



CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by the Budget and Finance Department
of the City of Prescott



CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
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For the year ended June 30, 2005

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INTRODUCTORY SECTION





CITY OF PRESCOTT
201 South Cortez
Prescott, Arizona 86303

October 19, 2005

To the Honorable Mayor, City Council and Citizens of the City of Prescott:

The finance department is pleased to submit the Comprehensive Annual Financial Report of the City of Prescott, Arizona (City) for the fiscal year ended June 30, 2005.

This report presents the financial position of the City as of June 30, 2005, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

REPORTING ENTITY

For financial reporting purposes the City is a primary government. The citizens in a general election elect its governing council. This report includes all organizations and activities for which the elected officials exercise financial control. The City has three component units: two Hassayampa Community Facilities Districts and the City of Prescott Municipal Property Corporation. The City interacts or contracts with various other governmental entities but is not financially accountable for those entities.

REPORT CONTENTS

There are three main sections to this report:

The **Introductory Section** includes the table of contents, this transitional letter and the City's organizational chart.

The **Financial Section** includes the independent auditor's opinion, management discussion and analysis, basic financial statements for the City as a whole, other required supplemental information, notes to the financial statements as well as combining and individual statements and schedules for the City's funds.

The **Statistical Section** has been revised this year to conform to the requirements of Governmental Accounting Standards Board Statement No. 44. The objective of this statement is to improve the understandability and usefulness of the information presented in the statistical section. Information is presented for five categories – financial trend, revenue capacity, debt capacity, demographic and economic and operating. The City elected to early implement Statement No. 44 in an effort to assist users in understanding and assessing the City's operations and environment.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that the financial records can be relied on to prepare financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived.

The City is also required to undergo a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal

requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

PROFILE OF THE CITY

Known as "Everybody's Hometown", Prescott offers something for everyone from:

- ◆ the quaint Downtown Courthouse Plaza to the Prescott Gateway Mall,
- ◆ the famous Whiskey Row to numerous recreational opportunities,
- ◆ the emphasis on preservation (with 711 buildings on the national register of historic places) to exclusive residential enclaves and
- ◆ the home to the World's Oldest Rodeo in July and "Arizona's Christmas City" in December.

The City is the largest in Yavapai County and the base of county government operations. Located in the mountains of north central Arizona approximately 95 miles northwest of Phoenix (the State capitol) and 90 miles southwest of Flagstaff, the City borders the Prescott National Forest to the south and west. The average elevation is 5,400 feet. The local climate is mild, with average high temperatures ranging from fifty degrees to ninety degrees and the average precipitation recorded at 19.8 inches, most of which is rain. Prescott and the nearby towns of Chino Valley, Prescott Valley and the newly incorporated Dewey-Humboldt form what is known locally as the Quad-City area.

Although small in population, 40,225, the City is not dependent on any one company or industry for economic vitality. The region is diverse in nature and benefits from the following industries:

Education

Embry Riddle Aeronautical University
Yavapai College
Prescott College

Medical

Yavapai Regional Medical Center
Veteran's Administration Hospital

Manufacturing

Sturm Ruger and Company
Fortner Aerospace
Wulfsberg Electronics
Exsil
Zila Pharmaceuticals

Retail

Prescott Gateway Mall
Wide array of automobile dealers
Costco
Wal-Mart

Tourism

Earnest A. Love Field – Prescott Airport
Variety of accommodations and restaurants
Multiple golf, hiking and camping areas
Numerous lake and aquatic recreation sites
Various cultural and entertainment venues

ECONOMIC CONDITION

The business climate has been strong for the community over the past decade and the City has benefited. We anticipate sustained growth although at a more moderate pace. Our optimism is based on several factors:

The City is strategically located to benefit from growth in the region from the following elements:

- ◆ In recognition of the importance of Prescott's downtown, the City has erected the long-awaited multi-story "Garage on Granite". The construction, which was essentially completed in June, should spur additional economic activity in the area and improve traffic flow.
- ◆ To diversify the sources of water available to the City, the City purchased the JWK Ranch, subsequently renamed the Big Chino Water Ranch, located in the Big Chino groundwater basin north of Paulden. This acquisition will strengthen the City's water portfolio. There will be additional costs associated with production and transporting the water to the tri-city area and tending to potential environmental issues.
- ◆ The Prescott Gateway Mall has matured and is entering its fourth year of operation. In addition to 600,000 square feet of retail space, the mall has approximately 15 acres of undeveloped pad sites. Dillard's, JC Penney and Sears anchor the mall, while Best Buy and Cost Plus occupy two of the more prominent pads. The mall provides employment for several hundred workers in the community.

- ◆ The Village at the Boulders (formerly Ponderosa Plaza) is rejuvenating into a vibrant retail center. The public/private partnership resulted in more than \$30 million of private investment into the aging mall. A super Wal-Mart fills an anchor role. The renovation also resulted in improved transportation options to the area and has also triggered improvements to other properties that were beginning to show their age.
- ◆ Improvements to Watson and Willow lakes have further polished two of the City's recreational gems.

In addition, you, the Council, have made a determined effort to balance demands for service with reasonable fees. As with any business, it is vitally important to charge consumers a price that is fair and yet covers the costs of providing that service.

We are cautiously optimistic about the local economy. However, Arizona cities and towns often become victims of unfunded mandates and shrinkage to State shared revenues imposed by the state legislature. We work with the Arizona League of Cities and Towns to curb unfunded mandates, maintain our fair share of State shared revenue and vigorously contend issues that are incompatible with the City's identity and goals.

The City's General Fund is healthy and our leadership has taken important steps towards planning for future stability. The City has established reserves, which provide financial flexibility and position the City to withstand economic variances within a year as well as between years.

These amounts are not readily identified in the financial statements because the format requires these amounts to be included in the Unrestricted Net Asset balance – a corporate-styled measure of well being for the City. Nevertheless, the budget process identifies these amounts. It should also be noted that a reasonable level of reserves is important to the bond market's perceptions of the City's strength and business practices.

We are not resistant to economic downturns. The City enjoys a healthy General and Capital Improvement Fund and has taken positive steps towards planning for future stability. With your help, and that of prior Councilors and committee members, the City embarked many years ago on building reserve funds and has made a conscientious effort in limiting the growth in program expenditures.

Our past strategies have worked well for us. The future, however, will bring new challenges. We will continue to fine-tune our budget process and 5-year financial plans to be positioned to respond timely to future economic changes.

Major Achievements For 2004-05

There were an abundance of accomplishments during the year including:

Water ranch acquisition

Value to our citizens:

- ◆ Provides an assured water supply
- ◆ Supports growth consistent with the voter approved general plan
- ◆ Will help achieve safe yield status
- ◆ May result in improved water quality

Parking garage completion

Value to our citizens:

- ◆ Provides convenient and increased parking
- ◆ Supports local downtown businesses
- ◆ Is a visual improvement for downtown and Whiskey Row alley

Willow Creek road completion

Value to our citizens:

- ◆ Used pay-as-you-go funding approach
- ◆ Improved mobility and traffic flow
- ◆ Delivered on City's commitment to road improvements
- ◆ Provides easier access to Willow Creek park(s) and retail establishments
- ◆ Improved appearance and aesthetics

General plan ratification and new land development code

Value to our citizens:

- ◆ Provides a document for managing growth
- ◆ Prepares the City for the future using citizen driven plans
- ◆ Simplifies the planning process
- ◆ Provides for predictable developments

Opening of regional communications center

Value to our citizens:

- ◆ Improved public safety services in Prescott and the region
- ◆ Improved relations among public safety agencies
- ◆ Better technology with scalability for the future

Lakes projects completion

Value to our citizens:

- ◆ Improves recreation opportunities for citizens and visitors
- ◆ Preserves scenery and views
- ◆ Supports tourism and helps generate revenues

Information technology and Geographical Information System (GIS) improvements

Value to our citizens:

- ◆ Provides for enhanced flow of information within the organization
- ◆ Increases customer service and staff efficiency
- ◆ Provides easy access to information on City's website
- ◆ Provides quality and accurate mapping of City

Retail and restaurant expansions

Value to our citizens:

- ◆ Increased choices for citizens
- ◆ Keeps privilege (sales) tax in the City
- ◆ Continues pay-as-you-go funding for streets and open space

Debt Administration

The City has a number of debt issues outstanding as of June 30, 2005. These issues included \$10,395,000 of general obligation bonds and \$21,355,000 of contracts payable through the City's Municipal Property Corporation. Various improvement districts had bonds and notes outstanding in the amount of \$3,398,392. The Hassayampa Community Facilities Districts 1 and 2, which are blended with the City for presentation, had \$6,270,000 in debt for which the City has no liability.

During the year, the Municipal Property Corporation issued bonds in the amount of \$16,875,000. \$12,525,000 of this amount was issued to acquire the City's portion of the Big Chino Water Ranch and carries an interest rate of 4.62% with a final maturity in 2034. The remaining \$4,350,000 represents refunding bonds that were issued to refund the series 1993E Municipal Properties Corporation Bonds. The refunding bonds carry an interest rate of 2.92% and mature in 2010. The refunding was undertaken to reduce the total debt service payments over the next five years by \$188,894 and resulted in present value savings of \$223,611.

Moody's Investor Service rates the City's general obligation bonds A1, Standard and Poor's has a rating of A+ on these bonds. Other debt of the City has not been rated.

Cash Management

Cash not required for current operations was invested in the State of Arizona Investment Pool, U.S. Treasury securities and federal agency securities. All investments were made in accordance with the City's investment policy. Deposits are either insured by federal depository insurance or collateralized. The City's investments are classified in the lowest risk category as defined by the Governmental Accounting Standards Board (GASB).

Risk Management

Prescott's risk management program includes various risk control techniques, including employee accident prevention training and has third party coverage for all lines of insurance, including workers' compensation.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Prescott for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the 23rd consecutive year that the government has achieved this prestigious award.

In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the certificate of achievement program's requirements, and we are submitting it to GFOA.

Independent Audit

In accordance with the City Charter and Arizona law, the City's financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Eide Bailly, LLP conducted the audit for fiscal year ending June 30, 2005. The audit opinion is located in the financial section of the report.

Acknowledgments

We wish to take this opportunity to thank each member of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report is not accomplished without the efficient and dedicated services of key staff in the finance department, the assistance of administrative personnel in the various departments, and through the competent service of our independent auditor. Thanks to each individual involved.

Respectfully submitted,

-s- MARK WOODFILL

Mark Woodfill, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Prescott,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emmer

Executive Director

CITY OF PRESCOTT ORGANIZATIONAL CHART - FY2006

Citizens Boards & Commissions

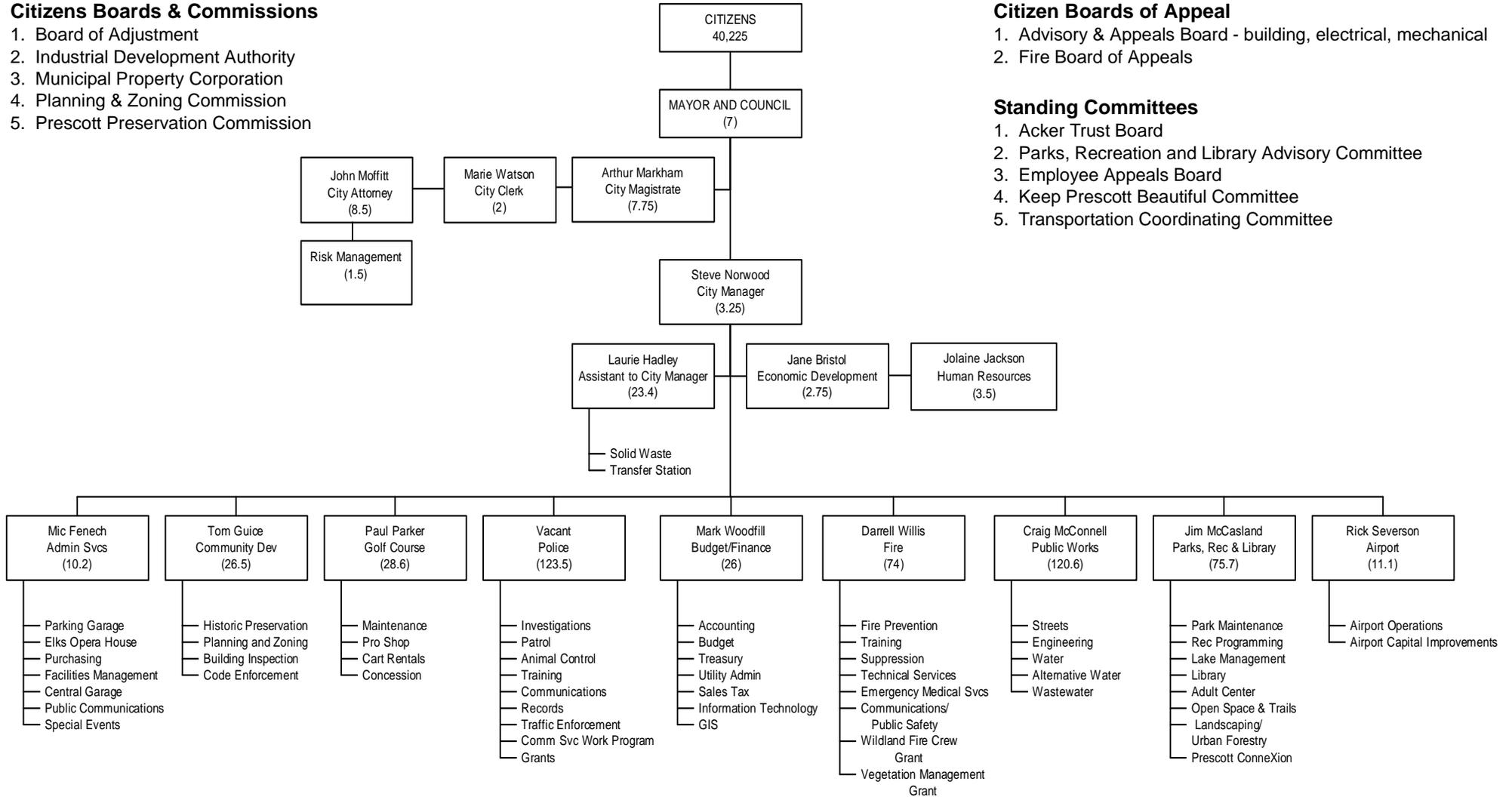
1. Board of Adjustment
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

Citizen Boards of Appeal

1. Advisory & Appeals Board - building, electrical, mechanical
2. Fire Board of Appeals

Standing Committees

1. Acker Trust Board
2. Parks, Recreation and Library Advisory Committee
3. Employee Appeals Board
4. Keep Prescott Beautiful Committee
5. Transportation Coordinating Committee



CITY OF PRESCOTT, ARIZONA

June 30, 2005

ELECTED OFFICIALS

Rowle Simmons, Mayor

Council

Steve Blair

Bob Bell

John Steward

Mary Ann Suttles

Bob Roecker

Jim Lamerson

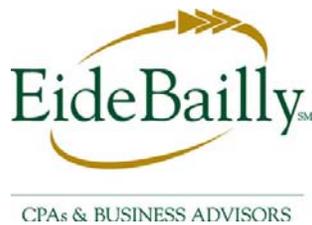
Appointed Officials

Steve Norwood	City Manager
John Moffitt	City Attorney
Marie Watson	City Clerk
Arthur Markham	City Magistrate

Mailing Address

201 South Cortez
Prescott, AZ 86303

www.cityofprescott.net



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council
City of Prescott, Arizona
Prescott, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate fund information, and the budgetary information of the **City of Prescott, Arizona** as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Prescott, Arizona** management. Our responsibility is to express an opinion 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 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 opinion.

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 **City of Prescott, Arizona** at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 a report dated October 19, 2005 on our consideration of the **City of Prescott, Arizona's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PEOPLE. PRINCIPLES. POSSIBILITIES.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Prescott, Arizona's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Phoenix, Arizona
October 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable breakdown of the City of Prescott's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow.

The analysis centers on significant financial issues and activities, budget changes and variances from the budget and specific issues related to funds and economic factors affecting the City.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal years 2005 and 2004 by \$382.8 million and \$350.7 (net assets), respectively. Of these amounts, \$24.3 million and \$21.9 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$32.2 million and \$22 million during fiscal years 2005 and 2004, respectively.

The fiscal year 2005 increase was spurred by increased charges for services (\$4 million), increased grants and contributions (\$4.6 million) and increased privilege (sales) tax collections (\$2.8 million) which resulted in a \$28.6 increase to the investment in capital assets, net of related debt.

During fiscal year 2005, the City's total debt increased by approximately \$10.4 million, in contrast to the decrease of approximately \$3.3 million in fiscal year 2004. Although the City reduced several debt balances, the key contributor to the increase was the sale of new Municipal Property Corporation bonds to fund the purchase of the JWK Ranch (later renamed the Big Chino Water Ranch) in the amount of \$12.5 million during fiscal year 2005.

Overall City program costs increased by \$4.8 million (or 7%).

REPORT LAYOUT

This annual financial report consists of several sections. When taken as a whole they provide a detailed financial look at the City. The report includes the following:

- ◆ **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors impacting the City.
- ◆ **Basic Financial Statements.** Includes Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City. The City's component units, the Hassayampa Communities Facilities Districts #1 and #2 (CFD's) are included within the governmental activities and the Municipal Property Corporation (MPC) is included within the business-type activities.
 - ◆ The Statement of Net Assets presents the resources available for future operations. This statement provides a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference or net assets provide a measure of the City's financial strength, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's privilege tax or property tax base or the condition of roads, parks and libraries to accurately assess the overall health of the City. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

- ◆ The Statement of Activities presents the gross and net costs of City programs and the extent to which such programs rely on general tax and other revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- ◆ Fund financial statements present separately the major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are reported in a separate column and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General Fund and the two major special revenue funds (Streets and Open Space and Capital Improvement Fund).
- ◆ The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- ◆ **Other Supplementary Information.** Users wanting additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or the Supplementary Information-Budgetary Comparison sections of the report. Components within this section include:
 - ◆ Combining Statements - Major funds are included in the Basic Financial Statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
 - ◆ Budgetary Comparisons - Budgetary information for all funds, except those presented within the Basic Financial Statements, are presented here.
 - ◆ Other Financial Schedules complete the Financial Section of the report.
- ◆ **Statistical Section.** Information is presented for five categories – financial trend, revenue capacity, debt capacity, demographic and economic and operating. The Statistical Section has been revised this year to conform to the requirements of Governmental Accounting Standards Board Statement No. 44. The objective of this statement is to improve the understandability and usefulness of the information presented in the statistical section.

CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2005 and June 30, 2004 follows:

Net Assets at Year-end
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2005	2004	2005	2004	2005	2004
Cash and investments	\$ 43.3	\$ 40.9	\$ 25.5	\$ 21.3	\$ 68.8	\$ 62.2
Other assets	16.2	16.9	2.0	1.4	18.2	18.3
Capital assets	201.4	187.7	155.8	130.3	357.2	318.0
Total assets	<u>260.9</u>	<u>245.5</u>	<u>183.3</u>	<u>153.0</u>	<u>444.2</u>	<u>398.5</u>
Other liabilities	7.4	6.2	3.5	2.7	10.9	8.9
Noncurrent liabilities	22.7	23.2	27.8	15.8	50.5	39.0
Total liabilities	<u>30.1</u>	<u>29.4</u>	<u>31.3</u>	<u>18.5</u>	<u>61.4</u>	<u>47.9</u>
Net assets:						
Invested in capital assets,						
net of debt	177.9	163.0	129.6	115.9	307.5	278.9
Restricted	43.9	45.4	7.1	4.5	51.0	49.9
Unrestricted	9.0	7.7	15.3	14.2	24.3	21.9
Total net assets	<u>\$ 230.8</u>	<u>\$ 216.1</u>	<u>\$ 152.0</u>	<u>\$ 134.6</u>	<u>\$ 382.8</u>	<u>\$ 350.7</u>

Governmental Activities

During fiscal year 2004-05 the balance of net assets increased \$14.7 million due to a multitude of improvements and various capital improvement projects totaling \$21.5 million. This includes \$5.5 million for the new parking garage, \$2.9 million for Watson and Willow Lake improvements, \$1 million for the regional communications center, and \$.5 million for land for a new fire station and related administrative offices. However, much of the increase in net assets was offset by increased depreciation totaling \$9 million.

\$8.9 million was spent on road improvements. Several projects were essentially completed during the year including Ponderosa Drive, phase IV of Willow Creek Road, Willis and Sixth Street. Park Avenue, Iron Springs Road, Copper Basin Road and State Route 89 also incurred significant engineering costs associated with planned reconstruction/widening projects.

Cash and investments expanded by \$2.4 million resulting from strong privilege (sales) tax receipts.

Business-type Activities

During fiscal year 2004-05 the balance of net assets increased by \$17.4 million due in part to the following specific activities:

Airport: \$.9 million of grant funded improvements to runways and security related projects.

Water: \$26 million in improvements were added during the year. These include the acquisition of the Big Chino Water Ranch (\$22.9 million), several water main replacement projects and consulting fees for the arsenic treatment plant and potable water system.

Sewer: \$2.3 million in improvements, which included several sewer main replacement projects and \$.5 million for operations building improvements.

Golf: \$.7 million for new golf carts, cart path improvements, a new point-of-sale system, a range ball machine and several new mowers.

The City's overall financial position has improved during the year as reflected in the increase in net assets above. Additionally, the unrestricted net assets of both the governmental and business-type activities amount to \$9 and \$15.3 million respectively.

There are restrictions on \$43.9 million of net assets for governmental activities and an additional \$7.1 million in restricted net assets of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects and the repayment of debt. Within the business-type activities are capital projects, bond proceeds and debt service reserves.

STATEMENT OF ACTIVITIES

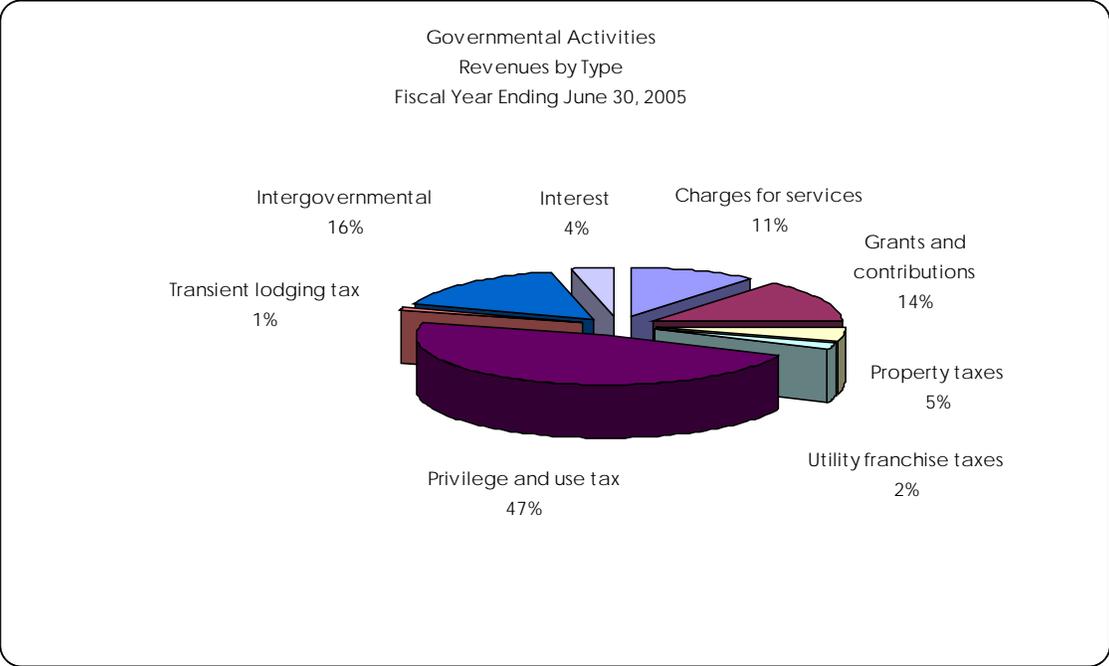
A summary of the Statement of Activities for the year ended June 30, 2005 and June 30, 2004 follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services and other	\$5.9	\$5.1	\$27.4	\$24.2	\$33.3	\$29.3
Grants and contributions	7.6	11.2	15.9	7.7	23.5	18.9
Total program revenues	13.5	16.3	43.3	31.9	56.8	48.2
General revenues						
Taxes	30.4	27.4	-	-	30.4	27.4
Intergovernmental	8.8	8.4	-	-	8.8	8.4
Interest	2.0	0.9	0.7	0.1	2.7	1.0
Other	1.0	0.6	1.4	0.6	2.4	1.2
Total general revenues	42.2	37.3	2.1	0.7	44.3	38.0
Total revenues	55.7	53.6	45.4	32.6	101.1	86.2
Expenses						
General government	5.9	5.6	-	-	5.9	5.6
Community services	2.5	2.1	-	-	2.5	2.1
Culture and recreation	5.3	5.4	-	-	5.3	5.4
Police and courts	8.9	8.1	-	-	8.9	8.1
Fire	6.2	5.9	-	-	6.2	5.9
Public works	11.0	11.1	-	-	11.0	11.1
Interest on long-term debt	1.2	1.3	-	-	1.2	1.3
Water	-	-	7.4	7.0	7.4	7.0
Sewer	-	-	5.8	4.6	5.8	4.6
Golf course	-	-	2.0	2.1	2.0	2.1
Airport	-	-	4.3	3.6	4.3	3.6
Sanitation	-	-	4.8	3.9	4.8	3.9
Transfer station	-	-	3.7	3.5	3.7	3.5
Parking garage	-	-	-	-	-	-
Total expenses	41.0	39.5	28.0	24.7	69.0	64.2
Increase in net assets	14.7	14.1	17.4	7.9	32.1	22.0
Beginning net assets	216.1	202.0	134.6	126.7	350.7	328.7
Ending net assets	\$ 230.8	\$ 216.1	\$ 152.0	\$ 134.6	\$ 382.8	\$ 350.7

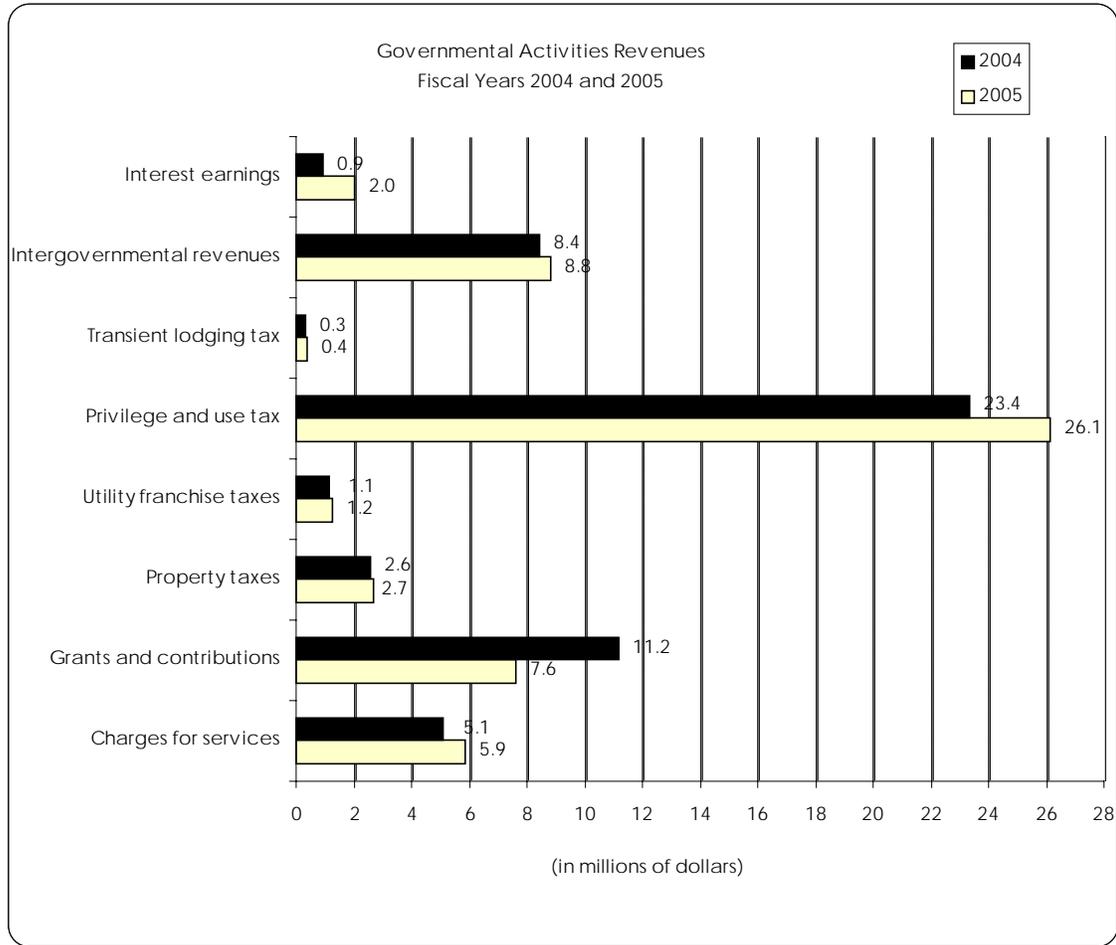
Governmental Activities

The cost of all governmental activities this year was \$41 million. \$5.9 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$7.6 million was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$30.4 million, was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest amounted to \$11.8 million.

The chart below shows the breakdown of governmental activities revenue.



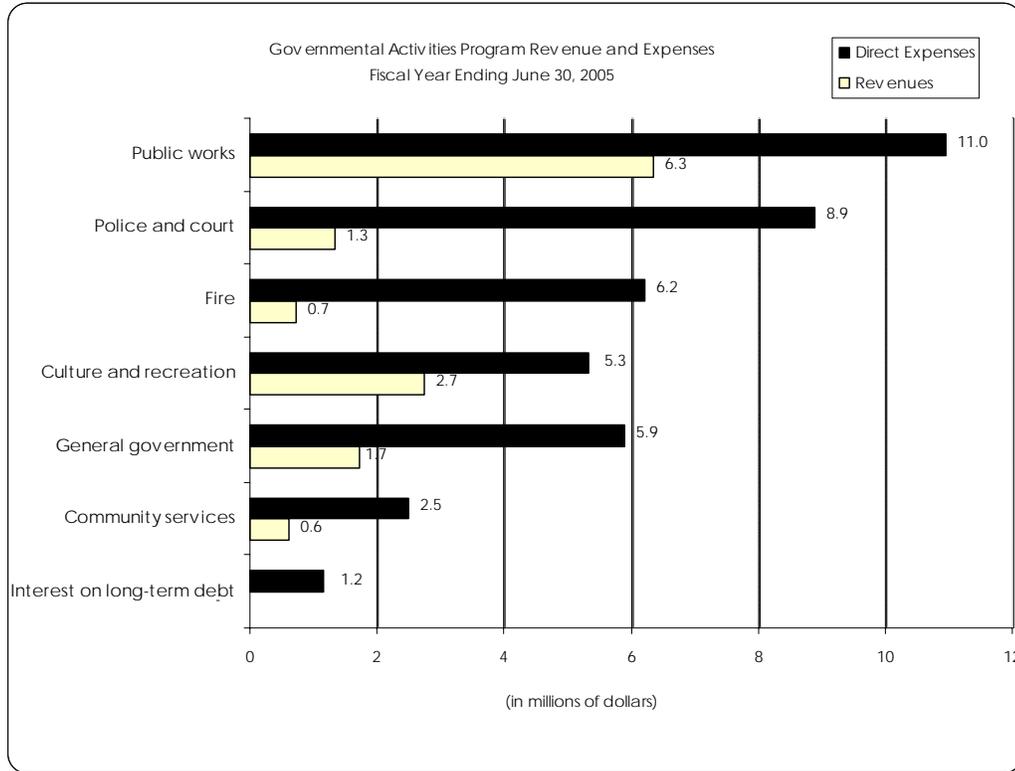
The graph on the next page compares the governmental revenues from fiscal year 2005 to fiscal year 2004.



Total governmental activities revenues increased \$2.2 million or 4% from the previous year. Key factors in this change include:

- ◆ Privilege tax collections climbed \$2.7 million or 12%. This reflects our leadership position in the quad-city area retail sales environment. Our tax collections were bolstered by the addition of a major retailer and continued strength in the automotive and construction sectors.
- ◆ Grants and contributions decreased by \$3.6 million or 32%. The primary factor behind this was a decrease in developer road and right-of-way contributions, which only totaled \$1.2 million, which is down from \$4.8 million one year ago.
- ◆ Interest income increased by \$1.1 million due to more idle cash being invested and rising interest rates.

All governmental programs use general revenues to support their functions. Some programs such as police and fire are dependent on general revenues to fund operations. The following chart compares the expenses and revenues for each of the City's programs and shows the extent of each program's dependence on general revenues for support in the current year.



Governmental program expenses were similar to the prior year and only increased by \$.6 million or 1.5%.

There was one amendment to the budget after final adoption impacting governmental activities, this represents a transfer of budget appropriation not funding:

To:	From:	Amount
Transient occupancy tax	Water fund	\$ 250,000
Debt service	Water fund	6,500
Self-Insurance	Water fund	275,000
Golf course	Water fund	800,000
City council	Police department	25,000
City manager	Police department	20,000
Finance & information technology	Police department	35,000
Total appropriation transfers		\$ 1,411,500

The following budget variations occurred during the year in the general fund:

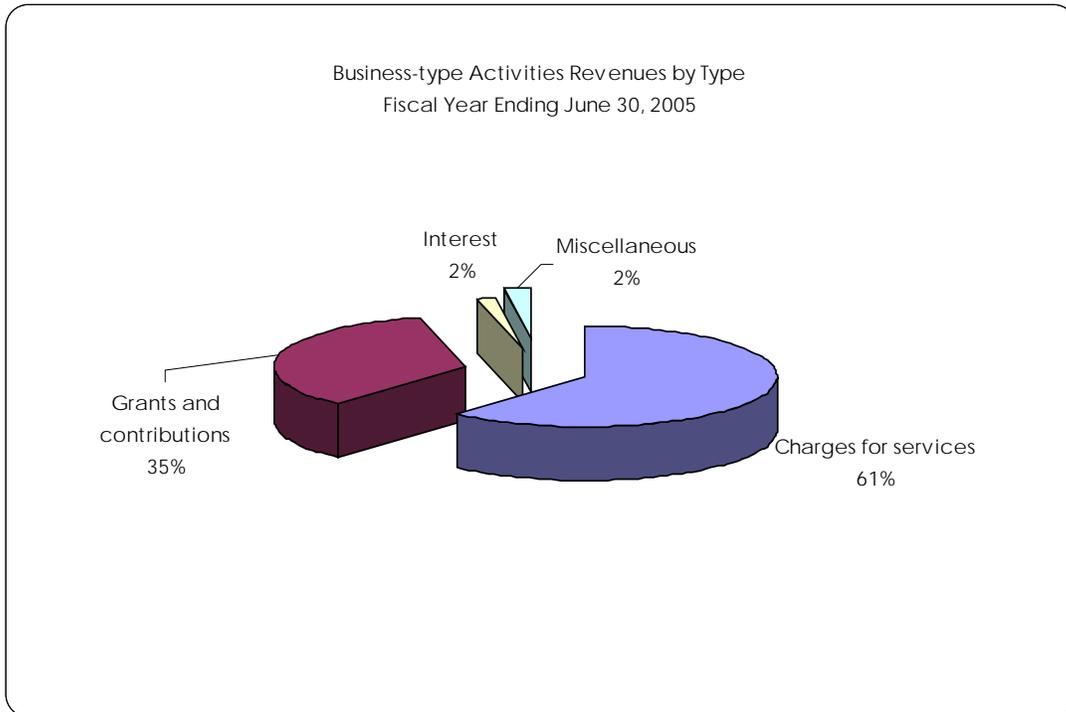
- ◆ Licenses and permit revenue exceeded the budget by \$.5 million or 54% due to more activity than anticipated in building permit and fees revenue which was \$466,000 higher than the budget. Permit valuations increased \$33 million or 19% from 2004 while the number of permits issued rose by 3.5%.
- ◆ The total expenditures in the general fund were under budget by \$1.1 million or 5.5% reflecting a rather flat spending trend.

Business-type Activities

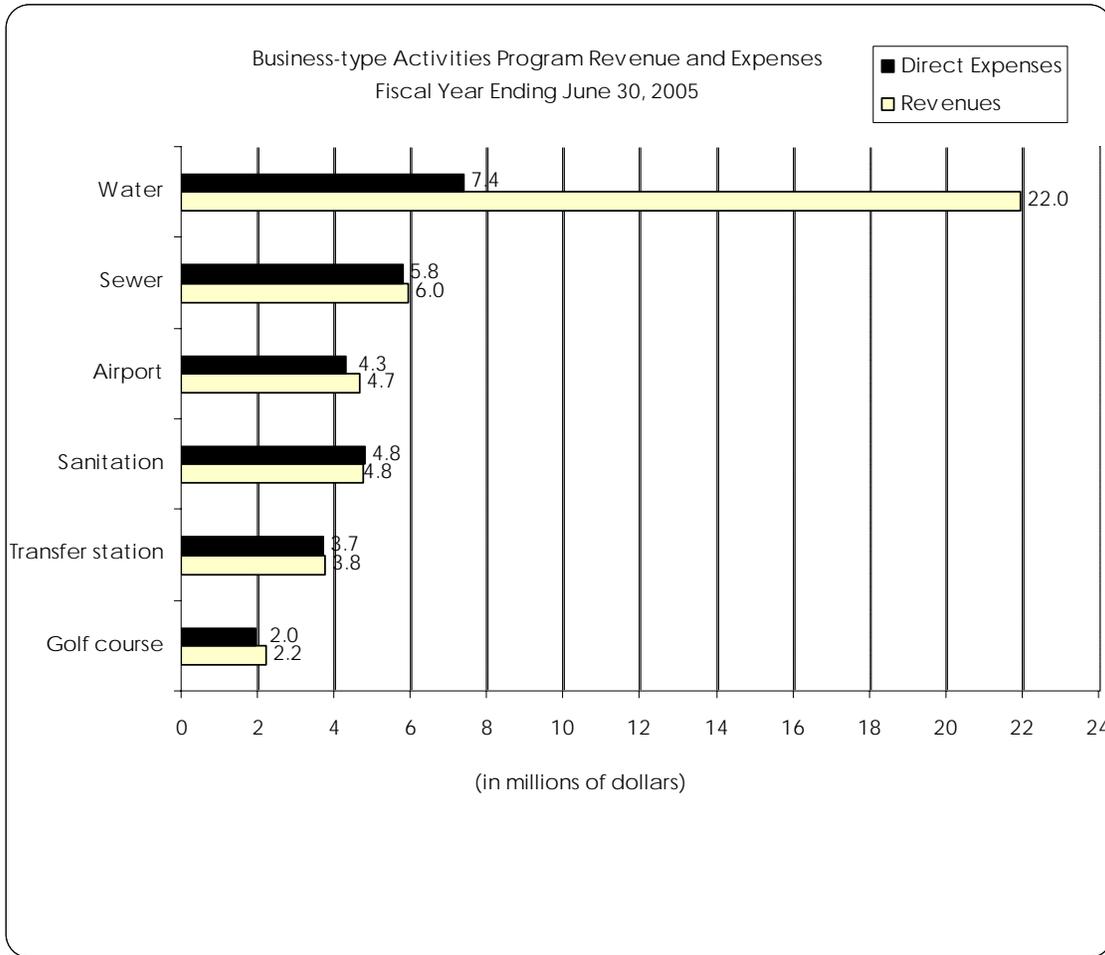
The cost of providing all business-type activities this year was \$28 million. Of this cost, \$27.4 million was paid by users, \$15.9 million was subsidized by contributions and grants received from other governmental organizations for capital activities resulting in a net revenue of \$15.3 million. Investment earnings of \$.7 million, miscellaneous income of \$1.4 million resulted in an overall increase in net assets of \$17.4 million.

Business-type activities revenue increased by \$11.4 million or (36%). User charges increased by \$3.2 million while developer contributions and grants increased by \$8.2 million (or 106%) this year. The primary reason for the increase relates to the Town of Prescott Valley's contribution (\$11 million) to the Big Chino Water Ranch acquisition.

The chart below shows the breakdown of business-type activities revenue.

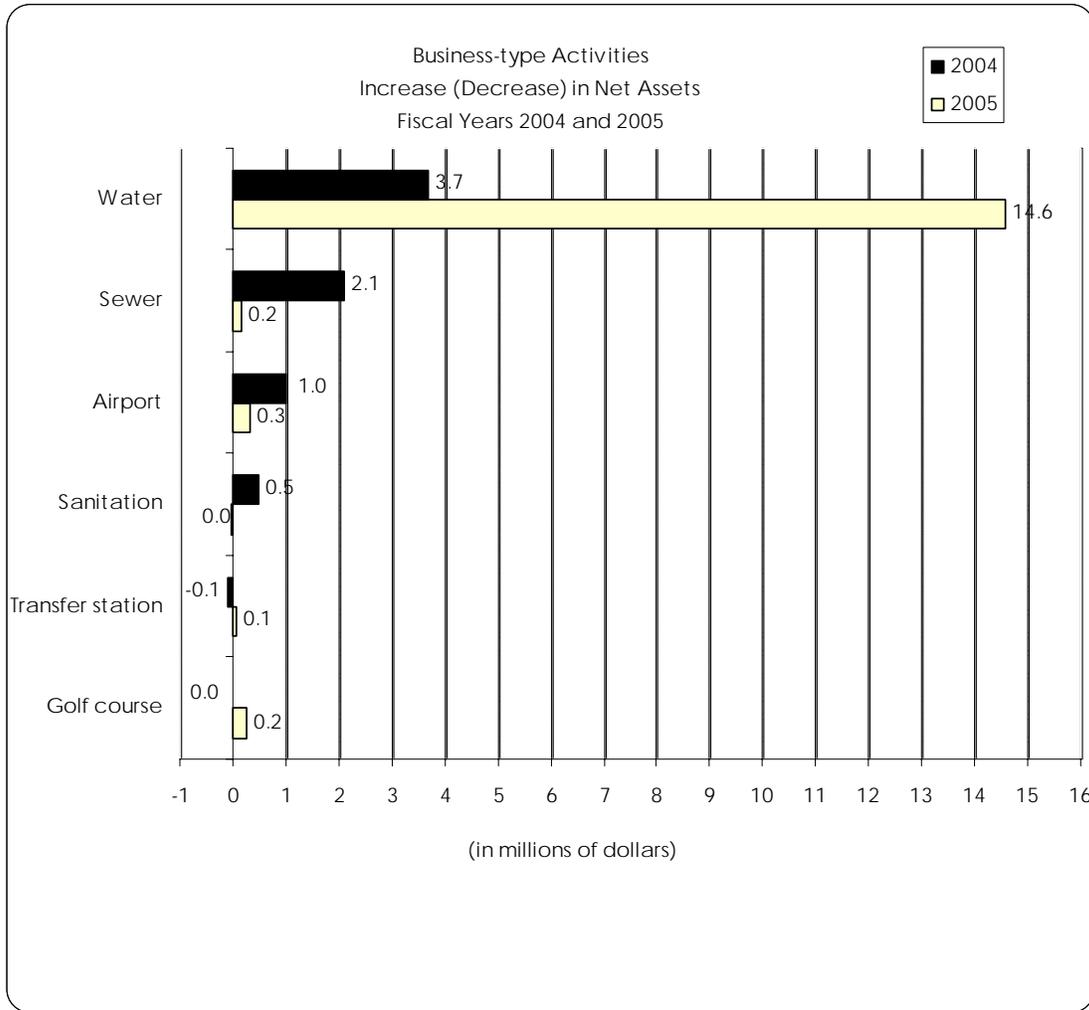


The City's business-type programs include the following: water, sewer, golf course, airport, sanitation, regional transfer station and parking garage (when completed). The following chart shows the revenue and expenses for each business-type program and the extent of each program's dependence on general revenues for support in the current year.



The water revenues are skewed this year because they reflect the Town of Prescott Valley's contribution of \$11 million to the Big Chino Water Ranch acquisition. Under the terms of our intergovernmental agreement, Prescott Valley is responsible for 45.9% of the costs of the ranch acquisition, production, and transport costs.

The chart on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2005 to fiscal year 2004. Each business-type activity is managed to remain self-sufficient while providing for future capital requirements.



The sanitation expenses exceeded revenues by \$27,000 during the year. This was caused primarily from higher transportation and operational costs. The City increased rates for sanitation and the transfer station in January 2005, which should make the fund profitable next year. \$2.1 million in general revenue from overall business-type activities absorbed this deficit.

Customer and developer contributions amounted to \$15.9 million during the year, which supplemented the water and sewer programs (\$11 million represents the Town of Prescott Valley's contribution to the purchase of the Big Chino Water Ranch). Airport grant revenue of \$.8 million helped fund a variety of improvements at the airport.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005 the City had invested \$356.9 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$38.9 million.

The following table reconciles the changes in capital assets.

**Change in Capital Assets
(in millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Beginning balance	\$ 187.7	\$ 178.1	\$ 130.3	\$ 125.8	\$ 318.0	\$ 303.9
Additions	22.8	19.6	30.6	9.0	53.4	28.6
Deductions	(0.1)	(1.4)	(0.4)	-	(0.5)	(1.4)
Depreciation	(9.0)	(8.6)	(4.7)	(4.5)	(13.7)	(13.1)
Ending balance	\$ 201.4	\$ 187.7	\$ 155.8	\$ 130.3	\$ 357.2	\$ 318.0

Additional information on the City of Prescott's capital assets can be found in the notes to the financial statements.

Debt Administration

As of year-end, the City had \$48.2 million in debt outstanding compared to \$37.8 million last year.

**Outstanding Debt at Year-End
(in millions)**

	Governmental		Business	Total
	Activities		Activities	
Beginning Balance	\$ 23.2		14.6	\$ 37.8
Additions	0.3		17.8	18.1
Retirements	(1.7)		-6	(7.7)
Ending Balance	\$ 21.8		\$ 26.4	\$ 48.2

	Totals	
	2005	2004
Governmental:		
General obligation	10.4	\$ 11.6
Special assessment	3.4	3.7
Other debt	1.7	1.4
<i>Subtotal</i>	15.5	16.7
Business-type:		
Water	15.6	3.4
Sewer	3.8	4.1
Golf course	3.6	3.5
Airport	3.3	3.6
Sanitation	0.1	-
<i>Subtotal</i>	26.4	14.6
Component units:		
Community facilities districts	6.3	6.5
Total	\$ 48.2	\$ 37.8

During the year, the Municipal Property Corporation issued bonds in the amount of \$16,875,000. \$12,525,000 of this amount was issued to acquire the City's portion of the JWK Ranch and carries an interest rate of 4.62% with a final maturity in 2034. The remaining \$4,350,000 represents refunding bonds that were issued to refund the series 1993E Municipal Properties Corporation Bonds. The refunding bonds carry an interest rate of 2.92% and mature in 2010. The refunding was undertaken to reduce the total debt service payments over the next five years by \$188,894 and resulted in present value savings of \$223,611.

Additionally, the golf course engaged in lease purchase transactions amounting to \$890,000. \$500,000 was used to replace existing golf carts and has a three year term, the remaining \$390,000 was earmarked for a new point of sale system, cart path and other improvements and has a five year term. The interest rate is 4.08% for both transactions.

Additional information on the City of Prescott's long-term debt can be found in the notes to the financial statements.

Moody's Investor Service rates the City's general obligation bonds A1, Standard & Poor's has a rating of A+ on these bonds. Other debt of the City has not been rated.

The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or sewer services and recreational playground facilities may not exceed 20% of the City's secondary assessed valuation. Under the second test, a City may not issue general obligation debt for general municipal purposes in an amount that exceeds 6% of the City's secondary assessed valuation. At June 30, 2005 the City had remaining debt capacity of \$80.4 million under the 20% test and \$25.5 million under the 6% test.

ECONOMIC FACTORS

We are anticipating a moderate to slower – and more sustainable – level of growth. The following factors influence our outlook:

- ◆ The construction market has remained strong as evidenced by our record setting \$200 million in permit valuations during the year. Although Federal Reserve Board has been increasing the short-term interest rates, the long-term rates have not increased at the same pace. We do not expect this divergence to continue and anticipate more tempered growth in construction as long-term rates rise. Prescott remains a highly desirable place to live, which could sustain the housing surge even if rates do climb.
- ◆ The unemployment rate in Yavapai County remains low at 2.9%.
- ◆ We expect discretionary spending to continue to be under pressure by higher gasoline and natural gas prices. During the year, prices of crude oil spiked to \$67 and may be headed even higher while natural gas prices are expected to increase by 40% in the coming months. This results in several negative impacts including a decline in consumer spending. Companies are even more sensitive to rising fuel prices, which can cut into profits and reduce hiring and spending. We can't predict where oil prices are going, but we believe they cannot continue to rise at this percentage rate. At some point they will either decline or stabilize, either would be a positive on our local economy.

Privilege (sales) tax revenues are the foundation of our revenue base, any significant decrease in spending would have a detrimental impact on this critical revenue source. During the year about 59% of the total general revenues were derived from privilege tax. Because of a strong retail environment, the City's resources tend to keep pace with increased demand for services. The City is well positioned to benefit from the following elements:

- ◆ To shore up our water portfolio and be positioned to absorb future growth, the City acquired the Big Chino Water Ranch and continues to pursue additional water rights acquisition opportunities.
- ◆ The 503-space “Garage on Granite” and the accompanying Whiskey Row alley improvements are complete and should be a catalyst for increased retail activity around downtown and alleviate some of the traffic congestion created by the lack of parking in the area. The City’s downtown area is a major attraction to visitors and a key element of the economic strength of the community.
- ◆ The Village at the Boulders which is still taking shape, includes several transportation improvements and the addition of the City’s second Wal-Mart Supercenter which opened in February 2005. Additional retailers will be added in the coming months.
- ◆ The City continues to place a high emphasis on economic vitality and redevelopment. A Lowe’s home improvement store is slated to open in fiscal year 2007; while an annexation of 43 acres located at the southeast corner of Pioneer Parkway and Willow Creek Road is expected to be complete in early 2006 and could result in the opening of a retail/power center.

At June 30, 2005 the City has set aside \$10.3 million in the capital improvement fund. The majority of these funds have been earmarked for the following projects; \$2.1 million for economic development and incentive programs; \$5.1 million for the library expansion, \$2.1 million for radio frequency infrastructure for the police and fire departments and \$.8 million for the adult center.

LONG-TERM FINANCIAL PLANNING

Prescott’s fiscal health is driven in part by responding timely to emerging economic issues and prudent long range planning. The Mayor and City Council have co-created a vision statement, mission statement as well as six broad goal categories, which represent the priorities and interests of the Mayor, City Council, and reflect citizen suggestions and desires for the future.

Our Vision

Prescott is a beautiful, growing city that has a vibrant historic downtown, is the Regional Economic Center for the Tri-Cities, and is a first class tourist destination.

Prescott is a livable, dynamic community where there is a range of housing choices for all, where residents and guests enjoy an active life style with great recreation and leisure amenities, where people enjoy quality living, where the community acts a responsible environmental steward and where there is pride in our hometown, the Gem of Arizona.

Our Mission

The mission of the City of Prescott is to provide superior customer service to create a financially sustainable City and to serve as the leader in the region.

The 2005/06 budget articulates the continued support for basic services while also focusing on the broad goals and citizen expectations for the community, which are listed below:

Stronger local economy and expanded tax base

- ◆ More quality jobs
- ◆ More diverse economy which is less retail dependent
- ◆ Development of our airport as an economic engine
- ◆ Maintain our position as the regional retail center
- ◆ Make land available for developing business/commercial sites

Better mobility through Improved roads and transportation system

- ◆ Improved condition and quality of our city streets
- ◆ All city streets and alleys paved

- ◆ Air Service to alternative hubs
- ◆ Effective Municipal Planning Organization to address regional needs
- ◆ Sidewalks on major arterial streets

Managed growth for a balanced community

- ◆ More affordable (workforce) housing
- ◆ Well-planned annexed areas with mixed and balanced uses
- ◆ Preservation of Prescott's historic charm and character
- ◆ Growth paying for growth
- ◆ Development consistent with Land Development Code

Polished City - beautiful and clean

- ◆ Clean and well-maintained streets, alleys and rights-of-way
- ◆ Reduced number of blighted homes and buildings
- ◆ Effective solid waste collection and management
- ◆ Redevelopment of aging commercial centers
- ◆ Well maintained parks and recreational areas

First class utility system

- ◆ Water supply for the next 100 years
- ◆ Sewers for all residences and businesses
- ◆ Well-maintained water treatment and distribution system
- ◆ Well-maintained wastewater collection and treatment facility
- ◆ Effective storm water management system

Alive downtown

- ◆ Cleaner downtown with improved infrastructure
- ◆ More commercial offices with people working downtown
- ◆ More activity venues for attracting residents and events
- ◆ More people living downtown
- ◆ More evening activities with businesses staying open later

Concepts presented in the Prescott Community Strategic Plan encourage the City to invest any available funds in projects that would return, and eventually exceed, its investment while still providing basic services during the investment period. Strategic investments, in turn, would insure the ability to provide basic services in the future. In order to fulfill that objective, we continue to strengthen five-year planning efforts to target excess resources to economic investments while, at the same time, maintaining the flexibility to respond to unknown opportunities.

NEXT YEAR'S BUDGETS AND RATES

The FY2005-06 budget consists of two different components - the operating budget and the capital budget. The operating budget is \$66,356,475 representing a 7% increase from FY2004-05. The operating budget is comprised of the costs to continue operations from year-to-year without capital expenditures. It encompasses all the basic services provided to Prescott's residents: police and fire protection; parks, recreation, and library services; water; sewer; solid waste collection including recycling; streets maintenance; planning and zoning; building inspection; economic development and administrative services. The operating budget has been prepared without an increase in taxes.

The second component, the capital budget, is set at \$117,322,507, a 14% increase over FY2004-05. It includes projects and new programs that are included in the five-year plan and considered affordable within current revenue sources or planned debt issuance. Capital budgets tend to rise and fall each year depending on the timing of projects - especially if a city, such as Prescott, is primarily on a "pay-as-you-go" program.

The operational and capital components bring the total budget for FY2005-06 to \$183,678,982. Some of the more prominent projects consist of the following:

Water

The major funding allocation in the Water Fund is \$23.5 million for consulting, pilot testing, and installation of a treatment plant to address the new arsenic rule instituted by the Environmental Protection Agency that goes into effect January 23, 2006.

Other projects include:

- ◆ \$5.5 million for the design of a pipeline, reservoirs, wells and related infrastructure to deliver water from the Big Chino Water Ranch
- ◆ Funding for water improvements and upgrades as part of the Copper Basin Road (\$1.6 million) and Iron Springs Road (\$1.5 million) street projects.
- ◆ \$1.3 million for the recovery wells at the airport recharge facility

Each year the City plans several ongoing capital projects such as replacement of undersized water service lines, the small reservoir maintenance program, meter replacement program, fire hydrant upgrades along with miscellaneous equipment replacements.

Sewer

The largest allocation is \$6.4 million for potential improvement districts including the Prescott North Sewer Improvement District (\$4.7 million). Funding for sewer main replacements/improvements necessitated by street projects are also budgeted in this fund.

Several ongoing capital projects such as recharge cell cleaning at the Wastewater Treatment Plant, lift station rehabilitation and manhole rehabilitation.

Transfer Station

\$3.9 million has been budgeted in this fund for the potential construction of a new transfer station.

Airport

Infrastructure projects totaling \$1.1 million are grant funded. Additionally, potential new shade hangars will be constructed (\$1.4 million).

Streets

Street maintenance operations are funded at \$4.0 million. Maintenance operations include snow removal, striping (in-house and contractual), signage, signal maintenance, installation of new street lights including maintenance through Arizona Public Service, drainage improvements, brush and weed removal, crack sealing, pothole patching, unpaved road grading, and electricity for the street light system and traffic signals.

1% Tax - Streets and Open Space

\$3.0 million is budgeted for potential open space acquisitions. Additionally, \$22.3 million is planned for street projects including the Iron Springs Road widening project (\$7.5 million), Copper Basin Road construction (\$2.6 million), and Williamson Valley Road widening project (\$1.7 million).

General Fund

There are other departments/divisions providing basic services (administration, city court, legal department, parks programs and maintenance, library services, building inspection, planning and zoning, economic development, police, fire, etc.). All have been funded to provide quality service at the levels currently offered to Prescott residents.

The only significant capital outlay in the General Fund is the purchase of a human resources/payroll integrated software system.

FUTURE ISSUES

The City of Prescott faces a number of issues in the coming years. Many of these issues are urgent and need to be addressed; others can be tackled when funds become available.

Development of Long Term Water Policy

The 2005-2010 Water Management Policy was adopted on October 25, 2005 is to be replaced with subsequent Long Term Water Policy providing for water management after 2010. The post-2010 policy will, for the first time, provide for importation of Big Chino Sub-basin groundwater into the Prescott Active Management Area; and specifically address monitoring of Big Chino groundwater, strategies for mitigation of pumping from the Big Chino Water Ranch, and safe yield in the Little Chino aquifer.

Workforce Housing Strategy and City Plan

As a newly designated entitlement community, in 2005 the City completed the HUD required consolidated plan outlining community housing needs. The approved "annual allocation plan" provides funding for first-time homebuyers program. The City also plays an active role in supporting projects seeking funding from the Arizona Department of Housing for both rental and homeownership opportunities.

Sewer Extension Policy

The sewer model project, which should be completed in early 2006, includes a system-wide master plan for addressing existing and future capital, maintenance, and operational needs. The City's objective is to maximize return flow to its wastewater treatment plants from all areas for which it is supplying potable water, consistent with water management policies which encompass treated plant effluent as a resource for aquifer recharge and other uses. The sewer model and system-wide master plan will provide a basis for determining the economics of extending sewer facilities into developed, but unsewered areas.

Utility Rates Evaluation and Revision

The City's objective is to have water and sewer rates and fees sufficient for funding ongoing operations, as well as short and long term capital needs. Capital needs include current system repair and rehabilitation, as well as those driven by growth, which are to be financed by fees specifically applicable to the new development.

Conference Center Development

Currently there is no conference center within the city limits of Prescott. A conference center would allow the City to compete in the meeting-conference market.

FINANCIAL CONTACT

This financial report is designed to present a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or would like additional financial information, contact:

City of Prescott
Finance Department
201 South Cortez
Prescott, Arizona 86303
928.777.1112
Or visit our website at: www.cityofprescott.net

BASIC FINANCIAL STATEMENTS

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 43,334,558	\$ 25,559,558	\$ 68,894,116
Receivables (net)	15,064,631	2,222,664	17,287,295
Internal balances	920,353	(920,353)	-
Inventories	196,944	506,810	703,754
Capital assets			
Land and construction in progress	59,973,990	28,682,725	88,656,715
Other capital assets (net of accumulated depreciation)	141,405,352	127,109,139	268,514,491
Other assets	-	187,658	187,658
Total assets	<u>260,895,828</u>	<u>183,348,201</u>	<u>444,244,029</u>
LIABILITIES			
Accounts payable	3,244,906	2,575,446	5,820,352
Accrued expenses	1,489,550	328,540	1,818,090
Claims payable	2,382,505	-	2,382,505
Deposits	47,512	255,814	303,326
Unearned revenue	268,080	368,231	636,311
Noncurrent liabilities			
Compensated absences due within one year	912,596	199,042	1,111,638
Due within one year	1,792,151	1,979,196	3,771,347
Due in more than one year	19,961,204	25,610,651	45,571,855
Total liabilities	<u>30,098,504</u>	<u>31,316,920</u>	<u>61,415,424</u>
NET ASSETS			
Invested in capital assets, net of related debt	177,936,024	129,618,411	307,554,435
Restricted for:			
Capital projects	-	4,893,821	4,893,821
Debt service	1,676,317	1,979,196	3,655,513
Other purposes	42,248,036	188,579	42,436,615
Unrestricted	8,936,947	15,351,274	24,288,221
Total net assets	<u>\$ 230,797,324</u>	<u>\$ 152,031,281</u>	<u>\$ 382,828,605</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services, Fees, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
<i>Governmental activities:</i>							
General government	\$ 5,903,541	\$ 1,709,487	\$ 2,000	\$ 5,000	\$ (4,187,054)	\$ -	\$ (4,187,054)
Community services	2,504,447	386,522	50,555	170,839	(1,896,531)	-	(1,896,531)
Culture and recreation	5,323,256	1,474,204	27,401	1,246,614	(2,575,037)	-	(2,575,037)
Police and court	8,888,639	1,075,633	200,779	55,000	(7,557,227)	-	(7,557,227)
Fire	6,221,770	542,502	183,207	-	(5,496,061)	-	(5,496,061)
Public works	10,964,098	680,346	4,377,713	1,284,229	(4,621,810)	-	(4,621,810)
Interest on long-term debt	1,161,057	-	-	-	(1,161,057)	-	(1,161,057)
Total governmental	40,966,808	5,868,694	4,841,655	2,761,682	(27,494,777)	-	(27,494,777)
<i>Business-type activities:</i>							
Water	7,384,458	8,667,426	-	13,284,196	-	14,567,164	14,567,164
Sewer	5,801,765	4,146,635	-	1,807,005	-	151,875	151,875
Golf course	1,971,548	2,218,301	-	-	-	246,753	246,753
Airport	4,324,540	3,834,834	-	822,593	-	332,887	332,887
Sanitation	4,792,152	4,764,901	-	-	-	(27,251)	(27,251)
Regional transfer station	3,697,857	3,768,809	-	-	-	70,952	70,952
Total business-type activities	27,972,320	27,400,906	-	15,913,794	-	15,342,380	15,342,380
Total primary government	\$ 68,939,128	\$ 33,269,600	\$ 4,841,655	\$ 18,675,476	(27,494,777)	15,342,380	(12,152,397)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,003,217	-	1,003,217
Property taxes, levied for debt service	1,688,385	-	1,688,385
Utility franchise taxes	1,235,890	-	1,235,890
City privilege and use tax, general purposes	13,215,116	-	13,215,116
City privilege and use tax, major street and open space program	12,918,249	-	12,918,249
Transient lodging tax	359,928	-	359,928
Intergovernmental revenues	8,816,640	-	8,816,640
Interest earnings	2,036,084	715,632	2,751,716
Miscellaneous	1,317,671	1,022,528	2,340,199
Transfers	(350,377)	350,377	-
Total general revenues and transfers	42,240,803	2,088,537	44,329,340
Change in net assets	14,746,026	17,430,917	32,176,943
Net assets - beginning	216,051,298	134,600,364	350,651,662
Net assets - ending	\$ 230,797,324	\$ 152,031,281	\$ 382,828,605

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

GENERAL FUND

The general fund is established to account for the revenues and expenditures necessary to carry out the basic activities of the City such as culture and recreation, general government, police and fire protection.

Principal sources of revenue are privilege (sales) tax, property tax, state and county shared revenue, licenses and permits and charges for various services.

Funds are expended primarily for day-to-day operating expenses and equipment. Capital expenditures for large-scale public improvements, such as buildings, parks or streets, are accounted for elsewhere in capital projects, special revenue or enterprise funds.

SPECIAL REVENUE FUNDS

Streets and Open Space

This fund is used to account for the additional 1% privilege tax which is limited to street improvements and maintenance and/or open space acquisition. The funding source will sunset in December 2015.

Capital Improvement

This fund accumulates resources for the purchase of land or buildings, improvements to city owned properties, grant matches, public safety projects and equipment purchases, economic development activities and other capital projects as determined by the City Council. Revenues are determined annually and are based on excess general fund revenues.

DEBT SERVICE

City of Prescott

This fund accounts for the accumulation of resources and payment of principal and interest on general obligation and special assessment long-term debt.

Community Facilities Districts

This fund is used to account for the special assessments and the principal and interest expenditures of the debt issued by the districts. Although these bonds are not obligations of the City, generally accepted accounting principles indicate that the bonds be disclosed herein.

CITY OF PRESCOTT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2005

	General	Streets and Open Space	Capital Improvement	City of Prescott Debt Service	Community Facilities Districts Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 6,822,136	\$ 13,068,786	\$ 10,313,962	\$ 79,488	\$ 1,569,365	\$ 7,241,836	\$ 39,095,573
Accounts receivable (net)	2,418,740	1,209,148	-	-	-	36,187	3,664,075
Property taxes receivable	45,354	-	-	73,286	-	-	118,640
Special assessments receivable	-	-	-	3,362,388	5,997,408	-	9,359,796
Intergovernmental receivable	499,747	-	-	-	-	1,367,564	1,867,311
Interfund receivables	2,006,707	-	-	-	-	-	2,006,707
Interest receivable	27,309	-	-	-	-	2,294	29,603
Long-term interfund receivables	1,187,896	-	-	-	-	-	1,187,896
Total assets	<u>\$ 13,007,889</u>	<u>\$ 14,277,934</u>	<u>\$ 10,313,962</u>	<u>\$ 3,515,162</u>	<u>\$ 7,566,773</u>	<u>\$ 8,647,881</u>	<u>\$ 57,329,601</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 882,868	\$ 1,026,203	\$ 847,537	\$ -	\$ -	\$ 389,213	\$ 3,145,821
Accrued payroll	1,284,632	581	-	-	-	81,297	1,366,510
Interfund payable	-	-	-	-	-	963,591	963,591
Compensated absences	774,948	-	-	-	-	53,336	828,284
Deposits returnable	47,512	-	-	-	-	-	47,512
Unearned revenue	-	-	-	-	-	268,080	268,080
Deferred revenue	37,877	-	-	3,408,210	5,997,408	-	9,443,495
Total liabilities	<u>3,027,837</u>	<u>1,026,784</u>	<u>847,537</u>	<u>3,408,210</u>	<u>5,997,408</u>	<u>1,755,517</u>	<u>16,063,293</u>
Fund Balance							
Fund balance:							
Reserved for:							
Advances	1,452,876	-	-	-	-	-	1,452,876
Interfund loans	1,741,727	-	-	-	-	-	1,741,727
Dedicated purposes	-	-	-	-	-	530,239	530,239
Unreserved, reported in:							
General fund	6,785,449	-	-	-	-	-	6,785,449
Special revenue fund	-	13,251,149	9,466,425	-	-	6,464,268	29,181,842
Debt service fund	-	-	-	106,952	1,569,365	-	1,676,317
Capital projects fund	-	-	-	-	-	(102,143)	(102,143)
Total fund balances	<u>9,980,052</u>	<u>13,251,149</u>	<u>9,466,425</u>	<u>106,952</u>	<u>1,569,365</u>	<u>6,892,364</u>	<u>41,266,307</u>
Total liabilities and fund balances	<u>\$ 13,007,889</u>	<u>\$ 14,277,933</u>	<u>\$ 10,313,962</u>	<u>\$ 3,515,162</u>	<u>\$ 7,566,773</u>	<u>\$ 8,647,881</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$60,586,696.

199,831,517

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

\$	9,359,796	
	<u>83,699</u>	
		9,443,495

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

	(20,063,392)	
	<u>(1,588,652)</u>	
		(21,652,044)

Internal service funds are used by management to charge central garage, engineering and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

1,908,049

Net assets of governmental activities

\$	<u><u>230,797,324</u></u>
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CITY OF PRESCOTT, ARIZONA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2005

Revenues	General	Streets and Open Space	Capital Improvement	City of Prescott Debt Service	Community	Other Governmental Funds	Total Governmental Funds
					Facilities Districts Debt Service		
Taxes	\$ 15,442,303	\$ 12,918,249	\$ -	\$ 1,713,379	\$ -	\$ 359,928	\$ 30,433,859
Intergovernmental revenues	8,816,640	683,268	-	-	-	5,654,817	15,154,725
Licenses and permits	1,496,637	-	-	-	-	2,164,442	3,661,079
Charges for services	1,299,622	-	-	-	-	-	1,299,622
Fines and forfeitures	907,993	-	-	-	-	-	907,993
Gifts and donations	-	-	-	-	-	91,205	91,205
Interest income	346,001	315,096	339,052	191,526	546,766	205,992	1,944,433
Miscellaneous	309,608	-	753,098	334,807	430,385	152,668	1,980,566
Total revenues	<u>28,618,804</u>	<u>13,916,613</u>	<u>1,092,150</u>	<u>2,239,712</u>	<u>977,151</u>	<u>8,629,052</u>	<u>55,473,482</u>
Expenditures							
Current operating							
General government	2,783,582	-	1,849,152	-	-	7,110	4,639,844
Community services	1,925,590	-	-	-	-	388,656	2,314,246
Culture and recreation	4,659,227	-	-	-	-	76,376	4,735,603
Police and court	8,271,185	-	-	-	-	245,684	8,516,869
Fire	5,519,378	-	-	-	-	297,659	5,817,037
Public works	-	-	-	-	-	3,145,141	3,145,141
Capital outlay	279,187	10,320,909	7,364,397	-	-	4,144,602	22,109,095
Debt service - principal	-	-	-	1,530,051	190,000	-	1,720,051
Debt service - interest	-	-	-	661,822	498,512	-	1,160,334
Total expenditures	<u>23,438,149</u>	<u>10,320,909</u>	<u>9,213,549</u>	<u>2,191,873</u>	<u>688,512</u>	<u>8,305,228</u>	<u>54,158,220</u>
Excess (deficiency) of revenues over expenditures	<u>5,180,655</u>	<u>3,595,704</u>	<u>(8,121,399)</u>	<u>47,839</u>	<u>288,639</u>	<u>323,824</u>	<u>1,315,262</u>
Other Financing Sources (Uses)							
Transfers in	30,000	300,000	3,364,823	-	-	162,047	3,856,870
Transfers out	(3,523,281)	(359,410)	(350,377)	-	-	(304,679)	(4,537,747)
Total other financing sources (uses)	<u>(3,493,281)</u>	<u>(59,410)</u>	<u>3,014,446</u>	<u>-</u>	<u>-</u>	<u>(142,632)</u>	<u>(680,877)</u>
Net change in fund balances	<u>1,687,374</u>	<u>3,536,294</u>	<u>(5,106,953)</u>	<u>47,839</u>	<u>288,639</u>	<u>181,192</u>	<u>634,385</u>
Fund balance - beginning	<u>8,292,678</u>	<u>9,714,855</u>	<u>14,573,378</u>	<u>59,113</u>	<u>1,280,726</u>	<u>6,711,172</u>	<u>40,631,922</u>
Fund balance - ending	<u>\$ 9,980,052</u>	<u>\$ 13,251,149</u>	<u>\$ 9,466,425</u>	<u>\$ 106,952</u>	<u>\$ 1,569,365</u>	<u>\$ 6,892,364</u>	<u>\$ 41,266,307</u>

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

CITY OF PRESCOTT, ARIZONA

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities**

For the year ended June 30, 2005

Net change in fund balances - total governmental funds	\$	634,385
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 21,539,549	
Less: current year depreciation	<u>8,982,171</u>	
		12,557,378

Donations of capital assets are not shown in the governmental fund statements, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contribution revenues.

1,265,252

The disposition of capital assets is reported in the statement of activities. This does not represent a use of current resources and, thus, is not reported in the funds.

(24,028)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(13,074)	
Assessments receivable	<u>(753,678)</u>	
		(766,752)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

1,720,051

Internal service funds are used by management to charge central garage, engineering and insurance costs to individual funds. The net operating income (loss) of certain activities of internal service funds is reported with governmental activities.

(468,118)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(172,142)
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Change in net assets of governmental activities	<u>\$ 14,746,026</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PRESCOTT, ARIZONA

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

General Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Privilege (sales) tax	\$ 12,925,809	\$ 12,925,809	\$ 13,215,116	\$ 289,307
Property tax	1,000,493	1,000,493	991,297	(9,196)
Franchise tax	1,120,424	1,120,424	1,235,890	115,466
State revenue sharing	3,123,749	3,123,749	3,119,837	(3,912)
State shared sales tax	2,930,562	2,930,562	3,144,027	213,465
Auto in-lieu tax	2,250,000	2,250,000	2,228,192	(21,808)
County aid	309,128	309,128	324,584	15,456
Licenses and permits	966,900	966,900	1,496,637	529,737
Charges for services	1,192,462	1,192,462	1,299,622	107,160
Fines and forfeitures	788,482	788,482	907,993	119,511
Interest income	170,000	170,000	346,001	176,001
Miscellaneous	223,050	223,050	309,608	86,558
Total revenues	<u>27,001,059</u>	<u>27,001,059</u>	<u>28,618,804</u>	<u>1,617,745</u>
Expenditures				
Current operating				
General government	2,923,430	3,003,430	2,775,234	228,196
Community services	2,080,228	2,080,228	1,918,486	161,742
Culture and recreation	4,640,374	4,640,374	4,643,180	(2,806)
Police and court	8,731,627	8,651,627	8,263,242	388,385
Fire	5,577,311	5,577,311	5,492,055	85,256
Capital outlay	511,520	511,520	279,187	232,333
Total expenditures	<u>24,464,490</u>	<u>24,464,490</u>	<u>23,371,384</u>	<u>1,093,106</u>
Excess of revenues over expenditures	<u>2,536,569</u>	<u>2,536,569</u>	<u>5,247,420</u>	<u>2,710,851</u>
Other Financing Sources (Uses)				
Transfers in	30,000	30,000	30,000	-
Transfers out	(2,487,286)	(2,487,286)	(3,523,281)	(1,035,995)
Total other financing sources and uses	<u>(2,457,286)</u>	<u>(2,457,286)</u>	<u>(3,493,281)</u>	<u>(1,035,995)</u>
Net change in fund balances	79,283	79,283	1,754,139	1,674,856
Fund balance - beginning	7,700,544	7,700,544	9,000,860	1,300,316
Fund balance - ending	<u>\$ 7,779,827</u>	<u>\$ 7,779,827</u>	<u>10,754,999</u>	<u>\$ 2,975,172</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Compensated absences - current year accrual			(66,765)	
Compensated absences - prior year accrual			(708,182)	
Fund balance - GAAP basis			<u>\$ 9,980,052</u>	

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

CITY OF PRESCOTT, ARIZONA

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

Streets and Open Space Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,580,900	\$ 11,580,900	\$ 12,918,249	\$ 1,337,349
Intergovernmental revenues	1,582,426	1,582,426	683,268	(899,158)
Interest income	100,000	100,000	315,096	215,096
Total revenues	<u>13,263,326</u>	<u>13,263,326</u>	<u>13,916,613</u>	<u>653,287</u>
Expenditures				
Current operating				
Capital outlay	20,385,356	20,385,356	10,320,909	10,064,447
Total expenditures	<u>20,385,356</u>	<u>20,385,356</u>	<u>10,320,909</u>	<u>10,064,447</u>
Excess (deficiency) of revenues over expenditures	<u>(7,122,030)</u>	<u>(7,122,030)</u>	<u>3,595,704</u>	<u>10,717,734</u>
Other Financing Sources (Uses)				
Transfers in	(300,000)	(300,000)	300,000	600,000
Transfers out	-	-	(359,410)	(359,410)
Total other financing sources and uses	<u>(300,000)</u>	<u>(300,000)</u>	<u>(59,410)</u>	<u>240,590</u>
Net change in fund balances	<u>(7,422,030)</u>	<u>(7,422,030)</u>	<u>3,536,294</u>	<u>10,958,324</u>
Fund balance - beginning	<u>(3,634,960)</u>	<u>(3,634,960)</u>	<u>9,714,855</u>	<u>13,349,815</u>
Fund balance - ending	<u>\$ (11,056,990)</u>	<u>\$ (11,056,990)</u>	<u>\$ 13,251,149</u>	<u>\$ 24,308,139</u>

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

CITY OF PRESCOTT, ARIZONA

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

Capital Improvement Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 150,000	\$ 150,000	\$ 339,052	\$ 189,052
Miscellaneous	1,517,522	1,517,522	753,098	(764,424)
Total revenues	<u>1,667,522</u>	<u>1,667,522</u>	<u>1,092,150</u>	<u>(575,372)</u>
Expenditures				
Current operating				
General government	2,462,000	2,462,000	1,849,152	612,848
Capital outlay	14,277,331	14,277,331	7,364,397	6,912,934
Total expenditures	<u>16,739,331</u>	<u>16,739,331</u>	<u>9,213,549</u>	<u>7,525,782</u>
Excess (deficiency) of revenues over expenditures	<u>(15,071,809)</u>	<u>(15,071,809)</u>	<u>(8,121,399)</u>	<u>6,950,410</u>
Other Financing Sources (Uses)				
Transfers in	2,475,286	2,475,286	3,364,823	889,537
Transfers out	(733,762)	(733,762)	(315,679)	418,083
Total other financing sources and uses	<u>1,741,524</u>	<u>1,741,524</u>	<u>3,049,144</u>	<u>1,307,620</u>
Net change in fund balances	<u>(13,330,285)</u>	<u>(13,330,285)</u>	<u>(5,072,255)</u>	<u>8,258,030</u>
Fund balance - beginning	5,594,797	5,594,797	14,573,378	8,978,581
Fund balance - ending	<u>\$ (7,735,488)</u>	<u>\$ (7,735,488)</u>	<u>\$ 9,501,123</u>	<u>\$ 17,236,611</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

The City has seven enterprise funds. Enterprise funds are used to account for the acquisition, operation and maintenance of water, sewer, golf course, airport, sanitation, regional transfer station and parking garage facilities. These funds are entirely or predominately self-supported through user charges to the customers. Funds included are:

- **Water**
- **Sewer**
- **Golf course**
- **Airport**
- **Sanitation**
- **Regional transfer**
- **Parking garage**

The City has five internal service funds. Internal service funds are used to account for services and commodities furnished by one department to other departments in the City on a cost reimbursement basis. Funds included are:

- **Central garage**
- **General self-insurance**
- **Workers' compensation**
- **Engineering services**
- **Facilities maintenance**

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business-type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Sewer	Golf Course	Airport	Sanitation	Nonmajor Funds	Totals	
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 10,729,941	\$ 5,378,329	\$ -	\$ 258,596	\$ 2,431,903	\$ 597,330	\$ 19,396,099	\$ 4,238,988
Accounts receivable (net)	1,572,766	-	346,849	103,533	-	7,400	2,030,548	25,206
Intergovernmental receivables - grants	-	-	-	192,116	-	-	192,116	-
Interfund receivables	125,000	-	-	-	-	-	125,000	-
Inventory at cost	276,945	-	85,938	143,927	-	-	506,810	196,944
Total current assets	12,704,652	5,378,329	432,787	698,172	2,431,903	604,730	22,250,573	4,461,138
Noncurrent Assets								
Restricted cash and cash equivalents								
Water development	4,674,620	-	-	-	-	-	4,674,620	-
Landfill closure reserve	-	-	-	-	219,201	-	219,201	-
Cash with fiscal agent	187,116	332,935	561,008	-	-	-	1,081,059	-
Customer deposits	188,579	-	-	-	-	-	188,579	-
Total restricted assets	5,050,315	332,935	561,008	-	219,201	-	6,163,459	-
Long-term interfund receivables	1,150,000	-	-	-	-	-	1,150,000	-
Investment in regional landfill	-	-	-	-	187,658	-	187,658	-
Capital Assets								
Land and construction in process	24,414,507	75,901	1,963,554	1,143,261	102,302	983,200	28,682,725	13,191
Buildings	1,552,232	5,760,829	680,275	5,176,501	77,526	38,459	13,285,822	636,841
Improvements other than buildings	69,906,099	56,095,866	5,637,080	32,487,979	49,538	900,600	165,077,162	49,023
Machinery and equipment	4,942,928	2,119,885	1,583,878	479,040	3,841,075	428,404	13,395,210	1,568,557
Less accumulated depreciation	(27,242,790)	(20,435,548)	(2,367,585)	(11,141,246)	(2,730,408)	(731,478)	(64,649,055)	(719,787)
Total capital assets (net of accumulated depreciation)	73,572,976	43,616,933	7,497,202	28,145,535	1,340,033	1,619,185	155,791,864	1,547,825
Total noncurrent assets	79,773,291	43,949,868	8,058,210	28,145,535	1,746,892	1,619,185	163,292,981	1,547,825
Total assets	92,477,943	49,328,197	8,490,997	28,843,707	4,178,795	2,223,915	185,543,554	6,008,963

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

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
LIABILITIES								
Current Liabilities								
Accounts payable	\$ 562,585	\$ 419,808	\$ 582,795	\$ 395,545	\$ 78,748	\$ 535,965	\$ 2,575,446	\$ 99,087
Accrued payroll	159,553	55,367	44,921	22,795	32,001	13,903	328,540	123,040
Compensated absences - current	63,344	55,821	22,145	18,036	28,940	10,756	199,042	84,312
Advance customer payments	57,066	-	-	-	-	-	57,066	-
Interfund payables	-	519,659	460,112	27,686	-	-	1,007,457	160,659
Contracts payable - current	318,953	310,896	440,152	-	-	-	1,070,001	-
Notes and assessments - current	277,564	-	296,380	335,251	-	-	909,195	-
Landfill closure/postclosure cost - current	-	-	-	-	40,000	-	40,000	-
Deferred revenue - current	-	-	297,407	48,658	-	-	346,065	-
Claims payable	-	-	-	-	-	-	-	2,382,505
Customer water deposits	198,748	-	-	-	-	-	198,748	-
Total current liabilities	<u>1,637,813</u>	<u>1,361,551</u>	<u>2,143,912</u>	<u>847,971</u>	<u>179,689</u>	<u>560,624</u>	<u>6,731,560</u>	<u>2,849,603</u>
Noncurrent Liabilities								
Compensated absences	61,214	71,732	26,722	28,142	29,554	20,588	237,952	101,311
Contracts payable	2,841,868	3,448,795	1,788,289	-	-	-	8,078,952	-
Interfund payable	-	1,103,475	33,020	51,401	-	-	1,187,896	1,150,000
Notes and assessments payable	12,087,126	-	1,105,545	2,922,634	-	-	16,115,305	-
Landfill closure/postclosure cost	-	-	-	-	1,138,442	-	1,138,442	-
Deferred revenue	-	-	-	22,166	-	-	22,166	-
Total noncurrent liabilities	<u>14,990,208</u>	<u>4,624,002</u>	<u>2,953,576</u>	<u>3,024,343</u>	<u>1,167,996</u>	<u>20,588</u>	<u>26,780,713</u>	<u>1,251,311</u>
Total liabilities	<u>16,628,021</u>	<u>5,985,553</u>	<u>5,097,488</u>	<u>3,872,314</u>	<u>1,347,685</u>	<u>581,212</u>	<u>33,512,273</u>	<u>4,100,914</u>
NET ASSETS								
Invested in capital assets, net of related debt	58,047,465	39,857,242	3,866,836	24,887,650	1,340,033	1,619,185	129,618,411	1,547,825
Restricted for capital projects	4,674,620	-	561,008	-	219,201	-	4,893,821	-
Restricted for debt service	596,517	310,896	736,532	335,251	-	-	1,979,196	-
Restricted for other purposes	188,579	-	-	-	-	-	188,579	-
Unrestricted	12,342,741	3,174,506	(1,770,867)	(251,508)	1,271,876	23,518	15,351,274	360,224
Total net assets	<u>\$ 75,849,922</u>	<u>\$ 43,342,644</u>	<u>\$ 3,393,509</u>	<u>\$ 24,971,393</u>	<u>\$ 2,831,110</u>	<u>\$ 1,642,703</u>	<u>\$ 152,031,281</u>	<u>\$ 1,908,049</u>

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



CITY OF PRESCOTT, ARIZONA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2005

	Business-type Activities Enterprise Funds						Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Golf Course	Airport	Sanitation	Nonmajor Funds		
Operating Revenues								
Water sales	\$ 6,097,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,097,912	\$ -
Water connection fees	515,774	-	-	-	-	-	515,774	-
Alternative water source fees	474,217	-	-	-	-	-	474,217	-
Alternative water impact fees	1,572,367	-	-	-	-	-	1,572,367	-
Sewer service fees	-	3,984,035	-	-	-	-	3,984,035	-
Sewer connection fees	-	12,600	-	-	-	-	12,600	-
Effluent recharge fees	-	150,000	-	-	-	-	150,000	-
Golf course green fees	-	-	1,192,734	-	-	-	1,192,734	-
Golf course rentals	-	-	601,007	-	-	-	601,007	-
Golf pro-shop sales	-	-	393,171	-	-	-	393,171	-
Fuel sales	-	-	-	2,913,918	-	-	2,913,918	-
Tie down and hangar rentals	-	-	-	920,916	-	-	920,916	-
Refuse collection fees	-	-	-	-	4,497,029	-	4,497,029	-
Tipping fees	-	-	-	-	267,872	3,768,809	4,036,681	-
Other services	-	-	-	-	-	-	-	6,081,346
Miscellaneous	429,521	503,259	74,408	15,756	-	(416)	1,022,528	3,995
Total operating revenues	<u>9,089,791</u>	<u>4,649,894</u>	<u>2,261,320</u>	<u>3,850,590</u>	<u>4,764,901</u>	<u>3,768,393</u>	<u>28,384,889</u>	<u>6,085,341</u>
Operating Expenses								
Personnel services	1,705,023	1,593,649	870,013	606,648	810,146	313,069	5,898,548	2,384,217
Supplies	361,577	312,589	327,696	50,401	289,949	(29,420)	1,312,792	469,501
Other services and charges	3,201,822	1,962,297	599,622	421,161	3,333,489	3,223,617	12,742,008	1,273,292
Cost of fuel sales	-	-	-	2,126,904	-	-	2,126,904	-
Depreciation	1,675,705	1,664,423	3,086	931,284	358,568	190,591	4,823,657	90,992
Claims expense	-	-	-	-	-	-	-	1,384,435
Total operating expenses	<u>6,944,127</u>	<u>5,532,958</u>	<u>1,800,417</u>	<u>4,136,398</u>	<u>4,792,152</u>	<u>3,697,857</u>	<u>26,903,909</u>	<u>5,602,437</u>
Operating income (loss)	<u>2,145,664</u>	<u>(883,064)</u>	<u>460,903</u>	<u>(285,808)</u>	<u>(27,251)</u>	<u>70,536</u>	<u>1,480,980</u>	<u>482,904</u>
Non-Operating Revenues (Expenses)								
Interest income	461,901	178,119	-	1,790	67,339	6,483	715,632	91,651
Interest expense	(440,331)	(268,807)	(171,131)	(188,142)	-	-	(1,068,411)	(723)
Net gain (loss) on disposal of assets	7,156	-	31,389	-	-	-	38,545	(422)
Total non-operating Revenues (expenses)	<u>28,726</u>	<u>(90,688)</u>	<u>(139,742)</u>	<u>(186,352)</u>	<u>67,339</u>	<u>6,483</u>	<u>(314,234)</u>	<u>90,506</u>
Income (loss) before contributions and transfers	<u>2,174,390</u>	<u>(973,752)</u>	<u>321,161</u>	<u>(472,160)</u>	<u>40,088</u>	<u>77,019</u>	<u>1,166,746</u>	<u>573,410</u>
Grant contributions	-	-	-	822,593	-	-	822,593	-
Capital contributions	13,284,196	1,807,005	-	-	-	-	15,091,201	-
Transfers in (out)	-	-	-	350,377	-	-	350,377	330,500
Change in net assets	<u>15,458,586</u>	<u>833,253</u>	<u>321,161</u>	<u>700,810</u>	<u>40,088</u>	<u>77,019</u>	<u>17,430,917</u>	<u>903,910</u>
Total net assets - beginning	<u>60,391,336</u>	<u>42,509,391</u>	<u>3,072,348</u>	<u>24,270,583</u>	<u>2,791,022</u>	<u>1,565,684</u>	<u>134,600,364</u>	<u>1,004,139</u>
Total net assets - ending	<u>\$ 75,849,922</u>	<u>\$ 43,342,644</u>	<u>\$ 3,393,509</u>	<u>\$ 24,971,393</u>	<u>\$ 2,831,110</u>	<u>\$ 1,642,703</u>	<u>\$ 152,031,281</u>	<u>\$ 1,908,049</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>
Cash flows from operating activities:			
Cash received from customers	\$ 8,158,635	\$ 4,146,635	\$ 2,227,656
Cash payments to suppliers for goods and services	(3,467,042)	(2,044,070)	(187,695)
Cash payments to employees for services	(1,702,578)	(1,558,931)	(832,167)
Other operating receipts	429,521	503,259	74,408
Internal activity - payments from other funds	441,878	-	-
Internal activity - payments to other funds	(362,863)	(227,068)	(235,045)
Net cash provided by (used for) operating activities	<u>3,497,551</u>	<u>819,825</u>	<u>1,047,157</u>
Cash flows from noncapital financing activities:			
Repayments under interfund loan arrangement	125,000	-	-
Receipts (payments) under interfund loan arrangement	-	-	164,003
Interest paid on noncapital financing	-	-	-
Transfers in (out)	-	-	-
Net cash provided by (used for) noncapital financing activity	<u>125,000</u>	<u>-</u>	<u>164,003</u>
Cash flows from capital and related financing activities:			
Proceeds from debt issues	13,729,188	737,435	3,298,377
Proceeds from interfund loan	-	-	-
Acquisition and construction of capital assets	(25,239,957)	(1,767,584)	(840,829)
Principal paid on capital financing	(1,475,407)	(1,501,669)	(3,174,627)
Interest paid on capital financing	(426,997)	(268,807)	(144,463)
Proceeds from sales of fixed assets	7,156	-	211,390
Contributed from capital grant	-	-	-
Contributed from customers	12,483,260	1,273,511	-
Net cash provided by (used for) capital and related financing activities	<u>(922,757)</u>	<u>(1,527,114)</u>	<u>(650,152)</u>
Cash flows from investing activities:			
Interest on investments	461,901	178,119	-
Net cash provided by (used for) investing activities	<u>461,901</u>	<u>178,119</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>3,161,695</u>	<u>(529,170)</u>	<u>561,008</u>
Cash and cash equivalents at July 1	12,618,561	6,240,434	-
Cash and cash equivalents at June 30	<u>\$ 15,780,256</u>	<u>\$ 5,711,264</u>	<u>\$ 561,008</u>
Reconciliation to statement of net assets			
Cash and cash equivalents at June 30, unrestricted	\$ 10,729,941	\$ 5,378,329	\$ -
Cash and cash equivalents at June 30, restricted	5,050,315	332,935	561,008
Total	<u>\$ 15,780,256</u>	<u>\$ 5,711,264</u>	<u>\$ 561,008</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 2,145,664	\$ (883,064)	\$ 460,903
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,675,705	1,664,423	3,086
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(99,194)	-	(256,663)
(Increase) decrease in inventory	(20,514)	-	(9,952)
Increase (decrease) in accounts payable	(245,992)	3,748	514,530
Increase (decrease) in accrued expenses	79,065	11,430	20,566
Increase (decrease) in compensated absences	(46,170)	8,256	13,123
Increase (decrease) in advance customer payments	25,029	-	-
Increase (decrease) in customer water deposits	14,408	-	-
Increase (decrease) in accrued vacation and sick payable	(30,450)	15,032	4,157
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure & postclosure cost payable	-	-	-
Increase (decrease) in deferred revenue	-	-	297,407
Total adjustments	<u>1,351,887</u>	<u>1,702,889</u>	<u>586,254</u>
Net cash provided by operating activities	<u>\$ 3,497,551</u>	<u>\$ 819,825</u>	<u>\$ 1,047,157</u>
Noncash investing, capital and financing activities			
Contributions from developers	\$ 801,814	\$ 533,495	\$ -
Total noncash investing, capital and financing activities	<u>\$ 801,814</u>	<u>\$ 533,495</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds				
<u>Airport</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$ 3,777,520	\$ 4,764,901	\$ 3,766,840	\$ 26,842,187	\$ 6,056,140
(2,476,138)	(3,431,252)	(2,893,973)	(14,500,170)	(2,123,499)
(593,728)	(784,928)	(305,796)	(5,778,128)	(2,176,387)
15,756	-	(416)	1,022,528	3,995
-	-	-	441,878	-
(113,353)	(150,202)	(60,965)	(1,149,496)	-
<u>610,057</u>	<u>398,519</u>	<u>505,690</u>	<u>6,878,799</u>	<u>1,760,249</u>
-	-	-	125,000	(125,000)
-	-	-	164,003	35,659
-	-	-	-	(723)
350,377	-	-	350,377	330,500
<u>350,377</u>	<u>-</u>	<u>-</u>	<u>639,380</u>	<u>240,436</u>
-	-	-	17,765,000	-
(1,190,764)	(25,082)	(84,222)	(29,148,438)	(1,372,009)
(344,380)	-	-	(6,496,083)	-
(188,142)	-	-	(1,028,409)	-
-	-	-	218,546	(422)
973,809	-	-	973,809	-
-	-	-	13,756,771	-
<u>(749,477)</u>	<u>(25,082)</u>	<u>(84,222)</u>	<u>(3,958,804)</u>	<u>(1,372,431)</u>
1,790	67,339	6,483	715,632	91,651
<u>1,790</u>	<u>67,339</u>	<u>6,483</u>	<u>715,632</u>	<u>91,651</u>
212,747	440,776	427,951	4,275,007	719,905
45,849	2,210,328	169,379	21,284,551	3,519,083
<u>\$ 258,596</u>	<u>\$ 2,651,104</u>	<u>\$ 597,330</u>	<u>\$ 25,559,558</u>	<u>\$ 4,238,988</u>
\$ 258,596	\$ 2,431,903	\$ 597,330	\$ 19,396,099	\$ 4,238,988
-	219,201	-	6,163,459	-
<u>\$ 258,596</u>	<u>\$ 2,651,104</u>	<u>\$ 597,330</u>	<u>\$ 25,559,558</u>	<u>\$ 4,238,988</u>
<u>\$ (285,808)</u>	<u>\$ (27,251)</u>	<u>\$ 70,536</u>	<u>1,480,980</u>	<u>\$ 549,300</u>
931,284	358,568	190,591	4,823,657	90,992
(64,710)	-	(1,969)	(422,536)	39,554
(32,680)	-	-	(63,146)	(4,356)
41,655	46,938	239,259	600,138	(15,080)
5,793	7,516	4,675	129,045	125,675
770	6,742	1,265	(16,014)	60,225
-	-	-	25,029	-
-	-	-	14,408	-
6,357	10,960	1,333	7,389	-
-	-	-	-	948,875
-	(4,954)	-	(4,954)	-
7,396	-	-	304,803	-
<u>895,865</u>	<u>425,770</u>	<u>435,154</u>	<u>5,397,819</u>	<u>1,245,885</u>
<u>\$ 610,057</u>	<u>\$ 398,519</u>	<u>\$ 505,690</u>	<u>\$ 6,878,799</u>	<u>\$ 1,795,185</u>
\$ -	\$ -	\$ -	1,335,309	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,335,309</u>	<u>\$ -</u>

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



FUND FINANCIAL STATEMENTS

Fiduciary Funds

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity for others. The City maintains one trust fund and one agency fund.

Employee Benefits Trust

Records the financial activity of the cafeteria plan offered to eligible employees.

County Justice Court Agency

Accounts for the cash collection of the County Justice and Juvenile Courts. These clearing accounts are offset by an equal liability. There is no measurement of the results of operations.

CITY OF PRESCOTT, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
 June 30, 2005

	Employee Benefits Trust	Agency County Justice Court
ASSETS		
Cash and short-term investments	\$ -	\$ 144,584
Total assets	<u>-</u>	<u>144,584</u>
LIABILITIES		
Due to other governments	-	144,584
Total liabilities	<u>-</u>	<u>144,584</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2005

	Employee Benefits Trust
	<u> </u>
Additions:	
Contributions:	
Employee contributions	\$ 4,060
Total contributions	<u> 4,060</u>
Investment earnings:	
Interest	<u> 119</u>
Total investment earnings	<u> 119</u>
Miscellaneous income	<u> 1,500</u>
Total additions	<u> 5,679</u>
Deductions:	
Employee relations	<u> 15,587</u>
Total deductions	<u> 15,587</u>
Changes in net assets	<u> (9,908)</u>
Net assets - beginning	<u> 9,908</u>
Net assets - ending	<u><u> \$ -</u></u>

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



CITY OF PRESCOTT, ARIZONA
Notes to the Financial Statements
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Prescott, Arizona was incorporated in 1883. The City presently operates under a Charter that was adopted in 1958. The Charter provides for a Council/City Manager form of government. The City Manager administers policies and coordinates the activities of the City. The City provides basic government services to its citizens including roads, water, sewer, sanitation, parks and recreation facilities, police and fire.

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

The accompanying financial statements include the City of Prescott (the primary government) and its component units collectively referred to as "the financial reporting entity." The component units discussed below have been blended into the City's reporting entity because of the significance of their operational or financial relationship with the City.

The Municipal Property Corporation (MPC) is a non-profit corporation organized under the laws of the State of Arizona to assist the City 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. Bond sales must also be approved by the City Council. Although it is legally separate from the City, the MPC is reported as if it is part of the primary government within the enterprise funds because its sole purpose is to finance municipal facilities for the City.

The Hassayampa Community Facilities District #1 and #2 were formed by petition to the City Council in 1996 and 1999. The districts' purposes are to improve public infrastructure in a specified land area. As special purpose districts and separate political subdivisions under the Arizona Constitution, the districts can levy assessments and issue bonds independently of the City. Property owners in the designated area are levied an assessment for the costs of operating the Districts. The City Council serves as the board of directors. The City has no liability for the districts' debt. For financial reporting purposes, the districts transactions are combined together and included as if they were part of the City's operations. The activities of the districts are reflected in the capital projects and debt service funds.

Separate financial statements of the MPC and the Community Facilities Districts may be obtained at the City's finance department, 201 South Cortez, Prescott, Arizona 86303.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on user fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the changes in aggregate financial position resulting from activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. Fiduciary funds are not included in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset with program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and

other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated into a separate column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds and the general fund. The City allocates charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The new GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either the governmental fund type/enterprise fund type or the combined type) for the determination of major funds. Nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

The general fund is the primary fund of the City. It is used to account for all the financial transactions except those required to be accounted for in other funds. Primary sources of revenue are privilege taxes, property taxes, state and county shared revenues, licenses and permits and charges for administrative services from other funds. Principal expenditures are for general government, police and fire protection and culture and recreation.

The streets and open space fund is used to account for the additional 1% privilege and use tax which is limited to street improvements and maintenance and/or open space acquisition. The funding source will sunset in December 2015.

The capital improvement fund accumulates resources for the purchase of land or buildings, improvements to city owned properties, grant matches, public safety projects and equipment purchases, economic development activities and other capital projects as determined by the City Council. Excess general fund revenues and the proceeds from the sale of nonessential general fund real property are used to finance the activity.

The City of Prescott debt service fund accounts for the accumulation of resources and payment of principal and interest on general obligation and special assessment debt.

The Community Facilities District debt service fund accounts for the special assessments of the districts and the principal and interest expenditures of debt issued by the district.

Additionally, the City reports nonmajor funds within the governmental fund category.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by capital improvement funds, proprietary funds and trust funds).

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The City reports five of its seven enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, sewer, golf course, airport, and sanitation facilities. Furthermore, the City has two nonmajor funds, the regional transfer station and parking garage. The parking garage has had no activity during the year, therefore the nonmajor fund information presented for the proprietary funds consists of the activity of the regional transfer station. These funds are entirely or predominately self-supported through user charges to the customer.

Additionally, the City reports the following fund types:

Internal Service – This fund accounts for services and commodities furnished by one department or agency to other departments and agencies of the City on a cost reimbursement basis. These consist of central garage, general self-insurance, workers' compensation, engineering services and facilities maintenance.

Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the City's own programs. The City reports the employee benefits trust fund and an agency fund that accounts for Yavapai County Justice Court activities as fiduciary funds.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements, proprietary funds financial statements and fiduciary fund financial statements are presented on the *full accrual* basis of accounting with an *economic resource* measurement focus. The agency fund statements do not have a measurement focus. An economic resource focus concentrates on an entity's or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between economic resource management focus and full accrual accounting, a current financial resource management focus is inseparable from a modified accrual basis of accounting. Under modified accrual 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

A deferred revenue liability arises in the governmental funds balance sheet when potential revenue does not meet either the *measurable* and *available* criteria for recognition in the current period. In the government-wide statement of net assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to incurring the qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as

expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental activities column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods and services, or privileges provided and fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. 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 City has elected not to follow subsequent private -sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer, sanitation, regional transfer station, airport, golf course and parking garage (when completed) are charges to customers for sales and services. The water and sewer funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds apply the accrual basis of accounting, but do not have a measurement focus.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Funds are invested primarily with the Arizona State Treasurer's Local Government Investment Pool, securities of the U.S. government, agencies of the U.S. government, and other investments. Investments are stated at fair value. The reported value of the pool is the same as the face value of the pool shares less a reserve for possible loss on investment.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts and property tax receivables are shown net of an allowance for uncollectibles.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Yavapai County Assessor. Levies are due and payable in two installments, on September 1 and March 1 and become delinquent on the first business day of

November and May, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Yavapai County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent.

Property taxes levied for the current operation and maintenance expenses on residential property are limited to one percent of the primary full cash value of such property. In addition, taxes levied for the current operation and maintenance expenses on all types of property are limited to a maximum increase of two percent over the prior year's levy, adjusted for new construction and annexations.

Property taxes levied to pay principal and interest on bonded indebtedness are not limited.

G. Inventories

Inventories in the enterprise funds are valued at cost using a first-in, first-out (FIFO) basis and charged to expense as used.

H. Restricted Assets

Assets whose use is restricted for construction, debt service or any other agreement are segregated on the government-wide statement of net assets and the proprietary fund statement of net assets.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, curbs and gutters, streets and sidewalks etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures when purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. Additions or improvements and other capital outlay that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net assets and is provided on the straight-line basis, less substantiated salvage value if any, over the following estimated useful lives:

Buildings and structures	40 years
Improvements other than buildings	40 years
Machinery and equipment	5-10 years
Infrastructure	20 years

Depreciation on property, plant, and equipment acquired by intergovernmental grants restricted to capital acquisitions is recognized through current operating expenses. Amortization on assets being lease/purchased is included with depreciation. Gains or losses from sales or retirements of capital assets are included in operations of the current period in the government-wide and proprietary financial statements.

J. Compensated Absences

The City's personnel ordinance provides full-time employees with vacation and sick leave.

Vacation Leave - All permanent full-time employees of the City are entitled to 12 days of vacation each year during the first three years of service increasing to 15 days for three to ten years of service, 18 days for ten to fifteen years of service, and 20 days for fifteen or more years of service. Vacation can be carried over from year to year with a maximum of 25 days vacation time to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated (vested) vacation time. The total amount of vested vacation leave at June

30, 2005, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General fund	\$ 774,948	\$ 504,651	\$ 1,279,599
Highway user	53,336	-	53,336
Other	84,312	34,805	119,117
Total governmental	<u>912,596</u>	<u>539,456</u>	<u>1,452,052</u>
Business-type activities:			
Water	63,344	24,377	87,721
Sewer	55,821	23,307	79,128
Golf course	22,145	14,093	36,238
Airport	18,036	9,304	27,340
Sanitation	28,940	17,432	46,372
Regional transfer station	10,756	4,519	15,275
Total business-type	<u>199,042</u>	<u>93,032</u>	<u>292,074</u>
Total vested	<u>\$ 1,111,638</u>	<u>\$ 632,488</u>	<u>\$ 1,744,126</u>

In determining the current portion, the assumption was made that each employee would take the annual allotted accrual during the next year (12 days each year during the first three years, etc.) or the amount of vacation accrual as of June 30, 2005, whichever is less.

Sick Leave - City employees accumulate sick leave with full pay at the rate of one working day for each month of paid service. Employees can have unlimited accrual of sick leave time. Upon termination, an employee will be paid for 1/3 of all sick leave accrued above the number of working hours in one month, not to exceed four months. However, when an employee retires they are paid 1/2 of all sick leave and are not subject to the one-month floor. The total aggregate amount of accrued sick pay benefits, using the vesting method described above, at June 30, 2005 is as follows:

	Accrued Liability 6/30/2004	Fiscal Year 2005 Change	Accrued Liability 6/30/2005
Governmental-type activities:			
General government	\$ 1,023,776	\$ 60,225	\$ 1,084,001
Other	18,289	48,217	66,506
Total governmental activities	<u>1,042,065</u>	<u>108,442</u>	<u>1,150,507</u>
Business-type activities:			
Water	60,251	(23,414)	36,837
Sewer	40,315	8,110	48,425
Golf course	10,591	2,038	12,629
Airport	15,624	3,214	18,838
Sanitation	8,095	4,027	12,122
Regional transfer station	14,492	1,577	16,069
Total business-type activities	<u>149,368</u>	<u>(4,448)</u>	<u>144,920</u>
Total accrued sick pay	<u>\$ 1,191,433</u>	<u>\$ 103,994</u>	<u>\$ 1,295,427</u>

The current portion of the sick leave above is not reflected because the events which would trigger a sick leave payment are not known with any degree of accuracy. The current portion of this liability is not

material to the activities reflected above. In addition, GAAP prohibits the recognition of a liability for sick leave to be taken on account of illness. Rather than reflect a current portion which might end up being used to pay for illness, the City elected to show only the long-term portion of sick leave.

K. Long-Term Debt

In the government-wide financial statements, and 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 type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and shown as other financing uses.

In the fund financial statements, governmental funds 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 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.

L. Fund Equity

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

M. Employee Pension Plans

The City of Prescott's permanent full-time employees belong to statewide government retirement systems. The police and fire personnel, except clerical and other support services, belong to the Arizona Public Safety Personnel Retirement System, which is an agent, multiple-employer public employee retirement plan. All other covered employees belong to the Arizona State Retirement System, which is a cost-sharing, multiple-employer retirement plan.

N. Use of Estimates

In preparing the City of Prescott's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Reclassification of Certain Amounts

Certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Council formally adopts the budget and legally allocates, or appropriates available monies for the general fund, special revenue funds, debt service funds (except for CFD's), capital projects funds, enterprise funds and internal service funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- The miscellaneous gift trust fund and the permanent fund have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds.

- Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1 of each year. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings on the budget are held each year in accordance with legal requirements in order to obtain citizen comments.
- State law requires that on, or before, the third Monday in July of each fiscal year, the City Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget must also be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August.
- The level of control for each legally adopted annual budget is at the department level. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City Manager may transfer any unencumbered appropriation from one expenditure category to another within a department. Only the Council may transfer any unencumbered appropriation balance, or portion thereof, from one department to another.
- Formal budgetary integration is employed as a management control device through line item levels during the fiscal year for the general, special revenue, debt service, capital projects, enterprise and internal service funds. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) with the major differences being: 1) accrued compensated absences are not recognized as expenditures for budgetary purposes, 2) capital outlays for proprietary funds are treated as expenditures, 3) debt service principal payments are treated as expenditures for proprietary funds, 4) capital grants in enterprise funds are budgeted as revenue, and 5) depreciation is not budgeted as an expenditure.

All appropriations and encumbrances unexpended at year-end lapse and are not available in the following year. Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Prescott City Charter. There was one amendment to the budget after final adoption; resulting in the following appropriation transfers:

To:	From:	Amount
Transient occupancy tax	Water fund	\$ 250,000
Debt service	Water fund	6,500
Self-Insurance	Water fund	275,000
Golf course	Water fund	800,000
City council	Police department	25,000
City manager	Police department	20,000
Finance & information technology	Police department	35,000
Total appropriation transfers		<u>\$ 1,411,500</u>

B. Budget Basis of Accounting

The City of Prescott's budget is adopted on a basis other than generally accepted accounting principles. The results of operations which provide a meaningful comparison of actual results with the budget are presented in the fund financial statements - statement of revenues, expenditures and changes in fund balances - budget and actual - for the general fund and major special revenue funds.

C. Excess of Budgeted Expenditures over Budgeted Revenue and Other Financial Sources

The following are the funds in which expenditures were budgeted to exceed revenues, as well as the anticipated amount of their respective fund balance surplus that would be needed to balance the

budget compared to actual:

		<u>Budgeted</u>		<u>Actual</u>	
Special	Highway user	382,008	deficit	395,589	surplus
Revenue	Streets and open space	7,422,030	deficit	3,536,294	surplus
Funds	Capital improvement	13,330,285	deficit	5,072,255	deficit
	Transient lodging	662,074	deficit	12,400	deficit
	Impact fees	416,802	deficit	980,096	surplus
Debt Service	City of Prescott	7,150	deficit	47,840	surplus
Capital Projects					
Funds	Lakes purchase	1,232,000	deficit	1,229,160	deficit
Enterprise	Water	14,485,489	deficit	7,697,469	deficit
Funds	Sewer	4,075,621	deficit	544,348	deficit
	Airport	4,605,556	deficit	104,078	surplus
	Golf Course	1,062,050	deficit	195,551	deficit
	Sanitation	592,983	deficit	386,321	surplus

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except for a portion of the Municipal Property Corporation and Community Facilities Districts Funds which have investments held separately by a trustee.

Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$129,372 and the bank balance was \$2,093,400. The 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, 2005, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, 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 arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of seven years or less. While the portfolio is managed to achieve a two-year dollar weighted maturity, the maximum dollar weighted average maturity authorized by the investment policy is four years. As reflected below, the modified duration of the City's investment portfolio on June 30, 2005 was 1.28, or slightly more than fifteen months.

Credit Risk

The City is authorized by City Code, resolution and Trust Agreements to invest idle funds in obligations of the United States Government or its agencies, collateralized mortgage obligations and pass-through securities, federally insured certificates of deposit in eligible depositories, fully collateralized repurchase agreements, mutual funds consisting of the foregoing and the State Treasurer's Local Government Investment Pool.

Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five-percent (5%) of the City's investments are in collateralized mortgage obligations, mortgage pass through obligations and the State Treasurer's Local Government Investment Pool. These investments represent 52%, 12% and 7% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2005 are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
State Treasurer's pool	\$ 4,622,642	0.00
U.S. agencies	17,432,891	1.00
U.S. Government Mutual Fund	2,301,513	0.00
U.S. agency collateralized mortgage obligations (CMO's)	35,259,563	1.36
U.S. agency mortgage pass through obligations	8,470,738	2.05
Total fair value	<u>\$ 68,087,346</u>	
Portfolio modified duration		1.28

B. Receivables and Deferred Revenue

Receivables at year-end for the City's major governmental funds and nonmajor governmental funds in the aggregate, net of applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Streets and Open Space</u>	<u>City of Prescott Debt Service</u>	<u>Community Facilities Districts Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Accounts (net)	\$ 2,418,740	\$ 1,209,148	\$ -	\$ -	\$ 36,187	\$ 3,664,075
Interest	27,309				2,294	29,603
Property taxes	45,354	-	73,286	-	-	118,640
Special assessments	-	-	3,362,388	5,997,408	-	9,359,796
Intergovernmental	499,747	-	-	-	1,367,564	1,867,311
Total	<u>\$ 2,991,150</u>	<u>\$ 1,209,148</u>	<u>\$ 3,435,674</u>	<u>\$ 5,997,408</u>	<u>\$ 1,406,045</u>	<u>\$ 15,039,425</u>

Receivables at year-end for the City's major enterprise funds and nonmajor enterprise funds in the aggregate, net of applicable allowances for uncollectible accounts are as follows:

	<u>Water</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Transfer Station</u>	<u>Total</u>
Accounts receivable	\$ 1,572,766	\$ 346,849	\$ 103,533	\$ 7,400	\$ 2,030,548
Intergovernmental	-	-	192,116	-	192,116
Total	<u>\$ 1,572,766</u>	<u>\$ 346,849</u>	<u>\$ 295,649</u>	<u>\$ 7,400</u>	<u>\$ 2,222,664</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 year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General fund	\$ 37,877	\$ -
Debt service fund	45,822	-
Special assessments not yet due (debt service fund)	3,362,388	-
Community Facilities Districts assessments not yet due	5,997,408	-
Grant drawdowns prior to meeting eligibility requirements	-	268,080
Total	<u>\$ 9,443,495</u>	<u>\$ 268,080</u>

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2005 was as follows:

Description	Beginning			Ending Balance
	Balance	Increases	Decreases	
Land and construction in progress	\$ 49,142,127	\$ 10,832,263	\$ 400	\$ 59,973,990
Total non-depreciable	49,142,127	10,832,263	400	59,973,990
Buildings	14,240,578	7,701,078	-	21,941,656
Improvements other than buildings	25,875,440	2,141,026	-	28,016,466
Machinery and equipment	13,303,820	2,130,433	136,617	15,297,636
Infrastructure	136,736,290	-	-	136,736,290
Total depreciable	190,156,128	11,972,537	136,617	201,992,048
Accumulated depreciation				
Buildings	(5,761,314)	(362,908)	-	(6,124,222)
Improvements other than buildings	(3,963,658)	(761,770)	-	(4,725,428)
Machinery and equipment	(8,792,174)	(1,096,813)	(112,989)	(9,775,998)
Infrastructure	(33,109,360)	(6,851,688)	-	(39,961,048)
Total accumulated depreciation	(51,626,506)	(9,073,179)	(112,989)	(60,586,696)
Governmental activities capital assets, net	<u>\$ 187,671,749</u>	<u>\$ 13,731,621</u>	<u>\$ 24,028</u>	<u>\$ 201,379,342</u>

Depreciation expense for governmental activities reported in the statement of activities is charged to functions as follows:

General government	\$ 650,355
Community services	95,980
Culture and recreation	572,684
Public safety - police	295,028
Public safety - fire	301,609
Public works	7,157,523
Total depreciation for governmental activities	<u>\$ 9,073,179</u>

Capital asset activity for business-type activities for the year ended June 30, 2005 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and Construction in process	\$ 5,654,939	\$ 23,027,786	\$ -	\$ 28,682,725
Total non-depreciable	5,654,939	23,027,786	-	28,682,725
Buildings	12,706,960	578,862	-	13,285,822
Improvements other than buildings	159,365,427	5,711,735	-	165,077,162
Machinery and equipment	12,552,135	1,293,075	450,000	13,395,210
Total depreciable	184,624,522	7,583,672	450,000	191,758,194
Accumulated depreciation				
Buildings	(5,382,754)	(330,834)	-	(5,713,588)
Improvements other than buildings	(45,569,250)	(3,775,384)	-	(49,344,634)
Machinery and equipment	(9,015,677)	(845,156)	(270,000)	(9,590,833)
Total accumulated depreciation	(59,967,681)	(4,951,374)	(270,000)	(64,649,055)
Business-type activities				
capital assets, net	\$ 130,311,780	\$ 25,660,084	\$ 180,000	\$ 155,791,864

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 1,675,705
Sewer	1,664,423
Golf course	3,086
Airport	931,284
Sanitation	358,568
Transfer Station	190,591
Total depreciation for business-type activities	<u>\$ 4,823,657</u>

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables have primarily been recorded when funds overdraw their share of pooled cash. In 2004, the airport fund borrowed \$112,124 from the general fund to acquire a new mower; and, the golf course fund borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant concession. In 2003, the sewer fund borrowed \$2,602,412 from the general fund to facilitate the early retirement of Municipal Properties Corporation bonds. In 1999, the water fund loaned the internal service self-insurance fund money to cover a large claim. The composition of interfund balances as of June 30, 2005 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 3,194,603	\$ -
Nonmajor fund - grants	-	649,272
Nonmajor fund - lakes		314,319
Major enterprise funds:		
Water	1,275,000	-
Golf course	-	493,132
Airport	-	79,087
Sewer	-	1,623,134
Internal service funds		
Facilities Maintenance		35,659
Self-insurance	-	1,275,000
Total	<u>\$ 4,469,603</u>	<u>\$ 4,469,603</u>

Of the \$79,087 amount due to the general fund from the airport fund, \$27,686 represents the annual amount to be paid within one year, the balance, \$51,401 will be paid off in full in 2008.

Of the \$493,132 amount due to the general fund from the golf course fund, \$486,647 represents the annual amount to be paid within one year, the balance, \$10,285 will be paid off in full in 2007.

Of the \$1,623,134 amount due to the general fund from the sewer fund, \$519,659 represents the annual amount to be paid within one year, the balance, \$1,103,475 will be paid off in full in 2008.

Of the \$1,275,000 amount due to the water fund from the self-insurance fund, \$125,000 represents annual amount to be paid within one year, the balance, \$1,150,000 will be paid off in full in 2015.

The remaining amounts represent deficit cash positions in funds which are anticipate to be paid during the upcoming year.

Transfers are used to fund capital projects, reallocate special revenue funds to operating divisions and to cover the City's share of grants.

Transfers as of June 30, 2005 were as follows:

Transfers Out		Transfers In	
From:		To:	
<hr/>		<hr/>	
General	<u>\$ 3,523,281</u>	General	<u>\$ 30,000</u>
Major special revenue		Major special revenue	
Capital improvement	350,377	Streets & open space	300,000
Streets & open space	359,410	Capital improvement	3,364,823
Nonmajor special revenue	304,679	Nonmajor special revenue	162,047
Total special revenue	<u>1,014,466</u>	Total special revenue	<u>3,826,870</u>
		Enterprise	
Total	<u><u>\$ 4,537,747</u></u>	Airport	350,377
		Total enterprise	<u>350,377</u>
		Internal Service	
		Central Garage	330,500
		Total internal service	<u>330,500</u>
		Total	<u><u>\$ 4,537,747</u></u>

E. Leases

Capital Leases

The City has entered into several lease/purchase contracts for purchase of equipment and other improvements. These are included as notes payable in the accompanying financial statements. A summary of capitalized assets is as follows:

	<u>Machinery and Equipment</u>
Business-type activities	
Water	\$ 3,478,214
Golf course	2,334,246
Airport	5,242,655
Less accumulated amortization	<u>(2,342,398)</u>
	<u>8,712,717</u>

Following is a schedule of the future minimum lease payments under the above capital leases and the present value of net minimum lease payments at June 30, 2005:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 902,469
2007	902,469
2008	1,096,308
2009	741,153
2010	573,701
2011-2014	<u>1,516,536</u>
Total minimum lease payments	5,732,636
Less: amounts representing interest	<u>(914,181)</u>
Present value of net minimum lease payments at June 30, 2005	<u>\$ 4,818,455</u>

F. Long-Term Debt

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City, and are repaid through the City's levying of property taxes. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds were issued in 1998 to acquire Willow and Watson Lakes real property, water rights and to make improvements to the lakes and to refund \$2,395,000 in general obligation bonds issued in 1989. These fifteen (15) year term bonds were issued with an interest rate of 4.34% and a final maturity date in 2013.

The balance outstanding at June 30, 2005 was as follows:

<u>Purpose</u>	<u>Interest rate</u>	<u>Amount</u>
Governmental activities	4.34%	\$ 9,080,000
Governmental activities - refunding	4.34%	<u>1,315,000</u>
		<u>\$ 10,395,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending		
June 30,	Principal	Interest
2006	\$ 1,255,000	\$ 441,475
2007	1,315,000	391,275
2008	1,390,000	338,675
2009	1,455,000	281,685
2010	1,155,000	220,575
2011-2013	3,825,000	348,435
Total	<u>\$ 10,395,000</u>	<u>\$ 2,022,120</u>

Special Assessment Bonds and Notes

The City has established several Municipal Improvement Districts (MID's) to finance capital improvements in specific areas through the sale of special assessment bonds or a note payable. Project costs are assessed to each property owner benefiting from the improvement, with payments then used to pay debt service on the bonds or notes. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

The outstanding balance of the various improvement district bonds is reflected below:

Issue	District	Issue	Installment	Matures	Rate	6/30/2005
1997	159	\$ 250,000	\$ 25,000	1/1/2007	5.11%	\$ 50,000
1998	160	56,286	5,000	1/1/2008	6.75%	15,000
2001	161	128,030	12,107	7/1/2010	7.00%	72,640
2001	162	1,920,000	110,000	9/1/2015	5.10%	1,425,000
2001	163	2,470,000	175,000	2/1/2016	4.60%	1,750,000
2004	164	95,840	5,044	1/1/2022	2.54%	85,752
						<u>\$ 3,398,392</u>

Annual debt service requirements to maturity for special assessment bonds and notes in the City's governmental activities are as follows:

Year Ending		
June 30,	Principal	Interest
2006	\$ 332,151	\$ 155,627
2007	342,151	139,052
2008	322,151	123,054
2009	322,150	107,365
2010	332,151	91,464
2011-2015	1,712,328	213,574
2016-2020	25,221	3,650
2021-2022	10,089	389
Total	<u>\$ 3,398,392</u>	<u>\$ 834,175</u>

Community Facilities District Bonds:

Community Facilities District bonds are issued by Community Facilities Districts (CFD), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. Assessments are levied against property owners in the district to pay all the costs of the district. The City has no liability for Community Facilities District bonds. The following districts have been established and have issued bonds:

- Hassayampa CFD Number 1, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July, 2021. The balance of these bonds at June 30, 2005 was \$5,435,000.
- Hassayampa CFD Number 2, \$1,240,000 special assessment lien bonds issued on February 1, 2000, the bonds carry an interest rate of 7.5% with a final maturity in July, 2024. The balance of these bonds at June 30, 2005 was \$835,000.

Annual debt service requirements to maturity for Community Facilities District Bonds are as follows:

Year Ending	Principal	Interest
June 30,		
2006	\$ 205,000	\$ 483,837
2007	220,000	468,000
2008	235,000	451,013
2009	255,000	432,862
2010	275,000	413,163
2011-2015	1,730,000	1,713,200
2016-2020	2,510,000	933,013
2021-2024	840,000	97,775
Total	<u>\$ 6,270,000</u>	<u>\$ 4,992,863</u>

Municipal Property Corporation Bonds:

The Municipal Property Corporation (MPC) is a non-profit corporation created by the City to finance construction or acquisition of municipal buildings and improvements on land owned by the City. The MPC issues its own bonds. Under various agreements, the City makes lease payments, which approximate the amount of debt service payable by the corporation.

The City has collateralized the contracts payable to the corporation by:

- a first lien pledge of all excise, transaction privilege and franchise taxes collected by the City, and
- a pledge of all net revenues derived by the City's water and sewer system and/or golf course which remain after payment of necessary operation and maintenance expenses of the systems and all financial requirements of all present and future water and sewer revenue bonds of the City, and
- the building, equipment and/or machinery.

The MPC retains legal title to the properties until the contracts with the City are paid in full. The City has sole right to the use of the facilities and is responsible for all operating and maintenance costs.

The MPC has issued the following bonds:

During 1993, series 1993E refunding bonds were issued in the amount of \$4,535,000. These seventeen (17)

year term bonds were issued with an interest rate of 4.995% and a final maturity date in 2010. The outstanding balance of these bonds was refunded during the year with the proceeds from the series 2004G issue below.

During 1998, series 1998F bonds were issued in the amount of \$6,160,000 for the purpose of paying the cost of construction of three water tanks for the City and upgrades to the airport wastewater treatment plant. These twenty (20) year term bonds were issued with an interest rate of 4.69% and a final maturity date in 2018.

In December 2004, series 2004G bonds were issued in the amount of \$16,875,000. \$12,525,000 of this amount was issued to acquire the City's portion of the JWK Ranch, this portion of the issue matures in thirty (30) years and was issued with an interest rate of 4.62% and a final maturity date in 2034. The remaining portion, \$4,350,000 represents refunding bonds issued to refund the series 1993E issue above. This portion of the issue matures in 2010 and was issued with an interest rate of 2.92%. This refunding was undertaken to reduce the total debt service payments over the next five years by \$188,894 and resulted in an economic gain of \$223,611.

Annual debt service requirements to maturity for MPC bonds are as follows:

Year Ending			
	June 30,	Principal	Interest
2006	\$ 1,305,000	\$ 910,278	
2007	1,345,000	856,702	
2008	1,405,000	817,377	
2009	1,440,000	774,390	
2010	1,295,000	727,095	
2011-2015	3,395,000	3,132,900	
2016-2020	3,200,000	2,339,888	
2021-2025	2,260,000	1,751,000	
2026-2030	2,860,000	1,155,750	
2031-2034	2,850,000	365,000	
Total	<u>\$ 21,355,000</u>	<u>\$ 12,830,380</u>	

The MPC bonds are recorded in and paid out of revenues of the following enterprise funds:

Serviced by:		Payment	Interest	Balance
Fund	Reason for Financing	Period	Rate	6/30/2005
Water	Various improvements	Semi-annual	2.92%	\$ 1,114,220
	Water tanks	Semi-annual	4.69%	1,727,648
	JWK ranch	Semi-annual	4.62%	12,525,000
				<u>15,366,868</u>
Sewer	Various improvements	Semi-annual	2.92%	682,339
	Airport WWTP upgrade	Semi-annual	4.69%	3,077,352
				<u>3,759,691</u>
Golf course	Expansion improvement	Semi-annual	2.92%	2,228,441
	Total MPC debt			<u>\$ 21,355,000</u>

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, 2005.

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 11,590,000	\$ -	\$ (1,195,000)	\$ 10,395,000	\$ 1,255,000
Special assessment	3,733,442	-	(335,050)	3,398,392	332,151
Community Facilities Districts	6,460,000	-	(190,000)	6,270,000	205,000
Total bonds payable	<u>21,783,442</u>	<u>-</u>	<u>(1,720,050)</u>	<u>20,063,392</u>	<u>1,792,151</u>
Compensated absences	1,442,004	282,838	(34,879)	1,689,963	-
Governmental activity long-term liabilities	<u>\$ 23,225,446</u>	<u>\$ 282,838</u>	<u>\$ (1,754,929)</u>	<u>\$ 21,753,355</u>	<u>\$ 1,792,151</u>
Business-type Activities:					
Bonds payable:					
Municipal Properties Corporation	\$ 9,600,000	\$ 16,875,000	\$ (5,120,000)	\$ 21,355,000	\$ 1,305,000
Lease purchase contracts	4,772,479	890,000	(844,024)	4,818,455	674,195
Landfill closure/post closure costs	1,183,396	-	(4,954)	1,178,442	40,000
Compensated absences	230,560	48,347	(40,955)	237,952	-
Business-type activity long-term liabilities	<u>\$ 15,786,435</u>	<u>\$ 17,813,347</u>	<u>\$ (6,009,933)</u>	<u>\$ 27,589,849</u>	<u>\$ 2,019,195</u>

Details of other obligations (contracts, installment notes, and compensated absences payable) as of June 30, 2005 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type (Note A Below)	Balance 6/30/2005
<u>Governmental-type Activities</u>					
Fund	Compensated absences			Payable	\$ 1,689,963
	Total Governmental-type				<u>1,689,963</u>
<u>Business-type Activities</u>					
Water Fund	Water rights	Semi-annual	5.00%	Lease/purchase	158,643
	Compensated absences			Payable	61,214
	Total water fund				<u>219,857</u>
Sewer Fund	Compensated absences			Payable	<u>71,732</u>
Golf Course Fund	Golf course irrigation sys.	Monthly	4.64%	Lease/purchase	538,765
	Golf carts	Monthly	4.08%	Lease/purchase	484,922
	Golf Equipment/improvements	Monthly	4.80%	Lease/purchase	378,239
	Compensated absences			Payable	26,722
	Total golf course fund				<u>1,428,648</u>
Airport Fund	T-hangars	Quarterly	6.35%	Lease/purchase	339,836
	Fuel farm	Quarterly	5.35%	Lease/purchase	284,994
	Commercial hangar	Quarterly	7.55%	Lease/purchase	327,194
	T-hangars	Quarterly	4.99%	Lease/purchase	503,597
	T-hangars and taxilane	Monthly	4.84%	Lease/purchase	1,606,976
	Hangar design	Monthly	4.84%	Lease/purchase	195,289
	Compensated absences			Payable	28,142
	Total airport fund				<u>3,286,028</u>
Sanitation Fund	Landfill closure/postclosure costs			Payable	1,178,442
	Compensated absences			Payable	29,554
					<u>1,207,996</u>
Transfer Station Fund	Compensated absences			Payable	<u>20,588</u>
	Total Business-type				<u>6,234,849</u>
	Total other obligations				<u>\$ 7,924,812</u>

Due to restrictions by state statute, funds for lease/purchase agreements are appropriated on a year-by-year basis. The agreements are written as a series of renewable one-year contracts beginning July 1 and ending June 30 of each fiscal year. The City, when initially entering into these contracts, has every intention of honoring the full term of the agreement. Thus, this amount represents the recognition of the total remaining contracted liability in compliance with generally accepted accounting principles, while not actually being a legal obligation at June 30, 2005. The lease/purchases of the City are generally received from a third party financing company and are secured by liens on the items purchased.

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$101,310 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

The annual debt requirements until maturity for all long-term debt are provided below:

Annual Requirements to Amortize All Long-Term Debt

June 30, 2005

(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,255	\$ 441	\$ 332	\$ 156	\$ 205	\$ 484
2007	1,315	391	342	139	220	468
2008	1,390	339	322	123	235	451
2009	1,455	282	322	107	255	433
2010	1,155	221	332	91	275	413
2011-2015	3,825	348	1,713	214	1,730	1,713
2016-2020	-	-	25	4	2,510	933
2021-2025	-	-	10	-	840	98
Total	<u>\$ 10,395</u>	<u>\$ 2,022</u>	<u>\$ 3,398</u>	<u>\$ 834</u>	<u>\$ 6,270</u>	<u>\$ 4,993</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,305	\$ 910	\$ 810	\$ 228	\$ 3,907	\$ 2,219
2007	1,345	857	844	195	4,066	2,050
2008	1,405	817	1,074	158	4,426	1,888
2009	1,440	774	762	116	4,234	1,712
2010	1,295	727	623	88	3,680	1,540
2011-2015	3,395	3,133	2,071	129	12,734	5,537
2016-2020	3,200	2,340	682	-	6,417	3,277
2021-2025	2,260	1,751	682	-	3,792	1,849
2026-2030	2,860	1,156	200	-	3,060	1,156
2030-2034	2,850	365	177	-	3,027	365
Total	<u>\$ 21,355</u>	<u>\$ 12,830</u>	<u>\$ 7,925</u>	<u>\$ 914</u>	<u>\$ 49,343</u>	<u>\$ 21,593</u>

Legal Debt Margins

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, lighting, parks, open space and recreational purposes may not exceed 20% of a City's net secondary assessed valuation. Outstanding general obligation bonded debt for other general municipal purposes may not exceed 6% of a City's net secondary assessed valuation. As of June 30, 2005, the City is well within its debt limits, having \$80.4 million in borrowing capacity in the 20% category, and \$25.6 million in borrowing capacity in the 6% category.

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management activities are recorded in the general self-insurance and workers' compensation internal service funds. The purpose of these funds is to administer the City's property liability and workers' compensation insurance programs on a cost reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

Under this program, the funds provide coverage for up to a maximum of \$500,000 for each worker's compensation claim and \$500,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss.

Significant losses are covered by commercial insurance. There have been no other significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The City records an estimated liability for indemnity based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses), and an estimate for claims incurred but not reported (IBNRs) based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage, or subrogation. Workers' compensation unpaid claims liabilities are discounted at 6 percent.

Unpaid Claims Liabilities

The claims liability of \$1,702,978 for general self-insurance and \$579,527 for workers' compensation reported in the funds at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The following represents the changes in approximate aggregate liabilities for the City from June 30, 2003 to June 30, 2005:

	General Self-Insurance	Workers' Compensation
Liability balance, June 30, 2003	\$ 747,882	\$ 407,795
Claims and changes in estimates	228,756	445,625
Claims payments	(105,963)	(290,465)
Liability balance, June 30, 2004	<u>870,675</u>	<u>562,955</u>
Claims and changes in estimates	996,906	335,963
Claims payments	(164,603)	(319,391)
Liability balance, June 30, 2005	<u><u>\$ 1,702,978</u></u>	<u><u>\$ 579,527</u></u>

The entire amount shown above is due within one year and classified as a current liability.

H. Litigation

The City is a defendant in several lawsuits. The City Attorney estimates that any potential claims against the City not covered by insurance resulting from such lawsuits would not materially affect the financial position of the City.

In management's opinion, all other claims or litigation pending at June 30, 2005, which could have a significant effect on the financial position of the City have been provided for in the accounts.

I. Contingent Liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Management intends to vigorously contest these matters and does not believe their ultimate resolution will have a material effect upon the City's financial position, results of operations or cash flows.

The City's economic development department has several negotiations in progress that could result in future liabilities to the City.

The City participates in a number of Federal and State assisted grant programs that are subject to financial and compliance audits. Audits for these programs may be conducted at a future date, and the City expects the amount, if any, of the expenditures that may be disallowed by the granting agency to be immaterial.

J. Intergovernmental Agreements

The City's sanitation enterprise fund (City) has entered into an agreement with Yavapai County (County) to provide a regional transfer station and land for the possible future development of a regional landfill. The City and County agreed to participate financially in this enterprise 65% and 35%, respectively. The transfer station was constructed with proceeds from a lease/purchase agreement, which is scheduled to be repaid through user fees.

The only contributions from the County have been for the purchase of the land for a possible future landfill. The City has total responsibility for operating the enterprise and all profits will be used to retire debt and fund future expansions with any losses being shared by the City and County based on the above percentages.

The City has an agreement with the Town of Prescott Valley to share costs for development of groundwater located on the Big Chino Water Ranch for municipal supply purposes. During the year, the City acquired 4,500 deeded acres, along with a leasehold interest in 2,000 acres of state land. A conservation easement on the balance of the Ranch acreage, will preclude development of that property and eliminate the associated groundwater demand.

Through this purchase, the City will implement the right, granted by ARS 45-555, to transport groundwater from the Big Chino basin into the Prescott Active Management Area (AMA). The amount anticipated to be pumped consists of 8,717 acre-feet per year, plus up to 4,500 acre-feet per year corresponding to the retirement of approximately 1,500 acres of historically irrigated land within the Ranch property acquired. The intergovernmental agreement (IGA) with the Town of Prescott Valley provides for sharing of the 8,717 acre-feet per year, 4,717 acre-feet/year to the City (54.1%), and 4,000 acre-feet per year to the Town (45.9%). The estimated 4,500 acre-feet per year balance from conversion of historically irrigated lands is to be held in reserve to mitigate the effects of groundwater pumping, should any occur necessitating such action and/or for contributing to achieving safe-yield in the little Chino aquifer located within the AMA. The IGA further provides for prorated sharing of acquisition, production, and transport costs by the parties. Development of the well field, transmission lines, and other infrastructure is estimated at an additional \$75 million. The target date for delivery of water from the Big Chino Water Ranch is 2009.

K. Retirement and Pension Plans

Plan Descriptions:

The City contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The Arizona Public Safety Personnel Retirement System (PSPRS) is 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 PSPRS, 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 A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS	PSPRS
3300 North Central Phoenix, AZ 85012-0250 (800)621-3778	3010 East Camelback Road Suite 200 Phoenix, Arizona 85016 (602)255-5575

Funding Policy:

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate.

Cost-sharing plan - For the year ended June 30, 2005, active ASRS members and the City were each required to contribute at the actuarially determined rate of 5.7% (5.20% retirement and .50% long-term disability) of members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2005, 2004 and 2003 were \$869,523, \$788,075 and \$322,423, respectively, which were equal to the required contributions for the years.

Agent plans - For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 20.99% for police and 16.60% for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2005 (the date of the most recent actuarial valuation) and related information follow.

	PSPRS
Contributions rates	
Police	20.99%
Fire	16.60%
Annual pension cost	
Police	\$558,343
Fire	\$433,037
Contributions made	
Police	\$558,343
Fire	\$433,037
Actuarial valuation date	06/30/05
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Smoothed market value
Actuarial assumptions	
Investment rate of return	8.50%
Projected salary increases (includes inflation at 5.00%)	6.00% - 9.00%
Cost-of living adjustments	None

Trend Information:

Information for the agent plans as of the most recent actuarial valuations follows.

<u>Fiscal Year Ended June 30.</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police			
2003	\$363,813	100%	\$ 0
2004	511,883	100%	0
2005	558,343	100%	0
Fire			
2003	\$152,262	100%	\$ 0
2004	273,701	100%	0
2005	433,037	100%	0

L. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations required the City to place a final cover on its Sundog Ranch Road landfill site when it stopped accepting waste in 1999; additionally, the City is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City stopped receiving waste at its landfill and received a small landfill exemption from the EPA in fiscal year 1998 and started installing the final cover in fiscal year 1999. The final phase of the landfill closure was completed during the year. The \$1,178,442 reported in the sanitation enterprise fund as landfill closure and postclosure care liability at June 30, 2005, represents the total amount of estimated cost of closure and postclosure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

The postclosure care costs are paid for by landfill closure surcharge fees imposed on each sanitation user.

M. Commitments and Future Obligations

The City has entered into several agreements whereby it will reimburse businesses for development fees or the construction costs of certain public infrastructure improvements. The City does not become liable for the reimbursements until construction is complete. The funding source for the reimbursements will come from new tax revenues generated by the businesses. The City's maximum liability under these agreements is \$14 million.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of Funding Progress
Arizona Public Safety Personnel Retirement System
 For the year ended June 30, 2005

An analysis of funding progress for each of the Arizona Public Safety Personnel Retirement System agent plans as of the most recent actuarial valuation follows.

Valuation Date <u>June 30,</u>	(1) Actuarial Value of <u>Assets</u>	(2) Entry Age Actuarial Accrued Liability <u>(AAL)</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded AAL <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Unfunded AAL as a Percentage of Covered Payroll <u>(4)/(5)</u>
Police						
2000	\$12,316,797	\$ 13,343,251	92.3%	\$1,026,454	\$2,520,629	40.7%
2001	13,465,721	13,511,273	99.7	45,552	2,699,456	1.7
2002	13,387,130	15,476,798	86.5	2,089,668	2,929,780	71.3
2003	13,421,537	17,507,107	76.7	4,085,570	3,224,009	126.7
2004	13,166,987	18,892,985	69.7	5,725,998	2,985,970	191.8
2005	13,093,401	22,734,128	57.6	9,640,727	3,256,530	296.0
Fire						
2000	\$16,609,612	\$ 14,651,380	113.4%	\$(1,958,232)	\$2,401,863	- %
2001	18,089,763	14,630,633	123.6	(3,459,130)	2,755,856	-
2002	18,204,580	16,956,679	107.4	(1,247,901)	2,987,622	-
2003	18,500,014	19,967,900	92.6	1,467,886	2,727,989	53.8
2004	18,403,108	22,002,449	83.6	3,599,341	2,922,346	123.2
2005	18,547,038	25,301,003	73.3	6,753,965	3,165,228	213.4

COMBINING STATEMENTS

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. These funds are usually required by statute, charter provision or ordinance to finance particular functions or activities. The nonmajor special revenue funds of the City of Prescott are listed below.

Highway User Fund

This fund is used to account for the operation of the street maintenance department. Financing is provided by the City's share of state gasoline taxes.

Transient Lodging Tax Fund

This fund receives and expends tax revenues charged on transient lodging activity within the City. Revenues are to be used for the promotion of tourism and development of recreational facilities within the City.

Grant Funds

This represents a group of funds, which expends grant monies received by the City for various projects. Grant funds must be used for the stated purpose of the grant and must meet grantor expenditure guidelines.

Impact Fees Fund

This fund is used to account for impact fees charged to new residential construction to cover the cost of new capital facilities required to serve this new development.

Miscellaneous Gift Trust

This fund accounts for miscellaneous gifts and donations to the City.

CAPITAL PROJECTS FUNDS

Capital projects funds are established to account for the purchase or construction of major capital facilities other than those financed by proprietary funds or trust funds. The City of Prescott has the following nonmajor capital projects funds:

Lakes Purchase Fund

This fund is used to account for the purchase of Willow and Watson Lakes, which was financed with a general obligation bond, approved by the voters.

Community Facilities District Fund

This fund is used to account for the expenditures of debt issued by the Community Facilities Districts.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Acker Trust

Accounts for the assets willed to the City by J.S. Acker. Revenue from investments and land sales are to be expended for cultural and recreational purposes only.

CITY OF PRESCOTT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Capital Projects Funds		Permanent Fund	Total
	Highway User	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	Lakes Purchase	Community Facilities Districts	Acker Trust	Nonmajor Governmental Funds
ASSETS									
Cash and short-term investments	\$ 807,200	\$ 546,755	\$ -	\$ 4,937,312	\$ 209,670	\$ -	\$ 210,660	\$ 530,239	\$ 7,241,836
Accounts receivable	-	36,187	-	-	-	-	-	-	36,187
Intergovernmental receivables	317,248	-	1,050,316	-	-	-	-	-	1,367,564
Interest receivable	-	-	-	-	-	2,294	-	-	2,294
Total assets	<u>\$ 1,124,448</u>	<u>\$ 582,942</u>	<u>\$ 1,050,316</u>	<u>\$ 4,937,312</u>	<u>\$ 209,670</u>	<u>\$ 2,294</u>	<u>\$ 210,660</u>	<u>\$ 530,239</u>	<u>\$ 8,647,881</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 181,429	\$ 97,876	\$ 89,333	\$ 19,268	\$ 529	\$ 778	\$ -	\$ -	\$ 389,213
Accrued payroll	64,408	403	16,486	-	-	-	-	-	81,297
Compensated absences	53,336	-	-	-	-	-	-	-	53,336
Interfund payable	-	-	649,272	-	-	314,319	-	-	963,591
Unearned revenue	-	-	268,080	-	-	-	-	-	268,080
Total liabilities	<u>299,173</u>	<u>98,279</u>	<u>1,023,171</u>	<u>19,268</u>	<u>529</u>	<u>315,097</u>	<u>-</u>	<u>-</u>	<u>1,755,517</u>
Fund Balances									
Fund balance:									
Reserved for:									
Dedicated purposes								530,239	530,239
Unreserved, reported in:									
Special revenue fund	825,275	484,663	27,145	4,918,044	209,141	-	-	-	6,464,268
Capital projects fund		-	-	-	-	(312,803)	210,660	-	(102,143)
Total fund balances	<u>825,275</u>	<u>484,663</u>	<u>27,145</u>	<u>4,918,044</u>	<u>209,141</u>	<u>(312,803)</u>	<u>210,660</u>	<u>530,239</u>	<u>6,892,364</u>
Total liabilities and fund balances	<u>\$ 1,124,448</u>	<u>\$ 582,942</u>	<u>\$ 1,050,316</u>	<u>\$ 4,937,312</u>	<u>\$ 209,670</u>	<u>\$ 2,294</u>	<u>\$ 210,660</u>	<u>\$ 530,239</u>	<u>\$ 8,647,881</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2005

	Special Revenue Funds				Miscellaneous Gift Trust	Capital Projects Funds		Permanent Fund Acker Trust	Other Governmental Funds
	Highway User	Transient Lodging Tax	Grants	Impact Fees		Lakes Purchase	Community Facilities Districts		
Revenues									
Taxes	\$ -	\$ 359,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,928
Intergovernmental revenues	3,738,422	-	1,916,395	-	-	-	-	-	5,654,817
Licenses and permits	317,340	-	-	1,847,102	-	-	-	-	2,164,442
Gifts and donations	-	-	-	-	91,205	-	-	-	91,205
Interest income	17,355	13,203	3,910	141,641	141	12,235	2,309	15,198	205,992
Miscellaneous	152,668	-	-	-	-	-	-	-	152,668
Total revenues	4,225,785	373,131	1,920,305	1,988,743	91,346	12,235	2,309	15,198	8,629,052
Expenditures									
Current operating									
General government	-	-	-	-	7,110	-	-	-	7,110
Community services	-	225,859	162,797	-	-	-	-	-	388,656
Culture and recreation	-	-	35,614	-	28,057	-	-	12,705	76,376
Police and court	-	-	225,931	-	19,753	-	-	-	245,684
Fire	-	-	297,659	-	-	-	-	-	297,659
Public works	3,145,141	-	-	-	-	-	-	-	3,145,141
Capital outlay	657,154	159,672	1,344,413	733,968	-	1,241,395	8,000	-	4,144,602
Total expenditures	3,802,295	385,531	2,066,414	733,968	54,920	1,241,395	8,000	12,705	8,305,228
Excess (deficiency) of revenues over (under) expenditures	423,490	(12,400)	(146,109)	1,254,775	36,426	(1,229,160)	(5,691)	2,493	323,824
Other Financing Sources (Uses)									
Transfers in	-	-	162,047	-	-	-	-	-	162,047
Transfers out	(30,000)	-	-	(274,679)	-	-	-	-	(304,679)
Total other financing sources (uses)	(30,000)	-	162,047	(274,679)	-	-	-	-	(142,632)
Net change in fund balance	393,490	(12,400)	15,938	980,096	36,426	(1,229,160)	(5,691)	2,493	181,192
Fund balance - beginning	431,785	497,063	11,207	3,937,948	172,715	916,357	216,351	527,746	6,711,172
Fund balance - ending	\$ 825,275	\$ 484,663	\$ 27,145	\$ 4,918,044	\$ 209,141	\$ (312,803)	\$ 210,660	\$ 530,239	\$ 6,892,364

COMBINING STATEMENTS

Nonmajor Proprietary Funds

ENTERPRISE FUNDS

Regional transfer station

This fund accounts for the intergovernmental agreement between the City of Prescott and Yavapai County to provide solid waste transfer station services to the residents of the City and County.

Parking Garage

This fund accounts for the activity related to the operation of the proposed parking garage.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2005

	<u>Transfer Station</u>	<u>Totals</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 597,330	\$ 597,330
Accounts receivable (net)	7,400	7,400
Total current assets	<u>604,730</u>	<u>604,730</u>
Noncurrent Assets		
Capital Assets		
Land	898,978	898,978
Buildings	122,681	122,681
Improvements other than buildings	900,600	900,600
Machinery and equipment	428,404	428,404
Less accumulated depreciation	<u>(731,478)</u>	<u>(731,478)</u>
Total capital assets (net of accumulated depreciation)	<u>1,619,185</u>	<u>1,619,185</u>
Total noncurrent assets	<u>1,619,185</u>	<u>1,619,185</u>
Total assets	<u>2,223,915</u>	<u>2,223,915</u>
LIABILITIES		
Current Liabilities		
Accounts payable	535,965	535,965
Accrued payroll	13,903	13,903
Compensated absences	10,756	10,756
Total current liabilities	<u>560,624</u>	<u>560,624</u>
Noncurrent Liabilities		
Accrued vacation and sick pay	<u>20,588</u>	<u>20,588</u>
Total noncurrent liabilities	<u>20,588</u>	<u>20,588</u>
Total liabilities	<u>581,212</u>	<u>581,212</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,619,185	1,619,185
Unrestricted	23,518	23,518
Total net assets	<u>\$ 1,642,703</u>	<u>\$ 1,642,703</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Proprietary Funds

For the year ended June 30, 2005

	<u>Transfer</u> <u>Station</u>	<u>Totals</u>
Operating Revenues		
Tipping fees	\$ 3,768,809	\$ 3,768,809
Miscellaneous	(416)	(416)
Total operating revenues	<u>3,768,393</u>	<u>3,768,393</u>
Operating Expenses		
Personnel services	313,069	313,069
Supplies	(29,420)	(29,420)
Other services and charges	3,223,617	3,223,617
Depreciation	190,591	190,591
Total operating expenses	<u>3,697,857</u>	<u>3,697,857</u>
Operating income (loss)	<u>70,536</u>	<u>70,536</u>
Non-Operating Revenues (Expenses)		
Interest income	<u>6,483</u>	<u>6,483</u>
Total non-operating Revenues (expenses)	<u>6,483</u>	<u>6,483</u>
Income (loss) before contributions and transfers	77,019	77,019
Capital contribution	-	-
Change in net assets	<u>77,019</u>	<u>77,019</u>
Total net assets - beginning	1,565,684	1,565,684
Total net assets - ending	<u>\$ 1,642,703</u>	<u>\$ 1,642,703</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2005

	<u>Transfer</u> <u>Station</u>	<u>Totals</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,766,840	\$ 3,766,840
Cash payments to suppliers for goods and services	(2,893,973)	(2,893,973)
Cash payments to employees for services	(305,796)	(305,796)
Other operating receipts	(416)	(416)
Internal activity - payments to other funds	(60,965)	(60,965)
Net cash provided by (used for) operating activities	<u>505,690</u>	<u>505,690</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(84,221)	(84,221)
Net cash provided by (used for) capital and related financing activities	<u>(84,221)</u>	<u>(84,221)</u>
Cash flows from investing activities:		
Interest on investments	6,482	6,482
Net cash provided by (used for) investing activities	<u>6,482</u>	<u>6,482</u>
Net increase (decrease) in cash and cash equivalents	427,951	427,951
Cash and cash equivalents at July 1	169,379	169,379
Cash and cash equivalents at June 30	<u>\$ 597,330</u>	<u>\$ 597,330</u>
Reconciliation to statement of net assets		
Cash and cash equivalents at June 30, unrestricted	<u>\$ 597,330</u>	<u>\$ 597,330</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ 70,536</u>	<u>70,536</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	190,591	190,591
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,969)	(1,969)
Increase (decrease) in accounts payable	239,259	239,259
Increase (decrease) in accrued expenses	4,675	4,675
Increase (decrease) in compensated absences	1,265	1,265
Increase (decrease) in accrued vacation and sick payable	1,333	1,333
Total adjustments	<u>435,154</u>	<u>435,154</u>
Net cash provided by operating activities	<u>\$ 505,690</u>	<u>\$ 505,690</u>

CITY OF PRESCOTT, ARIZONA

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

Highway User Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Highway user revenue	\$ 3,150,561	\$ 3,150,561	\$ 3,244,735	\$ 94,174
Local transportation assistance funds	196,420	196,420	196,338	(82)
Intergovernmental contributions	156,295	156,295	297,349	141,054
Total intergovernmental revenues	<u>3,503,276</u>	<u>3,503,276</u>	<u>3,738,422</u>	<u>235,146</u>
Charges for services	226,996	226,996	317,340	90,344
Interest income	15,000	15,000	17,355	2,355
Miscellaneous	80,000	80,000	152,668	72,668
Total revenues	<u>3,825,272</u>	<u>3,825,272</u>	<u>4,225,785</u>	<u>400,513</u>
Expenditures				
Current operating				
Public works	3,396,404	3,396,404	3,143,042	253,362
Capital outlay	1,010,876	1,010,876	657,154	353,722
Total expenditures	<u>4,407,280</u>	<u>4,407,280</u>	<u>3,800,196</u>	<u>607,084</u>
Excess (deficiency) of revenues over expenditures	<u>(582,008)</u>	<u>(582,008)</u>	<u>425,589</u>	<u>1,007,597</u>
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	-	(200,000)
Transfers out	-	-	(30,000)	30,000
Total other financing sources and uses	<u>200,000</u>	<u>200,000</u>	<u>(30,000)</u>	<u>(170,000)</u>
Net change in fund balances	<u>(382,008)</u>	<u>(382,008)</u>	<u>395,589</u>	<u>837,597</u>
Fund balance - beginning	(325,575)	(325,575)	483,024	808,599
Fund balance - ending	<u>\$ (707,583)</u>	<u>\$ (707,583)</u>	<u>878,613</u>	<u>\$ 1,646,196</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Compensated absences - current year accrual			(2,096)	
Compensated absences - prior year accrual			(51,242)	
Fund balance - GAAP basis			<u>\$ 825,275</u>	

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

CITY OF PRESCOTT, ARIZONA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Transient Lodging Tax Special Revenue Fund**

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - transient lodging tax	\$ 320,000	\$ 320,000	\$ 359,928	\$ 39,928
Interest income	3,500	3,500	13,203	9,703
Gifts and donations	180,000	180,000	-	(180,000)
Total revenues	<u>503,500</u>	<u>503,500</u>	<u>373,131</u>	<u>(130,369)</u>
Expenditures				
Current operating - community services				
Other services and charges	205,000	205,000	225,859	(20,859)
Capital outlay	710,574	960,574	159,672	800,902
Total expenditures	<u>915,574</u>	<u>1,165,574</u>	<u>385,531</u>	<u>780,043</u>
Excess (deficiency) of revenues over expenditures	(412,074)	(662,074)	(12,400)	649,674
Fund balance - beginning	<u>497,062</u>	<u>497,062</u>	<u>497,062</u>	<u>-</u>
Fund balance - ending	<u>\$ 84,988</u>	<u>\$ (165,012)</u>	<u>\$ 484,662</u>	<u>\$ 649,674</u>

CITY OF PRESCOTT, ARIZONA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Grants Special Revenue Fund**

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 5,428,229	\$ 5,428,229	\$ 1,916,395	\$ (3,511,834)
Interest income	-	-	3,910	3,910
Total revenues	<u>5,428,229</u>	<u>5,428,229</u>	<u>1,920,305</u>	<u>(3,507,924)</u>
Expenditures				
Current operating - community services				
Personnel services	-	-	58,740	(58,740)
Supplies	-	-	815	(815)
Other services and charges	723,642	723,642	103,242	620,400
Total community services	<u>723,642</u>	<u>723,642</u>	<u>162,797</u>	<u>560,845</u>
Current operating - culture and recreation				
Supplies	-	-	34,254	(34,254)
Other services and charges	275,113	275,113	7,520	267,593
Total culture and recreation	<u>275,113</u>	<u>275,113</u>	<u>41,774</u>	<u>233,339</u>
Current operating - police and court				
Personnel services	145,205	145,205	114,935	30,270
Supplies	45,419	45,419	32,777	12,642
Other services and charges	101,900	101,900	78,219	23,681
Total police and court	<u>292,524</u>	<u>292,524</u>	<u>225,931</u>	<u>66,593</u>
Current operating - fire				
Personnel services	362,632	362,632	287,792	74,840
Supplies	26,500	26,500	9,191	17,309
Other services and charges	110,868	110,868	676	110,192
Total fire	<u>500,000</u>	<u>500,000</u>	<u>297,659</u>	<u>202,341</u>
Capital outlay				
Total expenditures	<u>5,916,413</u>	<u>5,916,413</u>	<u>2,072,574</u>	<u>3,843,839</u>
Excess (deficiency) of revenues over expenditures	<u>(488,184)</u>	<u>(488,184)</u>	<u>(152,269)</u>	<u>335,915</u>
Other Financing Sources (Uses)				
Transfers in	488,184	488,184	162,047	(326,137)
Total other financing sources (uses)	<u>488,184</u>	<u>488,184</u>	<u>162,047</u>	<u>(326,137)</u>
Net change in fund balances	-	-	9,778	9,778
Fund balance - beginning	12,184	12,184	12,184	-
Fund balance - ending	<u>\$ 12,184</u>	<u>\$ 12,184</u>	<u>\$ 21,962</u>	<u>\$ 9,778</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Impact Fees Special Revenue Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Licenses and permits - impact fees	\$ 1,396,400	\$ 1,396,400	\$ 1,847,102	\$ 450,702
Interest income	79,900	79,900	141,641	61,741
Total revenues	<u>1,476,300</u>	<u>1,476,300</u>	<u>1,988,743</u>	<u>512,443</u>
Expenditures				
Capital outlay	<u>2,326,864</u>	<u>2,326,864</u>	<u>733,968</u>	<u>1,592,896</u>
Excess (deficiency) of revenues over expenditures	<u>(850,564)</u>	<u>(850,564)</u>	<u>1,254,775</u>	<u>2,105,339</u>
Other Financing Sources (Uses)				
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(274,679)</u>	<u>25,321</u>
Total other financing sources (uses)	<u>433,762</u>	<u>433,762</u>	<u>(274,679)</u>	<u>(708,441)</u>
Net change in fund balances	<u>(416,802)</u>	<u>(416,802)</u>	<u>980,096</u>	<u>1,396,898</u>
Fund balance - beginning	<u>3,937,947</u>	<u>3,937,947</u>	<u>3,937,947</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,521,145</u>	<u>\$ 3,521,145</u>	<u>\$ 4,918,043</u>	<u>\$ 1,396,898</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
City of Prescott Debt Service Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax revenue	\$ 1,684,275	\$ 1,684,275	\$ 1,713,379	\$ 29,104
Interest income	178,213	178,213	191,526	13,313
Miscellaneous income	330,007	330,007	334,807	4,800
Total revenues	<u>2,192,495</u>	<u>2,192,495</u>	<u>2,239,712</u>	<u>47,217</u>
Expenditures				
Debt service				
Principal	1,530,007	1,536,507	1,530,051	6,456
Interest	663,138	663,138	661,821	1,317
Total expenditures	<u>2,193,145</u>	<u>2,199,645</u>	<u>2,191,872</u>	<u>7,773</u>
Excess (deficiency) of revenues over expenditures	(650)	(7,150)	47,840	54,990
Fund balance - beginning	59,112	59,112	59,112	-
Fund balance - ending	<u>\$ 58,462</u>	<u>\$ 51,962</u>	<u>\$ 106,952</u>	<u>\$ 54,990</u>

CITY OF PRESCOTT, ARIZONA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Facilities Districts Debt Service Fund**

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 546,766	\$ 546,766
Miscellaneous income	1,012,688	1,012,688	430,385	(582,303)
Total revenues	<u>1,012,688</u>	<u>1,012,688</u>	<u>977,151</u>	<u>(35,537)</u>
Expenditures				
Debt service				
Principal	514,176	514,176	190,000	324,176
Interest	498,512	498,512	498,512	-
Total expenditures	<u>1,012,688</u>	<u>1,012,688</u>	<u>688,512</u>	<u>324,176</u>
Excess (deficiency) of revenues over expenditures	-	-	288,639	288,639
Fund balance - beginning	<u>1,280,726</u>	<u>1,280,726</u>	<u>1,280,726</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,280,726</u>	<u>\$ 1,280,726</u>	<u>\$ 1,569,365</u>	<u>\$ 288,639</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Lakes Purchase Capital Projects Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 10,000	\$ 10,000	\$ 12,235	\$ 2,235
Miscellaneous income	-	-	-	-
Total revenues	10,000	10,000	12,235	2,235
Expenditures				
Capital outlay	1,242,000	1,242,000	1,241,395	605
Total expenditures	1,242,000	1,242,000	1,241,395	605
Excess (deficiency) of revenues over expenditures	(1,232,000)	(1,232,000)	(1,229,160)	2,840
Fund balance - beginning	916,357	916,357	916,357	-
Fund balance - ending	\$ (315,643)	\$ (315,643)	\$ (312,803)	\$ 2,840

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Community Facilities Districts Capital Projects Fund

For the year ended June 30, 2005

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 2,309	\$ 2,309
Miscellaneous income	60,000	60,000	-	(60,000)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>2,309</u>	<u>(57,691)</u>
Expenditures				
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>8,000</u>	<u>52,000</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>8,000</u>	<u>52,000</u>
Excess (deficiency) of revenues over expenditures	-	-	(5,691)	(5,691)
Fund balance - beginning	216,351	216,351	216,351	-
Fund balance - ending	<u>\$ 216,351</u>	<u>\$ 216,351</u>	<u>\$ 210,660</u>	<u>\$ (5,691)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND
ACTUAL WITH RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES**

PROPRIETARY FUNDS

Enterprise Funds

- Water
- Sewer
- Golf course
- Airport
- Sanitation
- Transfer station
- Parking garage



CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Water Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Water sales	\$ 6,371,462	\$ 6,371,462	\$ 6,097,912	\$ (273,550)
Water connection fees	400,000	400,000	515,774	115,774
Alternative water source fees	494,365	494,365	474,217	(20,148)
Alternative water impact fees	1,471,334	1,471,334	1,572,367	101,033
Interest income	227,500	227,500	461,901	234,401
Proceeds from sales of assets	-	-	7,156	7,156
Proceeds from bonds	18,620,000	18,620,000	13,729,188	(4,890,812)
Miscellaneous	13,735	13,735	429,521	415,786
Water buy-in fees	1,200,000	1,200,000	1,515,229	315,229
Total revenues	<u>28,798,396</u>	<u>28,798,396</u>	<u>24,803,265</u>	<u>(3,995,131)</u>
Expenditures				
Personnel services	1,693,062	1,693,062	1,781,642	(88,580)
Supplies	158,770	158,770	361,577	(202,807)
Other services and charges	5,289,385	5,289,385	4,119,627	1,169,758
Capital expenditures	35,148,975	33,817,475	24,322,150	9,495,325
Debt service: principal	1,555,482	1,555,482	1,475,407	80,075
Debt service: interest	769,711	769,711	440,331	329,380
Total expenditures	<u>44,615,385</u>	<u>43,283,885</u>	<u>32,500,734</u>	<u>10,783,151</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (15,816,989)</u>	<u>\$ (14,485,489)</u>	<u>(7,697,469)</u>	<u>\$ 6,788,020</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			25,239,955	
Principal repayment			1,475,407	
Bond Proceeds			(13,729,188)	
Sick and vacation accrual			76,619	
Depreciation expense			(1,675,705)	
Water buy-in fees			(1,515,229)	
Capital contributions			13,284,196	
Change in net assets (GAAP basis)			<u>\$ 15,458,586</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Sewer Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sewer service fees	\$ 3,840,147	\$ 3,840,147	\$ 3,984,035	\$ 143,888
Sewer connection fees	10,000	10,000	12,600	2,600
Effluent recharge fees	150,000	150,000	150,000	-
Interest income	140,800	140,800	178,119	37,319
Proceeds from bonds	810,000	810,000	737,435	(72,565)
Miscellaneous	2,174,083	2,174,083	503,259	(1,670,824)
Sewer buy-in fees	1,055,531	1,055,531	1,273,510	217,979
Total revenues	<u>8,180,561</u>	<u>8,180,561</u>	<u>6,838,958</u>	<u>(1,341,603)</u>
Expenditures				
Personnel services	1,567,895	1,567,895	1,570,360	(2,465)
Supplies	246,300	246,300	312,589	(66,289)
Other services and charges	1,699,721	1,699,721	1,536,254	163,467
Capital expenditures	7,594,000	7,594,000	2,193,627	5,400,373
Debt service: principal	893,973	893,973	1,501,669	(607,696)
Debt service: interest	254,293	254,293	268,807	(14,514)
Total expenditures	<u>12,256,182</u>	<u>12,256,182</u>	<u>7,383,306</u>	<u>4,872,876</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,075,621)</u>	<u>\$ (4,075,621)</u>	<u>(544,348)</u>	<u>\$ 3,531,273</u>

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	1,767,584
Principal repayment	1,501,669
Bond Proceeds	(737,435)
Sick and vacation accrual	(23,289)
Depreciation expense	(1,664,423)
Sewer buy-in fees	(1,273,510)
Capital contributions	1,807,005
Change in net assets (GAAP basis)	<u>\$ 833,253</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Golf Course Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Golf course green fees	\$ 1,399,622	\$ 1,399,622	\$ 1,192,734	\$ (206,888)
Golf course rentals	641,186	641,186	601,007	(40,179)
Golf pro-shop sales	323,513	323,513	393,171	69,658
Proceeds from sales of assets	255,000	255,000	211,389	(43,611)
Proceeds from financing	3,065,000	3,065,000	3,298,377	233,377
Miscellaneous	255,000	255,000	74,408	(180,592)
Total revenues	<u>5,939,321</u>	<u>5,939,321</u>	<u>5,771,086</u>	<u>(168,235)</u>
Expenditures				
Personnel services	933,694	933,694	852,733	80,961
Supplies	305,200	305,200	327,696	(22,496)
Other services and charges	491,807	491,807	593,985	(102,178)
Capital expenditures	1,140,000	1,940,000	846,465	1,093,535
Debt service: principal	3,182,852	3,182,852	3,174,627	8,225
Debt service: interest	147,818	147,818	171,131	(23,313)
Total expenditures	<u>6,201,371</u>	<u>7,001,371</u>	<u>5,966,637</u>	<u>1,034,734</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (262,050)</u>	<u>\$ (1,062,050)</u>	<u>(195,551)</u>	<u>\$ 866,499</u>
Reconciliation to Generally Accepted Accounting Principles				
Principal repayment			3,174,627	
Sick and vacation accrual			(17,281)	
Depreciation expense			(3,086)	
Change in net assets (GAAP basis)			<u>\$ 321,161</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Airport Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Gross fuel sales	\$ 2,367,985	\$ 2,367,985	\$ 2,913,918	\$ 545,933
Less: Cost of fuel sales	1,642,243	1,642,243	2,126,904	(484,661)
Gross profit on fuel sales	725,742	725,742	787,014	61,272
Tie down and hangar rentals	996,429	996,429	920,916	(75,513)
Capital grant revenue	-	-	822,593	822,593
Interest income	-	-	1,790	1,790
Miscellaneous	14,971	14,971	15,756	785
Operating transfer in	-	-	350,377	350,377
Total revenues	3,367,520	3,367,520	2,898,446	(469,074)
Expenditures				
Personnel services	580,420	580,420	599,521	(19,101)
Supplies	43,620	43,620	50,401	(6,781)
Other services and charges	387,728	387,728	421,161	(33,433)
Capital expenditures	6,299,357	6,299,357	1,190,763	5,108,594
Debt service: principal	393,180	393,180	344,380	48,800
Debt service: interest	268,771	268,771	188,142	80,629
Total expenditures	7,973,076	7,973,076	2,794,368	5,178,708
Excess (deficiency) of revenues over expenditures	\$ (4,605,556)	\$ (4,605,556)	104,078	\$ 4,709,634

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	1,190,764
Principal repayment	344,380
Sick and vacation accrual	(7,128)
Depreciation expense	(931,284)
Change in net assets (GAAP basis)	\$ 700,810

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Sanitation Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Refuse collection fees	\$ 4,035,185	\$ 4,035,185	\$ 4,497,029	\$ 461,844
Tipping fees	208,329	208,329	267,872	59,543
Interest income	50,000	50,000	67,339	17,339
Total revenues	<u>4,293,514</u>	<u>4,293,514</u>	<u>4,832,240</u>	<u>538,726</u>
Expenditures				
Personnel services	806,583	806,583	794,070	12,513
Supplies	402,035	402,035	289,949	112,086
Other services and charges	3,370,379	3,370,379	3,210,873	159,506
Capital expenditures	307,500	307,500	151,027	156,473
Total expenditures	<u>4,886,497</u>	<u>4,886,497</u>	<u>4,445,919</u>	<u>440,578</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (592,983)</u>	<u>\$ (592,983)</u>	386,321	<u>\$ 979,304</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			25,083	
Landfill closure accrual			4,954	
Sick and vacation accrual			(17,702)	
Depreciation expense			(358,568)	
Change in net assets (GAAP basis)			<u>\$ 40,088</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Transfer Station Enterprise Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Tipping fees	\$ 3,665,020	\$ 3,665,020	\$ 3,768,809	\$ 103,789
Interest income	4,000	4,000	6,483	2,483
Miscellaneous	-	-	(415)	(415)
Total revenues	<u>3,669,020</u>	<u>3,669,020</u>	<u>3,774,877</u>	<u>105,857</u>
Expenditures				
Personnel services	327,602	327,602	310,471	17,131
Supplies	32,800	32,800	54,802	(22,002)
Other services and charges	3,009,555	3,009,555	3,139,395	(129,840)
Capital expenditures	200,000	200,000	84,222	115,778
Total expenditures	<u>3,569,957</u>	<u>3,569,957</u>	<u>3,588,890</u>	<u>(18,933)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 99,063</u>	<u>\$ 99,063</u>	185,987	<u>\$ 86,924</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			84,221	
Sick and vacation accrual			(2,598)	
Depreciation expense			(190,591)	
Change in net assets (GAAP basis)			<u>\$ 77,019</u>	

FUND FINANCIAL STATEMENTS

Internal Service Funds

Internal service funds are used to account for services and commodities furnished by one department to other departments of the City on a cost reimbursement basis. Funds included are:

Central Garage

To account for the cost of operating a maintenance facility for automotive and other equipment used by various departments. These costs, including depreciation, are billed to the various using departments. The various user departments who acquire automotive and other equipment are responsible for replacement costs.

General Self-insurance

To account for the costs, both direct and indirect, of maintaining comprehensive property damage and general liability insurance coverage. Revenue to this fund is derived from charges to City departments.

Workers' Compensation

To account for the costs, both direct and indirect, of maintaining the workers' compensation program. Revenue to this fund is derived from charges to City departments based on their total payroll and level of risk.

Engineering Services

To account for the costs, both direct and indirect, of the engineering department, which does work for other departments of the City. Revenue to this fund is derived from charges to City departments based on the work performed for the department.

Facilities Maintenance

To provide maintenance and custodial service to all city owned facilities.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

ASSETS	Central Garage	General Self- Insurance	Workers' Compensation	Engineering Services	Facilities Maintenance	Totals
Current Assets						
Cash and short-term investments	\$ 771,704	\$ 1,815,453	\$ 1,460,798	\$ 191,033	\$ -	\$ 4,238,988
Accounts receivable	-	-	25,206	-	-	25,206
Inventory at cost	196,944	-	-	-	-	196,944
Total current assets	968,648	1,815,453	1,486,004	191,033	-	4,461,138
Property, Plant and Equipment						
Land	13,191	-	-	-	-	13,191
Buildings	636,841	-	-	-	-	636,841
Improvements other than buildings	12,473	-	-	36,550	-	49,023
Machinery and equipment	1,353,218	-	-	215,339	-	1,568,557
Total property, plant and equipment	2,015,723	-	-	251,889	-	2,267,612
Less accumulated depreciation	(583,436)	-	-	(136,351)	-	(719,787)
Net property, plant and equipment	1,432,287	-	-	115,538	-	1,547,825
Total assets	2,400,935	1,815,453	1,486,004	306,571	-	6,008,963
LIABILITIES						
Current Liabilities						
Accounts payable	36,414	15,696	17,971	19,476	9,530	99,087
Accrued payroll	29,926	15,868	15,868	49,391	11,987	123,040
Compensated absences	20,474	-	-	59,559	4,279	84,312
Interfund payable	-	125,000	-	-	35,659	160,659
Claims payable	-	1,802,978	579,527	-	-	2,382,505
Total current liabilities	86,814	1,959,542	613,366	128,426	61,455	2,849,603
Noncurrent Liabilities						
Accrued vacation and sick pay	32,136	-	-	63,511	5,664	101,311
Interfund payable	-	1,150,000	-	-	-	1,150,000
Total long-term liabilities	32,136	1,150,000	-	63,511	5,664	1,251,311
Total liabilities	118,950	3,109,542	613,366	191,937	67,119	4,100,914
Net Assets						
Invested in capital assets	1,432,287	-	-	115,538	-	1,547,825
Unrestricted	849,698	(1,294,089)	872,638	(904)	(67,119)	360,224
Total net assets	\$ 2,281,985	\$ (1,294,089)	\$ 872,638	\$ 114,634	\$ (67,119)	\$ 1,908,049

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2005

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Workers' Compensation</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
Operating Revenues						
Billings to departments	\$ 2,536,868	\$ 840,606	\$ 652,050	\$ 1,592,606	\$ 459,216	\$ 6,081,346
Miscellaneous	-	-	-	3,995	-	3,995
Total operating revenues	<u>2,536,868</u>	<u>840,606</u>	<u>652,050</u>	<u>1,596,601</u>	<u>459,216</u>	<u>6,085,341</u>
Operating Expenses						
Personnel services	439,875	85,689	85,605	1,539,648	233,400	2,384,217
Supplies	388,928	2,374	945	50,665	26,589	469,501
Other services and charges	90,523	576,836	156,639	183,671	265,623	1,273,292
Depreciation	64,889	-	-	26,103	-	90,992
Claims expense	-	1,077,907	306,528	-	-	1,384,435
Total operating expenses	<u>984,215</u>	<u>1,742,806</u>	<u>549,717</u>	<u>1,800,087</u>	<u>525,612</u>	<u>5,602,437</u>
Operating income (loss)	<u>1,552,653</u>	<u>(902,200)</u>	<u>102,333</u>	<u>(203,486)</u>	<u>(66,396)</u>	<u>482,904</u>
Non-operating Revenues (Expenses)						
Interest income	4,435	45,706	37,104	4,406	-	91,651
Interest expense	-	-	-	-	(723)	(723)
Net gain (loss) on disposal of assets	(422)	-	-	-	-	(422)
Transfers in (out)	330,500	-	-	-	-	330,500
Total non-operating revenues	<u>334,513</u>	<u>45,706</u>	<u>37,104</u>	<u>4,406</u>	<u>(723)</u>	<u>421,006</u>
Change in net assets	1,887,166	(856,494)	139,437	(199,080)	(67,119)	903,910
Total net assets - beginning	394,819	(437,595)	733,201	313,714	-	1,004,139
Total net assets - ending	<u>\$ 2,281,985</u>	<u>\$ (1,294,089)</u>	<u>\$ 872,638</u>	<u>\$ 114,634</u>	<u>\$ (67,119)</u>	<u>\$ 1,908,049</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2005

	<u>Central Garage</u>	<u>General Self- Insurance</u>
Cash Flows from Operating Activities:		
Cash received from departmental billings	\$ 2,536,868	\$ 840,606
Cash payments to suppliers for goods and services	(414,491)	(729,114)
Cash payments to employees for services	(409,444)	(71,012)
Other operating revenues	-	-
Net cash provided by (used for) operating activities	<u>1,712,933</u>	<u>40,480</u>
Cash Flows from Noncapital Financing Activities:		
Repayments under interfund loan arrangement	-	(125,000)
Payments under interfund loan arrangement	-	-
Interest paid on noncapital financing	-	-
Operating transfers in	330,500	-
Net cash provided by (used for) noncapital financing activities	<u>330,500</u>	<u>(125,000)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,357,597)	-
Proceeds from sales of fixed assets	(422)	-
Net cash provided by (used for) capital and related financing activities	<u>(1,358,019)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	4,435	45,706
Net cash provided by (used for) investing activities	<u>4,435</u>	<u>45,706</u>
Net increase (decrease) in cash and cash equivalents	689,849	(38,814)
Cash and cash equivalents - beginning	81,855	1,854,267
Cash and cash equivalents - ending	<u>\$ 771,704</u>	<u>\$ 1,815,453</u>

Reconciliation of Operating Income (Loss) to Net

Cash Provided by (used for) Operating Activities:		
Operating income (loss)	\$ 1,552,653	\$ (902,200)
Adjustments to reconcile operating income activities:		
Depreciation	64,889	-
Change in assets and liabilities:		
(Increase) decrease in inventory	(4,356)	-
(Increase) decrease in accounts receivable	64,760	-
Increase (decrease) in accounts payable	4,556	(4,300)
Increase (decrease) in accrued expenses	26,664	14,677
Increase (decrease) in compensated absences	3,767	-
Increase (decrease) in claims payable	-	932,303
Total adjustments	<u>160,280</u>	<u>942,680</u>
Net cash provided by (used for) operating activities	<u>\$ 1,712,933</u>	<u>\$ 40,480</u>

Noncash Investing, Capital and Financing Activities

None

<u>Workers'</u>	<u>Engineering</u>	<u>Facilities</u>	
<u>Compensation</u>	<u>Services</u>	<u>Maintenance</u>	<u>Total</u>
\$ 626,844	\$ 1,592,606	\$ 459,216	\$ 6,056,140
(458,117)	(239,095)	(282,682)	(2,123,499)
(70,595)	(1,413,866)	(211,470)	(2,176,387)
-	3,995	-	3,995
<u>98,132</u>	<u>(56,360)</u>	<u>(34,936)</u>	<u>1,760,249</u>
-	-	-	(125,000)
-	-	35,659	35,659
-	-	(723)	(723)
-	-	-	330,500
<u>-</u>	<u>-</u>	<u>34,936</u>	<u>240,436</u>
-	(14,412)	-	(1,372,009)
-	-	-	(422)
<u>-</u>	<u>(14,412)</u>	<u>-</u>	<u>(1,372,431)</u>
37,104	4,406	-	91,651
<u>37,104</u>	<u>4,406</u>	<u>-</u>	<u>91,651</u>
135,236	(66,366)	-	719,905
1,325,562	257,399	-	3,519,083
<u>\$ 1,460,798</u>	<u>\$ 191,033</u>	<u>\$ -</u>	<u>\$ 4,238,988</u>
<u>\$ 102,333</u>	<u>\$ (203,486)</u>	<u>\$ (66,396)</u>	<u>\$ 549,300</u>
-	26,103	-	90,992
-	-	-	(4,356)
(25,206)	-	-	39,554
(10,577)	(4,759)	9,530	(15,080)
15,010	69,324	17,651	125,675
-	56,458	4,279	60,225
16,572	-	-	948,875
<u>(4,201)</u>	<u>147,126</u>	<u>31,460</u>	<u>1,245,885</u>
<u>\$ 98,132</u>	<u>\$ (56,360)</u>	<u>\$ (34,936)</u>	<u>\$ 1,795,185</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Central Garage Internal Service Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Billings to departments	\$ 2,600,955	\$ 2,600,955	\$ 2,536,868	\$ (64,087)
Interest income	100	100	4,435	4,335
Proceeds on sales of assets	-	-	(422)	(422)
Operating transfer in	330,500	330,500	330,500	-
Total revenues	<u>2,931,555</u>	<u>2,931,555</u>	<u>2,871,381</u>	<u>(60,174)</u>
Expenditures				
Personnel services	384,646	384,646	428,435	(43,789)
Supplies	356,500	356,500	388,928	(32,428)
Other services and charges	160,809	160,809	154,931	5,878
Capital expenditures	1,699,000	1,699,000	1,293,189	405,811
Total expenditures	<u>2,600,955</u>	<u>2,600,955</u>	<u>2,265,483</u>	<u>335,472</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 330,600</u>	<u>\$ 330,600</u>	605,898	<u>\$ 275,298</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(11,440)	
Depreciation			(64,889)	
Change in net assets (GAAP basis)			<u>\$ 1,887,166</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

General Self-Insurance Internal Service Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Billings to departments	\$ 840,537	\$ 840,537	\$ 840,606	\$ 69
Interest income	30,000	30,000	45,707	15,707
Total revenues	<u>870,537</u>	<u>870,537</u>	<u>886,313</u>	<u>15,776</u>
Expenditures				
Personnel services	67,901	342,901	85,689	257,212
Supplies	2,845	2,845	2,374	471
Other services and charges	700,398	700,398	576,837	123,561
Claims expenditures	344,393	344,393	1,077,907	(733,514)
Total expenditures	<u>1,115,537</u>	<u>1,390,537</u>	<u>1,742,807</u>	<u>(352,270)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (245,000)</u>	<u>\$ (520,000)</u>	<u>\$ (856,494)</u>	<u>\$ (336,494)</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Workers' Compensation Internal Service Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Billings to departments	\$ 675,379	\$ 675,379	\$ 652,050	\$ (23,329)
Interest income	23,000	23,000	37,104	14,104
Total revenues	<u>698,379</u>	<u>698,379</u>	<u>689,154</u>	<u>(9,225)</u>
Expenditures				
Personnel services	67,899	67,899	85,605	(17,706)
Supplies	98,200	98,200	945	97,255
Other services and charges	158,020	158,020	156,639	1,381
Claims expenditures	346,775	346,775	306,528	40,247
Total expenditures	<u>670,894</u>	<u>670,894</u>	<u>549,717</u>	<u>121,177</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 27,485</u>	<u>\$ 27,485</u>	<u>\$ 139,437</u>	<u>\$ 111,952</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Engineering Services Internal Service Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Billings to departments	\$ 1,740,104	\$ 1,740,104	\$ 1,592,606	\$ (147,498)
Interest income	2,000	2,000	4,406	2,406
Miscellaneous	5,000	5,000	3,995	(1,005)
Total revenues	<u>1,747,104</u>	<u>1,747,104</u>	<u>1,601,007</u>	<u>(146,097)</u>
Expenditures				
Personnel services	1,480,790	1,480,790	1,420,708	60,082
Supplies	48,700	48,700	50,665	(1,965)
Other services and charges	190,614	190,614	183,671	6,943
Capital expenditures	20,000	20,000	14,412	5,588
Total expenditures	<u>1,740,104</u>	<u>1,740,104</u>	<u>1,669,456</u>	<u>70,648</u>
Excess (deficiency) of revenues				
over expenditures	<u>\$ 7,000</u>	<u>\$ 7,000</u>	(68,449)	<u>\$ (75,449)</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			14,412	
Sick and vacation accrual			(118,940)	
Depreciation			(26,103)	
Change in net assets (GAAP basis)			<u>\$ (199,080)</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Facilities Maintenance Internal Service Fund

For the year ended June 30, 2005

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Billings to departments	\$ 835,726	\$ 835,726	\$ 459,216	\$ (376,510)
Total revenues	<u>835,726</u>	<u>835,726</u>	<u>459,216</u>	<u>(376,510)</u>
Expenditures				
Personnel services	217,351	217,351	223,456	(6,105)
Supplies	229,825	229,825	26,589	203,236
Other services and charges	388,550	388,550	265,622	122,928
Debt service: interest	-	-	723	(723)
Total expenditures	<u>835,726</u>	<u>835,726</u>	<u>516,390</u>	<u>319,336</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	(57,174)	<u>\$ (57,174)</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(9,945)	
Depreciation			-	
Change in net assets (GAAP basis)			<u>\$ (67,119)</u>	

OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA

Schedule of General Obligation Bonds Payable

June 30, 2005

	Refunding & Municipal Facilities Bond Series 1998	Total General Obligation Bonds
Interest rates	4.34%	N/A
Issue date	12/1/1998	N/A
Final maturity date	7/1/2013	N/A
Authorized	\$ 15,895,000	\$ 15,895,000
Issued	15,895,000	15,895,000
Retired	5,500,000	5,500,000
Outstanding	10,395,000	10,395,000
Principal retirement:		
2006	1,255,000	1,255,000
2007	1,315,000	1,315,000
2008	1,390,000	1,390,000
2009	1,455,000	1,455,000
2010	1,155,000	1,155,000
2011	1,215,000	1,215,000
2012	1,275,000	1,275,000
2013	1,335,000	1,335,000

CITY OF PRESCOTT, ARIZONA

Schedule of Contracts Payable to the City of Prescott's Municipal Property Corporation

June 30, 2005

	Water, Sewer & Golf Course Imp. Refunding Bond <u>Series 2004-G</u>	Water & Sewer Improvement Bond <u>Series 1998-F</u>	Big Chino Ranch <u>Series 2004-G</u>	Total Contracts <u>Payable</u>
Interest rates	2.920%	4.69%	4.62%	N/A
Issue date	12/29/2004	12/1/1998	12/29/2004	N/A
Final maturity	7/1/2010	7/1/2018	7/1/2034	N/A
Authorized	\$ 4,350,000	\$ 6,160,000	\$ 12,525,000	\$ 23,035,000
Issued	4,350,000	6,160,000	12,525,000	23,035,000
Retired	325,000	1,355,000	-	1,680,000
Outstanding	4,025,000	4,805,000	12,525,000	21,355,000
Principal retirement:				
2006	795,000	275,000	235,000	1,305,000
2007	815,000	285,000	245,000	1,345,000
2008	850,000	300,000	255,000	1,405,000
2009	865,000	315,000	260,000	1,440,000
2010	700,000	330,000	265,000	1,295,000
2011	-	345,000	275,000	620,000
2012	-	365,000	285,000	650,000
2013	-	380,000	295,000	675,000
2014	-	400,000	310,000	710,000
2015	-	420,000	320,000	740,000
2016	-	440,000	335,000	775,000
2017	-	465,000	345,000	810,000
2018	-	485,000	360,000	845,000
2019	-	-	375,000	375,000
2020	-	-	395,000	395,000
2021	-	-	415,000	415,000
2022	-	-	430,000	430,000
2023	-	-	450,000	450,000
2024	-	-	470,000	470,000
2025	-	-	495,000	495,000
2026	-	-	515,000	515,000
2027	-	-	545,000	545,000
2028	-	-	570,000	570,000
2029	-	-	600,000	600,000
2030	-	-	630,000	630,000
2031	-	-	660,000	660,000
2032	-	-	695,000	695,000
2033	-	-	730,000	730,000
2034	-	-	765,000	765,000

CITY OF PRESCOTT, ARIZONA

Schedule of Special Assessment Bonds Payable

June 30, 2005

	Imp. District #158	Imp. District #159	Imp. District #160	Imp. District #161	Imp. District #162	Imp. District #163	Imp. District #164	Total Imp. District
Interest rates	6.25%	5.11%	6.75%	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	8/1/1994	8/13/1996	4/1/1998	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	1/1/2005	1/1/2007	1/1/2008	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 19,900	\$ 250,000	\$ 56,285	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,936,121
Issued	19,900	250,000	56,285	124,096	1,920,000	2,470,000	95,840	4,936,121
Retired	19,900	200,000	41,285	51,456	495,000	720,000	10,088	1,537,729
Outstanding	-	50,000	15,000	72,640	1,425,000	1,750,000	85,752	3,398,392
Principal retirement:								
2006	-	25,000	5,000	12,107	110,000	175,000	5,044	332,151
2007	-	25,000	5,000	12,107	120,000	175,000	5,044	342,151
2008	-	-	5,000	12,107	125,000	175,000	5,044	322,151
2009	-	-	-	12,106	130,000	175,000	5,044	322,150
2010	-	-	-	12,106	140,000	175,000	5,044	332,150
2011	-	-	-	12,107	145,000	175,000	5,044	337,151
2012	-	-	-	-	150,000	175,000	5,044	330,044
2013	-	-	-	-	160,000	175,000	5,044	340,044
2014	-	-	-	-	170,000	175,000	5,044	350,044
2015	-	-	-	-	175,000	175,000	5,044	355,044
2016	-	-	-	-	-	-	5,044	5,044
2017	-	-	-	-	-	-	5,044	5,044
2018	-	-	-	-	-	-	5,044	5,044
2019	-	-	-	-	-	-	5,044	5,044
2020	-	-	-	-	-	-	5,044	5,044
2021	-	-	-	-	-	-	5,044	5,044
2022	-	-	-	-	-	-	5,048	5,048

CITY OF PRESCOTT, ARIZONA

Schedule of Community Facilities Districts Bonds Payable

June 30, 2005

	Hassayampa #1		Hassayampa #2		Total
	Community Facilities Bonds		Community Facilities Bonds		Community Facilities
	Series 1996		Series 2000		Bonds
Interest rates	7.75%		7.50%		N/A
Issue date	11/1/1996		2/1/2000		N/A
Final maturity date	7/1/2021		7/1/2024		N/A
Authorized	\$ 7,315,000	\$	1,240,000	\$	8,555,000
Issued	7,315,000		1,240,000		8,555,000
Retired	1,880,000		405,000		2,285,000
Outstanding	5,435,000		835,000		6,270,000
Principal retirement:					
2006	185,000		20,000		205,000
2007	195,000		25,000		220,000
2008	210,000		25,000		235,000
2009	230,000		25,000		255,000
2010	245,000		30,000		275,000
2011	265,000		30,000		295,000
2012	285,000		30,000		315,000
2013	310,000		35,000		345,000
2014	335,000		40,000		375,000
2015	360,000		40,000		400,000
2016	385,000		45,000		430,000
2017	415,000		45,000		460,000
2018	450,000		50,000		500,000
2019	485,000		55,000		540,000
2020	520,000		60,000		580,000
2021	560,000		65,000		625,000
2022	-		65,000		65,000
2023	-		70,000		70,000
2024	-		80,000		80,000



STATISTICAL SECTION

The City early implemented the provisions of Governmental Accounting Standards Board Statement No. 44 for the year ended June 30, 2005. The objective of this statement is to improve the understandability and usefulness of the information the City presents as supplementary information in the statistical section. This statement establishes and modifies disclosure requirements related to statistical information; accordingly, the statistical section has been revised to conform to the new requirements.

Statistical section information is presented for five categories - financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

Financial trends information is intended to assist users in understanding and assessing how the City's financial position has changed over time.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the City's ability to generate its own-source revenues.

Debt capacity information is intended to assist users in understanding and assessing the City's debt burden and its ability to issue additional debt.

Demographic and economic information is intended:

- ◆ to assist users in understanding the socioeconomic environment within which the City operates and
- ◆ to provide information that facilitates comparisons of financial statement information over time and among governments.

Operating information is intended to provide contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition.



CITY OF PRESCOTT, ARIZONA

Table I

Statistical Section - Financial Trends

Net Assets by Component

Last four fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities				
Invested in capital assets, net of related debt	\$150.0	\$151.8	\$163.0	\$177.9
Restricted	36.4	43.7	45.4	43.9
Unrestricted	5.3	6.5	7.7	8.9
Total governmental activities net assets	<u>191.7</u>	<u>202.0</u>	<u>216.1</u>	<u>230.7</u>
Business-type activities				
Invested in capital assets, net of related debt	102.2	110.0	115.9	129.6
Restricted	8.0	4.9	4.5	7.1
Unrestricted	11.7	11.8	14.2	15.5
Total business-type activities net assets	<u>121.9</u>	<u>126.7</u>	<u>134.6</u>	<u>152.2</u>
Primary government				
Invested in capital assets, net of related debt	252.2	261.8	278.9	307.5
Restricted	44.4	48.6	49.9	51.0
Unrestricted	17.0	18.3	21.9	24.4
Total primary government net assets	<u>\$313.6</u>	<u>\$328.7</u>	<u>\$350.7</u>	<u>\$382.9</u>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table II

Statistical Section - Financial Trends

Government-wide Expenses by Function

Last four fiscal years

<i>Governmental activities:</i>										
<u>Fiscal Year</u>	<u>General</u>	<u>Community</u>	<u>Culture and</u>	<u>Police and</u>	<u>Total</u>		<u>Public</u>	<u>Public</u>	<u>Interest on</u>	<u>Total</u>
	<u>Government</u>	<u>Services</u>	<u>Recreation</u>	<u>Court</u>	<u>Fire</u>	<u>Safety</u>	<u>Works</u>	<u>Debt</u>	<u>Long-term</u>	
2002	\$ 4,518,316	\$ 1,984,672	\$ 4,414,069	\$ -	\$ -	\$ 11,897,746	\$ 9,152,996	\$ 1,468,910	\$	\$ 33,436,709
2003	3,798,901	2,083,451	4,724,473	7,774,898	5,410,325	13,185,223	10,859,477	1,359,238		36,010,763
2004	5,552,612	2,147,067	5,412,480	8,154,036	5,883,210	14,037,246	11,131,614	1,263,727		39,544,746
2005	5,903,541	2,504,447	5,323,256	8,888,639	6,221,770	15,110,409	10,964,098	1,161,057		40,966,808

<i>Business-type activities:</i>										
<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Regional</u>			<u>Transfer</u>	<u>Parking</u>	<u>Total</u>		<u>Total</u>
			<u>Golf</u>	<u>Airport</u>	<u>Sanitation</u>					
2002	\$ 6,132,824	\$ 4,586,322	\$ 2,118,559	\$ 3,332,768	\$ 4,741,566	\$ 2,749,348	\$ -	\$		\$ 23,661,387
2003	6,634,008	4,754,234	2,031,656	3,649,511	3,526,496	3,152,264	660			23,748,829
2004	6,958,715	4,660,494	2,147,973	3,619,357	3,888,569	3,503,582	400			24,779,090
2005	7,384,458	5,801,765	1,971,548	4,324,540	4,792,152	3,697,857	-			27,972,320

		<u>Total</u>
		<u>Primary</u>
		<u>Government</u>
	2001-02	\$ 57,098,096
	2002-03	59,759,592
	2003-04	64,323,836
	2004-05	68,939,128

Source: City of Prescott finance department

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements.

These amounts are presented on the accrual basis of accounting and include depreciation expense.

In fiscal year 2003, the public safety activity was expanded to show the police/court and fire activities separately.

Police and fire activity were previously reported as public safety, court activity was presented as part of general government.

CITY OF PRESCOTT, ARIZONA
Table III
Statistical Section - Financial Trends
Governmental Activities Revenues
Last four fiscal years

Governmental activities:											
<u>Fiscal Year</u>	<u>Program Revenues</u>				<u>General Revenues</u>					<u>Total</u>	<u>Total Net</u>
	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Total</u>	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>Program and</u>	<u>Revenue/</u>
<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>General</u>							<u>Change in</u>	
	<u>Contributions</u>	<u>Contributions</u>							<u>Revenue</u>	<u>Net Assets</u>	
2002	\$ 3,645,282	\$ 7,081,311	\$ 905,334	\$ 11,631,927	\$ 22,706,358	\$ 8,746,519	\$ 1,936,527	\$ 1,578,550	\$ 34,967,954	\$ 46,599,881	\$ 13,056,701
2003	5,119,368	3,960,189	2,575,571	11,655,128	23,828,619	8,840,065	1,425,352	595,506	34,689,542	46,344,670	10,279,551
2004	5,103,949	4,879,585	6,296,262	16,279,796	27,401,443	8,416,354	935,209	636,217	37,389,223	53,669,019	14,099,201
2005	5,868,694	4,841,655	2,761,682	13,472,031	30,420,785	8,816,640	2,036,084	1,317,671	42,591,180	56,063,211	14,746,026

Source: City of Prescott finance department

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements.

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA
 Table IV
 Statistical Section - Financial Trends
 Business-type Activities Revenues
 Last four fiscal years

Business-type activities:														
<u>Fiscal Year</u>	<u>Program Revenues</u>							<u>General Revenues</u>					<u>Total Program and General Revenue</u>	<u>Total Net Revenue/ Change in Net Assets</u>
	<u>Charges for Services</u>						<u>Transfer Station</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Golf</u>	<u>Airport</u>	<u>Sanitation</u>	<u>Station</u>								
2002	\$ 6,578,870	\$ 3,805,400	\$ 2,423,769	\$ 2,819,818	\$ 3,970,025	\$ 2,772,425	\$ 5,815,099	\$ 28,185,406	\$ 633,461	\$ 684,847	\$ 1,318,308	\$ 29,503,714	\$ 5,948,798	
2003	6,991,854	3,908,024	2,149,134	2,997,688	4,142,580	3,131,601	4,116,293	27,437,174	436,335	607,466	1,043,801	28,480,975	4,786,502	
2004	7,133,069	3,894,327	2,162,487	3,226,483	4,394,885	3,430,790	7,731,228	31,973,269	103,650	597,869	701,519	32,674,788	7,920,770	
2005	8,667,426	4,146,635	2,218,301	3,834,834	4,764,901	3,768,809	15,913,794	43,314,700	715,632	1,022,528	1,738,160	45,052,860	17,430,917	

Source: City of Prescott finance department

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements.

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table V

Statistical Section - Financial Trends

Governmental Activities Program Revenues by Function/Program

Last four fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities				
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487
Community services	846,264	960,756	410,900	607,916
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219
Police and court	1,555,080	1,438,315	1,607,611	1,331,412
Fire (1)	-	851,011	1,074,515	725,709
Public works	6,987,283	5,523,263	9,505,148	6,342,288
Interest on long-term debt	-	-	-	-
Total governmental activities program revenues	<u>\$11,631,927</u>	<u>\$11,655,128</u>	<u>\$16,279,796</u>	<u>\$13,472,031</u>

Source: City of Prescott finance department

(1) In fiscal year 2003, the public safety activity was expanded to show the police/court and fire activities separately. Police and fire activity were previously reported as public safety, court activity was presented as part of general government.

Fluctuations in program revenues result primarily from grant revenues which vary from year to year.

CITY OF PRESCOTT, ARIZONA

Table VI

Statistical Section - Financial Trends

Changes in Fund Balances, Governmental Funds

Last four fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Excess of revenues over expenditures	\$3.3	\$3.6	\$3.6	\$5.2
Other Financing Sources (Uses)				
Transfers in	0.1	0.0	0.0	0.0
Transfers out	(2.4)	(0.7)	(3.1)	(3.5)
Total other financing sources (uses)	<u>(2.3)</u>	<u>(0.7)</u>	<u>(3.1)</u>	<u>(3.5)</u>
Net change in fund balance	1.0	2.9	0.5	1.7
Beginning fund balance	3.9	4.9	7.8	8.3
Ending fund balance	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.0</u>
Reserved	0.7	3.2	2.8	3.2
Unreserved	4.2	4.6	5.5	6.8
Total general fund balance	<u>\$4.9</u>	<u>\$7.8</u>	<u>\$8.3</u>	<u>\$10.0</u>
All Other Governmental Funds				
Excess (deficiency) of revenues over expenditures	(\$1.7)	\$4.8	(\$0.3)	(\$3.9)
Other Financing Sources (Uses)				
Transfers in	2.8	1.8	3.9	3.8
Transfers out	(0.7)	(1.1)	(1.0)	(1.0)
Total other financing sources (uses)	<u>2.1</u>	<u>0.7</u>	<u>2.9</u>	<u>2.8</u>
Net change in fund balance	0.4	5.5	2.6	(1.1)
Beginning fund balance	23.8	24.2	29.7	32.3
Ending fund balance	<u>24.2</u>	<u>29.7</u>	<u>32.3</u>	<u>31.2</u>
Reserved for dedicated purposes Permanent Fund	0.6	0.5	0.5	0.5
Unreserved, reported in:				
Special revenue funds	20.1	26.2	29.3	29.2
Debt service funds	1.3	1.4	1.4	1.7
Capital projects funds	2.2	1.6	1.1	(0.1)
Total all other governmental funds fund balance	<u>\$24.2</u>	<u>\$29.7</u>	<u>\$32.3</u>	<u>\$31.3</u>
Total general and other governmental funds - fund balance	<u>\$29.1</u>	<u>\$37.5</u>	<u>\$40.6</u>	<u>\$41.3</u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table VII

Statistical Section - Financial Trends

General Government Expenditures by Function

Last ten fiscal years (1)

Fiscal Year	General Government	Community Services	Culture and Recreation	Public Safety		Public Works	Subtotal Current Expenditures	Capital Outlay	Debt Service Principal	Debt Service Interest	Total	Debt Service as a percentage of noncapital expenditures
				Police & Courts	Fire							
1996	\$ 2,413,070	\$ 873,718	\$ 2,245,621	\$ 7,225,851		\$ 1,598,497	\$ 14,356,757	\$ 2,990,999	\$ 804,501		\$ 18,152,257	
1997	2,300,279	987,286	2,467,290	7,630,800		1,592,471	14,978,126	5,175,576	734,105		20,887,807	
1998	2,432,378	955,390	2,606,905	7,959,885		1,772,343	15,726,901	5,485,575	653,221		21,865,697	
1999	2,658,965	1,082,893	2,867,160	8,529,716		1,882,827	17,021,561	9,319,519	179,329		26,520,409	
2000	2,864,098	1,103,357	3,264,115	8,989,091		1,881,707	18,102,368	11,787,515	454,214		30,344,097	
2001	3,289,431	1,345,762	3,391,994	9,855,935		2,081,956	19,965,078	31,695,096	53,863		51,714,037	
2002	3,507,893	1,737,515	3,880,000	11,044,795		2,247,948	22,418,151	18,965,560	1,653,723	1,467,968	44,505,402	12.2%
2003	3,112,805	1,921,862	4,152,052	7,328,394	5,098,237	2,691,222	24,304,572	9,193,799	1,843,153	1,358,938	36,700,462	11.6%
2004	3,664,500	2,152,142	4,125,700	7,873,737	5,358,362	2,934,571	26,109,012	16,399,864	1,952,003	1,263,420	45,724,299	11.0%
2005	4,639,844	2,314,246	4,735,603	8,516,869	5,817,037	3,145,141	29,168,740	22,109,095	1,720,051	1,160,334	54,158,220	9.0%

Source: City of Prescott finance department

(1) Prior to 2001-02 amounts were from the general fund and special revenue funds. The 2001-02 and forward amounts contain all governmental funds.

In fiscal year 2003, the public safety activity was expanded to show the police/court and fire activities separately. Police and fire activity were previously reported as public safety, court activity was presented as part of general government.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

General Government Revenues by Sources

Last ten fiscal years (1) (2)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter- governmental Revenues</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest Income</u>	<u>Miscel- laneous</u>	<u>Total</u>
1996	\$ 8,434,699	\$ 9,897,010	\$ 935,692	\$ 463,570	\$ 435,829	\$ 518,522	\$ 1,274,357	\$ 21,959,679
1997	8,487,472	10,576,163	990,419	593,547	404,335	739,582	924,587	22,716,105
1998	9,238,405	10,946,032	1,232,099	621,180	355,100	931,552	416,690	23,741,058
1999	9,402,073	13,477,694	1,723,377	652,868	396,723	836,119	752,806	27,241,660
2000	18,177,798	13,818,155	1,564,969	692,733	379,949	1,480,055	674,791	36,788,450
2001	19,220,526	14,967,912	1,561,537	733,362	362,102	2,078,477	741,371	39,665,287
2002	22,706,358	16,326,996	2,387,963	858,072	399,247	1,830,934	1,455,569	45,965,139
2003	23,845,928	13,514,966	3,170,195	1,436,338	512,835	1,383,229	1,206,372	45,069,863
2004	27,418,458	14,104,448	2,615,347	1,761,234	727,368	925,387	1,506,518	49,058,760
2005	30,433,859	15,154,725	3,661,079	1,299,622	907,993	1,944,433	2,071,771	55,473,482

Source: City of Prescott finance department

(1) The additional 1% privilege tax for roads and open space was reclassified in FY 2000 from a capital project fund to a special revenue fund.

(2) Prior to FY 2002 amounts were from the general fund and special revenue funds. The FY 2002 and forward amounts contain all governmental funds.

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property

Last ten fiscal years

<u>Fiscal Year</u>		<u>Real Estate</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Gross Valuations</u>	<u>Less Exemptions</u>	<u>Net Assessed Valuation</u>	<u>Percent of Increase</u>	<u>Estimated Actual Value</u>	<u>Total Direct Tax Rate</u>
1996	P	\$ -	\$ 174,706,287	\$ 8,524,030	\$ 14,681,143	\$ 197,911,460	\$ 11,882,305	\$ 186,029,155	5.8%	\$ 1,497,206,514	\$9.6471
	S	63,213,135	121,014,308	8,524,030	14,687,775	207,439,248	12,806,272	194,632,976	5.0%	1,558,718,933	1.9524
1997	P	-	187,172,933	9,781,090	16,034,751	212,988,774	12,529,362	200,459,412	7.8%	1,618,520,768	\$9.0845
	S	64,274,605	127,163,699	9,781,090	16,040,936	217,260,330	12,997,556	204,262,774	4.9%	1,643,342,134	1.3009
1998	P	-	209,954,206	14,846,462	13,477,138	238,277,806	16,710,867	221,566,939	10.5%	1,785,640,618	8.3843
	S	72,684,791	147,181,339	14,846,462	13,477,138	248,189,730	18,285,483	229,904,247	12.6%	1,854,677,503	1.1854
1999	P	-	229,284,403	13,157,290	15,635,534	258,077,227	17,373,446	240,703,781	8.6%	1,922,721,282	8.3882
	S	78,313,549	156,322,029	13,149,400	15,640,302	263,425,280	18,520,099	244,905,181	6.5%	1,956,487,013	1.1662
2000	P	-	249,063,290	13,489,333	16,413,953	278,966,576	45,528,479	233,438,097	-3.0%	2,092,232,685	8.2047
	S	119,583,499	153,161,018	13,474,471	16,428,815	302,647,803	43,444,813	259,202,990	5.8%	2,265,959,664	1.4691
2001	P	-	270,767,262	15,084,880	18,406,551	304,258,693	22,070,164	282,188,529	20.9%	2,274,048,212	7.8270
	S	124,002,003	164,506,274	15,051,055	18,437,147	321,996,479	24,843,875	297,152,604	14.6%	2,401,274,248	1.4810
2002	P	-	298,523,370	16,568,026	20,270,308	335,361,704	23,276,557	312,085,147	10.6%	2,512,369,029	7.5298
	S	128,101,429	185,985,911	16,559,405	20,270,308	350,917,053	25,009,576	325,907,477	9.7%	2,621,445,412	1.7228
2003	P	-	325,807,051	16,215,575	22,171,331	364,193,957	23,875,505	340,318,452	9.0%	2,740,841,490	7.5540
	S	131,615,879	209,475,582	16,230,175	22,171,331	379,492,967	25,227,311	354,265,656	8.7%	2,847,617,642	1.6541
2004	P	-	369,580,785	15,003,540	24,730,430	409,314,755	24,574,660	384,740,095	13.1%	3,059,452,688	7.6004
	S	159,328,874	239,175,556	15,003,540	24,730,430	438,238,400	26,873,584	411,364,816	16.1%	3,232,742,974	1.4420
2005	P	-	409,982,059	14,665,909	20,921,184	445,569,152	25,723,206	419,845,946	9.1%	3,366,027,959	7.4160
	S	174,363,451	265,094,752	14,670,567	20,921,184	475,049,954	27,239,856	447,810,098	8.9%	3,548,266,877	0.9915

Source: Yavapai County assessor

Under Arizona law, there are two primary valuation bases: Primary (P) and Secondary (S). The primary (limited) assessed valuation is used when levying for maintenance and operation of cities, counties, school districts, community college districts, and the state. The secondary (full cash) assessed valuation is used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

Real estate and improvements are combined in the primary valuation.

CITY OF PRESCOTT, ARIZONA

Table X

Statistical Section - Revenue Capacity

Property Tax Rates and Tax Levies - All Direct and Overlapping Governments

Last ten fiscal years

Fiscal Year		City of	High School	Community	Yavapai	State of	Total
		Prescott	& Elementary	College	County	Arizona	
Tax Rates (per \$1,000 Assessed Valuation)							
1996	P	\$ 0.5107	\$ 4.6503	\$ 1.5448	\$ 2.4713	\$ 0.4700	\$ 9.6471
	S	0.5184	0.8333	0.1223	0.4784	-	1.9524
1997	P	0.4614	4.5886	1.5237	2.5108	-	9.0845
	S	0.1705	0.5803	0.1223	0.4278	-	1.3009
1998	P	0.4152	4.1739	1.4589	2.3363	-	8.3843
	S	0.1519	0.5183	0.1055	0.4097	-	1.1854
1999	P	0.3822	4.2661	1.4631	2.2768	-	8.3882
	S	0.1447	0.4803	0.1058	0.4354	-	1.1662
2000	P	0.3169	4.1210	1.5294	2.2374	-	8.2047
	S	0.5067	0.4216	0.0956	0.4452	-	1.4691
2001	P	0.2906	3.8751	1.5330	2.1283	-	7.8270
	S	0.5592	0.3989	0.0875	0.4354	-	1.4810
2002	P	0.2627	3.6306	1.5325	2.1040	-	7.5298
	S	0.5121	0.3658	0.4163	0.4286	-	1.7228
2003	P	0.2522	3.6222	1.5835	2.0961	-	7.5540
	S	0.4707	0.3583	0.3954	0.4297	-	1.6541
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.6004
	S	0.4072	0.2935	0.3106	0.4307	-	1.4420
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.4160
	S	0.3763	0.2857	0.2888	0.0407	-	0.9915
Tax Levies							
1996	P	\$ 950,000	\$ 11,989,487	\$ 12,811,554	\$ 20,495,445	\$ 3,897,847	\$ 50,144,333
	S	1,009,027	2,245,405	1,071,288	3,775,169	-	8,100,889
1997	P	950,000	11,989,487	12,811,554	20,495,445	3,897,847	50,144,333
	S	1,009,027	2,245,405	1,071,288	3,775,169	-	8,100,889
1998	P	920,000	12,810,741	14,029,805	22,466,746	-	50,227,292
	S	349,120	1,656,751	1,061,930	2,732,084	-	5,799,885
1999	P	920,000	14,142,306	14,978,983	23,309,493	-	53,350,782
	S	354,280	1,628,476	1,109,134	4,158,476	-	7,250,366
2000	P	820,000	14,650,581	16,779,826	24,547,733	-	56,798,140
	S	1,411,354	1,659,543	1,135,081	4,869,938	-	9,075,916
2001	P	820,000	15,065,840	18,109,635	25,141,805	-	59,137,280
	S	1,661,716	1,670,688	1,091,840	5,059,091	-	9,483,335
2002	P	820,000	15,596,853	19,630,398	26,951,447	-	62,998,698
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	14,310,793
2003	P	858,120	16,979,781	21,980,482	29,096,384	-	68,914,767
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	15,017,086
2004	P	929,147	18,984,254	23,771,406	32,649,944	-	76,334,751
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	14,792,880
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	82,928,572
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	15,453,297

The portion of the 2003-04 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,000,493	\$ 14,519,641	\$ 7,249,182	\$ 10,005,808	\$ -	\$ 32,775,124
	S	1,685,025	1,279,425	1,440,718	1,925,167	-	6,330,335
Percent	P	100%	74.1%	27.7%	27.7%	-	39.5%
	S	100%	74.2%	27.9%	27.9%	-	41.0%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table XI

Statistical Section - Revenue Capacity

Principal Property Taxpayers

Current fiscal year and nine years ago

		2004/05			1995/96		
		Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation	Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation
<u>Taxpayer</u>	<u>Type of Business</u>						
Arizona Public Service	Electric utility	\$ 10,073,188	1	2.2%	\$ 7,081,318	1	3.6%
TWC II Prescott Mall LLC	Shopping center	8,210,401	2	1.8%			
Qwest Corporation / US West	Telecommunications	6,787,201	3	1.5%	5,401,950	2	2.8%
Tucson Electric / Citizens	Gas utility	3,887,852	4	0.9%	3,448,418	3	1.8%
Wal-Mart	Shopping center	2,866,247	5	0.6%			
Westgold Office Building LLLP	Commercial rental	2,124,244	6	0.5%			
LFRV LLC (Las Fuentes)	Retirement facilities	1,901,629	7	0.4%			
Ponderosa Plaza	Shopping center	1,948,371	8	0.4%	2,134,013	4	1.1%
Sturm-Ruger	Manufacturing	1,679,846	9	0.4%	1,042,263	7	0.5%
Reddington-Willow Creek	Shopping center	1,850,870	10	0.4%	979,424	8	0.5%
Smiths Management Corporation	Grocery store				1,168,280	5	0.6%
SLHC Prescott Depot Marketplace	Shopping center				1,074,797	6	0.6%
Albertsons	Grocery store				929,966	9	0.5%
Allied Signal	Manufacturing				855,066	10	0.4%
Total		<u>\$ 41,329,849</u>		<u>9.1%</u>	<u>\$ 24,115,495</u>		<u>8.8%</u>

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA
Table XII
Statistical Section - Revenue Capacity
Property Tax Levies and Collections
 Last ten fiscal years

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent of Current Levy</u>
1996	\$ 1,959,027	\$ 1,864,765	95.2%	\$ 61,168	\$ 1,925,933	98.3%	\$ 125,986	6.4%
1997	1,271,305	1,252,701	98.5%	48,957	1,301,658	102.4%	95,633	7.5%
1998	1,269,858	1,252,096	98.6%	31,378	1,283,474	101.1%	82,017	6.5%
1999	1,274,280	1,213,362	95.2%	50,735	1,264,097	99.2%	92,200	7.2%
2000	2,231,354	2,161,688	96.9%	28,029	2,189,717	98.1%	133,837	6.0%
2001	2,481,716	2,445,577	98.5%	19,762	2,465,339	99.3%	150,214	6.1%
2002	2,489,115	2,428,916	97.6%	39,658	2,468,574	99.2%	170,755	6.9%
2003	2,525,735	2,402,338	95.1%	79,912	2,482,250	98.3%	193,699	7.7%
2004	2,604,022	2,580,873	99.1%	48,567	2,629,440	101.0%	145,337	5.6%
2005	2,685,518	2,677,274	99.7%	34,941	2,712,215	101.0%	118,640	4.4%

Source: Yavapai County treasurer's office

Beginning in 1950-51, Yavapai County was assigned the responsibility for assessing and collecting property taxes. Annual over collections (except for the year of change) are usually assured in that only the first six months total of unsecured personal property is included in the levy. The same tax rate is applied to the unsecured personal property assessed during the last six months of the year.

Yavapai County, in 1959-60, engaged in a more realistic approach in assessing unsecured personal property by using the previous year's actual percentage distribution to governmental units within the County applied to the current year's valuation.

Penalties are not recorded in the above collection figures.

The City tax rate is set before the final assessed valuation is known. Levies shown here are the product of the tax rate times the actual valuation; consequently, they may differ slightly from the estimated levies shown in the budget for each of these years.

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section - Revenue Capacity

Property Tax Information

Tax Rate Limitation

The state constitution and state law specify a property tax limitation system. The system consists of two levies, a limited levy known as the primary tax levy and an unlimited levy referred to as the secondary property tax levy. The primary levy is limited to an increase of 2% over the previous year's maximum allowable primary levy plus an increased dollar amount for property not taxed the previous year including new construction and annexed properties. The primary tax from all taxing jurisdictions for homeowners may not exceed 1% of the home's market value. The secondary property tax allows a city to levy property tax for the purpose of retiring the principal and interest on bonded indebtedness. Further, the actual full cash value of property is used to determine this tax rate.

Assessments

Since 1950-51, Yavapai County has assessed and collected all city property taxes at no charge to the City. Prior to that time, City taxes were separately billed by the City tax collector. Remittances are made periodically as collections accrue.

Taxes Due

First installment due September 1; second installment due March 1.

Payable

City property taxes are payable at the office of the Yavapai County Treasurer. The first installment can be paid on the first day of September through the first day of November. The second installment can be paid on the first day of March through the first day of May. The first installment becomes delinquent on the first day of November at 5:00 p.m. The second installment becomes delinquent on the first day of May at 5:00 p.m. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates.

Tax Sales

The sales of delinquent real estate taxes begin on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second installment becomes delinquent. The sales are made at public auctions in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest provided by law is 10% per annum. The purchaser of this tax sale is given a Certificate of Purchase for each parcel of real estate concerned.

Tax Deed

Five years subsequent to the annual tax sale, a holder of a Certificate of Purchase which has not been redeemed may demand of the Yavapai County Treasurer a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate of Purchase may institute a quiet title action and the court will instruct the County Treasurer to issue a County Treasurer's Deed if the suit is successful.

Redemption

Redemption may be made by the delinquent property owner or any interested party by payment in full of all accumulated charges at any time before the issuance of the tax deed. Payment may be made to the Yavapai County Treasurer.

CITY OF PRESCOTT, ARIZONA

Table XIV

Statistical Section - Revenue Capacity

Tax Revenues by Source

Last ten fiscal years

<u>Fiscal Year</u>	<u>Total Tax Per Capita</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Privilege and Use Taxes</u>	<u>Additional 1% Privilege Tax (1)</u>	<u>Franchise Taxes</u>	<u>Transient Lodging Tax (2)</u>
1996	\$341	\$ 10,438,989	\$ 1,996,984	\$ 5,589,982	\$ 2,004,290	\$ 633,183	\$ 214,550
1997	457	14,355,733	1,296,123	6,299,553	5,868,261	678,298	213,498
1998	493	15,790,331	1,284,416	6,955,576	6,551,926	778,926	219,487
1999	528	16,949,809	1,268,036	7,484,984	7,195,537	773,407	227,845
2000	581	19,494,931	2,161,034	8,289,438	7,999,852	778,302	266,305
2001	615	20,865,681	2,462,504	8,705,838	8,445,405	960,603	291,331
2002	634	22,706,358	2,505,335	9,615,252	9,270,390	1,008,081	307,300
2003	656	23,845,928	2,524,888	10,126,355	9,872,177	1,020,608	301,900
2004	718	27,418,458	2,592,210	11,835,113	11,517,650	1,147,098	326,387
2005	757	30,433,859	2,704,676	13,215,116	12,918,249	1,235,890	359,928

Source: City of Prescott finance department

(1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015.

(2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City.

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Revenue Capacity
Privilege Tax - Taxable Sales by Category

Last ten fiscal years

Fiscal Year	Automotive	Construction	General Merchandise	Misc. Retail	Food Stores	Real Estate				Commun- icsations	Business Services	Furniture	Hotel & Motel		All Other		Total	Tax Rate	Top 10 as percentage to Total
						Rentals	Restaurants & Bars	Utilities	Hotels				Motels	Printing	Apparel				
1996	\$82,845,507	\$64,106,548	\$36,207,751	\$64,186,304	\$78,960,718	\$41,837,631	\$42,107,448	\$30,702,501	\$19,756,073	\$15,738,435	\$11,935,333	\$13,408,026	\$14,413,231	\$6,766,815	\$31,118,775	\$554,091,096	2%	26%	
1997	87,000,259	72,316,213	66,695,914	71,289,367	78,649,571	45,977,517	41,335,050	32,543,929	19,752,494	17,673,753	12,116,858	12,799,233	15,995,611	7,713,127	33,380,452	615,239,348	2%	0%	
1998	78,543,948	75,798,086	76,974,947	81,180,919	80,424,975	53,098,243	44,640,436	36,186,354	24,772,686	22,485,688	14,094,923	13,096,610	17,088,228	7,561,849	48,576,477	674,524,369	2%	0%	
1999	108,794,634	92,228,924	87,341,760	82,721,051	81,901,213	57,607,283	47,429,467	34,773,664	28,083,930	21,748,885	18,152,300	13,789,982	18,027,279	7,026,161	29,525,982	729,152,515	2%	17%	
2000	124,739,691	104,695,997	98,866,858	91,437,880	85,734,413	63,133,219	50,445,774	35,206,623	32,355,201	24,805,751	19,629,326	16,687,877	17,910,909	7,898,882	32,078,518	805,626,919	2%	29%	
2001	121,341,182	131,930,266	100,489,135	100,312,340	86,333,711	69,185,620	50,674,772	39,934,785	34,331,735	26,783,580	17,862,870	17,233,341	17,106,846	7,141,110	32,883,233	853,544,526	2%	28%	
2002	136,333,290	154,467,159	118,190,428	105,748,135	86,026,584	72,592,687	53,544,387	48,808,891	33,566,891	26,417,224	18,888,190	19,615,264	16,857,074	9,764,782	36,300,917	937,121,903	2%	24%	
2003	154,945,794	142,172,896	131,270,398	109,836,419	89,060,155	79,503,263	58,555,851	46,581,908	33,645,178	26,539,070	25,167,507	19,119,481	18,161,694	13,852,217	40,219,648	988,631,479	2%	28%	
2004	182,502,741	169,760,812	192,381,804	120,809,690	96,292,469	85,530,789	60,635,063	48,629,410	33,896,483	27,665,158	25,324,216	20,248,084	16,718,696	15,008,164	43,453,018	1,138,856,597	2%	29%	
2005	211,529,204	202,047,222	251,059,469	136,654,086	100,186,426	89,353,937	66,913,229	53,176,362	32,236,998	33,348,721	32,293,206	22,349,436	17,922,992	16,187,744	48,248,017	1,313,507,049	2%	28%	

Top 10 Taxpayers

FY 2005	FY 1996
Arizona Public Service	Albertson's
Costco	Arizona Public Service
Galpin Ford	Fry's Food & Drug
Lamb Chevrolet	Galpin Ford
Sears	K-Mart
Fry's Food & Drug	Safeway
Tim's Buick, Pontiac, GMC	Sears
Unisource Energy	Smith's Food & Drug
York Motors	Tim's Buick, Pontiac, GMC
Wal-Mart	US West Communications
Percent of Total Privilege Tax Collected	Percent of Total Privilege Tax Collected
28%	26%

Source: City of Prescott finance department

- (1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015.
- (2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City.
- (3) The FY 1997 and 1998 tax collection amounts for the top 10 taxpayers is not readily available, we believe the percentage would be 15% - 25%.

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Revenue Capacity

Privilege Tax Overlapping Rates

Last ten fiscal years

<u>Fiscal Year</u>	<u>Prescott Privilege Tax General</u>	<u>Prescott Privilege Tax - Roads & Open Space (1)</u>	<u>Yavapai County Privilege Tax</u>	<u>State of Arizona Privilege Tax</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
1996	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
1997	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
1998	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
1999	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
2000	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
2001	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2002	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2003	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2004	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%

Source: City of Prescott finance department

(1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015.

(2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City.

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Net Bonded Debt Per Capita	Adjusted Net Bonded Debt Per Capita (1)	Percentage of Personal Income	Adjusted Percentage of Personal Income
	General Obligation Bonds	Community Facilities District Bonds	Lease Purchase Contracts	Municipal Properties Corporation Bonds	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Lease Purchase Contracts						
1996	\$ 3,065,000	\$ -	\$ 532,033	\$ 333,291	\$ 266,380	\$ 16,286,709	\$ 490,000	\$ 1,788,421	\$ 22,761,834	\$ 744	\$ 735	0.93%	0.92%	
1997	2,915,000	7,315,000	347,170	227,100	450,760	15,360,000	470,000	1,450,802	28,535,832	908	661	1.08%	0.79%	
1998	2,755,000	6,910,000	259,313	-	413,425	14,020,000	445,000	4,343,361	29,146,099	910	681	1.02%	0.76%	
1999	16,080,000	6,795,000	223,895	-	314,477	15,815,000	420,000	6,734,476	46,382,848	1,446	1,224	1.50%	1.27%	
2000	15,800,000	7,780,000	185,670	-	245,528	14,705,000	-	5,522,412	44,238,610	1,317	1,078	1.38%	1.13%	
2001	14,840,000	7,550,000	144,418	-	4,602,063	13,530,000	-	4,516,234	45,182,715	1,331	973	1.31%	0.96%	
2002	13,815,000	7,280,000	99,898	-	4,287,860	15,245,000	-	5,984,488	46,712,246	1,304	981	1.26%	0.95%	
2003	12,730,000	6,889,000	51,852	-	3,967,753	10,500,000	-	5,377,816	39,516,421	1,086	788	1.01%	0.73%	
2004	11,590,000	6,460,000	-	-	3,733,442	9,600,000	-	4,772,479	36,155,921	947	680	0.92%	0.66%	
2005	10,395,000	6,270,000	-	-	3,398,392	12,525,000	-	4,818,455	37,406,847	930	690	0.95%	0.71%	

Source: City of Prescott finance department

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Population information can be found on Table XXV. 2004 and 2005 percentage columns are based on 2003 personal income amounts. The 2004 and 2005 personal income amounts were not available.

(1) The total debt for the primary government is reduced by the amount of community facilities district bonds and special assessment bonds which are levied against specific property owners, and, therefore not an obligation of every citizen.

CITY OF PRESCOTT, ARIZONA

Table XVIII

Statistical Section - Debt Capacity

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last ten fiscal years

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Payable from Enterprise Funds</u>	<u>Less Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	\$ 194,632,976	\$ 3,555,000	\$ 490,000	\$ 3,065,000	1.6%	\$100
1997	204,262,774	3,385,000	470,000	2,915,000	1.4%	93
1998	244,905,181	3,200,000	445,000	2,755,000	1.1%	86
1999	259,202,990	16,500,000	420,000	16,080,000	6.2%	501
2000	297,152,604	15,800,000	-	15,800,000	5.3%	471
2001	325,907,477	14,840,000	-	14,840,000	4.6%	437
2002	325,907,477	13,815,000	-	13,815,000	4.2%	386
2003	354,265,656	12,730,000	-	12,730,000	3.6%	350
2004	411,364,816	11,590,000	-	11,590,000	2.8%	304
2005	447,810,098	10,395,000	-	10,395,000	2.3%	258

Source: City of Prescott finance department

(1) Population information is shown on table XXV.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratio of Annual Debt Service Expenditures for General Obligation Bond Debt to Total General Expenditures

Last ten fiscal years

<u>Fiscal Year</u>	<u>GO Bond Principal</u>	<u>GO Bond Interest</u>	<u>GO Bond Debt Service (1)</u>	<u>General Expenditures</u>	<u>Debt Service Transfer to Water (2)</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to Total General Expenditures</u>
1996	\$ 785,000	\$ 278,735	\$ 1,063,735	\$ 18,152,257	\$ 671,382	\$ 18,823,639	5.7%
1997	150,000	198,270	348,270	20,887,807	-	20,887,807	1.7%
1998	160,000	189,120	349,120	21,865,697	-	21,865,697	1.6%
1999	175,000	147,196	322,196	26,520,409	-	26,520,409	1.2%
2000	280,000	1,131,353	1,411,353	30,344,097	-	30,344,097	4.7%
2001	960,000	701,715	1,661,715	51,714,037	-	51,714,037	3.2%
2002	1,025,000	644,115	1,726,715	44,505,402	-	44,505,402	3.9%
2003	1,085,000	582,615	1,667,615	36,700,462	-	36,700,462	4.5%
2004	1,140,000	534,875	1,674,875	45,724,299	-	45,724,299	3.7%
2005	1,195,000	489,275	1,684,275	54,158,220	-	54,158,220	3.1%

Source: City of Prescott finance department

(1) The GO bond debt service includes all debt service paid for by secondary property taxes, including those paid through enterprise funds.

(2) This is the amount of secondary property tax transferred to the water fund to pay a portion of GO bond debt serviced by the water and sewer fund.

CITY OF PRESCOTT, ARIZONA

Table XX

Statistical Section - Debt Capacity

Schedule of Water and Sewer Revenue Bond Coverage

Last ten fiscal years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Revenue Bond Debt Service</u>			<u>Coverage (2)</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1996	\$ 8,850,670	\$ 5,510,230	\$ 3,340,440	\$ -	\$ -	\$ -	-
1997	9,036,916	5,265,147	3,771,769	-	-	-	-
1998	8,818,381	5,668,869	3,149,512	-	-	-	-
1999	9,603,732	4,998,126	4,605,606	-	-	-	-
2000	10,194,379	5,855,785	4,338,594	-	-	-	-
2001	10,461,178	6,171,567	4,289,611	-	-	-	-
2002	10,909,306	7,057,951	3,851,355	-	-	-	-
2003	14,510,866	11,388,242	3,122,624	-	-	-	-
2004	17,341,679	11,619,209	5,722,470	-	-	-	-
2005	27,905,262	13,186,223	14,719,039	-	-	-	-

Source: City of Prescott finance department

(1) Total expenses exclusive of depreciation, bond interest and capital costs.

(2) Revenue bond ordinances preclude the issuance of additional party bonds unless net revenues for the preceding twelve month period are equal to 1.2 times the highest future annual debt service requirement (including debt service on the bonds to be issued).

CITY OF PRESCOTT, ARIZONA
Table XXI
Statistical Section - Debt Capacity
Direct and Overlapping Debt
June 30, 2005

	<u>Net Bonds</u> <u>Outstanding</u>	<u>Percentage</u> <u>Applicable</u> <u>to Prescott (1)</u>	<u>Amount</u> <u>Applicable</u> <u>to Prescott</u>
<u>Direct Debt</u>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 10,395,000	100.0%	<u>\$ 10,395,000</u>
Total direct debt			<u>10,395,000</u>
<u>Overlapping Debt</u>			
Yavapai Community College District	61,725,000	25.1%	15,462,133
Prescott Unified School District	5,765,000	74.1%	<u>4,272,936</u>
Total overlapping debt			<u>19,735,069</u>
Total direct & overlapping debt			<u>\$ 30,130,069</u>

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

	<u>Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Valuation</u> <u>in</u> <u>Prescott</u>	<u>Percent</u> <u>in</u> <u>Prescott</u>
<u>Taxing District</u>			
Yavapai Community College District	\$ 1,676,029,540	\$ 419,845,946	25.1%
Prescott Unified School District	566,451,727	419,845,946	74.1%

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA
Table XXII
Statistical Section - Debt Capacity
Legal Debt Margins
June 30, 2005

	<u>General Obligation Bonds</u>	
	<u>All Others</u>	<u>Water & Sewer</u>
	<u>6% (1)</u>	<u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2004-05 secondary assessed valuation \$447,810,098)	\$ 26,868,606	\$ 89,562,020
<u>Outstanding Debt</u>		
Municipal facilities & refunding bond series 1998	1,315,000	9,080,000
Total outstanding debt	1,315,000	9,080,000
Total margin available	\$ 25,553,606	\$ 80,482,020
Total debt applicable to the limit as a percentage of the debt limit	4.9%	10.1%

Source: City of Prescott finance department

(1) Arizona's Constitution states that a municipality cannot issue general obligation bonds in excess of 6% of assessed valuation for general municipal purposes.

(2) Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and sewer services and recreational and playground facilities.

Computation of Debt Margin Highway User Tax Bonds

Arizona law states that municipalities may issue highway users bonds to the extent that 50% of the highway user revenues in the preceding year will be sufficient to pay annual principal and interest of such bonds.

Highway user tax revenue FY 2004-05	\$ 3,244,735
Percent of margin	50%
Highway user margin	1,622,368
Bond principal due FY 2004-2005	-
Bond interest due FY 2004-2005	-
Margin available	\$ 1,622,368

Total debt service applicable to the margin as a percentage of the margin n/a

CITY OF PRESCOTT, ARIZONA

Table XXIII

Statistical Section - Debt Capacity

Legal Debt Margins

Last ten fiscal years (in thousands of dollars)

<u>Legal Debt Limitation or Margin</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Obligation Bonds 6% limit (1)	\$ 11,678	\$ 11,679	\$ 13,794	\$ 14,694	\$ 16,713	\$ 17,829	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869
Outstanding debt subject to limit	<u>3,555</u>	<u>3,556</u>	<u>3,200</u>	<u>2,590</u>	<u>2,405</u>	<u>2,405</u>	<u>2,155</u>	<u>1,885</u>	<u>1,605</u>	<u>1,315</u>
Total margin available	<u>\$ 8,123</u>	<u>\$ 8,123</u>	<u>\$ 10,594</u>	<u>\$ 12,104</u>	<u>\$ 14,308</u>	<u>\$ 15,424</u>	<u>\$ 17,399</u>	<u>\$ 19,371</u>	<u>\$ 23,077</u>	<u>\$ 25,554</u>
Total debt applicable to the limit as a percentage of the debt limit	30.4%	30.4%	23.2%	17.6%	14.4%	13.5%	11.0%	8.9%	6.5%	4.9%
Water & Sewer 20% limit (2)	\$ 38,927	\$ 40,853	\$ 45,981	\$ 48,981	\$ 55,710	\$ 59,431	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562
Outstanding debt subject to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,910</u>	<u>13,395</u>	<u>12,435</u>	<u>11,660</u>	<u>10,845</u>	<u>9,985</u>	<u>9,080</u>
Total margin available	<u>\$ 38,927</u>	<u>\$ 40,853</u>	<u>\$ 45,981</u>	<u>\$ 35,071</u>	<u>\$ 42,315</u>	<u>\$ 46,996</u>	<u>\$ 53,521</u>	<u>\$ 60,008</u>	<u>\$ 72,288</u>	<u>\$ 80,482</u>
Total debt applicable to the limit as a percentage of the debt limit	n/a	n/a	n/a	28.4%	24.0%	20.9%	17.9%	15.3%	12.1%	10.1%
Highway User Margin 50% limit (3)	\$ 1,443	\$ 1,369	\$ 1,343	\$ 1,454	\$ 1,524	\$ 1,519	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622
Bond principal due	<u>-</u>									
Bond interest due	<u>-</u>									
Margin available	<u>\$ 1,443</u>	<u>\$ 1,369</u>	<u>\$ 1,343</u>	<u>\$ 1,454</u>	<u>\$ 1,524</u>	<u>\$ 1,519</u>	<u>\$ 1,397</u>	<u>\$ 1,433</u>	<u>\$ 1,595</u>	<u>\$ 1,622</u>
Total debt service applicable to the margin as a percentage of the margin	n/a									

Source: City of Prescott finance department

(1) Arizona's Constitution states that a municipality cannot issue general obligation bonds in excess of 6% of assessed valuation for general municipal purposes.

(2) Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and sewer services and recreational and playground facilities.

(3) Arizona law states that municipalities may issue highway users bonds to the extent that 50% of the highway user revenues in the preceding year will be sufficient to pay annual principal and interest of such bonds.

CITY OF PRESCOTT, ARIZONA

Table XXIV

Statistical Section - Debt Capacity

Pledged-Revenue Coverage

Last ten fiscal years

Fiscal Year	Special Assessment Bonds					Community Facilities District Bonds					Municipal Property Corporation Bonds			
	Special Assessments		Debt Service			CFD Assessments		Debt Service			Excise Tax	Debt Service		
	Collected	Principal	Interest	Coverage	Collected	Principal	Interest	Coverage	Collected	Principal (1)	Interest	Coverage		
1996	\$ 96,040	\$ 47,596	\$ 18,626	145%	\$ -	\$ -	\$ -	n/a	\$ 8,227,455	\$ 1,205,000	\$ 1,044,488	366%		
1997	37,918	46,596	14,414	62%	1,088,073	-	377,942	288%	12,846,112	1,260,000	974,138	575%		
1998	33,057	47,596	10,202	57%	1,127,503	405,000	571,419	115%	14,286,428	1,340,000	895,985	639%		
1999	90,760	98,149	24,996	74%	726,826	115,000	541,391	111%	15,453,928	1,410,000	981,982	646%		
2000	86,809	69,320	17,871	100%	835,506	255,000	566,348	102%	17,067,592	1,110,000	1,021,050	801%		
2001	305,749	157,533	148,216	100%	884,380	230,000	620,163	104%	18,111,846	1,175,000	959,685	848%		
2002	532,232	314,203	218,193	100%	926,479	270,000	588,615	108%	19,893,723	1,240,000	894,068	932%		
2003	522,415	320,107	202,475	100%	823,983	390,000	561,275	87%	21,019,140	4,745,000	824,370	377%		
2004	511,743	330,151	187,855	99%	893,919	430,000	536,218	93%	24,499,861	900,000	505,833	1743%		
2005	504,341	335,051	172,029	99%	977,151	190,000	498,512	142%	27,369,255	5,120,000	853,395	458%		

Source: City of Prescott finance department

Special Assessment Bonds are used to finance capital improvements in specific areas of the City. Project costs are assessed to each benefiting property owner, with payments used to pay debt service. The underlying property secures the debt and may be foreclosed in the event of a default.

Community Facilities District Bonds are issued by special districts specifically created to acquire and improve public infrastructure in specified land areas. Assessments are levied against property owners in the district to pay all of the costs associated with the districts. The underlying property secures the debt and may be foreclosed in the event of a default.

Municipal Property Corporation Bonds are issued by a non-profit corporation created by the City to finance construction or acquisition of municipal buildings and improvements on land owned by the City. The City makes lease payments to the Corporation to approximate the debt service. The City pledges all excise, transaction privilege and franchise taxes as collateral.

(1) - The Municipal Property Corporation Bonds principal for 2005 includes \$4,535,000 in refunded bonds, without this refunding the principal would be \$585,000 and the coverage would increase to 1903%.

CITY OF PRESCOTT, ARIZONA

Table XXV

Statistical Section

Demographic and Economic Statistics

Last ten calendar years

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Annual Unemployment Rate (1)</u>	<u>School Enrollment (2)</u>
1996	30,606	\$ 2,450,411	\$ 17,515	4.8%	5,414
1997	31,428	2,640,465	18,034	4.8%	5,195
1998	32,037	2,859,137	18,820	4.0%	5,242
1999	32,086	3,099,004	19,653	3.3%	5,149
2000	33,581	3,214,577	19,728	3.4%	5,046
2001	33,938	3,443,871	20,383	2.8%	5,049
2002	35,815	3,713,436	21,379	3.0%	5,031
2003	36,375	3,927,080	21,936	3.7%	5,000
2004	38,180			3.2%	5,113
2005	40,225			2.9%	5,242

Source: Arizona Department of Economic Security

(1) Income and employment information shown is for Yavapai County.

(2) Source: Arizona Department of Education.

The 2004 and 2005 income amounts were not available.

CITY OF PRESCOTT, ARIZONA

Table XXVI

Statistical Section

Demographic and Economic Statistics

Principal Employers

Current fiscal year and nine years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2004/05</u>			<u>1995/96</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>
Yavapai County	Government	1,680	1	7.8%	1,213	1	7.9%
Yavapai Regional Medical Center	Hospital	1,300	2	6.0%	730	3	4.8%
Prescott Unified School District	Public Schools	792	3	3.7%	573	4	3.8%
Wal-Mart Stores	Retail	782	4	3.6%			
Veteran's Administration Medical Center	Hospital	625	5	2.9%	550	5	3.6%
City of Prescott	Government	508	6	2.4%	380	6	2.5%
Embry-Riddle Aeronautical University	College	475	7	2.2%	300	8	1.9%
Yavapai College	College	400	8	1.9%	300	9	1.9%
Fann Contracting	Contracting	260	9	1.2%			
West Yavapai Guidance Clinic	Clinic	240	10	1.1%	182	10	1.2%
Sturm Ruger	Manufacturing				1176	2	7.7%
State of Arizona	Government				330	7	2.2%
		<u>7,062</u>		<u>33.4%</u>	<u>5,734</u>		<u>37.6%</u>

The 2004/05 total City employment was 21,153 based on Arizona Department of Economic Security information for 2004.

The 1995/96 total City employment was 15,238 based on Arizona Department of Economic Security information for 1995.

CITY OF PRESCOTT, ARIZONA

Table XXVII

Statistical Section - Operating Information

City Employees by Function/Program

Last ten fiscal years

Function/ Program	<i>Full-time Equivalent Employees at June 30</i>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government	19	19	19	21	21	28	29	31	31	34
Administrative Services (1)	12	8	8	9	9	12	12	6	6	5
Budget and Finance (1)	11	9	9	10	10	11	11	24	23	22
Community Development	15	18	18	19	20	21	23	23	27	27
Cultural & Recreation	43	36	39	41	44	45	47	65	66	66
Police	82	85	89	90	97	99	100	103	108	111
Fire	52	52	52	57	57	63	63	63	64	74
Central Garage	7	7	7	7	7	7	7	7	7	7
Self Insurance	2	2	2	2	2	2	2	3	3	2
Facilities Maintenance (2)	0	3	3	3	4	3	3	0	0	7
Engineering	0	15	16	19	19	19	20	25	23	24
Water	48	34	39	39	40	40	40	36	35	34
Sewer	27	27	27	26	26	27	27	27	27	29
Sanitation	12	12	12	12	12	13	13	13	15	16
Transfer Station	6	5	5	5	5	5	5	5	6	6
Airport	10	9	9	11	11	11	12	12	13	13
Golf Course	10	10	10	15	18	15	14	28	28	29
Streets	24	24	27	24	24	28	29	30	34	33
Total	380	375	391	410	426	449	457	501	516	539
Number of citizens per employee	81	84	82	78	79	76	78	73	74	75

Source: City of Prescott finance department

(1) In 2003, the Information Technology division was moved from Administrative Services to Budget and Finance.

(2) In 2005 a Facilities Maintenance program was initiated.

CITY OF PRESCOTT, ARIZONA

Table XXVIII

Statistical Section - Operating Information

Operating Indicators by Function/Program

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Community Development										
Building permits issued	1,475	1,793	1,724	1,559	1,840	1,714	2,060	2,002	1,970	2,039
Permit valuations (in millions)	72	78	76	111	104	118	162	188	167	200
Cultural & Recreation										
Library circulation	511,654	557,423	648,501	756,393	779,478	832,829	886,398	913,474	943,107	962,922
Library visits	246,192	260,114	354,229	371,039	369,497	387,699	408,448	400,000	473,993	477,768
Library resources available	125,293	138,177	126,689	151,959	160,108	160,145	147,175	149,130	161,545	156,790
New cards issued	5,427	5,231	5,283	5,245	5,061	4,943	5,362	7,212	8,288	8,550
Police (Calendar Year)										
Calls for service	33,409	34,449	34,108	31,914	32,075	33,283	35,226	35,159	36,284	-
Part 1 crimes (1)	2,054	2,348	1,757	1,844	1,942	1,939	2,132	2,386	2,080	-
Part 2 crimes (2)	3,309	3,247	3,261	3,311	3,632	3,439	3,760	3,683	3,521	-
Fire										
Responses	4,581	4,225	4,428	4,477	5,247	5,343	5,744	6,136	6,001	6,444
Inspections	535	551	565	1,272	1,422	1,680	1,200	851	1,450	1,856
Water										
Connections	14,534	15,661	16,204	16,705	16,904	16,629	17,222	19,062	19,760	19,205
Sewer										
Connections	11,471	11,580	11,613	12,609	13,709	13,467	14,180	14,948	15,478	16,091
Sanitation										
Residential accounts	10,779	11,922	11,871	12,590	13,274	13,625	13,655	14,066	14,346	15,098
Commercial accounts	1,161	1,203	1,248	1,248	1,311	1,350	1,380	1,501	1,581	1,613
Tons collected	25,342	26,917	27,515	29,000	31,019	33,237	32,569	32,629	33,876	34,916
Transfer Station										
Transactions per year	34,372	35,615	39,626	53,205	59,334	60,854	68,957	73,935	78,228	84,330
Tons per year	37,805	38,453	39,100	45,503	50,565	51,456	51,903	57,069	60,413	63,494
Airport (Calendar Year)										
Passenger aircraft landings	n/a	n/a	2,339	1,921	1,834	1,618	1,324	1,586	1,697	-
Passengers	23,557	19,205	16,455	12,301	11,752	8,708	9,168	10,827	15,600	-
FAA traffic count	347,273	353,299	349,915	336,672	320,037	325,491	338,208	298,789	272,855	-
Public Works										
Potholes repaired	6,421	6,277	6,114	7,829	7,785	6,611	6,577	7,678	7,868	8,250

(1) Part 1 Homicide, forcible rape, robbery, aggravated assault, burglary, larceny/theft, auto theft & arson

(2) Part 2 Simple assault, narcotics, forgery/fraud/embezzlement, vandalism & DUI

CITY OF PRESCOTT, ARIZONA

Table XXIX

Statistical Section - Operating Information

Capital Asset Statistics by Function/Program

Last ten fiscal years

<u>Function/Program</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government										
Area square miles	34	36	36	37	37	38	39	39	39	39
Cultural and Recreation										
Parks	20	20	20	22	22	24	24	24	24	24
Playgrounds	5	5	5	5	5	6	6	7	7	7
Other recreation facilities	11	11	11	11	11	11	11	11	11	11
Open space (acres)								10	10	10
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	365	383	401	436	452	472	472	482	496	505
Fire hydrants										
Sewer										
Miles of sanitary sewers	528	547	550	588	605	615	622	635	647	647
Sanitation										
Collection trucks	12	12	12	12	12	12	12	12	15	15
Airport										
Total based aircraft	255	288	290	310	319	343	347	364	338	349
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles) (1)	390	390	406	421	425	430	205	215	221	221
Street lights										
Traffic signals										

(1) Street miles were reviewed during 2002 in conjunction with the implementation of GASB 34. The street miles are now shown based on centerline miles, which measure the length of a road in miles. Prior to 2002, the figure shown was for lane miles, which is the product of centerline miles and the number of lanes.