

CITY OF **PRESCOTT**

Everybody's Hometown

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For the Fiscal Year Ended June 30, 2011

City of Prescott, Arizona

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CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by
Mark Woodfill
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, 2011

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INTRODUCTORY SECTION







CITY OF PRESCOTT
201 South Cortez
Prescott, Arizona 86303

November 18, 2011

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, 2011. 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.

Henry & Horne, LLP has issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2011. The independent auditor's 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, 2011, 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, are accurate in all material respects and are 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, 43,573, 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
Northern Arizona University Extension

Medical

Yavapai Regional Medical Center
Veteran’s Administration Hospital

Manufacturing

Sturm Ruger and Company
Fortner Aerospace
Cobham Avionics
Pure Wafer
Zila Pharmaceuticals

Retail

Prescott Gateway Mall
Wide assortment of automobile dealers
Costco
Wal-Mart
Lowe’s

Tourism

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

Prescott is commonly mentioned as a desirable retirement community by several publications; in September 2010, CNN rated Prescott the fourth best place to retire out of the 25 communities they surveyed. Families also consider Prescott an attractive location in which to live as reflected in the 5,652 school enrollment during the 2010 school year.

ECONOMIC CONDITION

Our economy has shown modest improvement. The housing market remains depressed, but falling values and foreclosures show signs of leveling off. Demand for commercial real estate remains at low levels, as reflected in elevated vacancy rates and subdued leasing activity for retail, office and industrial space.

Prescott’s best barometer for the local economy is the privilege (sales) tax which is our largest source of revenue. These tax collections, which totaled \$23.0 million in FY 11, dropped by \$.9 million compared to the prior year and were \$.9 million (3.8%) less than budgeted. These receipts have shown that the decline is starting to level off with each passing month, but we have conservatively budgeted for flat growth in FY 12.

Despite very attractive interest rates on loans and tax credits for small businesses that hire the long-term unemployed, the standard fixes are not working yet as the unemployment rate hovers around 10%. The real problem has to do with the structure of the economy more so than the business cycle. Most companies have made cuts and increased efficiencies to remain competitive.

In the past Prescott relied heavily on construction growth and until companies and employers feel confident about the future, our growth will remain at subdued levels. Prescott is buffered somewhat from the decline because we remain an attractive retirement community.

Analysts predict the economy will continue to have modest positive growth despite the recession ending in June of 2009.

We are planning with an eye to the future, because if the economy does not rebound quickly, difficult decisions will be needed to balance future years’ budgets. Further cuts will be difficult after years of belt-tightening.

LONG-TERM FINANCIAL PLANNING

Each year the City of Prescott evaluates its current financial condition with existing programs, assesses future financial capacity, and integrates short and long-term plans, City Council goals, objectives, and financial policies into its decision-making process.

The City has adapted to reduced revenues while still preserving critical services. We aligned our spending decisions with citizen priorities as determined by Council and streamlined our processes to create a structurally balanced financial framework that will allow us to respond to the changing economy.

The proposed Fiscal Year 2012 Budget totals \$162,607,131, which represents a 6.3% increase from last year’s budget, primarily attributable to the City’s aggressive funding of infrastructure rehabilitation and replacement programs. The \$74,654,420 Operating Budget represents the day-to-day programs and critical core services of the City and is an increase of 9.2% over last year. The five year CIP totals \$108,524,684 with the Capital Budget for FY12 totaling \$87,952,710.

The City's workforce continues to provide excellent service to Prescott residents and the business community despite the budget challenges which have been encountered. The following highlights their accomplishments:

Financial Sustainability

- Secured numerous high profile businesses including Trader Joes, Chipotle, Baja Fresh, Sweet Potato Café, and BioVetaria (anti-venom pharmaceutical)
- Addition of Great Lakes Air to the City's airport resulted in a 27% increase in airline passenger enplanements over previous year
- Hosted various commercial film shorts including Fox Sports, Dodge Ram & Yamaha
- Collected \$1,048,839 in fees through field and desk audits (otherwise unrealized income)
- Recovered \$47,429 from 3rd parties that caused damage to City proper or injury to City employee(s)

Public Safety

- Prescott Police Department was selected as a National Award Winner in the National Association of Town Watch (NATW) competition. NATW is an association who sponsors and promotes the National Night Out event.
- Developed and implemented an alarm ordinance to reduce lost police productivity from false alarms (equating to \$71,740 in FY11)
- Police Department acquired \$43,075 in grant funds for purchase of an Unmarked Enforcement Vehicle
- Chief of Police appointed by Governor Jan Brewer to Homeland Security Regional Advisory Council
- Regional Communications answered 171,590 calls in CY10 resulting in 84,313 dispatched emergency responders; 56% of calls originated from cell phones
- Fire secured \$793,500 in various grants for wildland division
- City Court secured \$83,000 in grants to implement the E-Citation process resulting in time savings for both the Court and Police

Completed Capital Improvements

- Zone 39 Phase III Indian Hills Reservoir
- Zone 12 Water Main Phase II (Granite Dells)
- Zone 24 Tank Replacement (Upper Thumb Butte)
- Airport Zone Well #3
- Small Water Main Upgrades
- Surface Water Recharge Pipeline
- Country Park Water Main
- Rosser St. Improvements
- Sundog Connector Yavapai County
- Iron Springs Wall Relocation
- Williamson Valley Road Utility Relocation
- Virginia St. / Penn Alley Sewer Replacement
- Prescott Centennial Center remodel (aka Old Clubhouse)

Streets

- Secured \$300,000 in ADOT grants for planning assistance for Willow Creek/Sundog Roads
- Invested 5,452 hours of labor into emergency storm response events
- Annual Chip Seal Program included 9.7 lane miles within the Southview, Copper Canyon and Sandretto Hills subdivisions
- Developed General Engineering Requirements Manual (GER) to assist design professionals with plans, policies and requirements for roads within COP boundaries

Community Development

- Reviewed 95% of all plans submitted within timeframe guidelines
- Neighborhood Cleanup program resulted in 32 tons of waste removal
- Provided staff support, organizational assistance and guidance to the City Council appointed General Plan Committee

Quality of Life

Elks Opera House Theater

- The Elks Opera House completed a 13 month full restoration of the theater. Since that time online ticketing software with patron database management has been implemented, approximately 40 successful events held.

Parks & Recreation

- The parking kiosks at the City's three lakes and the Peavine Trail, combined with associated parking passes, generated \$139,679 in revenue
- Park Rangers were certified by PD to issue parking citations for non-compliance of payment thus enabling the department to independently address enforcement issues
- Park Ranger covered 303 days for a total of 3,301 hours and a \$70,600 savings to City
- The estimated economic impact of FY11 softball tournaments was \$3.9 million
- Restrooms throughout the park's system were winterized for year-round availability
- With the assistance of volunteer labor totaling 2,800 hours, the city added 5.5 miles of new trails resulting in 40.84 trail miles system wide

Antelope Hills Golf Course

- Golf Course hired PGA Hall of Fame golf professional Mack McCarley as General Manager
- Golf Course reduced use of effluent water by approximately 110 AF feet resulting in a \$30,000 savings

Energy and Environmental

- Replaced 140 metal halide light fixtures at Granite Street Parking Garage in partnership with APS with anticipated energy savings of 30-40%
- Installed 18 high efficiency HVAC systems throughout city facilities with Federal Stimulus funds offsetting a majority of the expense
- Removed 182 tons of trash from neighborhoods during the Field Operations Annual Clean Up
- 47% increase in revenue generated by the City's recycling program (\$131,778 in FY11)

Public Information

- Nominated for National Merit Award for Excellence for production of "Journey Through Time: A History of the Elks Opera House"
- Received regional Best Government Program Award for "July 4th Wrap-up"
- City Website averages 70,000 visits per month; in addition 120,000 views of city produced content on Access 13 site
- Prescott videos featured on You Tube average 31,000 annual visits

Utility Systems

- Secured \$510,000 from Yavapai County Flood Control District for various studies/mapping/analyses
- Cleaned 1,100,907 feet of sewer main lines as part of Preventive Maintenance Structured Cleaning Program
- Conservation efforts resulted in a savings of 236 AF of water from 2006-2011
- Water Meter Change Out Program resulted in 6,988 traditional meters converted to radio read meters and a 40% reduction in labor requirements

Tourism

- Transient Occupancy Tax (Bed Tax) was up 9.87% in FY11
- Occupancy was up 7.3% from January to June of 2011
- Revenue per Available Room (RevPAR) was up 9.1% from January to June of 2011
- Average Daily Rate (ADR) was up 1.7% from January to June of 2011
- Tourism website attracted 108,231 visitors in FY11 with 1/3 of those referred from COP website
- Prescott listed as #3 in True West Magazine's Top Ten True West Towns

Our long-term planning focuses on services that deliver outcomes important to the quality of life in Prescott. It maintains programs keeping our community safe, supporting strategic economic development, encouraging tourism, improving traffic flow, and continuing to keep our streets clean. The end result of the annual budgetary process appropriately balances income and expenditures to effectively and efficiently provide services responsive to our citizens' needs.

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, furniture and fixtures. These needs are addressed through the budget process.

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.

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, 2010. This was the 29th consecutive year that the City 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 from the GFOA for our conformity in the budget presentation for the fiscal year beginning July 1, 2010. 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, 2011.

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. Henry & Horne, LLP conducted the audit for fiscal year ending June 30, 2011. 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

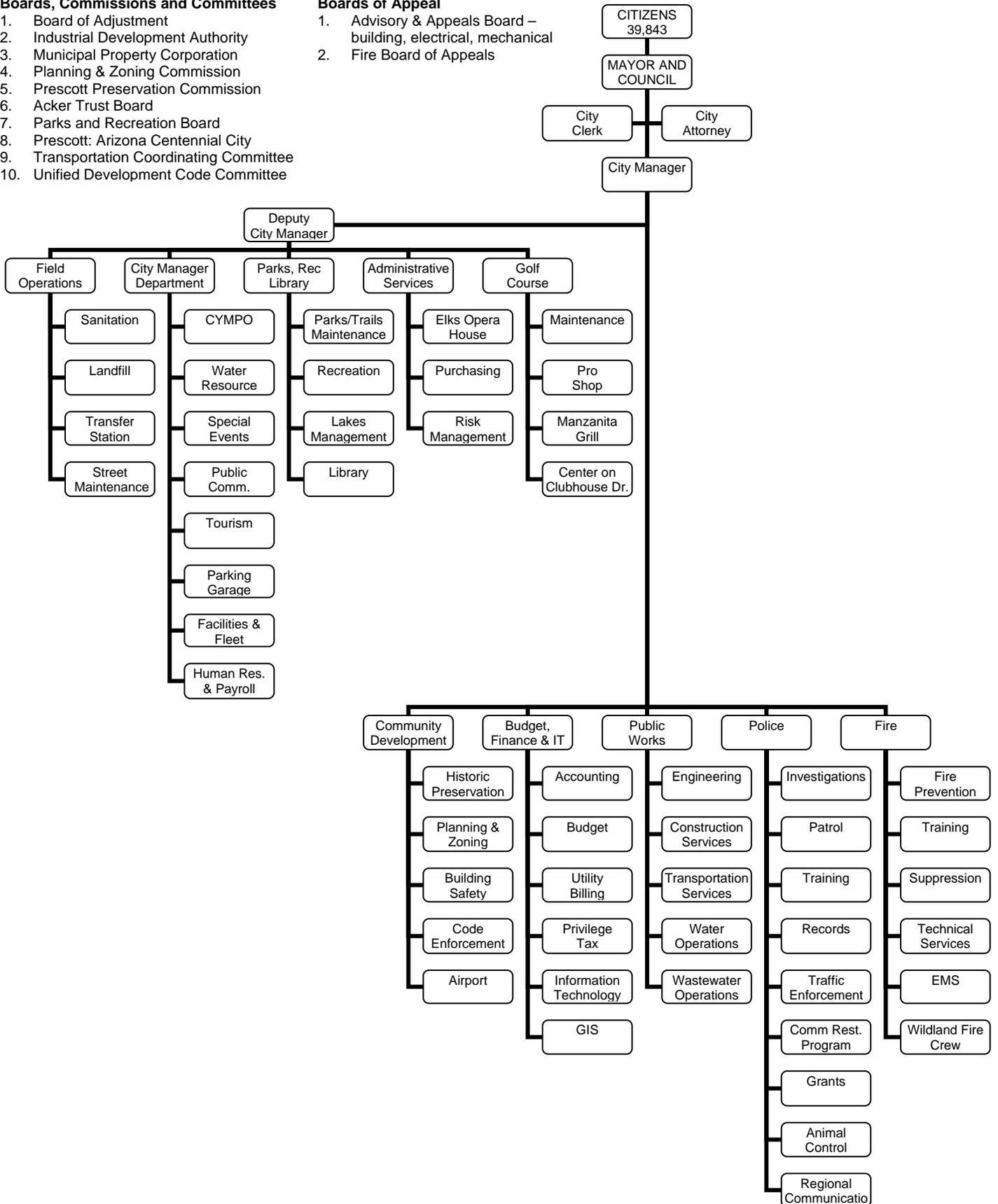
ORGANIZATIONAL CHART

Boards, Commissions and Committees

1. Board of Adjustment
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission
6. Acker Trust Board
7. Parks and Recreation Board
8. Prescott: Arizona Centennial City
9. Transportation Coordinating Committee
10. Unified Development Code Committee

Boards of Appeal

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



CITY OF PRESCOTT, ARIZONA

June 30, 2011

ELECTED OFFICIALS

Marlin Kuykendall, Mayor

Council

Mary Ann Suttles

John Hanna Sr.

Jim Lamerson

Tammy Linn

Lora Lopas

Steve Blair

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.prescott-az.gov

FINANCIAL SECTION







HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and 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 City of Prescott (the City), Arizona, as of and for the year ended June 30, 2011, 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 of America. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 connection with our audit, nothing came to our attention that caused us to believe that the City of Prescott failed to use highway user revenue fund monies received by the City of Prescott pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Prescott solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prescott, Arizona's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, other supplementary information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Henry + Horne LLP

Casa Grande, Arizona
December 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of Prescott. The analysis focuses on significant financial issues, debt administration, capital assets, major financial activities and resulting changes in financial position, budget changes and variances from the budget, specific issues related to funds, and the economic factors affecting the City.

Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal years 2011 and 2010 by \$505.9 million and \$505.9 million (net assets), respectively. The City's total net assets decreased by .01 million during fiscal year 2011 and increased by \$5.5 million in 2010.

The fiscal year 2011 decrease was due in part to continued declines in privilege (sales) tax collections (\$.4 million or 3.5%). Capital and operating grants and contributions decreased by \$8.9 million or 59.0% as several federal stimulus packages were used up and developer contributions have dried up as a result of the economic downturn. The \$3.7 million decrease to the "Invested in capital assets, net of related debt", results from depreciation and transfers. Unrestricted inter-governmental revenues decreased by \$1.2 million during the year due to reduction in state shared revenues.

Overall City program expenses increased by \$.08 million or .09%.

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.

- o 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.
- o 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:
 - o Combining Statements - Major funds are included in the Basic Financial Statements, whereas non-major funds are presented here.
 - o Budgetary Comparisons - Budgetary information for all governmental funds, except those presented within the Basic Financial Statements, are presented here.
 - o 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, 2011 and June 30, 2010 follows:

	Net Assets at Year-end					
	(in millions)					
	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 49.8	\$ 47.3	\$ 33.8	\$ 30.1	\$ 83.6	\$ 77.4
Other assets	15.0	15.2	(0.1)	0.2	14.9	15.4
Capital assets	282.9	286.7	220.1	215.8	503.0	502.5
Total assets	<u>347.7</u>	<u>349.2</u>	<u>253.8</u>	<u>246.1</u>	<u>601.5</u>	<u>595.3</u>
Other liabilities	9.4	11.6	6.7	6.9	16.1	18.5
Noncurrent liabilities	41.3	35.9	38.4	35.2	79.7	71.1
Total liabilities	<u>50.7</u>	<u>47.5</u>	<u>45.1</u>	<u>42.1</u>	<u>95.8</u>	<u>89.6</u>
Net assets:						
Invested in capital assets, net of debt	252.0	256.8	181.2	180.2	433.2	437.0
Restricted for:						
Streets & Open Space	21.8	15.5	-	-	21.8	15.5
Impact fee projects	2.8	2.5	3.5	1.1	6.3	3.6
Transient occupancy tax	0.3	0.1	-	-	0.3	0.1
Landfill closure	-	-	1.1	1.2	1.1	1.2
Debt service	6.7	8.0	1.2	1.0	7.9	9.0
Grants & donations	1.2	0.6	-	-	1.2	0.6
Unrestricted	12.3	18.2	21.7	20.6	34.0	38.8
Total net assets	<u>\$ 297.1</u>	<u>\$ 301.7</u>	<u>\$ 208.7</u>	<u>\$ 204.1</u>	<u>\$ 505.8</u>	<u>\$ 505.8</u>

Governmental Activities

During fiscal year 2011 the balance of net assets decreased by \$4.6 million due to various capital improvement projects completions totaling \$1.5 million, and an increase in depreciation totaling \$12.9 million. The most notable additions include:

- Vehicle additions amounted to \$.6 million which included a street sweeper and eight police vehicles.
- \$2.0 million was expended on land acquisitions for the Shops at Prescott Gateway agreement.

Cash and investments increased by \$2.5 million which mainly reflects unspent bond proceeds from a Municipal Property Corporation bond issue during the year.

Business-type Activities

During fiscal year 2011 the balance of net assets increased by \$4.6 million due in part to the following specific activities:

Water: \$.6 million in improvements were added during the year; including a new inter pump station and reservoir, recovery wells at the airport, and a new pioneer pump station.

Wastewater: \$1.6 million in improvements, which included several wastewater main replacement projects including the Penn Alley and Virginia Street zone 39 replacements several sewer rehabilitation projects related to road construction projects, and a new generator for the Sundog Treatment plant.

Revenues in the Water and Wastewater funds also increased due to rate increases implemented during the year.

\$6.9 million in depreciation expense was recognized.

The City's overall financial position has remained level. The unrestricted net assets of both the governmental and business-type activities, amount to \$12.3million and \$21.6 million respectively.

There are restrictions on \$32.7 million of net assets for governmental activities and an additional \$5.9 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, unspent bond proceeds 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, 2011 and June 30, 2010 follows:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services and other	\$4.8	\$4.8	\$32.0	\$30.2	\$36.8	\$35.0
Operating grants and contributions	3.0	5.4	0.0	0.2	3.0	5.6
Capital grants and contributions	4.4	1.8	2.2	7.6	6.6	9.4
Total program revenues	12.2	12.0	34.3	38.0	46.5	50.0
General revenues						
Taxes	28.0	28.8	-	-	28.0	28.8
Intergovernmental	9.4	10.6	-	0.2	9.4	10.8
Interest and investment income	1.2	1.4	0.6	1.0	1.7	2.4
Gain (loss) on sale of property	-	(1.2)	-	-	-	(1.2)
Miscellaneous	0.5	1.0	0.5	0.6	1.0	1.6
Total general revenues	39.0	40.6	1.1	1.8	40.1	42.4
Total revenues	51.2	52.6	35.4	39.8	86.6	92.4
Expenses						
General government	4.8	5.3	-	-	4.8	5.3
Community services	1.8	1.6	-	-	1.8	1.6
Culture and recreation	5.7	6.8	-	-	5.7	6.8
Police and court	12.7	13.2	-	-	12.7	13.2
Fire	7.0	8.3	-	-	7.0	8.3
Public works	20.1	17.2	-	-	20.1	17.2
Interest on long-term debt	1.5	0.9	-	-	1.5	0.9
Water	-	-	12.3	11.7	12.3	11.7
Wastewater	-	-	7.3	7.2	7.3	7.2
Golf course	-	-	3.1	3.2	3.1	3.2
Airport	-	-	2.1	2.7	2.1	2.7
Solid waste/transfer station	-	-	8.2	8.6	8.2	8.6
Parking garage	-	-	0.2	0.2	0.2	0.2
Total expenses	53.6	53.3	33.3	33.6	86.9	86.9
Increase (decrease) before transfers	(2.4)	(0.7)	2.1	6.2	(0.3)	5.5
Transfers	(2.5)	0.4	2.5	(0.4)	-	-
Change in net assets	(4.9)	(0.3)	4.6	5.8	(0.3)	5.5
Beginning net assets - as restated	302.0	301.9	204.1	198.4	506.1	500.3
Ending net assets	\$ 297.1	\$ 301.6	\$ 208.7	\$ 204.2	\$ 505.8	\$ 505.8

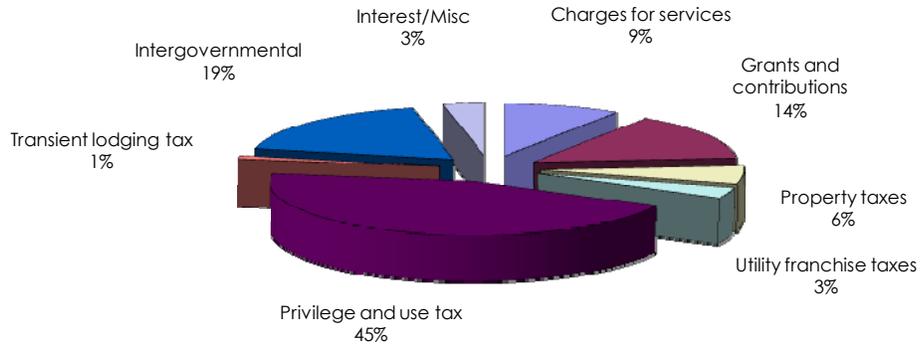
Rounding adjustments result in small differences when compared to financial statements.

Governmental Activities

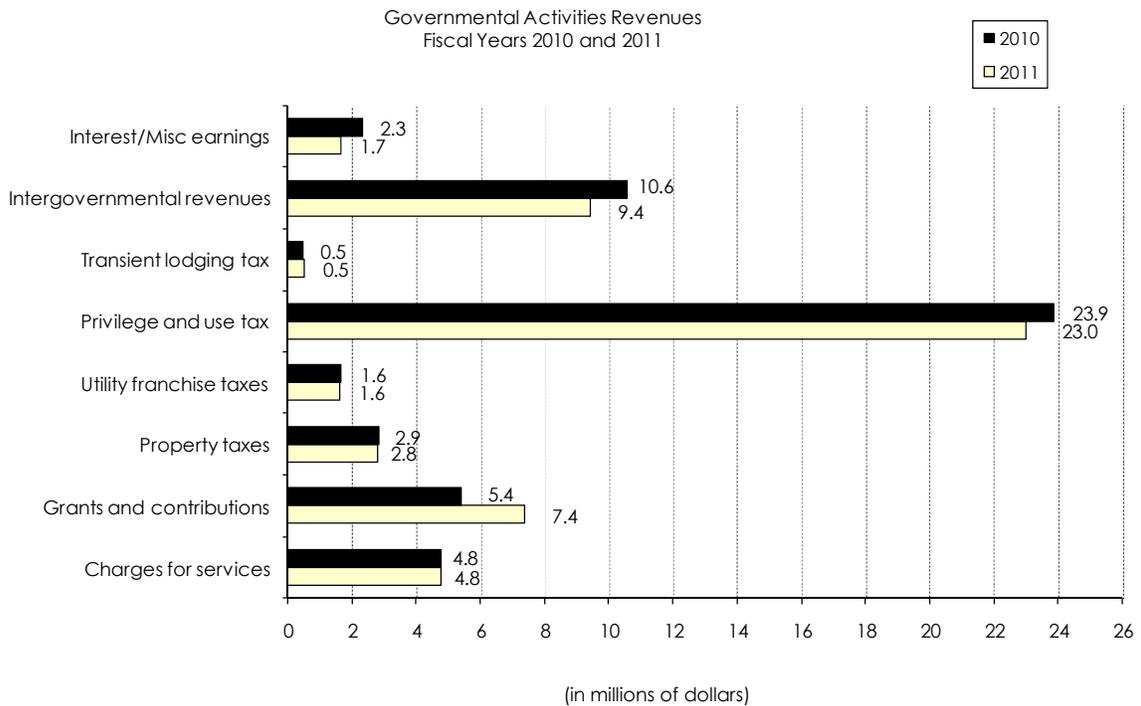
The cost of all governmental activities this year was \$53.6million. \$4.8 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$7.4 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$28.0 million was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest, amounted to \$11.1 million.

The chart on the next page shows the breakdown of governmental activities revenue.

Governmental Activities
Revenues by Type
Fiscal Year Ending June 30, 2011



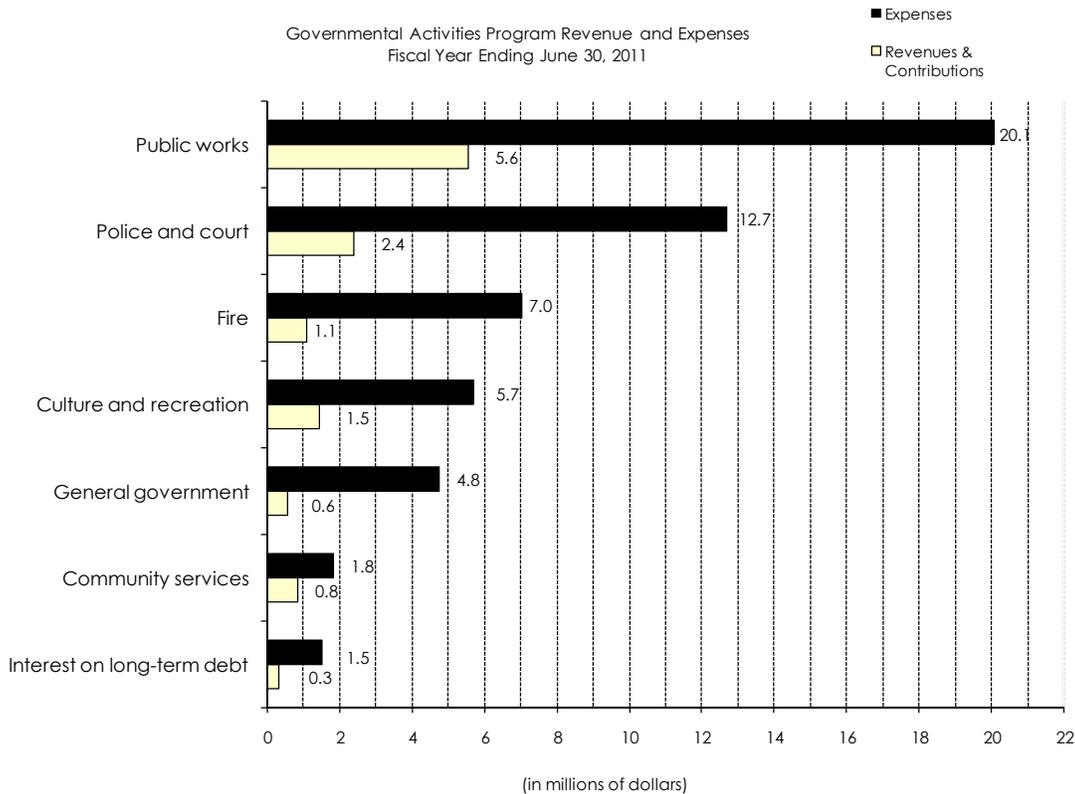
The graph below compares the governmental revenues from fiscal year 2011 to fiscal year 2010.



Total governmental activities revenues decreased by \$2.7million or 5.2% from the previous year. Key factors in this change include:

- Privilege (sales) tax declined by nearly \$.9 million or 3.8%.
- Intergovernmental revenues were down \$1.1 million or 10.6% due to lower state shared revenues.

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 slightly to \$53.6 as compared to the prior year at \$53.2 million. This indicates that the costs have been cut as much as possible to maintain existing service levels and that further cuts will likely reduce service levels.

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 \$44.9 million, an increase of \$4.3million in comparison to the combined ending fund balances for fiscal year 2010 of \$40.6 million.

Approximately \$11.7million of the total for fiscal year 2011represents unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is not available for new spending because it has already been committed, assigned, restricted or is designated nonspendable for specific purposes; examples are impact fees and trust accounts.

Revenues for governmental functions overall totaled approximately \$51.2million in fiscal year 2011, a decrease of 5.7% under the previous year total of \$54.3 million. In fiscal year 2011, expenditures for governmental functions totaled \$55.8million, a decrease of 9.6% (\$5.9 million) under the fiscal year 2010 total of \$61.7million.

In the fiscal year ended June 30, 2011expendituresfor governmental functions exceeded revenues by \$4.6million or (8.9%). In 2010, governmental functions expenditures exceeded revenues by approximately \$7.3million (13%). The decrease in both years reflects stagnant revenues and spending of fund balance on anticipated projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11.6 million, while the total fund balance was \$20.2 million. The unreserved and total balances for the General Fund at the end of fiscal year 2010 were \$10.8million and \$19.6million, respectively. The city also has \$0 of its fund balance as assigned, \$1.7 million as committed, \$4.0 million as nonspendable, and \$0 as restricted.

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

- Taxes decreased by \$.9 million or 3.1%from the previous year mainly from the economy induced drop in privilege (sales) tax collections which were down \$.8 million or3.45% from the conservative budget projection.
- Intergovernmental revenues decreased by \$1.2 million or 10.6%from the previous year.
- Charges for General Fund services were up \$0.1 million or 16.9% from the previous year.
- General Fund expenses decreased by \$1.9 million or 5.7% from the prior year and were under budget by \$1.7 million or 6%.

Unassigned fund balance of \$11.6 million represents 37.3% percent of the total General Fund expenditures of \$31.1million in fiscal year 2011. In fiscal year 2010, the unassigned fund balance of \$10.8 million represented 32.7% percent of the total General Fund expenditures of \$33.0million.

Overall, the General Fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2011, of \$2.3 million. In the prior year expenditures exceeded revenues by \$2.5 million.

The Streets and Open Space fund expenditures exceeded revenues by \$2.5 million during the year. In the prior year expenditures exceeded revenues by \$5.6 million.

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

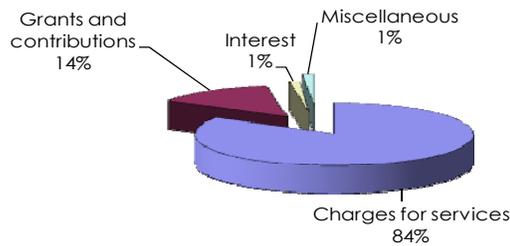
Business-type Activities

The cost of providing all business-type activities this year was \$33.3 million. Of this cost, \$32.0 million was paid by users, \$2.3 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities resulting in a net revenue of \$1.0 million. Investment earnings of \$.5 million, miscellaneous income of \$0.5 million and a transfer out of \$2.5 million resulted in an overall increase in net assets of \$4.6 million.

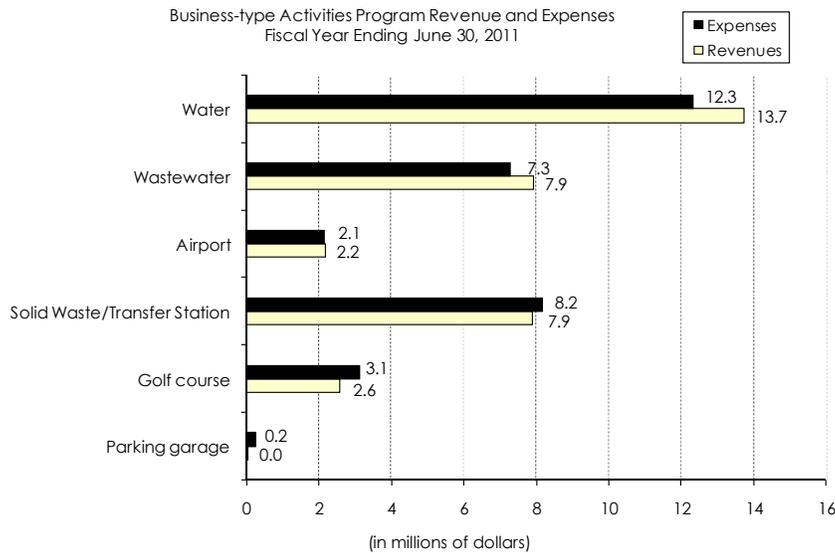
Business-type activities revenue decreased by \$3.7 million compared to the previous year due to user charges increasing, and developer contributions and grants being reduced by \$4.0 million for fiscal year 2011 compared to fiscal year 2010.

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

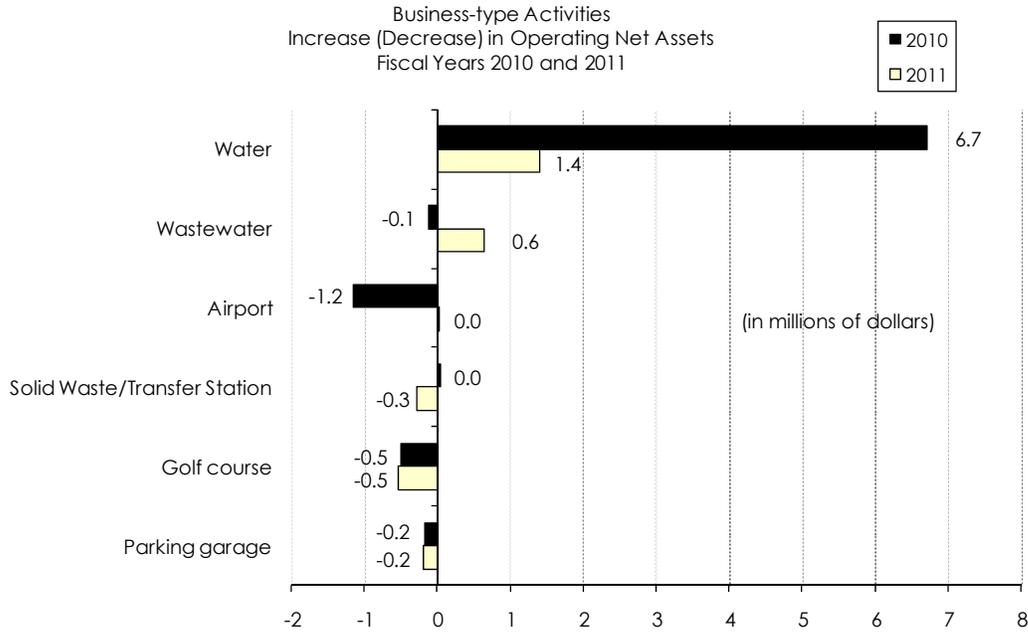
Business-type Activities Revenues by Type
Fiscal Year Ending June 30, 2011



The City's business-type programs include the following: water, wastewater, golf course, airport, solid waste/transfer station and parking garage. The chart below 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 chart below compares the business-type activities increase (decrease) in net assets before transfers for fiscal year 2011 and 2010.



The business-type changes in operating net assets were the result of the following factors:

- Water sales increased by 10% when compared to the prior year. This occurred because of an increase in the base rate associated with water accounts. There is another scheduled increase both to the base rate and to the rate per gallon to occur in early calendar years 2012 and 2013.
- The Wastewater Fund reflects revenue exceeding expense by \$0.9 million as a new rate structure was adopted in early calendar year 2011. There is another scheduled increase due to occur in early calendar years 2012 and 2013.
- The golf course registered an operating loss of \$0.5 million. This fund continues to generate negative cash flow as evidenced by the amount due to the General Fund which grew an additional \$0.5 million during the year and now exceeds \$3.4 million. The golf course debt service drops significantly in FY 2012 and the fund might be able to begin chipping away at this deficit at that time.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011 the City had invested \$503.1 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$.6 million.

The following table reconciles the changes in capital assets.

Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Beginning Balance	\$ 286.7	\$ 282.0	\$ 215.8	\$ 209.4	\$ 502.5	\$ 491.4
Additions	12.6	30.4	12.8	25.3	25.4	55.7
Deduction	(4.1)	(10.1)	(0.7)	(12.0)	(4.8)	(22.1)
Depreciation	(12.2)	(15.6)	(7.8)	(6.9)	(20.0)	(22.5)
Ending Balance	\$ 283.0	\$ 286.7	\$ 220.1	\$ 215.8	\$ 503.1	\$ 502.5

See Section 1H 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 \$78.1million in debt outstanding compared to \$69.7million last year.

	Outstanding Debt at Year End					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 3.6	\$ 5.0	\$ -	\$ -	\$ 3.6	\$ 5.0
Municipal Property Corporation	34.7	27.4	11.4	11.3	46.1	38.8
Special Assessments	1.4	1.7	-	-	1.4	1.7
Community Facilities District	3.8	4.3	-	-	3.8	4.3
Loans WIFA	-	-	22.3	17.8	22.3	17.8
Loans other	-	-	-	0.2	-	0.2
Lease Purchase	0.1	0.2	0.9	1.7	1.0	2.0
Total	\$ 43.6	\$ 38.6	\$ 34.5	\$ 31.0	\$ 78.1	\$ 69.7

In May 2011, series 2011 bonds were issued in the amount of \$8,910,000. Proceeds of the bonds will be used to pay for the widening and improvement of the Williamson Valley Road (\$8,415,000) and acquire certain capital equipment for the City's golf course (\$495,000). The issue matures in twenty (20) years and was issued with an interest rate of 4.18% and a final maturity date in 2031.

In December 2010, the City obtained \$1,060,000 in financing from Water Infrastructure Financing Authority (WIFA) for a Drinking Water project for Water Main Improvements. At June 30, 2011 the City has drawn \$1,018,796 of the loan, leaving \$41,204 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.152%.

In December 2010, the City obtained \$2,070,000 in financing from Water Infrastructure Financing Authority (WIFA) for a Clean Water project for Sewer Main Improvements. At June 30, 2011 the City has drawn \$0 of the loan, leaving \$2,070,000 available for drawdown. The interest rate at June 30 on any outstanding balance is 3.152%.

In December 2010, the City obtained \$1,635,870 in financing from Water Infrastructure Financing Authority (WIFA) for a Clean Water project for the Sundog Wastewater Treatment Plant improvements. At June 30, 2011 the City has drawn \$5,063 of the loan, leaving \$1,630,807 available for drawdown. The interest rate at June 30 on any outstanding balance is 3.152%.

In June 2011, the City obtained \$45,802,753 in financing from Water Infrastructure Financing Authority (WIFA) for a Clean Water project for the Airport Wastewater Treatment Plant

improvements. At June 30, 2011 the City has drawn \$704,152 of the loan, leaving \$45,098,601 available for drawdown. The interest rate at June 30 on any outstanding balance is 2.95%. The drinking water loans are recorded in and paid out of revenues of the Water Fund while the Clean Water loans are recorded in and paid out of revenues of the Wastewater fund.

See Section 1J, 3E 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.

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, 2011, the City is well within its debt limits, having \$146.8 million in borrowing capacity in the 20% category, and \$45.1 million in borrowing capacity in the 6% category. The City also has a \$1.5 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2011.

ECONOMIC FACTORS

The economic downturn has influenced many revenue sources that contribute to the operations of the City of Prescott. The impact of these revenues is reflected below.

The City's share of the State Income Tax is estimated to be down 15.24% from FY 2011. State Income Tax is based on tax collections that were received by the State of Arizona two years ago. This significant decrease mirrors the decline in the economy. This, along with a reduction projected in the City's share of the State Sales Tax of 1.45%, and an estimated 5.36% lower State Vehicle License Tax contribution will add to the struggle the City faces to maintain basic service levels in the general fund service areas.

Sales tax revenues are estimated to remain flat in FY2012 when compared to FY2011. The Prescott economy has been showing signs of recovery. Housing inventory has declined and values have shown signs of stabilizing.

Business news was mixed this fiscal year, but there were significant gains including:

- Prescott Brewing Company is nearing completion of their new brewery and canning facilities in the airpark.
- The Embry-Riddle Technology Building will not be built, and the grant opportunity has been relinquished.
- Cal-Ranch Stores filled the 30,000 square feet vacated by Kmart on Willow Creek Rd.
- Construction started on the new Trader Joe's building at the Shops at Prescott Gateway.

All fund balance reserves have been maintained at the levels required by the policy and there are no plans to reduce or utilize any of the reserves.

NEXT YEAR'S BUDGETS AND RATES

The FY 2012 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 and service clubs), downtown groups, as well as corridor and area plans.

The following goals were affirmed by Council through actions and discussions at their meetings throughout the year:

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 FY2011-12 Budget consists of two different components – the operating budget and the capital budget. The operating budget is \$74,654,420 representing a 3.1% increase from FY2010-11. 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; wastewater; 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 \$87,952,711, a 9.2% increase from FY2010-11. It includes projects and new programs that are included in the five-year plan and considered affordable within current revenue sources or planned debt issuance. Capital budgets tend to rise

and fall each year depending on the timing of projects – especially if a city, such as Prescott, is primarily on a “pay-as-you-go” program. The operational and capital components bring the total budget for FY2011-12 to \$162,607,131

With a few modifications, the capital investments included in the FY2011-12 budget are part of the Five-year Capital Improvement Plan adopted during the budget process.

Water Fund

The major funding allocation in the Water Fund is \$4.6 million for the design and replacement of the Old North tank Reservoir project.

Other notable projects in the Water Fund include:

- Funding for new Thumb Butte and Copper Basin Reservoirs in the amount of \$2.0 and \$1.6 million respectively.
- Allocation in the amount of \$1.1 million for the Park Ave. reconstruction project.

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 as follows:

- Airport Phase 1 (\$1.4 million) is part of a multi-phased construction project for new improvements to upgrade the Airport Wastewater Treatment Plant to 3.75MG capacity.
- Sundog Filter Replacement/ De-nitrification (\$1.5 million) - Tertiary filters are at capacity and have partially failed requiring major system repairs as well as additional structural components to remain in service and provide for additional capacity.
- An allocation for Wastewater Mainline Replacement/Rehabilitation (\$1.4 million) to replace failing wastewater main lines identified through wastewater system investigations.

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.

Solid Waste Fund

The Solid Waste Fund did not budget any additional capital projects to be completed.

Airport Fund

Infrastructure projects totaling nearly \$9.3 million, mainly for the Runway Safety Project, are grant funded for FY2011-12 with the City's share of these grants being \$164,792.

Streets and Open Space Fund

Street maintenance operations continue to be funded at a level of \$4.3 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.

Included in the FY2011-12 budget is \$500,000 for potential open space purchases. An additional \$24.0 million for street projects; the largest is the Williamson Valley Road Widening (\$6.9 million). Another notable project includes Senator Highway (\$3.7 million), Park Ave. (\$2.3 million), and Rosser St. (\$2.0 million).

General Fund

These are the departments/divisions providing basic services (administration, city court, legal department, parks programs and maintenance, library services, building inspection, planning and

zoning, code enforcement, economic development, police, fire, etc.). All have been funded to provide quality service at the levels currently offered to Prescott residents.

Notable capital outlay in the General Fund for FY2011-12 includes: \$2.3 million for vehicle replacements and \$.3 million for transfer station vehicles.

FUTURE ISSUES

Challenges remain despite our concerted efforts to address funding of the City's short and long term operational and capital needs:

- Economy and census impacts to State collected revenues
- Increases in employee insurance and retirement costs
- No growth in local tax revenues
- Increases in various State fees
- Increases in utility and fuel costs
- Deferred vehicle replacement, non-critical training, non-critical operating supplies, and facilities maintenance

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.prescott-az.gov

BASIC FINANCIAL STATEMENTS

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 39,415,179	\$ 31,746,713	\$ 71,161,892
Cash with fiscal agent	8,309,222	-	8,309,222
Receivables (net)	11,177,290	3,000,787	14,178,077
Internal balances	3,600,156	(3,600,156)	-
Inventories	243,287	528,257	771,544
Restricted cash and investments	2,073,539	2,002,577	4,076,116
Capital assets			
Land	73,564,877	29,382,940	102,947,817
Construction in progress	30,344,542	28,209,964	58,554,506
Other capital assets (net of accumulated depreciation)	179,032,770	162,520,735	341,553,505
Total assets	<u>347,760,862</u>	<u>253,791,817</u>	<u>601,552,679</u>
LIABILITIES			
Accounts payable	1,709,411	2,379,127	4,088,538
Accrued expenses	2,131,436	1,240,277	3,371,713
Claims payable - current	770,000	-	770,000
Claims payable - long term	1,860,805	-	1,860,805
Deposits	323,404	323,235	646,639
Unearned revenue	216,000	108,675	324,675
Compensated absences due within one year	946,056	182,770	1,128,826
Bonds and other debt due within one year	3,298,640	2,419,298	5,717,938
Bonds and other debt - long term	39,395,416	38,397,547	77,792,963
Total liabilities	<u>50,651,168</u>	<u>45,050,929</u>	<u>95,702,097</u>
NET ASSETS			
Invested in capital assets, net of related debt	252,043,191	181,208,566	433,251,757
Restricted for:			
Streets and open space privilege tax activities	21,748,398	-	21,748,398
Impact fee projects	2,828,840	3,521,774	6,350,614
Transient occupancy tax	257,780	-	257,780
Landfill closure	-	1,144,346	1,144,346
Debt service	6,263,094	1,220,355	7,483,449
Grants and donations	1,192,817	-	1,192,817
Capital projects	971,452	-	971,452
Unrestricted	11,804,122	21,645,847	33,449,969
Total net assets	<u>\$ 297,109,694</u>	<u>\$ 208,740,888</u>	<u>\$ 505,850,582</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, 2011

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	\$ 4,751,361	\$ 399,268	\$ 20,948	\$ 132,664	\$ (4,198,481)	\$ -	\$ (4,198,481)
Community services	1,828,771	406,925	183,300	240,481	(998,065)	-	(998,065)
Culture and recreation	5,695,054	1,386,960	69,369	-	(4,238,725)	-	(4,238,725)
Police and court	12,701,709	1,783,712	576,354	13,575	(10,328,068)	-	(10,328,068)
Fire	7,033,768	502,926	535,309	43,591	(5,951,942)	-	(5,951,942)
Public works	20,078,009	305,655	1,260,866	3,999,297	(14,512,191)	-	(14,512,191)
Interest on long-term debt	1,516,480	-	312,290	-	(1,204,190)	-	(1,204,190)
Total governmental	53,605,152	4,785,446	2,958,436	4,429,608	(41,431,662)	-	(41,431,662)
<i>Business-type activities:</i>							
Airport	2,143,260	1,372,979	48,852	747,477	-	26,048	26,048
Golf course	3,118,481	2,580,592	-	-	-	(537,889)	(537,889)
Parking garage	240,892	39,331	-	-	-	(201,561)	(201,561)
Solid waste/transfer station	8,183,227	7,887,491	-	-	-	(295,736)	(295,736)
Wastewater	7,268,274	7,625,038	-	285,966	-	642,730	642,730
Water	12,327,147	12,525,849	-	1,197,774	-	1,396,476	1,396,476
Total business-type activities	33,281,281	32,031,280	48,852	2,231,217	-	1,030,068	1,030,068
Total primary government	\$ 86,886,433	\$ 36,816,726	\$ 3,007,288	\$ 6,660,825	(41,431,662)	1,030,068	(40,401,594)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,257,419	-	1,257,419
Property taxes, levied for debt service					1,552,902	-	1,552,902
Utility franchise taxes					1,637,128	-	1,637,128
City privilege and use tax, general purposes					11,763,668	-	11,763,668
City privilege tax, major street and open space program					11,237,566	-	11,237,566
Transient lodging tax					509,488	-	509,488
Intergovernmental revenues - unrestricted					9,441,614	-	9,441,614
Interest and investment income					1,165,562	559,838	1,725,400
Miscellaneous					498,367	513,120	1,011,487
Transfers					(2,538,596)	2,538,596	-
Total general revenues and transfers					36,525,118	3,611,554	40,136,672
Change in net assets					(4,906,544)	4,641,622	(264,922)
Net assets - beginning - restated					302,016,238	204,099,266	506,115,504
Net assets - ending					\$ 297,109,694	\$ 208,740,888	\$ 505,850,582

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. This 1% tax will sunset in December 2015 but the voters extended the tax starting in January 2016 for street improvements and maintenance at 0.75%. The highway user revenues are also reported in this fund.

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, 2011

	Major Funds				Total Governmental Funds
	General	Streets and Open Space	Community Facilities Districts Debt Service	Nonmajor Governmental Funds	
ASSETS					
Cash and short-term investments	\$ 12,231,779	\$ 12,874,638	\$ 14,136	\$ 5,613,479	\$ 30,734,032
Cash with fiscal agent	-	8,309,222	-	-	8,309,222
Restricted cash and investments	-	-	621,907	-	621,907
Accounts receivable (net)	3,396,878	953,623	-	94,542	4,445,043
Property taxes receivable	57,527	-	-	77,133	134,660
Special assessments receivable	-	-	3,744,924	1,410,486	5,155,410
Interfund receivables	3,964,030	-	-	-	3,964,030
Interest receivable	113,873	-	-	-	113,873
Intergovernmental receivable	449,690	416,897	-	459,515	1,326,102
Total assets	<u>\$ 20,213,777</u>	<u>\$ 22,554,380</u>	<u>\$ 4,380,967</u>	<u>\$ 7,655,155</u>	<u>\$ 54,804,279</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 635,503	\$ 549,783	\$ -	\$ 64,382	\$ 1,249,668
Accrued expenditures	1,799,452	120,340	-	93,883	2,013,675
Claims payable	-	-	-	-	-
Interfund payable	-	-	-	363,874	363,874
Deposits returnable	323,404	-	-	-	323,404
Unearned revenue	216,000	-	-	-	216,000
Deferred revenue	32,819	135,859	3,744,924	1,855,367	5,768,969
Total liabilities	<u>3,007,178</u>	<u>805,982</u>	<u>3,744,924</u>	<u>2,377,506</u>	<u>9,935,590</u>
Fund Balance					
Nonspendable	3,964,030	-	-	-	3,964,030
Restricted	-	21,748,398	636,043	5,278,299	27,662,740
Committed	1,673,324	-	-	-	1,673,324
Assigned	-	-	-	-	-
Unassigned	11,569,245	-	-	(650)	11,568,595
Total fund balances	<u>17,206,599</u>	<u>21,748,398</u>	<u>636,043</u>	<u>5,277,649</u>	<u>44,868,689</u>
Total liabilities and fund balances	<u>\$ 20,213,777</u>	<u>\$ 22,554,380</u>	<u>\$ 4,380,967</u>	<u>\$ 7,655,155</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:		397,311,704
Less: accumulated depreciation:		(122,496,687)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred grant revenue	\$ 535,570	
Deferred special assessment revenue	5,155,410	
Deferred property tax revenue	77,988	5,768,968
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and leases payable	(34,808,912)	
Compensated absences	(3,979,160)	(38,788,072)
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.		10,445,092
Net assets of governmental activities		<u>\$ 297,109,694</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
Governmental Funds
For the year ended June 30, 2011

	Major Funds				
	General	Streets and Open Space	Community Facilities Districts Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 14,658,215	\$ 11,237,566	\$ -	\$ 2,086,426	\$ 27,982,207
Intergovernmental revenues	11,569,368	4,108,069	-	1,257,750	16,935,187
Licenses and permits	386,243	-	-	529,851	916,094
Fines and forfeitures	620,248	-	-	-	620,248
Gifts and donations	-	-	-	141,516	141,516
Charges for services	771,983	234,068	-	-	1,006,051
Grant Contributions	-	52,620	-	-	52,620
Interest and investment income	346,106	186,134	211,298	249,370	992,908
Miscellaneous	403,116	1,321,478	396,511	441,369	2,562,474
Total revenues	28,755,279	17,139,935	607,809	4,706,282	51,209,305
Expenditures					
Current operating					
General government	3,421,678	-	9,778	297,877	3,729,333
Community services	1,399,077	-	-	142,337	1,541,414
Culture and recreation	4,789,244	-	-	171,184	4,960,428
Police and court	11,860,900	-	-	294,829	12,155,729
Fire	6,698,307	-	-	646,543	7,344,850
Public works	-	8,873,762	-	-	8,873,762
Capital outlay					
General government	2,425,339	-	-	132,626	2,557,965
Community services	-	-	-	282,424	282,424
Culture and recreation	91,557	-	-	192,197	283,754
Police and court	247,113	-	-	92,665	339,778
Fire	34,009	-	-	9,240	43,249
Public works	-	9,144,899	-	-	9,144,899
Debt service - principal	129,472	760,000	480,000	1,692,151	3,061,623
Debt service - interest	6,884	894,208	322,568	292,820	1,516,480
Total expenditures	31,103,580	19,672,869	812,346	4,246,893	55,835,688
Excess (deficiency) of revenues over (under) expenditures	(2,348,301)	(2,532,934)	(204,537)	459,389	(4,626,383)
Other Financing Sources (Uses)					
Debt issuances	-	8,415,000	-	-	8,415,000
Transfers in	111,713	388,173	-	1,091,118	1,591,004
Transfers out	(136,985)	(44,099)	(971,452)	(230,597)	(1,383,133)
Total other financing sources (uses)	(25,272)	8,759,074	(971,452)	860,521	8,622,871
Net change in fund balances	(2,373,573)	6,226,140	(1,175,989)	1,319,910	3,996,488
Fund balance - beginning - restated	19,580,172	15,522,258	1,812,032	3,957,739	40,872,201
Fund balance - ending	\$ 17,206,599	\$ 21,748,398	\$ 636,043	\$ 5,277,649	\$ 44,868,689

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, 2011

Net change in fund balances - total governmental funds \$ 3,996,488

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	\$ 11,932,306	
Less: current year depreciation	<u>12,897,294</u>	(964,988)

Donations of capital assets are not reflected on the governmental fund statements, but are shown in the statement of activities. 13,575

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

Property taxes	(24,036)	
Assessments receivable	<u>(701,807)</u>	(725,843)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which principal retirement exceeded debt proceeds in the current period. (5,321,158)

The net revenues of certain activities of internal service funds is reported with governmental activities. (3,455,761)

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. 1,015,573

Some current year revenues are not recognized on the governmental fund statements because they are not available to cover current period expenditures but are recognized on the statement of activities. 535,570

Change in net assets of governmental activities \$ (4,906,544)

CITY OF PRESCOTT, ARIZONA

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

General Fund

For the year ended June 30, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Taxes	\$ 14,874,718	\$ 14,874,718	\$ 14,658,215	\$ (216,503)
Intergovernmental revenues	11,727,797	11,727,797	11,569,368	(158,429)
Licenses and permits	300,750	300,750	386,243	85,493
Fines and forfeitures	539,500	539,500	620,248	80,748
Charges for services	804,864	804,864	771,983	(32,881)
Interest and investment income	375,000	375,000	346,106	(28,894)
Miscellaneous	289,200	289,200	403,116	113,916
Total revenues	<u>28,911,829</u>	<u>28,911,829</u>	<u>28,755,279</u>	<u>(156,550)</u>
Expenditures				
Current				
General government	4,111,636	4,111,636	3,421,678	689,958
Community services	1,618,515	1,618,515	1,399,077	219,438
Culture and recreation	5,361,906	5,361,906	4,789,244	572,662
Police and court	11,905,977	11,905,977	11,860,900	45,077
Fire	6,851,841	6,851,841	6,698,307	153,534
Total expenditures	<u>29,849,875</u>	<u>29,849,875</u>	<u>28,169,206</u>	<u>1,680,669</u>
Capital outlay				
General government	932,017	3,132,017	2,425,339	706,678
Culture and recreation	-	-	91,557	(91,557)
Police and court	650,352	650,352	247,113	403,239
Fire	60,000	60,000	34,009	25,991
Total capital outlay	<u>1,642,369</u>	<u>3,842,369</u>	<u>2,798,018</u>	<u>1,044,351</u>
Debt service				
Principal	129,472	129,472	129,472	-
Interest	6,884	6,884	6,884	-
Total debt service	<u>136,356</u>	<u>136,356</u>	<u>136,356</u>	<u>-</u>
Total expenditures	<u>31,628,600</u>	<u>33,828,600</u>	<u>31,103,580</u>	<u>2,725,020</u>
Excess of revenues over expenditures	<u>(2,716,771)</u>	<u>(4,916,771)</u>	<u>(2,348,301)</u>	<u>2,568,470</u>
Other Financing Sources (Uses)				
Transfers in	1,750,000	300,000	111,713	(188,287)
Transfers out	(3,429,670)	(1,026,670)	(136,985)	889,685
Total other financing sources and uses	<u>(1,679,670)</u>	<u>(726,670)</u>	<u>(25,272)</u>	<u>701,398</u>
Net change in fund balances	<u>(4,396,441)</u>	<u>(5,643,441)</u>	<u>(2,373,573)</u>	<u>3,269,868</u>
Fund balance - beginning	19,580,172	19,580,172	19,580,172	-
Fund balance - ending	<u>\$ 15,183,731</u>	<u>\$ 13,936,731</u>	<u>\$ 17,206,599</u>	<u>\$ 3,269,868</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, 2011

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,450,000	\$ 11,450,000	\$ 11,237,566	\$ (212,434)
Intergovernmental revenues	5,629,348	5,629,348	4,108,069	(1,521,279)
Charges for services	226,721	226,721	234,068	7,347
Grant contributions	478,000	478,000	52,620	(425,380)
Interest and investment income	51,000	51,000	186,134	135,134
Miscellaneous	312,290	312,290	1,321,478	1,009,188
Total revenues	18,147,359	18,147,359	17,139,935	(1,007,424)
Expenditures				
Current				
General government	-	-	-	-
Public works	8,412,134	8,412,134	8,873,762	(461,628)
Total current	8,412,134	8,412,134	8,873,762	(461,628)
Capital outlay				
General government	500,000	500,000	-	500,000
Public works	18,767,707	17,947,707	9,144,899	8,802,808
Total capital outlay	19,267,707	18,447,707	9,144,899	9,302,808
Debt service				
Principal	760,000	760,000	760,000	-
Interest	892,258	892,258	894,208	(1,950)
Total debt service	1,652,258	1,652,258	1,654,208	(1,950)
Total expenditures	29,332,099	28,512,099	19,672,869	8,839,230
Excess (deficiency) of revenues over expenditures	(11,184,740)	(10,364,740)	(2,532,934)	7,831,806
Other Financing Sources (Uses)				
Debt issuance	-	-	8,415,000	8,415,000
Transfers in	400,059	400,059	388,173	(11,886)
Transfers out	(342,750)	(300,000)	(44,099)	255,901
Total other financing sources and uses	57,309	100,059	8,759,074	8,659,015
Net change in fund balances	(11,127,431)	(10,264,681)	6,226,140	16,490,821
Fund balance - beginning	15,522,258	15,522,258	15,522,258	-
Fund balance - ending	\$ 4,394,827	\$ 5,257,577	\$ 21,748,398	\$ 16,490,821

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

The City has six 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/transfer station**
- **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:

- **Fleet Maintenance**
- **Risk Management**
- **Engineering Services**
- **Facilities Maintenance**

CITY OF PRESCOTT, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Totals	
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 23,545,518	\$ 1,826,772	\$ -	\$ 6,374,423	\$ -	\$ 31,746,713	\$ 8,681,147
Accounts receivable (net)	1,619,867	779,517	155,074	315,900	1,527	2,871,885	2,202
Grant receivable	-	-	128,902	-	-	128,902	-
Inventory at cost	480,890	-	-	-	47,367	528,257	243,287
Total current assets	25,646,275	2,606,289	283,976	6,690,323	48,894	35,275,757	8,926,636
Noncurrent Assets							
Restricted cash and cash equivalents							
Restricted cash	210,034	1,010,321	-	782,222	-	2,002,577	1,451,632
Total restricted assets	210,034	1,010,321	-	782,222	-	2,002,577	1,451,632
Capital assets							
Land	25,737,922	435,901	1,143,261	102,302	1,963,554	29,382,940	13,191
Construction in process	23,116,137	4,368,261	725,566	-	-	28,209,964	-
Buildings	2,090,683	5,760,829	4,450,138	1,453,005	7,027,259	20,781,914	5,259,218
Improvements other than buildings	103,144,361	77,398,374	34,801,541	950,138	5,650,170	221,944,584	49,023
Machinery and equipment	5,198,430	2,748,468	438,784	5,829,853	1,976,581	16,192,116	5,833,863
Less accumulated depreciation	(38,933,616)	(31,311,438)	(16,633,671)	(4,778,238)	(4,740,916)	(96,397,879)	(3,028,125)
Total capital assets (net of accumulated depreciation)	120,353,917	59,400,395	24,925,619	3,557,060	11,876,648	220,113,639	8,127,170
Total noncurrent assets	120,563,951	60,410,716	24,925,619	4,339,282	11,876,648	222,116,216	9,578,802
Total assets	\$ 146,210,226	\$ 63,017,005	\$ 25,209,595	\$ 11,029,605	\$ 11,925,542	\$ 257,391,973	\$ 18,505,438
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 1,171,635	\$ 797,914	\$ 84,905	\$ 288,837	\$ 35,836	\$ 2,379,127	\$ 459,740
Accrued expenses	733,827	299,537	26,781	81,730	98,402	1,240,277	117,761
Claims payable	-	-	-	-	-	-	770,000
Interfund payables	-	-	202,346	-	-	202,346	-
Deposits returnable	-	-	17,372	-	-	17,372	-
Customer water deposits	305,863	-	-	-	-	305,863	-
Deferred revenue - current	-	-	17,221	-	47,741	64,962	-
Compensated absences - current	26,377	127,360	-	29,033	-	182,770	232,492
Loans payable - current	663,837	543,538	302,668	-	8,882	1,518,925	-
Bonds - current	416,236	233,764	-	59,852	119,000	828,852	200,148
Landfill closure costs - current	-	-	-	71,521	-	71,521	-
Total current liabilities	3,317,775	2,002,113	651,293	530,973	309,861	6,812,015	1,780,141
Noncurrent Liabilities							
Claims payable	-	-	-	-	-	-	1,860,805
Deferred revenue	43,713	-	-	-	-	43,713	-
Compensated absences	296,976	167,154	61,064	165,293	76,938	767,425	220,141
Loans payable	10,976,983	10,183,154	463,500	-	6,920	21,630,557	-
Bonds payable	11,636,240	1,658,760	-	1,255,741	376,000	14,926,741	4,199,259
Interfund payable	-	-	-	-	3,397,810	3,397,810	-
Landfill closure/postclosure cost	-	-	-	1,072,824	-	1,072,824	-
Total noncurrent liabilities	22,953,912	12,009,068	524,564	2,493,858	3,857,668	41,839,070	6,280,205
Total liabilities	26,271,687	14,011,181	1,175,857	3,024,831	4,167,529	48,651,085	8,060,346
NET ASSETS							
Invested in capital assets, net of related debt	96,660,621	46,781,179	24,159,452	2,241,468	11,365,846	181,208,566	3,727,763
Restricted for debt service	210,034	1,010,321	-	-	-	1,220,355	-
Restricted for impact fee projects	3,521,774	-	-	-	-	3,521,774	-
Restricted for landfill closure	-	-	-	1,144,346	-	1,144,346	-
Unrestricted	19,546,110	1,214,324	(125,714)	4,618,960	(3,607,833)	21,645,847	6,717,329
Total net assets	\$ 119,938,539	\$ 49,005,824	\$ 24,033,738	\$ 8,004,774	\$ 7,758,013	\$ 208,740,888	\$ 10,445,092

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, 2011

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds			
Operating Revenues							
Water sales	\$ 10,956,766	\$ -	\$ -	\$ -	\$ -	\$ 10,956,766	\$ -
Water connection fees	133,922	-	-	-	-	133,922	-
Alternative water source fees	1,426,760	-	-	-	-	1,426,760	-
Wastewater service fees	-	7,019,393	-	-	-	7,019,393	-
Effluent sales	-	605,645	-	-	-	605,645	-
Golf course green fees	-	-	-	-	1,154,900	1,154,900	-
Restaurant sales	-	-	-	-	690,848	690,848	-
Golf course rentals	-	-	-	-	498,514	498,514	-
Golf pro-shop sales	-	-	-	-	162,071	162,071	-
Fuel sales and flowage fees	-	-	141,383	-	-	141,383	-
Tie down and hangar rentals	-	-	1,231,596	-	-	1,231,596	-
Refuse collection fees	-	-	-	4,973,758	-	4,973,758	-
Tipping fees	-	-	-	2,913,733	-	2,913,733	-
Charges for services	-	-	-	-	-	-	4,405,076
Other services	-	-	-	-	39,331	39,331	1,764,087
Miscellaneous	37,539	137,194	52,512	260,324	25,551	513,120	358
Total operating revenues	12,554,987	7,762,232	1,425,491	8,147,815	2,571,215	32,461,740	6,169,521
Operating Expenses							
Personnel services	2,453,138	2,296,133	468,098	1,722,928	1,461,463	8,401,760	2,283,925
Supplies	1,826,262	395,052	50,035	569,921	684,888	3,526,158	683,835
Other services and charges	4,662,552	1,949,998	584,612	5,129,649	683,513	13,010,324	1,977,058
Depreciation	2,471,138	2,177,674	992,321	701,823	513,537	6,856,493	641,272
Claims expense	-	-	-	-	-	-	1,268,726
Total operating expenses	11,413,090	6,818,857	2,095,066	8,124,321	3,343,401	31,794,735	6,854,816
Operating income (loss)	1,141,897	943,375	(669,575)	23,494	(772,186)	667,005	(685,295)
Non-Operating Revenues (Expenses)							
Interest and investment income	403,311	47,112	-	109,415	-	559,838	172,654
Interest expense	(914,057)	(449,417)	(48,194)	(58,906)	(15,971)	(1,486,545)	(196,660)
Net gain (loss) on disposal of assets	8,400	-	-	-	74,258	82,658	-
Total non-operating revenues (expenses)	(502,346)	(402,305)	(48,194)	50,509	58,287	(844,049)	(24,006)
Income (loss) before contributions and transfers	639,551	541,070	(717,769)	74,003	(713,899)	(177,044)	(709,301)
Grant contributions	25,000	-	796,330	-	-	821,330	-
Capital contributions	1,172,774	285,966	-	-	-	1,458,740	-
Transfers in	309,557	448,073	17,319	1,877,438	129,010	2,781,397	19,470
Transfers out	-	-	-	(242,801)	-	(242,801)	(2,765,937)
Change in net assets	2,146,882	1,275,109	95,880	1,708,640	(584,889)	4,641,622	(3,455,768)
Total net assets - beginning	117,791,657	47,730,715	23,937,858	6,296,134	8,342,902	204,099,266	13,900,860
Total net assets - ending	\$ 119,938,539	\$ 49,005,824	\$ 24,033,738	\$ 8,004,774	\$ 7,758,013	\$ 208,740,888	\$ 10,445,092

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, 2011

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water	Waste- water	Airport	Solid Waste/ Transfer Station
Cash flows from operating activities:				
Cash received from customers	\$ 12,877,371	\$ 7,651,928	\$ 1,394,942	\$ 8,267,489
Cash payments to employees for services	(2,635,774)	(2,287,520)	(527,778)	(1,761,485)
Cash payments to suppliers for goods and services	(6,849,115)	(2,337,043)	(679,563)	(5,807,902)
Net cash provided by (used for) operating activities	3,392,482	3,027,365	187,601	698,102
Cash flows from noncapital financing activities:				
Receipts (payments) under interfund loan arrangement	-	-	(93,445)	-
Transfers in	309,557	448,073	17,319	1,877,438
Transfers out	-	-	-	(242,801)
Net cash provided by (used for) noncapital financing activity	309,557	448,073	(76,126)	1,634,637
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(5,970,013)	(2,490,434)	(606,355)	(1,883,937)
Contributed from capital grant	25,000	-	897,439	-
Contributed from customers	1,172,774	285,966	-	-
Interest paid on capital financing	(844,922)	(455,751)	(48,194)	(58,906)
Principal paid on capital financing	(1,057,110)	(1,336,532)	(354,365)	(56,324)
Proceeds from debt issues	5,148,779	1,055,190	-	-
Proceeds/payments from sales of capital assets	8,400	-	-	-
Net cash provided by (used for) capital and related financing activities	(1,517,092)	(2,941,561)	(111,475)	(1,999,167)
Cash flows from investing activities:				
Interest on investments	403,311	47,112	-	109,415
Net cash provided by (used for) investing activities	403,311	47,112	-	109,415
Net increase (decrease) in cash and cash equivalents	2,588,258	580,989	-	442,987
Cash and cash equivalents at July 1	21,167,294	2,256,104	-	6,747,158
Cash and cash equivalents at June 30	<u>\$ 23,755,552</u>	<u>\$ 2,837,093</u>	<u>\$ -</u>	<u>\$ 7,190,145</u>
Reconciliation to statement of net assets:				
Cash and cash equivalents at June 30, unrestricted	\$ 23,545,518	\$ 1,826,772	\$ -	\$ 6,374,423
Cash and cash equivalents at June 30, restricted	210,034	1,010,321	-	782,222
Total	<u>\$ 23,755,552</u>	<u>\$ 2,837,093</u>	<u>\$ -</u>	<u>\$ 7,156,645</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,141,897	\$ 943,375	\$ (669,575)	\$ 23,494
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,471,138	2,177,674	992,321	701,823
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(325,530)	6,848	(40,267)	(108,333)
(Increase) decrease in bad debt	(121,936)	-	-	-
Increase (decrease) in compensated absences	(185,225)	12,187	(50,203)	(23,614)
(Increase) decrease in accounts receivable	444,318	(110,299)	(35,199)	119,677
Increase (decrease) in claims payable	-	-	-	-
(Increase) decrease in inventory	(34,770)	-	-	-
Increase (decrease) salary & benefits payable	2,590	(2,420)	(9,476)	(14,945)
Total adjustments	2,250,585	2,083,990	857,176	674,608
Net cash provided by operating activities	<u>\$ 3,392,482</u>	<u>\$ 3,027,365</u>	<u>\$ 187,601</u>	<u>\$ 698,102</u>

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

Nonmajor Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,574,736	\$ 32,766,466	\$ 6,167,319
(1,479,959)	(8,692,516)	(3,020,903)
(1,393,940)	(17,067,563)	(2,650,824)
(299,163)	7,006,387	495,592
423,255	329,810	-
129,010	2,781,397	19,470
-	(242,801)	(2,765,937)
552,265	2,868,406	(2,746,467)
(600,829)	(11,551,568)	(594,080)
-	922,439	-
-	1,458,740	-
(15,971)	(1,423,744)	(196,660)
(450,802)	(3,255,133)	(188,676)
495,000	6,698,969	-
319,500	327,900	2,765,937
(253,102)	(6,822,397)	1,786,521
-	559,838	172,660
-	559,838	172,660
-	3,612,234	(291,694)
-	30,170,556	10,424,473
\$ -	\$ 33,782,790	\$ 10,132,779
\$ -	\$ 31,746,713	\$ 8,681,147
-	2,002,577	1,451,632
\$ -	\$ 33,749,290	\$ 10,132,779
\$ (772,186)	\$ 667,005	\$ (685,295)
513,537	6,856,493	641,272
-	-	-
(62,289)	(529,571)	353,848
-	(121,936)	-
(14,916)	(261,771)	(422,763)
3,432	421,929	(2,202)
-	-	562,921
36,839	2,069	(8,055)
(3,580)	(27,831)	55,866
473,023	6,339,382	1,180,887
\$ (299,163)	\$ 7,006,387	\$ 495,592

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



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, 2011

	Agency County Justice Court
ASSETS	
Cash and short-term investments	\$ 124,925
Total assets	<u>\$ 124,925</u>
LIABILITIES	
Due to other governments	\$ 124,925
Total liabilities	<u>\$ 124,925</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, 2011

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 proprietary 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 2000. 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 district's 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 Community Facilities Districts may be obtained at the City's finance department, 201 South Cortez Street, Prescott, Arizona 86303.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 revenue 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to vacation, sick leave, claims, and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The Streets and Open Space 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. In 2010, voters approved a 0.75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

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.

The City reports the following major proprietary funds:

The Water Utility, Wastewater Utility, Airport and Solid Waste Funds account for the operating revenues and expenses of the City's water utility system, wastewater utility system, airport and sanitation services respectively.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specified purposes.

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

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.

Internal service funds account for services provided by central garage, general self-insurances, engineering services and facilities maintenance to other departments or units of the City, on a cost-reimbursement basis.

Fiduciary 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.

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.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes, indirect costs and franchise fees and other charges between the City's Water and Sewer Utility Fund, Airport Fund, and Solid Waste Fund, because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer, airport, solid waste fees, vehicle purchase/maintenance amounts and risk management charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. 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 are allocated on a monthly basis to the individual funds based on average daily balance. Note 3a provides detailed information on cash and investments.

E. 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.

F. Inventories

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

G. 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.

H. 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 is 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.

I. 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.

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 up to a limit and are not subject to the one-month floor.

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 receive a three month salary retirement bonus.

J. 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.

K. 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.

L. 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.

M. 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.

N. Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable	Inventories represent fund balance amounts that are not in spendable form. Interfund loan balances to other funds are not in a spendable form.
Restricted	Restricted by state statute is a portion of fund balance that is restricted for use on street construction and maintenance by legislation. Restricted by city ordinances is a portion of fund balance which restrict: <ul style="list-style-type: none">> a portion of the privilege (sales) tax to road projects or open space acquisitions> the transient tax to tourist promotion and recreational purposes> impact fees to growth related capital improvements Restricted by creditors through debt covenants. Restricted by grantors and contributors.
Committed	Committed is that portion of fund balance that has been approved by the highest level of formal action of the City Council and does not lapse at year-end. The City, by resolution, has committed fund balances for compensated absences and capital improvement projects.
Assigned	Assigned for Subsequent year's expenditures is the portion of fund balance that has been approved by formal action of the City Council for appropriation in future budget. A modification to this amount requires action by the City Council; however this approval lapses at year end.
Unassigned	Fund balance that has not been reported in any other classification.

At year-end fund balance had the following restriction:

	Nonmajor				Total
	General	Streets and Open Space	CFD Debt Service	Governmental Funds	
Nonspendable - internal loans	\$3,964,030	\$ -	\$ -	\$ -	\$ 3,964,030
Restricted:					
Streets and open space activity	-	21,748,398	-	-	21,748,398
Debt Service	-	-	636,043	426,471	1,062,514
Capital expenditure	-	-	-	971,452	971,452
Donated Purposes	-	-	-	793,756	793,756
Impact fees	-	-	-	2,828,840	2,828,840
Transient lodging tax activity	-	-	-	257,780	257,780
Total Restricted	\$ -	\$21,748,398	\$ 636,043	\$ 5,278,299	\$27,662,740
Committed:					
Capital & economic dev.	1,657,424	-	-	-	1,657,424
Peavine Trail	15,900	-	-	-	15,900
Total Committed	\$1,673,324	\$ -	\$ -	\$ -	\$ 1,673,324

The City has a revenue spending policy that provides policy for programs with multiple revenue sources. The City will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance director has the authority to deviate from this policy if it is in the best interest of the City.

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 were two amendments to the budget after final adoption; resulting in the following general fund appropriation transfers:

<u>To:</u>	<u>From:</u>	<u>Amount</u>
City Manager (Economic Development)	Water Fund	\$ 2,200,000
Golf Course Fund	Streets & Open Space Fund	820,000
Risk Management	Grants Fund	975,000
Miscellaneous Gift	Grants Fund	90,000
Total appropriation transfers		<u>\$ 4,085,000</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.

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. The City also maintains petty cash for use in daily operations that totals \$9,087.

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$7,203,007 and the bank balance was \$6,503,463. The difference represents outstanding checks, deposits in transit and other reconciling items. \$6,421,357 of the bank balance is also shown in the US Government Mutual Fund Account due to an overnight sweep agreement. The Hassayampa Community Facilities Districts had cash held by fiscal agents amounting to \$621,907 at June 30, 2011 which is invested in a US Government Mutual Fund.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, the 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, 2011 was 1.2.

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 mortgage securities backed by U.S. Government Agency, mutual funds investing in U.S. Government securities and the State Treasurer's Local Government Investment Pool. These investments represent 51%, 33% and 16% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2011 are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Modified</u>
		<u>Moody</u>	<u>Duration</u>
State Treasurer's Pool (LGIP)	\$ 13,144,220	Not Rated	0.0
U.S. Government Mutual Fund	26,165,095	Not Rated	0.0
U.S. Agency Mortgage Backed Securities	43,572,105	Aaa	2.2
Total Fair Value	<u>\$ 82,881,420</u>		
Portfolio Modified Duration			1.2

B. Receivables and Deferred Revenue

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

	<u>General</u>	<u>Streets and Open Space</u>	<u>Community Facilities</u>		<u>Total</u>
			<u>District Debt Service</u>	<u>Nonmajor Funds</u>	
Receivables:					
Accounts (net)	\$ 3,396,878	\$ 953,623	\$ -	\$ 94,542	\$ 4,445,043
Interest	113,873	-	-	-	113,873
Property Taxes	57,527	-	-	77,133	134,660
Special Assessments	-	-	3,744,924	1,410,486	5,155,410
Intergovernmental	449,690	416,897	-	459,515	1,326,102
Total	<u>\$ 4,017,968</u>	<u>\$ 1,370,520</u>	<u>\$ 3,744,924</u>	<u>\$ 2,041,676</u>	<u>\$ 11,175,088</u>

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

	Water	Waste-water	Airport	Solid Waste	Nonmajor Funds	Total
Receivables:						
Accounts (net)	\$ 1,619,867	\$ 779,517	\$ 155,074	\$ 315,900	\$ 1,527	\$ 2,871,885
Intergovernmental	-	-	128,902	-	-	128,902
Total	<u>\$ 1,619,867</u>	<u>\$ 779,517</u>	<u>\$ 283,976</u>	<u>\$ 315,900</u>	<u>\$ 1,527</u>	<u>\$ 3,000,787</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable General Fund	\$ 32,819	\$ -
Delinquent property taxes receivable Debt Service Fund	45,169	-
Special assessments not yet due (Debt Service Fund)	1,410,486	-
Community facilities districts assessments not yet due	3,744,924	-
Unearned rents and deposits General Fund	-	216,000
Grant drawdowns prior to meeting eligibility requirements	535,570	-
Total	<u>\$5,768,968</u>	<u>\$ 216,000</u>

C. Capital Assets

Capital assets activity for governmental activities for the year ended June 30, 2011 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in progress	\$ 92,803,507	\$ 11,105,912	\$ -	\$ 103,909,419
Total non-depreciable	<u>92,803,507</u>	<u>11,105,912</u>	<u>-</u>	<u>103,909,419</u>
Buildings	30,686,487	-	-	30,686,487
Improvements other than buildings	33,073,987	152,672	-	33,226,659
Machinery and equipment	26,457,216	1,298,919	4,046,498	23,709,637
Infrastructure	216,934,586	213	-	216,934,799
Total depreciable	<u>307,152,276</u>	<u>1,451,804</u>	<u>4,046,498</u>	<u>304,557,582</u>
Accumulated depreciation				
Buildings	(9,063,310)	(762,905)	-	(9,826,215)
Improvements other than buildings	(9,098,364)	(926,063)	-	(10,024,427)
Machinery and equipment	(14,429,798)	(1,225,321)	(1,262,806)	(14,392,313)
Infrastructure	(80,657,580)	(10,624,277)	-	(91,281,857)
Total accumulated depreciation	<u>(113,249,052)</u>	<u>(13,538,566)</u>	<u>(1,262,806)</u>	<u>(125,524,812)</u>
Governmental activities capital assets net	<u>\$ 286,706,731</u>	<u>\$ (980,850)</u>	<u>\$ 2,783,692</u>	<u>\$ 282,942,189</u>

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

General government (including internal service funds)	\$	1,237,949
Community services		38,724
Culture and recreation		987,248
Public safety - police		305,298
Public safety - fire		217,079
Public works		10,752,268
Total depreciation for governmental activities	\$	<u>13,538,566</u>

Capital assets activity for business-type activities for the year ended June 30, 2011 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in progress	\$ 51,183,068	\$ 6,409,837	\$ -	\$ 57,592,905
Total non-depreciable	51,183,068	6,409,837	-	57,592,905
Buildings	20,953,655	-	171,741	20,781,914
Improvements other than buildings	220,342,627	1,601,957	-	221,944,584
Machinery and equipment	11,934,736	4,802,582	545,203	16,192,115
Total depreciable	253,231,018	6,404,539	716,944	258,918,613
Accumulated depreciation				
Buildings	(8,044,769)	(769,071)		(8,813,840)
Improvements other than buildings	(71,204,837)	(5,200,925)		(76,405,762)
Machinery and equipment *	(9,328,837)	(2,149,302)	(299,861)	(11,178,278)
Total accumulated depreciation	(88,578,443)	(8,119,298)	(299,861)	(96,397,880)
Governmental activities capital assets net	\$ 215,835,643	\$ 4,695,078	\$ 417,083	\$ 220,113,638

Note: * The increase includes \$1,262,806 in accumulated depreciation from transferred assets.

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

Water	\$	2,471,138
Wastewater		2,177,674
Golf course		355,227
Airport		992,321
Solid waste		701,823
Parking garage		158,309
Total depreciation for business-type activities	\$	<u>6,856,492</u>

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payable have been recorded when funds overdraw their share of pooled cash.

In 2007, the impact fee fund borrowed \$595,000 from the capital improvement fund to complete the adult center. The balance at June 30, 2011 was \$363,874 and is being repaid as recreation impact fees are collected.

In 2011, the cumulative amount that the golf course has overdrawn their share of pooled cash is \$3,361,888.

In 2011, the airport fund has overdrawn their share of pooled cash in the amount of \$202,346 because of grant reimbursements and other receivables being delayed.

In 2011, the parking garage fund has overdrawn their share of pooled cash in the amount of \$35,922 which represents an accumulation of operating deficits.

The composition of interfund balances as of June 30, 2011 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 3,964,030	\$ -
Nonmajor fund - Impact fees	-	363,874
Airport fund	-	202,346
Nonmajor enterprise fund-Golf course	-	3,361,888
Nonmajor enterprise fund-Parking garage	-	35,922
Total	\$ 3,964,030	\$ 3,964,030

Transfers are used to fund capital projects, reallocate special revenue funds to operating divisions and to cover the City's share of grants. Transfers as of June 30, 2011 were as follows:

Transfer In	Transfers Out							Total Transfers In
	Governmental				Enterprise Fund Solid Waste	Internal Service Fund Fleet		
	General Fund	Streets & Open Space	Hassayampa Debt Service	Nonmajor				
Governmental								
General Fund	\$ -	\$ 44,099	\$ -	\$ 67,614	\$ -	\$ -		\$ 111,713
Streets & Open Space	-	-	-	145,372	242,801	-		388,173
Nonmajor	119,666	-	971,452	-	-	-		1,091,118
Enterprise								
Water Fund	-	-	-	-	-	309,557		309,557
Wastewater Fund	-	-	-	-	-	448,073		448,073
Airport	17,319	-	-	-	-	-		17,319
Solid Waste Fund	-	-	-	-	-	1,877,438		1,877,438
Nonmajor	-	-	-	17,611	-	111,399		129,010
Internal Service Engineering	-	-	-	-	-	19,470		19,470
Total Transfers Out	\$ 136,985	\$ 44,099	\$ 971,452	\$ 230,597	\$ 242,801	\$ 2,765,937		

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:

	Capital Equipment
Business-type activities	
Water	\$ 244,273
Golf course	253,135
Airport	3,186,406
Less accumulated amortization	(867,615)
	<u>2,816,199</u>
Governmental activities	226,521
Less accumulated amortization	(13,050)
	<u>\$ 3,029,670</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, 2011:

	Business-type Activity	Governmental Activity	Total
Year Ending June 30			
2012	\$ 396,775	\$ 55,349	\$ 452,124
2013	393,163	55,349	448,512
2014	163,155	13,838	176,993
Total minimum lease payments	953,093	124,536	1,077,629
less: amounts representing interest	(56,998)	(5,752)	(62,750)
Present value at June 30, 2011	<u>\$ 896,095</u>	<u>\$ 118,784</u>	<u>\$ 1,014,879</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 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, 2011 was as follows:

Purpose	Interest Rate	Amount
Governmental activities (1998 issue)	4.34%	\$ 2,610,000
Governmental activities (2007 issue)	3.83%	985,000
		<u>\$ 3,595,000</u>

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

Year Ending June 30,	Principal	Interest
2012	\$ 1,425,000	\$ 156,850
2013	1,490,000	93,475
2014	160,000	27,200
2015	165,000	20,800
2016	175,000	14,200
2017	180,000	7,200
	<u>\$ 3,595,000</u>	<u>\$ 319,725</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:

<u>Issue</u>	<u>District</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2001	162	1,920,000	1/1/2015	5.10%	\$ 655,000
2001	163	2,470,000	1/1/2015	4.60%	700,000
2004	164	95,840	1/1/2022	2.54%	55,028
					<u>\$ 1,410,028</u>

Annual debt service requirement to maturity for special assessment bonds in the City's governmental activities is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2012	\$ 330,044	\$ 58,995
2013	340,044	43,091
2014	350,044	26,489
2015	355,044	9,504
2016	5,044	880
2017	5,044	742
2018-2022	24,764	1,851
	<u>\$ 1,410,028</u>	<u>\$ 141,552</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, \$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, 2011 was \$3,305,000.
- 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, 2011 was \$475,000.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2012	\$ 250,000	\$ 291,763
2013	275,000	272,437
2014	295,000	251,188
2015	315,000	228,388
2016	340,000	204,050
2017-2021	2,155,000	580,949
2022-2024	150,000	22,500
	<u>\$ 3,780,000</u>	<u>\$ 1,851,275</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 MPC with a first lien pledge of all excise taxes and state shared revenues.

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

Following are the pledged revenues compared to debt service for fiscal year ending June 30, 2011:

Pledged Revenues:	
City Privilege and Use Taxes	\$ 12,144,493
State-Shared Revenue	9,354,640
Franchise Taxes	1,637,128
Licenses and Permits	386,243
Charges for Services	771,983
Fines and Forfeitures	620,248
Total Pledged Revenues	<u>\$ 24,914,735</u>
Fiscal Year 2011 debt service	\$ 3,454,037
Debts service coverage	7

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 matured in 2010.

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.

In February 2010, series 2010 taxable revenue bonds (Qualified Build America Bonds) were issued in the amount of \$18,250,000. Proceeds of the bonds will be used to pay for the State Route 89A/Granite Dells Parkway interchange. The issue matures in twenty (20) years and was issued with interest rates ranging from 1.247% to 6.245% or an average rate of 5.53% and a final maturity date in 2029. The federal government provides an interest subsidy for each debt service payment which represents a reduction in interest cost for the City; the total subsidy is \$3,985,167 over the 20 year term. The present value benefit to the City compared to issuing tax-exempt bonds amounted to \$1,324,570.

In May 2011, series 2011 bonds were issued in the amount of \$8,910,000. Proceeds of the bonds will be used to pay for the widening and improvement of the Williamson Valley Road (\$8,415,000) and acquire certain capital equipment for the City's golf course (\$495,000). The issue matures in twenty (20) years and was issued with an interest rate of 4.18% and a final maturity date in 2031.

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

Serviced by Fund	Reason for Financing	Issue	Interest	
			Rate	Amount
Streets and	Road improvements	2010	5.53%	\$ 17,490,000
Open Space	Road improvements	2011	4.21%	8,415,000
				<u>25,905,000</u>
Water	Water tanks	1998F	4.69%	1,062,477
	Big Chino Water Ranch	2004G	4.62%	10,990,000
				<u>12,052,477</u>
Wastewater	Airport WWTP upgrade	1998F	4.69%	1,892,523
Solid Waste	Transfer station expansion	2007	4.35%	1,315,593
Golf Course	Equipment	2011	2.50%	495,000
Central Garage	Facility expansion	2007	4.35%	4,399,407
				<u>\$ 46,060,000</u>

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

Year Ending June 30,	Principal	Interest		
		Interest	Subsidy	Net
2012	\$ 2,071,000	\$ 2,205,820	\$ (308,974)	\$ 1,896,846
2013	2,125,000	2,086,271	(303,812)	1,782,459
2014	2,201,000	2,012,051	(297,226)	1,714,825
2015	2,277,000	1,927,359	(288,424)	1,638,935
2016	2,226,000	1,836,642	(277,992)	1,558,650
2017-2021	10,894,000	7,680,129	(1,178,236)	6,501,893
2022-2026	12,091,000	5,018,271	(738,580)	4,279,691
2027-2031	9,985,000	1,861,900	(164,258)	1,697,642
2032-2034	2,190,000	222,500	-	222,500
	<u>\$ 46,060,000</u>	<u>\$ 24,850,943</u>	<u>\$ (3,557,502)</u>	<u>\$ 21,293,441</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.

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, 2011, the net revenues available for service of this debt were \$7,184,497. The principal and interest paid on this debt in fiscal year 2011 was \$2,873,253.

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.

The balances of the City's WIFA loans at June 30, 2011 are as follows:

WIFA #	Amount Authorized	Date of Auth.	Maturity Date	Final Amount Borrowed	Interest Rate	Project	Balance June 30
Drinking Water Projects							
920125-08	\$ 9,854,000	8/24/2007	7/1/2027	In Progress	3.640%	Water Main Imp	\$ 8,174,460
92A166-09	8,998,096	7/31/2009	7/1/2029	In Progress	3.143%	Zone 39 Imp	2,228,456
92A154-10	3,591,880	7/31/2009	7/1/2029	157,681	3.143%	Water Mains Airport	104,981
920206-11	1,060,000	12/3/2010	7/1/2030	In Progress	3.152%	Water Main Imp	1,018,796
Total Drinking Water Projects							<u>11,526,693</u>
Clean Water Projects							
910097-08	4,703,000	8/24/2007	7/1/2027	4,703,000	3.868%	Sewer Mains Imp	4,203,827
910122-10	6,573,506	7/31/2009	7/1/2029	6,054,763	3.143%	Sewer Mains Imp	5,813,651
910147-11	2,070,000	12/3/2010	7/1/2030	In Progress	3.152%	Sewer Mains Imp	-
910148-11	1,635,870	12/3/2010	7/1/2030	In Progress	3.152%	Sundog WWTP Imp	5,063
910151-11	45,802,753	6/10/2011	7/1/2031	In Progress	2.950%	Airport WWTP	704,152
Total Clean Water Projects							<u>10,726,693</u>
Total							<u><u>\$22,253,386</u></u>

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

Year Ending	Principal	Interest
June 30,		
2012	\$ 1,021,449	\$ 733,953
2013	1,057,474	697,392
2014	1,798,185	638,786
2015	1,131,862	599,634
2016	1,171,011	559,119
2017-2021	6,491,718	2,136,683
2022-2026	6,377,071	1,008,079
2027-2031	3,204,616	107,240
	<u>\$ 22,253,386</u>	<u>\$ 6,480,886</u>

Changes in Long-Term Liabilities

The following table reflects the changes in long-term liabilities reported in the government-wide financial statements:

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
Governmental Activities:					
Bond payable:					
General obligation	\$ 4,950,000	\$ -	\$ 1,355,000	\$ 3,595,000	\$ 1,425,000
Municipal Property Corporation	22,838,083	8,415,000	948,676	30,304,407	1,242,148
Special assessments	1,747,180	-	337,151	1,410,029	330,044
Community Facilities Districts	4,260,000	-	480,000	3,780,000	250,000
Total bonds payable	33,795,263	8,415,000	3,120,827	39,089,436	3,247,192
Lease purchase contracts	248,256	-	129,472	118,784	51,448
Compensated absences	5,854,808	-	1,423,016	4,431,792	946,056
Governmental activity long-term liabilities	<u>\$ 39,898,327</u>	<u>\$ 8,415,000</u>	<u>\$ 4,673,315</u>	<u>\$ 43,640,012</u>	<u>\$ 4,244,696</u>

Business-type Activities:

Municipal Property Corporation bonds payable	\$ 15,936,917	\$ 495,000	\$ 676,324	\$ 15,755,593	\$ 828,852
Loans payable:					
WIFA	17,775,706	6,203,969	1,726,288	22,253,387	1,152,183
Other	171,741	-	171,741	-	-
Lease purchase contracts	1,748,615	-	852,520	896,095	360,981
Landfill closure/postclosure costs	1,173,915	-	29,569	1,144,346	71,522
Compensated absences	1,211,968	-	261,771	950,197	60,924
Business-type activity long-term liabilities	<u>\$ 38,018,862</u>	<u>\$ 6,698,969</u>	<u>\$ 3,718,213</u>	<u>\$ 40,999,618</u>	<u>\$ 2,474,462</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, 2011, the City is well within its debt limits, having \$146.8 million in borrowing capacity in the 20% category, and \$45.1 million in borrowing capacity in the 6% category. The City also has a \$1.5 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2011.

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 \$2,630,805 for general self-insurance reported in the fund at June 30, 2011 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, 2009 to June 30, 2011:

Liability balance, June 30, 2009	\$	2,311,984
Claims and changes in estimates		531,964
Claims payments		<u>(821,323)</u>
Liability balance, June 30, 2010		2,022,625
Claims and changes in estimates		1,876,907
Claims payments		<u>(1,268,727)</u>
Liability balance, June 30, 2011	\$	<u><u>2,630,805</u></u>

Of the amount shown above, \$770,000 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, 2011, 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 has an intergovernmental 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. The agreement provides the City with 54.1% and the Town of Prescott Valley with 45.9% of groundwater planned to be imported via this project.

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. The property was later renamed the Big Chino Water Ranch. It is through this project that the City will implement the right, granted by the Arizona Legislature, to transport groundwater from the Big Chino Sub-basin into the Prescott Active Management Area (AMA).

On October 12, 2007, the City's Application for Modification of Designation of Assured Water Supply was submitted to the Arizona Department of Water Resources (ADWR). The application requested that ADWR permanently reserve for Prescott a total of 14,000 acre-feet per year (af/yr) of groundwater in the Big Chino Sub-basin pursuant to statutory rights granted to Prescott in 1991 in Arizona Revised Statutes, Title 45 § 555. Prescott also sought ADWR confirmation of current legal availability to the City of 9,571 af/yr of groundwater from the Big Chino Sub-basin for assured water supply purposes.

In November 2008, ADWR issued a preliminary decision and order finding that the City's application satisfied all of the requirements for a Designation of Assured Water Supply. More specifically, ADWR determined that the City has the right to withdraw 8,068 af/yr of groundwater from the Big Chino Sub-basin and transport it for use within the Prescott AMA. ADWR's preliminary decision and order further confirmed that the groundwater to be transported from the Big Chino Sub-basin is physically, continuously and legally available for at least 100 years, and is consistent with the long-term water management goals of all the state's AMAs, which is to ensure the sustainability of AMA groundwater supplies. The preliminary decision and order was subjected to an administrative hearing in 2009, and then subsequently challenged by various parties in litigation.

In February 2010 the City entered into an Agreement in Principle with Salt River Project and the Town of Prescott Valley for the purpose of mutually addressing issues associated with the withdrawal and importation of water from the Big Chino Sub-basin. This document contemplates creation of several subsequent, more detailed agreements addressing groundwater modeling, monitoring, and measures for mitigating effects of groundwater pumping, if any, pursuant to ARS § 45-555(E); settlement of litigation among the parties; and mutual recognition of water rights. A technical amendment to ARS § 45-555(E) was also achieved pursuant the Agreement in Principle providing certain clarifications and specifying a base importation quantity of 8,068 af/yr.

The City is awaiting resolution of the litigation, which remained active at the end of FY 2011, to enable issuance of a final determination by ADWR regarding the allowable volume of imported water available to the communities from the Big Chino Sub-basin. Development of the well field, transmission pipelines, pump stations, reservoirs and other required infrastructure were previously estimated to cost \$133 million. Funding for construction of the pipeline to convey water from the Big Chino Sub-basin into the Prescott AMA is not contained in the City's FY 11-FY 16 Capital Improvement Program. The target year for delivery of the water will be determined by future demand for additional water supplies driven by new development, and the Prescott AMA mandate to reach safe-yield by 2025.

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
330 North Central
Phoenix, AZ 85012-0250
(800) 621-3778

PSPRS
3010 East Camelback Road Suite 200
Phoenix, AZ 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, 2011, active ASRS members were required to contribute at the actuarially determined rate of 9.85% (9.6% retirement and .25% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 9.85% (9.6% retirement and .25% long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2011, 2010 and 2009 were \$1,909,881, \$1,851,131 and \$1,929,521, respectively, which were equal to the required contributions.

Agent plans - For the year ended June 30, 2011, 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 30.15% for police and 27.10% for fire. The health insurance premium portion of the contribution rates were actuarially set at 1.61% of covered payroll for police and 1.40% of covered payroll for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2011 were:

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	30.15%	28.54%	1.61%
Fire	27.10%	25.70%	1.40%
Annual pension cost			
Police	\$ 1,210,188	\$ 1,145,564	\$ 64,624
Fire	940,118	891,551	48,567
Contributions made			
Police	\$ 1,210,188	\$ 1,145,564	\$ 64,624
Fire	940,118	891,551	48,567

A summary of actuarial methods and assumptions from the June 30, 2009 actuarial report and related information follows.

Actuarial cost method	Projected unit credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market
Actuarial assumptions	
Investment rate of return	8.50%
Projected salary increases	5.5%-8.5%
Payroll growth	5.50%
Cost-of-living adjustments	None

Trend Information

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

Fiscal Year Ended June30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension			
2007	\$ 852,298	100%	\$ -
2008	983,494	100%	-
2009	1,118,352	100%	-
Police Health Insurance			
2007	\$ 16,216	100%	\$ -
2008	22,931	100%	-
2009	22,252	100%	-
Fire Pension			
2007	\$ 690,476	100%	\$ -
2008	909,547	100%	-
2009	1,025,074	100%	-
Fire Health Insurance			
2007	\$ 13,860	100%	\$ -
2008	18,070	100%	-
2009	17,783	100%	-

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, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported; these benefits are disaggregated and reported separately.

Valuation Date June 30,	(1) Valuation Value of Assets	(2) 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						
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	2,958,970	193.5%
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%
2008	12,812,487	27,027,889	47.4%	14,215,402	4,296,379	330.9%
2009	13,831,966	29,115,046	47.5%	15,283,080	4,220,965	362.1%
Fire						
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%
2008	17,937,835	30,883,588	58.1%	12,945,753	4,320,143	299.7%
2009	18,741,981	31,054,176	60.4%	12,312,195	4,080,036	301.8%

The Following information is presented concerning the post-retirement health insurance subsidy measurements under GASB Statement No. 45.

Actuarial Accrued Liability

Valuation Date	(1) Valuation Value of Assets	(2) 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						
2006	\$ -	\$ 979,168	0.0%	\$ 979,168	\$ 3,923,713	24.96%
2007	-	1,051,252	0.0%	1,051,252	4,294,056	24.48%
2008	-	923,699	0.0%	923,699	4,296,379	21.50%
2009	-	835,891	0.0%	835,891	4,220,965	19.80%
Fire						
2006	\$ -	\$ 894,902	0.0%	\$ 894,902	\$ 3,474,512	25.76%
2007	-	902,019	0.0%	902,019	3,709,276	24.32%
2008	-	900,425	0.0%	900,425	4,320,143	20.84%
2009	-	731,571	0.0%	731,571	4,080,036	17.93%

Annual Required Contribution

Valuation Date	Fiscal Year Ended	(1) Normal Cost	(2) Actuarial Accrued Liability	(3) Total (1)+(2)	(4) Dollar Amount
Police					
2006	2008	0.43%	1.15%	1.58%	\$ 67,883
2007	2009	0.63%	1.15%	1.78%	76,476
2008	2010	0.54%	1.04%	1.58%	67,883
2009	2011	0.64%	0.97%	1.61%	75,638
Fire					
2006	2008	0.44%	1.19%	1.63%	\$ 70,418
2007	2009	0.54%	1.15%	1.69%	73,010
2008	2010	0.45%	1.01%	1.46%	63,074
2009	2011	0.53%	0.87%	1.40%	63,577

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 \$1,144,346 reported in the solid waste enterprise fund as landfill closure and postclosure care liability at June 30, 2011, 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 became liable for the reimbursements when construction was complete. The funding source for the reimbursements will come from new tax revenues

generated by the businesses. The City's maximum remaining liability under these agreements at year-end is \$1.5 million.

The City also has remaining construction commitments totaling \$2.4 million for various road projects and \$9.9 million for various water and sewer infrastructure at year-end.

N. Prior Period Adjustment

In the prior year, grant revenue deferral did not meet deferral requirements and should have been recognized as revenue. Therefore, beginning fund balance was adjusted in the Nonmajor Governmental Funds (Grants) to reflect the recognition. They were also classified as unearned in the government wide statements and should have been shown as revenues. The following summary is necessary to reconcile beginning fund balance for the Nonmajor governmental funds and beginning net assets on the government wide statements.

Nonmajor Governmental Fund

	<u>Grants</u>
Fund balance, July 1, 2010 as previously stated	\$ (12,370)
To adjust for previously deferred revenue	<u>254,769</u>
Fund balance, July 1, 2010 as restated	<u><u>\$ 242,399</u></u>

**Government Wide Statement
Statement of Activities**

	<u>Governmental Activities</u>
Net assets - July 1, 2010 as previously stated	\$ 301,761,469
To adjust for previously unearned revenue	<u>254,769</u>
Net assets - July 1, 2010 as restated	<u><u>\$ 302,016,238</u></u>



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.

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.

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.

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.

Miscellaneous Gift Trust Fund

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

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.

Community Facilities Districts Fund

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

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.

CITY OF PRESCOTT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds					Debt Service	Total	
	Transient Lodging Tax	Impact Fees	Grants	Miscellaneous Gift Trust	Acker Trust	Community Facilities Districts	City of Prescott	Nonmajor Governmental Funds
ASSETS								
Cash and short-term investments	\$ 188,882	\$ 3,197,390	\$ 64,659	\$ 211,065	\$ 584,873	\$ 971,452	\$ 395,158	\$ 5,613,479
Accounts receivable (net)	92,532	2,010	-	-	-	-	-	94,542
Property taxes receivable	-	-	-	-	-	-	77,133	77,133
Special assessments receivable	-	-	-	-	-	-	1,410,486	1,410,486
Intergovernmental receivable	-	-	459,515	-	-	-	-	459,515
Total assets	<u>\$ 281,414</u>	<u>\$ 3,199,400</u>	<u>\$ 524,174</u>	<u>\$ 211,065</u>	<u>\$ 584,873</u>	<u>\$ 971,452</u>	<u>\$ 1,882,777</u>	<u>\$ 7,655,155</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 17,031	\$ 6,686	\$ 37,833	\$ 2,182	\$ -	\$ -	\$ 650	\$ 64,382
Accrued expenditures	6,603	-	87,280	-	-	-	-	93,883
Interfund payable	-	363,874	-	-	-	-	-	363,874
Deferred revenue	-	-	399,711	-	-	-	1,455,656	1,855,367
Total liabilities	<u>23,634</u>	<u>370,560</u>	<u>524,824</u>	<u>2,182</u>	<u>-</u>	<u>-</u>	<u>1,456,306</u>	<u>2,377,506</u>
Fund Balances								
Restricted	257,780	2,828,840	-	208,883	584,873	971,452	426,471	5,278,299
Unassigned	-	-	(650)	-	-	-	-	(650)
Total fund balances	<u>257,780</u>	<u>2,828,840</u>	<u>(650)</u>	<u>208,883</u>	<u>584,873</u>	<u>971,452</u>	<u>426,471</u>	<u>5,277,649</u>
Total liabilities and fund balances	<u>\$ 281,414</u>	<u>\$ 3,199,400</u>	<u>\$ 524,174</u>	<u>\$ 211,065</u>	<u>\$ 584,873</u>	<u>\$ 971,452</u>	<u>\$ 1,882,777</u>	<u>\$ 7,655,155</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011

Revenues	Special Revenue Funds						Debt Service	Total Other
	Transient Lodging Tax	Impact Fees	Grants	Miscellaneous		Community	City of Prescott	Governmental Funds
				Gift Trust	Acker Trust	Facilities Districts		
Taxes	\$ 509,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,576,938	\$ 2,086,426
Intergovernmental revenues	-	-	1,257,750	-	-	-	-	1,257,750
Licenses and permits	-	529,851	-	-	-	-	-	529,851
Gifts and donations	-	-	-	141,516	-	-	-	141,516
Interest and investment income	1,883	53,206	-	-	10,338	-	183,943	249,370
Miscellaneous	87,287	23,616	-	-	-	-	330,466	441,369
Total revenues	598,658	606,673	1,257,750	141,516	10,338	-	2,091,347	4,706,282
Expenditures								
Current operating								
General government	294,623	-	-	3,254	-	-	-	297,877
Community services	-	-	136,304	6,033	-	-	-	142,337
Culture and recreation	136,336	-	360	25,688	8,800	-	-	171,184
Police and court	-	-	256,394	38,435	-	-	-	294,829
Fire	-	-	642,838	3,705	-	-	-	646,543
Capital outlay								
General government	-	-	132,626	-	-	-	-	132,626
Community services	-	-	282,424	-	-	-	-	282,424
Culture and recreation	14,841	108,356	-	69,000	-	-	-	192,197
Police and court	-	-	92,665	-	-	-	-	92,665
Fire	-	-	9,240	-	-	-	-	9,240
Debt service - principal	-	-	-	-	-	-	1,692,151	1,692,151
Debt service - interest	-	-	-	-	-	-	292,820	292,820
Total expenditures	445,800	108,356	1,552,851	146,115	8,800	-	1,984,971	4,246,893
Excess (deficiency) of revenues over (under) expenditures	152,858	498,317	(295,101)	(4,599)	1,538	-	106,376	459,389
Other Financing Sources (Uses)								
Transfers in	-	-	119,666	-	-	971,452	-	1,091,118
Transfers out	(17,611)	(145,372)	(67,614)	-	-	-	-	(230,597)
Total other financing sources (uses)	(17,611)	(145,372)	52,052	-	-	971,452	-	860,521
Net change in fund balance	135,247	352,945	(243,049)	(4,599)	1,538	971,452	106,376	1,319,910
Fund balance - beginning - restated	122,533	2,475,895	242,399	213,482	583,335	-	320,095	3,957,739
Fund balance - ending	\$ 257,780	\$ 2,828,840	\$ (650)	\$ 208,883	\$ 584,873	\$ 971,452	\$ 426,471	\$ 5,277,649



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

GOVERNMENTAL FUNDS

Special Revenue Funds

- Transient lodging tax
- Impact fees
- Grants
- Miscellaneous gift trust
- Acker trust
- Community Facilities Districts

Debt Service Funds

- City of Prescott
- Community Facilities Districts

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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Taxes - transient lodging tax	\$ 460,980	\$ 460,980	\$ 509,488	\$ 48,508
Investment income	-	-	1,883	1,883
Miscellaneous	82,000	82,000	87,287	5,287
Total revenues	<u>542,980</u>	<u>542,980</u>	<u>598,658</u>	<u>55,678</u>
Expenditures				
Current operating				
General Government	454,316	454,316	294,623	159,693
Culture and recreation	187,327	187,327	136,336	50,991
Other services and charges	-	-	-	-
Capital outlay	15,000	15,000	14,841	159
Total expenditures	<u>656,643</u>	<u>656,643</u>	<u>445,800</u>	<u>210,843</u>
Excess (deficiency) of revenues over expenditures	(113,663)	(113,663)	152,858	266,521
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(17,611)	(17,611)	(17,611)	-
Total other financing sources (uses)	<u>(17,611)</u>	<u>(17,611)</u>	<u>(17,611)</u>	<u>-</u>
Net change in fund balances	(131,274)	(131,274)	135,247	266,521
Fund balance - beginning	122,533	122,533	122,533	-
Fund balance - ending	<u>\$ (8,741)</u>	<u>\$ (8,741)</u>	<u>\$ 257,780</u>	<u>\$ 266,521</u>

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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Licenses and permits - impact fees	\$ 645,400	\$ 645,400	\$ 529,851	\$ (115,549)
Interest and investment income	52,500	52,500	53,206	706
Miscellaneous	22,735	22,735	23,616	881
Total revenues	<u>720,635</u>	<u>720,635</u>	<u>606,673</u>	<u>(113,962)</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	-	-	-
Culture and recreation	825,000	825,000	108,356	716,644
Total capital outlay	<u>825,000</u>	<u>825,000</u>	<u>108,356</u>	<u>716,644</u>
Total expenditures	<u>825,000</u>	<u>825,000</u>	<u>108,356</u>	<u>716,644</u>
Excess (deficiency) of revenues over expenditures	<u>(104,365)</u>	<u>(104,365)</u>	<u>498,317</u>	<u>602,682</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(160,000)	(145,372)	14,628
Total other financing sources (uses)	<u>-</u>	<u>(160,000)</u>	<u>(145,372)</u>	<u>14,628</u>
Net change in fund balances	<u>(104,365)</u>	<u>(264,365)</u>	<u>352,945</u>	<u>617,310</u>
Fund balance - beginning	<u>2,475,895</u>	<u>2,475,895</u>	<u>2,475,895</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,371,530</u>	<u>\$ 2,211,530</u>	<u>\$ 2,828,840</u>	<u>\$ 617,310</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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Intergovernmental revenues	\$ 7,357,863	\$ 7,357,863	\$ 1,257,750	\$ (6,100,113)
Miscellaneous	-	-	-	-
Total revenues	<u>7,357,863</u>	<u>7,357,863</u>	<u>1,257,750</u>	<u>(6,100,113)</u>
Expenditures				
Current				
General government	77,000	77,000	-	77,000
Community services	300,567	300,567	136,304	164,263
Culture and recreation	60,776	60,776	360	60,416
Police and court	731,518	731,518	256,394	475,124
Fire	954,786	1,022,288	642,838	379,450
Total current	<u>2,124,647</u>	<u>2,192,149</u>	<u>1,035,896</u>	<u>1,156,253</u>
Capital outlay				
General government	351,100	351,100	132,626	218,474
Community services	3,248,515	2,183,515	282,424	1,901,091
Culture and recreation	750,000	750,000	-	750,000
Police and court	326,296	326,296	92,665	233,631
Fire	1,104,102	1,036,600	9,240	1,027,360
Public works	500,000	500,000	-	500,000
Total capital outlay	<u>6,280,013</u>	<u>5,147,511</u>	<u>516,955</u>	<u>4,630,556</u>
Total expenditures	<u>8,404,660</u>	<u>7,339,660</u>	<u>1,552,851</u>	<u>5,786,809</u>
Excess (deficiency) of revenues over expenditures	<u>(1,046,797)</u>	<u>18,203</u>	<u>(295,101)</u>	<u>(313,304)</u>
Other Financing Sources (Uses)				
Transfers in	916,797	874,047	119,666	(754,381)
Transfers out	-	-	(67,614)	(67,614)
Total other financing sources (uses)	<u>916,797</u>	<u>874,047</u>	<u>52,052</u>	<u>(821,995)</u>
Net change in fund balances	<u>(130,000)</u>	<u>892,250</u>	<u>(243,049)</u>	<u>(1,135,299)</u>
Fund balance - beginning - restated	242,399	242,399	242,399	-
Fund balance - ending	<u>\$ 112,399</u>	<u>\$ 1,134,649</u>	<u>\$ (650)</u>	<u>\$ (1,135,299)</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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Gifts and donations	\$ -	\$ -	\$ 141,516	\$ 141,516
Total revenues	-	-	141,516	141,516
Expenditures				
Current				
General government	-	-	3,254	(3,254)
Community services	-	-	6,033	(6,033)
Culture and recreation	100,000	100,000	25,688	74,312
Police and court	-	-	38,435	(38,435)
Fire	-	-	3,705	(3,705)
Total current	100,000	100,000	77,115	22,885
Capital outlay				
Culture and recreation	-	90,000	69,000	21,000
Total capital outlay	-	90,000	69,000	21,000
Total expenditures	100,000	190,000	146,115	43,885
Excess (deficiency) of revenues over expenditures	(100,000)	(190,000)	(4,599)	185,401
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(100,000)	(190,000)	(4,599)	185,401
Fund balance - beginning	213,482	213,482	213,482	-
Fund balance - ending	\$ 113,482	\$ 23,482	\$ 208,883	\$ 185,401

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2011

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 10,000	\$ 10,000	\$ 10,338	\$ 338
Total revenues	10,000	10,000	10,338	338
Expenditures				
Culture and recreation	10,000	10,000	8,800	1,200
Total expenditures	10,000	10,000	8,800	1,200
Excess (deficiency) of revenues over expenditures	-	-	1,538	1,538
Fund balance - beginning	583,335	583,335	583,335	-
Fund balance - ending	\$ 583,335	\$ 583,335	\$ 584,873	\$ 1,538

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2011

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	971,452	971,452
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	971,452	971,452
Net change in fund balances	-	-	971,452	971,452
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 971,452	\$ 971,452

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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Property tax revenue	\$ 1,573,160	\$ 1,573,160	\$ 1,576,938	\$ 3,778
Interest and investment income	90,180	90,180	183,943	93,763
Miscellaneous	337,151	337,151	330,466	(6,685)
Total revenues	<u>2,000,491</u>	<u>2,000,491</u>	<u>2,091,347</u>	<u>90,856</u>
Expenditures				
Debt service				
Principal	1,692,151	1,692,151	1,692,151	-
Interest	293,340	293,340	292,820	520
Total expenditures	<u>1,985,491</u>	<u>1,985,491</u>	<u>1,984,971</u>	<u>520</u>
Excess (deficiency) of revenues over expenditures	15,000	15,000	106,376	91,376
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,000	15,000	106,376	91,376
Fund balance - beginning	320,095	320,095	320,095	-
Fund balance - ending	<u>\$ 335,095</u>	<u>\$ 335,095</u>	<u>\$ 426,471</u>	<u>\$ 91,376</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, 2011

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Interest and investment income	\$ 328,713	\$ 328,713	\$ 211,298	\$ (117,415)
Miscellaneous	710,000	710,000	396,511	(313,489)
Total revenues	<u>1,038,713</u>	<u>1,038,713</u>	<u>607,809</u>	<u>(430,904)</u>
Expenditures				
Current				
General government	60,000	60,000	9,778	50,222
Debt Service				
Principal	650,000	650,000	480,000	170,000
Interest	328,713	328,713	322,568	6,145
Total expenditures	<u>1,038,713</u>	<u>1,038,713</u>	<u>812,346</u>	<u>226,367</u>
Excess (deficiency) of revenues over expenditures	-	-	(204,537)	(204,537)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(971,452)	(971,452)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(971,452)</u>	<u>(971,452)</u>
Net change in fund balances	-	-	(1,175,989)	(1,175,989)
Fund balance - beginning	1,812,032	1,812,032	1,812,032	-
Fund balance - ending	<u>\$ 1,812,032</u>	<u>\$ 1,812,032</u>	<u>\$ 636,043</u>	<u>\$ (1,175,989)</u>



COMBINING STATEMENTS Nonmajor Proprietary Funds

ENTERPRISE FUNDS

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, 2011

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net)	1,044	483	1,527
Inventory (at cost)	47,367	-	47,367
Total current assets	<u>48,411</u>	<u>483</u>	<u>48,894</u>
Noncurrent Assets			
Capital Assets			
Land and construction in process	1,963,554	-	1,963,554
Buildings	694,880	6,332,379	7,027,259
Improvements other than buildings	5,650,170	-	5,650,170
Machinery and equipment	1,976,581	-	1,976,581
Less accumulated depreciation	<u>(3,949,369)</u>	<u>(791,547)</u>	<u>(4,740,916)</u>
Total capital assets (net of accumulated depreciation)	<u>6,335,816</u>	<u>5,540,832</u>	<u>11,876,648</u>
Total assets	<u>6,384,227</u>	<u>5,541,315</u>	<u>11,925,542</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 34,769	\$ 1,067	\$ 35,836
Accrued expenses	97,065	1,337	98,402
Deferred revenue - current	47,741	-	47,741
Compensated absences - current	-	-	-
Loans payable - current	8,882	-	8,882
Bonds payable - current	119,000	-	119,000
Total current liabilities	<u>307,457</u>	<u>2,404</u>	<u>309,861</u>
Noncurrent Liabilities			
Compensated absences	76,938	-	76,938
Loans payable	6,920	-	6,920
Bond payable	376,000	-	376,000
Interfund payable	3,361,888	35,922	3,397,810
Total noncurrent liabilities	<u>3,821,746</u>	<u>35,922</u>	<u>3,857,668</u>
Total liabilities	<u>4,129,203</u>	<u>38,326</u>	<u>4,167,529</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,825,014	5,540,832	11,365,846
Unrestricted	<u>(3,569,990)</u>	<u>(37,843)</u>	<u>(3,607,833)</u>
Total net assets	<u>\$ 2,255,024</u>	<u>\$ 5,502,989</u>	<u>\$ 7,758,013</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the year ended June 30, 2011

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
Operating Revenues			
Golf course green fees	\$ 1,154,900	\$ -	\$ 1,154,900
Restaurant sales	690,848	-	690,848
Golf course rentals	498,514	-	498,514
Golf pro-shop sales	162,071	-	162,071
Other services	-	39,331	39,331
Miscellaneous	25,551	-	25,551
Total operating revenues	<u>2,531,884</u>	<u>39,331</u>	<u>2,571,215</u>
Operating Expenses			
Personnel services	1,435,920	25,543	1,461,463
Supplies	681,549	3,339	684,888
Other services and charges	629,867	53,646	683,513
Depreciation	355,227	158,310	513,537
Total operating expenses	<u>3,102,563</u>	<u>240,838</u>	<u>3,343,401</u>
Operating income (loss)	<u>(570,679)</u>	<u>(201,507)</u>	<u>(772,186)</u>
Non-Operating Revenues (Expenses)			
Interest and investment income	-	-	-
Interest expense	(15,917)	(54)	(15,971)
Net gain (loss) on disposal of assets	74,258	-	74,258
Total non-operating Revenues (expenses)	<u>58,341</u>	<u>(54)</u>	<u>58,287</u>
Income (loss) before contributions and transfers	(512,338)	(201,561)	(713,899)
Transfers In	111,399	17,611	129,010
Change in net assets	<u>(400,939)</u>	<u>(183,950)</u>	<u>(584,889)</u>
Total net assets - beginning	2,655,963	5,686,939	8,342,902
Total net assets - ending	<u>\$ 2,255,024</u>	<u>\$ 5,502,989</u>	<u>\$ 7,758,013</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2011

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 2,534,085	\$ 40,651	\$ 2,574,736
Cash payments to employees for services	(1,454,353)	(25,606)	(1,479,959)
Cash payments to suppliers for goods and services	(1,337,453)	(56,487)	(1,393,940)
Net cash provided by (used for) operating activities	<u>(257,721)</u>	<u>(41,442)</u>	<u>(299,163)</u>
Cash flows from noncapital financing activities:			
Receipt (payment) under interfund loan arrangement	399,370	23,885	423,255
Transfers in	111,399	17,611	129,010
Net cash provided by (used for) noncapital financing activity	<u>510,769</u>	<u>41,496</u>	<u>552,265</u>
Cash flows from capital and related financing activities:			
Acquisition of capital equipment	(600,829)	-	(600,829)
Interest paid on capital financing	(15,917)	(54)	(15,971)
Principal paid on capital financing	(450,802)	-	(450,802)
Proceeds from capital financing	495,000	-	495,000
Proceeds/payments from sales of capital assets	319,500	-	319,500
Net cash provided by (used for) capital and related financing activities	<u>(253,048)</u>	<u>(54)</u>	<u>(253,102)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at July 1	-	-	-
Cash and cash equivalents at June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	<u>\$ (570,679)</u>	<u>\$ (201,507)</u>	<u>\$ (772,186)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	355,227	158,310	513,537
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	(62,785)	496	(62,289)
Increase (decrease) in compensated absences	(14,916)	-	(14,916)
(Increase) decrease in accounts receivable	2,110	1,322	3,432
(Increase) decrease in inventory	36,839	-	36,839
Increase (decrease) salary & benefits payable	(3,517)	(63)	(3,580)
Total adjustments	<u>312,958</u>	<u>160,065</u>	<u>473,023</u>
Net cash provided by operating activities	<u>\$ (257,721)</u>	<u>\$ (41,442)</u>	<u>\$ (299,163)</u>

COMBINING 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:

Fleet Maintenance

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.

Risk Management

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. Revenue to this fund is derived from charges to participating City departments.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

ASSETS	Fleet	Risk	Engineering	Facilities	Totals
	<u>Maintenance</u>	<u>Management</u>	<u>Services</u>	<u>Maintenance</u>	
Current Assets					
Cash and cash equivalents	\$ 6,421,503	\$ 1,622,077	\$ 403,111	\$ 234,456	\$ 8,681,147
Accounts receivable (net)	2,202	-	-	-	2,202
Inventory at cost	243,287	-	-	-	243,287
Total current assets	<u>6,666,992</u>	<u>1,622,077</u>	<u>403,111</u>	<u>234,456</u>	<u>8,926,636</u>
Noncurrent Assets					
Restricted cash and cash equivalents					
Restricted cash	-	1,451,632	-	-	1,451,632
Total restricted assets	<u>-</u>	<u>1,451,632</u>	<u>-</u>	<u>-</u>	<u>1,451,632</u>
Capital Assets					
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	5,451,677	-	302,521	79,665	5,833,863
Total capital assets	<u>10,736,559</u>	<u>-</u>	<u>339,071</u>	<u>79,665</u>	<u>11,155,295</u>
Less accumulated depreciation	<u>(2,742,383)</u>	<u>-</u>	<u>(240,685)</u>	<u>(45,057)</u>	<u>(3,028,125)</u>
Net capital assets	<u>7,994,176</u>	<u>-</u>	<u>98,386</u>	<u>34,608</u>	<u>8,127,170</u>
Total assets	<u>14,661,168</u>	<u>3,073,709</u>	<u>501,497</u>	<u>269,064</u>	<u>18,505,438</u>
LIABILITIES					
Current Liabilities					
Accounts payable	392,644	34,174	3,928	28,994	459,740
Accrued expenses	30,112	-	70,630	17,019	117,761
Claims payable	-	770,000	-	-	770,000
Compensated absences - current	56,465	-	176,027	-	232,492
Bonds and assessments - current	200,148	-	-	-	200,148
Total current liabilities	<u>679,369</u>	<u>804,174</u>	<u>250,585</u>	<u>46,013</u>	<u>1,780,141</u>
Noncurrent Liabilities					
Claims payable	-	1,860,805	-	-	1,860,805
Compensated absences	63,279	15,326	92,234	49,302	220,141
Bonds and assessments payable	4,199,259	-	-	-	4,199,259
Total noncurrent liabilities	<u>4,262,538</u>	<u>1,876,131</u>	<u>92,234</u>	<u>49,302</u>	<u>6,280,205</u>
Total liabilities	<u>4,941,907</u>	<u>2,680,305</u>	<u>342,819</u>	<u>95,315</u>	<u>8,060,346</u>
Net Assets					
Invested in capital assets, net of related debt	3,594,769	-	98,386	34,608	3,727,763
Unrestricted	6,124,492	393,404	60,292	139,141	6,717,329
Total net assets	<u>\$ 9,719,261</u>	<u>\$ 393,404</u>	<u>\$ 158,678</u>	<u>\$ 173,749</u>	<u>\$ 10,445,092</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2011

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 1,631,018	\$ -	\$ 1,808,254	\$ 965,804	\$ 4,405,076
Other services	-	1,764,087	-	-	1,764,087
Miscellaneous	-	-	100	258	358
Total operating revenues	<u>1,631,018</u>	<u>1,764,087</u>	<u>1,808,354</u>	<u>966,062</u>	<u>6,169,521</u>
Operating Expenses					
Personnel services	624,239	241,753	1,083,850	334,083	2,283,925
Supplies	569,960	5,503	31,456	76,916	683,835
Other services and charges	348,483	848,418	210,112	570,045	1,977,058
Claims expense	-	1,268,726	-	-	1,268,726
Depreciation	618,129	-	19,922	3,221	641,272
Total operating expenses	<u>2,160,811</u>	<u>2,364,400</u>	<u>1,345,340</u>	<u>984,265</u>	<u>6,854,816</u>
Operating income (loss)	<u>(529,793)</u>	<u>(600,313)</u>	<u>463,014</u>	<u>(18,203)</u>	<u>(685,295)</u>
Non-operating Revenues (Expenses)					
Interest and investment income	118,329	47,518	3,693	3,114	172,654
Net gain (loss) on disposal of assets	-	-	-	-	-
Debt service interest	(196,660)	-	-	-	(196,660)
Total non-operating revenues	<u>(78,331)</u>	<u>47,518</u>	<u>3,693</u>	<u>3,114</u>	<u>(24,006)</u>
Income (loss) before transfers	<u>(608,124)</u>	<u>(552,795)</u>	<u>466,707</u>	<u>(15,089)</u>	<u>(709,301)</u>
Transfers in	-	-	-	19,470	19,470
Transfers out	(2,765,937)	-	-	-	(2,765,937)
Change in net assets	<u>(3,374,061)</u>	<u>(552,795)</u>	<u>466,707</u>	<u>4,381</u>	<u>(3,455,768)</u>
Total net assets - beginning	<u>13,093,322</u>	<u>946,199</u>	<u>(308,029)</u>	<u>169,368</u>	<u>13,900,860</u>
Total net assets - ending	<u>\$ 9,719,261</u>	<u>\$ 393,404</u>	<u>\$ 158,678</u>	<u>\$ 173,749</u>	<u>\$10,445,092</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2011

	Fleet Maintenance	Risk Management	Engineering Services	Facilities Maintenance	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,628,816	\$ 1,764,087	\$ 1,808,354	\$ 966,062	\$ 6,167,319
Cash payments to suppliers for goods and services	(572,676)	(1,559,726)	(240,149)	(648,352)	(3,020,903)
Cash payments to employees for services	(665,290)	(180,875)	(1,452,765)	(351,894)	(2,650,824)
Net cash provided by (used for) operating activities	<u>390,850</u>	<u>23,486</u>	<u>115,440</u>	<u>(34,184)</u>	<u>495,592</u>
Cash Flows from Noncapital Financing Activities:					
Transfers in	-	-	-	19,470	19,470
Transfers out	(2,765,937)	-	-	-	(2,765,937)
Net cash provided by (used for) noncapital financing activities	<u>(2,765,937)</u>	<u>-</u>	<u>-</u>	<u>19,470</u>	<u>(2,746,467)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(574,610)	-	-	(19,470)	(594,080)
Interest paid on capital financing	(196,660)	-	-	-	(196,660)
Principal paid on capital financing	(188,676)	-	-	-	(188,676)
Proceeds from sales of capital assets	2,765,937	-	-	-	2,765,937
Net cash provided by (used for) capital and related financing activities	<u>1,805,991</u>	<u>-</u>	<u>-</u>	<u>(19,470)</u>	<u>1,786,521</u>
Cash Flows from Investing Activities:					
Interest on investments	118,330	47,518	3,694	3,118	172,660
Net cash provided by (used for) investing activities	<u>118,330</u>	<u>47,518</u>	<u>3,694</u>	<u>3,118</u>	<u>172,660</u>
Net increase (decrease) in cash and cash equivalents	(450,766)	71,004	119,134	(31,066)	(291,694)
Cash and cash equivalents - beginning	6,872,269	3,002,705	283,977	265,522	10,424,473
Cash and cash equivalents - ending	<u>\$ 6,421,503</u>	<u>\$ 3,073,709</u>	<u>\$ 403,111</u>	<u>\$ 234,456</u>	<u>\$ 10,132,779</u>
Reconciliation to statement of net assets					
Cash and cash equivalents at June 30, unrestricted	\$ 6,421,503	\$ 1,622,077	\$ 403,111	\$ 234,456	\$ 8,681,147
Cash and cash equivalents at June 30, restricted	-	1,451,632	-	-	1,451,632
Total	<u>\$ 6,421,503</u>	<u>\$ 3,073,709</u>	<u>\$ 403,111</u>	<u>\$ 234,456</u>	<u>\$ 10,132,779</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:					
Operating income (loss)	\$ (529,793)	\$ (600,313)	\$ 463,014	\$ (18,203)	\$ (685,295)
Adjustments to reconcile operating income activities:					
Depreciation	618,129	-	19,922	3,221	641,272
Change in assets and liabilities:					
Increase (decrease) in accounts payable	353,821	-	1,419	(1,392)	353,848
Increase (decrease) in compensated absences	(39,609)	-	(365,545)	(17,609)	(422,763)
(Increase) decrease in customer receivable	(2,202)	-	-	-	(2,202)
Increase (decrease) in claims payable	-	562,921	-	-	562,921
(Increase) decrease in inventory	(8,055)	-	-	-	(8,055)
Increase (decrease) in salaries & benefits payable	(1,441)	60,878	(3,370)	(201)	55,866
Total adjustments	<u>920,643</u>	<u>623,799</u>	<u>(347,574)</u>	<u>(15,981)</u>	<u>1,180,887</u>
Net cash provided by (used for) operating activities	<u>\$ 390,850</u>	<u>\$ 23,486</u>	<u>\$ 115,440</u>	<u>\$ (34,184)</u>	<u>\$ 495,592</u>

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, 2011

	Agency Funds County Justice Court			
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and short-term investments	\$ 132,064	\$ 1,518,000	\$ 1,525,139	\$ 124,925
Total assets	<u>\$ 132,064</u>	<u>\$ 1,518,000</u>	<u>\$ 1,525,139</u>	<u>\$ 124,925</u>
LIABILITIES				
Due to other governments	\$ 132,064	\$ 1,518,000	\$ 1,525,139	\$ 124,925
Total liabilities	<u>\$ 132,064</u>	<u>\$ 1,518,000</u>	<u>\$ 1,525,139</u>	<u>\$ 124,925</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of General Obligation Bonds Payable
 June 30, 2011

	Refunding & Municipal Facilities Bond <u>Series 1998</u>	Municipal Facilities Bond <u>Series 2007</u>	Total General Obligation Bonds
Interest rates	4.34%	3.83%	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	13,285,000	525,000	13,810,000
Outstanding	2,610,000	985,000	3,595,000
Principal retirement:			
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, 2011

	Water & Sewer Improvement Bond	Big Chino Ranch	Central Garage & Transfer Station	89A and Granite Dells Parkway Taxable Revenue Bonds (1)	Williamson Valley Rd & Golf Course Equipment	Total Bonds Payable
	Series 1998-F	Series 2004-G	Series 2007	Series 2010	Series 2011	
Interest rates	4.69%	4.62%	4.35% avg.	1.27% - 6.245%	4.18%	N/A
Issue date	12/1/1998	12/29/2004	5/8/2007	2/18/2010	5/12/2011	N/A
Final maturity	7/1/2018	7/1/2034	7/1/2027	7/1/2029	7/1/2031	N/A
Authorized	\$ 6,160,000	\$ 12,525,000	\$ 6,625,000	\$ 18,250,000	\$ 8,910,000	\$ 52,470,000
Issued	6,160,000	12,525,000	6,625,000	18,250,000	8,910,000	52,470,000
Retired	3,205,000	1,535,000	910,000	760,000	-	6,410,000
Outstanding	2,955,000	10,990,000	5,715,000	17,490,000	8,910,000	37,150,000
Principal retirement:						
2012	365,000	285,000	260,000	765,000	396,000	2,071,000
2013	380,000	295,000	265,000	775,000	410,000	2,125,000
2014	400,000	310,000	280,000	785,000	426,000	2,201,000
2015	420,000	320,000	290,000	805,000	442,000	2,277,000
2016	440,000	335,000	300,000	825,000	326,000	2,226,000
2017	465,000	345,000	310,000	845,000	340,000	2,305,000
2018	485,000	360,000	325,000	870,000	354,000	2,394,000
2019	-	375,000	340,000	900,000	369,000	1,984,000
2020	-	395,000	355,000	930,000	385,000	2,065,000
2021	-	415,000	370,000	960,000	401,000	2,146,000
2022	-	430,000	390,000	990,000	418,000	2,228,000
2023	-	450,000	410,000	1,025,000	435,000	2,320,000
2024	-	470,000	430,000	1,065,000	453,000	2,418,000
2025	-	495,000	450,000	1,100,000	473,000	2,518,000
2026	-	515,000	460,000	1,140,000	492,000	2,607,000
2027	-	545,000	480,000	1,190,000	513,000	2,728,000
2028	-	570,000	-	1,235,000	535,000	2,340,000
2029	-	600,000	-	1,285,000	557,000	2,442,000
2030	-	630,000	-	-	580,000	1,210,000
2031	-	660,000	-	-	605,000	1,265,000
2032	-	695,000	-	-	-	695,000
2033	-	730,000	-	-	-	730,000
2034	-	765,000	-	-	-	765,000

1. The Series 2010 Municipal Properties Corporation Bonds are taxable revenue bonds that are qualified Build America Bonds. The federal government will provide a subsidy totaling \$3,985,167 over the term of the bonds reducing the City's interest obligation from \$11,386,190 to \$7,401,024 over the term of the issue. In FY 10, \$115,374 in subsidy payments were received.

CITY OF PRESCOTT, ARIZONA
Schedule of Special Assessment Bonds Payable
June 30, 2011

	Imp. District #162	Imp. District #163	Imp. District #164	Total Imp. District
Interest rates	5.10%	4.60%	2- 3.082%	N/A
Issue date	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,485,840
Issued	1,920,000	2,470,000	95,840	4,485,840
Retired	1,265,000	1,770,000	40,811	3,075,811
Outstanding	655,000	700,000	55,029	1,410,029
Principal retirement:				
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	5,045	355,045
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	-	-	4,588	4,588

CITY OF PRESCOTT, ARIZONA
Schedule of Community Facilities Districts Bonds Payable
June 30, 2011

	Hassayampa #1 Community Facilities Bonds <u>Series 1996</u>	Hassayampa #2 Community Facilities Bonds <u>Series 2000</u>	Total Community Facilities <u>Bonds</u>
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	4,010,000	765,000	4,775,000
Outstanding	3,305,000	475,000	3,780,000
Principal retirement:			
2012	230,000	20,000	250,000
2013	250,000	25,000	275,000
2014	270,000	25,000	295,000
2015	285,000	30,000	315,000
2016	310,000	30,000	340,000
2017	335,000	35,000	370,000
2018	360,000	35,000	395,000
2019	390,000	40,000	430,000
2020	420,000	40,000	460,000
2021	455,000	45,000	500,000
2022	-	50,000	50,000
2023	-	50,000	50,000
2024	-	50,000	50,000

CITY OF PRESCOTT, ARIZONA

Schedule of Loans Payable From Water Infrastructure Finance Authority

June 30, 2011

	Clean Water Loan	Drinking Water Loan	Drinking Water Loan	Drinking Water Loan	Drinking Water Loan	Total					
	<u>710073-10</u>	<u>910097-08</u>	<u>910122-10</u>	<u>910147-11</u>	<u>910148-11</u>	<u>910151-11</u>	<u>920125-08</u>	<u>92A154-10</u>	<u>92A166-09</u>	<u>920206-11</u>	<u>Payable</u>
Interest rates	0.784%	3.868%	3.143%	3.152%	3.152%	2.950%	3.64%	3.143%	3.143%	3.152%	N/A
Issue date	9/25/2009	8/24/2007	7/31/2009	12/3/2010	12/3/2010	6/10/2011	8/24/2007	7/31/2009	7/31/2009	12/3/2010	N/A
Final maturity date	7/1/2012	7/1/2027	7/1/2029	7/1/2030	7/1/2030	7/1/2031	7/1/2027	7/1/2029	7/1/2029	7/1/2030	N/A
Authorized	\$ 1,386,334	\$ 4,703,000	\$ 6,573,506	\$ 2,070,000	\$ 1,635,870	\$ 45,802,753	\$ 9,854,000	\$ 3,591,880	\$ 8,998,096	\$ 1,060,000	84,289,105
Issued to date	701,722	4,703,000	6,054,763	-	5,063	704,152	9,242,815	2,208,400	6,417,544	1,018,796	29,335,737
Final amount issued	701,722	4,702,999	6,054,763	In Progress	In Progress	In Progress	In Progress	2,208,401	In Progress	In Progress	
Retired	701,722	499,173	241,112	-	-	-	1,068,355	52,699	189,088	-	2,050,427
ARRA Forgivable											
Principal (1)	-	-	-	-	-	-	-	2,050,720	4,000,000	-	6,050,720
Outstanding	-	4,203,827	5,813,651	-	5,063	704,152	8,174,460	104,981	2,228,456	1,018,796	22,253,386
Principal retirement:											
2012	-	179,424	228,317	-	5,063	-	382,353	4,123	183,327	38,842	1,021,449
2013	-	186,363	235,492	-	-	-	396,270	4,252	195,030	40,067	1,057,474
2014	-	193,571	242,892	-	-	704,152	410,695	4,386	201,159	41,330	1,798,185
2015	-	201,057	250,525	-	-	-	425,644	4,524	207,480	42,632	1,131,862
2016	-	208,833	258,398	-	-	-	441,137	4,666	214,001	43,976	1,171,011
2017	-	216,910	266,518	-	-	-	457,195	4,813	220,725	45,362	1,211,523
2018	-	225,299	274,893	-	-	-	473,837	4,964	227,662	46,792	1,253,447
2019	-	234,012	283,531	-	-	-	491,084	5,120	234,816	48,267	1,296,830
2020	-	243,062	292,441	-	-	-	508,960	5,281	242,195	49,788	1,341,727
2021	-	252,463	301,631	-	-	-	527,486	5,447	249,806	51,358	1,388,191
2022	-	262,227	311,110	-	-	-	546,686	5,618	52,255	52,977	1,230,873
2023	-	272,369	320,887	-	-	-	566,586	5,794	-	54,646	1,220,282
2024	-	282,902	330,971	-	-	-	587,209	5,977	-	56,369	1,263,428
2025	-	293,844	341,371	-	-	-	608,584	6,164	-	58,146	1,308,109
2026	-	305,208	352,099	-	-	-	630,736	6,358	-	59,978	1,354,379
2027	-	317,012	363,164	-	-	-	653,695	6,558	-	61,869	1,402,298
2028	-	329,271	374,576	-	-	-	66,303	6,764	-	63,819	840,733
2029	-	-	386,347	-	-	-	-	6,977	-	65,830	459,154
2030	-	-	398,488	-	-	-	-	7,195	-	67,905	473,588
2031	-	-	-	-	-	-	-	-	-	28,843	28,843

(1) The American Recovery and Reinvestment Act of 2009 provided funding on two loans payable.

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 ten 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>	<u>2009</u>	<u>2010</u>	<u>2011</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	\$266.1	\$256.8	\$252.0
Restricted	36.4	43.7	45.4	43.9	50.2	31.4	22.0	14.5	26.8	33.3
Unrestricted	5.3	6.5	7.7	8.9	11.6	33.3	18.9	21.3	18.2	11.8
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>	<u>301.9</u>	<u>301.8</u>	<u>297.1</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	179.7	180.2	181.2
Restricted	8.0	4.9	4.5	7.1	7.6	9.4	11.0	10.3	3.3	5.9
Unrestricted	11.7	11.8	14.2	15.4	14.2	10.6	12.0	8.4	20.6	21.6
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>	<u>198.4</u>	<u>204.1</u>	<u>208.7</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	445.8	437.0	433.2
Restricted	44.4	48.6	49.9	51.0	57.8	40.8	33.0	24.8	30.1	39.2
Unrestricted	17.0	18.3	21.9	24.3	25.8	43.9	30.9	29.7	38.8	33.4
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>	<u>\$500.3</u>	<u>\$505.9</u>	<u>\$505.8</u>

Source: City of Prescott finance department

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	\$ 4,729,659	\$ 5,270,318	\$ 4,751,361
Community services	1,984,672	2,083,451	2,147,067	2,504,447	2,409,814	3,215,988	2,753,553	2,496,954	1,581,189	1,828,771
Culture and recreation	4,414,069	4,724,473	5,412,480	5,323,256	6,177,208	6,688,038	7,423,431	7,128,215	6,755,821	5,695,054
Public Safety										
Police and court	-	7,774,898	8,154,036	8,888,639	10,615,068	11,871,859	12,708,979	11,577,275	13,199,261	12,701,709
Fire	-	5,410,325	5,883,210	6,221,770	7,069,541	7,392,504	8,154,199	8,136,035	8,283,157	7,033,768
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>	<u>19,713,310</u>	<u>21,482,418</u>	<u>19,735,477</u>
Public Works	9,152,996	10,859,477	11,131,614	10,964,098	14,483,522	16,078,254	16,900,857	17,504,910	17,159,687	20,078,009
Interest on long-term debt	1,468,910	1,359,238	1,263,727	1,161,057	1,087,363	1,003,567	1,195,481	1,055,002	945,490	1,516,480
Total governmental activities expenses	<u>33,436,709</u>	<u>36,010,763</u>	<u>39,544,746</u>	<u>40,966,808</u>	<u>47,929,166</u>	<u>50,672,817</u>	<u>51,931,527</u>	<u>52,628,050</u>	<u>53,194,923</u>	<u>53,605,152</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	10,398,324	11,730,387	12,327,147
Wastewater	4,586,322	4,754,234	4,660,494	5,801,765	6,100,960	6,363,510	7,415,592	7,070,036	7,240,349	7,268,274
Golf course	2,118,559	2,031,656	2,147,973	1,971,548	2,629,179	3,219,774	3,539,999	3,027,055	3,177,877	3,118,481
Airport	3,332,768	3,649,511	3,619,357	4,324,540	5,052,283	4,716,619	4,101,413	2,106,018	2,667,588	2,143,260
Solid waste (2)	4,741,566	3,526,496	3,888,569	4,792,152	4,931,475	4,970,215	5,223,966	8,432,884	8,565,248	8,183,227
Transfer station (2)	2,749,348	3,152,264	3,503,582	3,697,857	3,705,833	4,093,191	4,029,674	-	-	-
Total solid waste/transfer station (2)	<u>7,490,914</u>	<u>6,678,760</u>	<u>7,392,151</u>	<u>8,490,009</u>	<u>8,637,308</u>	<u>9,063,406</u>	<u>9,253,640</u>	<u>8,432,884</u>	<u>8,565,248</u>	<u>8,183,227</u>
Parking garage	-	660	400	-	102,270	251,831	250,970	244,877	233,647	240,892
Total business-type activities expenses	<u>23,661,387</u>	<u>23,748,829</u>	<u>24,779,090</u>	<u>27,972,320</u>	<u>30,685,189</u>	<u>33,526,087</u>	<u>34,813,482</u>	<u>31,279,194</u>	<u>33,615,096</u>	<u>33,281,281</u>
Total primary government expenses	<u>\$57,098,096</u>	<u>\$59,759,592</u>	<u>\$64,323,836</u>	<u>\$68,939,128</u>	<u>\$78,614,355</u>	<u>\$84,198,904</u>	<u>\$86,745,009</u>	<u>\$83,907,244</u>	<u>\$86,810,019</u>	<u>\$86,886,433</u>

Source: City of Prescott finance department

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

(2) In fiscal year 2009, the transfer station and solid waste were combined.

CITY OF PRESCOTT, ARIZONA

Table IIb

Statistical Section - Financial Trends

Changes in Net Assets

Last ten fiscal years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 287,233	\$ 275,792	\$ 399,268
Community services (3)	300,514	303,604	316,299	386,522	329,140	1,012,016	759,032	557,381	451,277	406,925
Culture and recreation	1,136,251	1,501,425	1,219,762	1,474,204	1,342,645	1,106,163	828,718	676,388	1,336,685	1,386,960
Public Safety										
Police and court	-	677,483	873,926	1,075,633	1,637,260	1,735,625	1,810,533	2,029,268	1,862,438	1,783,712
Fire	-	669,730	746,516	542,502	542,641	593,633	653,650	393,231	517,585	502,926
Total public safety (1)	630,012	1,347,213	1,620,442	1,618,135	2,179,901	2,329,258	2,464,183	2,422,499	2,380,023	2,286,638
Public Works	512,842	601,140	618,700	680,346	750,987	451,537	314,725	270,456	343,168	305,655
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	4,680,179	5,419,640	2,958,436
Capital grants and contributions	905,334	2,575,571	6,296,262	2,761,682	13,509,535	10,003,889	12,437,202	2,009,069	1,788,843	4,429,608
Total governmental activities program revenues	11,631,927	11,655,128	16,279,796	13,472,031	24,353,515	20,386,069	22,548,522	10,903,205	11,995,428	12,173,490
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	11,833,103	11,206,436	12,525,849
Wastewater	3,805,400	3,908,024	3,894,327	4,146,635	4,139,815	4,406,795	4,485,370	5,836,923	6,555,018	7,625,038
Golf course	2,423,769	2,149,134	2,162,487	2,218,301	2,570,842	3,382,094	3,257,411	2,981,108	2,666,753	2,580,592
Airport	2,819,818	2,997,688	3,226,483	3,834,834	4,472,618	4,127,668	3,350,194	1,312,884	1,270,370	1,372,979
Solid waste (4)	3,970,025	4,142,580	4,394,885	4,764,901	5,301,908	5,651,499	5,725,438	8,930,779	8,402,515	7,887,491
Transfer station (4)	2,772,425	3,131,601	3,430,790	3,768,809	4,217,447	4,047,899	3,481,693	-	-	-
Total solid waste/transfer station (4)	6,742,450	7,274,181	7,825,675	8,533,710	9,519,355	9,699,398	9,207,131	8,930,779	8,402,515	7,887,491
Parking garage (2)	-	-	-	-	64,632	58,527	58,072	48,063	52,731	39,331
Operating grants and contributions	-	-	-	-	-	-	-	-	195,055	48,852
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	3,995,467	7,637,797	2,231,217
Total business-type activities program revenues	28,185,406	27,437,174	31,973,269	43,314,700	41,638,407	42,540,360	44,173,437	34,938,327	37,986,675	34,311,349
Total primary government revenues	\$39,817,333	\$39,092,302	\$48,253,065	\$56,786,731	\$65,991,922	\$62,926,429	\$66,721,959	\$45,841,532	\$49,982,103	\$46,484,839
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)	\$ (41,724,845)	\$ (41,199,495)	\$ (41,431,662)
Business-type activities	4,524,019	3,688,345	7,194,179	15,342,380	10,953,218	9,014,273	9,359,955	3,659,133	4,371,579	1,030,068
Total primary government net expense	\$ (17,280,763)	\$ (20,667,290)	\$ (16,070,771)	\$ (12,152,397)	\$ (12,622,433)	\$ (21,272,475)	\$ (20,023,050)	\$ (38,065,712)	\$ (36,827,916)	\$ (40,401,594)

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.

(4) In fiscal year 2009, the transfer station and solid waste were combined.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	\$ 1,211,716	\$ 1,227,325	\$ 1,257,419
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	1,935,447	1,627,818	1,552,902
Utility franchise taxes	1,008,081	1,020,608	1,147,098	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388	1,644,977	1,637,128
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	12,794,026	12,177,884	11,763,668
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	12,157,858	11,711,274	11,237,566
Transient lodging tax	307,300	301,900	326,387	359,928	417,001	437,770	529,488	558,806	462,709	509,488
Intergovernmental revenues - unrestricted	8,746,519	8,840,065	8,416,354	8,816,640	10,124,341	11,614,540	12,528,123	12,205,058	10,564,433	9,441,614
Interest and investment income	1,936,527	1,425,352	935,209	2,036,084	1,790,200	3,728,455	3,015,995	2,070,231	1,359,253	1,165,562
Gain (loss) on sale of property (1)	-	-	-	-	-	-	8,595,744	164,217	(1,152,911)	-
Miscellaneous	1,578,550	595,506	636,217	1,317,671	818,055	875,139	546,570	618,265	965,685	498,367
Transfers	(106,471)	(54,356)	(25,072)	(350,377)	(6,345,662)	(83,037)	300,237	(67,811)	388,326	(2,538,596)
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>	<u>45,215,201</u>	<u>40,976,773</u>	<u>36,525,118</u>
Business-type Activities:										
Interest and investment income	633,461	436,335	103,650	715,632	676,194	1,691,475	1,846,596	1,296,043	992,399	559,838
Intergovernmental revenues - unrestricted	-	-	-	-	-	-	-	-	176,755	-
Gain (loss) on sale of property	-	-	-	-	-	-	(921,677)	-	(359)	-
Miscellaneous	684,847	607,466	597,869	1,022,528	839,545	636,048	732,782	598,764	566,141	513,120
Transfers	106,471	54,356	25,072	350,377	6,345,662	83,037	(300,237)	67,811	(388,326)	2,538,596
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>	<u>1,962,618</u>	<u>1,346,610</u>	<u>3,611,554</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>	<u>\$47,177,819</u>	<u>\$42,323,383</u>	<u>\$40,136,672</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	\$ 3,490,356	\$ (222,722)	\$ (4,906,544)
Business-type activities	5,948,798	4,786,502	7,920,770	17,430,917	18,814,619	11,424,833	10,717,419	5,621,751	5,718,189	4,641,622
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>	<u>\$ 9,112,107</u>	<u>\$ 5,495,467</u>	<u>\$ (264,922)</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.

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Assets

Last ten fiscal years

Fiscal Year	Governmental 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 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	
2009	4,213,957	4,680,179	2,009,069	10,903,205	30,225,241	12,205,058	2,070,231	714,671	45,215,201	56,118,406	3,490,356	
2010	4,786,945	5,419,640	1,788,843	11,995,428	28,851,987	10,564,433	1,360,706	199,647	40,976,773	52,972,201	(222,722)	
2011	4,785,446	2,958,436	4,429,608	12,173,490	27,958,171	9,441,614	1,165,562	(2,040,229)	36,525,118	48,698,608	(4,906,544)	

Source: City of Prescott finance department

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 ten fiscal years

Business-type activities:															
<i>Program Revenues</i>											<i>General Revenues</i>				
<u>Charges for Services</u>															
<u>Fiscal Year</u>	<u>Water</u>	<u>Waste Water</u>	<u>Golf</u>	<u>Airport</u>	<u>Solid Waste (1)</u>	<u>Transfer Station (1)</u>	<u>Total Solid Waste/ Transfer Station (1)</u>	<u>Parking Garage</u>	<u>Operating/ Capital Grants and Contributions</u>	<u>Total</u>	<u>Interest</u>	<u>Intergovernmental, 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	\$ 6,742,450	\$ -	\$ 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	7,274,181	-	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	7,825,675	-	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	8,533,710	-	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	9,519,355	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	9,699,398	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	9,207,131	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419
2009	11,833,103	5,836,923	2,981,108	1,312,884	8,930,779	-	8,930,779	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751
2010	11,206,436	6,555,018	2,666,753	1,270,370	8,402,515	-	8,402,515	52,731	7,832,852	37,986,675	992,399	354,211	1,346,610	39,333,285	5,718,189
2011	12,525,849	7,625,038	2,580,592	1,372,979	7,887,491	-	7,887,491	39,331	2,280,069	34,311,349	559,838	2,538,596	3,098,434	37,409,783	4,641,622

(1) In fiscal year 2009, the transfer station and solid waste were combined.

Source: City of Prescott finance department

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 ten 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		
2009	35,156,817	4,680,179	6,004,536	45,841,532	30,225,241	12,205,058	3,366,274	1,381,246	47,177,819	93,019,351	9,112,107		
2010	34,940,768	5,614,695	9,426,640	49,982,103	28,851,987	10,741,188	2,353,105	377,103	42,323,383	92,305,486	5,495,467		
2011	36,816,726	3,007,288	6,660,825	46,484,839	27,958,171	9,441,614	1,725,400	1,011,487	40,136,672	86,621,511	(264,922)		

Source: City of Prescott finance department

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 ten fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959	\$507,384	\$619,226	\$528,659	\$552,880
Community services	846,264	960,756	410,900	607,916	885,113	2,230,826	1,054,549	650,134	470,216	830,706
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219	2,653,076	1,865,462	1,062,952	677,148	1,360,533	1,456,329
Police and court	1,555,080	1,438,315	1,607,611	1,331,412	2,075,968	2,172,971	2,102,735	2,284,453	2,226,109	2,373,641
Fire (1)	-	851,011	1,074,515	725,709	767,928	894,621	914,572	641,707	1,160,531	1,081,826
Public works	6,987,283	5,523,263	9,505,148	6,342,288	16,247,372	12,824,230	16,906,330	6,030,537	6,249,380	5,565,818
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>	<u>\$10,903,205</u>	<u>\$11,995,428</u>	<u>\$11,861,200</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 ten 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>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund										
Excess of revenues over expenditures	\$3.3	\$3.6	\$3.6	\$5.2	\$5.6	\$5.6	\$2.4	\$0.9	(\$2.5)	(\$2.3)
Other Financing Sources (Uses)										
Debt proceeds	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.3	0.0	0.0
Transfers in	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.1
Transfers out	(2.4)	(0.7)	(3.1)	(3.5)	(4.4)	(6.5)	(2.0)	(1.5)	(0.3)	(0.1)
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>	<u>(1.2)</u>	<u>0.9</u>	<u>0.0</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>	<u>(0.3)</u>	<u>(1.6)</u>	<u>(2.3)</u>
Beginning fund balance (1)	3.9	4.9	7.8	8.3	10.0	12.7	11.7	12.1	21.2	19.6
Prior period adjustment	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	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>11.7</u>	<u>12.1</u>	<u>21.2</u>	<u>19.6</u>
Ending fund balance	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.0</u>	<u>12.7</u>	<u>11.8</u>	<u>12.1</u>	<u>11.8</u>	<u>19.6</u>	<u>17.3</u>
Committed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.4	1.7
Assigned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Unassigned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8	11.6
Restricted	0.7	3.2	2.8	3.2	2.1	1.4	1.8	4.3	0.0	0.0
Nonspendable	4.2	4.6	5.5	6.8	10.6	10.2	10.3	7.5	0.0	4.0
Total general fund balance	<u>\$4.9</u>	<u>\$7.8</u>	<u>\$8.3</u>	<u>\$10.0</u>	<u>\$12.7</u>	<u>\$11.6</u>	<u>\$12.1</u>	<u>\$11.9</u>	<u>\$19.5</u>	<u>\$17.3</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)	(\$9.4)	(\$4.9)	(\$2.3)
Other Financing Sources (Uses)										
Bond issuances	-	-	-	-	-	1.5	0.0	0.0	18.3	8.4
Transfers in	2.8	1.8	3.9	3.8	6.8	8.4	3.4	3.0	1.1	1.5
Transfers out	(0.7)	(1.1)	(1.0)	(1.0)	(2.5)	(1.9)	(1.5)	(1.7)	(1.6)	(1.2)
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>	<u>1.3</u>	<u>17.8</u>	<u>8.7</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>	<u>(8.1)</u>	<u>12.9</u>	<u>6.4</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>	<u>25.6</u>	<u>8.2</u>	<u>21.3</u>
Ending fund balance	<u>24.2</u>	<u>29.7</u>	<u>32.3</u>	<u>31.3</u>	<u>36.0</u>	<u>36.5</u>	<u>25.6</u>	<u>17.5</u>	<u>21.1</u>	<u>27.7</u>
Restricted	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.1	27.7
Reserved for dedicated purposes	0.6	0.5	0.5	0.5	0.5	0.5	1.8	4.2	0.0	0.0
Unreserved, reported in:										
Special revenue funds	20.1	26.2	29.3	29.2	34.1	33.3	21.5	11.4	0.0	0.0
Debt service funds	1.3	1.4	1.4	1.7	1.7	2.0	1.7	1.7	0.0	0.0
Capital projects funds	2.2	1.6	1.1	(0.1)	(0.3)	0.7	0.6	0.2	0.0	0.0
Total all other governmental funds fund balance	<u>\$24.2</u>	<u>\$29.7</u>	<u>\$32.3</u>	<u>\$31.3</u>	<u>\$36.0</u>	<u>\$36.5</u>	<u>\$25.6</u>	<u>\$17.5</u>	<u>\$21.1</u>	<u>\$27.7</u>
Total general and other governmental funds - fund balance	<u>\$29.1</u>	<u>\$37.5</u>	<u>\$40.6</u>	<u>\$41.3</u>	<u>\$48.7</u>	<u>\$48.1</u>	<u>\$37.7</u>	<u>\$29.4</u>	<u>\$40.6</u>	<u>\$45.0</u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

(1) The Capital improvement Fund was merged into the general fund in FY 2010.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last ten fiscal years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 22,706,358	\$ 23,845,928	\$27,418,458	\$30,433,859	\$34,401,134	\$35,899,318	\$ 34,475,231	\$30,205,330	\$28,859,997	\$27,982,207
Intergovernmental revenues	16,326,996	13,514,966	14,104,448	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795	19,891,545	16,935,187
Licenses and permits	2,387,963	3,170,195	2,615,347	3,661,079	3,892,462	1,537,880	1,142,050	810,813	1,090,967	916,094
Charges for services	858,072	1,436,338	1,761,234	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556	886,019	1,006,051
Fines and forfeitures	399,247	512,835	727,368	907,993	1,480,324	1,534,587	1,719,170	1,967,588	646,737	620,248
Gifts and donations	122,981	38,857	233,426	91,205	102,716	51,284	59,882	170,124	65,517	141,516
Interest and investment income	1,830,934	1,383,229	925,387	1,944,433	1,690,663	3,431,739	2,644,168	1,723,524	1,359,253	992,908
Miscellaneous and Grant Contributions	1,455,569	1,167,515	1,273,092	1,980,566	2,138,267	1,283,031	1,634,095	1,155,665	1,532,879	2,615,094
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>	<u>54,490,395</u>	<u>54,332,914</u>	<u>51,209,305</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	5,351,470	5,599,470	3,729,333
Community services	1,737,515	1,921,862	2,152,142	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629	1,532,576	1,541,414
Culture and recreation	3,880,000	4,152,052	4,125,700	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515	5,399,324	4,960,428
Police and court	11,044,795	7,328,394	7,873,737	8,516,869	10,336,021	11,672,399	12,533,337	12,578,003	12,627,274	12,155,729
Fire		5,098,237	5,358,362	5,817,037	6,413,599	7,091,353	7,931,941	7,874,563	7,891,239	7,344,850
Public works	2,247,948	2,691,222	2,934,571	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896	4,275,139	8,873,762
Capital outlay	18,965,560	9,193,799	16,399,864	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447	21,263,084	12,652,069
Debt service - principal	1,653,723	1,843,153	1,952,003	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953	2,060,069	3,061,623
Debt service - interest	1,467,968	1,358,938	1,263,420	1,160,334	1,084,915	1,000,152	959,565	840,589	1,057,525	1,516,480
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>	<u>63,042,065</u>	<u>61,705,700</u>	<u>55,835,688</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)	(8,551,670)	(7,372,786)	(4,626,383)
Other Financing Sources (Uses)										
Bond issuances						1,524,974	-	-	18,250,000	8,415,000
Capital leases					734,000	-	-	250,000	-	-
Transfers in	2,927,174	1,763,447	3,933,148	3,856,870	6,830,592	8,362,823	3,362,326	3,044,736	2,324,239	1,591,004
Transfers out	(3,033,645)	(1,817,802)	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)	(3,112,547)	(1,935,913)	(1,383,133)
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>	<u>182,189</u>	<u>18,638,326</u>	<u>8,622,871</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>	<u>\$ (8,369,481)</u>	<u>\$ 11,265,540</u>	<u>\$ 3,996,488</u>
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	11.0%	9.0%	8.7%	7.5%	8.4%	8.0%	7.7%	10.6%

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

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							
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%
2009	5,351,470	2,685,629	6,065,515	12,578,003	7,874,563	3,371,896	37,927,076	21,813,447	2,460,953	840,589	63,042,065	7.1%
2010	5,599,470	1,532,576	5,399,324	12,627,274	7,891,239	4,275,139	37,325,022	21,263,084	2,060,069	1,057,525	61,705,700	7.7%
2011	3,729,333	1,541,414	4,960,428	12,155,729	7,344,850	8,873,762	38,605,516	12,652,069	3,061,623	1,516,480	55,835,688	10.6%

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 X

Statistical Section - Financial Trends

General Government Revenues by Sources

Last ten fiscal years

<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>Gifts and Donations</u>	<u>Interest Income</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 22,706,358	\$ 16,326,996	\$ 2,387,963	\$ 858,072	\$ 399,247	\$ 122,981	\$ 1,830,934	\$ 1,455,569	\$ 46,088,120
2003	23,845,928	13,514,966	3,170,195	1,436,338	512,835	38,857	1,383,229	1,167,515	45,069,863
2004	27,418,458	14,104,448	2,615,347	1,761,234	727,368	233,426	925,387	1,273,092	49,058,760
2005	30,433,859	15,154,725	3,661,079	1,299,622	907,993	91,205	1,944,433	1,980,566	55,473,482
2006	34,401,134	15,381,132	3,892,462	1,334,862	1,480,324	102,716	1,690,663	2,138,267	60,421,560
2007	35,899,318	17,738,746	1,537,880	2,199,691	1,534,587	51,284	3,431,739	1,283,031	63,676,276
2008	34,475,231	18,442,502	1,142,050	1,929,959	1,719,170	59,882	2,644,168	1,634,095	62,047,057
2009	30,205,330	17,021,795	810,813	1,435,556	1,967,588	170,124	1,723,524	1,155,665	54,490,395
2010	28,859,997	19,891,545	1,090,967	886,019	646,737	65,517	1,359,253	1,532,879	54,332,914
2011	27,982,207	16,935,187	916,094	1,006,051	620,248	141,516	992,908	2,615,094	51,209,305

Source: City of Prescott finance department

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						
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
2009	P	-	654,867,092	16,367,533	23,305,137	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	307,050,409	505,741,499	16,367,533	23,305,137	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770
2010	P	-	726,770,248	16,276,082	22,619,985	765,666,315	36,429,750	729,236,565	10.4%	6,181,460,471	5.4988
	S	330,556,261	495,997,159	16,643,501	22,043,150	865,240,071	43,072,587	822,167,484	1.5%	6,962,286,690	0.7770
2011	P	-	720,781,610	15,610,715	22,086,221	758,478,546	37,708,006	720,770,540	-1.2%	6,127,994,926	5.4297
	S	305,431,469	450,225,263	15,978,134	22,086,221	793,721,087	41,955,157	751,765,930	-8.6%	6,339,804,602	1.0590

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)							
2002	P	\$ 0.2627	\$ 3.6306	\$ 1.5325	\$ 2.1040	\$ -	\$ 7.8270
	S	0.5121	0.3658	0.4163	0.4286	-	1.4810
2003	P	0.2522	3.6222	1.5835	2.0961	-	7.5298
	S	0.4707	0.3583	0.3954	0.4297	-	1.7228
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.5540
	S	0.4072	0.2935	0.3106	0.4307	-	1.6541
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.6004
	S	0.3763	0.2857	0.2888	0.4069	-	1.4420
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.4160
	S	0.3413	0.2687	0.2614	0.4034	-	0.9915
2007	P	0.2182	3.1797	1.4308	1.6552	-	7.0503
	S	0.3093	0.2709	0.2265	0.3898	-	0.7977
2008	P	0.1991	2.9608	1.3397	1.5292	-	6.4839
	S	0.2982	0.2262	0.1828	0.3568	-	1.1965
2009	P	0.1839	2.7477	1.1989	1.3683	-	6.0288
	S	0.2396	0.0504	0.1405	0.3465	-	1.0640
2010	P	0.1695	2.7202	1.1250	1.6148	-	5.4988
	S	0.2002	0.2496	0.1367	0.3479	-	0.7770
2011	P	0.1737	2.3426	1.2046	1.7088	-	5.4297
	S	0.2093	0.2939	0.1563	0.3995	-	1.0590
Tax Levies							
2002	P	\$ 820,000	\$ 15,596,853	\$ 19,630,398	\$ 26,951,447	\$ -	\$ 59,137,280
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	9,483,335
2003	P	858,120	16,979,781	21,980,482	29,096,384	-	62,998,698
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	14,310,793
2004	P	929,147	18,984,254	23,771,406	32,649,944	-	68,914,767
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	15,017,086
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	76,334,751
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	14,792,880
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	82,928,572
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	15,453,297
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,331,795
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	16,523,444
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	89,016,267
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	17,468,813
2009	P	1,214,192	25,284,657	35,424,260	40,429,914	-	95,777,302
	S	1,939,408	588,540	5,264,245	12,399,561	-	18,918,115
2010	P	1,235,701	28,074,489	36,833,381	52,869,817	-	102,353,023
	S	1,646,680	2,990,278	5,228,333	12,313,942	-	20,191,754
2011	P	1,251,978	24,171,890	38,397,561	54,469,023	-	118,290,452
	S	1,573,160	3,176,332	5,235,677	12,745,719	-	22,730,888

The portion of the 2010-11 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,251,978	\$ 16,884,870	\$ 8,682,450	\$ 12,316,527	\$ -	\$ 39,135,825
	S	1,573,160	2,209,308	1,174,887	2,860,142	-	7,817,497
Percent	P	100%	69.9%	22.6%	22.6%	-	33.1%
	S	100%	69.6%	22.4%	22.4%	-	34.4%

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>20010/2011</u>			<u>2001/2002</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>As a % of City's Total Secondary Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>As a % of City's Total Secondary Assessed Valuation</u>
Arizona Public Service	Electric utility	\$ 12,350,024	1	1.6%	\$ 9,494,023	1	2.9%
TWC II Prescott Mall LLC	Shopping center	6,256,241	2	0.8%			
Unisource Energy Corporation	Gas utility	4,620,541	3	0.6%	6,744,040	2	2.1%
Qwest Corporation / US West	Telecommunications	3,316,803	4	0.4%	5,700,042	3	1.7%
LFRV LLC (Las Fuentes)	Commercial rental	3,002,796	5	0.4%	1,814,532	5	0.6%
Bonanza LLC - Ponderosa Plaza	Shopping center	2,604,440	6	0.3%	2,320,849	4	0.7%
Lowes	Retail	2,242,472	7	0.3%			
Wal-Mart	Shopping Center	2,186,692	8	0.3%			
Yavapai Title Agency	Title	2,002,633	9	0.3%			
Cable One	Cable Utility	1,808,164	10	0.2%	1,405,486	9	0.4%
Costco	Retail				1,592,870	6	0.5%
West Gold Office Building	Commercial rental				1,529,207	7	0.5%
Sturm Ruger	Manufacturing				1,521,885	8	0.5%
OxyCal Laboratories Inc.	Manufacturing				731,492	10	0.2%
Total		\$ 40,390,806		5.2%	\$ 32,854,426		10.1%

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>
2002	\$ 2,485,816	\$ 2,400,199	96.6%	\$ 85,590	\$ 2,485,789	100.0%	\$ 27	0.0%
2003	2,515,494	2,438,466	96.9%	76,772	2,515,238	100.0%	256	0.0%
2004	2,603,994	2,522,356	96.9%	81,186	2,603,542	100.0%	452	0.0%
2005	2,692,936	2,625,544	97.5%	66,928	2,692,472	100.0%	464	0.0%
2006	2,730,617	2,681,168	98.2%	49,022	2,730,190	100.0%	427	0.0%
2007	2,829,552	2,779,196	98.2%	49,771	2,828,967	100.0%	585	0.0%
2008	3,060,145	2,984,844	97.5%	74,788	3,059,632	100.0%	513	0.0%
2009	3,142,012	3,053,820	97.2%	85,958	3,139,778	99.9%	2,234	0.1%
2010	2,873,003	2,783,920	96.9%	85,333	2,869,253	99.9%	3,750	0.1%
2011	2,814,320	2,731,911	97.1%	-	2,731,911	97.1%	82,409	2.9%

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>
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
2009	698	30,205,330	3,127,252	12,794,026	12,157,858	1,567,388	558,806
2010	724	28,851,987	2,855,143	12,177,884	11,711,274	1,644,977	462,709
2011	702	27,958,171	2,810,321	11,763,668	11,237,566	1,637,128	509,488

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. In 2010, voters approved a 0.75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

(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												Top 10 as percentage				
	Advertising	Construction	Job Printing / Publishing	Restaurant/ Bar	Tangible Personal Property Rental	Commercial Rental	Hotel/Motel	Residential Rental	Retail Sales	Utilities	Use Tax	Telecommunications	All Other	Total	Tax Rate	Total
2002	\$ 12,237,100	\$ 154,402,441	\$ 6,764,351	\$ 56,303,885	\$ 24,077,467	\$ 34,253,720	\$ 16,563,049	\$ 38,942,371	\$ 494,527,213	\$ 48,422,933	\$ 20,386,454	\$ 26,429,037	\$ 3,849,699	\$ 937,159,720	2%	24%
2003	14,444,259	141,186,830	7,438,727	62,093,778	22,061,526	42,408,952	15,683,291	39,221,879	549,834,655	44,767,119	18,071,940	28,039,632	3,418,191	988,670,779	2%	28%
2004	13,740,912	169,412,480	7,618,704	65,403,109	30,335,624	45,870,400	16,445,838	37,610,402	654,152,112	48,284,468	19,422,526	27,506,668	3,090,919	1,138,894,162	2%	29%
2005	14,567,073	201,828,143	8,843,398	74,788,248	35,991,623	49,401,932	18,278,681	38,301,020	777,882,791	52,458,473	15,713,744	23,533,219	1,963,135	1,313,551,480	2%	28%
2006	22,358,843	224,131,586	8,708,128	85,368,532	35,840,586	52,738,709	20,883,397	43,331,009	884,078,937	55,709,089	24,726,686	23,849,987	1,783,042	1,483,508,531	2%	28%
2007	24,174,349	232,579,811	8,911,997	87,175,103	52,697,671	60,276,104	22,775,211	44,424,674	902,862,281	65,436,261	26,451,666	27,145,780	2,150,225	1,557,061,133	2%	27%
2008	22,163,783	194,250,262	7,333,280	85,530,663	41,970,077	63,745,816	26,255,519	46,664,324	858,797,685	72,090,642	33,010,468	27,157,722	2,211,238	1,481,181,479	2%	33%
2009	14,893,931	123,929,760	6,336,403	82,289,841	29,173,895	65,905,274	18,921,985	59,512,905	755,814,899	72,460,223	18,500,131	20,270,288	2,962,452	1,270,971,987	2%	35%
2010	11,933,974	90,467,207	5,370,590	82,301,876	26,949,067	60,565,361	16,540,145	51,180,835	706,122,844	68,393,076	23,527,244	23,466,558	2,114,288	1,168,933,065	2%	37%
2011	11,712,150	85,032,563	5,217,620	83,809,913	24,427,068	60,073,498	17,397,987	52,753,131	689,691,893	72,392,842	29,121,740	23,691,532	1,668,611	1,156,990,548	2%	37%
Top 10 Taxpayers																
<u>FY 2011</u>			<u>FY 2002</u>													
Arizona Public Service			Albertson's Food Stores													
Best Buy			Arizona Public Service													
Costco			Costco Wholesale													
Fry's Food & Drug			Galpin Ford Incorporated													
Lamb Chevrolet			Lamb Chevrolet													
Lowe's			Safeway Stores, Inc.													
Safeway			Sears Roebuck and Co.													
Tim's Buick Pontiac Toyota			Smith's Food & Drug													
UNS Gas, Inc.			Tim's Buick-Pontiac													
Wal-Mart			York Motor Car Co, Inc													
Percent of Total Privilege Tax Collected	37%	Percent of Total Privilege Tax Collected: 24%														

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. In 2010 voters approved a .75% privilege tax for streets to begin January 1, 2016 to sunset December 31, 2035.

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 (4)</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
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%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2010	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2011	1.00%	1.00%	0.75%	6.60%	9.35%	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. In 2010, voters approved a .75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

(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.

(4) The State of Arizona tax rate increased to 6.60% effective June 1, 2010.

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					Total Debt Per Capita	Adjusted 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				
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%
2009	6,240,000	4,495,000	451,174	2,079,788	22,060,000	-	10,255,783	1,237,819	2,354,008	49,173,572	1,136	984	0.84%	0.73%
2010	4,950,000	4,260,000	248,256	1,747,637	38,775,000	-	17,947,447	1,173,915	1,748,615	70,850,870	1,778	1,627	1.13%	1.03%
2011	3,595,000	3,780,000	1,014,879	1,410,029	46,060,000	-	22,253,387	1,144,346	1,014,879	80,272,520	2,015	1,884	1.28%	1.19%

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. 2009 and 2010 percentage columns are based on 2007 personal income amounts. The 2009 and 2010 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 (1)</u>
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
2009	809,994,831	6,240,000	-	6,240,000	0.8%	144
2010	822,167,484	4,950,000	-	4,950,000	0.7%	124
2011	751,765,930	3,595,000	-	3,595,000	0.5%	90

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>
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%
2009	1,585,000	337,285	1,922,285	63,042,065	63,042,065	3.0%
2010	1,290,000	270,975	1,560,975	61,705,700	61,705,700	2.5%
2011	1,355,000	215,910	1,570,910	55,835,688	55,835,688	2.8%

Source: City of Prescott finance department

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

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 (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
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
2009	21,282,148	17,468,360	3,813,788
2010	18,846,722	13,404,404	5,442,318
2011	20,767,642	13,583,135	7,184,507

Source: City of Prescott finance department

(1) Total revenue including interest income.

(2) Total expenses exclusive of bond interest, capital costs and non-cash expenditures.

CITY OF PRESCOTT, ARIZONA
 Table XXIII
 Statistical Section - Debt Capacity
 Direct and Overlapping Debt
 June 30, 2011

	<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	\$ 3,595,000	100.0%	\$ 3,595,000
Total direct debt			<u>3,595,000</u>
<u>Overlapping Debt</u>			
Yavapai County	25,000,000	22.4%	5,610,006
Yavapai Community College District	47,310,000	22.4%	10,616,376
Prescott Unified School District	26,935,000	69.6%	18,734,725
Total overlapping debt			<u>34,961,107</u>
Total direct & overlapping debt			<u>\$ 38,556,107</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 County	\$ 3,350,111,921	\$ 751,765,930	22.4%
Yavapai Community College District	3,350,111,921	751,765,930	22.4%
Prescott Unified School District	1,080,817,330	751,765,930	69.6%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA
Table XXIV
Statistical Section - Debt Capacity
Legal Debt Margins
June 30, 2011

	<u>General Obligation Bonds</u>	
	<u>All Others</u> <u>6% (1)</u>	<u>Water & Wastewater</u> <u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2010-11 secondary assessed valuation \$751,765,930)	\$ 45,105,956	\$ 150,353,186
<u>Outstanding Debt</u>		
Municipal facilities	-	3,595,000
Total outstanding debt	-	3,595,000
Total margin available	\$ 45,105,956	\$ 146,758,186
Total debt applicable to the limit as a percentage of the debt limit	0.0%	2.4%

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 wastewater 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 2010-11	\$ 3,012,608
Percent of margin	50%
Highway user margin	1,506,304
Bond principal due FY 2010-11	-
Bond interest due FY 2010-11	-
Margin available	\$ 1,506,304
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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Obligation Bonds 6% limit (1)	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548	\$ 48,600	\$ 49,330	\$ 45,106
Outstanding debt subject to limit	2,155	1,885	1,605	1,315	1,010	690	0	-	-	-
Total margin available	<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>	<u>\$ 48,600</u>	<u>\$ 49,330</u>	<u>\$ 45,106</u>
Total debt applicable to the limit as a percentage of the debt limit	11.0%	8.9%	6.5%	4.9%	3.4%	2.1%	0.0%	0.0%	0.0%	0.0%
Water & Wastewater 20% limit (2)	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493	\$ 161,999	\$ 164,433	\$ 150,353
Outstanding debt subject to limit	11,660	10,845	9,985	9,080	8,130	8,645	7,825	6,240	4,950	3,595
Total margin available	<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>	<u>\$ 155,759</u>	<u>\$ 159,483</u>	<u>\$ 146,758</u>
Total debt applicable to the limit as a percentage of the debt limit	17.9%	15.3%	12.1%	10.1%	8.2%	7.8%	6.1%	3.9%	3.0%	2.4%
Highway User Margin 50% limit (3)	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688	\$ 1,512	\$ 1,517	\$ 1,506
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<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>	<u>\$ 1,512</u>	<u>\$ 1,517</u>	<u>\$ 1,506</u>
Total debt service applicable to the margin as a percentage of the margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	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 Collected	Debt Service		Coverage	CFD Assessments Collected	Debt Service		Coverage	Excise Tax Collected	Debt Service		
		Principal	Interest			Principal	Interest			Principal (1)	Interest	Coverage
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	458%
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,631,993	1,345,000	856,703	1410%
2008	437,256	322,151	122,907	98%	753,416	695,000	412,819	68%	30,905,164	1,600,000	1,123,841	1482%
2009	422,802	322,151	107,296	98%	701,049	370,000	375,425	94%	26,519,272	1,670,000	1,048,756	1135%
2010	417,287	332,151	91,394	99%	743,802	235,000	346,863	128%	25,534,135	1,535,000	1,321,901	894%
2011	330,299	337,151	75,110	80%	393,203	480,000	322,569	49%	24,638,362	1,625,000	1,516,747	784%

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

Population, Income and Unemployment

Last ten calendar years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Annual Unemployment Rate (2)</u>	<u>School Enrollment (3)</u>
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	5,098,280	25,831	4.4%	5,242
2006	42,085	5,567,857	26,989	3.9%	5,558
2007	43,217	5,860,461	27,620	3.7%	5,688
2008	43,280	5,537,703	28,611	5.2%	5,763
2009	43,280	6,283,809	29,134	8.5%	5,776
2010	39,843			10.4%	5,652
2011	39,843			9.8%	5,652

(1) Source: Arizona Department of Economic Security

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

(3) Source: Arizona Department of Education.

The 2010 and 2011 personal income amounts were not available.

The 2010 and 2011 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 ten years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2010/11</u>			<u>2001/02</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>
Yavapai County	Government	1,354	1	7.9%	1,232	1	8.6%
Yavapai Regional Medical Center	Hospital	1,281	2	7.5%	756	3	5.3%
Veteran's Administration Medical Center	Hospital	900	3	5.3%	565	5	3.9%
Prescott Unified School District	Public Schools	770	4	4.5%	605	4	4.2%
City of Prescott	Government	478	5	2.8%	511	6	3.6%
Sturm Ruger	Manufacturing	425	6	2.5%	1176	2	8.2%
Yavapai College	College	421	7	2.5%	315	9	2.2%
Embry-Riddle Aeronautical University	College	300	8	1.8%	320	8	2.2%
Yavapai Gaming Agency	Casino	223	9	1.3%	325	7	2.3%
Fann Contracting	Construction	219	10	1.3%	182	10	1.3%
		<u>6,371</u>		<u>37.3%</u>	<u>5,987</u>		<u>41.6%</u>

The 2009/10 total City employment was 17,085 based on Arizona Department of Economic Security information for January 2010.
 The 2001/2002 total City employment was 14,392 based on Arizona Department of Economic Security information for 2001.

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	29	31	31	35	33	36	34	34	37	38
Administrative Services (1)	12	6	6	6	5	5	5	5	1	2
Budget and Finance (1)	11	24	23	22	23	23	24	24	21	21
Community Development	23	23	27	27	27	30	34	33	16	16
Cultural & Recreation	47	65	66	65	76	60	59	57	48	43
Police	100	103	108	112	124	134	131	131	119	119
Fire	63	63	64	84	84	75	77	76	76	75
Central Garage	7	7	7	8	9	10	11	11	9	9
Self Insurance	2	3	3	2	2	2	2	3	3	3
Facilities Maintenance	3	0	0	7	5	6	8	10	6	5
Engineering	20	25	23	24	25	22	23	23	19	18
Water	40	36	35	35	36	40	41	41	39	40
Wastewater	27	27	27	29	30	32	33	33	35	35
Solid Waste	13	13	15	16	16	18	18	26	26	27
Transfer Station (2)	5	5	6	6	7	7	8	-	-	-
Airport	12	12	13	13	11	9	8	8	8	7
Golf Course	14	28	28	29	30	17	20	20	16	17
Streets	29	30	34	34	35	39	35	35	37	37
Total	457	501	516	551	575	565	571	570	516	512
Number of citizens per employee	78	73	74	73	73	77	76	76	77	78

Source: City of Prescott finance department

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

(2) In 2009, the Transfer Station was combined with Solid Waste.

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Community Development										
Building permits issued	2,027	1,948	1,927	2,034	2,185	2,237	1,735	1,329	1,416	1,093
Permit valuations (in millions)	161	186	166	198	189	133	74	44	70	35
Cultural & Recreation										
Library circulation (3)	886,398	913,474	943,107	962,922	697,584	713,700	758,787	852,882	845,385	693,268
Library visits (3)	408,448	400,000	473,993	477,768	246,594	420,776	477,785	507,858	546,548	520,794
Library resources available	147,175	149,130	161,545	156,790	169,784	142,564	150,267	159,151	148,908	165,612
New cards issued	5,362	7,212	8,288	8,550	4,091	7,424	7,422	7,613	7,272	4,649
Golf Rounds	90,916	79,719	78,786	81,213	86,307	79,678	78,361	70,558	64,314	61,867
Police (Calendar Year)										
Calls for service	35,226	35,159	36,284	36,671	34,711	32,943	30,649	29,422	30,500	-
Part 1 crimes (1)	2,132	2,386	2,080	2,088	1,796	1,549	1,390	1,408	1,440	-
Part 2 crimes (2)	3,760	3,683	3,521	3,856	3,896	3,429	3,234	3,806	4,100	-
Fire										
Calls for service	5,744	6,136	6,001	6,444	7,007	6,808	7,130	7,452	7,799	8,500
Inspections	1,200	851	1,450	1,856	1,620	2,374	2,621	1,803	1,925	1,709
Water										
Connections	17,222	19,062	19,760	19,205	19,806	20,468	21,870	22,271	22,184	22,153
Wastewater										
Connections	14,180	14,948	15,478	16,091	16,696	17,168	17,416	17,522	17,580	17,640
Solid Waste										
Residential accounts	13,655	14,066	14,346	15,098	16,974	16,467	16,547	16,670	17,159	21,319
Commercial accounts	1,380	1,501	1,581	1,613	1,532	1,414	1,187	1,060	920	910
Tons collected	32,569	32,629	33,876	34,916	34,986	35,564	35,453	35,550	31,837	29,792
Transfer Station										
Transactions per year	68,957	73,935	78,228	84,330	84,826	84,542	73,339	70,381	69,509	69,615
Tons per year	51,903	57,069	60,413	63,494	70,905	70,041	73,412	59,260	60,826	58,152
Airport (Calendar Year)										
Commercial aircraft landings	1,324	1,586	1,697	1,576	1,808	1,742	1,484	5,417	3,807	-
Passengers	9,168	10,827	15,600	10,363	8,397	9,203	10,571	11,694	7,836	-
FAA traffic count	338,208	298,789	272,855	237,990	236,317	227,351	242,311	240,443	231,668	-
Public Works										
Cold mix repairs(lbs)	89,140	155,460	323,640	109,040	129,013	140,155	97,649	115,705	90,215	88,773
Hot Mix repairs (tons)	465	1,376	1,727	8,378	2,050	1,156	1,800	643	1,730	2,806

(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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Area square miles	39	39	39	39	39	40	40	41	41	41
Cultural and Recreation (3)										
Parks						17	21	21	21	21
Park acres						1,384	1,394	1,394	1,394	1,394
Miles of trails						55	33	36	36	36
Open space - public (acres)						160	195	278	278	278
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	472	482	496	505	509	516	531	536	537	542
Wastewater										
Miles of sanitary sewers	622	635	647	647	345 (2)	350	387	389	389	391
Solid Waste										
Collection trucks	12	12	15	15	14	15	15	16	16	16
Airport										
Total based aircraft	347	364	338	349	340	330	325	352	344	344
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles) (1)	205	215	221	221	222	224	231	234	236	270

(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.