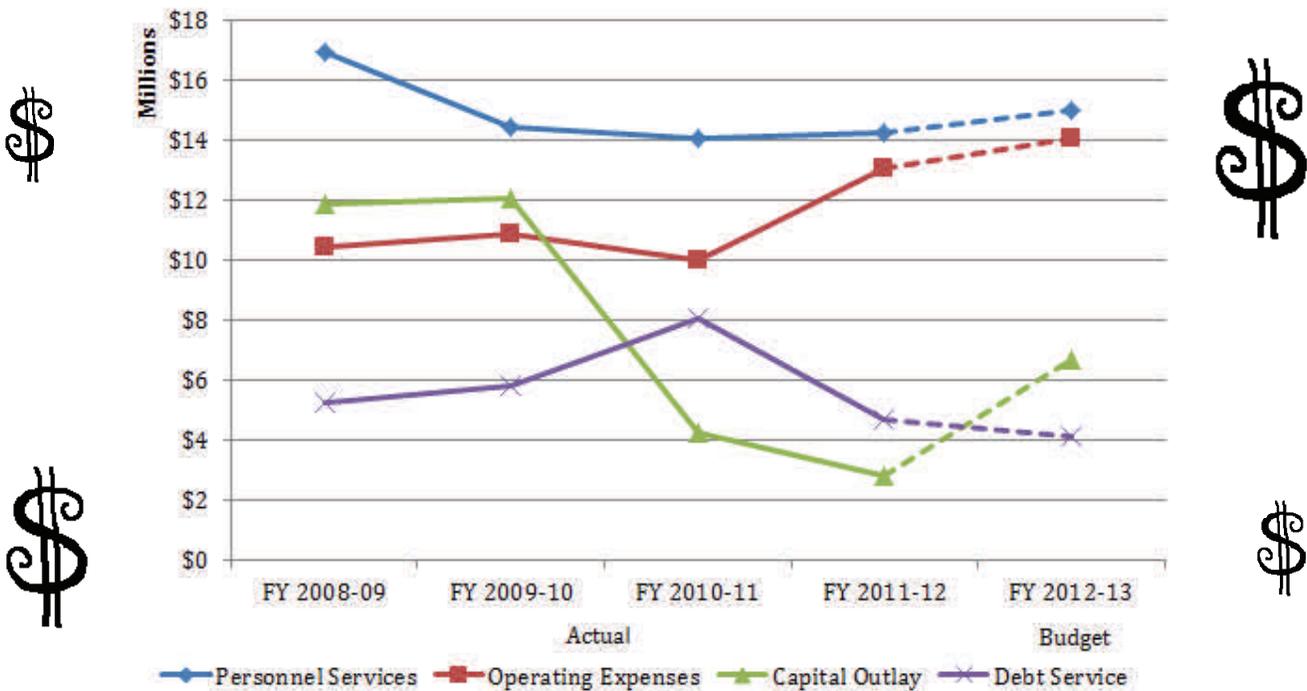


New Library

Financial Forecasting

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 update its five-year forecast as economic conditions change.

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.



Contact Information

Your Town Finance staff:

Management Services Director
William Kauppi,
bkauppi@pvaz.net
Contact Bill with general questions about
Town finances, debt and the budget.

Finance Manager
Heidi Derryberry,
hderryberry@pvaz.net
Contact Heidi with questions about the
Town's audits and accounting practices.



Other Town staff:

Town Manager
Larry Tarkowski
ltarkowski@pvaz.net

Deputy Town Manager
Ryan Judy
rjudy@pvaz.net

Community Development Director
Richard Parker
rparker@pvaz.net

Human Resources Director
Karen Reed
kreed@pvaz.net

Library Director
Stuart Mattson
smattson@pvaz.net

Magistrate Court
Judge Keith Carson
kcarson@pvaz.net

Parks and Recreation Director
Brian Witty
bwitty@pvaz.net

Police Chief
Bill Fessler
bfessler@pvaz.net

Public Works Director
Norm Davis
ndavis@pvaz.net

Town Attorney
Ivan Legler
ilegler@pvaz.net

Town Clerk
Diane Russell
drussell@pvaz.net

Utilities Director
Neil Wadsworth
nwadsworth@pvaz.net

Interested in more financial information?

The Town's financial statements are designed to provide Prescott Valley citizens, taxpayers, customers, investors and creditors with a general overview of Town finances and to demonstrate the Town's accountability of the resources it receives and expends.

The information in this report is drawn from the Town of Prescott Valley Comprehensive Annual Report (CAFR) for the fiscal year ended June 30, 2012. This report's financial data is consistent with Generally Accepted Accounting Principles (GAAP).

Please review the CAFR online at www.pvaz.net.

TOWN OF PRESCOTT VALLEY
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