



CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Prepared by
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Budget and Finance Department
City of Prescott



CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
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For the year ended June 30, 2008

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INTRODUCTORY SECTION







CITY OF PRESCOTT
201 South Cortez
Prescott, Arizona 86303

November 1, 2008

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 (CAFR) of the City of Prescott, Arizona (City) for the fiscal year ended June 30, 2008. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a broad framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech & Co., P.C. has issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report presents the financial position of the City as of June 30, 2008, 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.

CITY OF PRESCOTT PROFILE

Known as "Everybody's Hometown" Prescott is home to the downtown Courthouse Plaza, famous Whiskey Row, World's Oldest Rodeo, Prescott Fine Arts Association, Sharlot Hall Museum, Phippen Art Museum, Folk Arts Fair, Frontier Days, and Territorial Days. It has been officially designated as "Arizona's Christmas City" by the State of Arizona.

The Courthouse Plaza, located in the center of the downtown and framed by towering elms, is the focal point for myriad activities, including crafts fairs, antique shows and art shows. The plaza and Yavapai County Courthouse are well-known throughout Arizona as symbolizing the quintessential mid-western downtown square.

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

neighboring towns of Chino Valley, Prescott Valley and newly incorporated Dewey-Humboldt form what is known locally as the Quad-City area.

Although small in population, 43,217, 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 spectrum of automobile dealers
Costco
Wal-Mart
Lowe's

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

Forbes released its "fastest growing small metropolitan areas" ranking cities according to projected economic growth between 2007 and 2012. Prescott ranked 5th overall. *Forbes* also published their rankings for "Prime Places for Businesses and Careers." Prescott was placed at number 47 out of 175 small markets.

In March 2007, *CNNMoney.com* put Prescott on its list of the "100 Best Places to Live and Launch Small Businesses", stating Prescott is "ripe" for startups in the tourism and service industries and for manufacturers seeking a tax-friendly environment.

Prescott is widely mentioned as a retirement magnet by several publications. Families also consider Prescott an attractive location in which to live as evidenced by the 1.3% increase in school enrollment during the 2008 school year.

ECONOMIC CONDITION

Along with the rest of the country, Prescott endured an economic slowdown and the resulting decline in City and State Shared Revenues. Despite the recent downturn in the economy and slowing revenue activity, Prescott ended the last fiscal year in relatively good financial position due to prudent financial policies and practices.

As the principal revenue source for the General Fund, privilege tax revenues experienced a \$.8 million or 5.3% slump compared to FY 2007; and are down \$1.3 million or 8% when compared to the FY 2008 budget. The State of Arizona also is heavily reliant on privilege tax. The State tax revenue has plunged and will likely shrink future State shared revenues that the City receives. Management has responded to these declines by reducing positions, delaying capital projects and making other cuts and continues to plan and respond to further declines.

The nationwide housing crisis and the erosion of the subprime loan market impacted Prescott as well. The number of building permits issued during the year declined 22.4%, while the related valuations plummeted from \$133 million to \$74 million or 44%.

Economic experts from Arizona State University and the University of Arizona indicate that we are in a recession and the "construction sector has experienced one of the sharpest corrections on record". Most of the experts believe that Arizona's growth may launch again in 2010 but caution that we are in for a slow recovery.

Consumer confidence has decelerated as the spigot of low interest rates and money-out refinancing has been shut off. The stimulus checks have been spent. The recent bailout plan for the subprime debacle may open the valve for financing for employers to expand and for consumers to resume spending. The presidential election in November may also spark the economy.

We maintain a cautious outlook for FY 2009 and are diligently reviewing monthly revenue and economic trends to modify spending as dictated.

The City has been the dominant player in the region in terms of retail sales for many years. The Town of Prescott Valley has attracted some competing retailers which will condense Prescott's retail leadership role.

In order to secure the City's future success, investments in the community continue to take place. While the economy goes through several cycles, Prescott is well positioned to benefit from the economic turnaround when it comes.

LONG-TERM FINANCIAL PLANNING

The City's awareness to emerging economic challenges and its attentive long-range planning have been key factors in Prescott's fiscal health. Fiscal conservatism, a streamlined budget, and operating efficiencies play a critical role.

The goal of the FY 2009 budget was to slow spending, while maintaining basic core service levels, and maintaining essential functions. The City Council adopted conservative budget goals for 2009, which provided policy direction for City departments. Departments were encouraged to explore opportunities to improve efficiency without increasing costs.

Prescott has been able to maintain structural balance in our operating budget during this fiscal downturn. We have done so through ongoing readjustment of revenues and then subsequent incremental reductions in spending, as required. We have been able to balance our FY 09 budget with some downsizing but no elimination of services.

A significant percentage of the State's budget is established by statute, the volatile composition of revenues, and a history of lowering taxes without long-term planning create many challenges at the State level. As a result, the State will likely turn to Arizona cities and counties to help solve their problem. There are several other state budget-balancing ideas that have surfaced that could cost the City hundreds of thousands. At this point, we are uncertain about how these issues will affect us but we are monitoring the situation and working with our lobbyists and local legislators to ensure a fair and equitable conclusion.

Although reducing costs while maintaining high service levels is difficult, it is possible, as are accomplishments and successes. We accomplished the following in FY 2008:

City Facilities for Better Service

- o The new fleet maintenance facility opened
- o The Regional Communication Center Radio Dispatch upgrade is in process
- o The completion of "In House" remodeling of the police station, the Elk's Opera House concession, and community development.

Financial Sustainability

- o Voters approved a bed tax increase which funds tourism and recreational activities
- o The City annexed the Fann property south of highway 89A which represents a large area of prime land

Economic Expansion and Tax Base

- o The Lowe's Home Improvement Center opened
- o Several films, commercials and reality shows were filmed in Prescott

Road Improvements

- o Iron Springs Road was 98% complete
- o Copper Basin Road is progressing
- o Eleven unpaved streets were paved using recycled millings
- o The Rosser Street reconstruction was completed between Willow Creek and Campbell
- o The Summit and Marina street sidewalk projects were completed

Public Safety

- o The fire department created the first municipal hot shot crew in the nation
- o Our crime statistics continued to decline
- o Several fire stations were renovated
- o The Reverse 9-1-1 system was implemented
- o A second canine unit was added
- o A commercial vehicle enforcement unit added

Community Development

- o The development review process was revised
- o Proactive code enforcement
- o Nine neighborhood cleanups were completed
- o Animal control was Integrated into code enforcement

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.

Reserve 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.

As with any growing community, the City will continue to have an ongoing need for new or expanded streets, water and wastewater systems, transportation alternatives, public safety measures, and cultural and recreation opportunities. As the preceding economic indicators point out, tough times lie ahead.

Debt Administration

The City has a formal Debt Policy and issues debt for the purpose of acquiring or constructing capital projects including buildings, machinery equipment and furniture and fixtures. These needs are addressed through the budget process and the annual five-year capital improvement program.

The City's general obligation bonds have been assigned ratings of "Aa3" by Moody's Investor Services (Moody's), "AA-" by Standard & Poor's Ratings Services (S&P) and "AA-" by Fitch Ratings (Fitch).

The City's excise tax bonds have been assigned ratings of "A1," "AA" and "AA-" by Moody's, S&P and Fitch, respectively.

Cash Management

The City has a formal investment policy that governs the investment activities and complies with State law. The policy objectives in priority order are the preservation and safety of principal, liquidity and yield.

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

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, 2007. This was the 26th 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.

The City of Prescott received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2007 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning July 1, 2008.

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. Heinfeld, Meech & Co., P.C. conducted the audit for fiscal year ending June 30, 2008. The audit opinion is located in the financial section of the report.

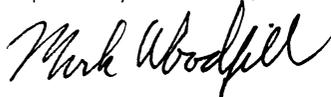
The City is also required to undergo a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but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

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was a collaborative undertaking of the finance department. Each member has our appreciation for the assistance provided in the preparation of this document. We also recognize the efforts of other departments who provided data that helped to make the report more meaningful.

In closing, we acknowledge the City Council and the City Manager for their continued support and direction.

Respectfully submitted,



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, 2007

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.



Chae S. Cox

President

Jeffrey R. Emer

Executive Director

City of Prescott Organizational Chart

Citizens Boards & Commissions

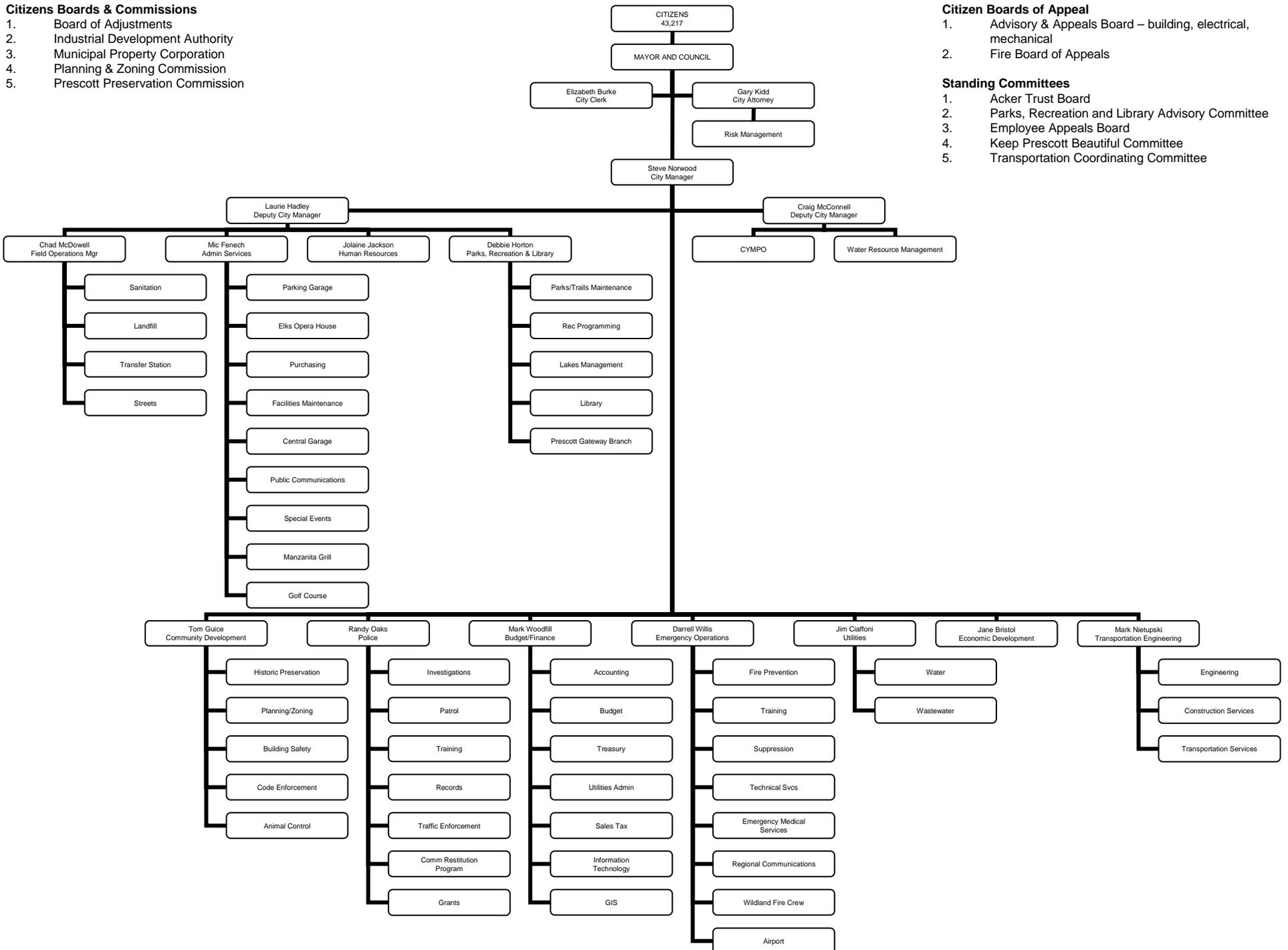
1. Board of Adjustments
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

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, 2008

ELECTED OFFICIALS

Jack Wilson, Mayor

Council

Bob Bell

Mary Ann Suttles

Bob Roecker

Jim Lamerson

Robert J. Luzius

Lora Lopas

Appointed Officials

Steve Norwood	City Manager
Gary Kidd	City Attorney
Elizabeth Burke	City Clerk
Arthur Markham	City Magistrate

Mailing Address

201 South Cortez
Prescott, AZ 86303

www.cityofprescott.net

FINANCIAL SECTION







INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona (the City) as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Streets and Open Space Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2008, on our consideration of City of Prescott, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the introductory section, combining statements, other supplementary information and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and other supplementary information 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 section 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.

Heinfeld, Meech & Co., P.C.

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

November 1, 2008

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 2008 and 2007 by \$491.3 million and \$450.4 (net assets), respectively. Of these amounts, \$30.6 million and \$44.0 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 \$40.8 million and \$33.2 million during fiscal years 2008 and 2007, respectively.

The fiscal year 2008 increase was achieved despite sharp declines in privilege (sales) tax collections (\$1.8 million or 9%). Capital grants and contributions increased by \$2.5 million and intergovernmental revenues increased (\$.9 million). The \$62.0 million increase to the invested in capital assets, net of related debt results from the completion of several capital projects and land acquisitions.

During fiscal year 2008, the City's total debt increased by approximately \$2.8 million, in contrast to the increase of approximately \$4.4 million in fiscal year 2007. The increase this year was the result of a new Water Infrastructure Financing Authority (WIFA) contract payable in the amount of \$8.2 million for several drinking water and clean water projects and a \$.2 million lease purchase transaction involving golf course maintenance equipment.

Overall City program expenses increased by \$2.5 million or 3%.

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 Streets and Open Space Special Revenue 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.
 - ◆ 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2008 and June 30, 2007 follows:

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Cash and investments	\$ 43.3	\$ 54.4	\$ 28.7	\$ 24.7	\$ 72.0	\$ 79.1
Other assets	14.9	14.9	0.9	1.5	15.8	16.4
Capital assets	274.7	236.7	198.9	185.7	473.6	422.4
Total assets	332.9	306.0	228.5	211.9	561.4	517.9
Other liabilities	8.5	8.7	4.2	4.1	12.7	12.8
Noncurrent liabilities	25.9	28.9	31.5	25.8	57.4	54.7
Total liabilities	34.4	37.6	35.7	29.9	70.1	67.5
Net assets:						
Invested in capital assets,						
net of debt	257.6	203.6	170.0	162.0	427.6	365.6
Restricted	22.0	31.5	11.1	9.3	33.1	40.8
Unrestricted	18.9	33.3	11.7	10.7	30.6	44.0
Total net assets	\$ 298.5	\$ 268.4	\$ 192.8	\$ 182.0	\$ 491.3	\$ 450.4

Governmental Activities

During fiscal year 2008 the balance of net assets increased \$30.1 million due to a large number of improvements and various capital improvement projects totaling \$51.0 million. However, much of the increase in net assets was offset by increased depreciation totaling \$11.2 million. The most notable additions include:

- The land trade with Yavapai County resulted in rodeo grounds' land valued at \$12.2 million coming on to the City's books.
- Vehicle additions amounted to \$1.3 million which included a side loader and a front loader costing a total of \$476,000.
- \$16.3 million was spent on road improvements. Most of the projects were in process at year end including Iron Springs Road and Copper Basin Road, which comprised nearly 74% of the total road spending.
- \$1.1 million was expended on land and right-of-way acquisitions. This included several open space acquisitions in the Granite Dells area.
- \$3.3 million was spent on the new central garage building.
- Developers contributed \$11.4 million in roads and right-of-way assets to the City.

Cash and investments declined by \$11.1 million reflecting the spending on projects, a decline in tax receipts and lower interest on investments.

Business-type Activities

During fiscal year 2008 the balance of net assets increased by \$10.7 million due in part to the following specific activities:

Water: \$11.4 million in improvements were added during the year. These include \$1.1 million for Big Chino Ranch water project. Developers contributed \$4.9 million in offsite improvements with the remainder made up of road related water projects.

Wastewater: \$7.4 million in improvements, which included several wastewater main replacement projects including Iron Springs road, Copper Basin road and a sewer rehabilitation project in Yavapai Hills. Developers contributed \$1.7 in offsite improvements.

Transfer Station: \$.8 million was spent on the transfer station expansion project.

\$5.2 million in depreciation expense offset a significant amount of the growth in net assets.

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 \$18.9 and \$11.7 million respectively.

There are restrictions on \$22.0 million of net assets for governmental activities and an additional \$11.1 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, 2008 and June 30, 2007 follows:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services and other	\$4.8	\$5.3	\$32.7	\$31.1	\$37.5	\$36.4
Operating grants and contributions	5.3	5.1	-	-	5.3	5.1
Capital grants and contributions	12.4	10.0	11.4	11.4	23.8	21.4
Total program revenues	22.5	20.4	44.1	42.5	66.6	62.9
General revenues						
Taxes	34.5	35.9	-	-	34.5	35.9
Intergovernmental	12.5	11.6	-	-	12.5	11.6
Interest and investment income	3.0	3.7	1.8	1.7	4.8	5.4
Gain (loss) on sale of property	8.6	-	(0.9)	-	7.7	-
Miscellaneous	0.5	0.9	0.7	0.6	1.2	1.5
Total general revenues	59.1	52.1	1.6	2.3	60.7	54.4
Total revenues	81.6	72.5	45.7	44.8	127.3	117.3
Expenses						
General government	2.8	4.4	-	-	2.8	4.4
Community services	2.8	3.2	-	-	2.8	3.2
Culture and recreation	7.4	6.7	-	-	7.4	6.7
Police and court	12.7	11.8	-	-	12.7	11.8
Fire	8.2	7.4	-	-	8.2	7.4
Public works	16.9	16.1	-	-	16.9	16.1
Interest on long-term debt	1.2	1.0	-	-	1.2	1.0
Water	-	-	10.3	9.9	10.3	9.9
Wastewater	-	-	7.4	6.4	7.4	6.4
Golf course	-	-	3.5	3.2	3.5	3.2
Airport	-	-	4.1	4.7	4.1	4.7
Solid waste	-	-	5.2	5.0	5.2	5.0
Regional Transfer station	-	-	4.0	4.1	4.0	4.1
Parking garage	-	-	0.3	0.2	0.3	0.2
Total expenses	52.0	50.6	34.8	33.5	86.8	84.1
Increase (decrease) before transfers	29.6	21.9	10.9	11.3	40.5	33.2
Transfers	0.3	(0.1)	(0.3)	0.1	-	-
Rounding	0.2	-	0.2	(0.1)	0.4	(0.1)
Change in net assets	30.1	21.8	10.8	11.3	40.9	33.1
Beginning net assets	268.4	246.6	182.0	170.6	450.4	417.3
Ending net assets	<u>\$ 298.5</u>	<u>\$ 268.4</u>	<u>\$ 192.8</u>	<u>\$ 182.0</u>	<u>\$ 491.3</u>	<u>\$ 450.4</u>

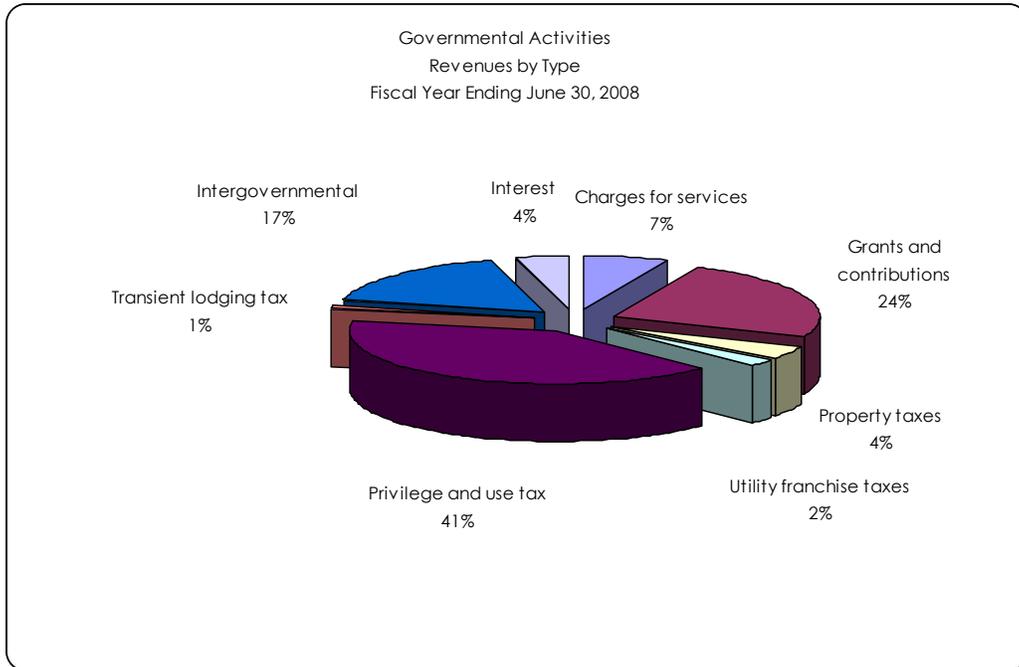
Rounding adjustments result in small differences when compared to financial statements.

Governmental Activities

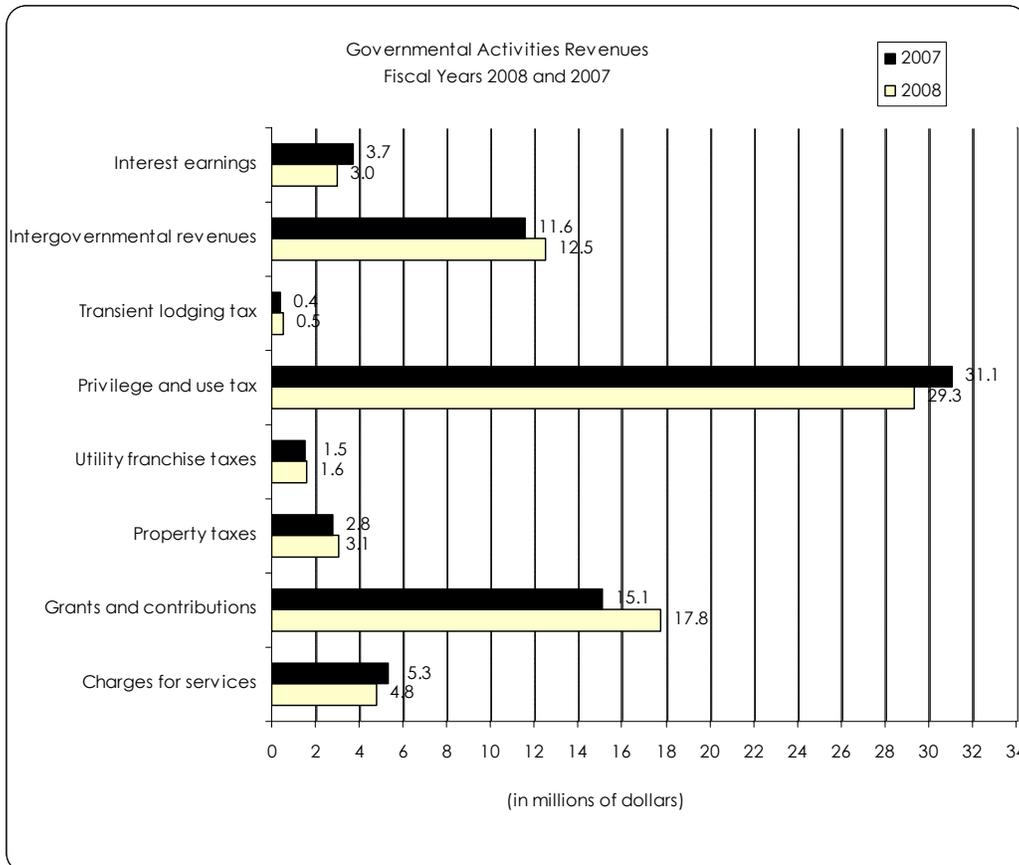
The cost of all governmental activities this year was \$52.0 million. \$4.8 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$17.8 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$34.5 million, was financed through general City taxes. Other

governmental revenues, including intergovernmental revenues and interest amounted to \$24.7 million; this includes a gain of \$8.6 million on the land trade with Yavapai County.

The chart below shows the breakdown of governmental activities revenue.



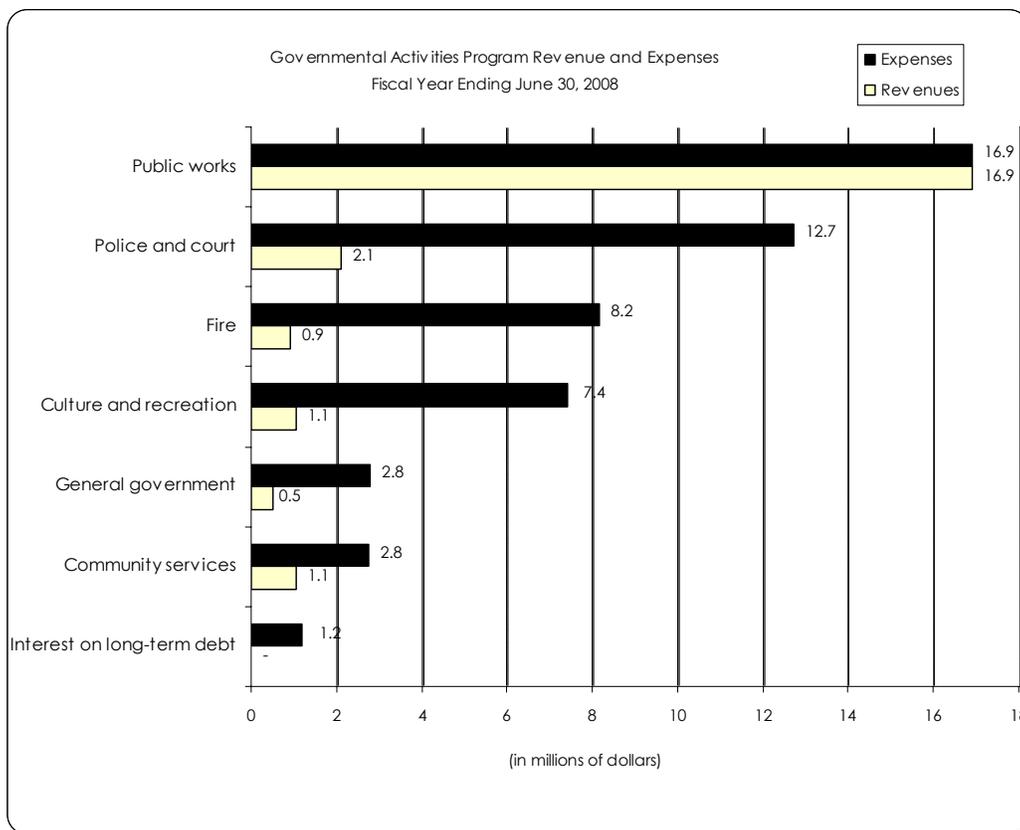
The graph below compares the governmental revenues from fiscal year 2008 to fiscal year 2007.



Total governmental activities revenues increased by \$9.6 million or 13% from the previous year. Key factors in this change include:

- ◆ A gain on the land trade with the County accounts for \$8.6 million of the increase.
- ◆ Grants and contributions increased by \$2.7 million or 18%. The primary factor behind this was an increase in developer road and right-of-way contributions, which totaled \$11.4 million, which is up 37% from \$8.3 million one year ago.
- ◆ Intergovernmental revenue increased by \$.9 million despite State shared sales tax being down 10%.

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 increased by \$1.5 million or 3%. The majority of the increase can be attributed to higher wage costs.

There was one amendment to the budget after final adoption impacting governmental activities; this represents a transfer of budget appropriation, not funding. The Capital improvement fund transferred \$300,000 to the Self-insurance fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37.7 million, a decrease of \$10.6 million in comparison to the combined ending fund balances for fiscal year 2007 of \$48.3 million.

Approximately \$34.0 million of the total for fiscal year 2008 and \$46.3 million of the total for fiscal year 2007 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or restricted for specific purposes; examples are impact fees and trust accounts.

Revenues for governmental functions overall totaled approximately \$62.0 million in fiscal year 2008, a decrease of 3% (\$1.7 million) over the previous year total of \$63.7 million. In fiscal year 2008, expenditures for governmental functions, totaled \$72.4 million, an increase of 10% (\$6.8 million) over the fiscal year 2007 total of \$65.6 million.

In the fiscal year ended June 30, 2008 expenditures for governmental functions exceeded revenues by \$10.4 million or (17%). In 2007, governmental functions expenditures exceeded revenues by approximately \$1.9 million (3%). The decrease in 2008 reflects that previously delayed road projects, primarily Iron Springs and Copper Basin roads incurred significant spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$10.3 million, while total fund balance was \$12.1 million. The unreserved and total balances for the General Fund at the end of fiscal year 2007 were \$10.3 million and \$11.8 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The following factors represent the reasons behind significant changes in the general fund:

- ◆ Taxes decreased by \$734,247 million or less than 4%
- ◆ Intergovernmental revenues increased by \$913,583 or 8% which reflect the City's share of State tax collections which have leveled off as Arizona's economy has slumped. The State Shared Sales Tax portion of intergovernmental revenues has declined by \$129,000 but was under budget by \$405,216 or 10%.
- ◆ Investment income declined by \$368,263 or 44% due to decreased interest rates and a smaller invested balance.
- ◆ Public safety expense increased by \$1.7 million or 9% reflecting the City's continued emphasis on public safety coupled with increasing retirement costs. The new joint communications center has also resulted in increased expenses which are shared with other jurisdictions.

Unreserved fund balance represents 31% percent of the total General Fund expenditures of \$32.8 million in fiscal year 2008 and 35% percent of the total General Fund expenditures of \$29.7 million in fiscal year 2007.

Overall, the General Fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2008, of \$2.4 million which is down 57% compared to the prior year of \$5.6 million.

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

- ◆ The total General Fund revenues were under budget by \$1.7 million or 5%. Privilege tax revenue was under budget by \$1.3 million or 8.0% due to the downturn local construction and retail economy. Charges for services were under budget by \$.5 million or 21% due to the slowdown in building activity. State shared sales tax was less than the budgeted amount by \$.4 million or 10% due the decline in the state economy.
- ◆ The total expenditures in the General Fund were under budget by \$1.0 million or 3% reflecting a rather flat spending trend. The police department was under budget by \$.8 million which results primarily from longer recruitments for open positions created by staff retirements and turnover. Other expenditures remained flat.

The Streets and Open Space fund expenditures exceeded revenues by \$8.6 million during the year. The privilege tax for streets and open space was less than budgeted by \$1.6 million or 10%. The fund's expenditures were under budget by \$14.6 million which results from delays in road projects and open space acquisitions. Open space funds in the amount of \$1.4 million were spent to acquire the land in the Granite Dells area and near the rodeo grounds. The remaining spending was incurred on road projects, primarily Iron Springs and Copper Basin.

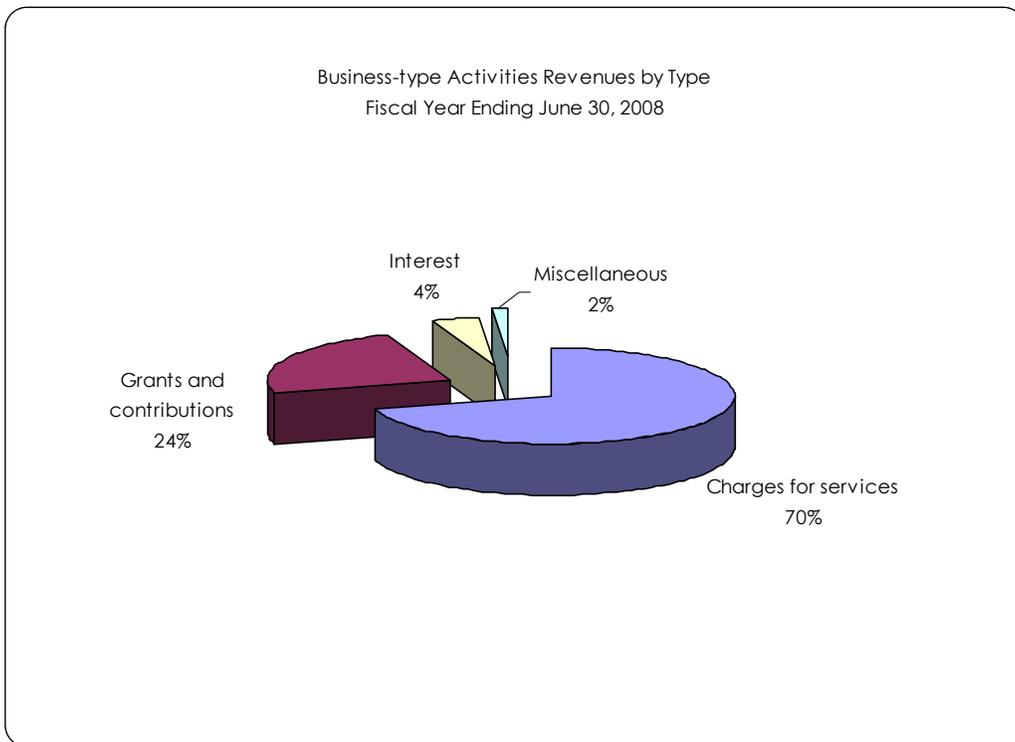
Other individual governmental funds had no unusual fluctuations which warrant explanation.

Business-type Activities

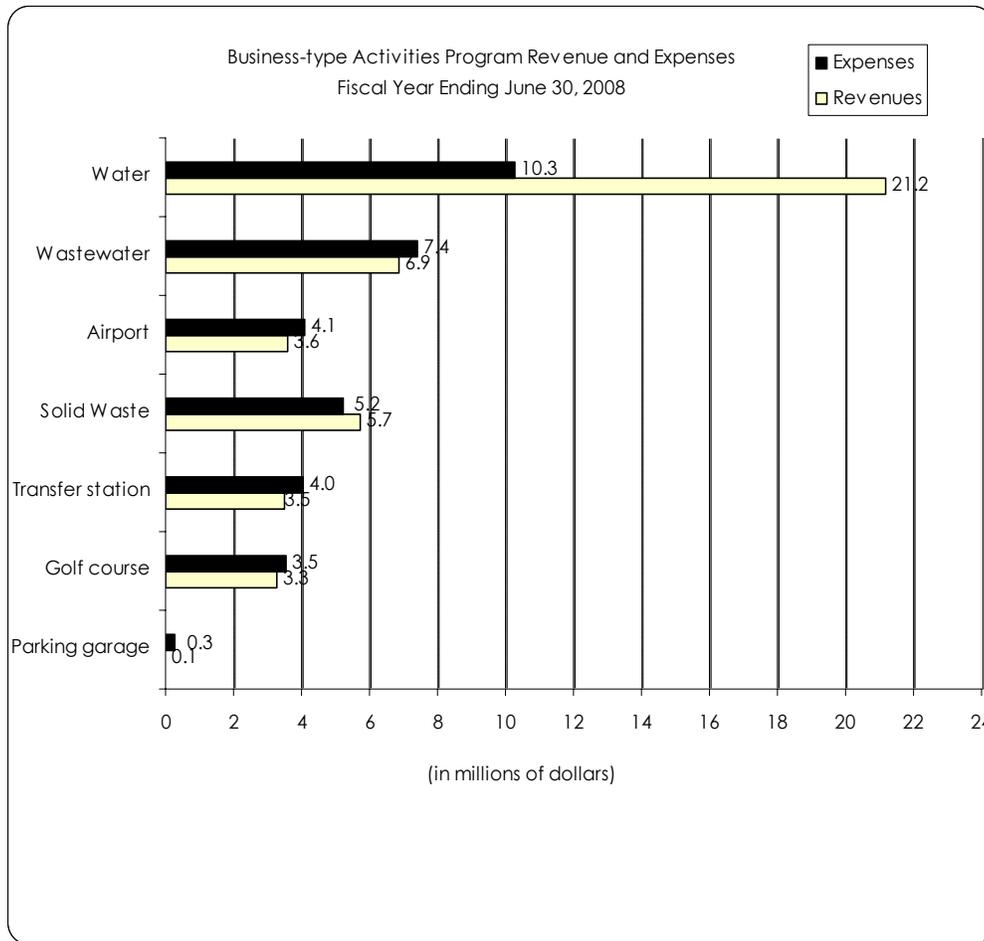
The cost of providing all business-type activities this year was \$34.8 million. Of this cost, \$32.8 million was paid by users, \$11.4 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities resulting in a net revenue of \$9.4 million. Investment earnings of \$1.9 million, miscellaneous income of \$.7 million and the loss on sales of property along with a transfer out amounted to a \$1.2 million loss resulted in an overall increase in net assets of \$10.8 million.

Business-type activities revenue increased by \$1.1 million (2%). User charges increased by \$1.7 million, while developer contributions and grants were flat for fiscal year 2008.

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



The City's business-type programs include the following: water, wastewater, golf course, airport, solid waste, regional transfer station and parking garage. 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 business-type changes in operating net assets were the result of the following factors:

- The increased water rates and related impact fees were the driver of the increase in water net assets. Water sales actually declined by 15% when compared to the budget. This is because of less building activity and additional conservation of water by our customers.
- The airport incurred a loss of nearly \$400,000 on the sales of the fuel farm and hangars to Legend Aviation who was selected as the new fixed based operator at the airport. Airport grants also declined by more than \$250,000 during the year.
- The golf course had an operating loss of \$164,521 this year and is generating negative cash flow as evidenced by the amount due to the General Fund which swelled an additional \$1.0 million during the year and now exceeds \$1.8 million. The fee structure was modified again this year and the department is optimistic about the future, especially once the debt is retired.
- Transfer station transaction volumes dipped by 14% but the tons processed actually increased by 4%. The land trade with the county also impacted the transfer station operation by approximately \$600,000 which represents the loss on the transfer to the County.

Customer and developer contributions amounted to \$11.4 million during the year, which supplemented the water and wastewater programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008 the City had invested \$473.6 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$51.2 million.

The following table reconciles the changes in capital assets.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Beginning balance	\$ 236.7	\$ 212.9	\$ 185.7	\$ 172.9	\$ 422.4	\$ 385.8
Additions	51.1	35.8	20.3	18.0	71.4	53.8
Deductions	(2.4)	(2.2)	(2.7)	(1.0)	(5.1)	(3.2)
Depreciation	(10.7)	(9.8)	(4.4)	(4.2)	(15.1)	(14.0)
Ending balance	<u>\$ 274.7</u>	<u>\$ 236.7</u>	<u>\$ 198.9</u>	<u>\$ 185.7</u>	<u>\$ 473.6</u>	<u>\$ 422.4</u>

See Section 11 and 3C in the Notes to the Financial Statements for further information on the City of Prescott's capital assets.

Debt Administration

As of year-end, the City had \$57.3 million in debt outstanding compared to \$54.5 million last year.

	Governmental Activities	Business Activities	Total
	Beginning Balance	\$ 28.8	\$ 25.7
Additions	0.4	8.7	9.1
Retirements	(3.4)	(2.9)	(6.3)
Ending Balance	<u>\$ 25.8</u>	<u>\$ 31.5</u>	<u>\$ 57.3</u>

During 2008, the City obtained \$9,854,000 in financing from the Water Infrastructure Finance Authority of Arizona (WIFA) for several drinking water projects which include: the Willow Creek transmission line relocation and upgrade, water meter changeout program, Recharge intake pipeline replacement, airport recharge facility recovery wells and water improvements to Gail Gardner way and Iron Springs road. The WIFA subsidy for these projects is 80%. At June 30, 2008 the City has drawn on \$4,928,531 of the loan, leaving \$4,925,469 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.64%.

The City also obtained \$4,703,000 in financing from WIFA for several clean water projects which include: Sewer projects for Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth and Demerse and Gurley Street (Arizona to Bradshaw). The WIFA subsidy for these projects is 85%. At

June 30, 2008 the City has drawn on \$3,320,930 of the loan, leaving \$1,382,071 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.868%.

The drinking water loans are recorded in and paid out of revenues of Water Fund while the clean water loans are recorded in and paid out of revenues of Wastewater Fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds.

The golf course entered into a lease purchase agreement for mowing equipment totaling \$227,454.

See Section 1K and 3F in the Notes to the Financial Statements for further information on the City of Prescott's long-term debt.

The City's general obligation bonds have been assigned ratings of "Aa3" by Moody's Investor Services (Moody's), "AA-" by Standard & Poor's Ratings Services (S&P) and "AA-" by Fitch Ratings (Fitch).

The City's excise tax bonds are rated by Moody's, S&P and Fitch who have assigned the underlying ratings of "A1", "AA" and "AA-", respectively.

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 wastewater 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, 2008 the City had remaining debt capacity of \$121.0 million under the 20% test and \$38.2 million under the 6% test. The City also has \$1.7 million available under highway user bond authority which is based on 50% of the prior year highway user revenue.

ECONOMIC FACTORS

These are challenging times and we anticipate a slow recovery for the region. The credit market and the related housing market have stumbled (both nationally and regionally); indications are that the overall economy should see some signs of life by 2010. We are tracking several economic indicators and will continue to take the necessary steps to maintain the City's fiscal health.

Privilege tax revenues are estimated to be level in FY 2009 when compared to FY 2008 revised estimates. A 4.8% decrease is projected in the City's share of the State sales tax for FY 2009.

Despite the economic dynamics currently in play, we anticipate several major projects in the coming year, including:

- the groundbreaking for a four-star hotel and conference center,
- the first building for the Embry-Riddle Aeronautical University business/technology park,
- an expansion for Best Buy and the announcement of a new mini-major retailer at the Prescott Gateway Mall, and
- the addition of Horizon Airlines will supplement air service at our Airport. This new air service will temper the loss of Mesa Air and encourage new trade and commerce between the Prescott area and the west coast.

Several considerable annexations are in process including:

- 1,700 acres of Deep Well Ranch,
- various State land parcels,
- 4,500 acres of property owned by Cavan Investments,
- 480 acres of Storm Ranch,
- 400 acres of Parkwest, and
- 690 acres of Stringfield Ranch.

These residential and commercial additions will position the north Prescott area for new growth when the current downturn reverses.

All fund balance reserves have been maintained at the levels required by the policy and there is no plan to reduce or utilize any of the reserves. These reserves, in combination with our consistent adherence to adopted financial policies and management practices, were key elements in credit rating upgrades awarded to Prescott by the major credit rating agencies in FY 2007.

NEXT YEAR'S BUDGETS AND RATES

The FY 2009 Budget was formulated based on feedback from Mayor and Council through its goals, policies, and guidelines, input from various advisory committees, 2003 General Plan, community input (from individuals, neighborhood groups or service clubs), downtown groups, as well as corridor and area plans.

A Council/staff retreat in January defined several goals which are listed below:

Stronger Local Economy and Expanded Tax Base

- Seek additional quality jobs that pay family wages
- Diversify the City's economic base to be less retail dependent
- Develop our airport as an "economic engine"
- Continue as the regional retail center
- Make land available for developing business/commercial sites

Better Mobility through Improved Roads and Transportation System

- Improve the condition and quality of streets
- Pave all streets and alleys
- Expand air service to alternative hubs
- Promotion of an efficient and effective Municipal Planning Organization
- Add sidewalks to all major arterials

Managed Growth for a Balanced Community

- Expand affordable (workforce) housing units
- Annexation areas should be well-planned with mixed and balanced uses
- Preserve Prescott's historic charm and character
- Growth paying for growth
- Development consistent with Land Development Code

Polished City – Beautiful and Clean

- Cleaner and well-maintained streets, alleys and rights-of-way
- Reduce the amount of blighted homes and buildings
- Effective solid waste collection and management
- Redevelopment of older 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 open beyond 5:30.

The FY 2009 budget consists of two different components – the operating budget and the capital budget. The operating budget is \$80,514,053, representing a 6% decrease from FY 2008. The operating budget is comprised of the costs to continue operations from year to year without any 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 \$175,763,110, a 44% increase over FY 2008. 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. The budget also contains several capital projects that will potentially go to the voters for approval. These projects would need to be funded through an increase in property tax or an additional sales tax. 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 FY 2009 to \$256,277,163.

With a few modifications, the capital investments included in the FY 2009 budget are part of the Five-Year Capital Improvement Plan adopted during the FY 2008 budget process.

Water Fund

The major funding allocation in the Water Fund is \$4.7 million for the design and construction of a pipeline, reservoirs, wells and related infrastructure to deliver water from the Big Chino Ranch that was purchased during FY 2005.

Other notable projects in the Water Fund include:

- An allocation in the amount of \$2.3 million for the airport zone 12" main north loop project which consists of the installation of a 12" water line from the existing airport pump station northward beyond the proposed runway extension and connect to the existing 10" main on the northwest side of the runway.
- Funding for water improvements and upgrades as part of the Copper Basin road \$1.7 million and Williamson Valley road \$1.5 million street projects.
- \$1.6 million for the surface water recharge pipeline

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, or fire hydrant upgrades along with miscellaneous equipment replacements.

Wastewater Fund

Within the Wastewater Fund, the largest allocations are the north Prescott regional force main project \$5.4 million and the improvements associated with the Copper Basin road project \$1.4 million. Funding for additional wastewater main replacements/improvements necessitated by street projects is included in this fund.

Like the Water department, the Wastewater department each year plans several ongoing capital projects such as recharge cell cleaning at the wastewater treatment plant, lift station rehabilitation, manhole rehabilitation, etc. Equipment purchases are minimal in this fund.

Transfer Station Fund

Anticipated capital expenditures during FY 2009 for this fund include \$332,856 for the second phase of the Transfer Station Expansion.

Airport Fund

Infrastructure projects totaling over \$10.7 million are grant funded for FY 2009 with the City's share of these grants being \$671,042. Also budgeted is \$861,450 for North Ramp T Shades.

Golf Course

\$620,000 has been budgeted in FY 2009 for the purchase of new golf carts. The purchase of the carts is accomplished through a lease/purchase by using a five year amortization in which after three years there is a balloon payment with a guaranteed buy-back.

Streets

Street maintenance operations continue to be funded at a level of \$4.1 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, trash 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 Fund

Included in the FY 2009 budget is nearly \$6 million for potential open space purposes. Also in this fund is over \$15.0 million in street projects such as construction of Copper Basin Road (\$4.1 million), Ruth/Demerse street reconstruction project (\$2.7 million), and pavement preservation projects (\$1.8 million).

General Fund

Notable capital outlay in the General Fund for FY 2009 includes: \$250,000 for a financial reporting system, \$127,000 for a document management system and \$52,000 for the remainder of the HR and Payroll software program.

FUTURE ISSUES

While the City has progressed in many areas, certain challenges are apparent. The following key issues confront the city:

- Long Term Sustainable Water - With several large-scale annexations planned, we must address a number of key issues pertaining to our long-term water supply. The City must determine its membership status in the Verde River Basin Partnership, work with Northern Arizona Municipal Water Users Association, evaluate our role, options, and create a long-term use policy.
- Northeast Prescott Area Annexations – The City must continue to build relationships with private property owners and the State Land Department in order to move forward with this process. In addition to the statutorily set guidelines, we must also ensure we have the necessary planning, water allocation and infrastructure in place. These annexations will need to work through the public process and meet with the approval of neighboring landowners. Ensuring the City has “room to grow” is essential to our economic health and vitality.
- Sunset on One-Cent Privilege Tax - As costs for building new roads and reconstructing existing roads continue to rise and revenue continues to decline, the pending sunset of the one-cent privilege tax becomes a greater issue. Existing funding from this source cannot cover all costs associated with our street system; in fact the City will be in a deficit in 2010 if we continue with our scheduled projects. The Prescott Capital Needs Committee strongly encouraged the City Council to move forward with an extension of the one-cent streets and open space privilege tax.

FINANCIAL CONTACT

This financial report is designed to present a general overview of the City's finances and to demonstrate the City's accountability. To ask questions, share observations or provide suggestions about the report, contact:

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



CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 43,291,942	\$ 28,724,999	\$ 72,016,941
Receivables (net)	12,834,039	2,333,625	15,167,664
Internal balances	1,843,644	(1,843,644)	-
Prepaid lease	-	17,139	17,139
Inventories	245,178	332,340	577,518
Capital assets			
Land	61,723,609	28,364,391	90,088,000
Construction in progress	30,497,273	22,625,041	53,122,314
Other capital assets (net of accumulated depreciation)	182,432,651	147,915,116	330,347,767
Total assets	<u>332,868,336</u>	<u>228,469,007</u>	<u>561,337,343</u>
LIABILITIES			
Accounts payable	3,594,594	3,258,905	6,853,499
Accrued expenses	1,633,979	504,823	2,138,802
Claims payable	2,546,685	-	2,546,685
Deposits	88,900	317,732	406,632
Unearned revenue	669,155	107,435	776,590
Noncurrent liabilities			
Compensated absences due within one year	1,897,868	389,239	2,287,107
Bonds and other debt due within one year	2,453,696	2,581,155	5,034,851
Due in more than one year	21,489,624	28,550,392	50,040,016
Total liabilities	<u>34,374,501</u>	<u>35,709,681</u>	<u>70,084,182</u>
NET ASSETS			
Invested in capital assets, net of related debt	257,605,917	170,067,913	427,673,830
Restricted for:			
Capital projects	-	4,346,760	4,346,760
Inventory	2,787	-	2,787
Prepaid fairgrounds rent	250,000	-	250,000
Streets and open space privilege tax activities	9,567,912	-	9,567,912
Impact fee projects	2,163,592	4,169,418	6,333,010
Highway user projects	488,204	-	488,204
Debt service	8,952,415	2,513,027	11,465,442
Expendable trust	536,010	-	536,010
Unrestricted	18,926,998	12,042,744	30,969,742
Total net assets	<u>\$ 298,493,835</u>	<u>\$ 193,139,862</u>	<u>\$ 491,633,697</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, 2008

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	\$ 2,795,027	\$ 424,522	\$ 82,862		\$ (2,287,643)	\$ -	\$ (2,287,643)
Community services	2,753,553	759,032	167,968	127,549	(1,699,004)	-	(1,699,004)
Culture and recreation	7,423,431	828,718	6,672	227,562	(6,360,479)	-	(6,360,479)
Police and court	12,708,979	1,810,533	111,621	180,581	(10,606,244)	-	(10,606,244)
Fire	8,154,199	653,650	202,375	58,547	(7,239,627)	-	(7,239,627)
Public works	16,900,857	314,725	4,748,642	11,842,963	5,473	-	5,473
Interest on long-term debt	1,195,481	-	-	-	(1,195,481)	-	(1,195,481)
Total governmental	51,931,527	4,791,180	5,320,140	12,437,202	(29,383,005)	-	(29,383,005)
<i>Business-type activities:</i>							
Water	10,251,868	12,371,505	-	8,831,536	-	10,951,173	10,951,173
Wastewater	7,415,592	4,485,370	-	2,386,590	-	(543,632)	(543,632)
Golf course	3,539,999	3,257,411	-	-	-	(282,588)	(282,588)
Airport	4,101,413	3,350,194	-	225,628	-	(525,591)	(525,591)
Solid waste	5,223,966	5,725,438	-	-	-	501,472	501,472
Transfer station	4,029,674	3,481,693	-	-	-	(547,981)	(547,981)
Parking garage	250,970	58,072	-	-	-	(192,898)	(192,898)
Total business-type activities	34,813,482	32,729,683	-	11,443,754	-	9,359,955	9,359,955
Total primary government	\$ 86,745,009	\$ 37,520,863	\$ 5,320,140	\$ 23,880,956	(29,383,005)	9,359,955	(20,023,050)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,156,383	-	1,156,383
Property taxes, levied for debt service	1,909,468	-	1,909,468
Utility franchise taxes	1,563,883	-	1,563,883
City privilege and use tax, general purposes	14,975,742	-	14,975,742
City privilege and use tax, major street and open space program	14,365,539	-	14,365,539
Transient lodging tax	529,488	-	529,488
Intergovernmental revenues - unrestricted	12,528,123	-	12,528,123
Interest and investment income	3,015,995	1,846,596	4,862,591
Gain (loss) on sale of property	8,595,744	(921,677)	7,674,067
Miscellaneous	546,570	732,782	1,279,352
Transfers	300,237	(300,237)	-
Total general revenues and transfers	59,487,172	1,357,464	60,844,636
Change in net assets	30,104,167	10,717,419	40,821,586
Net assets - beginning	268,389,668	182,041,907	450,431,575
Net assets - ending	\$ 298,493,835	\$ 192,759,326	\$ 491,253,161

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.

DEBT SERVICE FUNDS

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, 2008

	Major Funds				
	General	Streets and Open Space	Community Facilities Districts	Nonmajor Governmental Funds	Total Governmental Funds
			Debt Service		
ASSETS					
Cash and short-term investments	\$ 9,474,212	\$ 10,525,172	\$ 1,515,307	\$ 14,436,525	\$ 35,951,216
Accounts receivable (net)	2,958,627	1,353,032	-	51,414	4,363,073
Property taxes receivable	44,257	-	-	74,892	119,149
Special assessments receivable	-	-	4,805,215	2,383,783	7,188,998
Intergovernmental receivable	423,136	-	-	570,606	993,742
Interfund receivables	1,831,913	-	-	545,127	2,377,040
Inventory	2,787	-	-	-	2,787
Interest receivable	166,783	-	-	2,294	169,077
Long-term interfund receivables	11,731	-	-	-	11,731
Total assets	<u>\$ 14,913,446</u>	<u>\$ 11,878,204</u>	<u>\$ 6,320,522</u>	<u>\$ 18,064,641</u>	<u>\$ 51,176,813</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 901,542	\$ 2,262,091	\$ -	\$ 197,730	\$ 3,361,363
Accrued expenditures	1,407,267	615	-	103,889	1,511,771
Interfund payable	-	-	-	545,127	545,127
Deposits returnable	88,900	-	-	-	88,900
Unearned revenue	371,503	47,586	-	250,066	669,155
Deferred revenue	35,974	-	4,805,215	2,437,933	7,279,122
Total liabilities	<u>2,805,186</u>	<u>2,310,292</u>	<u>4,805,215</u>	<u>3,534,745</u>	<u>13,455,438</u>
Fund Balance					
Fund balance:					
Reserved for:					
Interfund loans	1,843,644	-	-	-	1,843,644
Inventory	2,787	-	-	-	2,787
Future Sundog Road improvements	-	1,061,402	-	-	1,061,402
Prepaid fairgrounds rent 4H	-	-	-	250,000	250,000
Acker trust expenditures	-	-	-	536,010	536,010
Unreserved, reported in:					
General fund	10,261,829	-	-	-	10,261,829
Special revenue fund	-	8,506,510	-	12,965,151	21,471,661
Debt service fund	-	-	1,515,307	193,960	1,709,267
Capital projects fund	-	-	-	584,775	584,775
Total fund balances	<u>12,108,260</u>	<u>9,567,912</u>	<u>1,515,307</u>	<u>14,529,896</u>	<u>37,721,375</u>
Total liabilities and fund balances	<u>\$ 14,913,446</u>	<u>\$ 11,878,204</u>	<u>\$ 6,320,522</u>	<u>\$ 18,064,641</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 \$87,187,227.

264,149,723

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

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

Deferred special assessment revenue	\$	7,188,998	
Deferred property tax revenue		<u>90,124</u>	
			7,279,122

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

Bonds Payable		(15,477,018)	
Compensated absences		<u>(4,715,505)</u>	
			(20,192,523)

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.

9,536,138

Net assets of governmental activities		<u>\$</u>	<u>298,493,835</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, 2008

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Streets and Open Space</u>	<u>Community Facilities Districts Debt Service</u>	<u>Nonmajor Governmental Funds</u>	
Revenues					
Taxes	\$ 17,688,211	\$ 14,365,539	\$ -	\$ 2,421,481	\$ 34,475,231
Intergovernmental revenues	12,528,123	952,316	-	4,962,063	18,442,502
Licenses and permits	382,667	-	-	759,383	1,142,050
Charges for services	1,929,959	-	-	-	1,929,959
Fines and forfeitures	1,719,170	-	-	-	1,719,170
Gifts and donations	-	-	-	59,882	59,882
Interest and investment income	470,304	747,030	432,655	994,179	2,644,168
Miscellaneous	452,622	-	320,761	860,712	1,634,095
Total revenues	<u>35,171,056</u>	<u>16,064,885</u>	<u>753,416</u>	<u>10,057,700</u>	<u>62,047,057</u>
Expenditures					
Current operating					
General government	3,870,692	-	-	2,322,950	6,193,642
Community services	2,440,352	-	-	485,836	2,926,188
Culture and recreation	6,062,869	-	-	194,899	6,257,768
Police and court	12,352,155	-	-	181,182	12,533,337
Fire	7,481,616	-	-	450,325	7,931,941
Public works	-	-	-	3,606,011	3,606,011
Capital outlay	408,657	24,655,580	-	4,263,354	29,327,591
Debt service - principal	143,710	-	695,000	1,832,151	2,670,861
Debt service - interest	18,304	-	412,819	528,442	959,565
Total expenditures	<u>32,778,355</u>	<u>24,655,580</u>	<u>1,107,819</u>	<u>13,865,150</u>	<u>72,406,904</u>
Excess (deficiency) of revenues over expenditures	<u>2,392,701</u>	<u>(8,590,695)</u>	<u>(354,403)</u>	<u>(3,807,450)</u>	<u>(10,359,847)</u>
Other Financing Sources (Uses)					
Transfers in	22	-	-	3,362,304	3,362,326
Transfers out	(2,041,066)	(1,248,321)	-	(269,142)	(3,558,529)
Total other financing sources (uses)	<u>(2,041,044)</u>	<u>(1,248,321)</u>	<u>-</u>	<u>3,093,162</u>	<u>(196,203)</u>
Net change in fund balances	351,657	(9,839,016)	(354,403)	(714,288)	(10,556,050)
Fund balance - beginning	11,756,603	19,406,928	1,869,710	15,244,184	48,277,425
Fund balance - ending	<u>\$ 12,108,260</u>	<u>\$ 9,567,912</u>	<u>\$ 1,515,307</u>	<u>\$ 14,529,896</u>	<u>\$ 37,721,375</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, 2008

Net change in fund balances - total governmental funds \$ (10,556,050)

*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	\$ 34,213,051	
Less: current year depreciation	<u>10,557,482</u>	
		23,655,569

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.

11,842,963

Bond proceeds provide current financial resources to
governmental funds, but issuing debt increases long-
term liabilities in the statement of net assets.

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.

The net effect of various miscellaneous transactions involving
capital assets (i.e., sales, trades) is to increase net assets

(1,214,780)

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

	25,272	
Assessments receivable	<u>(629,842)</u>	

(604,570)

Bond proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the Statement of Net Assets. Repayment of bond
principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets.

Principal payments	2,670,861
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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.

4,076,987

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

233,187

Change in net assets of governmental activities	<u><u>\$ 30,104,167</u></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, 2008

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Privilege (sales) tax	\$ 16,252,000	\$ 16,252,000	\$ 14,975,742	\$ (1,276,258)
Property tax	1,160,983	1,160,983	1,148,586	(12,397)
Franchise tax	1,536,865	1,536,865	1,563,883	27,018
State revenue sharing	5,742,025	5,742,025	5,737,563	(4,462)
State shared sales tax	4,152,141	4,152,141	3,746,925	(405,216)
Auto in-lieu tax	2,509,633	2,509,633	2,509,253	(380)
County aid	508,813	508,813	534,382	25,569
Licenses and permits	282,550	282,550	382,667	100,117
Charges for services	2,435,587	2,435,587	1,929,959	(505,628)
Fines and forfeitures	1,650,184	1,650,184	1,719,170	68,986
Interest and investment income	360,000	360,000	470,304	110,304
Miscellaneous	302,675	302,675	452,622	149,947
Total revenues	<u>36,893,456</u>	<u>36,893,456</u>	<u>35,171,056</u>	<u>(1,722,400)</u>
Expenditures				
City council	65,668	65,668	56,792	8,876
City clerk	253,457	253,457	112,448	141,009
City court	553,132	553,132	467,232	85,900
City manager	1,726,995	1,726,995	1,724,518	2,477
Legal department	296,135	296,135	246,625	49,510
Budget and finance	1,588,715	1,588,715	1,441,668	147,047
Administrative services	574,499	574,499	474,631	99,868
Community development	2,753,941	2,753,941	2,469,421	284,520
Parks, recreation and library	6,356,522	6,356,522	6,118,187	238,335
Police department	12,903,536	12,903,536	12,083,722	819,814
Fire department	7,817,906	7,817,906	7,583,111	234,795
Total expenditures	<u>34,890,506</u>	<u>34,890,506</u>	<u>32,778,355</u>	<u>1,048,666</u>
Excess of revenues over expenditures	<u>2,002,950</u>	<u>2,002,950</u>	<u>2,392,701</u>	<u>(673,734)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	22	22
Transfers out	(2,443,694)	(2,443,694)	(2,041,066)	402,628
Total other financing sources and uses	<u>(2,443,694)</u>	<u>(2,443,694)</u>	<u>(2,041,044)</u>	<u>402,650</u>
Net change in fund balances	<u>(440,744)</u>	<u>(440,744)</u>	<u>351,657</u>	<u>(271,084)</u>
Fund balance - beginning	11,756,603	11,756,603	11,756,603	-
Fund balance - ending	<u>\$ 11,315,859</u>	<u>\$ 11,315,859</u>	<u>12,108,260</u>	<u>\$ (271,084)</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, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,999,000	\$ 15,999,000	\$ 14,365,539	\$ (1,633,461)
Intergovernmental revenues	1,292,229	1,292,229	952,316	(339,913)
Interest and investment income	700,000	700,000	747,030	47,030
Total revenues	<u>17,991,229</u>	<u>17,991,229</u>	<u>16,064,885</u>	<u>(1,926,344)</u>
Expenditures				
Capital outlay	39,222,070	39,222,070	24,655,580	14,566,490
Total expenditures	<u>39,222,070</u>	<u>39,222,070</u>	<u>24,655,580</u>	<u>14,566,490</u>
Excess (deficiency) of revenues over expenditures	<u>(21,230,841)</u>	<u>(21,230,841)</u>	<u>(8,590,695)</u>	<u>12,640,146</u>
Other Financing Sources (Uses)				
Transfers in	(435,600)	(435,600)	-	435,600
Transfers out	-	-	(1,248,321)	(1,248,321)
Total other financing sources and uses	<u>(435,600)</u>	<u>(435,600)</u>	<u>(1,248,321)</u>	<u>(812,721)</u>
Net change in fund balances	<u>(21,666,441)</u>	<u>(21,666,441)</u>	<u>(9,839,016)</u>	<u>11,827,425</u>
Fund balance - beginning	19,406,928	19,406,928	19,406,928	-
Fund balance - ending	<u>\$ (2,259,513)</u>	<u>\$ (2,259,513)</u>	<u>\$ 9,567,912</u>	<u>\$ 11,827,425</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, wastewater, golf course, airport, solid waste, 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**
- **Wastewater**
- **Golf course**
- **Airport**
- **Solid waste**
- **Regional transfer**
- **Parking garage**

The City has four 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**
- **Engineering services**
- **Facilities maintenance**

CITY OF PRESCOTT, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2008

Business-type Activities - Enterprise Funds							
	Major Funds					Totals	Governmental Activities- Internal Service Funds
	Water	Waste Water	Airport	Solid Waste	Nonmajor Funds		
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 17,382,940	\$ 233,745	\$ 82,976	\$ 4,725,850	\$ 692,293	\$ 23,117,804	\$ 6,790,672
Accounts receivable (net)	2,097,889	-	25,825	-	54,413	2,178,127	-
Intergovernmental receivables - grants	4,633	-	150,865	-	-	155,498	-
Prepaid lease	-	-	17,139	-	-	17,139	-
Inventory at cost	262,163	-	-	-	70,177	332,340	242,391
Total current assets	<u>19,747,625</u>	<u>233,745</u>	<u>276,805</u>	<u>4,725,850</u>	<u>816,883</u>	<u>25,800,908</u>	<u>7,033,063</u>
Noncurrent Assets							
Restricted cash and cash equivalents							
Water development	3,849,676	-	-	-	-	3,849,676	-
Landfill closure reserve	-	-	-	497,084	-	497,084	-
Cash with fiscal agent	203,248	361,614	-	-	380,536	945,398	550,058
Customer deposits	315,037	-	-	-	-	315,037	-
Total restricted assets	<u>4,367,961</u>	<u>361,614</u>	<u>-</u>	<u>497,084</u>	<u>380,536</u>	<u>5,607,195</u>	<u>550,058</u>
Capital Assets							
Land and construction in process	40,680,250	5,762,848	1,204,575	102,302	3,239,457	50,989,432	13,191
Buildings	2,026,837	5,760,829	4,503,817	77,526	7,065,717	19,434,726	5,249,475
Improvements other than buildings	87,092,899	66,056,313	34,265,309	49,538	6,544,780	194,008,839	49,023
Machinery and equipment	4,715,792	1,722,847	472,161	3,330,769	2,087,902	12,329,471	7,152,688
Less accumulated depreciation	(32,190,588)	(25,155,584)	(13,522,496)	(2,553,724)	(4,435,528)	(77,857,920)	(1,960,567)
Total capital assets (net of accumulated depreciation)	<u>102,325,190</u>	<u>54,147,253</u>	<u>26,923,366</u>	<u>1,006,411</u>	<u>14,502,328</u>	<u>198,904,548</u>	<u>10,503,810</u>
Total noncurrent assets	<u>106,693,151</u>	<u>54,508,867</u>	<u>26,923,366</u>	<u>1,503,495</u>	<u>14,882,864</u>	<u>204,511,743</u>	<u>11,053,868</u>
Total assets	<u>126,440,776</u>	<u>54,742,612</u>	<u>27,200,171</u>	<u>6,229,345</u>	<u>15,699,747</u>	<u>230,312,651</u>	<u>18,086,931</u>

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

Business-type Activities - Enterprise Funds

	Major Funds						Governmental Activities- Internal Service Funds
	Water	Waste Water	Airport	Solid Waste	Nonmajor Funds	Totals	
	<u>Water</u>	<u>Water</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Funds</u>	<u>Totals</u>	
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 1,748,650	\$ 736,723	\$ 68,538	\$ 48,134	\$ 656,861	\$ 3,258,906	\$ 233,229
Accrued expenses	216,755	144,493	22,742	38,493	82,340	504,823	122,208
Compensated absences - current	150,771	78,097	21,880	46,829	91,662	389,239	159,785
Advance customer payments	62,889	-	1,372	-	701	64,962	-
Interfund payables	-	-	-	-	1,831,913	1,831,913	-
Loans payable - current	279,998	158,066	320,094	-	261,924	1,020,082	-
Bonds - current	612,712	348,380	-	-	531,853	1,492,945	177,054
Landfill closure/postclosure cost - current	-	-	-	68,127	-	68,127	-
Deferred revenue - current	-	-	1,774	-	88,815	90,589	-
Claims payable	-	-	-	-	-	-	2,546,685
Customer water deposits	252,770	-	-	-	-	252,770	-
Total current liabilities	<u>3,324,545</u>	<u>1,465,759</u>	<u>436,400</u>	<u>201,583</u>	<u>3,546,069</u>	<u>8,974,356</u>	<u>3,238,961</u>
Noncurrent Liabilities							
Compensated absences	154,656	195,828	60,527	69,249	72,403	552,663	538,997
Loans payable	4,672,909	3,162,864	1,457,321	-	190,326	9,483,420	-
Interfund payable	-	-	-	-	11,731	11,731	-
Bonds payable	13,028,952	2,443,493	-	-	1,814,720	17,287,165	4,772,835
Landfill closure/postclosure cost	-	-	-	1,227,144	-	1,227,144	-
Deferred revenue	-	-	16,846	-	-	16,846	-
Total noncurrent liabilities	<u>17,856,517</u>	<u>5,802,185</u>	<u>1,534,694</u>	<u>1,296,393</u>	<u>2,089,180</u>	<u>28,578,969</u>	<u>5,311,832</u>
Total liabilities	<u>21,181,062</u>	<u>7,267,944</u>	<u>1,971,094</u>	<u>1,497,976</u>	<u>5,635,249</u>	<u>37,553,325</u>	<u>8,550,793</u>
NET ASSETS							
Invested in capital assets, net of related debt	83,730,619	48,034,450	25,145,951	1,006,411	11,703,505	169,620,936	5,553,921
Restricted for capital projects	3,849,676	-	-	497,084	-	4,346,760	-
Restricted for debt service	892,710	506,446	320,094	-	793,777	2,513,027	3,343,188
Restricted for impact fee projects	4,169,418	-	-	-	-	4,169,418	-
Unrestricted	12,617,291	(1,066,228)	(236,968)	3,227,874	(2,432,784)	12,109,185	639,029
Total net assets	<u>\$ 105,259,714</u>	<u>\$ 47,474,668</u>	<u>\$ 25,229,077</u>	<u>\$ 4,731,369</u>	<u>\$ 10,064,498</u>	<u>\$ 192,759,326</u>	<u>\$ 9,536,138</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, 2008

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste	Nonmajor Funds			
Operating Revenues							
Water sales	\$ 11,272,385	\$ -	\$ -	\$ -	\$ -	\$ 11,272,385	\$ -
Water connection fees	252,499	-	-	-	-	252,499	-
Alternative water source fees	846,621	-	-	-	-	846,621	-
Wastewater service fees	-	4,330,370	-	-	-	4,330,370	-
Wastewater connection fees	-	5,000	-	-	-	5,000	-
Effluent recharge fees	-	150,000	-	-	-	150,000	-
Golf course green fees	-	-	-	-	1,485,005	1,485,005	-
Restaurant sales	-	-	-	-	850,535	850,535	-
Golf course rentals	-	-	-	-	590,193	590,193	-
Golf pro-shop sales	-	-	-	-	331,678	331,678	-
Fuel sales and flowage fees	-	-	2,302,914	-	-	2,302,914	-
Tie down and hangar rentals	-	-	1,047,280	-	-	1,047,280	-
Refuse collection fees	-	-	-	5,359,972	-	5,359,972	-
Tipping fees	-	-	-	365,466	3,481,693	3,847,159	-
Other services	-	-	-	-	58,072	58,072	10,643,229
Miscellaneous	173,228	508,641	43,420	-	7,493	732,782	2,141
Total operating revenues	12,544,733	4,994,011	3,393,614	5,725,438	6,804,669	33,462,465	10,645,370
Operating Expenses							
Personnel services	2,664,629	2,095,472	593,270	1,037,542	2,051,607	8,442,520	3,096,819
Supplies	511,299	587,049	79,995	578,994	816,656	2,573,993	722,939
Other services and charges	4,503,182	2,743,560	571,583	3,452,176	4,258,094	15,528,595	1,794,451
Cost of fuel sales	-	-	1,821,038	-	-	1,821,038	-
Depreciation	1,839,728	1,742,675	913,332	155,254	508,664	5,159,653	628,030
Claims expense	-	-	-	-	-	-	579,079
Total operating expenses	9,518,838	7,168,756	3,979,218	5,223,966	7,635,021	33,525,799	6,821,318
Operating income (loss)	3,025,895	(2,174,745)	(585,604)	501,472	(830,352)	(63,334)	3,824,052
Non-Operating Revenues (Expenses)							
Interest and investment income	1,367,163	143,720	7,367	260,367	67,979	1,846,596	371,829
Interest expense	(733,030)	(246,836)	(122,195)	-	(185,622)	(1,287,683)	(235,916)
Net gain (loss) on disposal of assets	59,805	-	(393,928)	-	(587,554)	(921,677)	117,022
Total non-operating							
Revenues (expenses)	693,938	(103,116)	(508,756)	260,367	(705,197)	(362,764)	252,935
Income (loss) before contributions and transfers	3,719,833	(2,277,861)	(1,094,360)	761,839	(1,535,549)	(426,098)	4,076,987
Grant contributions	4,633	252,933	225,628	-	-	483,194	-
Capital contributions	8,826,903	2,133,657	-	-	-	10,960,560	-
Transfers in	413,947	-	30,547	-	-	444,494	-
Transfers out	(248,292)	-	-	(187,658)	(308,781)	(744,731)	-
Change in net assets	12,717,024	108,729	(838,185)	574,181	(1,844,330)	10,717,419	4,076,987
Total net assets - beginning	92,542,690	47,365,939	26,067,262	4,157,188	11,908,828	182,041,907	5,459,151
Total net assets - ending	\$ 105,259,714	\$ 47,474,668	\$ 25,229,077	\$ 4,731,369	\$ 10,064,498	\$ 192,759,326	\$ 9,536,138

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, 2008

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water	Waste	Airport	Solid Waste
Cash flows from operating activities:				
Cash received from customers	\$ 12,300,894	\$ 4,485,370	\$ 3,393,938	\$ 5,725,438
Cash payments to suppliers for goods and services	(5,011,649)	(2,969,966)	(2,392,516)	(4,051,748)
Cash payments to employees for services	(2,490,154)	(2,009,408)	(647,293)	(1,009,021)
Other operating receipts	173,228	508,641	43,420	-
Net cash provided by (used for) operating activities	4,972,319	14,637	397,549	664,669
Cash flows from noncapital financing activities:				
Receipts (payments) under interfund loan arrangement	-	-	-	-
Transfers in	413,947	-	30,547	-
Transfers out	(248,292)	-	-	(187,658)
Net cash provided by (used for) noncapital financing activity	165,655	-	30,547	(187,658)
Cash flows from capital and related financing activities:				
Proceeds from debt issues	4,928,531	3,320,930	-	-
Acquisition and construction of capital assets	(6,500,095)	(5,661,806)	(278,273)	(119,039)
Principal paid on capital financing	(645,150)	(898,947)	(814,099)	-
Interest paid on capital financing	(733,030)	(246,836)	(122,195)	-
Proceeds/payments from sales of capital assets	59,805	-	497,671	187,658
Contributed from capital grant	4,633	252,933	78,438	-
Contributed from customers	3,913,602	431,368	-	-
Net cash provided by (used for) capital and related financing activities	1,028,296	(2,802,358)	(638,458)	68,619
Cash flows from investing activities:				
Interest on investments	1,367,163	143,720	7,367	260,367
Net cash provided by (used for) investing activities	1,367,163	143,720	7,367	260,367
Net increase (decrease) in cash and cash equivalents	7,533,433	(2,644,001)	(202,995)	805,997
Cash and cash equivalents at July 1	14,217,468	3,239,360	285,971	4,416,937
Cash and cash equivalents at June 30	\$ 21,750,901	\$ 595,359	\$ 82,976	\$ 5,222,934
Reconciliation to statement of net assets				
Cash and cash equivalents at June 30, unrestricted	\$ 17,382,940	\$ 233,745	\$ 82,976	\$ 4,725,850
Cash and cash equivalents at June 30, restricted	4,367,961	361,614	-	497,084
Total	\$ 21,750,901	\$ 595,359	\$ 82,976	\$ 5,222,934
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 3,025,895	\$ (2,174,745)	\$ (585,604)	\$ 501,472
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,839,728	1,742,675	913,332	155,254
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(59,752)	-	105,339	-
(Increase) decrease in inventory	(14,085)	-	233,298	-
(Increase) decrease in prepaid expense	-	-	(17,139)	-
Increase (decrease) in accounts payable	16,917	360,643	(153,198)	8,821
Increase (decrease) in accrued expenses	114,844	79,228	(37,386)	6,692
Increase (decrease) in compensated absences	84,731	11,258	801	6,086
Increase (decrease) in advance customer payments	6,870	-	(424)	-
Increase (decrease) in customer water deposits	(17,729)	-	-	-
Increase (decrease) in accrued vacation and sick payable	(25,100)	(4,422)	(17,438)	15,743
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in landfill closure & postclosure cost payable	-	-	-	(29,399)
Increase (decrease) in deferred revenue	-	-	(44,032)	-
Total adjustments	1,946,424	2,189,382	983,153	163,197
Net cash provided by operating activities	\$ 4,972,319	\$ 14,637	\$ 397,549	\$ 664,669
Noncash investing, capital and financing activities				
Contributions from developers	\$ 2,053,282	\$ 1,859,236	\$ -	\$ -
Total noncash investing, capital and financing activities	\$ 2,053,282	\$ 1,859,236	\$ -	\$ -

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

<u>Nonmajor Funds</u>		<u>Governmental Activities- Internal Service Funds</u>	
<u>Totals</u>		<u>Service Funds</u>	
\$ 6,710,851	\$ 32,616,491	\$ 10,643,229	
(5,185,240)	(19,611,119)	(4,004,544)	
(1,975,084)	(8,130,960)	(3,029,944)	
7,493	732,782	2,141	
<u>(441,980)</u>	<u>5,607,194</u>	<u>3,610,882</u>	
1,036,564	1,036,564	-	
-	444,494	-	
(308,781)	(744,731)	-	
<u>727,783</u>	<u>736,327</u>	<u>-</u>	
227,454	8,476,915	-	
(1,008,161)	(13,567,374)	(4,347,594)	
(1,139,985)	(3,498,181)	(150,111)	
(185,622)	(1,287,683)	(235,916)	
311,424	1,056,558	117,022	
-	336,004	-	
-	4,344,970	-	
<u>(1,794,890)</u>	<u>(4,138,791)</u>	<u>(4,616,599)</u>	
67,979	1,846,596	371,829	
67,979	1,846,596	371,829	
(1,441,108)	4,051,326	(633,888)	
2,513,937	24,673,673	7,974,618	
<u>\$ 1,072,829</u>	<u>\$ 28,724,999</u>	<u>\$ 7,340,730</u>	
\$ 692,293	\$ 23,117,804	\$ 6,790,672	
380,536	5,607,195	550,058	
<u>\$ 1,072,829</u>	<u>\$ 28,724,999</u>	<u>\$ 7,340,730</u>	
\$ (830,352)	(63,334)	\$ 3,824,052	
508,664	5,159,653	628,030	
(764)	44,823	-	
55,995	275,208	(26,369)	
-	(17,139)	-	
(166,485)	66,698	(711,051)	
4,896	168,274	36,363	
51,044	153,920	30,512	
(2,504)	3,942	-	
-	(17,729)	-	
20,583	(10,634)	-	
-	-	(170,655)	
-	(29,399)	-	
(83,057)	(127,089)	-	
<u>388,372</u>	<u>5,670,528</u>	<u>(213,170)</u>	
<u>\$ (441,980)</u>	<u>\$ 5,607,194</u>	<u>\$ 3,610,882</u>	
\$ -	3,912,518	\$ -	
<u>\$ -</u>	<u>\$ 3,912,518</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 agency fund.

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, 2008

	Agency County Justice Court
ASSETS	
Cash and short-term investments	\$ 153,858
Total assets	<u>153,858</u>
LIABILITIES	
Due to other governments	153,858
Total liabilities	<u>153,858</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, 2008

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, wastewater, solid waste, 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 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 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.

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.

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 four of its seven enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, wastewater, airport, and solid waste facilities.

Furthermore, the City has three nonmajor funds, the regional transfer station, golf course and parking garage. 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, 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 an agency fund that accounts for Yavapai County Justice Court activities as a fiduciary fund.

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.

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

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.

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, wastewater, solid waste, regional transfer station, airport, golf course and parking garage (when completed) are charges to customers for sales and services. The water and wastewater 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.

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 (LGIP), securities of the U.S. government, agencies of the U.S. government, and other investments. Investments are stated at fair value. The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1. The reported value of the LGIP is the same as the face value of the pool shares less a reserve for potential losses.

Income earned or losses arising from the investment of pooled cash is allocated on a monthly basis to the individual funds based on average daily balance. Note 3a provides detailed information on cash and investments.

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 bad debts.

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 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 leave, sick leave, and a retirement bonus if certain conditions are met.

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, 2008, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General government	\$ 1,210,287	\$ 453,991	\$ 1,664,278
Other	152,392	42,938	195,330
Total governmental	<u>1,362,679</u>	<u>496,929</u>	<u>1,859,608</u>
Business-type activities:			
Water	113,937	43,631	157,568
Wastewater	73,355	21,223	94,578
Golf course	47,336	22,381	69,717
Airport	20,698	7,174	27,872
Solid waste	44,601	15,979	60,580
Regional transfer station	22,871	10,004	32,875
Total business-type	<u>322,798</u>	<u>120,392</u>	<u>443,190</u>
Total vested	<u>\$ 1,685,477</u>	<u>\$ 617,321</u>	<u>\$ 2,302,798</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, 2008, 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 amount of accrued sick pay benefits, using the vesting method described above, at June 30, 2008 is as follows:

	Accrued Liability 6/30/2007	Fiscal Year 2008 Change	Accrued Liability 6/30/2008
Governmental-type activities:			
General government	\$ 1,855,871	\$ (220,582)	\$ 1,635,289
Other	199,257	17,201	216,458
Total governmental activities	<u>2,055,128</u>	<u>(203,381)</u>	<u>1,851,747</u>
Business-type activities:			
Water	79,031	2,748	81,779
Wastewater	79,821	(6,267)	73,554
Golf course	12,020	3,003	15,023
Airport	34,190	(12,929)	21,261
Solid waste	22,965	8,918	31,883
Regional transfer station	7,071	7,360	14,431
Total business-type activities	<u>235,098</u>	<u>2,833</u>	<u>237,931</u>
Total accrued sick pay	<u>\$ 2,290,226</u>	<u>\$ (200,548)</u>	<u>\$ 2,089,678</u>

The current portion of the sick leave above is estimated to be \$310,163.

Retirement Bonus - Employees with ten or more years of service with the City of Prescott that are eligible to retire under the Arizona State Retirement System or Public Safety Personnel Retirement System system receive a three month salary appreciation bonus. The amount of retirement bonus benefits, using the vesting method described above, at June 30, 2008 is as follows:

	Accrued Liability 6/30/2007	Fiscal Year 2008 Change	Accrued Liability 6/30/2008
Governmental-type activities:			
General government	\$ 1,417,017	\$ (1,082)	\$ 1,415,935
Other	279,258	7,735	286,993
Total governmental activities	<u>1,696,275</u>	<u>6,653</u>	<u>1,702,928</u>
Business-type activities:			
Water	75,721	(9,640)	66,081
Wastewater	100,241	5,552	105,793
Golf course	14,996	700	15,696
Airport	43,775	(10,501)	33,274
Solid waste	11,485	12,130	23,615
Regional transfer station	-	16,324	16,324
Total business-type activities	<u>246,218</u>	<u>14,565</u>	<u>260,783</u>
Total accrued sick pay	<u>\$ 1,942,493</u>	<u>\$ 21,218</u>	<u>\$ 1,963,711</u>

The current portion of the retirement bonus above is estimated to be \$291,467.

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, capital projects funds, enterprise funds and internal service funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- 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:

<u>To:</u>	<u>From:</u>	<u>Amount</u>
General Self-Insurance	Capital Improvement	<u>\$ 300,000</u>
Total appropriation transfers		<u><u>\$ 300,000</u></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 Streets and Open Space Fund expenditures were budgeted to exceed revenues by \$21,230,841. The actual deficit amounted to \$8,590,695 because many budgeted projects were not completed during the year.

D. Deficit net assets

The Engineering Service Fund had a deficit net asset balance of \$136,868 as of June 30, 2008. This fund recovers its cost through user charges to other departments within the City. The cost recovery calculations vary from one year to the next and are adjusted each year when the budget is prepared. We anticipate this fund to have a positive net asset balance during FY 2009.

E. Excess of expenditures over appropriations

The Impact Fees Fund expenditures exceeded appropriations by \$134,236. The overexpenditures were funded by existing balances in the Impact Fee Fund.

The Engineering Services Fund expenditures exceeded appropriations by \$5,769. The overexpenditures were funded by greater than anticipated revenues in the Engineering Services Fund.

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, 2008, the carrying amount of the City's deposits was \$2,526,358 and the bank balance was \$4,122,316. The difference represents outstanding checks and other reconciling items. The Hassayampa Community Facilities Districts also had cash held by fiscal agents amounting to \$785,866 at June 30, 2008.

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, 2008, 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. The City's investment policy requires collateralization of not less than 102% of the market value of investments less any FDIC coverage and requires a third-party custodian to verify collateral deposits prior to the City making payment for any investment requiring collateralization.

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, 2008 was 1.50, or one and a half years.

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(LGIP). Investments in the LGIP are not rated by a nationally recognized statistical rating

organization. The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1.

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 51%, 40% and 6% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2008 are summarized as follows (modified duration is in years):

Investment Type	Fair Value	Rating	Modified
		Moody / S&P	Duration
State Treasurer's pool	\$ 4,343,569	Not Rated	0.00
U.S. agencies	27,308,720	Aaa / AAA	0.28
U.S. Government Mutual Fund	1,632,129	Not Rated	0.00
U.S. agency mortgage backed securities	35,574,157	Aaa / AAA	2.62
Total fair value	\$ 68,858,575		
Portfolio modified duration			1.50

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:

	General	Streets	Community	Nonmajor	Total
		and Open	Facilities		
		Space	Districts	Funds	
Receivables:			Debt Service		
Accounts (net)	\$ 2,958,627	\$ 1,353,032	\$ -	\$ 51,414	\$ 4,363,073
Interest	166,783	-	-	2,294	169,077
Property taxes	44,257	-	-	74,892	119,149
Special assessments	-	-	4,805,215	2,383,783	7,188,998
Intergovernmental	423,136	-	-	570,606	993,742
Total	\$ 3,592,803	\$ 1,353,032	\$ 4,805,215	\$ 3,082,989	\$ 12,834,039

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:

	Water	Airport	Nonmajor	Total
			Funds	
Accounts receivable	\$ 2,097,889	\$ 25,825	\$ 54,413	\$ 2,178,127
Intergovernmental	4,633	150,865	-	155,498
Total	\$ 2,102,522	\$ 176,690	\$ 54,413	\$ 2,333,625

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:

	Unavailable	Unearned
Delinquent property taxes receivable General Fund	\$ 35,974	\$ -
Delinquent property taxes receivable City of Prescott Debt Service Fund	54,150	-
Special assessments not yet due (Debt Service Fund)	2,383,783	-
Community Facilities Districts assessments not yet due	4,805,215	-
Unearned rents and deposits General Fund	-	371,503
Grant drawdowns prior to meeting eligibility requirements	-	297,652
Total	<u>\$ 7,279,122</u>	<u>\$ 669,155</u>

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

Description	Beginning			Ending Balance
	Balance	Increases	Decreases	
Land and construction in progress	\$ 66,690,190	\$ 26,824,670	\$ 1,293,978	\$ 92,220,882
Total non-depreciable	66,690,190	26,824,670	1,293,978	92,220,882
Buildings	25,780,735	4,784,841	535,819	30,029,757
Improvements other than buildings	29,728,894	937,037	-	30,665,931
Machinery and equipment	22,259,147	2,207,522	569,335	23,897,334
Infrastructure	170,693,201	16,294,222	-	186,987,423
Total depreciable	248,461,977	24,223,622	1,105,154	271,580,445
Accumulated depreciation				
Buildings	(7,044,844)	(627,482)	-	(7,672,326)
Improvements other than buildings	(6,370,466)	(865,314)	-	(7,235,780)
Machinery and equipment	(11,363,376)	(1,301,150)	(539,673)	(12,124,853)
Infrastructure	(53,723,269)	(8,391,566)	-	(62,114,835)
Total accumulated depreciation	(78,501,955)	(11,185,512)	(539,673)	(89,147,794)
Governmental activities capital assets, net	<u>\$ 236,650,212</u>	<u>\$ 39,862,780</u>	<u>\$ 1,859,459</u>	<u>\$ 274,653,533</u>

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

General government	\$	1,093,995
Community services		99,538
Culture and recreation		960,466
Public safety - police		254,990
Public safety - fire		200,504
Public works		8,576,019
Total depreciation for governmental activities	\$	<u>11,185,512</u>

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in process	\$ 42,931,430	\$ 8,956,980	\$ 898,978	\$ 50,989,432
Total non-depreciable	<u>42,931,430</u>	<u>8,956,980</u>	<u>898,978</u>	<u>50,989,432</u>
Buildings	20,056,226	51,184	672,684	19,434,726
Improvements other than buildings	183,903,826	10,736,842	631,829	194,008,839
Machinery and equipment	12,410,314	437,958	518,801	12,329,471
Total depreciable	<u>216,370,366</u>	<u>11,225,984</u>	<u>1,823,314</u>	<u>225,773,036</u>
Accumulated depreciation				
Buildings	(6,539,125)	(475,475)	(217,459)	(6,797,141)
Improvements other than buildings	(57,421,712)	(4,241,941)	(205,601)	(61,458,052)
Machinery and equipment	(9,669,145)	(442,238)	(508,656)	(9,602,727)
Total accumulated depreciation	<u>(73,629,982)</u>	<u>(5,159,654)</u>	<u>(931,716)</u>	<u>(77,857,920)</u>
Business-type activities				
capital assets, net	<u>\$ 185,671,814</u>	<u>\$ 15,023,310</u>	<u>\$ 1,790,576</u>	<u>\$ 198,904,548</u>

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

Water	\$	1,839,729
Wastewater		1,742,675
Golf course		316,102
Airport		913,332
Solid waste		155,254
Transfer station		34,253
Parking garage		158,309
Total depreciation for business-type activities	\$	<u>5,159,654</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 golf course (restaurant) borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant. Additionally, the golf course overdraw their share of pooled cash in the amount of \$1,824,496.

In 2007, the impact fee fund borrowed \$595,000 from the capital improvement fund to complete the adult center. The balance at June 30, 2008 was \$545,127.

The composition of interfund balances as of June 30, 2008 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 1,843,644	\$ -
Nonmajor fund - Capital improvement	545,127	-
Nonmajor fund - Impact fees	-	545,127
Nonmajor enterprise fund- Golf Course	-	1,843,644
Total	<u>\$ 2,388,771</u>	<u>\$ 2,388,771</u>

The \$545,127 amount due to the capital improvement fund from the impact fee fund will be paid off as future impact fees are collected.

Of the \$1,843,644 amount due to the general fund from the golf course fund, \$7,417 represents the annual amount to be paid within one year on the restaurant equipment loan, the balance of this loan, \$11,731 will be paid off in full in 2011. \$1,824,496 represents the deficit cash position in the golf course which is anticipated to be repaid during the next three years, \$620,000 of this deficit will be covered through lease proceeds received in fiscal year 2009.

Transfers are used to fund capital projects, reallocate special revenue funds to operating divisions and to cover the City's share of grants. The Transfers do not net out because the \$496,440 represented a transfer of a capital asset to the General Fund and this amount appears as part of the reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities in the category of "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trades) is to increase net assets".

Transfers as of June 30, 2008 were as follows:

Transfers Out From:		Transfers In To:	
General	<u>\$ 2,041,066</u>	General	<u>\$ 22</u>
Major special revenue		Nonmajor special revenue	<u>3,362,304</u>
Streets & open space	1,248,321		
Nonmajor special revenue	103,487		
Nonmajor capital projects	<u>165,655</u>		
Total special revenue	<u>1,517,463</u>	Enterprise	
Enterprise		Water	413,947
Water	248,292	Airport	<u>30,547</u>
Solid Waste	187,658	Total enterprise	<u>444,494</u>
Nonmajor	<u>308,781</u>		
	<u>744,731</u>		
Total	<u>\$ 4,303,260</u>	Total	<u>\$ 3,806,820</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 loans payable in the accompanying financial statements. A summary of capitalized assets is as follows:

	Machinery and Equipment
Business-type activities	
Water	\$ 3,478,214
Golf course	2,561,699
Airport	4,291,535
Less accumulated amortization	<u>(2,827,558)</u>
	7,503,890
Governmental activities	735,436
Less accumulated amortization	<u>(34,922)</u>
	<u>\$ 8,204,404</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, 2008:

Year Ending June 30,	Amount
2009	\$ 867,789
2010	700,337
2011	542,073
2012	339,588
2013	334,296
2014	<u>148,439</u>
Total minimum lease payments	2,932,522
Less: amounts representing interest	<u>(293,404)</u>
Present value of net minimum lease payments at June 30, 2008	<u>\$ 2,639,118</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.

In May 2007 an additional \$1,510,000 in general obligation bonds were issued. The bonds mature in July 2017. The bonds constitute the final portion of the bonds authorized by the voters at a special bond election held May 19, 1998. The bonds were issued to make the final phase improvements to Willow and Watson Lakes. The City has no remaining authorized but unissued general obligation bond authority.

The balance outstanding at June 30, 2008 was as follows:

Purpose	Interest rate	Amount
Governmental activities (1998 issue)	4.34%	\$ 6,085,000
Governmental activities (2007 issue)	various	1,390,000
Governmental activities - refunding	4.34%	350,000
		<u>\$ 7,825,000</u>

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

Year Ending	Principal	Interest
June 30,		
2009	\$ 1,585,000	\$ 337,285
2010	1,290,000	270,975
2011	1,355,000	215,910
2012	1,425,000	156,850
2013	1,490,000	93,475
2014-2017	680,000	69,400
Total	<u>\$ 7,825,000</u>	<u>\$ 1,143,895</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	6/30/2008
2001	161	\$ 124,096	12,107	7/1/2010	7.00%	\$ 36,320
2001	162	1,920,000	130,000	9/1/2015	5.10%	1,070,000
2001	163	2,470,000	175,000	2/1/2016	4.60%	1,225,000
2004	164	95,840	5,044	1/1/2022	2.54%	70,619
						<u>\$ 2,401,939</u>

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

Year Ending	Principal	Interest
June 30,		
2009	\$ 322,151	\$ 107,366
2010	332,151	91,464
2011	337,151	75,180
2012	330,044	59,065
2013	340,044	43,172
2014-2018	720,221	38,718
2019-2022	20,177	1,477
Total	<u>\$ 2,401,939</u>	<u>\$ 416,442</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, 2008 was \$4,220,000.
- 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, 2008 was \$645,000.

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

Year Ending	Principal	Interest
June 30,		
2009	\$ 220,000	\$ 375,425
2010	240,000	358,425
2011	260,000	339,888
2012	280,000	319,800
2013	295,000	298,175
2014-2018	1,880,000	1,108,462
2019-2023	1,625,000	302,463
2024	65,000	4,875
Total	<u>\$ 4,865,000</u>	<u>\$ 3,107,513</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 wastewater 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 wastewater 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.

For fiscal year 2007-08 pledged revenues collected were \$30,905,164. The principal and interest paid on this debt in fiscal year 2007-08 was \$2,283,841 (7.4% of pledged revenues collected).

The MPC has the following outstanding bonds:

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 Big Chino Water 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 a 1993 issue. This portion of the issue matures in 2010 and was issued with an interest rate of 2.92%.

In March 2007, series 2007 bonds were issued in the amount of \$6,625,000. Proceeds of the bonds will be used to pay for the expansion of the City's central garage(\$5,100,000) and the expansion of the City's solid waste transfer station(\$1,525,000). The issue matures in twenty (20) years and was issued with interest rates ranging between 3.625% and 5.00% or an average rate of 4.35% and a final maturity date in 2027.

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

Serviced by: Fund	Reason for Financing	Payment Period	Interest Rate	Balance 6/30/2008
Water	Various improvements	Semi-annual	2.92%	\$ 433,231
	Water tanks	Semi-annual	4.69%	1,418,433
	JWK ranch	Semi-annual	4.62%	11,790,000
				<u>13,641,664</u>
Wastewater	Various improvements	Semi-annual	2.92%	265,307
	Airport WWTP upgrade	Semi-annual	4.69%	2,526,567
				<u>2,791,874</u>
Transfer station	Facility expansion	Semi-annual	4.35%	1,480,186
Central garage	Facility expansion	Semi-annual	4.35%	4,949,814
Golf course	Expansion improvement	Semi-annual	2.92%	866,462
	Total MPC debt			<u>\$ 23,730,000</u>

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

Year Ending	June 30,	
	Principal	Interest
2009	\$1,670,000	\$1,048,756
2010	1,535,000	992,261
2011	865,000	936,779
2012	910,000	901,141
2013	940,000	863,629
2014-2018	5,385,000	3,688,988
2019-2023	3,930,000	2,609,175
2024-2028	4,415,000	1,613,575
2029-2033	3,315,000	704,750
2034	765,000	38,250
Total	<u>\$23,730,000</u>	<u>\$13,397,304</u>

Water Infrastructure Finance Authority of Arizona Loans:

The Water Infrastructure Finance Authority of Arizona (WIFA) is an independent agency of the state of Arizona that is authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. Generally, WIFA offers borrowers below market interest on loans for up to one hundred percent of eligible project costs.

During 2008, the City obtained \$9,854,000 in financing from WIFA for several Drinking Water projects which include: the Willow Creek Transmission Line Relocation and Upgrade, Water Meter Changeout Program, Recharge Intake Pipeline Replacement, Airport Recharge Facility Recovery Wells and Water improvements to Gail Gardner Way and Iron Springs Road. The WIFA subsidy for these projects is 80%. At June 30, 2008 the City has drawn on \$4,928,531 of the loan, leaving \$4,925,469 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.64%.

During 2008, the City also obtained \$4,703,000 in financing from WIFA for several Clean Water projects which include: Sewer projects for Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth and Demerse and Gurley Street (Arizona to Bradshaw). The WIFA subsidy for these projects is 85%. At June 30, 2008 the City has drawn on \$3,320,930 of the loan, leaving \$1,382,070 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.868%.

The drinking water loans are recorded in and paid out of revenues of Water Fund while the Clean Water loans are recorded in and paid out of revenues of Wastewater fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds. For the fiscal year ended June 30, 2008, the net revenues available for service of this debt were \$10,407,541.

The City has one other outstanding WIFA loan which is reflected in the Special Assessment Bonds and Notes section above for District 164 because this loan is repaid by participants of the improvement district.

Annual debt service requirements to maturity for WIFA Drinking Water loans are as follows:

Year Ending	Principal	Interest
June 30,		
2009	\$255,622	\$170,094
2010	181,090	163,502
2011	187,682	156,671
2012	194,514	149,590
2013	201,594	142,252
2014-2018	1,123,529	591,495
2019-2023	1,343,450	363,569
2024-2028	1,441,050	97,049
Total	<u>\$4,928,531</u>	<u>\$1,834,222</u>

Annual debt service requirements to maturity for WIFA Clean Water loans are as follows:

Year Ending	Principal	Interest
June 30,		
2009	\$158,066	\$122,340
2010	119,173	117,730
2011	123,782	112,942
2012	128,570	107,969
2013	133,543	102,804
2014-2018	749,312	429,266
2019-2023	905,881	266,640
2024-2028	1,002,603	73,614
Total	<u>\$3,320,930</u>	<u>\$1,333,305</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, 2008.

	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	\$ 9,335,000	\$ -	\$ (1,510,000)	\$ 7,825,000	\$ 1,585,000
Municipal Properties Corporation	5,099,925	-	(150,035)	4,949,890	177,054
Special assessment	2,724,090	-	(322,151)	2,401,939	322,151
Community Facilities Districts	5,560,000	-	(695,000)	4,865,000	220,000
Total bonds payable	<u>22,719,015</u>	<u>-</u>	<u>(2,677,186)</u>	<u>20,041,829</u>	<u>2,304,205</u>
Lease purchase contracts	528,787	-	(143,711)	385,076	149,491
Compensated absences	5,602,669	388,235	(576,620)	5,414,284	1,897,868
Governmental activity long-term liabilities	<u>\$ 28,850,471</u>	<u>\$ 388,235</u>	<u>\$ (3,397,517)</u>	<u>\$ 25,841,189</u>	<u>\$ 4,351,564</u>
Business-type Activities:					
Bonds payable:					
Municipal Properties Corporation	\$ 20,230,075	\$ -	\$ (1,449,965)	\$ 18,780,110	\$ 1,492,945
Loans payable:					
WIFA	-	8,249,461	-	8,249,461	413,688
Lease purchase contracts	3,436,504	227,454	(1,409,916)	2,254,042	606,394
Landfill closure/postclosure costs	1,324,670	-	(29,399)	1,295,271	68,127
Compensated absences	798,616	191,852	(48,565)	941,903	389,239
Business-type activity long-term liabilities	<u>\$ 25,789,865</u>	<u>\$ 8,668,767</u>	<u>\$ (2,937,845)</u>	<u>\$ 31,520,787</u>	<u>\$ 2,970,393</u>

Details of other obligations other than bonds (contracts, loans payable, and compensated absences payable) as of June 30, 2008 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type	Balance 6/30/2008
<u>Governmental-type Activities</u>					
General Fund	Payroll/HR and VOIP phone sys. Compensated absences	Monthly	3.95%	Lease/purchase Payable	\$ 385,076 \$ 5,414,284
Total Governmental-type					<u>5,799,360</u>
<u>Business-type Activities</u>					
Water Fund	Water rights WIFA Loan Payable Compensated absences	Semi-annual Semi-annual	5.00% 3.64%	Lease/purchase Loan Payable	24,376 3,320,930 305,428
					<u>3,650,734</u>
Wastewater Fund	WIFA Loan Payable Compensated absences	Semi-annual	3.87%	Loan Payable	4,928,531 273,925
					<u>5,202,456</u>
Golf Course Fund	Golf course irrigation sys. Golf equipment/improvements Golf mowing equipment Compensated absences	Monthly Monthly Monthly	4.64% 4.80% 5.77%	Lease/purchase Lease/purchase Lease/purchase Payable	125,391 152,298 174,562 100,436
					<u>552,687</u>
Airport Fund	T-hangars T-hangars T-hangars and taxilane Hangar design Compensated absences	Quarterly Quarterly Monthly Monthly	6.35% 4.99% 4.84% 4.84%	Lease/purchase Lease/purchase Lease/purchase Lease/purchase Payable	185,928 343,792 1,113,066 134,629 82,407
					<u>1,859,822</u>
Solid Waste Fund	Landfill closure/postclosure costs Compensated absences			Payable Payable	1,295,271 116,078
					<u>1,411,349</u>
Transfer Station Fund	Compensated absences			Payable	63,629
Total Business-type					<u>12,740,677</u>
Total other obligations					<u>\$ 18,540,037</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, 2008. 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, \$698,781 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 Debt Service Requirements to maturity
June 30, 2008
(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,585	\$ 338	\$ 322	\$ 107	\$ 220	\$ 375
2010	1,290	271	332	92	240	359
2011	1,355	216	337	75	260	340
2012	1,425	157	330	59	280	320
2013	1,490	93	340	43	295	298
2014-2018	680	69	721	39	1,880	1,108
2019-2023	-	-	20	1	1,625	303
2024	-	-	-	-	65	5
Total	<u>\$ 7,825</u>	<u>\$ 1,144</u>	<u>\$ 2,402</u>	<u>\$ 416</u>	<u>\$ 4,865</u>	<u>\$ 3,108</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,670	\$ 1,049	\$ 1,555	\$ 404	\$ 5,352	\$ 2,273
2010	1,535	992	1,306	361	4,703	2,075
2011	865	937	1,187	321	4,004	1,889
2012	910	901	1,016	289	3,961	1,726
2013	940	864	1,039	262	4,104	1,560
2014-2018	5,385	3,689	3,950	1,023	12,616	5,928
2019-2023	3,930	2,609	4,180	630	9,755	3,543
2024-2028	4,415	1,613	4,307	171	8,787	1,789
2029-2033	3,315	705	-	-	3,315	705
2034	765	38	-	-	765	4,706
Total	<u>\$ 23,730</u>	<u>\$ 13,397</u>	<u>\$ 18,540</u>	<u>\$ 3,461</u>	<u>\$ 57,362</u>	<u>\$ 26,194</u>

Legal Debt Margins

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, 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, 2008, the City is well within its debt limits, having \$120.7 million in borrowing capacity in the 20% category, and \$38.5 million in borrowing capacity in the 6% category. The City also has a \$1.7 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2008.

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 fund. The purpose of this fund is to administer the City's property liability and workers' compensation insurance programs on a cost reimbursement basis. This fund accounts for the risk financing activities of the City but does not constitute a transfer of risk from the City.

Under this program, the fund provides 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 fund 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 \$2,546,685 for general self-insurance reported in the fund at June 30, 2008 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, 2006 to June 30, 2008:

	General Self-Insurance
Liability balance, June 30, 2006	\$ 2,649,121
Claims and changes in estimates	327,482
Claims payments	(259,263)
Liability balance, June 30, 2007	2,717,340
Claims and changes in estimates	86,748
Claims payments	(257,403)
Liability balance, June 30, 2008	<u>\$ 2,546,685</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, 2008, 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 solid waste 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 in the Big Chino sub-basin beneath the Big Chino Water Ranch for municipal supply purposes. In late 2004 the City acquired 4,500 deeded acres, along with a leasehold interest in 2,000 acres of state land that were a portion of the JWK Ranch. A conservation easement on the balance of the JWK Ranch, approximately 10,000 acres, 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 Sub-basin into the Prescott Active Management Area (AMA). The Arizona Department of Water Resources (ADWR) issued a preliminary opinion that the City of Prescott is entitled to up to 8,717 acre-feet per year, plus up to approximately 3,300 acre-feet per year corresponding to the retirement of 1,100 acres of historically irrigated land within the property acquired. The intergovernmental agreement (IGA) with the Town of Prescott Valley provides the City with 54.1% and the Town of Prescott Valley with 45.9% of imported groundwater through this project. The City is awaiting a final determination regarding the role and allowable volume of imported water available to the communities from ADWR. The estimated 3,300 acre-feet per year balance from the retirement 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 the achievement of safe-yield in the Little Chino Sub-basin located within the AMA. The IGA further provides for prorated sharing of acquisition, production, and transportation costs by the parties. Development of the well field, transmission pipelines, pump stations, and other required infrastructure is estimated at \$170 million. The target date for delivery of water from the Big Chino Water Ranch is late 2012.

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, 2008, active ASRS members were required to contribute at the actuarially determined rate of 9.6% (9.1% retirement and .5% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 9.6% (8.05 percent for retirement, 1.05% for health insurance premium and 0.5percent for long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2008, 2007 and 2006 were \$2,007,649, \$1,801,754, and \$1,253,310, respectively, which were equal to the required contributions for the years, as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total
2008	1,683,497	219,587	104,565	2,007,649
2007	1,494,862	207,895	98,997	1,801,754
2006	990,792	177,835	84,683	1,253,310

Agent plans - For the year ended June 30, 2008, 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 23.03% for police and 21.92% for fire. The health insurance premium portion of the contribution rates were actuarially set at .43% of covered payroll for police and .44% of covered payroll for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2007 (the date of the most recent actuarial valuation) and related information follow.

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	23.03%	22.60%	0.43%
Fire	21.92%	21.48%	0.44%
Annual pension cost			
Police	\$ 868,514	\$ 852,298	\$ 16,216
Fire	\$ 690,476	\$ 676,616	\$ 13,860
Contributions made			
Police	\$ 868,514	\$ 852,298	\$ 16,216
Fire	\$ 690,476	\$ 676,616	\$ 13,860

Actuarial valuation date	06/30/07
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions	
Investment rate of return	8.50%
Projected salary increases (Includes inflation at 5.00%)	5.50% - 8.50%
Does not include payroll of members participating in Deferred Retirement Option Plan (if any)	

Trend Information:

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

Fiscal Year <u>Ended June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
Police Pension			
2005	\$ 558,343	100%	\$ 0
2006	788,404	100%	0
2007	852,298	100%	0
Police Health Insurance			
2007	\$ 16,216	100%	0

Fire Pension

2005	\$ 433,037	100%	\$ 0
2006	389,932	100%	0
2007	676,616	100%	0

Fire Health Insurance

2007	\$ 13,860	100%	0
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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. For this valuation, which was prior to the implementation of GASB Statement Nos. 43 and 45, the pension and health insurance benefit amounts were aggregated. In future years when GASB Statement Nos. 43 and 45 measurements are made and reported, these benefits will be disaggregated and reported separately.

Valuation Date	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/ (Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
Police						
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	22,338,111	58.6	9,244,710	3,256,530	283.9
2006	13,235,811	25,407,296	52.1	12,171,485	3,923,713	310.2
2007	12,680,522	27,409,378	46.3	14,728,856	4,294,056	343.0
Fire						
2002	\$18,204,580	\$ 16,956,679	107.4%	\$ (1,247,901)	\$ 2,987,622	(41.7)%
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	24,917,704	74.4	6,370,666	3,165,228	201.3
2006	18,334,323	27,586,727	66.5	9,252,404	3,474,512	266.3
2007	18,277,316	30,982,052	59.0	12,704,736	3,709,276	342.5

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 \$1,295,271 reported in the solid waste enterprise fund as landfill closure and postclosure care liability at June 30, 2008, 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 solid waste 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 \$6.9 million.

The City also has remaining construction commitments totaling \$7.5 million for various road projects and \$1.3 million for various water and sewer infrastructure at June 30, 2008.

N. Subsequent Events

On March 25, 2008, the Prescott City Council entered into a purchase agreement for an open space purchase of 35 acres of Granite Dells land costing \$2.9 million. The property, known as Hazelwood, is located east of Highway 89. The City Council has identified the Granite Dells area as its top priority for open space acquisitions because of its proximity to other, pre-existing city properties. The purchase was funded through the city's 1-percent sales tax for streets and open space and closed on July 25, 2008.

On July 8, 2008 the Prescott City Council entered into a lease/purchase contract with EZ-Go Golf Carts to acquire new golf carts costing \$571,396. The monthly lease payments will \$9,295.

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.

Capital Improvement Fund

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.

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.

Grants Fund

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 Fund

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

DEBT SERVICE FUNDS

Debt service funds are established to record the accumulation of resources for, and the payment of long-term debt principal and interest not serviced by other funds.

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.

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 Districts 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 Fund

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, 2008

	Special Revenue Funds						Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	City of Prescott Debt Service	Lakes Purchase	Community Facilities Districts	Acker Trust	
	ASSETS										
Cash and short-term investments	\$ 287,226	\$ 9,720,031	\$ 119,480	98,002	\$ 2,749,154	\$ 170,923	\$ 173,218	\$ 381,108	\$ 201,373	\$ 536,010	\$ 14,436,525
Accounts receivable (net)	-	-	51,414	-	-	-	-	-	-	-	51,414
Property taxes receivable	-	-	-	-	-	-	74,892	-	-	-	74,892
Special assessments receivable	-	-	-	-	-	-	2,383,783	-	-	-	2,383,783
Intergovernmental receivable	347,257	-	-	223,349	-	-	-	-	-	-	570,606
Interfund receivables	-	545,127	-	-	-	-	-	-	-	-	545,127
Interest receivable	-	-	-	-	-	-	-	2,294	-	-	2,294
Total assets	<u>\$ 634,483</u>	<u>\$ 10,265,158</u>	<u>\$ 170,894</u>	<u>\$ 321,351</u>	<u>\$ 2,749,154</u>	<u>\$ 170,923</u>	<u>\$ 2,631,893</u>	<u>\$ 383,402</u>	<u>\$ 201,373</u>	<u>\$ 536,010</u>	<u>\$ 18,064,641</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 56,345	\$ 72,080	\$ -	\$ 20,829	\$ 40,435	\$ 8,041	\$ -	\$ -	\$ -	\$ -	\$ 197,730
Accrued expenditures	89,934	-	-	13,955	-	-	-	-	-	-	103,889
Interfund payable	-	-	-	-	545,127	-	-	-	-	-	545,127
Unearned revenue	-	-	-	250,066	-	-	-	-	-	-	250,066
Deferred revenue	-	-	-	-	-	-	2,437,933	-	-	-	2,437,933
Total liabilities	<u>146,279</u>	<u>72,080</u>	<u>-</u>	<u>284,850</u>	<u>585,562</u>	<u>8,041</u>	<u>2,437,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,534,745</u>
Fund Balances											
Fund balance:											
Reserved for:											
Prepaid fairgrounds rent 4H	-	250,000	-	-	-	-	-	-	-	-	250,000
Acker trust expenditures	-	-	-	-	-	-	-	-	-	536,010	536,010
Unreserved, reported in:											
Special revenue fund	488,204	9,943,078	170,894	36,501	2,163,592	162,882	-	-	-	-	12,965,151
Debt service fund	-	-	-	-	-	-	193,960	-	-	-	193,960
Capital projects fund	-	-	-	-	-	-	-	383,402	201,373	-	584,775
Total fund balances	<u>488,204</u>	<u>10,193,078</u>	<u>170,894</u>	<u>36,501</u>	<u>2,163,592</u>	<u>162,882</u>	<u>193,960</u>	<u>383,402</u>	<u>201,373</u>	<u>536,010</u>	<u>14,529,896</u>
Total liabilities and fund balances	<u>\$ 634,483</u>	<u>\$ 10,265,158</u>	<u>\$ 170,894</u>	<u>\$ 321,351</u>	<u>\$ 2,749,154</u>	<u>\$ 170,923</u>	<u>\$ 2,631,893</u>	<u>\$ 383,402</u>	<u>\$ 201,373</u>	<u>\$ 536,010</u>	<u>\$ 18,064,641</u>

CITY OF PRESCOTT, ARIZONA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2008

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Permanent Fund	Total	
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	City of Prescott Debt Service	Lakes Purchase	Community Facilities Districts	Acker Trust	Other Governmental Funds
Revenues											
Taxes	\$ -	\$ -	\$ 529,488	\$ -	\$ -	\$ -	\$ 1,891,993	\$ -	\$ -	\$ -	\$ 2,421,481
Intergovernmental revenues	3,796,326	-	-	1,165,737	-	-	-	-	-	-	4,962,063
Licenses and permits	243,343	-	-	-	516,040	-	-	-	-	-	759,383
Gifts and donations	-	-	-	-	-	59,882	-	-	-	-	59,882
Interest and investment income	15,118	550,238	2,426	10,051	162,035	7,188	183,040	30,388	5,812	27,883	994,179
Miscellaneous	43,439	501,447	-	-	-	-	315,826	-	-	-	860,712
Total revenues	4,098,226	1,051,685	531,914	1,175,788	678,075	67,070	2,390,859	30,388	5,812	27,883	10,057,700
Expenditures											
Current operating											
General government	-	2,317,258	-	5,692	-	-	-	-	-	-	2,322,950
Community services	-	-	303,025	182,811	-	-	-	-	-	-	485,836
Culture and recreation	-	-	-	89,617	64,271	21,049	-	-	-	19,962	194,899
Police and court	-	-	-	151,207	-	29,975	-	-	-	-	181,182
Fire	-	-	-	450,325	-	-	-	-	-	-	450,325
Public works	3,606,011	-	-	-	-	-	-	-	-	-	3,606,011
Capital outlay	503,142	1,499,868	126,887	622,498	1,503,090	-	-	-	7,869	-	4,263,354
Debt service - principal	-	-	-	-	-	-	1,832,151	-	-	-	1,832,151
Debt service - interest	-	-	-	-	-	-	528,442	-	-	-	528,442
Total expenditures	4,109,153	3,817,126	429,912	1,502,150	1,567,361	51,024	2,360,593	-	7,869	19,962	13,865,150
Excess (deficiency) of revenues over (under) expenditures	(10,927)	(2,765,441)	102,002	(326,362)	(889,286)	16,046	30,266	30,388	(2,057)	7,921	(3,807,450)
Other Financing Sources (Uses)											
Transfers in	-	3,025,631	-	332,953	-	3,720	-	-	-	-	3,362,304
Transfers out	-	(30,547)	-	(22)	(72,918)	-	-	(165,655)	-	-	(269,142)
Total other financing sources (uses)	-	2,995,084	-	332,931	(72,918)	3,720	-	(165,655)	-	-	3,093,162
Net change in fund balance	(10,927)	229,643	102,002	6,569	(962,204)	19,766	30,266	(135,267)	(2,057)	7,921	(714,288)
Fund balance - beginning	499,131	9,963,435	68,892	29,932	3,125,796	143,116	163,694	518,669	203,430	528,089	15,244,184
Fund balance - ending	\$ 488,204	\$ 10,193,078	\$ 170,894	\$ 36,501	\$ 2,163,592	\$ 162,882	\$ 193,960	\$ 383,402	\$ 201,373	\$ 536,010	\$ 14,529,896

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

GOVERNMENTAL FUNDS

Special Revenue Funds

- Highway user
- Capital improvement
- Transient lodging tax
- Grants
- Impact fees
- Miscellaneous gift trust

Debt Service Funds

- City of Prescott
- Community Facilities Districts

Capital Projects Funds

- Lakes purchase
- Community Facilities Districts

Permanent Fund

- Acker trust

CITY OF PRESCOTT, ARIZONA

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

Highway User Fund

For the year ended June 30, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Highway user revenue	\$ 3,646,418	\$ 3,646,418	\$ 3,376,010	\$ (270,408)
Local transportation assistance funds	193,190	193,190	193,190	-
Intergovernmental contributions	250,759	250,759	227,126	(23,633)
Total intergovernmental revenues	<u>4,090,367</u>	<u>4,090,367</u>	<u>3,796,326</u>	<u>(294,041)</u>
Licenses and permits	293,352	293,352	243,343	(50,009)
Interest and investment income	20,000	20,000	15,118	(4,882)
Miscellaneous	60,000	60,000	43,439	(16,561)
Total revenues	<u>4,463,719</u>	<u>4,463,719</u>	<u>4,098,226</u>	<u>(365,493)</u>
Expenditures				
Current operating				
Public works	3,840,615	3,840,615	3,606,011	234,604
Capital outlay	723,000	723,000	503,142	219,858
Total expenditures	<u>4,563,615</u>	<u>4,563,615</u>	<u>4,109,153</u>	<u>454,462</u>
Excess (deficiency) of revenues over expenditures	(99,896)	(99,896)	(10,927)	88,969
Fund balance - beginning	499,131	499,131	499,131	-
Fund balance - ending	<u>\$ 399,235</u>	<u>\$ 399,235</u>	<u>488,204</u>	<u>\$ 88,969</u>

CITY OF PRESCOTT, ARIZONA

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

Capital Improvement Fund

For the year ended June 30, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 300,000	\$ 300,000	\$ 550,238	\$ 250,238
Miscellaneous	513,000	513,000	501,447	(11,553)
Total revenues	<u>813,000</u>	<u>813,000</u>	<u>1,051,685</u>	<u>238,685</u>
Expenditures				
Current operating				
General government	2,865,266	2,565,266	2,317,258	248,008
Capital outlay	12,257,593	12,041,593	1,499,868	10,757,725
Total expenditures	<u>15,122,859</u>	<u>14,606,859</u>	<u>3,817,126</u>	<u>11,005,733</u>
Excess (deficiency) of revenues over expenditures	<u>(14,309,859)</u>	<u>(13,793,859)</u>	<u>(2,765,441)</u>	<u>11,244,418</u>
Other Financing Sources (Uses)				
Transfers in	3,911,905	3,911,905	3,025,631	(886,274)
Transfers out	(70,804)	(70,804)	(30,547)	40,257
Total other financing sources and uses	<u>3,841,101</u>	<u>3,841,101</u>	<u>2,995,084</u>	<u>(846,017)</u>
Net change in fund balances	<u>(10,468,758)</u>	<u>(9,952,758)</u>	<u>229,643</u>	<u>10,698,401</u>
Fund balance - beginning	9,963,435	9,963,435	9,963,435	-
Fund balance - ending	<u>\$ (505,323)</u>	<u>\$ 10,677</u>	<u>\$ 10,193,078</u>	<u>\$ 10,698,401</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - transient lodging tax	\$ 440,592	\$ 440,592	\$ 529,488	\$ 88,896
Interest and investment income	3,000	3,000	2,426	(574)
Total revenues	<u>443,592</u>	<u>443,592</u>	<u>531,914</u>	<u>88,322</u>
Expenditures				
Current operating - community services				
Other services and charges	337,000	337,000	303,025	33,975
Capital outlay	137,500	137,500	126,887	10,613
Total expenditures	<u>474,500</u>	<u>474,500</u>	<u>429,912</u>	<u>44,588</u>
Excess (deficiency) of revenues over expenditures	<u>(30,908)</u>	<u>(30,908)</u>	<u>102,002</u>	<u>132,910</u>
Net change in fund balances	<u>(30,908)</u>	<u>(30,908)</u>	<u>102,002</u>	<u>132,910</u>
Fund balance - beginning	68,892	68,892	68,892	-
Fund balance - ending	<u>\$ 37,984</u>	<u>\$ 37,984</u>	<u>\$ 170,894</u>	<u>\$ 132,910</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Intergovernmental revenues	\$ 4,697,786	\$ 4,697,786	\$ 1,165,737	\$ (3,532,049)
Interest and investment income	-	-	10,051	10,051
Total revenues	4,697,786	4,697,786	1,175,788	(3,521,998)
Expenditures				
Current operating - general government				
Supplies	55,000	55,000	-	55,000
Other services and charges	40,000	40,000	5,692	34,308
Total general government	95,000	95,000	5,692	89,308
Current operating - community services				
Personnel services	43,544	43,544	45,153	(1,609)
Supplies	9,000	9,000	6,718	2,282
Other services and charges	684,974	684,974	130,940	554,034
Total community services	737,518	737,518	182,811	554,707
Current operating - culture and recreation				
Supplies	-	-	1,000	(1,000)
Other services and charges	290,209	290,209	88,617	201,592
Total culture and recreation	290,209	290,209	89,617	200,592
Current operating - police and court				
Personnel services	-	-	62,401	(62,401)
Supplies	110,608	110,608	60,920	49,688
Other services and charges	286,000	286,000	27,886	258,114
Total police and court	396,608	396,608	151,207	245,401
Current operating - fire				
Personnel services	213,735	213,735	394,104	(180,369)
Supplies	29,015	29,015	8,890	20,125
Other services and charges	764,620	764,620	47,331	717,289
Total fire	1,007,370	1,007,370	450,325	557,045
Capital outlay	2,769,326	2,769,326	622,498	2,146,828
Total expenditures	5,296,031	5,296,031	1,502,150	3,793,881
Excess (deficiency) of revenues over expenditures	(598,245)	(598,245)	(326,362)	271,883
Other Financing Sources (Uses)				
Transfers in	558,245	558,245	332,953	(225,292)
Transfers out	-	-	(22)	(22)
Total other financing sources (uses)	558,245	558,245	332,931	(225,314)
Net change in fund balances	(40,000)	(40,000)	6,569	46,569
Fund balance - beginning	29,932	29,932	29,932	-
Fund balance - ending	\$ (10,068)	\$ (10,068)	\$ 36,501	\$ 46,569

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Licenses and permits - impact fees	\$ 1,473,368	\$ 1,473,368	\$ 516,040	\$ (957,328)
Interest and investment income	118,500	118,500	162,035	43,535
Total revenues	<u>1,591,868</u>	<u>1,591,868</u>	<u>678,075</u>	<u>(913,793)</u>
Expenditures				
Culture and recreation	70,000	70,000	64,271	5,729
Capital outlay	1,363,125	1,363,125	1,503,090	(139,965)
Total expenditures	<u>1,433,125</u>	<u>1,433,125</u>	<u>1,567,361</u>	<u>(134,236)</u>
Excess (deficiency) of revenues over expenditures	<u>158,743</u>	<u>158,743</u>	<u>(889,286)</u>	<u>(1,048,029)</u>
Other Financing Sources (Uses)				
Transfers out	(1,286,203)	(1,286,203)	(72,918)	1,213,285
Total other financing sources (uses)	<u>(1,286,203)</u>	<u>(1,286,203)</u>	<u>(72,918)</u>	<u>1,213,285</u>
Net change in fund balances	<u>(1,127,460)</u>	<u>(1,127,460)</u>	<u>(962,204)</u>	<u>165,256</u>
Fund balance - beginning	3,125,796	3,125,796	3,125,796	-
Fund balance - ending	<u>\$ 1,998,336</u>	<u>\$ 1,998,336</u>	<u>\$ 2,163,592</u>	<u>\$ 165,256</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ 7,188	\$ 7,188
Gifts and donations	-	-	59,882	59,882
Total revenues	<u>-</u>	<u>-</u>	<u>67,070</u>	<u>67,070</u>
Expenditures				
General government other charges	75,000	75,000	-	75,000
Culture and recreation other charges	-	-	21,049	(21,049)
Police and court	-	-	29,975	(29,975)
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>51,024</u>	<u>23,976</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>16,046</u>	<u>91,046</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,720	3,720
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,720</u>	<u>3,720</u>
Net change in fund balances	<u>(75,000)</u>	<u>(75,000)</u>	<u>19,766</u>	<u>94,766</u>
Fund balance - beginning	143,116	143,116	143,116	-
Fund balance - ending	<u>\$ 68,116</u>	<u>\$ 68,116</u>	<u>\$ 162,882</u>	<u>\$ 94,766</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, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax revenue	\$ 1,915,789	\$ 1,915,789	\$ 1,891,993	\$ (23,796)
Interest and investment income	336,952	336,952	183,040	(153,912)
Miscellaneous	458,253	458,253	315,826	(142,427)
Total revenues	<u>2,710,994</u>	<u>2,710,994</u>	<u>2,390,859</u>	<u>(320,135)</u>
Expenditures				
Debt service				
Principal	1,968,253	1,968,253	1,832,151	136,102
Interest	743,377	743,377	528,442	214,935
Total expenditures	<u>2,711,630</u>	<u>2,711,630</u>	<u>2,360,593</u>	<u>351,037</u>
Excess (deficiency) of revenues over expenditures	(636)	(636)	30,266	30,902
Fund balance - beginning	163,694	163,694	163,694	-
Fund balance - ending	<u>\$ 163,058</u>	<u>\$ 163,058</u>	<u>\$ 193,960</u>	<u>\$ 30,902</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, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 432,655	\$ 432,655
Miscellaneous	1,146,238	1,146,238	320,761	(825,477)
Total revenues	<u>1,146,238</u>	<u>1,146,238</u>	<u>753,416</u>	<u>(392,822)</u>
Expenditures				
Debt service				
Principal	673,794	673,794	695,000	(21,206)
Interest	472,444	472,444	412,819	59,625
Total expenditures	<u>1,146,238</u>	<u>1,146,238</u>	<u>1,107,819</u>	<u>38,419</u>
Excess (deficiency) of revenues over expenditures	-	-	(354,403)	(354,403)
Fund balance - beginning	<u>1,625,427</u>	<u>1,625,427</u>	<u>1,869,710</u>	<u>244,283</u>
Fund balance - ending	<u>\$ 1,625,427</u>	<u>\$ 1,625,427</u>	<u>\$ 1,515,307</u>	<u>\$ (110,120)</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, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 30,388	\$ 30,388
Total revenues	-	-	30,388	30,388
Expenditures				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	30,388	30,388
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(165,655)	165,655
Total other financing sources (uses)	-	-	(165,655)	165,655
Net change in fund balances	-	-	(135,267)	196,043
Fund balance - beginning	518,669	518,669	518,669	-
Fund balance - ending	\$ 518,669	\$ 518,669	\$ 383,402	\$ 196,043

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, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 5,812	\$ 5,812
Miscellaneous	60,000	60,000	-	(60,000)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>5,812</u>	<u>(54,188)</u>
Expenditures				
Capital outlay	60,000	60,000	7,869	52,131
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>7,869</u>	<u>52,131</u>
Excess (deficiency) of revenues over expenditures	-	-	(2,057)	(2,057)
Fund balance - beginning	203,429	203,429	203,429	-
Fund balance - ending	<u>\$ 203,429</u>	<u>\$ 203,429</u>	<u>\$ 201,372</u>	<u>\$ (2,057)</u>

CITY OF PRESCOTT, ARIZONA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Acker Trust Permanent Fund**

For the year ended June 30, 2008

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 26,000	\$ 26,000	\$ 27,883	\$ 1,883
Total revenues	26,000	26,000	27,883	1,883
Expenditures				
Culture and recreation	25,000	25,000	19,962	5,038
Total expenditures	25,000	25,000	19,962	5,038
Excess (deficiency) of revenues over expenditures	1,000	1,000	7,921	6,921
Fund balance - beginning	528,089	528,089	528,089	-
Fund balance - ending	\$ 529,089	\$ 529,089	\$ 536,010	\$ 6,921

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 parking garage.

Golf course

This fund accounts for the activity related to the operation of the golf course and the Manzanita Grille restaurant.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2008

	Regional Transfer Station	Parking Garage	Golf Course	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 652,562	\$ 39,731	\$ -	\$ 692,293
Accounts receivable (net)	10,750	-	43,663	54,413
Inventory (at cost)	-	-	70,177	70,177
Total current assets	<u>663,312</u>	<u>39,731</u>	<u>113,840</u>	<u>816,883</u>
Noncurrent Assets				
Restricted cash and cash equivalents				
Cash with fiscal agent	380,536	-	-	380,536
Total restricted assets	<u>380,536</u>	<u>-</u>	<u>-</u>	<u>380,536</u>
Capital Assets				
Land and construction in process	1,275,903	-	1,963,554	3,239,457
Buildings	38,459	6,332,379	694,879	7,065,717
Improvements other than buildings	900,600	-	5,644,180	6,544,780
Machinery and equipment	308,113	-	1,779,789	2,087,902
Less accumulated depreciation	<u>(615,746)</u>	<u>(316,618)</u>	<u>(3,503,164)</u>	<u>(4,435,528)</u>
Total capital assets (net of accumulated depreciation)	<u>1,907,329</u>	<u>6,015,761</u>	<u>6,579,238</u>	<u>14,502,328</u>
Total noncurrent assets	<u>2,287,865</u>	<u>6,015,761</u>	<u>6,579,238</u>	<u>14,882,864</u>
Total assets	<u>2,951,177</u>	<u>6,055,492</u>	<u>6,693,078</u>	<u>15,699,747</u>
LIABILITIES				
Current Liabilities				
Accounts payable	554,413	3,795	\$ 98,653	656,861
Accrued expenses	20,126	992	61,222	82,340
Compensated absences - current	24,130	-	67,532	91,662
Advance customer payments	-	-	701	701
Interfund payable	-	-	1,831,913	1,831,913
Loans payable - current	-	-	478,907	478,907
Bonds and assessments - current	52,946	-	261,924	314,870
Deferred revenue - current	-	-	88,815	88,815
Total current liabilities	<u>651,615</u>	<u>4,787</u>	<u>2,889,667</u>	<u>3,546,069</u>
Noncurrent Liabilities				
Compensated absences	39,499	-	32,904	72,403
Loans payable	-	-	387,555	387,555
Interfund payable	-	-	11,731	11,731
Bonds and assessments payable	1,427,165	-	190,326	1,617,491
Total noncurrent liabilities	<u>1,466,664</u>	<u>-</u>	<u>622,516</u>	<u>2,089,180</u>
Total liabilities	<u>2,118,279</u>	<u>4,787</u>	<u>3,512,183</u>	<u>5,635,249</u>
NET ASSETS				
Invested in capital assets, net of related debt	427,218	6,015,761	5,260,526	11,703,505
Restricted for debt service	52,946	-	740,831	793,777
Unrestricted	352,734	34,944	(2,820,462)	(2,432,784)
Total net assets	<u>\$ 832,898</u>	<u>\$ 6,050,705</u>	<u>\$ 3,180,895</u>	<u>\$ 10,064,498</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Proprietary Funds

For the year ended June 30, 2008

	Regional Transfer <u>Station</u>	Parking <u>Garage</u>	Golf <u>Course</u>	<u>Totals</u>
Operating Revenues				
Tipping fees	\$ 3,481,693	\$ -	\$ -	\$ 3,481,693
Golf course green fees	-	-	1,485,005	1,485,005
Restaurant sales	-	-	850,535	850,535
Golf course rentals	-	-	590,193	590,193
Golf pro-shop sales	-	-	331,678	331,678
Other services	-	58,072	-	58,072
Miscellaneous	-	4,500	2,993	7,493
Total operating revenues	<u>3,481,693</u>	<u>62,572</u>	<u>3,260,404</u>	<u>6,804,669</u>
Operating Expenses				
Personnel services	553,582	20,267	1,477,758	2,051,607
Supplies	75,593	-	741,063	816,656
Other services and charges	3,295,698	72,394	890,002	4,258,094
Depreciation	34,253	158,309	316,102	508,664
Total operating expenses	<u>3,959,126</u>	<u>250,970</u>	<u>3,424,925</u>	<u>7,635,021</u>
Operating income (loss)	<u>(477,433)</u>	<u>(188,398)</u>	<u>(164,521)</u>	<u>(830,352)</u>
Non-Operating Revenues (Expenses)				
Interest and investment income	65,270	2,709	-	67,979
Interest expense	(70,548)	-	(115,074)	(185,622)
Net gain (loss) on disposal of assets	(590,197)	-	2,643	(587,554)
Total non-operating Revenues (expenses)	<u>(595,475)</u>	<u>2,709</u>	<u>(112,431)</u>	<u>(705,197)</u>
Income (loss) before contributions and transfers	(1,072,908)	(185,689)	(276,952)	(1,535,549)
Transfers out	(308,781)	-	-	(308,781)
Change in net assets	<u>(1,381,689)</u>	<u>(185,689)</u>	<u>(276,952)</u>	<u>(1,844,330)</u>
Total net assets - beginning	2,214,587	6,236,394	3,457,847	11,908,828
Total net assets - ending	<u>\$ 832,898</u>	<u>\$ 6,050,705</u>	<u>\$ 3,180,895</u>	<u>\$ 10,064,498</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2008

	Regional Transfer <u>Station</u>	Parking <u>Garage</u>	Golf <u>Course</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$ 3,481,010	\$ 58,072	\$ 3,171,769	\$ 6,710,851
Cash payments to suppliers for goods and services	(3,551,769)	(73,518)	(1,559,953)	\$ (5,185,240)
Cash payments to employees for services	(511,821)	(20,917)	(1,442,346)	\$ (1,975,084)
Other operating receipts	-	4,500	2,993	\$ 7,493
Net cash provided by (used for) operating activities	<u>(582,580)</u>	<u>(31,863)</u>	<u>172,463</u>	<u>(441,980)</u>
Cash flows from noncapital financing activities:				
Receipts (payments) under interfund loan arrangement	-	-	1,036,564	1,036,564
Transfers out	(308,781)	-	-	(308,781)
Net cash provided by (used for) noncapital financing activity	<u>(308,781)</u>	<u>-</u>	<u>1,036,564</u>	<u>727,783</u>
Cash flows from capital and related financing activities:				
Proceeds from debt issues	-	-	227,454	227,454
Acquisition and construction of capital assets	(779,207)	-	(228,954)	(1,008,161)
Principal paid on capital financing	(44,889)	-	(1,095,096)	(1,139,985)
Interest paid on capital financing	(70,548)	-	(115,074)	(185,622)
Proceeds from sales of fixed assets	308,781	-	2,643	311,424
Net cash provided by (used for) capital and related financing activities	<u>(585,863)</u>	<u>-</u>	<u>(1,209,027)</u>	<u>(1,794,890)</u>
Cash flows from investing activities:				
Interest on investments	65,270	2,709	-	67,979
Net cash provided by (used for) investing activities	<u>65,270</u>	<u>2,709</u>	<u>-</u>	<u>67,979</u>
Net increase (decrease) in cash and cash equivalents	(1,411,954)	(29,154)	-	(1,441,108)
Cash and cash equivalents at July 1	2,445,052	68,885	-	2,513,937
Cash and cash equivalents at June 30	<u>\$ 1,033,098</u>	<u>\$ 39,731</u>	<u>\$ -</u>	<u>\$ 1,072,829</u>
Reconciliation to statement of net assets				
Cash and cash equivalents at June 30, unrestricted	\$ 652,562	\$ 39,731	\$ -	\$ 692,293
Cash and cash equivalents at June 30, restricted	380,536	-	-	380,536
Total	<u>\$ 1,033,098</u>	<u>\$ 39,731</u>	<u>\$ -</u>	<u>\$ 1,072,829</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (477,433)	\$ (188,398)	\$ (164,521)	\$ (830,352)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	34,253	158,309	316,102	508,664
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(683)	-	(81)	(764)
(Increase) decrease in inventory	-	-	55,995	55,995
Increase (decrease) in accounts payable	(180,478)	(1,124)	15,117	(166,485)
Increase (decrease) in accrued expenses	5,971	(650)	(425)	4,896
Increase (decrease) in compensated absences	9,165	-	41,879	51,044
Increase (decrease) in advance customer payments	-	-	(2,504)	(2,504)
Increase (decrease) in accrued vacation and sick payable	26,625	-	(6,042)	20,583
Increase (decrease) in deferred revenue	-	-	(83,057)	(83,057)
Total adjustments	<u>(105,147)</u>	<u>156,535</u>	<u>336,984</u>	<u>388,372</u>
Net cash provided by operating activities	<u>\$ (582,580)</u>	<u>\$ (31,863)</u>	<u>\$ 172,463</u>	<u>\$ (441,980)</u>

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

PROPRIETARY FUNDS

Enterprise Funds

- Water
- Wastewater
- Golf course
- Airport
- Solid waste
- 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, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Water sales	\$ 13,290,096	\$ 13,290,096	\$ 11,272,385	\$ (2,017,711)
Water connection fees	495,000	495,000	252,499	(242,501)
Alternative water source fees	971,231	971,231	846,621	(124,610)
Alternative water impact fees	3,982,962	3,982,962	2,131,703	(1,851,259)
Interest and investment income	160,000	160,000	1,367,163	1,207,163
Proceeds from sales of assets	-	-	59,805	59,805
Issuance of debt	-	-	4,928,531	4,928,531
Grant revenue	-	-	4,633	4,633
Miscellaneous	136,809	136,809	173,228	36,419
Transfer in	-	-	413,947	413,947
Total revenues	<u>19,036,098</u>	<u>19,036,098</u>	<u>21,450,515</u>	<u>2,414,417</u>
Expenditures				
Personnel services	2,682,090	2,682,090	2,604,997	77,093
Supplies	695,760	695,760	511,299	184,461
Other services and charges	5,974,830	5,974,830	4,554,178	1,420,652
Capital expenditures	33,528,729	33,528,729	6,449,099	27,079,630
Debt service: principal	1,012,517	1,012,517	645,150	367,367
Debt service: interest	1,250,745	1,250,745	733,030	517,715
Transfer out	-	-	248,292	(248,292)
Total expenditures	<u>45,144,671</u>	<u>45,144,671</u>	<u>15,746,045</u>	<u>29,398,626</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (26,108,573)</u>	<u>\$ (26,108,573)</u>	<u>5,704,470</u>	<u>\$ 31,813,043</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			6,500,095	
Principal repayment			645,150	
Issuance of debt			(4,928,531)	
Sick and vacation accrual			(59,632)	
Depreciation expense			(1,839,728)	
Capital contributions			6,695,200	
Change in net assets (GAAP basis)			<u>\$ 12,717,024</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Wastewater Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Wastewater service fees	\$ 4,585,498	\$ 4,585,498	\$ 4,330,370	\$ (255,128)
Wastewater connection fees	10,000	10,000	5,000	(5,000)
Effluent recharge fees	150,000	150,000	150,000	-
Interest and investment income	175,000	175,000	143,720	(31,280)
Issuance of debt	6,334,000	6,334,000	3,320,930	(3,013,070)
Grant contributions	-	-	252,933	252,933
Miscellaneous	581,000	581,000	505,940	(75,060)
Wastewater buy-in fees	845,307	845,307	431,368	(413,939)
Total revenues	12,680,805	12,680,805	9,140,261	(3,540,544)
Expenditures				
Personnel services	2,221,018	2,221,018	2,089,156	131,862
Supplies	497,260	497,260	587,049	(89,789)
Other services and charges	2,412,397	2,412,397	2,656,596	(244,199)
Capital expenditures	15,977,754	15,977,754	5,748,769	10,228,985
Debt service: principal	1,265,281	1,265,281	898,947	366,334
Debt service: interest	676,221	676,221	246,836	429,385
Total expenditures	23,049,931	23,049,931	12,227,353	10,822,578
Excess (deficiency) of revenues over expenditures	\$ (10,369,126)	\$ (10,369,126)	(3,087,092)	\$ 7,282,034

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	5,661,805
Principal repayment	898,947
Issuance of debt	(3,320,930)
Sick and vacation accrual	(6,316)
Depreciation expense	(1,742,675)
Capital contributions	1,704,990
Change in net assets (GAAP basis)	\$ 108,729

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Golf Course Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Golf course green fees	\$ 1,726,320	\$ 1,726,320	\$ 1,485,005	\$ (241,315)
Golf course rentals	634,751	634,751	590,193	(44,558)
Golf pro-shop sales	419,076	419,076	331,678	(87,398)
Restaurant sales	940,582	940,582	850,535	(90,047)
Proceeds from sales of assets	280,000	280,000	2,643	(277,357)
Issuance of debt	504,020	504,020	227,454	(276,566)
Miscellaneous	200,000	200,000	2,993	(197,007)
Total revenues	<u>4,704,749</u>	<u>4,704,749</u>	<u>3,490,501</u>	<u>(1,214,248)</u>
Expenditures				
Personnel services	1,820,224	1,820,224	1,441,922	378,302
Supplies	656,300	656,300	741,063	(84,763)
Other services and charges	905,544	905,544	891,502	14,042
Capital expenditures	504,020	504,020	227,454	276,566
Debt service: principal	1,042,203	1,042,203	1,095,096	(52,893)
Debt service: interest	68,441	68,441	115,074	(46,633)
Total expenditures	<u>4,996,732</u>	<u>4,996,732</u>	<u>4,512,111</u>	<u>484,621</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (291,983)</u>	<u>\$ (291,983)</u>	<u>(1,021,610)</u>	<u>\$ (729,627)</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			228,954	
Principal repayment			1,095,096	
Issuance of debt			(227,454)	
Sick and vacation accrual			(35,836)	
Depreciation expense			(316,102)	
Change in net assets (GAAP basis)			<u>\$ (276,952)</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Airport Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fuel sales and flowage fees	\$ 3,595,291	\$ 3,595,291	\$ 2,302,914	\$ (1,292,377)
Less: Cost of fuel sales	2,751,723	2,751,723	1,821,038	930,685
Net profit on fuel sales	843,568	843,568	481,876	(361,692)
Tie down and hangar rentals	1,041,271	1,041,271	1,047,280	6,009
Capital grant revenue	1,338,484	1,338,484	225,628	(1,112,856)
Interest and investment income	-	-	7,367	7,367
Proceeds from sales of assets	-	-	497,671	497,671
Miscellaneous	15,381	15,381	43,420	28,039
Transfer in	70,804	70,804	30,547	(40,257)
Proceeds from financing	861,450	861,450	-	(861,450)
Total revenues	4,170,958	4,170,958	2,333,789	(1,837,169)
Expenditures				
Personnel services	793,932	793,932	609,907	184,025
Supplies	98,500	98,500	79,995	18,505
Other services and charges	505,445	505,445	568,721	(63,276)
Capital expenditures	2,318,738	2,318,738	281,137	2,037,601
Debt service: principal	395,364	395,364	814,099	(418,735)
Debt service: interest	129,329	129,329	122,195	7,134
Total expenditures	4,241,308	4,241,308	2,476,054	1,765,254
Excess (deficiency) of revenues over expenditures	\$ (70,350)	\$ (70,350)	(142,265)	\$ (71,915)
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			278,275	
Principal repayment			814,099	
Sick and vacation accrual			16,637	
Depreciation expense			(913,332)	
Change in net assets (GAAP basis)			\$ (838,185)	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Solid Waste Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Refuse collection fees	\$ 5,577,501	\$ 5,577,501	\$ 5,359,972	\$ (217,529)
Tipping fees	340,692	340,692	365,466	24,774
Interest and investment income	100,000	100,000	260,367	160,367
Total revenues	<u>6,018,193</u>	<u>6,018,193</u>	<u>5,985,805</u>	<u>(32,388)</u>
Expenditures				
Personnel services	1,084,683	1,084,683	1,015,712	68,971
Supplies	674,015	674,015	578,994	95,021
Other services and charges	3,864,500	3,864,500	3,461,687	402,813
Capital expenditures	140,000	140,000	138,929	1,071
Transfer out	70,804	70,804	187,658	(116,854)
Total expenditures	<u>5,834,002</u>	<u>5,834,002</u>	<u>5,382,980</u>	<u>451,022</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 184,191</u>	<u>\$ 184,191</u>	602,825	<u>\$ 418,634</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			119,041	
Landfill closure accrual			29,399	
Sick and vacation accrual			(21,830)	
Depreciation expense			(155,254)	
Change in net assets (GAAP basis)			<u>\$ 574,181</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Transfer Station Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Tipping fees	\$ 4,406,377	\$ 4,406,377	\$ 3,481,693	\$ (924,684)
Proceeds from financing	1,500,000	1,500,000	-	(1,500,000)
Interest and investment income	15,000	15,000	65,270	50,270
Total revenues	<u>5,921,377</u>	<u>5,921,377</u>	<u>3,546,963</u>	<u>(2,374,414)</u>
Expenditures				
Personnel services	518,923	518,923	517,791	1,132
Supplies	108,000	108,000	75,593	32,407
Other services and charges	4,101,488	4,101,488	3,295,698	805,790
Capital expenditures	1,053,156	1,053,156	779,206	273,950
Debt service: principal	44,889	44,889	44,889	-
Debt service: interest	71,411	71,411	70,548	863
Transfer out	-	-	308,781	(308,781)
Total expenditures	<u>5,897,867</u>	<u>5,897,867</u>	<u>5,092,506</u>	<u>1,114,142</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 23,510</u>	<u>\$ 23,510</u>	<u>(1,545,543)</u>	<u>\$ (1,260,272)</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			779,206	
Principal repayment			44,889	
Sick and vacation accrual			(35,791)	
Depreciation expense			(34,253)	
Net loss on disposal of assets			(590,197)	
Change in net assets (GAAP basis)			<u>\$ (1,381,689)</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Parking Garage Enterprise Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Other services	\$ 70,900	\$ 70,900	\$ 58,072	\$ (12,828)
Interest and investment income	500	500	2,709	2,209
Miscellaneous	-	-	4,500	4,500
Total revenues	<u>71,400</u>	<u>71,400</u>	<u>65,281</u>	<u>(6,119)</u>
Expenditures				
Personnel services	23,743	23,743	20,267	3,476
Other services and charges	85,497	85,497	72,394	13,103
Total expenditures	<u>109,240</u>	<u>109,240</u>	<u>92,661</u>	<u>16,579</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (37,840)</u>	<u>\$ (37,840)</u>	<u>\$ (27,380)</u>	<u>\$ 10,460</u>
Reconciliation to Generally Accepted Accounting Principles				
Depreciation expense			(158,309)	
Change in net assets (GAAP basis)			<u>\$ (185,689)</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 and workers' compensation insurance coverage. Revenue to this fund is derived from charges to City departments.

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, 2008

ASSETS	Central Garage	General Self- Insurance	Engineering Services	Facilities Maintenance	Totals
Current Assets					
Cash and cash equivalents	\$ 3,646,225	\$ 2,760,191	\$ 240,728	\$ 143,528	\$ 6,790,672
Inventory at cost	242,391	-	-	-	242,391
Total current assets	<u>3,888,616</u>	<u>2,760,191</u>	<u>240,728</u>	<u>143,528</u>	<u>7,033,063</u>
Noncurrent Assets					
Restricted cash and cash equivalents					
Cash with fiscal agent	550,058	-	-	-	550,058
Total restricted assets	<u>550,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,058</u>
Capital Assets					
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,249,475	-	-	-	5,249,475
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	6,800,076	-	302,522	50,090	7,152,688
Total capital assets	<u>12,075,215</u>	<u>-</u>	<u>339,072</u>	<u>50,090</u>	<u>12,464,377</u>
Less accumulated depreciation	(1,754,357)	-	(180,921)	(25,289)	(1,960,567)
Net capital assets	<u>10,320,858</u>	<u>-</u>	<u>158,151</u>	<u>24,801</u>	<u>10,503,810</u>
Total assets	<u>14,759,532</u>	<u>2,760,191</u>	<u>398,879</u>	<u>168,329</u>	<u>18,086,931</u>
LIABILITIES					
Current Liabilities					
Accounts payable	67,042	110,441	5,213	50,533	233,229
Accrued expenses	25,371	6,395	74,126	16,316	122,208
Compensated absences - current	34,977	-	107,281	17,527	159,785
Bonds and assessments - current	177,054	-	-	-	177,054
Claims payable	-	2,546,685	-	-	2,546,685
Total current liabilities	<u>304,444</u>	<u>2,663,521</u>	<u>186,620</u>	<u>84,376</u>	<u>3,238,961</u>
Noncurrent Liabilities					
Compensated absences	148,372	-	349,127	41,498	538,997
Bonds and assessments payable	4,772,835	-	-	-	4,772,835
Total noncurrent liabilities	<u>4,921,207</u>	<u>-</u>	<u>349,127</u>	<u>41,498</u>	<u>5,311,832</u>
Total liabilities	<u>5,225,651</u>	<u>2,663,521</u>	<u>535,747</u>	<u>125,874</u>	<u>8,550,793</u>
Net Assets					
Invested in capital assets, net of related debt	5,370,969	-	158,151	24,801	5,553,921
Restricted for debt service	3,343,188	-	-	-	3,343,188
Unrestricted	819,724	96,670	(295,019)	17,654	639,029
Total net assets	<u>\$ 9,533,881</u>	<u>\$ 96,670</u>	<u>\$ (136,868)</u>	<u>\$ 42,455</u>	<u>\$ 9,536,138</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2008

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
Operating Revenues					
Other services	\$ 5,482,113	\$ 1,714,356	\$ 2,495,364	\$ 951,396	\$ 10,643,229
Miscellaneous	-	-	2,141	-	2,141
Total operating revenues	<u>5,482,113</u>	<u>1,714,356</u>	<u>2,497,505</u>	<u>951,396</u>	<u>10,645,370</u>
Operating Expenses					
Personnel services	662,932	115,067	1,970,814	348,006	3,096,819
Supplies	570,823	2,743	55,919	93,454	722,939
Other services and charges	88,012	869,791	319,781	516,867	1,794,451
Depreciation	602,690	-	22,119	3,221	628,030
Claims expense	-	579,079	-	-	579,079
Total operating expenses	<u>1,924,457</u>	<u>1,566,680</u>	<u>2,368,633</u>	<u>961,548</u>	<u>6,821,318</u>
Operating income (loss)	<u>3,557,656</u>	<u>147,676</u>	<u>128,872</u>	<u>(10,152)</u>	<u>3,824,052</u>
Non-operating Revenues (Expenses)					
Interest and investment income	223,499	138,817	3,886	5,627	371,829
Interest expense	(235,916)	-	-	-	(235,916)
Net gain (loss) on disposal of assets	117,022	-	-	-	117,022
Total non-operating revenues	<u>104,605</u>	<u>138,817</u>	<u>3,886</u>	<u>5,627</u>	<u>252,935</u>
Change in net assets	3,662,261	286,493	132,758	(4,525)	4,076,987
Total net assets - beginning	5,871,620	(189,823)	(269,626)	46,980	5,459,151
Total net assets - ending	<u>\$ 9,533,881</u>	<u>\$ 96,670</u>	<u>\$ (136,868)</u>	<u>\$ 42,455</u>	<u>\$ 9,536,138</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

	<u>Central Garage</u>	<u>General Self- Insurance</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 5,482,113	\$ 1,714,356
Cash payments to suppliers for goods and services	(1,429,899)	(1,557,783)
Cash payments to employees for services	(646,709)	(112,607)
Other operating receipts	-	-
Net cash provided by (used for) operating activities	<u>3,405,505</u>	<u>43,966</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(4,347,594)	-
Principal paid on capital financing	(150,111)	-
Interest paid on capital financing	(235,916)	-
Proceeds from sales of capital assets	117,022	-
Net cash provided by (used for) capital and related financing activities	<u>(4,616,599)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	223,499	138,817
Net cash provided by (used for) investing activities	<u>223,499</u>	<u>138,817</u>
Net increase (decrease) in cash and cash equivalents	(987,595)	182,783
Cash and cash equivalents - beginning	5,183,878	2,577,408
Cash and cash equivalents - ending	<u>\$ 4,196,283</u>	<u>\$ 2,760,191</u>
Reconciliation to statement of net assets		
Cash and cash equivalents at June 30, unrestricted	\$ 3,646,225	\$ 2,760,191
Cash and cash equivalents at June 30, restricted	550,058	-
Total	<u>\$ 4,196,283</u>	<u>\$ 2,760,191</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Operating income (loss)	\$ 3,557,656	\$ 147,676
Adjustments to reconcile operating income activities:		
Depreciation	602,690	-
Change in assets and liabilities:		
(Increase) decrease in inventory	(26,369)	-
Increase (decrease) in accounts payable	(744,695)	64,485
Increase (decrease) in accrued expenses	10,706	2,460
Increase (decrease) in compensated absences	5,517	-
Increase (decrease) in claims payable	-	(170,655)
Total adjustments	<u>(152,151)</u>	<u>(103,710)</u>
Net cash provided by (used for) operating activities	<u>\$ 3,405,505</u>	<u>\$ 43,966</u>

<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
\$ 2,495,364	\$ 951,396	\$ 10,643,229
(376,852)	(640,010)	(4,004,544)
(1,951,056)	(319,572)	(3,029,944)
2,141	-	2,141
<u>169,597</u>	<u>(8,186)</u>	<u>3,610,882</u>
-	-	(4,347,594)
-	-	(150,111)
-	-	(235,916)
-	-	117,022
<u>-</u>	<u>-</u>	<u>(4,616,599)</u>
3,886	5,627	371,829
<u>3,886</u>	<u>5,627</u>	<u>371,829</u>
173,483	(2,559)	(633,888)
67,245	146,087	7,974,618
<u>\$ 240,728</u>	<u>\$ 143,528</u>	<u>\$ 7,340,730</u>
\$ 240,728	\$ 143,528	\$ 6,790,672
-	-	550,058
<u>\$ 240,728</u>	<u>\$ 143,528</u>	<u>\$ 7,340,730</u>
\$ 128,872	\$ (10,152)	\$ 3,824,052
22,119	3,221	628,030
-	-	(26,369)
(1,152)	(29,689)	(711,051)
4,212	18,985	36,363
15,546	9,449	30,512
-	-	(170,655)
<u>40,725</u>	<u>1,966</u>	<u>(213,170)</u>
<u>\$ 169,597</u>	<u>\$ (8,186)</u>	<u>\$ 3,610,882</u>

CITY OF PRESCOTT, ARIZONA
Schedule of Revenues and Expenditures - Budget and Actual
Central Garage Internal Service Fund
For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Other Services	\$ 5,394,810	\$ 5,394,810	\$ 5,482,113	\$ 87,303
Interest and investment income	40,000	40,000	223,499	183,499
Proceeds on sales of assets	80,000	80,000	117,022	37,022
Proceeds from financing	4,853,029	4,853,029	-	(4,853,029)
Total revenues	<u>10,367,839</u>	<u>10,367,839</u>	<u>5,822,634</u>	<u>(4,545,205)</u>
Expenditures				
Personnel services	697,988	697,988	650,289	47,699
Supplies	635,400	635,400	570,823	64,577
Other services and charges	220,463	220,463	217,447	3,016
Capital expenditures	8,319,480	8,319,480	4,218,159	4,101,321
Debt service: principal	150,111	150,111	150,111	-
Debt service: interest	238,803	238,803	235,916	2,887
Total expenditures	<u>10,262,245</u>	<u>10,262,245</u>	<u>6,042,745</u>	<u>4,219,500</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 105,594</u>	<u>\$ 105,594</u>	(220,111)	<u>\$ (325,705)</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			4,347,594	
Sick and vacation accrual			(12,643)	
Principal repayment			150,111	
Depreciation			(602,690)	
Change in net assets (GAAP basis)			<u>\$ 3,662,261</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, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Other services	\$ 1,651,301	\$ 1,651,301	\$ 1,714,356	\$ 63,055
Interest and investment income	75,000	75,000	138,817	63,817
Total revenues	<u>1,726,301</u>	<u>1,726,301</u>	<u>1,853,173</u>	<u>126,872</u>
Expenditures				
Personnel services	155,820	155,820	115,067	40,753
Supplies	3,650	3,650	2,743	907
Other services and charges	866,831	1,166,831	869,791	297,040
Claims expenditures	625,000	625,000	749,734	(124,734)
Total expenditures	<u>1,651,301</u>	<u>1,951,301</u>	<u>1,737,335</u>	<u>213,966</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 75,000</u>	<u>\$ (225,000)</u>	115,838	<u>\$ 340,838</u>

Reconciliation to Generally Accepted Accounting Principles

Record actuarial report adjustment	170,655
	<u>\$ 286,493</u>

CITY OF PRESCOTT, ARIZONA
Schedule of Revenues and Expenditures - Budget and Actual
Engineering Services Internal Service Fund
For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Other services	\$ 2,331,933	\$ 2,331,933	\$ 2,495,364	\$ 163,431
Interest and investment income	2,500	2,500	3,886	1,386
Miscellaneous	1,000	1,000	2,141	1,141
Total revenues	<u>2,335,433</u>	<u>2,335,433</u>	<u>2,501,391</u>	<u>165,958</u>
Expenditures				
Personnel services	1,967,559	1,967,559	1,962,002	5,557
Supplies	61,200	61,200	55,919	5,281
Other services and charges	303,174	303,174	319,773	(16,599)
Capital expenditures	-	-	8	(8)
Total expenditures	<u>2,331,933</u>	<u>2,331,933</u>	<u>2,337,702</u>	<u>(5,769)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,500</u>	<u>\$ 3,500</u>	163,689	<u>\$ 160,189</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(8,812)	
Depreciation			(22,119)	
Change in net assets (GAAP basis)			<u>\$ 132,758</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Facilities Maintenance Internal Service Fund

For the year ended June 30, 2008

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Other services	\$ 953,726	\$ 953,726	\$ 951,396	\$ (2,330)
Interest and investment income	2,000	2,000	5,627	3,627
Total revenues	<u>955,726</u>	<u>955,726</u>	<u>957,023</u>	<u>1,297</u>
Expenditures				
Personnel services	324,731	324,731	324,658	73
Supplies	83,520	83,520	93,454	(9,934)
Other services and charges	529,963	529,963	513,867	16,096
Capital expenditures	-	-	3,000	(3,000)
Total expenditures	<u>938,214</u>	<u>938,214</u>	<u>934,979</u>	<u>3,235</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 17,512</u>	<u>\$ 17,512</u>	22,044	<u>\$ 4,532</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(23,348)	
Depreciation			(3,221)	
Change in net assets (GAAP basis)			<u>\$ (4,525)</u>	

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 agency fund.

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 Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008

	Agency Funds County Justice Court			
	Balance July 1, 2007	Additions	Deductions	Balance July 1, 2008
ASSETS				
Cash and short-term investments	\$ 166,158	\$ 2,820,986	\$ 2,833,286	\$ 153,858
Total assets	<u>\$ 166,158</u>	<u>\$ 2,820,986</u>	<u>\$ 2,833,286</u>	<u>\$ 153,858</u>
LIABILITIES				
Due to other governments	\$ 166,158	\$ 2,820,986	\$ 2,833,286	\$ 153,858
Total liabilities	<u>\$ 166,158</u>	<u>\$ 2,820,986</u>	<u>\$ 2,833,286</u>	<u>\$ 153,858</u>



OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of General Obligation Bonds Payable
June 30, 2008

	Refunding & Municipal Facilities Bond <u>Series 1998</u>	Municipal Facilities Bond <u>Series 2007</u>	Total General <u>Obligation Bonds</u>
Interest rates	4.34%	4.00%	N/A
Issue date	12/1/1998	5/8/2007	N/A
Final maturity date	7/1/2013	7/1/2017	N/A
Authorized	\$ 15,895,000	\$ 1,510,000	\$ 17,405,000
Issued	15,895,000	1,510,000	17,405,000
Retired	9,460,000	120,000	9,580,000
Outstanding	6,435,000	1,390,000	7,825,000
Principal retirement:			
2009	1,455,000	130,000	1,585,000
2010	1,155,000	135,000	1,290,000
2011	1,215,000	140,000	1,355,000
2012	1,275,000	150,000	1,425,000
2013	1,335,000	155,000	1,490,000
2014	-	160,000	160,000
2015	-	165,000	165,000
2016	-	175,000	175,000
2017	-	180,000	180,000

CITY OF PRESCOTT, ARIZONA

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

June 30, 2008

	Water, Sewer & Golf Course Imp. Refunding Bond Series 2004-G	Water & Sewer Improvement Bond Series 1998-F	Big Chino Ranch Series 2004-G	Central Garage & Transfer Station Series 2007	Total Bonds Payable
Interest rates	2.920%	4.69%	4.62%	4.35% avg.	N/A
Issue date	12/29/2004	12/1/1998	12/29/2004	5/8/2007	N/A
Final maturity	7/1/2010	7/1/2018	7/1/2034	7/1/2027	N/A
Authorized	\$ 4,350,000	\$ 6,160,000	\$ 12,525,000	\$ 6,625,000	\$ 29,660,000
Issued	4,350,000	6,160,000	12,525,000	6,625,000	29,660,000
Retired	2,785,000	2,215,000	735,000	195,000	5,930,000
Outstanding	1,565,000	3,945,000	11,790,000	6,430,000	23,730,000
Principal retirement:					
2009	865,000	315,000	260,000	230,000	1,670,000
2010	700,000	330,000	265,000	240,000	1,535,000
2011	-	345,000	275,000	245,000	865,000
2012	-	365,000	285,000	260,000	910,000
2013	-	380,000	295,000	265,000	940,000
2014	-	400,000	310,000	280,000	990,000
2015	-	420,000	320,000	290,000	1,030,000
2016	-	440,000	335,000	300,000	1,075,000
2017	-	465,000	345,000	310,000	1,120,000
2018	-	485,000	360,000	325,000	1,170,000
2019	-	-	375,000	340,000	715,000
2020	-	-	395,000	355,000	750,000
2021	-	-	415,000	370,000	785,000
2022	-	-	430,000	390,000	820,000
2023	-	-	450,000	410,000	860,000
2024	-	-	470,000	430,000	900,000
2025	-	-	495,000	450,000	945,000
2026	-	-	515,000	460,000	975,000
2027	-	-	545,000	480,000	1,025,000
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, 2008

	<u>Imp. District #160</u>	<u>Imp. District #161</u>	<u>Imp. District #162</u>	<u>Imp. District #163</u>	<u>Imp. District #164</u>	<u>Total Imp. District</u>
Interest rates	6.75%	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	4/1/1998	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	1/1/2008	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 56,285	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,666,221
Issued	56,285	124,096	1,920,000	2,470,000	95,840	4,666,221
Retired	56,285	87,775	850,000	1,245,000	25,220	2,264,280
Outstanding	-	36,321	1,070,000	1,225,000	70,620	2,401,941
Principal retirement:						
2009	-	12,107	130,000	175,000	5,044	322,151
2010	-	12,107	140,000	175,000	5,044	332,151
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, 2008

	Hassayampa #1 Community Facilities Bonds Series 1996	Hassayampa #2 Community Facilities Bonds Series 2000	Total Community Facilities 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	3,095,000	595,000	3,690,000
Outstanding	4,220,000	645,000	4,865,000
Principal retirement:			
2009	200,000	20,000	220,000
2010	215,000	25,000	240,000
2011	235,000	25,000	260,000
2012	250,000	30,000	280,000
2013	265,000	30,000	295,000
2014	290,000	30,000	320,000
2015	315,000	35,000	350,000
2016	335,000	35,000	370,000
2017	365,000	40,000	405,000
2018	390,000	45,000	435,000
2019	420,000	45,000	465,000
2020	455,000	50,000	505,000
2021	485,000	55,000	540,000
2022	-	55,000	55,000
2023	-	60,000	60,000
2024	-	65,000	65,000

CITY OF PRESCOTT, ARIZONA
Schedule of Loans Payable
June 30, 2008

	Water Infrastructure Finance Authority <u>2007 Drinking Water Loan</u>	Water Infrastructure Finance Authority <u>2008 Clean Water Loan</u>	Total Loans <u>Payable</u>
Interest rates	3.640%	3.868%	N/A
Issue date	8/24/2007	8/24/2007	N/A
Final maturity date	7/1/2027	7/1/2027	N/A
Authorized	\$ 9,854,000	\$ 4,703,000	\$ 14,557,000
Issued	4,928,531	3,320,930	8,249,461
Retired	-	-	-
Outstanding	4,928,531	3,320,930	8,249,461
Principal retirement:			
2009	255,621	158,066	413,687
2010	181,090	119,173	300,263
2011	187,682	123,782	311,464
2012	194,514	128,570	323,084
2013	201,594	133,543	335,137
2014	208,932	138,709	347,641
2015	216,537	144,074	360,611
2016	224,419	149,647	374,066
2017	232,588	155,435	388,023
2018	241,054	161,447	402,501
2019	249,828	167,692	417,520
2020	258,922	174,178	433,100
2021	268,347	180,916	449,263
2022	278,115	187,913	466,028
2023	288,238	195,182	483,420
2024	298,730	202,732	501,462
2025	309,604	210,573	520,177
2026	320,873	218,718	539,591
2027	332,553	227,178	559,731
2028	179,290	143,402	322,692

STATISTICAL SECTION





STATISTICAL SECTION

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 seven fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities							
Invested in capital assets, net of related debt	\$150.0	\$151.8	\$163.0	\$177.9	\$184.8	\$203.7	\$257.6
Restricted	36.4	43.7	45.4	43.9	50.2	31.4	22.0
Unrestricted	5.3	6.5	7.7	8.9	11.6	33.3	18.9
Total governmental activities net assets	<u>191.7</u>	<u>202.0</u>	<u>216.1</u>	<u>230.7</u>	<u>246.1</u>	<u>268.4</u>	<u>298.5</u>
Business-type activities							
Invested in capital assets, net of related debt	102.2	110.0	115.9	129.6	148.8	162.0	170.1
Restricted	8.0	4.9	4.5	7.1	7.6	9.4	11.0
Unrestricted	11.7	11.8	14.2	15.4	14.2	10.6	12.0
Total business-type activities net assets	<u>121.9</u>	<u>126.7</u>	<u>134.6</u>	<u>152.1</u>	<u>170.6</u>	<u>182.0</u>	<u>193.1</u>
Primary government							
Invested in capital assets, net of related debt	252.2	261.8	278.9	307.5	333.6	365.7	427.7
Restricted	44.4	48.6	49.9	51.0	57.8	40.8	33.0
Unrestricted	17.0	18.3	21.9	24.3	25.8	43.9	30.9
Total primary government net assets	<u>\$313.6</u>	<u>\$328.7</u>	<u>\$350.7</u>	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>	<u>\$491.6</u>

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, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA
Table IIa
Statistical Section - Financial Trends
Changes in Net Assets
 Last seven fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses							
Governmental Activities:							
General government	\$ 4,518,316	\$ 3,798,901	\$ 5,552,612	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607	\$ 2,795,027
Community services	1,984,672	2,083,451	2,147,067	2,504,447	2,409,814	3,215,988	2,753,553
Culture and recreation	4,414,069	4,724,473	5,412,480	5,323,256	6,177,208	6,688,038	7,423,431
Public Safety							
Police and court	-	7,774,898	8,154,036	8,888,639	10,615,068	11,871,859	12,708,979
Fire	-	5,410,325	5,883,210	6,221,770	7,069,541	7,392,504	8,154,199
Total public safety (1)	<u>11,897,746</u>	<u>13,185,223</u>	<u>14,037,246</u>	<u>15,110,409</u>	<u>17,684,609</u>	<u>19,264,363</u>	<u>20,863,178</u>
Public Works	<u>9,152,996</u>	<u>10,859,477</u>	<u>11,131,614</u>	<u>10,964,098</u>	<u>14,483,522</u>	<u>16,078,254</u>	<u>16,900,857</u>
Interest on long-term debt	<u>1,468,910</u>	<u>1,359,238</u>	<u>1,263,727</u>	<u>1,161,057</u>	<u>1,087,363</u>	<u>1,003,567</u>	<u>1,195,481</u>
Total governmental activities expenses	<u><u>33,436,709</u></u>	<u><u>36,010,763</u></u>	<u><u>39,544,746</u></u>	<u><u>40,966,808</u></u>	<u><u>47,929,166</u></u>	<u><u>50,672,817</u></u>	<u><u>51,931,527</u></u>
Business-type Activities:							
Water	6,132,824	6,634,008	6,958,715	7,384,458	8,163,189	9,910,947	10,251,868
Wastewater	4,586,322	4,754,234	4,660,494	5,801,765	6,100,960	6,363,510	7,415,592
Golf course	2,118,559	2,031,656	2,147,973	1,971,548	2,629,179	3,219,774	3,539,999
Airport	3,332,768	3,649,511	3,619,357	4,324,540	5,052,283	4,716,619	4,101,413
Solid waste	4,741,566	3,526,496	3,888,569	4,792,152	4,931,475	4,970,215	5,223,966
Regional transfer station	2,749,348	3,152,264	3,503,582	3,697,857	3,705,833	4,093,191	4,029,674
Parking garage	-	660	400	-	102,270	251,831	250,970
Total business-type activities expenses	<u><u>23,661,387</u></u>	<u><u>23,748,829</u></u>	<u><u>24,779,090</u></u>	<u><u>27,972,320</u></u>	<u><u>30,685,189</u></u>	<u><u>33,526,087</u></u>	<u><u>34,813,482</u></u>
Total primary government expenses	<u><u>\$57,098,096</u></u>	<u><u>\$59,759,592</u></u>	<u><u>\$64,323,836</u></u>	<u><u>\$68,939,128</u></u>	<u><u>\$78,614,355</u></u>	<u><u>\$84,198,904</u></u>	<u><u>\$86,745,009</u></u>

Source: City of Prescott finance department

(1) In fiscal year 2002, police, court and fire were combined.

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, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table 11b
Statistical Section - Financial Trends
Changes in Net Assets

Last seven fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program Revenue							
Governmental Activities:							
Charges for services:							
General government (3)	\$ 1,065,663	\$ 1,365,986	\$ 1,328,746	\$ 1,709,487	\$ 1,704,995	\$ 373,184	\$ 424,522
Community services (3)	300,514	303,604	316,299	386,522	329,140	1,012,016	759,032
Culture and recreation	1,136,251	1,501,425	1,219,762	1,474,204	1,342,645	1,106,163	828,718
Public Safety							
Police and court	-	677,483	873,926	1,075,633	1,637,260	1,735,625	1,810,533
Fire	-	669,730	746,516	542,502	542,641	593,633	653,650
Total public safety (1)	<u>630,012</u>	<u>1,347,213</u>	<u>1,620,442</u>	<u>1,618,135</u>	<u>2,179,901</u>	<u>2,329,258</u>	<u>2,464,183</u>
Public Works	512,842	601,140	618,700	680,346	750,987	451,537	314,725
Operating grants and contributions	7,081,311	3,960,189	4,879,585	4,841,655	4,536,312	5,110,022	5,320,140
Capital grants and contributions	905,334	2,575,571	6,296,262	2,761,682	13,509,535	10,003,889	12,437,202
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>	<u>24,353,515</u>	<u>20,386,069</u>	<u>22,548,522</u>
Business-type Activities:							
Charges for services:							
Water	6,578,870	6,991,854	7,133,069	8,667,426	9,472,952	9,439,229	12,371,505
Wastewater	3,805,400	3,908,024	3,894,327	4,146,635	4,139,815	4,406,795	4,485,370
Golf course	2,423,769	2,149,134	2,162,487	2,218,301	2,570,842	3,382,094	3,257,411
Airport	2,819,818	2,997,688	3,226,483	3,834,834	4,472,618	4,127,668	3,350,194
Solid waste	3,970,025	4,142,580	4,394,885	4,764,901	5,301,908	5,651,499	5,725,438
Regional transfer station	2,772,425	3,131,601	3,430,790	3,768,809	4,217,447	4,047,899	3,481,693
Parking garage (2)	-	-	-	-	64,632	58,527	58,072
Capital grants and contributions	5,815,099	4,116,293	7,731,228	15,913,794	11,398,193	11,426,649	11,443,754
Total business-type activities program revenues	<u>28,185,406</u>	<u>27,437,174</u>	<u>31,973,269</u>	<u>43,314,700</u>	<u>41,638,407</u>	<u>42,540,360</u>	<u>44,173,437</u>
Total primary government revenues	<u>\$39,817,333</u>	<u>\$39,092,302</u>	<u>\$48,253,065</u>	<u>\$56,786,731</u>	<u>\$65,991,922</u>	<u>\$62,926,429</u>	<u>\$66,721,959</u>
Net (Expense)/Revenue							
Governmental activities	\$ (21,804,782)	\$ (24,355,635)	\$ (23,264,950)	\$ (27,494,777)	\$ (23,575,651)	\$ (30,286,748)	\$ (29,383,005)
Business-type activities	<u>4,524,019</u>	<u>3,688,345</u>	<u>7,194,179</u>	<u>15,342,380</u>	<u>10,953,218</u>	<u>9,014,273</u>	<u>9,359,955</u>
Total primary government net expense	<u>\$ (17,280,763)</u>	<u>\$ (20,667,290)</u>	<u>\$ (16,070,771)</u>	<u>\$ (12,152,397)</u>	<u>\$ (12,622,433)</u>	<u>\$ (21,272,475)</u>	<u>\$ (20,023,050)</u>

Source: City of Prescott finance department

(1) In fiscal year 2002, police, court and fire were combined.

(2) Parking garage opened in fiscal year 2006.

(3) Charges for various permits and inspections were moved from general government to community services in fiscal year 2007.

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, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table IIc

Statistical Section - Financial Trends

Changes in Net Assets

Last seven fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental revenues and other changes in net assets							
Governmental Activities:							
Taxes:							
Property taxes, levied for general purposes	\$ 825,330	\$ 826,858	\$ 898,810	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323	\$ 1,156,383
Property taxes, levied for debt service	1,680,005	1,680,721	1,676,385	1,688,385	1,690,354	1,708,876	1,909,468
Utility franchise taxes	1,008,081	1,020,608	1,147,098	1,235,890	1,369,307	1,488,072	1,563,883
City privilege and use tax, general purposes	9,615,252	10,126,355	11,835,113	13,215,116	15,129,080	15,810,057	14,975,742
City privilege and use tax, major street and open space program	9,270,390	9,872,177	11,517,650	12,918,249	14,731,785	15,333,864	14,365,539
Transient lodging tax	307,300	301,900	326,387	359,928	417,001	437,770	529,488
Intergovernmental revenues - unrestricted	8,746,519	8,840,065	8,416,354	8,816,640	10,124,341	11,614,540	12,528,123
Interest and investment income	1,936,527	1,425,352	935,209	2,036,084	1,790,200	3,728,455	3,015,995
Gain (loss) on sale of property (1)	-	-	-	-	-	-	8,595,744
Miscellaneous	1,578,550	595,506	636,217	1,317,671	818,055	875,139	546,570
Transfers	(106,471)	(54,356)	(25,072)	(350,377)	(6,345,662)	(83,037)	300,237
Total governmental activities	<u>34,861,483</u>	<u>34,635,186</u>	<u>37,364,151</u>	<u>42,240,803</u>	<u>40,768,577</u>	<u>52,035,059</u>	<u>59,487,172</u>
Business-type Activities:							
Interest and investment income	633,461	436,335	103,650	715,632	676,194	1,691,475	1,846,596
Gain (loss) on sale of property	-	-	-	-	-	-	(921,677)
Miscellaneous	684,847	607,466	597,869	1,022,528	839,545	636,048	732,782
Transfers	106,471	54,356	25,072	350,377	6,345,662	83,037	(300,237)
Total business-type activities	<u>1,424,779</u>	<u>1,098,157</u>	<u>726,591</u>	<u>2,088,537</u>	<u>7,861,401</u>	<u>2,410,560</u>	<u>1,357,464</u>
Total primary government	<u>\$36,286,262</u>	<u>\$35,733,343</u>	<u>\$38,090,742</u>	<u>\$44,329,340</u>	<u>\$48,629,978</u>	<u>\$54,445,619</u>	<u>\$60,844,636</u>
Change in net assets							
Governmental activities	\$ 13,056,701	\$ 10,279,551	\$ 14,099,201	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311	\$ 30,104,167
Business-type activities	5,948,798	4,786,502	7,920,770	17,430,917	18,814,619	11,424,833	10,717,419
Total primary government	<u>\$ 19,005,499</u>	<u>\$ 15,066,053</u>	<u>\$ 22,019,971</u>	<u>\$ 32,176,943</u>	<u>\$ 36,007,545</u>	<u>\$ 33,173,144</u>	<u>\$ 40,821,586</u>

Source: City of Prescott finance department

(1) The majority of the gain reflected in 2008 resulted from the land trade with Yavapai County, whereby the City acquired the rodeo grounds property in exchange for City property located near Sundog Ranch road and Prescott Lakes parkway.

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, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Assets

Last seven fiscal years

Governmental activities:											
Fiscal Year	Program Revenues				General Revenues					Total Program and General Revenue	Total Net Revenue/Change in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest and Investment Income	Transfers, Gains(losses) and Miscellaneous	Total		
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
2006	6,307,668	4,536,312	13,509,535	24,353,515	34,381,643	10,124,341	1,790,200	818,055	47,114,239	71,467,754	17,192,926
2007	5,272,158	5,110,022	10,003,889	20,386,069	35,899,962	11,614,540	3,728,455	875,139	52,118,096	72,504,165	21,748,311
2008	4,791,180	5,320,140	12,437,202	22,548,522	34,500,503	12,528,123	3,015,997	9,442,551	59,487,174	82,035,696	30,104,167

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 and Change in Net Assets

Last seven fiscal years

Business-type activities:														
Program Revenues										General Revenues				
Charges for Services														
<u>Fiscal Year</u>	<u>Water</u>	<u>Waste Water</u>	<u>Golf</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>	<u>Interest</u>	<u>Transfers, Gains (losses) and Miscellaneous</u>	<u>Total</u>	<u>Total Program and General Revenue</u>	<u>Total Net Revenue/Change in Net Assets</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
2006	9,472,952	4,139,815	2,570,842	4,472,618	5,301,908	4,217,447	64,632	11,398,193	41,638,407	676,194	839,545	1,515,739	43,154,146	18,814,619
2007	9,439,229	4,406,795	3,382,094	4,127,668	5,651,499	4,047,899	58,527	11,426,649	42,540,360	1,691,475	636,048	2,327,523	44,867,883	11,424,833
2008	12,371,505	4,485,370	3,257,411	3,350,194	5,725,438	3,481,693	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419

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

Total Primary Government Activities Revenues and Change in Net Assets

Last seven fiscal years

Fiscal Year	Primary government activities:												
	Program Revenues				General Revenues							Total Program and General Revenue	Total Net Revenue/Change in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest	Transfers, Gains (losses) and Miscellaneous	Total				
2002	\$ 26,015,589	\$ 7,081,311	\$ 6,720,433	\$ 39,817,333	\$ 22,706,358	\$ 8,746,519	\$ 2,569,988	\$ 2,263,397	\$ 36,286,262	\$ 76,103,595	\$ 19,005,499		
2003	28,440,249	3,960,189	6,691,864	39,092,302	23,828,619	8,840,065	1,861,687	1,202,972	35,733,343	74,825,645	15,066,053		
2004	29,345,990	4,879,585	14,027,490	48,253,065	27,401,443	8,416,354	1,038,859	1,234,086	38,090,742	86,343,807	22,019,971		
2005	33,269,600	4,841,655	18,675,476	56,786,731	30,420,785	8,816,640	2,751,716	2,340,199	44,329,340	101,116,071	32,176,943		
2006	36,547,882	4,536,312	24,907,728	65,991,922	34,381,643	10,124,341	2,466,394	1,657,600	48,629,978	114,621,900	36,007,545		
2007	36,385,869	5,110,022	21,430,538	62,926,429	35,899,962	11,614,540	5,419,930	1,511,187	54,445,619	117,372,048	33,173,144		
2008	37,520,863	5,320,140	23,880,956	66,721,959	34,500,503	12,528,123	4,862,591	8,953,419	60,844,636	127,566,595	40,821,586		

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 VI

Statistical Section - Financial Trends

Governmental Activities Program Revenues by Function/Program

Last seven fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities							
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959	\$507,384
Community services (2)	846,264	960,756	410,900	607,916	885,113	2,230,826	1,054,549
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219	2,653,076	1,865,462	1,062,952
Police and court	1,555,080	1,438,315	1,607,611	1,331,412	2,075,968	2,172,971	2,102,735
Fire (1)	-	851,011	1,074,515	725,709	767,928	894,621	914,572
Public works	6,987,283	5,523,263	9,505,148	6,342,288	16,247,372	12,824,230	16,906,330
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>	<u>\$24,353,515</u>	<u>\$20,386,069</u>	<u>\$22,548,522</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 VII

Statistical Section - Financial Trends

Changes in Fund Balances, Governmental Funds

Last seven fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund							
Excess of revenues over expenditures	\$3.3	\$3.6	\$3.6	\$5.2	\$5.6	\$5.6	\$2.4
Other Financing Sources (Uses)							
Lease proceeds	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Transfers in	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Transfers out	(2.4)	(0.7)	(3.1)	(3.5)	(4.4)	(6.5)	(2.0)
Total other financing sources (uses)	<u>(2.3)</u>	<u>(0.7)</u>	<u>(3.1)</u>	<u>(3.5)</u>	<u>(3.7)</u>	<u>(6.5)</u>	<u>(2.0)</u>
Net change in fund balance	<u>1.0</u>	<u>2.9</u>	<u>0.5</u>	<u>1.7</u>	<u>1.9</u>	<u>-0.9</u>	<u>0.4</u>
Beginning fund balance	3.9	4.9	7.8	8.3	10.0	12.7	11.8
Prior period adjustment	0.0	0.0	0.0	0.0	0.8	0.0	0.0
Beginning fund balance - as restated	<u>3.9</u>	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.8</u>	<u>12.7</u>	<u>11.8</u>
Ending fund balance	<u><u>4.9</u></u>	<u><u>7.8</u></u>	<u><u>8.3</u></u>	<u><u>10.0</u></u>	<u><u>12.7</u></u>	<u><u>11.8</u></u>	<u><u>12.2</u></u>
Reserved	0.7	3.2	2.8	3.2	2.1	1.4	1.8
Unreserved	<u>4.2</u>	<u>4.6</u>	<u>5.5</u>	<u>6.8</u>	<u>10.6</u>	<u>10.2</u>	<u>10.4</u>
Total general fund balance	<u><u>\$4.9</u></u>	<u><u>\$7.8</u></u>	<u><u>\$8.3</u></u>	<u><u>\$10.0</u></u>	<u><u>\$12.7</u></u>	<u><u>\$11.6</u></u>	<u><u>\$12.2</u></u>
All Other Governmental Funds							
Excess (deficiency) of revenues over expenditures	(\$1.7)	\$4.8	(\$0.3)	(\$3.9)	\$0.4	(\$7.5)	(\$12.8)
Other Financing Sources (Uses)							
Bond issuances	-	-	-	-	-	1.5	0.0
Transfers in	2.8	1.8	3.9	3.8	6.8	8.4	3.4
Transfers out	(0.7)	(1.1)	(1.0)	(1.0)	(2.5)	(1.9)	(1.5)
Total other financing sources (uses)	<u>2.1</u>	<u>0.7</u>	<u>2.9</u>	<u>2.8</u>	<u>4.3</u>	<u>8.0</u>	<u>1.9</u>
Net change in fund balance	<u>0.4</u>	<u>5.5</u>	<u>2.6</u>	<u>(1.1)</u>	<u>4.7</u>	<u>0.5</u>	<u>(10.9)</u>
Beginning fund balance	<u>23.8</u>	<u>24.2</u>	<u>29.7</u>	<u>32.3</u>	<u>31.3</u>	<u>36.0</u>	<u>36.5</u>
Ending fund balance	<u><u>24.2</u></u>	<u><u>29.7</u></u>	<u><u>32.3</u></u>	<u><u>31.3</u></u>	<u><u>36.0</u></u>	<u><u>36.5</u></u>	<u><u>25.6</u></u>
Reserved for dedicated purposes Permanent Fund	0.6	0.5	0.5	0.5	0.5	0.5	3.2
Unreserved, reported in:							
Special revenue funds	20.1	26.2	29.3	29.2	34.1	33.3	0.0
Debt service funds	1.3	1.4	1.4	1.7	1.7	2.0	10.3
Capital projects funds	<u>2.2</u>	<u>1.6</u>	<u>1.1</u>	<u>(0.1)</u>	<u>(0.3)</u>	<u>0.7</u>	<u>21.5</u>
Total all other governmental funds fund balance	<u><u>\$24.2</u></u>	<u><u>\$29.7</u></u>	<u><u>\$32.3</u></u>	<u><u>\$31.3</u></u>	<u><u>\$36.0</u></u>	<u><u>\$36.5</u></u>	<u><u>\$35.0</u></u>
Total general and other governmental funds - fund balance	<u><u>\$29.1</u></u>	<u><u>\$37.5</u></u>	<u><u>\$40.6</u></u>	<u><u>\$41.3</u></u>	<u><u>\$48.7</u></u>	<u><u>\$48.1</u></u>	<u><u>\$47.2</u></u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last seven fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues							
Taxes	\$22,706,358	\$23,845,928	\$27,418,458	\$30,433,859	\$34,401,134	\$35,899,318	\$34,475,231
Intergovernmental revenues	16,326,996	13,514,966	14,104,448	15,154,725	15,381,132	17,738,746	18,442,502
Licenses and permits	2,387,963	3,170,195	2,615,347	3,661,079	3,892,462	1,537,880	1,142,050
Charges for services	858,072	1,436,338	1,761,234	1,299,622	1,334,862	2,199,691	1,929,959
Fines and forfeitures	399,247	512,835	727,368	907,993	1,480,324	1,534,587	1,719,170
Gifts and donations	122,981	38,857	233,426	91,205	102,716	51,284	59,882
Interest and investment income	1,830,934	1,383,229	925,387	1,944,433	1,690,663	3,431,739	2,644,168
Miscellaneous	1,455,569	1,167,515	1,273,092	1,980,566	2,138,267	1,283,031	1,634,095
Total revenues	<u>46,088,120</u>	<u>45,069,863</u>	<u>49,058,760</u>	<u>55,473,482</u>	<u>60,421,560</u>	<u>63,676,276</u>	<u>62,047,057</u>
Expenditures							
General government	\$ 3,507,893	\$ 3,112,805	3,664,500	4,639,844	5,911,150	5,677,646	6,193,642
Community services	1,737,515	1,921,862	2,152,142	2,314,246	2,190,852	2,641,295	2,926,188
Culture and recreation	3,880,000	4,152,052	4,125,700	4,735,603	5,607,706	6,038,931	6,257,768
Police and court	11,044,795	7,328,394	7,873,737	8,516,869	10,336,021	11,672,399	12,533,337
Fire		5,098,237	5,358,362	5,817,037	6,413,599	7,091,353	7,931,941
Public works	2,247,948	2,691,222	2,934,571	3,145,141	3,650,496	3,986,169	3,606,011
Capital outlay	18,965,560	9,193,799	16,399,864	22,109,095	17,074,369	25,464,042	29,327,591
Debt service - principal	1,653,723	1,843,153	1,952,003	1,720,051	2,159,211	2,000,304	2,670,861
Debt service - interest	1,467,968	1,358,938	1,263,420	1,160,334	1,084,915	1,000,152	959,565
Total expenditures	<u>44,505,402</u>	<u>36,700,462</u>	<u>45,724,299</u>	<u>54,158,220</u>	<u>54,428,319</u>	<u>65,572,291</u>	<u>72,406,904</u>
Excess of Revenues over (under) Expenditures	1,582,718	8,369,401	3,334,461	1,315,262	5,993,241	(1,896,015)	(10,359,847)
Other Financing Sources (Uses)							
Bond issuances						1,524,974	-
Capital leases					734,000	-	-
Transfers in	2,927,174	1,763,447	3,933,148	3,856,870	6,830,592	8,362,823	3,362,326
Transfers out	(3,033,645)	(1,817,802)	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)
Total other financing sources (uses)	<u>(106,471)</u>	<u>(54,355)</u>	<u>(161,912)</u>	<u>(680,877)</u>	<u>629,067</u>	<u>1,456,540</u>	<u>(196,203)</u>
Net change in fund balances	<u>1,476,247</u>	<u>8,315,046</u>	<u>3,172,549</u>	<u>634,385</u>	<u>6,622,308</u>	<u>(439,475)</u>	<u>(10,556,050)</u>
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	11.0%	9.0%	8.7%	6.8%	9.5%

Source: City of Prescott finance department

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 IX

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							
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	n/a
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	n/a
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	n/a
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%
2006	5,911,150	2,190,852	5,607,706	10,336,021	6,413,599	3,650,496	34,109,824	17,074,369	2,159,211	1,084,915	54,428,319	8.7%
2007	5,677,646	2,641,295	6,038,931	11,672,399	7,091,353	3,986,169	37,107,793	25,464,042	2,000,304	1,000,152	65,572,291	6.8%
2008	6,193,642	2,926,188	6,257,768	12,533,337	7,931,941	3,606,011	39,448,887	29,327,591	2,670,861	959,565	72,406,904	9.5%

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 X

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>
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
2006	34,401,134	15,381,132	3,892,462	1,334,862	1,480,324	1,690,663	2,240,983	60,421,560
2007	35,899,318	17,738,746	1,537,880	2,199,691	1,534,587	3,431,739	1,334,315	63,676,276
2008	34,475,231	18,442,502	1,142,050	1,929,959	1,719,170	2,644,168	1,693,977	62,047,057

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 XI

Statistical Section - Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property

Last ten fiscal years

Fiscal Year		Real		Personal		Gross	Less	Net Assessed	Percent	Estimated	Total Direct
		Estate	Improvements	Property	Utilities						
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
2006	P	-	454,345,973	16,408,454	21,047,306	491,801,733	24,805,656	466,996,077	11.2%	3,744,454,238	7.0503
	S	181,287,420	304,464,222	16,408,431	21,047,306	523,207,379	25,981,170	497,226,209	11.0%	3,974,902,455	0.7977
2007	P	-	506,912,059	13,598,953	22,706,169	543,217,181	25,815,170	517,402,011	10.8%	4,201,772,704	6.4839
	S	187,957,316	354,231,282	13,598,953	22,706,169	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	-	571,868,029	16,970,497	22,767,721	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	219,399,458	413,148,579	16,969,721	22,767,721	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640

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 XII

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)							
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	0.4069	-	0.9915
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.0503
	S	0.3413	0.2687	0.2614	0.4034	-	0.7977
2007	P	0.2182	3.1797	1.4308	1.6552	-	6.4839
	S	0.3093	0.2709	0.2265	0.3898	-	1.1965
2008	P	0.1991	2.9608	1.3397	1.5292	-	6.0288
	S	0.2982	0.2262	0.1828	0.3568	-	1.0640
Tax Levies							
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
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	89,331,795
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	16,523,444
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,016,267
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	17,468,813
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	95,777,302
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	18,918,115

The portion of the 2007-08 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,160,983	\$ 17,264,957	\$ 7,812,000	\$ 8,917,004	\$ -	\$ 35,154,944
	S	1,915,789	1,453,457	1,174,261	2,192,944	-	6,736,451
Percent	P	100%	72.7%	23.6%	23.6%	-	36.7%
	S	100%	70.9%	22.5%	22.5%	-	35.6%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section - Revenue Capacity

Principal Property Taxpayers

Current fiscal year and nine years ago

Taxpayer	Type of Business	2007/08			1998/99		
		Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation	Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation
Arizona Public Service	Electric utility	\$ 12,585,922	1	2.0%	\$ 7,898,668	1	3.4%
TWC II Prescott Mall LLC	Shopping center	10,118,002	2	1.6%			
Wal-Mart	Shopping Center	5,251,990	3	0.8%			
Qwest Corporation / US West	Telecommunications	5,003,929	4	0.8%	5,869,030	2	2.6%
Unisource Energy Corporation	Gas utility	4,133,540	5	0.6%	4,173,540	3	1.8%
Bonanza LLC - Ponderosa Plaza	Shopping center	3,200,669	6	0.5%	2,284,581	4	1.0%
LFRV LLC (Las Fuentes)	Commercial rental	2,374,466	7	0.4%			
Lamb Trust	Automobile Dealer	2,488,794	8	0.4%			
Willow Creek Corner LLC	Shopping center	2,105,557	9	0.3%			
1000 Morse LTD UI (Willow Creek Plaza)	Shopping center	1,908,519	10	0.3%	1,718,280	5	0.8%
Costco	Shopping center				1,311,091	6	0.6%
Irvington/Prescott LLC	Shopping center				1,263,480	7	0.6%
Smiths Management Corporation	Grocery store				1,211,405	8	0.5%
Sturm-Ruger	Manufacturing				1,120,825	9	0.5%
Prescottonian Motel	Motel				823,485	10	0.4%
Total		<u>\$ 49,171,388</u>		<u>7.7%</u>	<u>\$ 27,674,385</u>		<u>12.1%</u>

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA
Table XIV
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>
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%
2006	2,745,431	2,725,807	99.3%	33,699	2,759,506	100.5%	104,565	3.8%
2007	2,835,796	2,815,931	99.3%	29,790	2,845,721	100.3%	94,640	3.3%
2008	3,076,772	2,984,844	97.0%	34,633	3,052,109	99.2%	119,303	3.9%

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 XV

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 XVI

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>
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
2006	838	34,401,134	2,753,961	15,129,080	14,731,785	1,369,307	417,001
2007	853	35,899,318	2,829,555	15,810,057	15,333,864	1,488,072	437,770
2008	798	34,475,231	3,040,579	14,975,742	14,365,539	1,563,883	529,488

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 - Revenue Capacity
Privilege Tax - Taxable Sales by Category

Last ten fiscal years

Fiscal Year	Real																Tax Rate	Top 10 as percentage to Total
	Automotive	Construction	General Merchandise	Misc. Retail	Food Stores	Estate Rentals	Restaurants & Bars	Utilities	Commun-ications	Business Services	Furniture	Hotel & Motel	Printing	Apparel	All Other	Total		
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%
2006	237,947,384	224,080,037	286,561,856	157,055,001	105,112,216	99,702,102	76,329,871	61,349,829	33,464,157	42,910,975	32,968,047	24,811,014	19,509,210	20,256,945	61,371,213	1,483,429,857	2%	30%
2007	235,601,776	232,753,428	302,466,249	181,360,404	109,816,116	108,328,979	78,296,083	66,445,466	37,670,888	48,178,263	30,057,454	26,879,306	19,349,151	20,365,523	58,740,411	1,556,309,497	2%	27%
2008	200,605,355	192,820,303	293,517,155	170,201,249	115,485,940	111,387,240	80,020,919	72,175,319	35,865,096	43,084,867	31,632,316	28,931,608	17,305,584	17,565,009	70,638,920	1,481,236,880	2%	33%

Top 10 Taxpayers

FY 2008		FY 1999	
Arizona Public Service		Albertson's Food Stores	
Best Buy		Arizona Public Service	
Costco		Costco	
Frys Food & Drug		Galpin Ford	
Lamb Chevrolet		Lamb Chevrolet	
Tim's Buick-Pontiac		Qwest Corporation	
UNS Gas, Inc.		Safeway Stores, Inc.	
Sears		Fry's Food & Drug	
Wal-Mart		Tim's Buick-Pontiac	
York Car Company		York Car Company	
Percent of Total Privilege Tax Collected	33%	Percent of Total Privilege Tax Collected:	17%

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 1999 tax collection amounts for the top 10 taxpayers is not readily available, the fiscal year 2000 collections were used.

CITY OF PRESCOTT, ARIZONA

Table XVIII

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 (3)</u>	<u>State of Arizona Privilege Tax</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
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%
2006	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%

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. This rate was increased to 3% on January 1, 2008.

(3) Yavapai County currently imposes a .50% excise tax and a .25% jail tax. The jail tax became effective in FY 2001 and the rate was .2% until 2003.

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities				Business-type Activities							Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General Obligation Bonds	Community Facilities District Bonds	Lease Purchase Contracts	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Loans Payable (2)	Landfill Closure Cost	Lease Purchase Contracts	Total Primary Government	Debt Per Capita			
1999	\$ 16,080,000	\$ 6,795,000	\$ 223,895	\$ 314,477	\$ 15,815,000	\$ 420,000	\$ -	\$ 469,008	\$ 6,265,468	\$ 46,382,848	\$ 1,446	\$ 1,224	1.47%	1.25%
2000	15,800,000	7,780,000	185,670	245,528	14,705,000	-	-	469,008	5,053,404	44,238,610	1,317	1,078	1.33%	1.09%
2001	14,840,000	7,550,000	144,418	4,602,063	13,530,000	-	-	469,008	4,047,226	45,182,715	1,331	973	1.26%	0.92%
2002	13,815,000	7,280,000	99,898	4,287,860	15,245,000	-	-	1,200,000	4,784,488	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	-	-	1,191,364	4,186,452	39,516,421	1,086	788	1.01%	0.73%
2004	11,590,000	6,460,000	-	3,733,442	9,600,000	-	-	1,183,396	3,589,083	36,155,921	947	680	0.82%	0.59%
2005	10,395,000	6,270,000	-	3,398,392	21,355,000	-	-	1,178,442	3,640,013	46,236,847	1,149	909	1.04%	0.83%
2006	9,140,000	5,765,000	666,940	3,066,241	20,050,000	-	-	1,337,800	4,144,260	44,170,241	1,076	861	1.00%	0.80%
2007	9,335,000	5,560,000	528,787	2,724,090	25,330,000	-	-	1,324,670	3,436,504	48,239,051	1,146	949	1.09%	0.90%
2008	7,825,000	4,865,000	385,076	2,401,941	23,730,000	-	8,249,461	1,295,271	2,253,982	51,005,731	1,180	1,012	0.92%	0.79%

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 XXVII. 2005 and 2006 percentage columns are based on 2004 personal income amounts. The 2005 and 2006 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.

(2) In 2008 the City entered into contracts with the Water Infrastructure Finance Authority (WIFA) for the financing of several drinking and clean water projects.

CITY OF PRESCOTT, ARIZONA

Table XX

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>Less Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1999	\$ 244,905,181	\$ 16,500,000	\$ 420,000	\$ 16,080,000	6.6%	\$501
2000	259,202,990	15,800,000	-	15,800,000	6.1%	471
2001	297,152,604	14,840,000	-	14,840,000	5.0%	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
2006	497,226,209	9,140,000	-	9,140,000	1.8%	223
2007	551,843,276	9,335,000	-	9,335,000	1.7%	222
2008	642,466,094	7,825,000	-	7,825,000	1.2%	181

Source: City of Prescott finance department

(1) Population information is shown on table XXVII.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XXI

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>Total General Expenditures</u>	<u>Percent of Debt Service to Total General Expenditures</u>
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%
2006	1,255,000	441,475	1,696,475	54,428,319	54,428,319	3.1%
2007	1,315,000	391,275	1,706,275	65,572,291	65,572,291	2.6%
2008	1,510,000	404,276	1,914,276	72,406,904	72,406,904	2.6%

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 fu

CITY OF PRESCOTT, ARIZONA

Table XXII

Statistical Section - Debt Capacity

Schedule of Water and Wastewater 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>
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
2006	23,481,340	14,264,149	9,217,191
2007	24,792,698	16,274,457	8,518,241
2008	28,075,001	17,667,460	10,407,541

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA
 Table XXIII
 Statistical Section - Debt Capacity
 Direct and Overlapping Debt
 June 30, 2008

	<u>Net Bonds Outstanding</u>	<u>Percentage Applicable to Prescott (1)</u>	<u>Amount Applicable to Prescott</u>
<u>Direct Debt</u>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 7,825,000	100.0%	\$ 7,825,000
Total direct debt			<u>7,825,000</u>
<u>Overlapping Debt</u>			
Yavapai Community College District	56,425,000	27.4%	15,478,262
Prescott Unified School District	19,485,000	83.2%	16,209,048
Total overlapping debt			<u>31,687,310</u>
Total direct & overlapping debt			<u>\$ 39,512,310</u>

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

	<u>Total Assessed Valuation</u>		<u>Valuation in Prescott</u>	<u>Percent in Prescott</u>
<u>Taxing District</u>				
Yavapai Community College District	\$ 2,125,710,207	\$	583,115,640	27.4%
Prescott Unified School District	700,967,044		583,115,640	83.2%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA
Table XXIV
Statistical Section - Debt Capacity
Legal Debt Margins
June 30, 2008

	<u>General Obligation Bonds</u>	
	<u>All Others</u> <u>6% (1)</u>	<u>Water & Sewer</u> <u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2007-08 secondary assessed valuation \$642,466,094)	\$ 38,547,966	\$ 128,493,219
<u>Outstanding Debt</u>		
Municipal facilities & refunding bond series 1998	-	7,825,000
Total outstanding debt	-	7,825,000
Total margin available	\$ 38,547,966	\$ 120,668,219
Total debt applicable to the limit as a percentage of the debt limit	0.0%	6.1%

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, public safety, law enforcement, fire and emergency services facilities and streets and transportation 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 2007-08	\$ 3,376,010
Percent of margin	50%
Highway user margin	1,688,005
Bond principal due FY 2007-2008	-
Bond interest due FY 2007-2008	-
Margin available	\$ 1,688,005
Total debt service applicable to the margin as a percentage of the margin	n/a

CITY OF PRESCOTT, ARIZONA

Table XXV

Statistical Section - Debt Capacity

Legal Debt Margins

Last ten fiscal years (in thousands of dollars)

<u>Legal Debt Limitation or Margin</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Obligation Bonds 6% limit (1)	\$ 14,694	\$ 16,713	\$ 17,829	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548
Outstanding debt subject to limit	2,590	2,405	2,405	2,155	1,885	1,605	1,315	1,010	690	0
Total margin available	<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>	<u>\$ 28,824</u>	<u>\$ 32,421</u>	<u>\$ 38,548</u>
Total debt applicable to the limit as a percentage of the debt limit	17.6%	14.4%	13.5%	11.0%	8.9%	6.5%	4.9%	3.4%	2.1%	0.0%
Water & Wastewater 20% limit (2)	\$ 48,981	\$ 55,710	\$ 59,431	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493
Outstanding debt subject to limit	13,910	13,395	12,435	11,660	10,845	9,985	9,080	8,130	8,645	7,825
Total margin available	<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>	<u>\$ 91,315</u>	<u>\$ 101,724</u>	<u>\$ 120,668</u>
Total debt applicable to the limit as a percentage of the debt limit	28.4%	24.0%	20.9%	17.9%	15.3%	12.1%	10.1%	8.2%	7.8%	6.1%
Highway User Margin 50% limit (3)	\$ 1,454	\$ 1,524	\$ 1,519	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<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>	<u>\$ 1,746</u>	<u>\$ 1,840</u>	<u>\$ 1,688</u>
Total debt service applicable to the margin as a percentage of the margin	n/a	n/a								

Source: City of Prescott finance department

(1) Arizona's Constitution provides 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 wastewater 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 XXVI

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
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%
2006	479,501	332,151	155,627	98%	1,033,506	505,000	472,444	106%	31,230,172	1,305,000	910,278	1410%
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,631,993	1,345,000	856,703	1482%
2008	437,256	322,151	122,907	98%	753,416	695,000	412,819	68%	30,905,164	1,600,000	1,123,841	1135%

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 XXVII

Statistical Section

Demographic and Economic Statistics

Last ten calendar years

<u>Year</u>	<u>Population (1)</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>
1999	32,086	\$ 3,315,373	\$ 20,347	3.3%	5,149
2000	33,581	3,574,050	21,163	3.9%	5,046
2001	33,938	3,701,821	21,359	4.2%	5,049
2002	35,815	3,853,070	21,590	5.3%	5,031
2003	36,375	4,049,851	22,071	5.1%	5,000
2004	38,180	4,524,850	23,858	4.6%	5,113
2005	40,225	5,032,945	25,460	4.4%	5,242
2006	41,050	5,537,703	26,786	3.9%	5,558
2007	42,085			3.7%	5,688
2008	43,217 (3)			4.4% (3)	5,763 (3)

Source: Arizona Department of Economic Security

(1) Income and employment information shown is for the Prescott Metropolitan Statistical Area (MSA).

(2) Source: Arizona Department of Education.

(3) Based on information available in August 2008.

The 2007 and 2008 personal income amounts were not available.

The 2007 and 2008 per capita personal income amounts were not available.

CITY OF PRESCOTT, ARIZONA

Table XXVIII

Statistical Section

Demographic and Economic Statistics

Principal Employers

Current fiscal year and nine years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2007/08</u>			<u>1998/99</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 Regional Medical Center	Hospital	1,850	1	10.5%	730	3	5.2%
Yavapai County	Government	1,800	2	10.2%	1,213	1	8.7%
Prescott Unified School District	Public Schools	700	3	4.0%	573	4	4.1%
Veteran's Administration Medical Center	Hospital	700	4	4.0%	550	5	4.0%
City of Prescott	Government	545	5	3.1%	385	6	2.8%
Wal-Mart Stores	Retail	450	6	2.6%			
State of Arizona	Government	438	7	2.5%	330	7	2.4%
Yavapai College	College	415	8	2.4%	282	9	2.0%
Fann Contracting	Construction	400	9	2.3%			
Embry-Riddle Aeronautical University	College	398	10	2.3%	300	8	2.2%
West Yavapai Guidance Clinic	Clinic				182	10	1.3%
Sturm Ruger	Manufacturing				1176	2	8.5%
		<u>5,846</u>		<u>33.2%</u>	<u>4,991</u>		<u>35.9%</u>

The 2007/08 total City employment was 17,602 based on Arizona Department of Economic Security information for 2008. The 1997/98 total City employment was 13,905 based on Arizona Department of Economic Security (DES) information for 2000; this represented the oldest data available from DES.

CITY OF PRESCOTT, ARIZONA

Table XXIX

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	21	21	28	29	31	31	34.6	33	36	36
Administrative Services (1)	9	9	12	12	6	6	5.5	5	5	5
Budget and Finance (1)	10	10	11	11	24	23	22.2	23	23	23
Community Development	19	20	21	23	23	27	26.5	27	30	34
Cultural & Recreation	41	44	45	47	65	66	65.275	76	60	60
Police	90	97	99	100	103	108	111.5	124	134	130
Fire	57	57	63	63	63	64	84	84	75	78
Central Garage	7	7	7	7	7	7	8.2	9	10	11
Self Insurance	2	2	2	2	3	3	2.4	2	2	2
Facilities Maintenance	3	4	3	3	0	0	6.55	5	6	6
Engineering	19	19	19	20	25	23	23.5	25	22	23
Water	39	40	40	40	36	35	34.67	36	40	41
Wastewater	26	26	27	27	27	27	28.5	30	32	33
Solid Waste	12	12	13	13	13	15	16.23	16	18	18
Transfer Station	5	5	5	5	5	6	6.2	7	7	8
Airport	11	11	11	12	12	13	12.8	11	9	9
Golf Course	15	18	15	14	28	28	28.6	30	17	21
Streets	24	24	28	29	30	34	33.5	35	39	42
Total	391	410	426	449	457	501	516	551	565	580
Number of citizens per employee	78	79	76	78	73	74	73	71	75	75

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table XXX

Statistical Section - Operating Information

Operating Indicators by Function/Program

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Community Development										
Building permits issued	1,544	1,822	1,679	2,027	1,948	1,927	2,034	2,185	2,237	1,735
Permit valuations (in millions)	104	103	116	161	186	166	198	189	133	74
Cultural & Recreation										
Library circulation (3)	756,393	779,478	832,829	886,398	913,474	943,107	962,922	697,584	713,700	758,787
Library visits (3)	371,039	369,497	387,699	408,448	400,000	473,993	477,768	246,594	420,776	477,785
Library resources available	151,959	160,108	160,145	147,175	149,130	161,545	156,790	169,784	142,564	150,267
New cards issued	5,245	5,061	4,943	5,362	7,212	8,288	8,550	4,091	7,424	7,422
Golf Rounds	95,874	93,621	86,289	90,916	79,719	78,786	81,213	86,307	79,665	79,254
Police (Calendar Year)										
Calls for service	31,914	32,075	33,283	35,226	35,159	36,284	36,671	34,711	32,943	-
Part 1 crimes (1)	1,844	1,942	1,939	2,132	2,386	2,080	2,088	1,796	1,549	-
Part 2 crimes (2)	3,311	3,632	3,439	3,760	3,683	3,521	3,856	3,896	3,429	-
Fire										
Calls for service	4,477	5,247	5,343	5,744	6,136	6,001	6,444	7,007	6,808	7,130
Inspections	1,272	1,422	1,680	1,200	851	1,450	1,856	1,620	2,374	2,621
Water										
Connections	16,705	16,904	16,629	17,222	19,062	19,760	19,205	19,806	20,468	21,870
Wastewater										
Connections	12,609	13,709	13,467	14,180	14,948	15,478	16,091	16,696	17,168	17,416
Solid Waste										
Residential accounts	12,590	13,274	13,625	13,655	14,066	14,346	15,098	16,974	16,467	16,547
Commercial accounts	1,248	1,311	1,350	1,380	1,501	1,581	1,613	1,532	1,414	1,187
Tons collected	29,000	31,019	33,237	32,569	32,629	33,876	34,916	34,986	35,564	35,453
Transfer Station										
Transactions per year	53,205	59,334	60,854	68,957	73,935	78,228	84,330	84,826	84,542	73,339
Tons per year	45,503	50,565	51,456	51,903	57,069	60,413	63,494	70,905	70,041	73,412
Airport (Calendar Year)										
Commercial aircraft landings	1,921	1,834	1,618	1,324	1,586	1,697	1,576	1,808	1,742	1,484
Passengers	12,301	11,752	8,708	9,168	10,827	15,600	10,363	8,397	9,203	10,571
FAA traffic count	336,672	320,037	325,491	338,208	298,789	272,855	237,990	236,317	227,351	242,311
Public Works										
Cold mix repairs (lbs)	128,680	245,520	180,980	89,140	155,460	323,640	109,040	129,013	140,155	97,649
Hot Mix repairs (tons)	955	400	757	465	1,376	1,727	8,378	2,050	1,156	1,800

(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

(3) The library circulation and visits declined in 2006 because the main library was closed for remodeling. Many old and non-circulating materials were disposed.

Source: City of Prescott budget department and applicable departments.

CITY OF PRESCOTT, ARIZONA

Table XXXI

Statistical Section - Operating Information

Capital Asset Statistics by Function/Program

Last ten fiscal years

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Area square miles	37	37	38	39	39	39	39	39	40	42
Cultural and Recreation (3)										
Parks									17	21
Park acres									1,384	1,394
Miles of trails									55	33
Open space - public (acres)									160	195
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	436	452	472	472	482	496	505	509	516	531
Wastewater										
Miles of sanitary sewers	588	605	615	622	635	647	647	345 (2)	350	387
Solid Waste										
Collection trucks	12	12	12	12	12	15	15	14	15	15
Airport										
Total based aircraft	310	319	343	347	364	338	349	340	330	325
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles) (1)	421	425	430	205	215	221	221	222	224	231

(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.

(2) Sewer miles dropped in FY 2006. In conjunction with a Hydraulic Sewer Model project, the entire sewer system was surveyed. This survey has documented the locations of our manholes and the lines and lengths. To date with the 95% completion we have logged about 345 miles of the collection system. This provides a more accurate measure and will provide greater accuracy in the future.

(3) In conjunction with the parks master plan update, new benchmarks were established in 2007. These benchmarks replace prior year data.

Source: City of Prescott departments.