



# **CITY OF PRESCOTT, ARIZONA**

**COMPREHENSIVE**

**ANNUAL**

**FINANCIAL**

**REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007

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# INTRODUCTORY SECTION





**CITY OF PRESCOTT**  
201 South Cortez  
Prescott, Arizona 86303

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October 19, 2007

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, 2007. 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.

Eide Bailly, LLP have issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2007. 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 auditor's 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, 2007, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

#### **REPORTING ENTITY**

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

#### **CITY OF PRESCOTT PROFILE**

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

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

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

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

Although small in population, 42,085, the City is not dependent on any one company or industry for economic vitality. The region is diverse in nature and benefits from the following industries:

**Education**

Embry Riddle Aeronautical University  
Yavapai College  
Prescott College

**Medical**

Yavapai Regional Medical Center  
Veteran's Administration Hospital

**Manufacturing**

Sturm Ruger and Company  
Fortner Aerospace  
Wulfsberg Electronics  
Exsil  
Zila Pharmaceuticals

**Retail**

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

**Tourism**

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

*U.S. News & World Report* recently named Prescott as one of the top 10 places to retire. In 2006, *Money* magazine named Prescott as one of the five best places to retire and provided the following description: "Prescott attracts retirees who enjoy being outdoors, with more than 6 golf courses, and the Prescott National Forest, which offers 450 miles of trails among acres of ponderosa pine. There are outdoor events on the lawn of Courthouse Plaza; saloon-style bars and restaurants that line historic Whiskey Row; and plays at the Prescott Fine Arts Association. Other pluses: three hospitals, a recently expanded library and a new adult center opening this fall. Housing prices are on the high side, but property taxes are relatively low and seniors enjoy some state breaks."

Families also consider Prescott an attractive location in which to live as evidenced by the 2.3% increase in school enrollment during the 2007 school year.

**ECONOMIC CONDITION**

The City has benefited from the steady economic environment; our retail sales have withstood some tough obstacles during FY 2007. The City benefits from the favorable conditions associated with Prescott, including a stable, diversified economic base and a desirable location for work, entertainment, retirement and living.

The business climate has been strong over the past decade but the last two years have the City returning back to less dynamic growth. We foresee moderate growth in the coming year. The nationwide housing bubble and the spurt in interest rates impacted Prescott. While the number of building permits issued during the year increased 2.4%, the related valuations declined from \$189 million to \$133 million or 30%. Our double digit privilege tax growth was trimmed to 4.3% during the year.

We maintain an optimistic outlook due to the City's commitment to targeted recruitment efforts that focus on industry segments that complement the existing business mix, including: retailers, high-tech, research and development, and business and professional services.

Prescott's largest revenue source is the privilege tax that is generated from a well-blended retail tax base. Activities include automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals.

The City has been benefited for many years in that it dominated the region in terms of retail sales. Adjacent communities, especially the Town of Prescott Valley, have been successful in attracting competing retailers which will undoubtedly challenge Prescott's retail leadership role.



In order to secure the City's future success, investments in the community continue, a few of the recent highlights are:

- ◆ In an attempt to diversify the sources of water available to the City, the City acquired the Big Chino Water Ranch, located in the Big Chino groundwater basin north of Paulden. This acquisition will strengthen the City's water portfolio.
- ◆ Several commercial developments are in the planning stage in the northern part of the community.
- ◆ The City maintains a cooperative position with adjoining jurisdictions to address growth issues.
- ◆ A developer recently unveiled plans for a 200-room, 219,500-square-foot major hotel/conference center complex along Highway 69. This type of development has been a focal point in the City's economic development strategy for many years.

## **LONG-TERM FINANCIAL PLANNING**

The City's sensitivity to emerging economic challenges and its vigilant long-range planning have been key factors in Prescott's fiscal health. Fiscal conservatism, a streamlined budget, and operating efficiencies have resulted in a sound financial position for the City at the close of FY 2007.

The Mayor and City Council have created a mission statement as well as several broad goal categories, which represent key interests and priorities of the Mayor, City Council, and reflect their constituency's suggestions and expectations for the future. These Mission and Goal statements allow staff to create strategic plans and a programmatic budget that directly responds to the Council's and the community's goals and expectations.

Plans articulated in the FY 2008 Adopted Budget continued to support basic government services (roads, water, wastewater, solid waste management, parks and recreation, police, fire, etc.), while also addressing the City Council's broad goals and citizen expectations for the community.

Prescott's financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning and debt management, all of which are further identified below.

Currently, Prescott's financial forecast includes modest revenue growth and continued increases in demand for City services such as police, fire and transportation services. Our role will be to maintain and enhance financial plan elements and ensure the continued financial stability of the City.

While the City currently enjoys a sound financial condition, future events could alter that. We partner with the Arizona League of Cities and Towns to curb unfunded mandates, maintain our fair share of State shared revenue and vigorously contend issues that are incompatible with the City's identity and goals.

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

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

As with any growing community, the City will continue to have an ongoing need for new or expanded streets, water and wastewater systems, transportation alternatives, public safety measures, and cultural and recreation opportunities. As the preceding economic indicators point out, the City is poised both for further long-term economic development and community success.

Our past approach has been successful for us. The future, however, will bring new unknowns and plenty of challenges. We will continue to adjust our budget process and 5-year financial plans to be positioned to react timely to future economic changes.

## **Major Achievements For 2007**

There were many accomplishments during the year which coincide with the Council goals:

### **City Facilities for Better Service**

- Unveiled the 14,000 square foot library expansion
- Opened the new community and adult center
- Remodeled the Manzanita Grille at the golf course
- New central garage and transfer station expansion under construction
- Acquired property for a new downtown fire station

### **Financial Sustainability**

- Increased police and fire impact fees to provide better facilities and safety
- Water rates and impact fees were revisited
- Received an upgrade to our bond ratings

### **Downtown**

- Launched a new sidewalk and alley cleaning program
- Elk's Opera House continued restoration
- Successfully partnered with the County to maintain the court system downtown
- Completion of the 3-story Summit Bank Building
- Goodwin Street Streetscape enhancements were completed

### **Economic Expansion and Tax Base**

- Expansion of Toyota dealership
- Lowe's Home Improvement Center is under construction
- The Room Store is under construction
- New Unisource Gas regional offices were opened
- Center Pointe East and Airpark Business Center
- Several new business at the Gateway Mall

### **Tourism Promotion**

- Secured the land for the "Worlds Oldest Rodeo"
- Prescott Rodeo received ESPN coverage for the first time in its history
- Hosted Woman's National softball tournament
- Over 25,000 attended the 2006 Air Show
- Hosted the biggest 4th of July event to date

### **Road Improvements**

- Iron Springs road and Copper Basin road are under construction
- 2030 Transportation Plan completed
- Gail Gardner road completed with upgraded underground utilities
- Chip sealing of 23 miles of residential streets
- Completed FY 07 unpaved roads and alleys project

### **Water**

- Design of Big Chino water ranch pipeline underway
- Identified necessary Right of Way for water ranch project
- Continued replacement of existing water lines
- Water conservation program expanded regionally

### **Debt Administration**

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

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

The City's excise tax bonds were upgraded during the year; Moody's, S&P and Fitch have assigned the excise bonds the underlying ratings of "A1," "AA" and "AA-", respectively.

### **Cash Management**

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

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

### **Risk Management**

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

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Prescott for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the 25th consecutive year that the government has achieved this prestigious award.

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

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

The City of Prescott received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2006 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning July 1, 2007.

### **Independent Audit**

In accordance with the City Charter and Arizona law, the City's financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Eide Bailly, LLP conducted the audit for fiscal year ending June 30, 2007. 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.



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

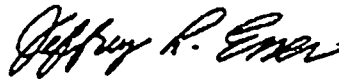
City of Prescott  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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

# City of Prescott Organizational Chart – FY2008

## Citizens Boards & Commissions

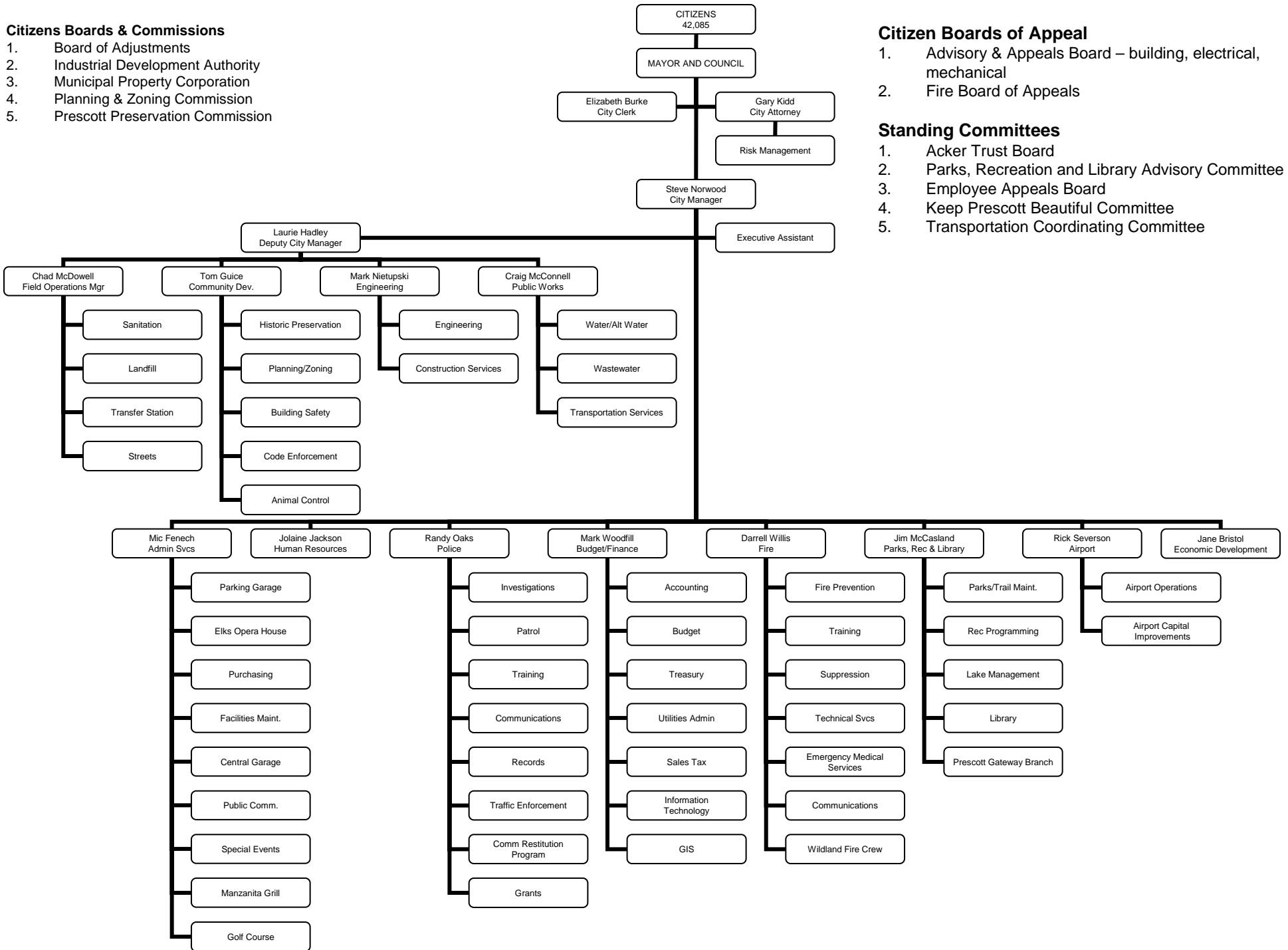
1. Board of Adjustments
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

## Citizen Boards of Appeal

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

## Standing Committees

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



# CITY OF PRESCOTT, ARIZONA

*June 30, 2007*

## ELECTED OFFICIALS

Rowle Simmons, Mayor

### Council

Bob Bell

Mary Ann Suttles

Bob Roecker

Jim Lamerson

Robert J. Luzius

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.cityofprescott.net](http://www.cityofprescott.net)

# FINANCIAL SECTION







## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate fund information, and the budgetary information of the **City of Prescott, Arizona** as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Prescott, Arizona** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Prescott, Arizona** at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Streets and Open Space Fund and the Capital Improvement Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2007 on our consideration of the **City of Prescott, Arizona's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

**PEOPLE. PRINCIPLES. POSSIBILITIES.**

[www.eidebailly.com](http://www.eidebailly.com)

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

Eide Bailly LLP

Phoenix, Arizona  
November 14, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal years 2007 and 2006 by \$450.4 million and \$417.3 (net assets), respectively. Of these amounts, \$44.0 million and \$25.8 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$33.1 million and \$36.0 million during fiscal years 2007 and 2006, respectively.

The fiscal year 2007 increase was driven by increased interest and investment income (\$2.9 million) increased intergovernmental revenues (\$1.5 million) and increased privilege (sales) tax collections (\$1.3 million) which resulted in a \$32.0 million increase to the investment in capital assets, net of related debt.

During fiscal year 2007, the City's total debt increased by approximately \$4.4 million, in contrast to the increase of approximately \$.9 million in fiscal year 2006. The increase this year was the result of a new general obligation bond issue in the amount of \$1.51 million for completion of the Lakes projects and a \$6.625 million issue for the construction of a new central garage and expansion of the transfer station.

Overall City program costs increased by \$5.6 million (or 7%).

### REPORT LAYOUT

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

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

- ◆ The Statement of Activities presents the gross and net costs of City programs and the extent to which such programs rely on general tax and other revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- ◆ Fund financial statements present separately the major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are reported in a separate column and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General Fund and the Streets and Open Space Special Revenue Fund.
- ◆ The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- ◆ **Other Supplementary Information.** Users wanting additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or the Supplementary Information-Budgetary Comparison sections of the report. Components within this section include:
  - ◆ Combining Statements - Major funds are included in the Basic Financial Statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
  - ◆ Budgetary Comparisons - Budgetary information for all funds, except those presented within the Basic Financial Statements, are presented here.
  - ◆ Other Financial Schedules complete the Financial Section of the report.
- ◆ **Statistical Section.** Information is presented for five categories – financial trend, revenue capacity, debt capacity, demographic and economic and operating.

## CITY AS A WHOLE

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2007 and June 30, 2006 follows:

#### Net Assets at Year-end (in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Cash and investments	\$ 54.4	\$ 49.8	\$ 24.7	\$ 25.5	\$ 79.1	\$ 75.3
Other assets	14.9	14.9	1.5	1.9	16.4	16.8
Capital assets	236.7	212.8	185.7	173.0	422.4	385.8
Total assets	<u>306.0</u>	<u>277.5</u>	<u>211.9</u>	<u>200.4</u>	<u>517.9</u>	<u>477.9</u>
Other liabilities	8.7	7.0	4.1	3.4	12.8	10.4
Noncurrent liabilities	28.9	23.9	25.8	26.3	54.7	50.2
Total liabilities	<u>37.6</u>	<u>30.9</u>	<u>29.9</u>	<u>29.7</u>	<u>67.5</u>	<u>60.6</u>
Net assets:						
Invested in capital assets, net of debt	203.6	184.8	162.0	148.8	365.6	333.6
Restricted	31.5	50.2	9.3	7.7	40.8	57.9
Unrestricted	33.3	11.6	10.7	14.2	44.0	25.8
Total net assets	<u>\$ 268.4</u>	<u>\$ 246.6</u>	<u>\$ 182.0</u>	<u>\$ 170.7</u>	<u>\$ 450.4</u>	<u>\$ 417.3</u>

## Governmental Activities

During fiscal year 2006-07 the balance of net assets increased \$21.8 million due to a large number of improvements and various capital improvement projects totaling \$21.5 million. However, much of the increase in net assets was offset by increased depreciation totaling \$10.2 million. The most notable additions include:

- The library expansion project and Adult Center construction was completed and several fire stations were refurbished.
- Vehicle additions amounted to \$2.37 million which included 10 new police vehicles, a new fire ladder truck costing \$470,000, 3 dump trucks costing a total of \$412,000, two side loaders for sanitation costing a total of \$464,000 and a Vac Con Sewer cleaner truck which cost \$308,000.
- \$11.9 million was spent on road improvements. Most of the projects were in process at year end including Iron Springs Road and Copper Basin Road, which comprised nearly 80% of the total spending.
- \$2.2 million was expended on land and right-of-way acquisitions. \$1.8 million in open space funds was spent to acquire the Nature Center from the Prescott Unified School District. While \$340,000 of impact fee funds were used to acquire land on Montezuma Street for construction of a future fire station.
- \$1.3 million was spent on the new central garage building.

Cash and investments expanded by \$4.6 million sparked by privilege (sales) tax receipts which increased by \$1.3 million. Higher interest rates resulted in greater investment income.

## Business-type Activities

During fiscal year 2006-07 the balance of net assets increased by \$11.3 million due in part to the following specific activities:

**Airport:** \$6 million of grant funded pavement improvements.

**Water:** \$9.9 million in improvements were added during the year. These include \$6.0 million for Big Chino Ranch water project, with the remainder made up of road related water projects.

**Wastewater:** \$2.4 million in improvements, which included several wastewater main replacement projects including Iron Springs road, Gail Gardner and Willow Creek Road.

**Transfer Station:** \$397,000 was spent on the transfer station expansion project.

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

The City's overall financial position has improved during the year as reflected in the increase in net assets above. Additionally, the unrestricted net assets of both the governmental and business-type activities amount to \$33.3 and \$10.7 million respectively. In FY 2006, many restricted net assets should have been reflected as unrestricted. The 2007 net asset components better reflect the requirements imposed through the governmental accounting standards.

There are restrictions on \$31.5 million of net assets for governmental activities and an additional \$9.3 million in restricted net assets of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects and the repayment of debt. Within the business-type activities are capital projects, bond proceeds and debt service reserves.

## STATEMENT OF ACTIVITIES

A summary of the Statement of Activities for the year ended June 30, 2007 and June 30, 2006 follows:

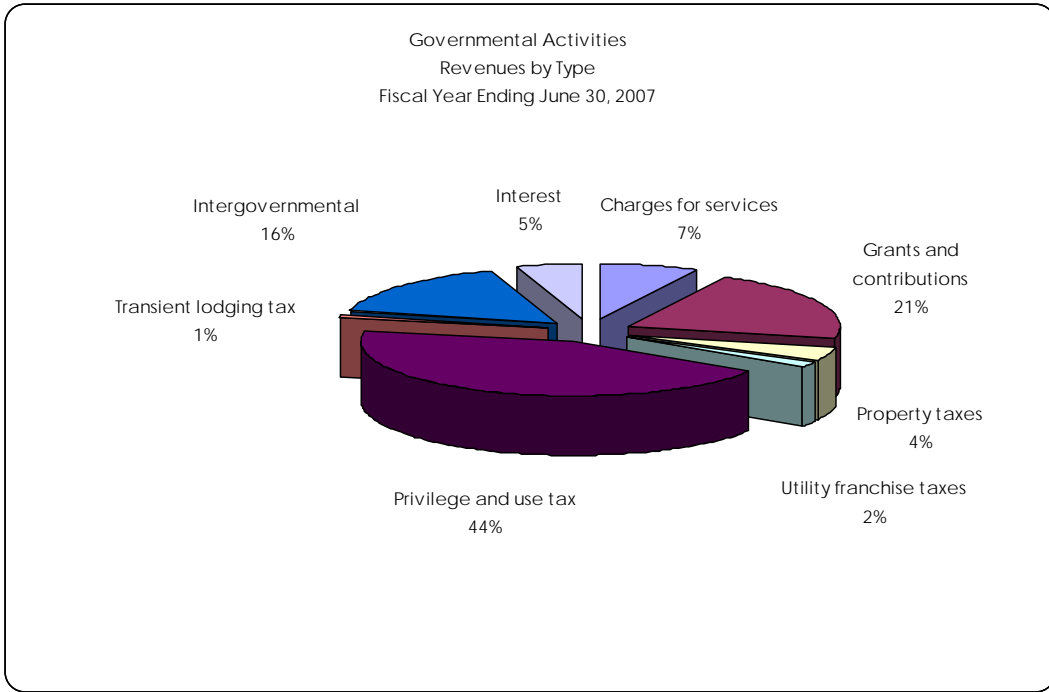
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services and other	\$5.3	\$6.3	\$31.1	\$30.2	\$36.4	\$36.5
Operating grants and contributions	5.1	4.5	-	-	5.1	4.5
Capital grants and contributions	10.0	13.5	11.4	11.4	21.4	24.9
Total program revenues	20.4	24.3	42.5	41.6	62.9	65.9
<b>General revenues</b>						
Taxes	35.9	34.4	-	-	35.9	34.4
Intergovernmental	11.6	10.1	-	-	11.6	10.1
Interest	3.7	1.8	1.7	0.7	5.4	2.5
Other	0.8	0.8	0.6	0.8	1.4	1.6
Total general revenues	52.0	47.1	2.3	1.5	54.3	48.6
Total revenues	72.4	71.4	44.8	43.1	117.2	114.5
<b>Expenses</b>						
General government	4.4	6.1	-	-	4.4	6.1
Community services	3.2	2.4	-	-	3.2	2.4
Culture and recreation	6.7	6.2	-	-	6.7	6.2
Police and courts	11.8	10.6	-	-	11.8	10.6
Fire	7.4	7.1	-	-	7.4	7.1
Public works	16.0	14.5	-	-	16.0	14.5
Interest on long-term debt	1.0	1.1	-	-	1.0	1.1
Water	-	-	9.9	8.0	9.9	8.0
Wastewater	-	-	6.4	6.1	6.4	6.1
Golf course	-	-	3.2	2.6	3.2	2.6
Airport	-	-	4.7	5.1	4.7	5.1
Solid waste	-	-	5.0	4.9	5.0	4.9
Transfer station	-	-	4.1	3.7	4.1	3.7
Parking garage	-	-	0.3	0.1	0.3	0.1
Total expenses	50.5	48.0	33.6	30.5	84.1	78.5
<b>Increase (decrease) before transfers</b>	21.9	23.4	11.2	12.6	33.1	36.0
<b>Transfers</b>	(0.1)	(6.3)	0.1	6.3	-	-
<b>Change in net assets</b>	21.8	17.1	11.3	18.9	33.1	36.0
Beginning net assets	246.6	230.8	170.7	152.0	417.3	382.8
Prior period adjustment	-	(1.3)	-	(0.2)	-	(1.5)
Beginning net assets - as restated	246.6	229.5	170.7	151.8	417.3	381.3
<b>Ending net assets</b>	\$ 268.4	\$ 246.6	\$ 182.0	\$ 170.7	\$ 450.4	\$ 417.3

### *Governmental Activities*

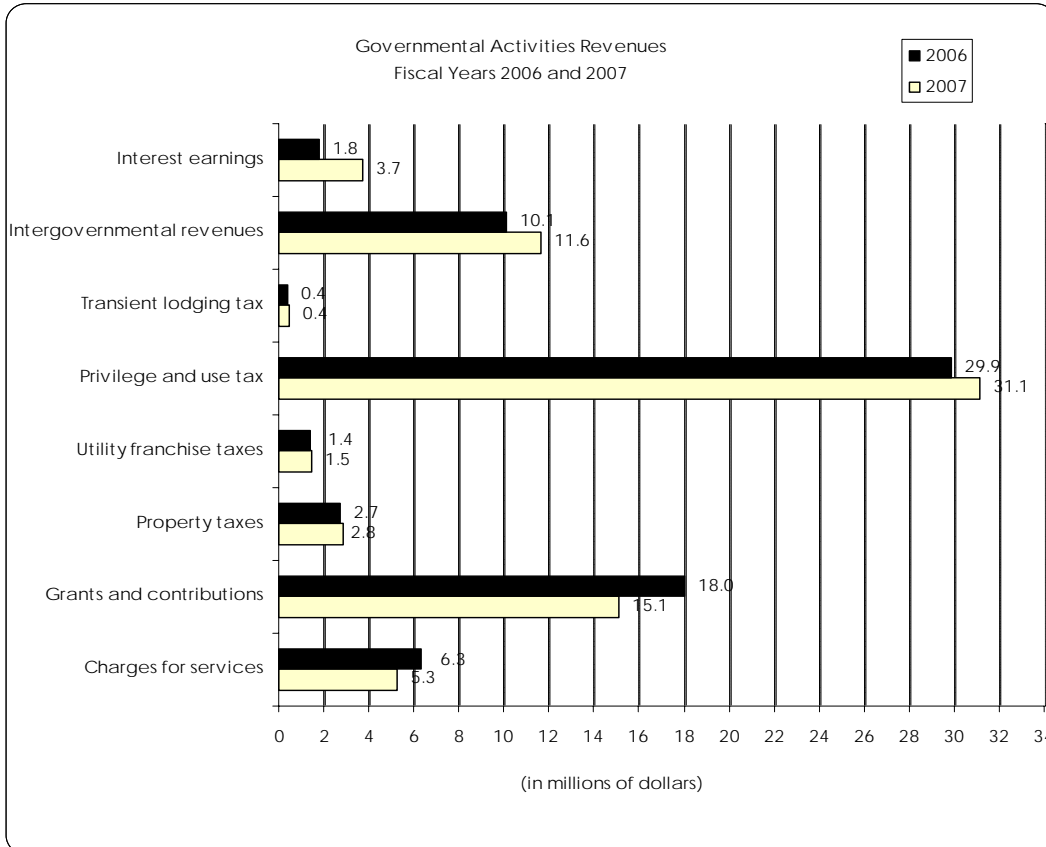
The cost of all governmental activities this year was \$50.5 million. \$5.3 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$15.1 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$35.9 million, was financed through general City taxes. Other

governmental revenues, including intergovernmental revenues and interest amounted to \$16.1 million.

The chart below shows the breakdown of governmental activities revenue.



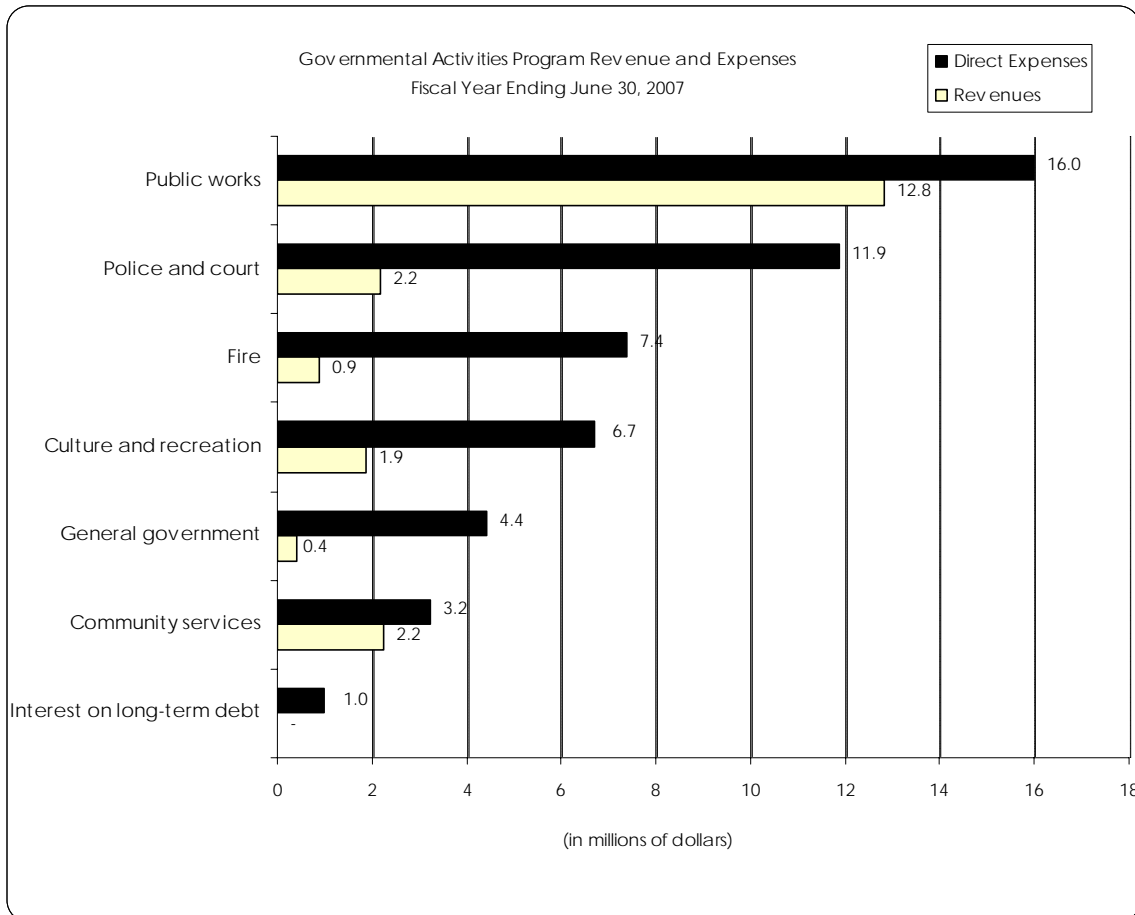
The graph below compares the governmental revenues from fiscal year 2007 to fiscal year 2006.



Total governmental activities revenues increased by only \$1.0 million or 1.4% from the previous year. Key factors in this change include:

- ◆ Privilege tax collections increased \$1.2 million or 4%. This reflects the general economic conditions which deteriorated during the year.
- ◆ Grants and contributions decreased by \$2.9 million or 20.9%. The primary factor behind this was a decrease in developer road and right-of-way contributions, which totaled \$8.3 million, which is down 25% from \$11.1 million one year ago.
- ◆ Intergovernmental revenue increased by \$1.5 million which reflects the statewide economic upturn.
- ◆ Interest and investment income increased to \$3.7 million up from \$1.8 million a year ago. This reflects the increase in interest rates as well as an increase in our investment principal.

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



Governmental program expenses increased by \$2.5 million or 5.2%. A portion of the increase can be attributed to higher wage costs.



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

To:	From:	Amount
Parking Garage	Budget & Finance	\$ 10,000
Golf Course	Budget & Finance	90,000
Total appropriation transfers		<u>\$ 100,000</u>

## 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 \$48.3 million, a decrease of \$.4 million in comparison to the combined ending fund balances for fiscal year 2006 of \$48.7 million. The decrease in the current year's fund balance is primarily due a deficiency of revenues over expenditures of \$1.9 million. General Obligation bond proceeds of \$1.5 million offset a large portion of this deficit.

Approximately \$46.3 million of the total for fiscal year 2007 and \$46.1 million of the total for fiscal year 2006 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, for the repayment of a long-term loan from another fund (\$1.4 million in fiscal year 2007 and \$2.1 million in fiscal year 2006).

Revenues for governmental functions overall totaled approximately \$63.7 million in fiscal year 2007, an increase of 5.5% (\$3.3 million) over the previous year total of \$60.4 million. In fiscal year 2007, expenditures for governmental functions, totaled \$65.6 million, an increase of 20% (\$11.2 million) over the fiscal year 2006 total of \$54.4 million.

In the fiscal year ended June 30, 2007 expenditures for governmental functions exceeded revenues by \$1.9 million or (3%). In 2006, revenues for governmental functions exceeded expenditures by approximately \$6.0 million (11.1%). The decrease in 2007 reflects that previously delayed road projects have incurred spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$10.3 million, while total fund balance was \$11.8 million. The unreserved and total balances for the General Fund at the end of fiscal year 2006 were \$10.6 million and \$12.7 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

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

- Taxes increased by \$873,000 or 5.0%
- Intergovernmental revenues increased by \$1.5 million or 14.7% which reflect the City's share of State tax collections which have expanded as Arizona continues to attract more residents than it loses. Also during the year the State applied a mid-decade adjustment to the distribution formulas which benefited Prescott. These revenues are shared primarily based on population. While the City's percentage share has declined because its population growth has been less robust than other areas in the state, the overall state revenues have exceeded expectations.
- Investment income grew by \$552,000 due to increased interest rates.
- Public safety expense increased by \$2.0 million or 12.6% reflecting the City's continued emphasis on public safety coupled with increasing retirement costs. The new joint communications center has also resulted in increased expenses which are shared with other jurisdictions.

Unreserved fund balance represents 34.7% percent of the total General Fund expenditures of \$29.7 million in fiscal year 2007 and 39.1% percent of the total General Fund expenditures of \$27.1 million in fiscal year 2006.

Overall, the General Fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2007, of \$5.6 million which is flat compared to the prior year of \$5.6 million.

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

- ◆ The total general fund revenues exceeded the budget by \$1.5 million or 4.4%. Privilege (sales) tax revenue exceeded the budget by \$.8 million or 5.0% due to a positive local retail economy. Investment income exceeded the budget by \$.5 million or 133% due to higher interest rates. Other revenues were inline with the prior year.
- ◆ The total expenditures in the general fund were under budget by \$.7 million or 2.1% reflecting a rather flat spending trend. The police department was under budget by \$1.5 million which results primarily from retirement pension costs which came in 5% lower than originally anticipated and longer recruitments for open positions created by staff retirements and turnover. The fire department was also under budget by \$603,000 due primarily from retirement pension costs which came in 4.4% lower than originally budgeted.

The streets and open space fund expenditures exceeded revenues by \$1.7 million during the year. The privilege tax for streets and open space exceeded the budget by .5 million or 3.4%. The fund's expenditures were under budget by \$12.6 million which results from delays in road related projects. Open space funds in the amount of \$1.8 million were spent to acquire the Nature Center from the Prescott Unified School District. The remaining spending was incurred on road projects, primarily Iron Springs and Copper Basin.

The capital improvement fund expenses exceeded revenues by \$4.3 million. The fund incurred expenses of \$2.6 million in economic development incentives, \$976,000 for the library expansion, \$535,000 for the purchase of the former Department of Economic Security building on Grove Avenue. The general fund also transferred in \$6.6 million to the fund during the year for future capital projects.

The FY 2007 budget originally included an appropriation for a new public safety privilege tax that would have required voter approval. The initiative was never presented to the voters; therefore the only schedule presented in the financial report is a budget schedule which reflects only budgeted amounts.

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

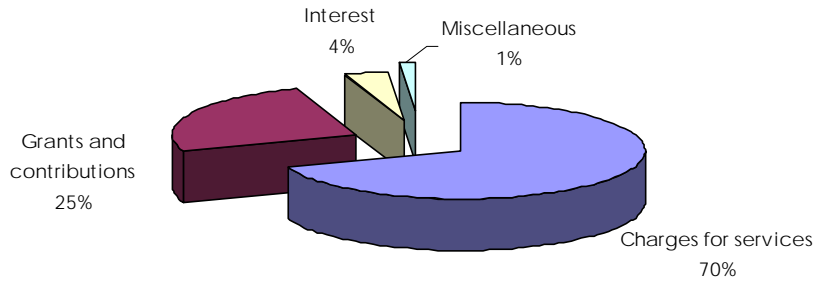
### ***Business-type Activities***

The cost of providing all business-type activities this year was \$33.6 million. Of this cost, \$31.1 million was paid by users, \$11.4 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities resulting in a net revenue of \$8.9 million. Investment earnings of \$1.7 million, miscellaneous income of \$.6 million and a transfer in the amount of \$.1 million resulted in an overall increase in net assets of \$11.3 million.

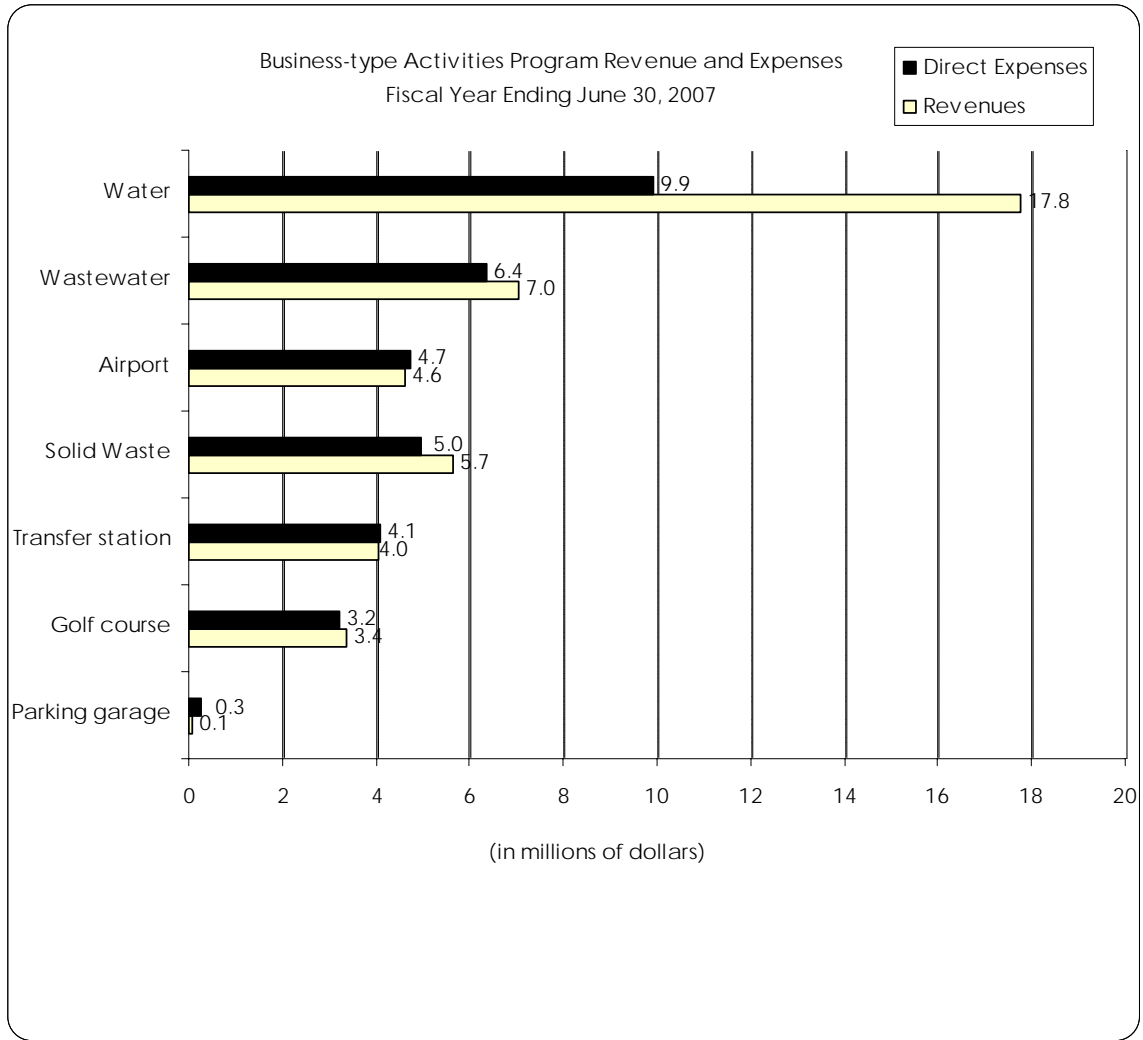
Business-type activities revenue increased by \$1.7 million (or 3.9%). User charges increased by \$.9 million, while developer contributions and grants were flat for fiscal year 2007.

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

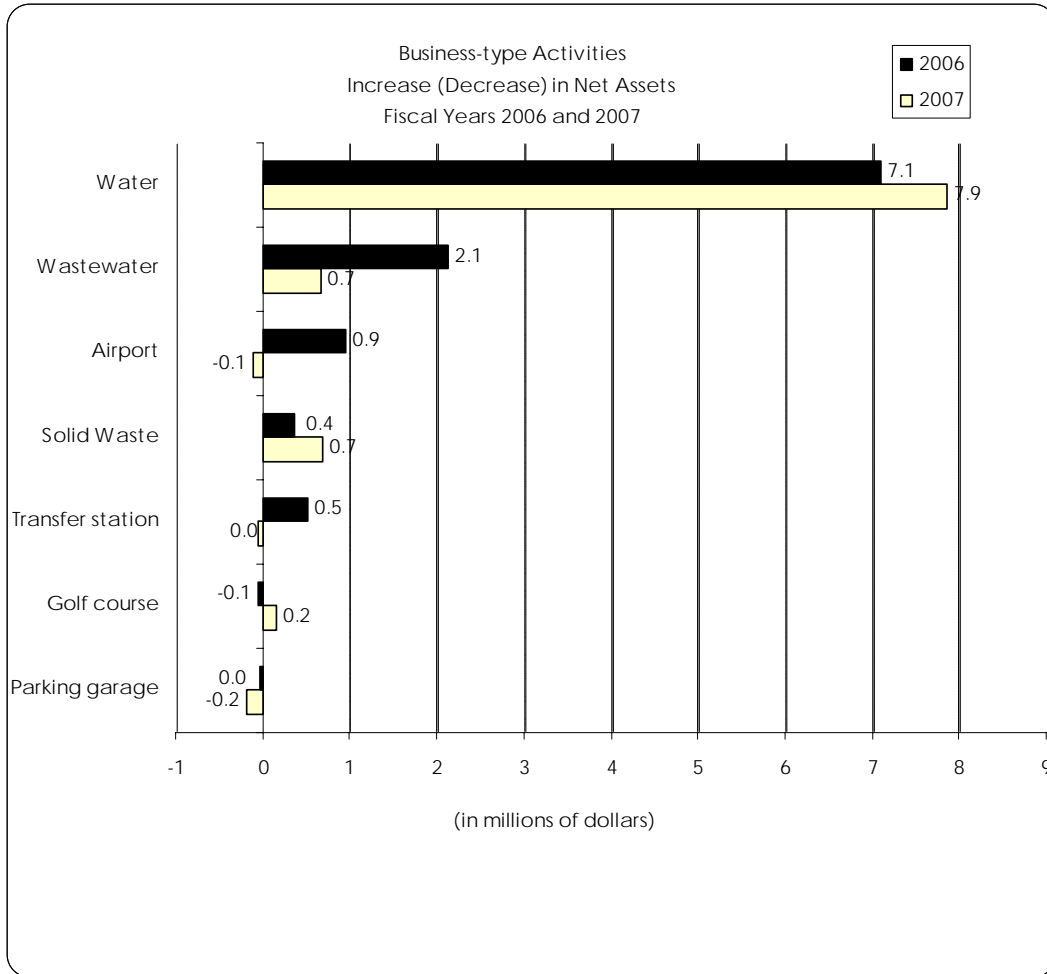
Business-type Activities Revenues by Type  
Fiscal Year Ending June 30, 2007



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



The chart on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2007 to fiscal year 2006. Each business-type activity is managed to remain self-sufficient while providing for future capital requirements.



The changes in net assets were the result of the following factors:

- The increased water rates were the driver of the increase in water net assets.
- The waste water fund continues to decline and reflects the timeliness of the waste water rate and impact fee study which is planned.
- The airport charges for services declined by \$345,000, while depreciation expense exceeded new fixed asset additions. Airport grants also declined by more than \$1.0 million during the year.
- The golf course improved slightly from an operational standpoint but is generating negative cash flow as evidenced by the amount due to the general fund which exceeds \$.8 million.

Customer and developer contributions amounted to \$10.9 million during the year, which supplemented the water and wastewater programs. Airport grant revenue of \$.5 million helped fund a variety of paving improvements at the airport.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

As of June 30, 2007 the City had invested \$386.3 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$29.1 million.

The following table reconciles the changes in capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Beginning balance	\$ 212.9	\$ 201.4	\$ 172.9	\$ 155.8	\$ 385.8	\$ 357.2
Additions	35.7	31.1	17.9	22.5	53.6	53.6
Deductions	(1.4)	(10.5)	-	(0.1)	(1.4)	(10.6)
Depreciation	(10.6)	(9.1)	(5.2)	(5.3)	(15.8)	(14.4)
Ending balance	\$ 236.6	\$ 212.9	\$ 185.6	\$ 172.9	\$ 422.2	\$ 385.8

See Section 1I 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 \$53.3 million in debt outstanding compared to \$49.0 million last year.

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

	Governmental	Business	Total
	Activities	Activities	
Beginning Balance	\$ 24.0	\$ 25.0	\$ 49.0
Additions	2.2	6.7	8.9
Retirements	(2.4)	(2.2)	(4.6)
Ending Balance	\$ 23.8	\$ 29.5	\$ 53.3

	Totals	
	2007	2006
<b>Governmental:</b>		
General obligation	\$ 9.3	\$ 9.1
Special assessment	2.7	3.1
Other debt	6.1	6.0
<i>Subtotal</i>	<u>18.1</u>	<u>18.2</u>
<b>Business-type:</b>		
Water	14.6	15.2
Wastewater	3.4	3.7
Golf course	2.2	3.0
Airport	2.7	3.0
Transfer station	1.5	-
Solid waste	0.1	0.1
Central garage	5.1	-
<i>Subtotal</i>	<u>29.6</u>	<u>25.0</u>
<b>Component units:</b>		
Community facilities districts	5.6	5.8
Total	<u>\$ 53.3</u>	<u>\$ 49.0</u>

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

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.

Another component of the City's debt is compensated absences. This liability amounted to \$6.4 million at June 30, 2007.

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

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

The City's excise tax bonds were upgraded during the year; Moody's, S&P and Fitch have assigned the excise bonds the underlying ratings of "A1," "AA" and "AA-", respectively.

The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or wastewater services and recreational playground facilities may not exceed 20% of the City's secondary assessed valuation. Under the second test, a City may not issue general obligation debt for general municipal purposes in an amount that exceeds 6% of the City's secondary assessed valuation. At June 30, 2007 the City had remaining debt capacity of \$101.7 million under the 20% test and \$32.4 million under the 6% test.

## **ECONOMIC FACTORS**

The City continues to maintain strong reserves for unforeseen circumstances, whether of a financial nature or a natural (or other) disaster. The City's reserves, in combination with our consistent adherence to adopted financial policies and management practices, proved big factors in the recent credit rating upgrades awarded to Prescott by the major credit rating companies.

We anticipate a continued steady economic environment for the overall region. While the housing market has cooled (both nationally and regionally), indications are that the overall economy should experience moderate real growth in the year ahead. In Arizona, continuing strong job growth and a favorable business environment is expected to help buffer the local economy from the current housing market slowdown.

The City's retail privilege tax collections, which represent largest City revenue source, are forecasted to increase by 3%. The City's share of the state-shared revenue is expected to see a 10.7% gain in FY 2008, largely based upon the remarkable equity gains generated by a previously overheated real estate market. However, this level of income tax growth is not expected to continue, and our financial forecasting is based upon this assumption.

As the City's population grows and business activity increases, the everyday cost of doing business for the City increases as well. Rapidly rising costs in health care, utilities and fuel, have increased departmental expenses. Maintaining existing service levels with these types of overhead increases will absorb a substantial amount of the new revenue growth in the year ahead.

The City aggressively pursues economic vitality and redevelopment opportunities, a few of the successes follow:

- ◆ The construction of a 146,000 square foot Lowes Building Supply Store which will open in FY 2008.
- ◆ A 93-room Residence Inn recently opened at Lee Circle and Highway 69.
- ◆ Prescott Gateway Mall has added several tenants including Coldwater Creek and The Room Store.
- ◆ Annexation of 43 acres at Willow Creek and Pioneer Parkway was completed, with rezoning, site plan, and building permits to follow in FY08.
- ◆ The City acquired the Big Chino Water Ranch and continues to pursue additional water rights acquisition opportunities.
- ◆ The City has made numerous quality of life investments including the 14,000 square foot library addition, the new adult center and increased our open space through the acquisition of the nature center. Important roadway construction continues to improve mobility throughout the City.

At June 30, 2007 the City has set aside \$9.9 million in the capital improvement fund. The majority of these funds have been earmarked for projects including; \$2.8 million for economic development and incentive programs; \$.6 million for the design of the new downtown fire station and \$2.5 million for radio frequency infrastructure for the police and fire departments.

## **LONG-TERM FINANCIAL PLANNING**

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

### ***Our Vision***

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

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

### ***Our Mission***

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

At the Council/staff retreat in January, Council developed their vision, mission, core beliefs, and goals for the City thereby providing clear-cut guidance to staff in the formulation of the FY2008 budget. The goals that were defined at this retreat are listed below:

### ***Stronger Local Economy and Expanded Tax Base***

- More quality jobs with family wages
- More diverse economy which is less retail dependent
- Development of 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***

- Improved condition and quality of city streets
- All city streets and alleys paved
- Air service to alternative hubs
- Effective and functioning Municipal Planning Organization
- Sidewalks on Major Arterials

***Managed Growth for a Balanced Community***

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

***Polished City – Beautiful and Clean***

- Cleaner and well-maintained streets, alleys and right-of-way
- Reduced number of blighted homes and buildings
- Effective solid waste collection and management
- Redevelopment of aging commercial centers
- Well maintained Parks and Recreational areas

***First Class Utility System***

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

***Alive Downtown***

- Cleaner downtown with improved infrastructure
- More commercial offices with people working downtown
- More activity venues for attracting residents and events
- More people living downtown
- More evening activities with businesses open beyond 5:30

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

**NEXT YEAR'S BUDGETS AND RATES**

Current economic conditions allow the City to maintain core services and, in some cases, to provide enhancements to existing service levels. However, prudent long-term fiscal planning dictates that we remain conservative, focus on the highest Council and citizen priorities, and fund only those enhancements we can sustain financially.

The budget consists of two different components – the operating budget and the capital budget. The operating budget is \$85,433,281 representing an 11.9% increase from FY 2007. The operating budget is comprised of the costs to continue operations from year to year without any capital expenditures. It encompasses all the basic services provided to Prescott's residents: police and fire protection; parks, recreation, and library services; water; sewer; solid waste collection including recycling; streets maintenance; planning and zoning; building inspection; economic development

and administrative services. The operating budget has been prepared without an increase in taxes.

The second component, the capital budget, is set at \$122,412,195, a 9.9% increase over FY 2007. 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 wide variation between the estimated ending in FY 2007 and the budgeted amount for FY 2008 is the result of some large projects budgeted in FY 2007 were not completed as planned and have been carried over to FY 2008.

The Capital Improvement Program (CIP) is the City’s financial plan for supporting large capital projects. The five-year CIP addresses the growing needs of the community and enhances the quality of life through major public investment, and is an essential ingredient in the City’s service delivery plan. The CIP is closely aligned with the General Plan, and integrates a number of specialized facility and infrastructure master plans. Looking ahead, the five-year CIP totals \$350.3 million; with the Capital Budget for FY 2008 totaling \$122.4 million (which includes carryover funds for some large projects currently underway). In FY 2008, the CIP places major emphasis on road building, the water and wastewater systems and the downtown fire station.

Some of the more prominent projects consist of the following:

#### **Water**

The major funding allocation in the Water Fund is \$3.6 million to upgrade the existing Prescott Canyon Pump Station that feeds a pressure zone along Highway 69 to meet existing and future water demands.

Other notable projects in the Water Fund include:

- \$2.0 million for the design of a pipeline, reservoirs, wells and related infrastructure to deliver water from the Big Chino Ranch that was purchased during FY 2005.
- Funding for water improvements and upgrades as part of the Copper Basin Road (\$3.4 million) and Williamson Valley Road (\$.9 million) street projects.
- \$1.5 million for the 12” Chino Transmission Main Relocation

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

#### **Wastewater**

Within the Wastewater Fund, the largest allocations are the North Prescott Regional Force Main project (\$5.5 million) and the improvements associated with the Copper Basin Road street improvement project (\$1.4 million). Funding for additional wastewater main replacements and improvements necessitated by street projects is included in this fund.

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

#### **Solid Waste**

Anticipated capital expenditures include a roll-off truck (\$125,000) and containers (\$15,000).

#### **Transfer Station**

\$1.1 million has been budgeted in this fund for the completion of the Transfer Station expansion. The current facility is at capacity and could create a safety risk to our customers should transactions increase.

## **Airport**

Infrastructure projects totaling over \$1.4 million are grant funded with the City's share of these grants being \$80,804. Also budgeted is \$861,450 for North Ramp T Shades.

## **Golf Course**

\$504,020 has been budgeted for the purchase of new golf carts. The purchase of the carts will be accomplished through a lease/purchase by using a five year amortization in which, after three years, there is a balloon payment with a guaranteed buy-back. Additionally, monies have been budgeted for a remodel of the old clubhouse (\$310,000).

## **Streets**

Street maintenance operations continue to be funded at a level of \$4.5 million. Maintenance operations include snow removal, striping, signage, signal maintenance, installation of new street lights including maintenance through Arizona Public Service, drainage improvements, brush and weed removal, crack sealing, pothole patching, unpaved road grading, and electricity for the street light system and traffic signals.

## **1% Tax – Streets and Open Space Fund**

Included is nearly \$7.0 million for potential open space purposes. Additionally, \$30 million in street projects such as construction of the Iron Springs Road project (\$8.2 million), Copper Basin Road construction (\$4.3 million), and Ruth/Demerse Street reconstruction project (\$2.8 million) are budgeted.

## **General Fund**

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

Notable capital outlay in the General Fund includes: \$127,000 for a document management system and \$73,000 for the remainder of the Human Resource and Payroll software program.

## **FUTURE ISSUES**

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

While the city's progress has been exciting, certain challenges still exist. We recognized the following issues confronting the city.

**Water** - Competition for the use of water in Yavapai County continues to increase as each year brings the region more people, new development and new industry. All of these uses are dependent on a finite water supply. In order to move forward with requests for annexation, new water service agreements and to reach our ultimate goal of safe yield, this year's budget includes funding for the Water Ranch, new infrastructure and maintenance and repair of existing infrastructure. The City will also need to establish a policy on water use beyond 2010; the policy will address how to allocate water for new development as well as long-term arsenic abatement.

**Unfunded Mandates and Legal Actions** – Both the State and the Federal Government has imposed unfunded mandates upon the City. An unfunded mandate is a statute or regulation that requires the City to perform certain actions, yet provides no money for fulfilling the requirements. The City and its citizens end up covering the costs. Funds are set aside in the FY 2008 budget to address arsenic levels, storm water management, additional staff requirements at airport fire station, increased airport security, and reaching safe yield.

**Changing Demographics** – Like most cities, Prescott is experiencing a change in our demographics. Our population is aging, our baby-boomer workforce is retiring, and we are seeing and feeling the influx of undocumented immigrants. FY 08 will provide funding for two police

officers to attend Immigration and Customs Enforcement training. This will give our officers limited enforcement, under the direction of ICE, when taking illegal immigrants into custody for other criminal acts. In anticipation of the retirement of many long-term employees, we will continue funding our internal training programs so our staff is prepared and ready to advance into positions that are more responsible.

**Sunset on one-cent privilege tax** - In December 2015, the one-cent privilege tax for roads and open space will sunset. Although that date is seven years in the future, it is close enough that the City's ability to issue debt against the revenue source is inhibited. As costs for building new roads and reconstruction of existing roads continue to escalate, the extension of this tax needs to be investigated.

## **FINANCIAL CONTACT**

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

City of Prescott  
Finance Department  
201 South Cortez  
Prescott, Arizona 86303  
928.777.1112  
Or visit our website at: [www.cityofprescott.net](http://www.cityofprescott.net)

**CITY OF PRESCOTT, ARIZONA**

**Statement of Net Assets**

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 54,386,344	\$ 24,673,673	\$ 79,060,017
Receivables (net)	13,314,226	2,231,258	15,545,484
Internal balances	1,445,455	(1,445,455)	-
Inventories	216,022	607,548	823,570
Capital assets			
Land and construction in progress	66,690,190	42,931,430	109,621,620
Other capital assets (net of accumulated depreciation)	169,960,022	142,740,384	312,700,406
Other assets	-	187,658	187,658
Total assets	306,012,259	211,926,496	517,938,755
<b>LIABILITIES</b>			
Accounts payable	4,090,740	3,192,210	7,282,950
Accrued expenses	1,633,352	336,549	1,969,901
Claims payable	2,717,340	-	2,717,340
Deposits	51,040	331,519	382,559
Unearned revenue	279,574	234,524	514,098
Noncurrent liabilities			
Compensated absences due within one year	1,339,501	235,319	1,574,820
Bonds and other debt due within one year	2,350,972	2,343,288	4,694,260
Due in more than one year	25,160,072	23,211,180	48,371,252
Total liabilities	37,622,591	29,884,589	67,507,180
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	203,665,772	162,005,312	365,671,084
Restricted for:			
Capital projects	-	3,615,503	3,615,503
Transportation and open space privilege tax activities	19,406,928	-	19,406,928
Impact fee projects	3,125,796	3,369,379	6,495,175
Highway user projects	499,131	-	499,131
Debt service	7,855,516	2,388,177	10,243,693
Expendable trust	528,089	-	528,089
Unrestricted	33,308,436	10,663,536	43,971,972
Total net assets	\$ 268,389,668	\$ 182,041,907	\$ 450,431,575

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, 2007

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	
<b>Primary Government</b>							
<i>Governmental activities:</i>							
General government	\$ 4,422,607	\$ 373,184	\$ 24,775		\$ (4,024,648)	\$ -	\$ (4,024,648)
Community services	3,215,988	1,012,016	859,576	359,234	(985,162)	-	(985,162)
Culture and recreation	6,688,038	1,106,163	12,000	747,299	(4,822,576)	-	(4,822,576)
Police and court	11,871,859	1,735,625	181,214	256,132	(9,698,888)	-	(9,698,888)
Fire	7,392,504	593,633	-	300,988	(6,497,883)	-	(6,497,883)
Public works	16,078,254	451,537	4,032,457	8,340,236	(3,254,024)	-	(3,254,024)
Interest on long-term debt	1,003,567	-	-	-	(1,003,567)	-	(1,003,567)
Total governmental	50,672,817	5,272,158	5,110,022	10,003,889	(30,286,748)	-	(30,286,748)
<i>Business-type activities:</i>							
Water	9,910,947	9,439,229	-	8,326,953	-	7,855,235	7,855,235
Wastewater	6,363,510	4,406,795	-	2,619,721	-	663,006	663,006
Golf course	3,219,774	3,382,094	-	-	-	162,320	162,320
Airport	4,716,619	4,127,668	-	479,975	-	(108,976)	(108,976)
Solid waste	4,970,215	5,651,499	-	-	-	681,284	681,284
Regional transfer station	4,093,191	4,047,899	-	-	-	(45,292)	(45,292)
Parking garage	251,831	58,527	-	-	-	(193,304)	(193,304)
Total business-type activities	33,526,087	31,113,711	-	11,426,649	-	9,014,273	9,014,273
Total primary government	\$ 84,198,904	\$ 36,385,869	\$ 5,110,022	\$ 21,430,538	(30,286,748)	9,014,273	(21,272,475)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,121,323	-	1,121,323
Property taxes, levied for debt service	1,708,876	-	1,708,876
Utility franchise taxes	1,488,072	-	1,488,072
City privilege and use tax, general purposes	15,810,057	-	15,810,057
City privilege and use tax, major street and open space program	15,333,864	-	15,333,864
Transient lodging tax	437,770	-	437,770
Intergovernmental revenues - unrestricted	11,614,540	-	11,614,540
Interest and investment income	3,728,455	1,691,475	5,419,930
Miscellaneous	875,139	636,048	1,511,187
Transfers	(83,037)	83,037	-
Total general revenues and transfers	52,035,059	2,410,560	54,445,619
Change in net assets	21,748,311	11,424,833	33,173,144
Net assets - beginning	246,641,357	170,617,074	417,258,431
Net assets - ending	\$ 268,389,668	\$ 182,041,907	\$ 450,431,575

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

# FUND FINANCIAL STATEMENTS

## Major Governmental Funds

### GENERAL FUND

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

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

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

### SPECIAL REVENUE FUNDS

#### **Streets and Open Space**

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

### DEBT SERVICE

#### **City of Prescott**

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

#### **Community Facilities Districts**

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

CITY OF PRESCOTT, ARIZONA

Balance Sheet

Governmental Funds

June 30, 2007

	General	Streets and Open Space	City of Prescott Debt Service	Community Facilities Districts Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and short-term investments	\$ 8,882,226	\$ 20,040,999	\$ 143,135	\$ 1,869,710	\$ 15,475,662	\$ 46,411,732
Accounts receivable (net)	2,587,747	1,404,520	-	-	45,069	4,037,336
Property taxes receivable	37,404	-	57,235	-	-	94,639
Special assessments receivable	-	-	2,699,480	5,119,360	-	7,818,840
Intergovernmental receivable	552,836	-	-	-	547,221	1,100,057
Interfund receivables	1,426,308	-	-	-	595,000	2,021,308
Inventory	-	-	-	-	-	-
Interest receivable	261,060	-	-	-	2,294	263,354
Long-term interfund receivables	19,147	-	-	-	-	19,147
Total assets	<u>\$ 13,766,728</u>	<u>\$ 21,445,519</u>	<u>\$ 2,899,850</u>	<u>\$ 6,989,070</u>	<u>\$ 16,665,246</u>	<u>\$ 61,766,413</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 512,609	\$ 1,988,904	\$ -	\$ -	\$ 644,953	\$ 3,146,466
Accrued payroll	1,418,300	1,118	-	-	113,798	1,533,216
Interfund payable	-	-	-	-	595,000	595,000
Deposits returnable	51,040	-	-	-	-	51,040
Unearned revenue	-	48,569	-	-	231,005	279,574
Deferred revenue	28,176	-	2,736,156	5,119,360	-	7,883,692
Total liabilities	<u>2,010,125</u>	<u>2,038,591</u>	<u>2,736,156</u>	<u>5,119,360</u>	<u>1,584,756</u>	<u>13,488,988</u>
<b>Fund Balance</b>						
Fund balance:						
Reserved for:						
Interfund loans	1,445,455	-	-	-	-	1,445,455
Dedicated purposes	-	-	-	-	528,089	528,089
Unreserved, reported in:						
General fund	10,311,148	-	-	-	-	10,311,148
Special revenue fund	-	19,406,928	-	-	13,830,302	33,237,230
Debt service fund	-	-	163,694	1,869,710	-	2,033,404
Capital projects fund	-	-	-	-	722,099	722,099
Total fund balances	<u>11,756,603</u>	<u>19,406,928</u>	<u>163,694</u>	<u>1,869,710</u>	<u>15,080,490</u>	<u>48,277,425</u>
Total liabilities and fund balances	<u>\$ 13,766,728</u>	<u>\$ 21,445,519</u>	<u>\$ 2,899,850</u>	<u>\$ 6,989,070</u>	<u>\$ 16,665,246</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$68,693,397.

229,865,966



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

Deferred special assessment revenue	\$	7,818,840	
Deferred property tax revenue		<u>64,852</u>	7,883,692

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

Bonds Payable		(18,147,876)	
Compensated absences		<u>(4,948,690)</u>	(23,096,566)

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.

5,459,151

Net assets of governmental activities \$ 268,389,668

**CITY OF PRESCOTT, ARIZONA**

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

**Governmental Funds**

For the year ended June 30, 2007

Revenues	City of Prescott		Community	Other	Total	
	General	Streets and Open Space	City of Prescott Debt Service	Facilities Districts Debt Service	Governmental Funds	Governmental Funds
Taxes	\$ 18,422,458	\$ 15,333,864	\$ 1,705,226	\$ -	\$ 437,770	\$ 35,899,318
Intergovernmental revenues	11,614,540	-	-	-	6,124,206	17,738,746
Licenses and permits	272,809	-	-	-	1,265,071	1,537,880
Charges for services	2,199,691	-	-	-	-	2,199,691
Fines and forfeitures	1,534,587	-	-	-	-	1,534,587
Gifts and donations	-	-	-	-	51,284	51,284
Interest and investment income	838,567	1,193,711	191,794	548,287	659,380	3,431,739
Miscellaneous	428,107	34,075	336,869	345,821	138,159	1,283,031
<b>Total revenues</b>	<b>35,310,759</b>	<b>16,561,650</b>	<b>2,233,889</b>	<b>894,108</b>	<b>8,675,870</b>	<b>63,676,276</b>
<b>Expenditures</b>						
Current operating						
General government	3,058,004	-	-	-	2,619,642	5,677,646
Community services	1,972,067	-	-	-	669,228	2,641,295
Culture and recreation	5,643,149	-	-	-	395,782	6,038,931
Police and court	11,460,311	-	-	-	212,088	11,672,399
Fire	6,687,543	-	-	-	403,810	7,091,353
Public works	-	-	-	-	3,986,169	3,986,169
Capital outlay	746,809	18,256,496	-	-	6,460,737	25,464,042
Debt service - principal	138,153	-	1,657,151	205,000	-	2,000,304
Debt service - interest	23,861	-	531,466	444,825	-	1,000,152
<b>Total expenditures</b>	<b>29,729,897</b>	<b>18,256,496</b>	<b>2,188,617</b>	<b>649,825</b>	<b>14,747,456</b>	<b>65,572,291</b>
Excess (deficiency) of revenues over expenditures	5,580,862	(1,694,846)	45,272	244,283	(6,071,586)	(1,896,015)
<b>Other Financing Sources (Uses)</b>						
Bond proceeds	-	-	-	-	1,524,974	1,524,974
Capital lease proceeds	-	-	-	-	-	-
Transfers in	-	250,000	-	-	8,112,823	8,362,823
Transfers out	(6,505,180)	(490,495)	-	-	(1,435,582)	(8,431,257)
<b>Total other financing sources (uses)</b>	<b>(6,505,180)</b>	<b>(240,495)</b>	<b>-</b>	<b>-</b>	<b>8,202,215</b>	<b>1,456,540</b>
Net change in fund balances	(924,318)	(1,935,341)	45,272	244,283	2,130,629	(439,475)
Fund balance - beginning	12,680,921	21,342,269	118,422	1,625,427	12,949,861	48,716,900
<b>Fund balance - ending</b>	<b>\$ 11,756,603</b>	<b>\$ 19,406,928</b>	<b>\$ 163,694</b>	<b>\$ 1,869,710</b>	<b>\$ 15,080,490</b>	<b>\$ 48,277,425</b>

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, 2007

Net change in fund balances - total governmental funds \$ (439,475)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets.

This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 21,498,341	
Less: current year depreciation	<u>10,156,608</u>	
		11,341,733

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

8,989,704

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

(570,521)

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

Assessments receivable	644	
	<u>(672,071)</u>	
		(671,427)

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

Bond proceeds	(1,510,000)	
Principal payments	<u>2,000,304</u>	
		490,304

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

2,833,433

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

(225,440)

Change in net assets of governmental activities \$ 21,748,311

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

**CITY OF PRESCOTT, ARIZONA**

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

**General Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget Basis	Positive (Negative)
<b>Revenues</b>				
Privilege (sales) tax	\$ 15,059,828	\$ 15,059,828	\$ 15,810,057	\$ 750,229
Property tax	1,128,971	1,128,971	1,124,329	(4,642)
Franchise tax	1,352,757	1,352,757	1,488,072	135,315
State revenue sharing	4,512,412	4,512,412	4,628,849	116,437
State shared sales tax	3,960,497	3,960,497	3,875,080	(85,417)
Auto in-lieu tax	2,436,537	2,436,537	2,595,676	159,139
County aid	508,813	508,813	514,935	6,122
Licenses and permits	272,500	272,500	272,809	309
Charges for services	2,152,785	2,152,785	2,199,691	46,906
Fines and forfeitures	1,644,878	1,644,878	1,534,587	(110,291)
Interest and investment income	360,000	360,000	838,567	478,567
Miscellaneous	277,675	277,675	428,107	150,432
Total revenues	<u>33,667,653</u>	<u>33,667,653</u>	<u>35,310,759</u>	<u>1,643,106</u>
<b>Expenditures</b>				
City council	63,757	63,757	63,740	17
City clerk	252,356	252,356	81,026	171,330
City court	532,210	532,210	511,597	20,613
City manager	1,211,715	1,211,715	1,174,342	37,373
Legal department	274,651	274,651	263,952	10,699
Budget and finance	1,528,314	1,428,314	1,377,859	50,455
Administrative services	463,398	463,398	437,777	25,621
Community development	2,311,442	2,311,442	2,025,104	286,338
Parks, recreation and library	5,959,076	5,959,076	5,884,434	74,642
Police department	12,729,140	12,729,140	11,201,295	1,527,845
Fire department	7,312,241	7,312,241	6,708,771	603,470
Total expenditures	<u>32,638,300</u>	<u>32,538,300</u>	<u>29,729,897</u>	<u>677,071</u>
Excess of revenues over expenditures	<u>1,029,353</u>	<u>1,129,353</u>	<u>5,580,862</u>	<u>2,320,177</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(2,100,097)	(2,100,097)	(6,505,180)	(4,405,083)
Total other financing sources and uses	<u>(2,100,097)</u>	<u>(2,100,097)</u>	<u>(6,505,180)</u>	<u>(4,405,083)</u>
Net change in fund balances	<u>(1,070,744)</u>	<u>(970,744)</u>	<u>(924,318)</u>	<u>(2,084,906)</u>
Fund balance - beginning	8,131,239	8,131,239	12,680,921	4,549,682
Fund balance - ending	<u>\$ 7,060,495</u>	<u>\$ 7,160,495</u>	<u>11,756,603</u>	<u>\$ 2,464,776</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, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 14,826,828	\$ 14,826,828	\$ 15,333,864	\$ 507,036
Intergovernmental revenues	1,000,000	1,000,000	-	(1,000,000)
Interest and investment income	300,000	300,000	1,193,711	893,711
Miscellaneous	-	-	34,075	34,075
Total revenues	<u>16,126,828</u>	<u>16,126,828</u>	<u>16,561,650</u>	<u>434,822</u>
<b>Expenditures</b>				
Current operating				
Capital outlay	30,861,406	30,861,406	18,256,496	12,604,910
Total expenditures	<u>30,861,406</u>	<u>30,861,406</u>	<u>18,256,496</u>	<u>12,604,910</u>
Excess (deficiency) of revenues over expenditures	<u>(14,734,578)</u>	<u>(14,734,578)</u>	<u>(1,694,846)</u>	<u>13,039,732</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	(1,000,000)	(1,000,000)	250,000	1,250,000
Transfers out	-	-	(490,495)	(490,495)
Total other financing sources and uses	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(240,495)</u>	<u>759,505</u>
Net change in fund balances	<u>(15,734,578)</u>	<u>(15,734,578)</u>	<u>(1,935,341)</u>	<u>13,799,237</u>
Fund balance - beginning	(23,355,056)	(23,355,056)	21,342,269	44,697,325
Fund balance - ending	<u>\$ (39,089,634)</u>	<u>\$ (39,089,634)</u>	<u>\$ 19,406,928</u>	<u>\$ 58,496,562</u>

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



## **FUND FINANCIAL STATEMENTS**

### **Proprietary Funds**

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

- **Water**
- **Wastewater**
- **Golf course**
- **Airport**
- **Solid waste**
- **Regional transfer**
- **Parking garage**

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

- **Central garage**
- **General self-insurance**
- **Engineering services**
- **Facilities maintenance**

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2007

	Business-type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	<u>Water</u>	<u>Waste Water</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 10,523,383	\$ 2,907,502	\$ -	\$ 285,971	\$ 4,050,766	\$ 1,240,567	\$ 19,008,189	\$ 3,856,987
Accounts receivable (net)	2,042,770	-	43,582	131,164	-	10,067	2,227,583	-
Intergovernmental receivables - grants	-	-	-	3,675	-	-	3,675	-
Inventory at cost	248,078	-	126,172	233,298	-	-	607,548	216,022
Total current assets	<u>12,814,231</u>	<u>2,907,502</u>	<u>169,754</u>	<u>654,108</u>	<u>4,050,766</u>	<u>1,250,634</u>	<u>21,846,995</u>	<u>4,073,009</u>
<b>Noncurrent Assets</b>								
Restricted cash and cash equivalents								
Water development	3,249,332	-	-	-	-	-	3,249,332	-
Landfill closure reserve	-	-	-	-	366,171	-	366,171	-
Cash with fiscal agent	186,510	331,858	-	-	-	1,273,370	1,791,738	4,117,631
Customer deposits	258,243	-	-	-	-	-	258,243	-
Total restricted assets	<u>3,694,085</u>	<u>331,858</u>	<u>-</u>	<u>-</u>	<u>366,171</u>	<u>1,273,370</u>	<u>5,665,484</u>	<u>4,117,631</u>
Investment in regional landfill	-	-	-	-	187,658	-	187,658	-
Capital Assets								
Land and construction in process	24,719,373	75,901	1,963,554	1,143,261	102,302	898,978	28,903,369	13,191
Buildings	1,975,653	5,760,829	694,879	5,176,501	77,526	6,867,535	20,552,923	1,999,592
Improvements other than buildings	91,744,990	64,393,604	5,644,180	34,702,278	49,538	900,600	197,435,190	49,023
Machinery and equipment	4,821,425	2,035,754	1,572,914	460,377	3,211,730	308,113	12,410,313	6,037,097
Less accumulated depreciation	<u>(30,509,919)</u>	<u>(23,740,254)</u>	<u>(3,209,141)</u>	<u>(13,032,396)</u>	<u>(2,398,470)</u>	<u>(739,802)</u>	<u>(73,629,982)</u>	<u>(1,314,657)</u>
Total capital assets (net of accumulated depreciation)	<u>92,751,522</u>	<u>48,525,834</u>	<u>6,666,386</u>	<u>28,450,021</u>	<u>1,042,626</u>	<u>8,235,424</u>	<u>185,671,813</u>	<u>6,784,246</u>
Total noncurrent assets	<u>96,445,607</u>	<u>48,857,692</u>	<u>6,666,386</u>	<u>28,450,021</u>	<u>1,596,455</u>	<u>9,508,794</u>	<u>191,524,955</u>	<u>10,901,877</u>
Total assets	<u>109,259,838</u>	<u>51,765,194</u>	<u>6,836,140</u>	<u>29,104,129</u>	<u>5,647,221</u>	<u>10,759,428</u>	<u>213,371,950</u>	<u>14,974,886</u>

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



**Business-type Activities - Enterprise Funds**

	<u>Water</u>	<u>Waste Water</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 1,731,733	\$ 376,080	\$ 83,536	\$ 221,736	\$ 39,313	\$ 739,811	\$ 3,192,209	\$ 944,280
Accrued payroll	101,911	65,265	61,647	60,128	31,801	15,797	336,549	100,136
Compensated absences - current	66,040	66,839	25,653	21,079	40,743	14,965	235,319	129,273
Advance customer payments	56,019	-	3,205	1,796	-	-	61,020	-
Interfund payables	-	562,716	841,144	22,447	-	-	1,426,307	-
Contracts payable - current	343,167	336,231	470,602	-	-	-	1,150,000	-
Notes and assessments - current	301,983	-	518,389	372,916	-	44,889	1,238,177	150,111
Landfill closure/postclosure cost - current	-	-	-	-	40,000	-	40,000	-
Deferred revenue - current	-	-	171,872	44,033	-	-	215,905	-
Claims payable	-	-	-	-	-	-	-	2,717,340
Customer water deposits	270,499	-	-	-	-	-	270,499	-
Total current liabilities	<u>2,871,352</u>	<u>1,407,131</u>	<u>2,176,048</u>	<u>744,135</u>	<u>151,857</u>	<u>815,462</u>	<u>8,165,985</u>	<u>4,041,140</u>
Current Liabilities payable from restricted assets								
<b>Noncurrent Liabilities</b>								
Compensated absences	179,756	200,250	38,946	77,965	53,506	12,874	563,297	524,706
Contracts payable	2,194,831	2,791,874	866,462	-	-	-	5,853,167	-
Interfund payable	-	-	19,148	-	-	-	19,148	-
Notes and assessments payable	11,471,209	-	277,689	2,196,148	-	1,480,111	15,425,157	4,949,889
Landfill closure/postclosure cost	-	-	-	-	1,284,670	-	1,284,670	-
Deferred revenue	-	-	-	18,619	-	-	18,619	-
Total noncurrent liabilities	<u>13,845,796</u>	<u>2,992,124</u>	<u>1,202,245</u>	<u>2,292,732</u>	<u>1,338,176</u>	<u>1,492,985</u>	<u>23,164,058</u>	<u>5,474,595</u>
Total liabilities	<u>16,717,148</u>	<u>4,399,255</u>	<u>3,378,293</u>	<u>3,036,867</u>	<u>1,490,033</u>	<u>2,308,447</u>	<u>31,330,043</u>	<u>9,515,735</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	78,440,332	45,397,729	4,533,244	25,880,957	1,042,626	6,710,424	162,005,312	5,354,599
Restricted for capital projects	3,249,332	-	-	-	366,171	-	3,615,503	-
Restricted for debt service	645,150	336,231	988,991	372,916	-	44,889	2,388,177	3,520,242
Restricted for impact fee projects	3,369,379	-	-	-	-	-	3,369,379	-
Unrestricted	6,838,497	1,631,979	(2,064,388)	(186,611)	2,748,391	1,695,668	10,663,536	(3,415,690)
Total net assets	<u>\$ 92,542,690</u>	<u>\$ 47,365,939</u>	<u>\$ 3,457,847</u>	<u>\$ 26,067,262</u>	<u>\$ 4,157,188</u>	<u>\$ 8,450,981</u>	<u>\$ 182,041,907</u>	<u>\$ 5,459,151</u>

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



CITY OF PRESCOTT, ARIZONA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2007

	Business-type Activities Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Waste Water	Golf Course	Airport	Solid Waste	Nonmajor Funds	Totals	
<b>Operating Revenues</b>								
Water sales	\$ 8,095,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,095,182	\$ -
Water connection fees	466,646	-	-	-	-	-	466,646	-
Alternative water source fees	877,401	-	-	-	-	-	877,401	-
Sewer service fees	-	4,247,195	-	-	-	-	4,247,195	-
Sewer connection fees	-	9,600	-	-	-	-	9,600	-
Effluent recharge fees	-	150,000	-	-	-	-	150,000	-
Golf course green fees	-	-	1,473,364	-	-	-	1,473,364	-
Restaurant sales	-	-	925,909	-	-	-	925,909	-
Golf course rentals	-	-	607,340	-	-	-	607,340	-
Golf pro-shop sales	-	-	372,981	-	-	-	372,981	-
Fuel sales	-	-	-	3,136,273	-	-	3,136,273	-
Tie down and hangar rentals	-	-	-	991,395	-	-	991,395	-
Refuse collection fees	-	-	-	-	5,272,850	-	5,272,850	-
Tipping fees	-	-	-	-	382,379	4,048,035	4,430,414	-
Other services	-	-	-	-	-	58,527	58,527	8,685,142
Miscellaneous	142,425	393,477	(14,486)	19,946	-	94,686	636,048	2,895
Total operating revenues	<u>9,581,654</u>	<u>4,800,272</u>	<u>3,365,108</u>	<u>4,147,614</u>	<u>5,655,229</u>	<u>4,201,248</u>	<u>31,751,125</u>	<u>8,688,037</u>
<b>Operating Expenses</b>								
Personnel services	2,317,705	1,863,454	1,384,019	614,282	935,147	446,752	7,561,359	2,654,172
Supplies	577,775	479,055	733,682	45,833	504,343	104,918	2,445,606	717,818
Other services and charges	4,497,604	2,099,051	687,173	508,536	3,341,824	3,586,281	14,720,469	2,332,662
Cost of fuel sales	-	-	-	2,454,636	-	-	2,454,636	-
Depreciation	1,855,845	1,737,104	297,014	943,332	188,901	206,445	5,228,641	418,721
Claims expense	-	-	-	-	-	-	-	254,853
Total operating expenses	<u>9,248,929</u>	<u>6,178,664</u>	<u>3,101,888</u>	<u>4,566,619</u>	<u>4,970,215</u>	<u>4,344,396</u>	<u>32,410,711</u>	<u>6,378,226</u>
Operating income (loss)	<u>332,725</u>	<u>(1,378,392)</u>	<u>263,220</u>	<u>(419,005)</u>	<u>685,014</u>	<u>(143,148)</u>	<u>(659,586)</u>	<u>2,309,811</u>
<b>Non-Operating Revenues (Expenses)</b>								
Interest and investment income	1,012,613	248,594	-	131,515	225,922	72,831	1,691,475	296,719
Interest expense	(662,018)	(184,846)	(117,886)	(150,000)	-	(626)	(1,115,376)	(3,415)
Net gain (loss) on disposal of assets	-	-	2,500	-	(3,730)	(136)	(1,366)	230,318
Total non-operating								
Revenues (expenses)	<u>350,595</u>	<u>63,748</u>	<u>(115,386)</u>	<u>(18,485)</u>	<u>222,192</u>	<u>72,069</u>	<u>574,733</u>	<u>523,622</u>
Income (loss) before contributions and transfers	683,320	(1,314,644)	147,834	(437,490)	907,206	(71,079)	(84,853)	2,833,433
Grant contributions	-	-	-	479,975	-	-	479,975	-
Capital contributions	8,326,953	2,619,721	14,604	-	-	-	10,961,278	-
Transfers in	-	-	-	56,353	-	36,244	92,597	-
Transfers out	-	(12,082)	-	-	(12,082)	-	(24,164)	-
Change in net assets	9,010,273	1,292,995	162,438	98,838	895,124	(34,835)	11,424,833	2,833,433
Total net assets - beginning	83,532,417	46,072,944	3,295,409	25,968,424	3,262,064	8,485,816	170,617,074	2,625,718
Total net assets - ending	<u>\$ 92,542,690</u>	<u>\$ 47,365,939</u>	<u>\$ 3,457,847</u>	<u>\$ 26,067,262</u>	<u>\$ 4,157,188</u>	<u>\$ 8,450,981</u>	<u>\$ 182,041,907</u>	<u>\$ 5,459,151</u>

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

## CITY OF PRESCOTT, ARIZONA

## Statement of Cash Flows

## Proprietary Funds

For the year ended June 30, 2007

	<u>Water</u>	<u>Waste Water</u>	<u>Golf Course</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 8,932,093	\$ 4,406,795	\$ 3,266,141
Cash payments to suppliers for goods and services	(4,741,378)	(2,459,617)	(1,427,589)
Cash payments to employees for services	(2,367,520)	(1,893,400)	(1,398,046)
Other operating receipts	142,425	393,477	(14,486)
Net cash provided by (used for) operating activities	<u>1,965,620</u>	<u>447,255</u>	<u>426,020</u>
<b>Cash flows from noncapital financing activities:</b>			
Repayments under interfund loan arrangement	1,150,000	-	-
Receipts (payments) under interfund loan arrangement	-	-	421,058
Interest paid on noncapital financing	-	-	-
Transfers in	-	-	-
Transfers out	-	(12,082)	-
Net cash provided by (used for) noncapital financing activity	<u>1,150,000</u>	<u>(12,082)</u>	<u>421,058</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from debt issues	-	-	-
Proceeds from interfund loan	-	-	91,808
Acquisition and construction of capital assets	(10,495,713)	(2,435,219)	(20,941)
Principal paid on capital financing	(617,804)	(861,450)	(813,160)
Interest paid on capital financing	(662,018)	(184,846)	(117,886)
Proceeds from sales of fixed assets	-	-	2,500
Contributed from capital grant	-	-	-
Contributed from customers	6,276,354	760,485	-
Net cash provided by (used for) capital and related financing activities	<u>(5,499,181)</u>	<u>(2,721,030)</u>	<u>(857,679)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	1,012,613	248,594	-
Net cash provided by (used for) investing activities	<u>1,012,613</u>	<u>248,594</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,370,948)</u>	<u>(2,037,263)</u>	<u>(10,601)</u>
Cash and cash equivalents at July 1	15,588,416	5,276,623	10,601
Cash and cash equivalents at June 30	<u>\$ 14,217,468</u>	<u>\$ 3,239,360</u>	<u>\$ -</u>
<b>Reconciliation to statement of net assets</b>			
Cash and cash equivalents at June 30, unrestricted	\$ 10,523,383	\$ 2,907,502	\$ -
Cash and cash equivalents at June 30, restricted	3,694,085	331,858	-
Total	<u>\$ 14,217,468</u>	<u>\$ 3,239,360</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 332,725	\$ (1,378,392)	\$ 263,220
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,855,845	1,737,104	297,014
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(546,919)	-	(29,121)
(Increase) decrease in inventory	(79,727)	-	(42,043)
Increase (decrease) in accounts payable	413,728	118,489	35,309
Increase (decrease) in accrued expenses	(72,946)	1,375	609
Increase (decrease) in compensated absences	3,120	915	6,579
Increase (decrease) in advance customer payments	(35,855)	-	3,205
Increase (decrease) in customer water deposits	75,638	-	-
Increase (decrease) in accrued vacation and sick payable	20,011	(32,236)	(21,215)
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure & postclosure cost payable	-	-	-
Increase (decrease) in deferred revenue	-	-	(87,537)
Total adjustments	<u>1,632,895</u>	<u>1,825,647</u>	<u>162,800</u>
Net cash provided by operating activities	<u>\$ 1,965,620</u>	<u>\$ 447,255</u>	<u>\$ 426,020</u>
<b>Noncash investing, capital and financing activities</b>			
Contributions from developers	\$ 2,053,282	\$ 1,859,236	\$ -
Total noncash investing, capital and financing activities	<u>\$ 2,053,282</u>	<u>\$ 1,859,236</u>	<u>\$ -</u>

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

<b>Business-type Activities - Enterprise Funds</b>				
<u>Airport</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$ 4,061,486	\$ 5,655,229	\$ 4,104,594	\$ 30,426,338	\$ 8,685,142
(3,172,997)	(3,893,841)	(3,284,333)	(18,979,755)	(2,545,597)
(590,040)	(925,451)	(468,128)	(7,642,585)	(2,584,761)
19,946	-	94,686	636,048	2,895
<u>318,395</u>	<u>835,937</u>	<u>446,819</u>	<u>4,440,046</u>	<u>3,557,679</u>
-	-	-	1,150,000	(1,150,000)
-	-	-	421,058	-
-	-	-	-	(3,415)
56,353	-	36,244	92,597	-
-	(12,082)	-	(24,164)	-
<u>56,353</u>	<u>(12,082)</u>	<u>36,244</u>	<u>1,639,491</u>	<u>(1,153,415)</u>
-	-	1,525,000	1,525,000	5,100,000
-	-	-	91,808	-
(618,958)	(44,242)	(397,165)	(14,012,238)	(4,369,460)
(382,522)	-	-	(2,674,936)	-
(150,000)	-	(626)	(1,115,376)	-
-	-	(136)	2,364	230,318
545,572	-	-	545,572	-
-	-	-	7,036,839	-
<u>(605,908)</u>	<u>(44,242)</u>	<u>1,127,073</u>	<u>(8,600,967)</u>	<u>960,858</u>
131,515	225,922	72,831	1,691,475	296,719
131,515	225,922	72,831	1,691,475	296,719
(99,645)	1,005,535	1,682,967	(829,955)	3,661,841
385,616	3,411,402	830,970	25,503,628	4,312,777
<u>\$ 285,971</u>	<u>\$ 4,416,937</u>	<u>\$ 2,513,937</u>	<u>\$ 24,673,673</u>	<u>\$ 7,974,618</u>
\$ 285,971	\$ 4,050,766	\$ 1,240,567	\$ 19,008,189	\$ 3,856,987
-	366,171	1,273,370	5,665,484	4,117,631
<u>\$ 285,971</u>	<u>\$ 4,416,937</u>	<u>\$ 2,513,937</u>	<u>\$ 24,673,673</u>	<u>\$ 7,974,618</u>
\$ (419,005)	\$ 685,014	\$ (143,148)	(659,586)	\$ 2,309,811
943,332	188,901	206,445	5,228,641	418,721
(17,730)	-	(1,968)	(595,738)	-
(66,193)	-	-	(187,963)	(10,220)
(97,799)	(34,544)	406,866	842,049	701,737
38,886	(1,103)	(34,448)	(67,627)	48,039
2,078	10,245	7,175	30,112	21,372
1,796	-	-	(30,854)	-
-	-	-	75,638	-
(16,722)	554	5,897	(43,711)	-
-	-	-	-	68,219
-	(13,130)	-	(13,130)	-
(50,248)	-	-	(137,785)	-
<u>737,400</u>	<u>150,923</u>	<u>589,967</u>	<u>5,099,632</u>	<u>1,247,868</u>
<u>\$ 318,395</u>	<u>\$ 835,937</u>	<u>\$ 446,819</u>	<u>\$ 4,440,046</u>	<u>\$ 3,557,679</u>
\$ -	\$ -	\$ -	3,912,518	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,912,518</u>	<u>\$ -</u>

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



## **FUND FINANCIAL STATEMENTS**

### **Fiduciary Funds**

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

#### **County Justice Court Agency**

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
 June 30, 2007

	Agency County Justice Court
<b>ASSETS</b>	
Cash and short-term investments	\$ 166,158
Total assets	<u>166,158</u>
 <b>LIABILITIES</b>	
Due to other governments	166,158
Total liabilities	<u>166,158</u>
 <b>NET ASSETS</b>	
Held in trust for other purposes	<u><u>\$ -</u></u>

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



**CITY OF PRESCOTT, ARIZONA**  
**Notes to the Financial Statements**  
For the year ended June 30, 2007

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

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

The Municipal Property Corporation (MPC) is a non-profit corporation organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The MPC is governed by a board of directors who are responsible for approving the corporation's bond sales. Bond sales must also be approved by the City Council. Although it is legally separate from the City, the MPC is reported as if it is part of the primary government within the enterprise funds because its sole purpose is to finance municipal facilities for the City.

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

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

**B. Basic Financial Statements**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset with program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and

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

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

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

### **C. Basis of Presentation - Fund Accounting**

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

The City reports five of its seven enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, wastewater, golf course, airport, and solid waste

facilities. Furthermore, the City has two nonmajor funds, the regional transfer station and parking garage. These funds are entirely or predominately self-supported through user charges to the customer.

Additionally, the City reports the following fund types:

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

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

#### **D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

#### **E. Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Funds are invested primarily with the Arizona State Treasurer's Local Government Investment Pool (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 possible loss on investment.

#### **F. Receivables and Payables**

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

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

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Yavapai County Assessor. Levies are due and payable in two installments, on September 1 and March 1 and become delinquent on the first business day of November and May, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Yavapai County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent.

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

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

**G. Inventories**

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

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

**J. Compensated Absences**

The City's personnel ordinance provides full-time employees with vacation leave, sick leave, and a retirement bonus if certain conditions are met.

**Vacation Leave** - All permanent full-time employees of the City are entitled to 12 days of vacation each year during the first three years of service increasing to 15 days for three to ten years of service, 18 days for ten to fifteen years of service, and 20 days for fifteen or more years of service. Vacation can be carried over from year to year with a maximum of 25 days vacation time to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated (vested) vacation time. The total amount of vested vacation leave at June 30, 2007, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General fund	\$ 1,210,228	\$ 465,574	\$ 1,675,802
Other	129,273	46,191	175,464
Total governmental	<u>1,339,501</u>	<u>511,765</u>	<u>1,851,266</u>
Business-type activities:			
Water	66,040	25,003	91,043
Wastewater	66,839	20,188	87,027
Golf course	25,653	11,931	37,584
Airport	21,079	-	21,079
Solid waste	40,743	19,056	59,799
Regional transfer station	14,965	5,802	20,767
Total business-type	<u>235,319</u>	<u>81,980</u>	<u>317,299</u>
Total vested	<u>\$ 1,574,820</u>	<u>\$ 593,745</u>	<u>\$ 2,168,565</u>

In determining the current portion, the assumption was made that each employee would take the annual allotted accrual during the next year (12 days each year during the first three years, etc.) or the amount of vacation accrual as of June 30, 2007, whichever is less.

**Sick Leave** - City employees accumulate sick leave with full pay at the rate of one working day for each month of paid service. Employees can have unlimited accrual of sick leave time. Upon termination, an employee will be paid for 1/3 of all sick leave accrued above the number of working hours in one month, not to exceed four months. However, when an employee retires they are paid 1/2 of all sick leave and are not subject to the one-month floor. The total amount of accrued sick pay benefits, using the vesting method described above, at June 30, 2007 is as follows:

	Accrued Liability 6/30/2006	Fiscal Year 2007 Change	Accrued Liability 6/30/2007
Governmental-type activities:			
General government	\$ 1,837,413	\$ 18,458	\$ 1,855,871
Other	171,363	27,894	199,257
Total governmental activities	<u>2,008,776</u>	<u>46,352</u>	<u>2,055,128</u>
Business-type activities:			
Water	65,527	13,504	79,031
Wastewater	99,294	(19,473)	79,821
Golf course	18,239	(6,219)	12,020
Airport	32,658	1,532	34,190
Solid waste	22,825	140	22,965
Regional transfer station	4,345	2,726	7,071
Total business-type activities	<u>242,888</u>	<u>(7,790)</u>	<u>235,098</u>
Total accrued sick pay	<u>\$ 2,251,664</u>	<u>\$ 38,562</u>	<u>\$ 2,290,226</u>

The current portion of the sick leave above is estimated to be \$571,461.

**Retirement Bonus** - Employees with ten or more years of service with the City of Prescott that are eligible to retire under the Arizona State Retirement System or Public Safety Personnel Retirement System system receive a three month salary appreciation bonus. The amount of retirement bonus benefits, using the vesting method described above, at June 30, 2007 is as follows:

	Accrued Liability 6/30/2006	Fiscal Year 2007 Change	Accrued Liability 6/30/2007
Governmental-type activities:			
General government	\$ 1,337,461	\$ 79,556	\$ 1,417,017
Other	249,796	29,462	279,258
Total governmental activities	<u>1,587,257</u>	<u>109,018</u>	<u>1,696,275</u>
Business-type activities:			
Water	71,513	4,208	75,721
Wastewater	102,153	(1,912)	100,241
Golf course	25,957	(10,961)	14,996
Airport	55,366	(11,591)	43,775
Solid waste	10,511	974	11,485
Regional transfer station	-	-	-
Total business-type activities	<u>265,500</u>	<u>(19,282)</u>	<u>246,218</u>
Total accrued sick pay	<u>\$ 1,852,757</u>	<u>\$ 89,736</u>	<u>\$ 1,942,493</u>

The current portion of the retirement bonus above is estimated to be \$484,695.

#### K. Long-Term Debt

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Fund Equity

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

#### M. Employee Pension Plans

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

#### N. Use of Estimates

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

## O. Reclassification of Certain Amounts

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

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

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

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

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

<u>To:</u>	<u>From:</u>	<u>Amount</u>
Parking Garage	Budget & Finance	\$ 10,000
Golf Course	Budget & Finance	90,000
Total appropriation transfers		<u>\$ 100,000</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.

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

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

		<u>Budgeted</u>		<u>Actual</u>	
<b>Special</b>	Highway user	531,191	deficit	435,333	deficit
<b>Revenue</b>	Streets and open space	14,734,578	deficit	1,694,846	deficit
<b>Funds</b>	Capital improvement	5,991,226	deficit	4,266,613	deficit
	Transient lodging	269,510	deficit	201,207	deficit
	Grants	663,471	deficit	308,726	deficit
	Impact fees	1,370,424	deficit	830,327	deficit
<b>Capital Projects</b>					
<b>Funds</b>	Lakes purchase	529,299	deficit	1,059,027	surplus
<b>Enterprise</b>	Wastewater	1,429,267	deficit	2,159,826	deficit
<b>Funds</b>	Golf course	19,256	deficit	403,890	deficit
	Airport	184,169	deficit	26,047	deficit
	Parking garage	35,377	deficit	64,501	surplus

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

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

**Deposits**

At June 30, 2007, the carrying amount of the City's deposits was \$5,262,108 and the bank balance was \$5,739,075. The difference represents outstanding checks and other reconciling items.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, 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, 2007 was 1.84, or slightly less than two years.

## Credit Risk

The City is authorized by City Code, resolution and Trust Agreements to invest idle funds in obligations of the United States Government or its agencies, collateralized mortgage obligations and pass-through securities, federally insured certificates of deposit in eligible depositories, fully collateralized repurchase agreements, mutual funds consisting of the foregoing and the State Treasurer's Local Government Investment Pool(LGIP). Investments in the LGIP are not rated by a nationally recognized statistical rating organization. The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1.

## Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five-percent (5%) of the City's investments are in collateralized mortgage obligations, mortgage pass through obligations and the State Treasurer's Local Government Investment Pool. These investments represent 60%, 13% and 15% respectively, of the City's total investments.

## Investments

The City's investments at June 30, 2007 are summarized as follows (modified duration is in years):

Investment Type	Fair Value	Rating	Modified
		Moody / S&P	Duration
State Treasurer's pool	\$ 11,600,779	Not Rated	0.00
U.S. agencies	9,868,530	Aaa / AAA	0.54
U.S. Government Mutual Fund	6,063,600	Not Rated	0.00
U.S. agency collateralized mortgage obligations	46,372,369	Aaa / AAA	2.44
Total fair value	<b>\$ 73,905,278</b>		
Portfolio modified duration			1.84

## B. Receivables and Deferred Revenue

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

	General	Streets and Open Space	City of Prescott Debt Service	Community Facilities Districts Debt Service	Nonmajor and Other Funds	Total
Receivables:						
Accounts (net)	\$ 2,587,747	\$ 1,404,520	\$ -	\$ -	\$ 45,069	\$ 4,037,336
Interest	261,060				2,294	263,354
Property taxes	37,404	-	57,235	-	-	94,639
Special assessments	-	-	2,699,480	5,119,360	-	7,818,840
Intergovernmental	552,836	-	-	-	547,221	1,100,057
Total	<b>\$ 3,439,047</b>	<b>\$ 1,404,520</b>	<b>\$ 2,756,715</b>	<b>\$ 5,119,360</b>	<b>\$ 594,584</b>	<b>\$ 13,314,226</b>

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	Golf Course	Airport	Transfer Station	Total
Accounts receivable	\$ 2,042,770	\$ 43,582	\$ 131,164	\$ 10,067	\$ 2,227,583
Intergovernmental	-	-	3,675	-	3,675
Total	<u>\$ 2,042,770</u>	<u>\$ 43,582</u>	<u>\$ 134,839</u>	<u>\$ 10,067</u>	<u>\$ 2,231,258</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General fund	\$ 28,176	\$ -
Debt service fund	36,676	-
Special assessments not yet due (debt service fund)	2,699,480	-
Community Facilities Districts assessments not yet due	5,119,360	-
Grant drawdowns prior to meeting eligibility requirements	-	279,574
Total	<u>\$ 7,883,692</u>	<u>\$ 279,574</u>

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land and construction in progress	\$ 60,683,323	\$ 6,006,867		\$ 66,690,190
Total non-depreciable	<u>60,683,323</u>	<u>6,006,867</u>	-	<u>66,690,190</u>
Buildings	15,873,672	9,907,063		25,780,735
Improvements other than buildings	28,920,057	808,837		29,728,894
Machinery and equipment	17,685,226	5,050,784	476,863	22,259,147
Infrastructure	158,470,150	13,945,861	1,722,810	170,693,201
Total depreciable	<u>220,949,105</u>	<u>29,712,545</u>	<u>2,199,673</u>	<u>248,461,977</u>
Accumulated depreciation				
Buildings	(6,509,790)	(535,054)		(7,044,844)
Improvements other than buildings	(5,522,609)	(847,857)		(6,370,466)
Machinery and equipment	(10,631,327)	(1,160,720)	(428,671)	(11,363,376)
Infrastructure	(46,029,671)	(8,031,692)	(338,094)	(53,723,269)
Total accumulated depreciation	<u>(68,693,397)</u>	<u>(10,575,323)</u>	<u>(766,765)</u>	<u>(78,501,955)</u>
Governmental activities capital assets, net	<u>\$ 212,939,031</u>	<u>\$ 25,144,089</u>	<u>\$ 1,432,908</u>	<u>\$ 236,650,212</u>

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

General government	\$	852,746
Community services		96,470
Culture and recreation		807,150
Public safety - police		271,567
Public safety - fire		210,233
Public works		8,337,157
Total depreciation for governmental activities	\$	<u>10,575,323</u>

Capital asset activity for business-type activities for the year ended June 30, 2007 was as follows:

Description	Beginning		Decreases	Ending
	Balance	Increases		Balance
Land and construction in process	\$ 31,998,229	\$ 10,933,201		\$ 42,931,430
Total non-depreciable	<u>31,998,229</u>	<u>10,933,201</u>	-	<u>42,931,430</u>
Buildings	19,618,201	438,025		20,056,226
Improvements other than buildings	177,657,287	6,246,539		183,903,826
Machinery and equipment	13,107,802	321,593	1,019,081	12,410,314
Total depreciable	<u>210,383,290</u>	<u>7,006,157</u>	<u>1,019,081</u>	<u>216,370,366</u>
Accumulated depreciation				
Buildings	(6,047,207)	(491,918)		(6,539,125)
Improvements other than buildings	(53,301,425)	(4,120,287)		(57,421,712)
Machinery and equipment	(10,068,060)	(616,436)	(1,015,351)	(9,669,145)
Total accumulated depreciation	<u>(69,416,692)</u>	<u>(5,228,641)</u>	<u>(1,015,351)</u>	<u>(73,629,982)</u>
Business-type activities				
capital assets, net	<u>\$ 172,964,827</u>	<u>\$ 12,710,717</u>	<u>\$ 3,730</u>	<u>\$ 185,671,814</u>

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

Water	\$	1,855,845
Wastewater		1,737,104
Golf course		297,014
Airport		943,332
Solid waste		188,901
Transfer station		48,136
Parking garage		158,309
Total depreciation for business-type activities	\$	<u>5,228,641</u>

#### D. Interfund Receivables, Payables and Transfers

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

In 2007, the golf course (restaurant) borrowed \$91,808 from the general fund to fund various

improvements. Additionally, the golf course overdrew their share of pooled cash in the amount of \$787,932.

In 2007, the impact fee fund borrowed \$595,000 from the capital improvement fund to complete the adult center.

In 2004, the airport fund borrowed \$112,124 from the general fund to acquire a new mower; and, the golf course fund borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant concession.

In 2003, the wastewater fund borrowed \$2,602,412 from the general fund to facilitate the early retirement of Municipal Properties Corporation bonds.

In 1999, the water fund loaned the internal service self-insurance fund money to cover a large claim; this loan was repaid in full during the year.

The composition of interfund balances as of June 30, 2007 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 1,445,455	\$ -
Nonmajor fund - Capital improvement	595,000	
Nonmajor fund - Impact fees		595,000
Major enterprise funds:		-
Golf course	-	860,292
Airport	-	22,447
Wastewater	-	562,716
Internal service funds		Facilities Maintenance
Total	<u>\$ 2,040,455</u>	<u>\$ 2,040,455</u>

The \$22,447 amount due to the general fund from the airport fund will be paid off in full in 2008.

The \$562,716 amount due to the general fund from the wastewater fund will be paid off in full in 2008.

The \$595,000 amount due to the capital improvement fund from the impact fee fund will be paid off in full in 2008.

Of the \$860,292 amount due to the general fund from the golf course fund, \$53,212 represents the annual amount to be paid within one year, \$787,932 represents the deficit cash position in the golf course which is anticipated to be repaid during the upcoming year; the balance, \$19,148 will be paid off in full in 2011.

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, 2007 were as follows:

Transfers Out		Transfers In	
From:		To:	
General	<u>\$ 6,505,180</u>	Major special revenue	
		Streets & open space	\$ 250,000
Major special revenue		Capital improvement	
Streets & open space	490,495	Nonmajor special revenue	<u>8,112,823</u>
Nonmajor special revenue	1,006,728	Total special revenue	<u>8,362,823</u>
Nonmajor capital projects	428,853		
Total special revenue	<u>1,926,076</u>		
Enterprise		Enterprise	
Solid waste	12,082	Airport	56,353
Waste water	12,082		
Golf		Nonmajor	<u>36,244</u>
Total enterprise	<u>24,164</u>	Total enterprise	<u>92,597</u>
Internal Service		Internal Service	
Self Insurance		Central Garage	
Total internal service	<u>-</u>	Facilities Maintenance	
			<u>-</u>
Total	<u>\$ 8,455,420</u>	Total	<u>\$ 8,455,420</u>

## E. Leases

### Capital Leases

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

	<u>Machinery and Equipment</u>
Business-type activities	
Water	\$ 3,478,214
Golf course	2,334,246
Airport	5,242,655
Less accumulated amortization	<u>(2,616,372)</u>
	8,438,743
Governmental activities	700,129
Less accumulated amortization	<u>-</u>
	<u>9,138,872</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, 2007:

Year Ending June 30,	Amount
2008	\$ 1,258,322
2009	903,167
2010	735,715
2011	582,743
2012	433,180
2013-2015	581,620
Total minimum lease payments	4,494,747
Less: amounts representing interest	(529,457)
Present value of net minimum lease payments at June 30, 2007	<u>\$ 3,965,290</u>

## F. Long-Term Debt

### General Obligation Bonds

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

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

The balance outstanding at June 30, 2007 was as follows:

Purpose	Interest rate	Amount
Governmental activities (1998 issue)	4.34%	\$ 7,135,000
Governmental activities (2007 issue)	various	\$ 1,510,000
Governmental activities - refunding	4.34%	690,000
		<u>\$ 9,335,000</u>

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

Year Ending	Principal	Interest
June 30,		
2008	\$ 1,510,000	\$ 404,276
2009	1,585,000	337,285
2010	1,290,000	270,975
2011	1,355,000	215,910
2012	1,425,000	156,850
2013-2017	2,170,000	162,875
Total	<u>\$ 9,335,000</u>	<u>\$ 1,548,171</u>

### Special Assessment Bonds and Notes

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

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

Issue	District	Issue	Installment	Matures	Rate	6/30/2007
1998	160	\$ 56,286	\$ 5,000	1/1/2008	6.75%	\$ 5,000
2001	161	128,030	12,107	7/1/2010	7.00%	48,427
2001	162	1,920,000	120,000	9/1/2015	5.10%	1,195,000
2001	163	2,470,000	175,000	2/1/2016	4.60%	1,400,000
2004	164	95,840	5,044	1/1/2022	2.54%	75,663
						<u>\$ 2,724,090</u>

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

Year Ending	June 30,	
	Principal	Interest
2008	\$ 322,151	\$ 123,054
2009	322,151	107,366
2010	332,151	91,464
2011	337,151	75,180
2012	330,044	59,065
2013-2017	1,055,221	81,113
2018-2022	25,221	2,254
Total	<u>\$ 2,724,090</u>	<u>\$ 539,496</u>

### Community Facilities District Bonds:

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

- Hassayampa CFD Number 1, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July, 2021. The balance of these bonds at June 30, 2007 was \$4,795,000.
- 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, 2007 was \$765,000.



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

Year Ending	Principal	Interest
June 30,		
2008	\$ 225,000	\$ 428,988
2009	245,000	411,612
2010	260,000	392,688
2011	280,000	372,600
2012	300,000	350,975
2013-2017	1,910,000	1,365,575
2018-2022	2,195,000	504,750
2023-2024	145,000	16,500
Total	<u>\$ 5,560,000</u>	<u>\$ 3,843,688</u>

#### **Municipal Property Corporation Bonds:**

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

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

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

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

The MPC has the following outstanding bonds:

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

In December 2004, series 2004G bonds were issued in the amount of \$16,875,000. \$12,525,000 of this amount was issued to acquire the City's portion of the Big Chino Water Ranch, this portion of the issue matures in thirty (30) years and was issued with an interest rate of 4.62% and a final maturity date in 2034. The remaining portion, \$4,350,000 represents refunding bonds issued to refund a 1993 issue. This portion of the issue matures in 2010 and was issued with an interest rate of 2.92%.

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

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

Year Ending	Principal	Interest
June 30,		
2008	\$1,600,000	\$1,125,761
2009	1,670,000	1,040,500
2010	1,535,000	988,405
2011	865,000	936,779
2012	910,000	901,141
2013-2017	5,155,000	3,906,604
2018-2022	4,240,000	2,808,887
2023-2027	4,705,000	1,827,375
2028-2032	3,155,000	862,500
2033-2034	1,495,000	113,000
Total	<u>\$25,330,000</u>	<u>\$14,510,952</u>

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

Serviced by:		Payment	Interest	Balance
Fund	Reason for Financing	Period	Rate	6/30/2007
Water	Various improvements	Semi-annual	2.92%	\$668,532
	Water tanks	Semi-annual	4.69%	1,526,299
	JWK ranch	Semi-annual	4.62%	12,045,000
				<u>14,239,831</u>
Wastewater	Various improvements	Semi-annual	2.92%	409,404
	Airport WWTP upgrade	Semi-annual	4.69%	2,718,701
				<u>3,128,105</u>
Transfer station	Facility expansion	Semi-annual	4.35%	1,525,075
Central garage	Facility expansion	Semi-annual	4.35%	5,099,925
Golf course	Expansion improvement	Semi-annual	2.92%	1,337,064
	Total MPC debt			<u><u>\$25,330,000</u></u>

## Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2007.

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation	\$ 9,140,000	\$ 1,510,000	\$ (1,315,000)	\$ 9,335,000	\$ 1,510,000
Special assessment	3,066,241	-	(342,151)	2,724,090	322,151
Community Facilities Districts	5,765,000	-	(205,000)	5,560,000	225,000
Total bonds payable	<u>17,971,241</u>	<u>1,510,000</u>	<u>(1,862,151)</u>	<u>17,619,090</u>	<u>2,057,151</u>
Lease purchase contracts	666,940	-	(138,153)	528,787	143,710
Compensated absences	5,301,514	659,198	(358,043)	5,602,669	3,884,540
Governmental activity long-term liabilities	<u>\$ 23,939,695</u>	<u>\$ 2,169,198</u>	<u>\$ (2,358,347)</u>	<u>\$ 23,750,546</u>	<u>\$ 6,085,401</u>
<b>Business-type Activities:</b>					
Bonds payable:					
Municipal Properties Corporation	\$ 20,050,000	\$ 6,625,000	\$ (1,345,000)	\$ 25,330,000	\$ 1,600,000
Lease purchase contracts	4,144,260	-	(707,756)	3,436,504	938,288
Landfill closure/post closure costs	1,337,800	-	(56,430)	1,281,370	64,069
Compensated absences	812,216	81,103	(94,703)	798,616	674,351
Business-type activity long-term liabilities	<u>\$ 26,344,276</u>	<u>\$ 6,706,103</u>	<u>\$ (2,203,889)</u>	<u>\$ 30,846,490</u>	<u>\$ 3,276,708</u>

Details of other obligations (contracts, installment notes, and compensated absences payable) as of June 30, 2007 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type	Balance 6/30/2007
<u>Governmental-type Activities</u>					
General Fund	Payroll/HR and VOIP phone sys. Compensated absences	Monthly	3.95%	Lease/purchase Payable	\$ 528,787 \$ 5,602,669
Total Governmental-type					<u>6,131,456</u>
<u>Business-type Activities</u>					
Water Fund	Water rights Compensated absences	Semi-annual	5.00%	Lease/purchase Payable	71,360 245,795
Total water fund					<u>317,155</u>
Wastewater Fund	Compensated absences			Payable	<u>267,090</u>
Golf Course Fund	Golf course irrigation sys. Golf carts Golf Equipment/improvements Compensated absences	Monthly Monthly Monthly	4.64% 4.08% 4.80%	Lease/purchase Lease/purchase Lease/purchase Payable	269,610 295,768 230,699 64,600
Total golf course fund					<u>860,677</u>
Airport Fund	T-hangars Fuel farm Commercial hangar T-hangars T-hangars and taxilane Hangar design Compensated absences	Quarterly Quarterly Quarterly Quarterly Monthly Monthly	6.35% 5.35% 7.55% 4.99% 4.84% 4.84%	Lease/purchase Lease/purchase Lease/purchase Lease/purchase Lease/purchase Lease/purchase Payable	240,495 224,673 262,742 399,722 1,285,679 155,756 99,044
Total airport fund					<u>2,668,111</u>
Solid Waste Fund	Landfill closure/post closure costs Compensated absences			Payable Payable	1,324,670 94,249
					<u>1,418,919</u>
Transfer Station Fund	Compensated absences			Payable	<u>27,838</u>
Total Business-type					<u>5,559,790</u>
Total other obligations					<u>\$ 11,691,246</u>

Due to restrictions by state statute, funds for lease/purchase agreements are appropriated on a year-by-year basis. The agreements are written as a series of renewable one-year contracts beginning July 1 and ending June 30 of each fiscal year. The City, when initially entering into these contracts, has every intention of honoring the full term of the agreement. Thus, this amount represents the recognition of the total remaining contracted liability in compliance with generally accepted accounting principles, while not actually being a legal obligation at June 30, 2007. The lease/purchases of the City are generally received from a third party financing company and are secured by liens on the items purchased.

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$653,979 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

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

Annual Debt Service Requirements to maturity  
June 30, 2007  
(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,510	\$ 404	\$ 322	\$ 123	\$ 225	\$ 429
2009	1,585	338	322	107	245	411
2010	1,290	271	332	92	260	393
2011	1,355	216	337	75	280	373
2012	1,425	157	330	59	300	351
2013-2017	2,170	162	1,056	81	1,910	1,366
2018-2022	-	-	25	2	2,195	505
2023-2027	-	-	-	-	145	16
Total	<u>\$ 9,335</u>	<u>\$ 1,548</u>	<u>\$ 2,724</u>	<u>\$ 539</u>	<u>\$ 5,560</u>	<u>\$ 3,844</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,600	\$ 1,126	\$ 1,469	\$ 176	\$ 5,126	\$ 2,258
2009	1,670	1,041	1,161	129	4,983	2,026
2010	1,535	988	1,028	95	4,445	1,839
2011	865	937	905	65	3,742	1,666
2012	910	901	779	42	3,744	1,510
2013-2017	5,155	3,907	2,489	23	12,780	5,539
2018-2022	4,240	2,809	1,930	-	8,390	3,316
2023-2027	4,705	1,827	1,930	-	6,780	1,843
2028-2032	3,155	862	-	-	3,155	862
2030-2034	1,495	113	-	-	1,495	113
Total	<u>\$ 25,330</u>	<u>\$ 14,511</u>	<u>\$ 11,691</u>	<u>\$ 530</u>	<u>\$ 54,640</u>	<u>\$ 20,972</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, 2007, the City is well within its debt limits, having \$101.7 million in borrowing capacity in the 20% category, and \$32.4 million in borrowing capacity in the 6% category.

## G. Risk Management

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

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

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

### Claims Liabilities

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

### Unpaid Claims Liabilities

The claims liability of \$2,717,340 for general self-insurance reported in the fund at June 30, 2007 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, 2005 to June 30, 2007:

	General Self-Insurance
Liability balance, June 30, 2005	\$ 2,282,505
Claims and changes in estimates	1,086,081
Claims payments	(719,465)
Liability balance, June 30, 2006	<u>2,649,121</u>
Claims and changes in estimates	327,482
Claims payments	(259,263)
Liability balance, June 30, 2007	<u><u>\$ 2,717,340</u></u>

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

## **H. Litigation**

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

In management's opinion, all other claims or litigation pending at June 30, 2007, which could have a significant effect on the financial position of the City have been provided for in the accounts.

## **I. Contingent Liabilities**

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

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

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

## **J. Intergovernmental Agreements**

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

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

The City has an agreement with the Town of Prescott Valley to share costs for development of groundwater located in the Big Chino sub-basin beneath the Big Chino Water Ranch for municipal supply purposes. In late 2004 the City acquired 4,500 deeded acres, along with a leasehold interest in 2,000 acres of state land that were a portion of the JWK Ranch. A conservation easement on the balance of the JWK Ranch acreage, will preclude development of that property and eliminate the associated groundwater demand.

Through this purchase, the City will implement the right, granted by ARS 45-555, to transport groundwater from the Big Chino sub-basin into the Prescott Active Management Area (AMA). The Arizona Department has issued a preliminary opinion that the City of Prescott is entitled to up to 8,717 acre-feet per year, plus up to approximately 3,300 acre-feet per year corresponding to the retirement of approximately 1,100 acres of historically irrigated land within the property acquired. The intergovernmental agreement (IGA) with the Town of Prescott Valley provides for sharing of the 8,717 acre-feet per year, 4,717 acre-feet/year to the City (54.1%), and 4,000 acre-feet per year to the Town (45.9%). The estimated 4,500 acre-feet per year balance from conversion of historically irrigated lands is to be held in reserve to mitigate the effects of groundwater pumping, should any occur necessitating such action and/or for contributing to achieving safe-yield in the Little Chino aquifer located within the AMA. The IGA further provides for prorated sharing of acquisition, production, and transport costs by the parties. Development of the well field, transmission lines, and other infrastructure is estimated at \$170 million. The target date for delivery of water from the Big Chino Water Ranch is late 2010.

## K. Retirement and Pension Plans

### Plan Descriptions:

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

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

The Arizona Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

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

### Funding Policy:

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

Cost-sharing plan - For the year ended June 30, 2007, active ASRS members and the City were each required to contribute at the actuarially determined rate of 9.1% (8.6% retirement and .5% long-term disability) of members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2007, 2006 and 2005 were \$1,801,754, \$1,253,310 and \$869,523, respectively, which were equal to the required contributions for the years.

Agent plans - For the year ended June 30, 2007, 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 21.53% for police and 17.99% for fire.

### Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2006 (the date of the most recent actuarial valuation) and related information follow.

	PSPRS
Contributions rates	
Police	27.10%
Fire	22.39%
Annual pension cost	
Police	\$788,404
Fire	\$389,932
Contributions made	
Police	\$788,404
Fire	\$389,932
Actuarial valuation date	06/30/06
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years for unfunded actuarial accrued liability, 20 years for excess



Asset valuation method	Smoothed market value
Actuarial assumptions	
Investment rate of return	8.50%
Projected salary increases (Includes inflation at 5.00%)	5.50% - 8.50%
Does not include payroll of members participating in Deferred Retirement Option Plan (if any)	

**Trend Information:**

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
<b>Police</b>			
2004	\$ 511,883	100%	\$ 0
2005	558,343	100%	0
2006	788,404	100%	0
<b>Fire</b>			
2004	\$ 273,701	100%	\$ 0
2005	433,037	100%	0
2006	389,932	100%	0

**L. Landfill Closure and Postclosure Care Cost**

State and federal laws and regulations required the City to place a final cover on its Sundog Ranch Road landfill site when it stopped accepting waste in 1999; additionally, the City is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City stopped receiving waste at its landfill and received a small landfill exemption from the EPA in fiscal year 1998 and started installing the final cover in fiscal year 1999. The final phase of the landfill closure was completed during the year. The \$1,324,670 reported in the solid waste enterprise fund as landfill closure and postclosure care liability at June 30, 2007, represents the total amount of estimated cost of closure and postclosure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

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

**M. Commitments and Future Obligations**

The City has entered into several agreements whereby it will reimburse businesses for development fees or the construction costs of certain public infrastructure improvements. The City does not become liable for the reimbursements until construction is complete. The funding source for the reimbursements will come from new tax revenues generated by the businesses. The City's maximum liability under these agreements is \$9.2 million.

**N. Subsequent Events**

In August 2007, the City incurred additional debt totaling \$14.5 million in the form of contracts payable to the Water Infrastructure Finance Authority of Arizona (WIFA) to improve the City's water infrastructure.

The first loan is for \$9.8 million and will fund several significant drinking water projects in the community: Willow Creek Transmission Line Relocation and Upgrade, Water Meter Change-Out Program, Recharge Intake Pipeline Replacement, Airport Recharge Facility Recovery Wells, and the upgrade and rehabilitation of Gail Gardner Way and Iron Springs Road. The WIFA-financed projects will help improve

distribution of the City's drinking water supply. Prescott's water comes from wells in Chino Valley, with water pumped into a 5-million-gallon reservoir at the Chino Production Facility, and from there to Prescott via 500 miles of high-pressure water lines. Prescott maintains six wells, 30 water storage tanks and reservoirs, and 40 booster stations, as well as more almost 70 different pressure zones, as part of the distribution system.

The second loan is for \$4.7 million and will fund several much-needed sewer upgrades, rehabilitation and replacement projects. The projects include five areas of sewer system projects that will connect to the Sundog Wastewater Treatment Plant: Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth Street/Demerse Street Sewer and Gurley Street (Arizona to Bradshaw) Sewer.

In September 2007, the City and Yavapai County entered into an Intergovernmental Agreement for the transfer of real property. The City obtained the Fairgrounds property, valued at \$12.2 million, which will ensure that the World's Oldest Rodeo will remain in Prescott. The County gained right-of-way to the Sundog Connector near Prescott Lakes Parkway and other property valued at \$8.3 million. The agreement also requires the City to make infrastructure improvements and enhance the Pioneer Park Recreational Facilities.

## REQUIRED SUPPLEMENTARY INFORMATION



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Funding Progress**  
**Arizona Public Safety Personnel Retirement System**  
 For the year ended June 30, 2007

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

Valuation Date <u>June 30,</u>	(1) Actuarial Value of <u>Assets</u>	(2) Entry Age Actuarial Accrued Liability <u>(AAL)</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded AAL <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Unfunded AAL as a Percentage of Covered Payroll <u>(4)/(5)</u>
<b>Police</b>						
2001	\$13,465,721	\$ 13,511,273	99.7%	\$ 45,552	\$ 2,699,456	1.7%
2002	13,387,130	15,476,798	86.5	2,089,668	2,929,780	71.3
2003	13,421,537	17,507,107	76.7	4,085,570	3,224,009	126.7
2004	13,166,987	18,892,985	69.7	5,725,998	2,985,970	191.8
2005	13,093,401	22,338,111	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
<b>Fire</b>						
2001	\$18,089,763	\$ 14,630,633	123.6%	\$ (3,459,130)	\$2,755,856	-%
2002	18,204,580	16,956,679	107.4	(1,247,901)	2,987,622	-
2003	18,500,014	19,967,900	92.6	1,467,886	2,727,989	53.8
2004	18,403,108	22,002,449	83.6	3,599,341	2,922,346	123.2
2005	18,547,038	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

# COMBINING STATEMENTS

## Nonmajor Governmental Funds

### SPECIAL REVENUE FUNDS

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

#### **Highway User Fund**

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

#### **Capital Improvement**

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

#### **Transient Lodging Tax Fund**

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

#### **Grant Funds**

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

#### **Impact Fees Fund**

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

#### **Miscellaneous Gift Trust**

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

#### **Public Safety Tax Fund**

This fund was budgeted to provide a cost center for public safety projects to be expended as part of the public safety tax initiative. The initiative was never presented to the voters. Since the fund had no activity it is not presented with the other nonmajor special revenue funds. A budget schedule is presented.

### CAPITAL PROJECTS FUNDS

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

#### **Lakes Purchase Fund**

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

**Community Facilities District Fund**

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

**PERMANENT FUND**

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

**Acker Trust**

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

CITY OF PRESCOTT, ARIZONA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue Funds					Capital Projects Funds		Permanent Fund Acker Trust	Total Nonmajor Governmental Funds	
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	Lakes Purchase			Community Facilities Districts
<b>ASSETS</b>										
Cash and short-term investments	\$ 309,182	\$ 9,807,798	\$ 72,682	116,021	\$ 3,774,711	\$ 147,374	\$ 516,375	\$ 203,430	\$ 528,089	\$ 15,475,662
Accounts receivable	-	-	45,069	-	-	-	-	-	-	45,069
Intergovernmental receivables	365,003	-	-	182,218	-	-	-	-	-	547,221
Interfund receivable	-	595,000	-	-	-	-	-	-	-	595,000
Interest receivable	-	-	-	-	-	-	2,294	-	-	2,294
Total assets	<u>\$ 674,185</u>	<u>\$ 10,402,798</u>	<u>\$ 117,751</u>	<u>\$ 298,239</u>	<u>\$ 3,774,711</u>	<u>\$ 147,374</u>	<u>\$ 518,669</u>	<u>\$ 203,430</u>	<u>\$ 528,089</u>	<u>\$ 16,665,246</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	\$ 99,235	\$ 439,363	\$ 35,733	\$ 12,449	\$ 53,915	\$ 4,258	\$ -	\$ -	\$ -	\$ 644,953
Accrued payroll	75,819	-	13,126	24,853	-	-	-	-	-	113,798
Interfund payable	-	-	-	-	595,000	-	-	-	-	595,000
Unearned revenue	-	-	-	231,005	-	-	-	-	-	231,005
Total liabilities	<u>175,054</u>	<u>439,363</u>	<u>48,859</u>	<u>268,307</u>	<u>648,915</u>	<u>4,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,584,756</u>
<b>Fund Balances</b>										
Fund balance:										
Reserved for:										
Dedicated purposes									528,089	528,089
Unreserved, reported in:										
Special revenue fund	499,131	9,963,435	68,892	29,932	3,125,796	143,116	-	-	-	13,830,302
Capital projects fund							518,669	203,430	-	722,099
Total fund balances	<u>499,131</u>	<u>9,963,435</u>	<u>68,892</u>	<u>29,932</u>	<u>3,125,796</u>	<u>143,116</u>	<u>518,669</u>	<u>203,430</u>	<u>528,089</u>	<u>15,080,490</u>
Total liabilities and fund balances	<u>\$ 674,185</u>	<u>\$ 10,402,798</u>	<u>\$ 117,751</u>	<u>\$ 298,239</u>	<u>\$ 3,774,711</u>	<u>\$ 147,374</u>	<u>\$ 518,669</u>	<u>\$ 203,430</u>	<u>\$ 528,089</u>	<u>\$ 16,665,246</u>



CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2007

	Special Revenue Funds					Miscellaneous Gift Trust	Capital Projects Funds		Permanent Fund Acker Trust	Total Other Governmental Funds
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees		Lakes Purchase	Community Facilities Districts		
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ 437,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 437,770
Intergovernmental revenues	4,032,457	-	-	2,091,749	-	-	-	-	-	6,124,206
Licenses and permits	279,440	-	-	-	985,631	-	-	-	-	1,265,071
Gifts and donations	-	-	-	-	-	51,284	-	-	-	51,284
Interest and investment income	26,805	373,580	3,123	9,344	200,021	363	17,344	10,632	18,168	659,380
Miscellaneous	120,069	18,090	-	-	-	-	-	-	-	138,159
Total revenues	4,458,771	391,670	440,893	2,101,093	1,185,652	51,647	17,344	10,632	18,168	8,675,870
<b>Expenditures</b>										
Current operating										
General government	-	2,583,592	-	31,545	-	4,505	-	-	-	2,619,642
Community services	-	-	395,776	273,452	-	-	-	-	-	669,228
Culture and recreation	-	-	149,210	111,882	109,556	1,999	-	-	23,135	395,782
Police and court	-	-	-	188,107	-	23,981	-	-	-	212,088
Fire	-	-	-	395,197	-	8,613	-	-	-	403,810
Public works	3,986,169	-	-	-	-	-	-	-	-	3,986,169
Capital outlay	907,935	2,074,691	97,114	1,409,636	1,906,423	-	54,438	10,500	-	6,460,737
Total expenditures	4,894,104	4,658,283	642,100	2,409,819	2,015,979	39,098	54,438	10,500	23,135	14,747,456
Excess (deficiency) of revenues over (under) expenditures	(435,333)	(4,266,613)	(201,207)	(308,726)	(830,327)	12,549	(37,094)	132	(4,967)	(6,071,586)
<b>Other Financing Sources (Uses)</b>										
Bond proceeds	-	-	-	-	-	-	1,524,974	-	-	1,524,974
Transfers in	-	6,646,846	-	317,843	1,148,134	-	-	-	-	8,112,823
Transfers out	-	(56,353)	-	-	(950,376)	-	(428,853)	-	-	(1,435,582)
Total other financing sources (uses)	-	6,590,493	-	317,843	197,758	-	1,096,121	-	-	8,202,215
Net change in fund balance	(435,333)	2,323,880	(201,207)	9,117	(632,569)	12,549	1,059,027	132	(4,967)	2,130,629
Fund balance - beginning	934,464	7,639,555	270,099	20,815	3,758,365	130,567	(540,358)	203,298	533,056	12,949,861
Fund balance - ending	\$ 499,131	\$ 9,963,435	\$ 68,892	\$ 29,932	\$ 3,125,796	\$ 143,116	\$ 518,669	\$ 203,430	\$ 528,089	\$ 15,080,490

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

## GOVERNMENTAL FUNDS

### *Special Revenue Funds*

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

### *Debt Service Funds*

- City of Prescott
- Community Facilities Districts

### *Capital Projects Funds*

- Lakes purchase
- Community Facilities Districts

### *Permanent Fund*

- Acker trust

CITY OF PRESCOTT, ARIZONA

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

Highway User Fund

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenues				
Highway user revenue	\$ 3,588,164	\$ 3,588,164	\$ 3,680,279	\$ 92,115
Local transportation assistance funds	195,486	195,486	195,572	86
Intergovernmental contributions	205,404	205,404	156,606	(48,798)
Total intergovernmental revenues	<u>3,989,054</u>	<u>3,989,054</u>	<u>4,032,457</u>	<u>43,403</u>
Charges for services	317,415	317,415	279,440	(37,975)
Interest and investment income	20,000	20,000	26,805	6,805
Miscellaneous	100,000	100,000	120,069	20,069
Total revenues	<u>4,426,469</u>	<u>4,426,469</u>	<u>4,458,771</u>	<u>32,302</u>
<b>Expenditures</b>				
Current operating				
Public works	4,180,900	4,180,900	3,986,169	194,731
Capital outlay	776,760	776,760	907,935	(131,175)
Total expenditures	<u>4,957,660</u>	<u>4,957,660</u>	<u>4,894,104</u>	<u>63,556</u>
Excess (deficiency) of				
revenues over expenditures	<u>(531,191)</u>	<u>(531,191)</u>	<u>(435,333)</u>	<u>95,858</u>
Net change in fund balances	<u>(531,191)</u>	<u>(531,191)</u>	<u>(435,333)</u>	<u>95,858</u>
Fund balance - beginning	<u>(707,583)</u>	<u>(707,583)</u>	<u>934,464</u>	<u>1,646,196</u>
Fund balance - ending	<u>\$ (1,238,774)</u>	<u>\$ (1,238,774)</u>	<u>499,131</u>	<u>\$ 1,742,054</u>

CITY OF PRESCOTT, ARIZONA

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

Capital Improvement Fund

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ 150,000	\$ 150,000	\$ 373,580	\$ 223,580
Miscellaneous	463,000	463,000	18,090	(444,910)
Total revenues	613,000	613,000	391,670	(221,330)
<b>Expenditures</b>				
Current operating				
General government	2,740,000	2,740,000	2,583,592	156,408
Capital outlay	4,080,226	3,864,226	2,074,691	2,005,535
Total expenditures	6,820,226	6,604,226	4,658,283	2,161,943
Excess (deficiency) of revenues over expenditures	(6,207,226)	(5,991,226)	(4,266,613)	1,940,613
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,488,862	2,488,862	6,646,846	4,157,984
Transfers out	(39,526)	(39,526)	(56,353)	(16,827)
Total other financing sources and uses	2,449,336	2,449,336	6,590,493	4,141,157
Net change in fund balances	(3,757,890)	(3,541,890)	2,323,880	6,081,770
Fund balance - beginning	(16,098,160)	(16,098,160)	7,639,555	23,737,715
Fund balance - ending	\$ (19,856,050)	\$ (19,640,050)	\$ 9,963,435	\$ 29,819,485

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes - transient lodging tax	\$ 398,197	\$ 398,197	\$ 437,770	\$ 39,573
Interest and investment income	5,000	5,000	3,123	(1,877)
Total revenues	<u>403,197</u>	<u>403,197</u>	<u>440,893</u>	<u>37,696</u>
<b>Expenditures</b>				
Current operating - community services				
Other services and charges	426,602	426,602	395,776	30,826
Current operating - culture and recreation				
Other services and charges	149,105	149,105	149,210	(105)
Capital outlay	97,000	97,000	97,114	(114)
Total expenditures	<u>672,707</u>	<u>672,707</u>	<u>642,100</u>	<u>30,607</u>
Excess (deficiency) of revenues over expenditures	(269,510)	(269,510)	(201,207)	68,303
Fund balance - beginning	270,099	270,099	270,099	-
Fund balance - ending	<u>\$ 589</u>	<u>\$ 589</u>	<u>\$ 68,892</u>	<u>\$ 68,303</u>

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenues	\$ 4,656,541	\$ 4,656,541	\$ 2,091,749	\$ (2,564,792)
Interest and investment income	-	-	9,344	9,344
Total revenues	4,656,541	4,656,541	2,101,093	(2,555,448)
<b>Expenditures</b>				
Current operating - general government				
Supplies	25,000	25,000	21,795	3,205
Other services and charges	10,000	10,000	9,750	250
Total general government	35,000	35,000	31,545	3,455
Current operating - general government				
Personnel services	75,162	75,162	58,261	16,901
Supplies	25,744	25,744	4,416	21,328
Other services and charges	718,290	718,290	210,775	507,515
Total community services	819,196	819,196	273,452	545,744
Current operating - culture and recreation				
Supplies	-	-	25,000	(25,000)
Other services and charges	222,209	222,209	86,882	135,327
Total culture and recreation	222,209	222,209	111,882	110,327
Current operating - police and court				
Personnel services	135,854	135,854	132,480	3,374
Supplies	39,810	39,810	29,210	10,600
Other services and charges	290,000	290,000	26,417	263,583
Total police and court	465,664	465,664	188,107	277,557
Current operating - fire				
Personnel services	267,368	267,368	341,374	(74,006)
Supplies	29,015	29,015	13,763	15,252
Other services and charges	103,617	103,617	40,060	63,557
Total fire	400,000	400,000	395,197	4,803
Capital outlay	3,377,943	3,377,943	1,409,636	1,968,307
Total expenditures	5,320,012	5,320,012	2,409,819	2,910,193
Excess (deficiency) of revenues over expenditures	(663,471)	(663,471)	(308,726)	354,745
<b>Other Financing Sources (Uses)</b>				
Transfers in	427,176	427,176	317,843	(109,333)
Total other financing sources (uses)	427,176	427,176	317,843	(109,333)
Net change in fund balances	(236,295)	(236,295)	9,117	245,412
Fund balance - beginning	20,815	20,815	20,815	-
Fund balance - ending	\$ (215,480)	\$ (215,480)	\$ 29,932	\$ 245,412

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Licenses and permits - impact fees	\$ 1,438,800	\$ 1,438,800	\$ 985,631	\$ (453,169)
Interest and investment income	98,000	98,000	200,021	102,021
Total revenues	<u>1,536,800</u>	<u>1,536,800</u>	<u>1,185,652</u>	<u>(351,148)</u>
<b>Expenditures</b>				
Other services and charges	170,000	170,000	109,556	60,444
Capital outlay	2,737,224	2,737,224	1,906,423	830,801
Total expenditures	<u>2,907,224</u>	<u>2,907,224</u>	<u>2,015,979</u>	<u>891,245</u>
Excess (deficiency) of revenues over expenditures	<u>(1,370,424)</u>	<u>(1,370,424)</u>	<u>(830,327)</u>	<u>540,097</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	(30,000)	(30,000)	1,148,134	1,178,134
Transfers out	<u>(454,610)</u>	<u>(454,610)</u>	<u>(950,376)</u>	<u>(495,766)</u>
Total other financing sources (uses)	<u>(484,610)</u>	<u>(484,610)</u>	<u>197,758</u>	<u>682,368</u>
Net change in fund balances	<u>(1,855,034)</u>	<u>(1,855,034)</u>	<u>(632,569)</u>	<u>1,222,465</u>
Fund balance - beginning	3,758,365	3,758,365	3,758,365	-
Fund balance - ending	<u>\$ 1,903,331</u>	<u>\$ 1,903,331</u>	<u>\$ 3,125,796</u>	<u>\$ 1,222,465</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, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 363	\$ 363
Miscellaneous	75,000	75,000	51,284	(23,716)
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>51,647</u>	<u>(23,353)</u>
<b>Expenditures</b>				
General government supplies	-	-	4,005	(4,005)
General government other charges	59,973	59,973	500	59,473
Culture and recreation other charges	15,027	15,027	1,999	13,028
Public safety supplies	-	-	23,981	(23,981)
Public safety supplies	-	-	8,613	(8,613)
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>39,098</u>	<u>35,902</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>12,549</u>	<u>12,549</u>
Fund balance - beginning	<u>130,567</u>	<u>130,567</u>	<u>130,567</u>	<u>-</u>
Fund balance - ending	<u>\$ 130,567</u>	<u>\$ 130,567</u>	<u>\$ 143,116</u>	<u>\$ 12,549</u>



**CITY OF PRESCOTT, ARIZONA**

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

**Public Safety Tax Special Revenue Fund**

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,253,996	\$ 2,253,996	\$ -	\$ (2,253,996)
Total revenues	2,253,996	2,253,996	-	(2,253,996)
<b>Expenditures</b>				
Capital outlay	814,011	814,011	-	814,011
Total expenditures	814,011	814,011	-	814,011
Excess (deficiency) of revenues over expenditures	1,439,985	1,439,985	-	(1,439,985)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 1,439,985	\$ 1,439,985	\$ -	\$ (1,439,985)

**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, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property tax revenue	\$ 1,706,825	\$ 1,706,825	\$ 1,705,226	\$ (1,599)
Interest and investment income	149,970	149,970	191,794	41,824
Miscellaneous income	342,151	342,151	336,869	(5,282)
Total revenues	<u>2,198,946</u>	<u>2,198,946</u>	<u>2,233,889</u>	<u>34,943</u>
<b>Expenditures</b>				
Debt service				
Principal	1,657,151	1,657,151	1,657,151	-
Interest	531,795	531,795	531,466	329
Total expenditures	<u>2,188,946</u>	<u>2,188,946</u>	<u>2,188,617</u>	<u>329</u>
Excess (deficiency) of revenues over expenditures	10,000	10,000	45,272	35,272
Fund balance - beginning	118,422	118,422	118,422	-
Fund balance - ending	<u>\$ 128,422</u>	<u>\$ 128,422</u>	<u>\$ 163,694</u>	<u>\$ 35,272</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, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 548,287	\$ 548,287
Miscellaneous income	1,188,000	1,188,000	345,821	(842,179)
Total revenues	<u>1,188,000</u>	<u>1,188,000</u>	<u>894,108</u>	<u>(293,892)</u>
<b>Expenditures</b>				
Debt service				
Principal	743,175	743,175	205,000	538,175
Interest	444,825	444,825	444,825	-
Total expenditures	<u>1,188,000</u>	<u>1,188,000</u>	<u>649,825</u>	<u>538,175</u>
Excess (deficiency) of revenues over expenditures	-	-	244,283	244,283
Fund balance - beginning	<u>1,625,427</u>	<u>1,625,427</u>	<u>1,625,427</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,625,427</u>	<u>\$ 1,625,427</u>	<u>\$ 1,869,710</u>	<u>\$ 244,283</u>

CITY OF PRESCOTT, ARIZONA

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

Lakes Purchase Capital Projects Fund

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 17,344	\$ 17,344
Total revenues	-	-	17,344	17,344
<b>Expenditures</b>				
Capital outlay	529,299	529,299	54,438	474,861
Total expenditures	529,299	529,299	54,438	474,861
Excess (deficiency) of revenues over expenditures	(529,299)	(529,299)	(37,094)	492,205
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-	-	1,524,974	(1,524,974)
Transfers out	-	-	(428,853)	428,853
Total other financing sources (uses)	-	-	1,096,121	(1,096,121)
Net change in fund balances	(529,299)	(529,299)	1,059,027	(603,916)
Fund balance - beginning	(540,358)	(540,358)	(540,358)	-
Fund balance - ending	\$ (1,069,657)	\$ (1,069,657)	\$ 518,669	\$ (603,916)

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 10,632	\$ 10,632
Miscellaneous income	60,000	60,000	-	(60,000)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>10,632</u>	<u>(49,368)</u>
<b>Expenditures</b>				
Capital outlay	60,000	60,000	10,500	49,500
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>10,500</u>	<u>49,500</u>
Excess (deficiency) of revenues over expenditures	-	-	132	132
Fund balance - beginning	203,298	203,298	203,298	-
Fund balance - ending	<u>\$ 203,298</u>	<u>\$ 203,298</u>	<u>\$ 203,430</u>	<u>\$ 132</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2007

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ 26,000	\$ 26,000	\$ 18,168	\$ (7,832)
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>18,168</u>	<u>(7,832)</u>
<b>Expenditures</b>				
Other charges	<u>25,000</u>	<u>25,000</u>	<u>23,135</u>	<u>1,865</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>23,135</u>	<u>1,865</u>
Excess (deficiency) of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>(4,967)</u>	<u>(5,967)</u>
Fund balance - beginning	<u>533,056</u>	<u>533,056</u>	<u>533,056</u>	<u>-</u>
Fund balance - ending	<u>\$ 534,056</u>	<u>\$ 534,056</u>	<u>\$ 528,089</u>	<u>\$ (5,967)</u>

# COMBINING STATEMENTS

## Nonmajor Proprietary Funds

### ENTERPRISE FUNDS

#### **Regional transfer station**

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

#### **Parking Garage**

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

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
June 30, 2007

	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,171,682	\$ 68,885	\$ 1,240,567
Accounts receivable (net)	10,067	-	10,067
Total current assets	<u>1,181,749</u>	<u>68,885</u>	<u>1,250,634</u>
<b>Noncurrent Assets</b>			
Restricted cash			
Cash with fiscal agent	1,273,370	-	1,273,370
Total restricted assets	<u>1,273,370</u>	<u>-</u>	<u>1,273,370</u>
Capital Assets			
Land	898,978	-	898,978
Buildings	535,156	6,332,379	6,867,535
Improvements other than buildings	900,600	-	900,600
Machinery and equipment	308,113	-	308,113
Less accumulated depreciation	(581,493)	(158,309)	(739,802)
Total capital assets (net of accumulated depreciation)	<u>2,061,354</u>	<u>6,174,070</u>	<u>8,235,424</u>
Total noncurrent assets	<u>2,061,354</u>	<u>6,174,070</u>	<u>9,508,794</u>
Total assets	<u>4,516,473</u>	<u>6,242,955</u>	<u>10,759,428</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	734,892	4,919	739,811
Accrued payroll	14,155	1,642	15,797
Notes and assessments - current	44,889	-	44,889
Compensated absences	14,965	-	14,965
Total current liabilities	<u>808,901</u>	<u>6,561</u>	<u>815,462</u>
<b>Noncurrent Liabilities</b>			
Accrued vacation and sick pay	12,874	-	12,874
Notes and assessments payable	1,480,111	-	1,480,111
Total noncurrent liabilities	<u>1,492,985</u>	<u>-</u>	<u>1,492,985</u>
Total liabilities	<u>2,301,886</u>	<u>6,561</u>	<u>2,308,447</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	536,354	6,174,070	6,710,424
Restricted for debt service	44,889	-	44,889
Unrestricted	1,633,344	62,324	1,695,668
Total net assets	<u>\$ 2,214,587</u>	<u>\$ 6,236,394</u>	<u>\$ 8,450,981</u>



**CITY OF PRESCOTT, ARIZONA**

**Combining Statement of Revenues, Expenses and Changes in Net Assets**

**Nonmajor Proprietary Funds**

For the year ended June 30, 2007

	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Tipping fees	\$ 4,048,035	\$ -	\$ 4,048,035
Other services	-	58,527	58,527
Miscellaneous	(1,514)	96,200	94,686
Total operating revenues	<u>4,046,521</u>	<u>154,727</u>	<u>4,201,248</u>
<b>Operating Expenses</b>			
Personnel services	429,542	17,210	446,752
Supplies	104,918	-	104,918
Other services and charges	3,509,973	76,308	3,586,281
Depreciation	48,136	158,309	206,445
Total operating expenses	<u>4,092,569</u>	<u>251,827</u>	<u>4,344,396</u>
Operating income (loss)	<u>(46,048)</u>	<u>(97,100)</u>	<u>(143,148)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest and investment income	69,535	3,296	72,831
Interest expense	(622)	(4)	(626)
Net gain (loss) on disposal of assets	(136)	-	(136)
Total non-operating Revenues (expenses)	<u>68,777</u>	<u>3,292</u>	<u>72,069</u>
Income (loss) before contributions and transfers	22,729	(93,808)	(71,079)
Transfers in	36,244	-	36,244
Change in net assets	<u>58,973</u>	<u>(93,808)</u>	<u>(34,835)</u>
Total net assets - beginning	2,155,614	6,330,202	8,485,816
Total net assets - ending	<u>\$ 2,214,587</u>	<u>\$ 6,236,394</u>	<u>\$ 8,450,981</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
For the year ended June 30, 2007

	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 4,046,067	\$ 58,527	\$ 4,104,594
Cash payments to suppliers for goods and services	(3,211,435)	(72,898)	(3,284,333)
Cash payments to employees for services	(451,892)	(16,236)	(468,128)
Other operating receipts	(1,514)	96,200	94,686
Net cash provided by (used for) operating activities	<u>381,226</u>	<u>65,593</u>	<u>446,819</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers in	36,244	-	36,244
Net cash provided by (used for) noncapital financing activity	<u>36,244</u>	<u>-</u>	<u>36,244</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from debt issues	1,525,000	-	1,525,000
Acquisition and construction of capital assets	(397,165)	-	(397,165)
Principal paid on capital financing	-	-	-
Interest paid on capital financing	(622)	(4)	(626)
Proceeds from sales of fixed assets	(136)	-	(136)
Net cash provided by (used for) capital and related financing activities	<u>1,127,077</u>	<u>(4)</u>	<u>1,127,073</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	69,535	3,296	72,831
Net cash provided by (used for) investing activities	<u>69,535</u>	<u>3,296</u>	<u>72,831</u>
Net increase (decrease) in cash and cash equivalents	1,614,082	68,885	1,682,967
Cash and cash equivalents at July 1	830,970	-	830,970
Cash and cash equivalents at June 30	<u>\$ 2,445,052</u>	<u>\$ 68,885</u>	<u>\$ 2,513,937</u>
<b>Reconciliation to statement of net assets</b>			
Cash and cash equivalents at June 30, unrestricted	\$ 1,171,682	\$ 68,885	\$ 1,240,567
Cash and cash equivalents at June 30, restricted	1,273,370	-	1,273,370
Total	<u>\$ 2,445,052</u>	<u>\$ 68,885</u>	<u>\$ 2,513,937</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (46,048)	\$ (97,100)	\$ (143,148)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	48,136	158,309	206,445
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,968)	-	(1,968)
Increase (decrease) in accounts payable	403,456	3,410	406,866
Increase (decrease) in accrued expenses	(35,422)	974	(34,448)
Increase (decrease) in compensated absences	7,175	-	7,175
Increase (decrease) in accrued vacation and sick payable	5,897	-	5,897
Total adjustments	<u>427,274</u>	<u>162,693</u>	<u>589,967</u>
Net cash provided by operating activities	<u>\$ 381,226</u>	<u>\$ 65,593</u>	<u>\$ 446,819</u>

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

**PROPRIETARY FUNDS**

*Enterprise Funds*

- Water
- Wastewater
- Golf course
- Airport
- Solid waste
- Transfer station
- Parking garage

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Water Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Water sales	\$ 8,622,771	\$ 8,622,771	\$ 8,095,182	\$ (527,589)
Water connection fees	475,000	475,000	466,646	(8,354)
Alternative water source fees	898,743	898,743	877,401	(21,342)
Alternative water impact fees	7,067,105	7,067,105	4,061,870	(3,005,235)
Interest and investment income	149,032	149,032	1,012,613	863,581
Proceeds from bonds	34,299,600	34,299,600	-	(34,299,600)
Miscellaneous	125,281	125,281	142,425	17,144
Total revenues	<u>51,637,532</u>	<u>51,637,532</u>	<u>14,656,137</u>	<u>(36,981,395)</u>
<b>Expenditures</b>				
Personnel services	2,505,321	2,505,321	2,294,574	210,747
Supplies	726,100	726,100	577,775	148,325
Other services and charges	4,285,790	4,285,790	4,651,320	(365,530)
Capital expenditures	36,609,663	36,609,663	10,341,995	26,267,668
Debt service: principal	1,371,409	1,371,409	617,804	753,605
Debt service: interest	2,563,849	2,563,849	662,018	1,901,831
Total expenditures	<u>48,062,132</u>	<u>48,062,132</u>	<u>19,145,486</u>	<u>28,916,646</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,575,400</u>	<u>\$ 3,575,400</u>	<u>(4,489,349)</u>	<u>\$ (8,064,749)</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			10,495,713	
Principal repayment			617,804	
Sick and vacation accrual			(23,133)	
Depreciation expense			(1,855,845)	
Capital contributions			4,265,083	
Change in net assets (GAAP basis)			<u>\$ 9,010,273</u>	

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Wastewater Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Wastewater service fees	\$ 4,282,351	\$ 4,282,351	\$ 4,247,195	\$ (35,156)
Wastewater connection fees	15,000	15,000	9,600	(5,400)
Effluent recharge fees	150,000	150,000	150,000	-
Interest and investment income	150,000	150,000	248,594	98,594
Proceeds from bonds	12,460,527	12,460,527	-	(12,460,527)
Miscellaneous	626,000	626,000	390,777	(235,223)
Wastewater buy-in fees	1,166,990	1,166,990	760,485	(406,505)
Total revenues	<u>18,850,868</u>	<u>18,850,868</u>	<u>5,806,651</u>	<u>(13,044,217)</u>
<b>Expenditures</b>				
Personnel services	2,028,189	2,028,189	1,894,774	133,415
Supplies	334,100	334,100	479,055	(144,955)
Other services and charges	2,384,353	2,384,353	1,913,940	470,413
Capital expenditures	14,172,470	14,172,470	2,620,330	11,552,140
Debt service: principal	950,768	950,768	861,450	89,318
Debt service: interest	410,255	410,255	184,846	225,409
Operating transfer out	-	-	12,082	(12,082)
Total expenditures	<u>20,280,135</u>	<u>20,280,135</u>	<u>7,966,477</u>	<u>12,313,658</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,429,267)</u>	<u>\$ (1,429,267)</u>	<u>(2,159,826)</u>	<u>\$ (730,559)</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			2,435,219	
Principal repayment			861,450	
Sick and vacation accrual			31,320	
Depreciation expense			(1,737,104)	
Capital contributions			1,861,936	
Change in net assets (GAAP basis)			<u>\$ 1,292,995</u>	

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Golf Course Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Golf course green fees	\$ 1,697,712	\$ 1,697,712	\$ 1,473,364	\$ (224,348)
Golf course rentals	775,317	775,317	607,340	(167,977)
Golf pro-shop sales	477,850	477,850	372,981	(104,869)
Restaurant sales	762,369	762,369	925,909	163,540
Proceeds from sales of assets	-	-	2,500	2,500
Miscellaneous	42,900	42,900	(14,486)	(57,386)
Total revenues	<u>3,756,148</u>	<u>3,756,148</u>	<u>3,367,608</u>	<u>(388,540)</u>
<b>Expenditures</b>				
Personnel services	1,381,542	1,381,542	1,398,655	(17,113)
Supplies	616,007	706,007	733,682	(27,675)
Other services and charges	782,646	782,646	687,173	95,473
Capital expenditures	-	-	20,941	(20,941)
Debt service: principal	811,357	811,357	813,160	(1,803)
Debt service: interest	93,852	93,852	117,886	(24,034)
Total expenditures	<u>3,685,404</u>	<u>3,775,404</u>	<u>3,771,497</u>	<u>3,907</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 70,744</u>	<u>\$ (19,256)</u>	<u>(403,889)</u>	<u>\$ (384,633)</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			20,941	
Principal repayment			813,160	
Capital contributions			14,604	
Sick and vacation accrual			14,636	
Depreciation expense			(297,014)	
Change in net assets (GAAP basis)			<u>\$ 162,438</u>	

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Airport Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Gross fuel sales	\$ 3,435,115	\$ 3,435,115	\$ 3,136,273	\$ (298,842)
Less: Cost of fuel sales	2,633,526	2,633,526	2,454,636	178,890
Gross profit on fuel sales	801,589	801,589	681,637	(119,952)
Tie down and hangar rentals	1,118,899	1,118,899	991,395	(127,504)
Capital grant revenue	675,301	675,301	479,975	(195,326)
Interest and investment income	4,000	4,000	131,515	127,515
Miscellaneous	13,381	13,381	19,946	6,565
Transfer in	39,526	39,526	56,353	16,827
Total revenues	2,652,696	2,652,696	2,360,821	(291,875)
<b>Expenditures</b>				
Personnel services	643,721	643,721	628,926	14,795
Supplies	47,450	47,450	45,833	1,617
Other services and charges	523,370	523,370	507,587	15,783
Capital expenditures	1,089,802	1,089,802	619,906	469,896
Debt service: principal	382,522	382,522	382,522	-
Debt service: interest	150,000	150,000	150,000	-
Total expenditures	2,836,865	2,836,865	2,334,774	502,091
Excess (deficiency) of revenues over expenditures	\$ (184,169)	\$ (184,169)	26,047	\$ 210,216
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			618,957	
Principal repayment			382,522	
Sick and vacation accrual			14,644	
Depreciation expense			(943,332)	
Change in net assets (GAAP basis)			\$ 98,838	

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Solid Waste Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Refuse collection fees	\$ 5,260,442	\$ 5,260,442	\$ 5,272,850	\$ 12,408
Tipping fees	299,643	299,643	382,379	82,736
Interest and investment income	75,000	75,000	225,922	150,922
Total revenues	<u>5,635,085</u>	<u>5,635,085</u>	<u>5,881,151</u>	<u>246,066</u>
<b>Expenditures</b>				
Personnel services	987,247	987,247	924,725	62,522
Supplies	544,900	544,900	504,343	40,557
Other services and charges	3,593,458	3,593,458	3,398,822	194,636
Operating transfer out	39,526	39,526	12,082	27,444
Total expenditures	<u>5,165,131</u>	<u>5,165,131</u>	<u>4,839,972</u>	<u>325,159</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 469,954</u>	<u>\$ 469,954</u>	1,041,179	<u>\$ 571,225</u>

**Reconciliation to Generally Accepted Accounting Principles**

Assets capitalized	44,242
Landfill closure accrual	13,130
Sick and vacation accrual	(10,796)
Depreciation expense	(188,901)
Loss on equipment sale	(3,730)
Change in net assets (GAAP basis)	<u>\$ 895,124</u>



**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Transfer Station Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Tipping fees	\$ 4,278,338	\$ 4,278,338	\$ 4,048,035	\$ (230,303)
Proceeds from financing	850,000	850,000	1,525,000	675,000
Interest and investment income	15,000	15,000	69,535	54,535
Miscellaneous	-	-	(1,512)	(1,512)
Transfer in	75,000	75,000	36,243	(38,757)
Total revenues	<u>5,218,338</u>	<u>5,218,338</u>	<u>5,677,301</u>	<u>458,963</u>
<b>Expenditures</b>				
Personnel services	409,352	409,352	416,471	(7,119)
Supplies	75,400	75,400	104,918	(29,518)
Other services and charges	3,613,051	3,613,051	3,488,384	124,667
Capital expenditures	750,000	750,000	418,754	331,246
Debt service: principal	15,144	15,144	-	15,144
Debt service: interest	33,526	33,526	622	32,904
Total expenditures	<u>4,896,473</u>	<u>4,896,473</u>	<u>4,429,149</u>	<u>467,324</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 321,865</u>	<u>\$ 321,865</u>	<u>1,248,152</u>	<u>\$ 926,287</u>

**Reconciliation to Generally Accepted Accounting Principles**

Assets capitalized	397,164
Bond Proceeds	(1,525,000)
Sick and vacation accrual	(13,071)
Depreciation expense	(48,136)
Loss on equipment sale	(136)
Change in net assets (GAAP basis)	<u>\$ 58,973</u>

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Parking Garage Enterprise Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Parking revenue	\$ 64,119	\$ 64,119	\$ 58,527	\$ (5,592)
Interest and investment income	45	45	3,296	3,251
Miscellaneous	-	-	96,200	96,200
Total revenues	<u>64,164</u>	<u>64,164</u>	<u>158,023</u>	<u>93,859</u>
<b>Expenditures</b>				
Personnel services	22,304	22,304	17,210	5,094
Other services and charges	67,237	77,237	76,308	929
Interest expense	-	-	4	(4)
Total expenditures	<u>89,541</u>	<u>99,541</u>	<u>93,522</u>	<u>6,019</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (25,377)</u>	<u>\$ (35,377)</u>	\$ 64,501	<u>\$ 99,878</u>

**Reconciliation to Generally Accepted Accounting Principles**

Depreciation expense	(158,309)
Change in net assets (GAAP basis)	<u>\$ (93,808)</u>

## **FUND FINANCIAL STATEMENTS**

### **Internal Service Funds**

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

#### **Central Garage**

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

#### **General Self-insurance**

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

#### **Engineering Services**

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

#### **Facilities Maintenance**

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

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
June 30, 2007

<b>ASSETS</b>	<b>Central Garage</b>	<b>General Self- Insurance</b>	<b>Engineering Services</b>	<b>Facilities Maintenance</b>	<b>Totals</b>
<b>Current Assets</b>					
Cash and short-term investments	\$ 1,066,247	\$ 2,577,408	\$ 67,245	\$ 146,087	\$ 3,856,987
Inventory at cost	216,022	-	-	-	216,022
Total current assets	<u>1,282,269</u>	<u>2,577,408</u>	<u>67,245</u>	<u>146,087</u>	<u>4,073,009</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents					
Cash with fiscal agent	4,117,631	-	-	-	4,117,631
Total restricted assets	<u>4,117,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,117,631</u>
<b>Property, Plant and Equipment</b>					
Land	13,191	-	-	-	13,191
Buildings	1,999,592	-	-	-	1,999,592
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	5,702,365	-	302,522	32,210	6,037,097
Total property, plant and equipment	<u>7,727,621</u>	<u>-</u>	<u>339,072</u>	<u>32,210</u>	<u>8,098,903</u>
Less accumulated depreciation	(1,151,667)	-	(158,802)	(4,188)	(1,314,657)
Net property, plant and equipment	<u>6,575,954</u>	<u>-</u>	<u>180,270</u>	<u>28,022</u>	<u>6,784,246</u>
Total assets	<u>11,975,854</u>	<u>2,577,408</u>	<u>247,515</u>	<u>174,109</u>	<u>14,974,886</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	811,737	45,956	6,365	80,222	944,280
Accrued payroll	21,791	3,935	63,179	11,231	100,136
Compensated absences	29,460	-	91,735	8,078	129,273
Municipal properties corp bonds - current	150,111	-	-	-	150,111
Claims payable	-	2,717,340	-	-	2,717,340
Total current liabilities	<u>1,013,099</u>	<u>2,767,231</u>	<u>161,279</u>	<u>99,531</u>	<u>4,041,140</u>
<b>Noncurrent Liabilities</b>					
Accrued vacation and sick pay	141,246	-	355,862	27,598	524,706
Municipal properties corp bonds	4,949,889	-	-	-	4,949,889
Total long-term liabilities	<u>5,091,135</u>	<u>-</u>	<u>355,862</u>	<u>27,598</u>	<u>5,474,595</u>
Total liabilities	<u>6,104,234</u>	<u>2,767,231</u>	<u>517,141</u>	<u>127,129</u>	<u>9,515,735</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	5,146,307	-	180,270	28,022	5,354,599
Restricted for debt service	3,520,242	-	-	-	3,520,242
Unrestricted	(2,794,929)	(189,823)	(449,896)	18,958	(3,415,690)
Total net assets	<u>\$ 5,871,620</u>	<u>\$ (189,823)</u>	<u>\$ (269,626)</u>	<u>\$ 46,980</u>	<u>\$ 5,459,151</u>

**CITY OF PRESCOTT, ARIZONA**

**Combining Statement of Revenues, Expenses and Changes in Net Assets**

**Internal Service Funds**

For the year ended June 30, 2007

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
<b>Operating Revenues</b>					
Billings to departments	\$ 4,151,371	\$ 1,694,380	\$ 1,918,979	\$ 920,412	\$ 8,685,142
Miscellaneous	-	-	2,895	-	2,895
Total operating revenues	<u>4,151,371</u>	<u>1,694,380</u>	<u>1,921,874</u>	<u>920,412</u>	<u>8,688,037</u>
<b>Operating Expenses</b>					
Personnel services	607,030	126,838	1,631,280	289,024	2,654,172
Supplies	565,315	4,351	65,353	82,799	717,818
Other services and charges	502,064	1,016,904	332,781	480,913	2,332,662
Depreciation	394,727	-	20,773	3,221	418,721
Claims expense	-	254,853	-	-	254,853
Total operating expenses	<u>2,069,136</u>	<u>1,402,946</u>	<u>2,050,187</u>	<u>855,957</u>	<u>6,378,226</u>
Operating income (loss)	<u>2,082,235</u>	<u>291,434</u>	<u>(128,313)</u>	<u>64,455</u>	<u>2,309,811</u>
<b>Non-operating Revenues (Expenses)</b>					
Interest and investment income	102,637	188,123	1,987	3,972	296,719
Interest expense	(3,415)	-	-	-	(3,415)
Net gain (loss) on disposal of assets	230,318	-	-	-	230,318
Total non-operating revenues	<u>329,540</u>	<u>188,123</u>	<u>1,987</u>	<u>3,972</u>	<u>523,622</u>
Change in net assets	2,411,775	479,557	(126,326)	68,427	2,833,433
Total net assets - beginning	3,459,845	(669,380)	(143,300)	(21,447)	2,625,718
Total net assets - ending	<u>\$ 5,871,620</u>	<u>\$ (189,823)</u>	<u>\$ (269,626)</u>	<u>\$ 46,980</u>	<u>\$ 5,459,151</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the year ended June 30, 2007

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Engineering Services</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from departmental billings	\$ 4,151,371	\$ 1,694,380	\$ 1,918,979
Cash payments to suppliers for goods and services	(331,042)	(1,271,918)	(405,370)
Cash payments to employees for services	(598,076)	(126,235)	(1,576,199)
Other operating revenues	-	-	2,895
Net cash provided by (used for) operating activities	<u>3,222,253</u>	<u>296,227</u>	<u>(59,695)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Repayments under interfund loan arrangement	-	(1,150,000)	-
Interest paid on noncapital financing	(3,415)	-	-
Net cash provided by (used for) noncapital financing activities	<u>(3,415)</u>	<u>(1,150,000)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
<b>Financing Activities:</b>			
Acquisition of capital assets	(4,284,725)	-	(84,735)
Proceeds from debt issues	5,100,000	-	-
Proceeds from sales of fixed assets	230,318	-	-
Net cash provided by (used for) capital and related financing activities	<u>1,045,593</u>	<u>-</u>	<u>(84,735)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	102,637	188,123	1,987
Net cash provided by (used for) investing activities	<u>102,637</u>	<u>188,123</u>	<u>1,987</u>
Net increase (decrease) in cash and cash equivalents	4,367,068	(665,650)	(142,443)
Cash and cash equivalents - beginning	816,810	\$3,243,058	209,688
Cash and cash equivalents - ending	<u>\$ 5,183,878</u>	<u>\$ 2,577,408</u>	<u>\$ 67,245</u>
<b>Reconciliation to statement of net assets</b>			
Cash and cash equivalents at June 30, unrestricted	\$ 1,066,247	\$ 2,577,408	\$ 67,245
Cash and cash equivalents at June 30, restricted	4,117,631	-	-
Total	<u>\$ 5,183,878</u>	<u>\$ 2,577,408</u>	<u>\$ 67,245</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b>			
Operating income (loss)	\$ 2,082,235	\$ 291,434	\$ (128,313)
Adjustments to reconcile operating income activities:			
Depreciation	394,727	-	20,773
Change in assets and liabilities:			
(Increase) decrease in inventory	(10,220)	-	-
Increase (decrease) in accounts payable	746,557	(64,029)	(7,236)
Increase (decrease) in accrued expenses	2,041	603	41,559
Increase (decrease) in compensated absences	6,913	-	13,522
Increase (decrease) in claims payable	-	68,219	-
Total adjustments	<u>1,140,018</u>	<u>4,793</u>	<u>68,618</u>
Net cash provided by (used for) operating activities	<u>\$ 3,222,253</u>	<u>\$ 296,227</u>	<u>\$ (59,695)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
None			

<b>Facilities</b>		
<b><u>Maintenance</u></b>		<b><u>Total</u></b>
\$ 920,412	\$	8,685,142
(537,267)		(2,545,597)
(284,251)		(2,584,761)
-		2,895
<u>98,894</u>	<u></u>	<u>3,557,679</u>
-		(1,150,000)
-		(3,415)
-		(1,153,415)
-		(4,369,460)
-		5,100,000
-		230,318
-		<u>960,858</u>
3,972		296,719
<u>3,972</u>	<u></u>	<u>296,719</u>
102,866		3,661,841
43,221		4,312,777
<u>\$ 146,087</u>	<u>\$</u>	<u>7,974,618</u>
\$ 146,087	\$	3,856,987
-		4,117,631
<u>\$ 146,087</u>	<u>\$</u>	<u>7,974,618</u>
\$ 64,455	\$	2,309,811
3,221		418,721
-		(10,220)
26,445		701,737
3,836		48,039
937		21,372
-		68,219
<u>34,439</u>	<u></u>	<u>1,247,868</u>
<u>\$ 98,894</u>	<u>\$</u>	<u>3,557,679</u>

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Central Garage Internal Service Fund**  
For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Billings to departments	\$ 3,889,732	\$ 3,889,732	\$ 4,151,371	\$ 261,639
Interest and investment income	20,000	20,000	102,637	82,637
Proceeds on sales of assets	75,000	75,000	230,318	155,318
Proceeds from financing	4,853,029	4,853,029	5,100,000	246,971
Total revenues	<u>8,837,761</u>	<u>8,837,761</u>	<u>9,584,326</u>	<u>746,565</u>
<b>Expenditures</b>				
Personnel services	623,355	623,355	598,472	24,883
Supplies	555,450	555,450	565,315	(9,865)
Other services and charges	237,651	237,651	230,399	7,252
Capital expenditures	9,006,919	9,006,919	4,556,386	4,450,533
Debt service: principal	76,729	76,729	-	76,729
Debt service: interest	169,866	169,866	3,415	166,451
Total expenditures	<u>10,669,970</u>	<u>10,669,970</u>	<u>5,953,987</u>	<u>4,715,983</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,832,209)</u>	<u>\$ (1,832,209)</u>	3,630,339	<u>\$ 5,462,548</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			4,284,722	
Sick and vacation accrual			(8,559)	
Bond proceeds			(5,100,000)	
Depreciation			(394,727)	
Change in net assets (GAAP basis)			<u>\$ 2,411,775</u>	



**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**General Self-Insurance Internal Service Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Billings to departments	\$ 1,532,644	\$ 1,532,644	\$ 1,694,380	\$ 161,736
Interest and investment income	81,065	81,065	188,123	107,058
Total revenues	<u>1,613,709</u>	<u>1,613,709</u>	<u>1,882,503</u>	<u>268,794</u>
<b>Expenditures</b>				
Personnel services	121,849	121,849	126,838	(4,989)
Supplies	4,945	4,945	4,351	594
Other services and charges	1,273,319	1,273,319	1,016,905	256,414
Claims expenditures	132,531	132,531	186,634	(54,103)
Total expenditures	<u>1,532,644</u>	<u>1,532,644</u>	<u>1,334,728</u>	<u>197,916</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 81,065</u>	<u>\$ 81,065</u>	547,775	<u>\$ 466,710</u>

**Reconciliation to Generally Accepted Accounting Principles**

Record actuarial report adjustment	(68,218)
	<u>\$ 479,557</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Engineering Services Internal Service Fund

For the year ended June 30, 2007

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Billings to departments	\$ 2,137,337	\$ 2,137,337	\$ 1,918,979	\$ (218,358)
Interest and investment income	-	-	1,986	1,986
Miscellaneous	1,500	1,500	2,895	1,395
Total revenues	<u>2,138,837</u>	<u>2,138,837</u>	<u>1,923,860</u>	<u>(214,977)</u>
<b>Expenditures</b>				
Personnel services	1,647,246	1,647,246	1,568,403	78,843
Supplies	65,500	65,500	65,353	147
Other services and charges	351,591	351,591	329,188	22,403
Capital expenditures	73,000	73,000	88,327	(15,327)
Total expenditures	<u>2,137,337</u>	<u>2,137,337</u>	<u>2,051,271</u>	<u>86,066</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,500</u>	<u>\$ 1,500</u>	(127,411)	<u>\$ (128,911)</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Assets capitalized			84,735	
Sick and vacation accrual			(62,877)	
Depreciation			(20,773)	
Change in net assets (GAAP basis)			<u>\$ (126,326)</u>	

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Revenues and Expenditures - Budget and Actual**

**Facilities Maintenance Internal Service Fund**

For the year ended June 30, 2007

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Billings to departments	\$ 912,034	\$ 912,034	\$ 920,412	\$ 8,378
Interest income	-	-	3,971	3,971
Total revenues	<u>912,034</u>	<u>912,034</u>	<u>924,383</u>	<u>12,349</u>
<b>Expenditures</b>				
Personnel services	305,530	305,530	284,742	20,788
Supplies	62,275	62,275	82,799	(20,524)
Other services and charges	534,229	534,229	461,862	72,367
Capital expenditures	10,000	10,000	19,051	(9,051)
Debt service: interest	-	-	-	-
Total expenditures	<u>912,034</u>	<u>912,034</u>	<u>848,454</u>	<u>63,580</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>75,929</u>	<u>\$ 75,929</u>
<b>Reconciliation to Generally Accepted Accounting Principles</b>				
Sick and vacation accrual			(4,281)	
Depreciation			(3,221)	
Change in net assets (GAAP basis)			<u>\$ 68,427</u>	

## **FUND FINANCIAL STATEMENTS**

### **Fiduciary Funds**

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

#### **County Justice Court Agency**

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
June 30, 2007

---

	Agency County Justice Court
<b>ASSETS</b>	
Cash and short-term investments	\$ 166,158
Total assets	<u>166,158</u>
<b>LIABILITIES</b>	
Due to other governments	166,158
Total liabilities	<u>166,158</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u><u>\$ -</u></u>

**CITY OF PRESCOTT, ARIZONA**

**Statement of Changes in Fiduciary Net Assets**

**Fiduciary Funds**

For the year ended June 30, 2007

	<b>Agency Funds</b>			
	<b>County Justice Court</b>			
	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>July 1, 2006</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 156,200	\$ 2,956,950	\$ 2,946,992	\$ 166,158
Total assets	\$ 156,200	\$ 2,956,950	\$ 2,946,992	\$ 166,158
<b>LIABILITIES</b>				
Due to other governments	\$ 156,200	\$ 2,956,950	\$ 2,946,992	\$ 166,158
Total liabilities	\$ 156,200	\$ 2,956,950	\$ 2,946,992	\$ 166,158

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of General Obligation Bonds Payable**  
June 30, 2007

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	Refunding & Municipal Facilities Bond <u>Series 1998</u>	Municipal Facilities Bond <u>Series 2007</u>	Total General <u>Obligation Bonds</u>
Interest rates	4.34%	4.00%	N/A
Issue date	12/1/1998	5/8/2007	N/A
Final maturity date	7/1/2013	7/1/2017	N/A
Authorized	\$ 15,895,000	\$ 1,510,000	\$ 17,405,000
Issued	15,895,000	1,510,000	17,405,000
Retired	8,070,000	-	8,070,000
Outstanding	7,825,000	1,510,000	9,335,000
Principal retirement:			
2008	1,390,000	120,000	1,510,000
2009	1,455,000	130,000	1,585,000
2010	1,155,000	135,000	1,290,000
2011	1,215,000	140,000	1,355,000
2012	1,275,000	150,000	1,425,000
2013	1,335,000	155,000	1,490,000
2014	-	160,000	160,000
2015	-	165,000	165,000
2016	-	175,000	175,000
2017	-	180,000	180,000



**CITY OF PRESCOTT, ARIZONA**

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

June 30, 2007

	Water, Sewer & Golf Course Imp. Refunding Bond <u>Series 2004-G</u>	Water & Sewer Improvement Bond <u>Series 1998-F</u>	Big Chino Ranch <u>Series 2004-G</u>	Central Garage & Transfer Station <u>Series 2007</u>	Total Contracts <u>Payable</u>
Interest rates	2.920%	4.69%	4.62%	4.35% avg.	N/A
Issue date	12/29/2004	12/1/1998	12/29/2004	5/8/2007	N/A
Final maturity	7/1/2010	7/1/2018	7/1/2034	7/1/2027	N/A
Authorized	\$ 4,350,000	\$ 6,160,000	\$ 12,525,000	\$ 6,625,000	\$ 29,660,000
Issued	4,350,000	6,160,000	12,525,000	6,625,000	29,660,000
Retired	1,935,000	1,915,000	480,000		4,330,000
Outstanding	2,415,000	4,245,000	12,045,000	6,625,000	25,330,000
Principal retirement:					
2008	850,000	300,000	255,000	195,000	1,600,000
2009	865,000	315,000	260,000	230,000	1,670,000
2010	700,000	330,000	265,000	240,000	1,535,000
2011	-	345,000	275,000	245,000	865,000
2012	-	365,000	285,000	260,000	910,000
2013	-	380,000	295,000	265,000	940,000
2014	-	400,000	310,000	280,000	990,000
2015	-	420,000	320,000	290,000	1,030,000
2016	-	440,000	335,000	300,000	1,075,000
2017	-	465,000	345,000	310,000	1,120,000
2018	-	485,000	360,000	325,000	1,170,000
2019	-	-	375,000	340,000	715,000
2020	-	-	395,000	355,000	750,000
2021	-	-	415,000	370,000	785,000
2022	-	-	430,000	390,000	820,000
2023	-	-	450,000	410,000	860,000
2024	-	-	470,000	430,000	900,000
2025	-	-	495,000	450,000	945,000
2026	-	-	515,000	460,000	975,000
2027	-	-	545,000	480,000	1,025,000
2028	-	-	570,000		570,000
2029	-	-	600,000		600,000
2030	-	-	630,000		630,000
2031	-	-	660,000		660,000
2032	-	-	695,000		695,000
2033	-	-	730,000		730,000
2034	-	-	765,000		765,000

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Special Assessment Bonds Payable**  
June 30, 2007

	<u>Imp.</u> <u>District</u> <u>#159</u>	<u>Imp.</u> <u>District</u> <u>#160</u>	<u>Imp.</u> <u>District</u> <u>#161</u>	<u>Imp.</u> <u>District</u> <u>#162</u>	<u>Imp.</u> <u>District</u> <u>#163</u>	<u>Imp.</u> <u>District</u> <u>#164</u>	<u>Total</u> <u>Imp.</u> <u>District</u>
Interest rates	5.11%	6.75%	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	8/13/1996	4/1/1998	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	1/1/2007	1/1/2008	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 250,000	\$ 56,285	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,916,221
Issued	250,000	56,285	124,096	1,920,000	2,470,000	95,840	4,916,221
Retired	250,000	51,285	75,670	725,000	1,070,000	20,176	2,192,131
Outstanding	-	5,000	48,426	1,195,000	1,400,000	75,664	2,724,090
Principal retirement:							
2008	-	5,000	12,107	125,000	175,000	5,044	322,151
2009	-	-	12,106	130,000	175,000	5,044	322,150
2010	-	-	12,106	140,000	175,000	5,044	332,150
2011	-	-	12,107	145,000	175,000	5,044	337,151
2012	-	-	-	150,000	175,000	5,044	330,044
2013	-	-	-	160,000	175,000	5,044	340,044
2014	-	-	-	170,000	175,000	5,044	350,044
2015	-	-	-	175,000	175,000	5,044	355,044
2016	-	-	-	-	-	5,044	5,044
2017	-	-	-	-	-	5,044	5,044
2018	-	-	-	-	-	5,044	5,044
2019	-	-	-	-	-	5,044	5,044
2020	-	-	-	-	-	5,044	5,044
2021	-	-	-	-	-	5,044	5,044
2022	-	-	-	-	-	5,048	5,048

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Community Facilities Districts Bonds Payable**

June 30, 2007

	Hassayampa #1 Community Facilities Bonds Series 1996	Hassayampa #2 Community Facilities Bonds Series 2000	Total Community Facilities Bonds
Interest rates	7.75%	7.50%	N/A
Issue date	11/1/1996	2/1/2000	N/A
Final maturity date	7/1/2021	7/1/2024	N/A
Authorized	\$ 7,315,000	\$ 1,240,000	\$ 8,555,000
Issued	7,315,000	1,240,000	8,555,000
Retired	2,520,000	475,000	2,995,000
Outstanding	4,795,000	765,000	5,560,000
Principal retirement:			
2008	200,000	25,000	225,000
2009	220,000	25,000	245,000
2010	235,000	25,000	260,000
2011	250,000	30,000	280,000
2012	270,000	30,000	300,000
2013	295,000	35,000	330,000
2014	315,000	35,000	350,000
2015	340,000	40,000	380,000
2016	365,000	45,000	410,000
2017	395,000	45,000	440,000
2018	425,000	50,000	475,000
2019	460,000	55,000	515,000
2020	495,000	55,000	550,000
2021	530,000	60,000	590,000
2022	-	65,000	65,000
2023	-	70,000	70,000
2024	-	75,000	75,000

# 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 six fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$150.0	\$151.8	\$163.0	\$177.9	\$184.8	\$203.7
Restricted	36.4	43.7	45.4	43.9	50.2	31.4
Unrestricted	5.3	6.5	7.7	8.9	11.6	33.3
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>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	102.2	110.0	115.9	129.6	148.8	162.0
Restricted	8.0	4.9	4.5	7.1	7.6	9.4
Unrestricted	11.7	11.8	14.2	15.4	14.2	10.6
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>
<b>Primary government</b>						
Invested in capital assets, net of related debt	252.2	261.8	278.9	307.5	333.6	365.7
Restricted	44.4	48.6	49.9	51.0	57.8	40.8
Unrestricted	17.0	18.3	21.9	24.3	25.8	43.9
Total primary government net assets	<u>\$313.6</u>	<u>\$328.7</u>	<u>\$350.7</u>	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>

Source: City of Prescott finance department

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>						
<b>Governmental Activities:</b>						
General government	\$ 4,518,316	\$ 3,798,901	\$ 5,552,612	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607
Community services	1,984,672	2,083,451	2,147,067	2,504,447	2,409,814	3,215,988
Culture and recreation	4,414,069	4,724,473	5,412,480	5,323,256	6,177,208	6,688,038
Public Safety						
Police and court		7,774,898	8,154,036	8,888,639	10,615,068	11,871,859
Fire		5,410,325	5,883,210	6,221,770	7,069,541	7,392,504
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>
Public Works	9,152,996	10,859,477	11,131,614	10,964,098	14,483,522	16,078,254
Interest on long-term debt	1,468,910	1,359,238	1,263,727	1,161,057	1,087,363	1,003,567
<b>Total governmental activities expenses</b>	<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>
<b>Business-type Activities:</b>						
Water	6,132,824	6,634,008	6,958,715	7,384,458	8,163,189	9,910,947
Wastewater	4,586,322	4,754,234	4,660,494	5,801,765	6,100,960	6,363,510
Golf course	2,118,559	2,031,656	2,147,973	1,971,548	2,629,179	3,219,774
Airport	3,332,768	3,649,511	3,619,357	4,324,540	5,052,283	4,716,619
Solid waste	4,741,566	3,526,496	3,888,569	4,792,152	4,931,475	4,970,215
Regional transfer station	2,749,348	3,152,264	3,503,582	3,697,857	3,705,833	4,093,191
Parking garage		660	400		102,270	251,831
<b>Total business-type activities expenses</b>	<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>
<b>Total primary government expenses</b>	<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>

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table IIb

Statistical Section - Financial Trends

Changes in Net Assets

Last six fiscal years

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

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 FY 2007.



CITY OF PRESCOTT, ARIZONA

Table IIc

Statistical Section - Financial Trends

Changes in Net Assets

Last six fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental revenues and other changes in net assets</b>						
<b>Governmental Activities:</b>						
Taxes:						
Property taxes, levied for general purposes	\$ 825,330	\$ 826,858	\$ 898,810	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323
Property taxes, levied for debt service	1,680,005	1,680,721	1,676,385	1,688,385	1,690,354	\$ 1,708,876
Utility franchise taxes	1,008,081	1,020,608	1,147,098	1,235,890	1,369,307	1,488,072
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
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
Transient lodging tax	307,300	301,900	326,387	359,928	417,001	437,770
Intergovernmental revenues - unrestricted	8,746,519	8,840,065	8,416,354	8,816,640	10,124,341	11,614,540
Interest and investment income	1,936,527	1,425,352	935,209	2,036,084	1,790,200	3,728,455
Miscellaneous	1,578,550	595,506	636,217	1,317,671	818,055	875,139
Transfers	(106,471)	(54,356)	(25,072)	(350,377)	(6,345,662)	(83,037)
<b>Total governmental activities</b>	<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>
<b>Business-type Activities:</b>						
Interest and investment income	633,461	436,335	103,650	715,632	676,194	1,691,475
Miscellaneous	684,847	607,466	597,869	1,022,528	839,545	636,048
Transfers	106,471	54,356	25,072	350,377	6,345,662	83,037
<b>Total business-type activities</b>	<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>
<b>Total primary government</b>	<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>
<b>Change in net assets</b>						
Governmental activities	\$ 13,056,701	\$ 10,279,551	\$ 14,099,201	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311
Business-type activities	5,948,798	4,786,502	7,920,770	17,430,917	18,814,619	11,424,833
<b>Total primary government</b>	<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>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Assets

Last six fiscal years

Governmental activities:											
Fiscal Year	<i>Program Revenues</i>				<i>General Revenues</i>					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	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

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section - Financial Trends

Business-type Activities Revenues and Change in Net Assets

Last six fiscal years

Business-type activities:														
Fiscal Year	Program Revenues								General Revenues			Total Program and General Revenue	Total Net Revenue/Change in Net Assets	
	Charges for Services							Capital Grants and Contributions	Total	Interest	Miscellaneous			Total
	Water	Waste Water	Golf	Airport	Solid Waste	Transfer Station	Parking Garage							
2002	\$ 6,578,870	\$ 3,805,400	\$ 2,423,769	\$ 2,819,818	\$ 3,970,025	\$ 2,772,425	\$ -	\$ 5,815,099	\$ 28,185,406	\$ 633,461	\$ 684,847	\$ 1,318,308	\$ 29,503,714	\$ 5,948,798
2003	6,991,854	3,908,024	2,149,134	2,997,688	4,142,580	3,131,601	-	4,116,293	27,437,174	436,335	607,466	1,043,801	28,480,975	4,786,502
2004	7,133,069	3,894,327	2,162,487	3,226,483	4,394,885	3,430,790	-	7,731,228	31,973,269	103,650	597,869	701,519	32,674,788	7,920,770
2005	8,667,426	4,146,635	2,218,301	3,834,834	4,764,901	3,768,809	-	15,913,794	43,314,700	715,632	1,022,528	1,738,160	45,052,860	17,430,917
2006	9,472,952	4,139,815	2,570,842	4,472,618	5,301,908	4,217,447	64,632	11,398,193	41,638,407	676,194	839,545	1,515,739	43,154,146	18,814,619
2007	9,439,229	4,406,795	3,382,094	4,127,668	5,651,499	4,047,899	58,527	11,426,649	42,540,360	1,691,475	636,048	2,327,523	44,867,883	11,424,833

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table V

Statistical Section - Financial Trends

Total Primary Government Activities Revenues and Change in Net Assets

Last six fiscal years

Fiscal Year	Primary government activities:										
	Program Revenues				General Revenues					Total	Total Net
	Charges for	Operating	Capital Grants	Total	Taxes	Intergovernmental	Interest	Miscellaneous	Total	Program and	Revenue/
Services	Grants and	and	General							Change in	
	Contributions	Contributions							Revenue	Net Assets	
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

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

**CITY OF PRESCOTT, ARIZONA**

**Table VI**

**Statistical Section - Financial Trends**

**Governmental Activities Program Revenues by Function/Program**

Last six fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>						
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959
Community services	846,264	960,756	410,900	607,916	885,113	2,230,826
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219	2,653,076	1,865,462
Police and court	1,555,080	1,438,315	1,607,611	1,331,412	2,075,968	2,172,971
Fire (1)	-	851,011	1,074,515	725,709	767,928	894,621
Public works	6,987,283	5,523,263	9,505,148	6,342,288	16,247,372	12,824,230
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities program revenues	<u>\$11,631,927</u>	<u>\$11,655,128</u>	<u>\$16,279,796</u>	<u>\$13,472,031</u>	<u>\$24,353,515</u>	<u>\$20,386,069</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 six fiscal years (in millions of dollars)

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

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last six fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>						
Taxes	\$22,706,358	\$23,845,928	\$27,418,458	\$30,433,859	\$34,401,134	\$35,899,318
Intergovernmental revenues	16,326,996	13,514,966	14,104,448	15,154,725	15,381,132	17,738,746
Licenses and permits	2,387,963	3,170,195	2,615,347	3,661,079	3,892,462	1,537,880
Charges for services	858,072	1,436,338	1,761,234	1,299,622	1,334,862	2,199,691
Fines and forfeitures	399,247	512,835	727,368	907,993	1,480,324	1,534,587
Gifts and donations	122,981	38,857	233,426	91,205	102,716	51,284
Interest and investment income	1,830,934	1,383,229	925,387	1,944,433	1,690,663	3,431,739
Miscellaneous	1,455,569	1,167,515	1,273,092	1,980,566	2,138,267	1,283,031
<b>Total revenues</b>	<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>
<b>Expenditures</b>						
General government	\$ 3,507,893	\$ 3,112,805	3,664,500	4,639,844	5,911,150	5,677,646
Community services	1,737,515	1,921,862	2,152,142	2,314,246	2,190,852	2,641,295
Culture and recreation	3,880,000	4,152,052	4,125,700	4,735,603	5,607,706	6,038,931
Police and court	11,044,795	7,328,394	7,873,737	8,516,869	10,336,021	11,672,399
Fire		5,098,237	5,358,362	5,817,037	6,413,599	7,091,353
Public works	2,247,948	2,691,222	2,934,571	3,145,141	3,650,496	3,986,169
Capital outlay	18,965,560	9,193,799	16,399,864	22,109,095	17,074,369	25,464,042
Debt service - principal	1,653,723	1,843,153	1,952,003	1,720,051	2,159,211	2,000,304
Debt service - interest	1,467,968	1,358,938	1,263,420	1,160,334	1,084,915	1,000,152
<b>Total expenditures</b>	<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>
Excess of Revenues over (under) Expenditures	1,582,718	8,369,401	3,334,461	1,315,262	5,993,241	(1,896,015)
<b>Other Financing Sources (Uses)</b>						
Bond proceeds						1,524,974
Capital lease proceeds					734,000	0
Transfers in	2,927,174	1,763,447	3,933,148	3,856,870	6,830,592	8,362,823
Transfers out	(3,033,645)	(1,817,802)	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)
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>
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>
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	11.0%	9.0%	8.7%	7.5%

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Financial Trends

General Government Expenditures by Function

Last ten fiscal years (1)

Fiscal Year	General Government	Community Services	Culture and Recreation	Public Safety		Public Works	Subtotal Current Expenditures	Capital Outlay	Debt Service Principal	Debt Service Interest	Total	Debt Service as a percentage of noncapital expenditures
				Police & Courts	Fire							
1998	\$ 2,432,378	\$ 955,390	\$ 2,606,905	\$ 7,959,885		\$ 1,772,343	\$ 15,726,901	\$ 5,485,575	\$ 653,221		\$ 21,865,697	
1999	2,658,965	1,082,893	2,867,160	8,529,716		1,882,827	17,021,561	9,319,519	179,329		26,520,409	
2000	2,864,098	1,103,357	3,264,115	8,989,091		1,881,707	18,102,368	11,787,515	454,214		30,344,097	
2001	3,289,431	1,345,762	3,391,994	9,855,935		2,081,956	19,965,078	31,695,096	53,863		51,714,037	
2002	3,507,893	1,737,515	3,880,000	11,044,795		2,247,948	22,418,151	18,965,560	1,653,723	1,467,968	44,505,402	12.2%
2003	3,112,805	1,921,862	4,152,052	7,328,394	5,098,237	2,691,222	24,304,572	9,193,799	1,843,153	1,358,938	36,700,462	11.6%
2004	3,664,500	2,152,142	4,125,700	7,873,737	5,358,362	2,934,571	26,109,012	16,399,864	1,952,003	1,263,420	45,724,299	11.0%
2005	4,639,844	2,314,246	4,735,603	8,516,869	5,817,037	3,145,141	29,168,740	22,109,095	1,720,051	1,160,334	54,158,220	9.0%
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	7.5%

Source: City of Prescott finance department

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

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



CITY OF PRESCOTT, ARIZONA

Table X

Statistical Section - Financial Trends

General Government Revenues by Sources

Last ten fiscal years (1) (2)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter- governmental Revenues</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest Income</u>	<u>Miscel- laneous</u>	<u>Total</u>
1998	\$ 9,238,405	\$ 10,946,032	\$ 1,232,099	\$ 621,180	\$ 355,100	\$ 931,552	\$ 416,690	\$ 23,741,058
1999	9,402,073	13,477,694	1,723,377	652,868	396,723	836,119	752,806	27,241,660
2000	18,177,798	13,818,155	1,564,969	692,733	379,949	1,480,055	674,791	36,788,450
2001	19,220,526	14,967,912	1,561,537	733,362	362,102	2,078,477	741,371	39,665,287
2002	22,706,358	16,326,996	2,387,963	858,072	399,247	1,830,934	1,455,569	45,965,139
2003	23,845,928	13,514,966	3,170,195	1,436,338	512,835	1,383,229	1,206,372	45,069,863
2004	27,418,458	14,104,448	2,615,347	1,761,234	727,368	925,387	1,506,518	49,058,760
2005	30,433,859	15,154,725	3,661,079	1,299,622	907,993	1,944,433	2,071,771	55,473,482
2006	34,401,134	15,381,132	3,892,462	1,334,862	1,480,324	1,690,663	2,240,983	60,421,560
2007	35,899,318	17,738,746	1,537,880	2,199,691	1,534,587	3,431,739	1,334,315	63,676,276

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XI

Statistical Section - Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property

Last ten fiscal years

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

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)							
1998	P	\$ 0.4152	\$ 4.1739	\$ 1.4589	\$ 2.3363	\$ -	\$ 8.3843
	S	0.1519	0.5183	0.1055	0.4097	-	1.1854
1999	P	0.3822	4.2661	1.4631	2.2768	-	8.3882
	S	0.1447	0.4803	0.1058	0.4354	-	1.1662
2000	P	0.3169	4.1210	1.5294	2.2374	-	8.2047
	S	0.5067	0.4216	0.0956	0.4452	-	1.4691
2001	P	0.2906	3.8751	1.5330	2.1283	-	7.8270
	S	0.5592	0.3989	0.0875	0.4354	-	1.4810
2002	P	0.2627	3.6306	1.5325	2.1040	-	7.5298
	S	0.5121	0.3658	0.4163	0.4286	-	1.7228
2003	P	0.2522	3.6222	1.5835	2.0961	-	7.5540
	S	0.4707	0.3583	0.3954	0.4297	-	1.6541
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.6004
	S	0.4072	0.2935	0.3106	0.4307	-	1.4420
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.4160
	S	0.3763	0.2857	0.2888	0.4069	-	0.9915
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.0503
	S	0.3413	0.2687	0.2614	0.4034	-	0.7977
2007	P	0.2182	3.1797	1.4308	1.6552	-	6.4839
	S	0.3093	0.2709	0.2265	0.3898	-	1.1965
Tax Levies							
1998	P	\$ 920,000	\$ 12,810,741	\$ 14,029,805	\$ 22,466,746	\$ -	\$ 50,227,292
	S	349,120	1,656,751	1,061,930	2,732,084	-	5,799,885
1999	P	920,000	14,142,306	14,978,983	23,309,493	-	53,350,782
	S	354,280	1,628,476	1,109,134	4,158,476	-	7,250,366
2000	P	820,000	14,650,581	16,779,826	24,547,733	-	56,798,140
	S	1,411,354	1,659,543	1,135,081	4,869,938	-	9,075,916
2001	P	820,000	15,065,840	18,109,635	25,141,805	-	59,137,280
	S	1,661,716	1,670,688	1,091,840	5,059,091	-	9,483,335
2002	P	820,000	15,596,853	19,630,398	26,951,447	-	62,998,698
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	14,310,793
2003	P	858,120	16,979,781	21,980,482	29,096,384	-	68,914,767
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	15,017,086
2004	P	929,147	18,984,254	23,771,406	32,649,944	-	76,334,751
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	14,792,880
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	82,928,572
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	15,453,297
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	89,331,795
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	16,523,444
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,016,267
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	17,468,813

The portion of the 2005-06 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,128,971	\$ 20,358,633	\$ 10,374,822	\$ 12,001,704	\$ -	\$ 43,864,130
	S	1,706,825	1,868,537	1,795,875	2,928,653	-	8,299,890
Percent	P	100%	91.3%	34.1%	34.1%	-	49.3%
	S	100%	91.5%	34.4%	34.4%	-	47.5%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section - Revenue Capacity

Principal Property Taxpayers

Current fiscal year and nine years ago

Taxpayer	Type of Business	2006/07			1997/98		
		Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation	Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation
Arizona Public Service	Electric utility	\$ 12,349,201	1	2.2%	\$ 7,898,668	1	3.4%
TWC II Prescott Mall LLC	Shopping center	9,889,174	2	1.8%			
Qwest Corporation / US West	Telecommunications	6,052,696	3	1.1%	5,869,030	2	2.6%
Wal-Mart	Shopping center	5,124,805	4	0.9%			
Unisource Energy Corporation	Gas utility	3,874,158	5	0.7%	4,173,540	3	1.8%
LFRV LLC (Las Fuentes)	Commercial rental	2,213,707	6	0.4%			
Lamb Trust	Automobile Dealer	2,349,053	7	0.4%			
Willow Creek Corner LLC	Shopping center	2,017,025	8	0.4%			
Costco	Shopping center	1,938,160	9	0.4%	1,311,091	6	0.6%
1000 Morse LTD UI (Willow Creek Plaza)	Shopping center	1,650,678	10	0.3%	1,718,280	5	0.8%
Ponderosa Plaza	Shopping center				2,284,581	4	1.0%
Irvington/Prescott LLC	Shopping center				1,263,480	7	0.6%
Smiths Management Corporation	Grocery store				1,211,405	8	0.5%
Sturm-Ruger	Manufacturing				1,120,825	9	0.5%
Prescotonian Motel	Motel				823,485	10	0.4%
Total		\$ 47,458,657		8.6%	\$ 27,674,385		12.1%

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>
1998	\$ 1,269,858	\$ 1,252,096	98.6%	\$ 31,378	\$ 1,283,474	101.1%	\$ 82,017	6.5%
1999	1,274,280	1,213,362	95.2%	50,735	1,264,097	99.2%	92,200	7.2%
2000	2,231,354	2,161,688	96.9%	28,029	2,189,717	98.1%	133,837	6.0%
2001	2,481,716	2,445,577	98.5%	19,762	2,465,339	99.3%	150,214	6.1%
2002	2,489,115	2,428,916	97.6%	39,658	2,468,574	99.2%	170,755	6.9%
2003	2,525,735	2,402,338	95.1%	79,912	2,482,250	98.3%	193,699	7.7%
2004	2,604,022	2,580,873	99.1%	48,567	2,629,440	101.0%	145,337	5.6%
2005	2,685,518	2,677,274	99.7%	34,941	2,712,215	101.0%	118,640	4.4%
2006	2,745,431	2,725,807	99.3%	33,699	2,759,506	100.5%	104,565	3.8%
2007	2,835,796	2,815,931	99.3%	29,790	2,845,721	100.3%	94,640	3.3%

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

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**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>
1998	\$493	\$ 15,790,331	\$ 1,284,416	\$ 6,955,576	\$ 6,551,926	\$ 778,926	\$ 219,487
1999	528	16,949,809	1,268,036	7,484,984	7,195,537	773,407	227,845
2000	581	19,494,931	2,161,034	8,289,438	7,999,852	778,302	266,305
2001	615	20,865,681	2,462,504	8,705,838	8,445,405	960,603	291,331
2002	634	22,706,358	2,505,335	9,615,252	9,270,390	1,008,081	307,300
2003	656	23,845,928	2,524,888	10,126,355	9,872,177	1,020,608	301,900
2004	718	27,418,458	2,592,210	11,835,113	11,517,650	1,147,098	326,387
2005	757	30,433,859	2,704,676	13,215,116	12,918,249	1,235,890	359,928
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

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Revenue Capacity

Privilege Tax - Taxable Sales by Category

Last ten fiscal years

Fiscal Year	Real															Tax Rate	Top 10 as percentage to Total	
	Automotive	Construction	General Merchandise	Misc. Retail	Food Stores	Estate Rentals	Restaurants & Bars	Utilities	Communica-tions	Business Services	Furniture	Hotel & Motel	Printing	Apparel	All Other			
1998	\$78,543,948	\$75,798,086	\$76,974,947	\$81,180,919	\$80,424,975	\$53,098,243	\$44,640,436	\$36,186,354	\$24,772,686	\$22,485,688	\$14,094,923	\$13,096,610	\$17,088,228	\$7,561,849	\$48,576,477	\$674,524,369	2%	18%
1999	108,794,634	92,228,924	87,341,760	82,721,051	81,901,213	57,607,283	47,429,467	34,773,664	28,083,930	21,748,885	18,152,300	13,789,982	18,027,279	7,026,161	29,525,982	729,152,515	2%	17%
2000	124,739,691	104,695,997	98,866,858	91,437,880	85,734,413	63,133,219	50,445,774	35,206,623	32,355,201	24,805,751	19,629,326	16,687,877	17,910,909	7,898,882	32,078,518	805,626,919	2%	29%
2001	121,341,182	131,930,266	100,489,135	100,312,340	86,333,711	69,185,620	50,674,772	39,934,785	34,331,735	26,783,580	17,862,870	17,233,341	17,106,846	7,141,110	32,883,233	853,544,526	2%	28%
2002	136,333,290	154,467,159	118,190,428	105,748,135	86,026,584	72,592,687	53,544,387	48,808,891	33,566,891	26,417,224	18,888,190	19,615,264	16,857,074	9,764,782	36,300,917	937,121,903	2%	24%
2003	154,945,794	142,172,896	131,270,398	109,836,419	89,060,155	79,503,263	58,555,851	46,581,908	33,645,178	26,539,070	25,167,507	19,119,481	18,161,694	13,852,217	40,219,648	988,631,479	2%	28%
2004	182,502,741	169,760,812	192,381,804	120,809,690	96,292,469	85,530,789	60,635,063	48,629,410	33,896,483	27,665,158	25,324,216	20,248,084	16,718,696	15,008,164	43,453,018	1,138,856,597	2%	29%
2005	211,529,204	202,047,222	251,059,469	136,654,086	100,186,426	89,353,937	66,913,229	53,176,362	32,236,998	33,348,721	32,293,206	22,349,436	17,922,992	16,187,744	48,248,017	1,313,507,049	2%	28%
2006	237,947,384	224,080,037	286,561,856	157,055,001	105,112,216	99,702,102	76,329,871	61,349,829	33,464,157	42,910,975	32,968,047	24,811,014	19,509,210	20,256,945	61,371,213	1,483,429,857	2%	30%
2007	235,601,776	232,753,428	302,466,249	181,360,404	109,816,116	108,328,979	78,296,083	66,445,466	37,670,888	48,178,263	30,057,454	26,879,306	19,349,151	20,365,523	58,740,411	1,556,309,497	2%	27%

Top 10 Taxpayers

FY 2007		FY 1998	
Arizona Public Service		Albertson's	
Best Buy		Arizona Public Service	
Costco		Costco	
Frys Food & Drug		Fry's Food & Drug	
Lamb Chevrolet		Galpin Ford	
Tim's Buick-Pontiac		Lamb Chevrolet	
UNS Gas, Inc.		Safeway	
Sears		Sears	
Wal-Mart		Smith's Food & Drug	
York Car Company		Tim's Buick, Pontiac, GMC	
Percent of Total Privilege Tax Collected	27%	Percent of Total Privilege Tax Collected:	Estimated at 16-20%.

Source: City of Prescott finance department

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



**CITY OF PRESCOTT, ARIZONA**

**Table 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 &amp; Open Space (1)</u>	<u>Yavapai County Privilege Tax</u>	<u>State of Arizona Privilege Tax</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
1998	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
1999	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
2000	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
2001	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2002	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2003	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2004	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
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%

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities					Business-type Activities					Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General Obligation Bonds	Community Facilities District Bonds	Lease Purchase Contracts	Municipal Properties Corporation Bonds	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Lease Purchase Contracts	Total Primary Government	Debt Per Capita			
1998	\$ 2,755,000	\$ 6,910,000	\$ 259,313	\$ -	\$ 413,425	\$ 14,020,000	\$ 445,000	\$ 4,343,361	\$ 29,146,099	\$ 910	\$ 681	1.01%	0.76%
1999	16,080,000	6,795,000	223,895	-	314,477	15,815,000	420,000	6,734,476	46,382,848	1,446	1,224	1.47%	1.25%
2000	15,800,000	7,780,000	185,670	-	245,528	14,705,000	-	5,522,412	44,238,610	1,317	1,078	1.33%	1.09%
2001	14,840,000	7,550,000	144,418	-	4,602,063	13,530,000	-	4,516,234	45,182,715	1,331	973	1.26%	0.92%
2002	13,815,000	7,280,000	99,898	-	4,287,860	15,245,000	-	5,984,488	46,712,246	1,304	981	1.26%	0.95%
2003	12,730,000	6,889,000	51,852	-	3,967,753	10,500,000	-	5,377,816	39,516,421	1,086	788	1.01%	0.73%
2004	11,590,000	6,460,000	-	-	3,733,442	9,600,000	-	4,772,479	36,155,921	947	680	0.82%	0.59%
2005	10,395,000	6,270,000	-	-	3,398,392	21,355,000	-	4,818,455	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	-	5,482,060	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	-	4,761,174	48,239,051	1,146	949	1.09%	0.90%

Source: City of Prescott finance department

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

Population information can be found on Table XXV. 2005 and 2006 percentage columns are based on 2004 personal income amounts. The 2005 and 2006 personal income amounts were not available.

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

CITY OF PRESCOTT, ARIZONA

Table XX

Statistical Section - Debt Capacity

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

Last ten fiscal years

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

Source: City of Prescott finance department

(1) Population information is shown on table XXV.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table 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>Debt Service Transfer to Water (2)</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to Total General Expenditures</u>
1998	\$ 160,000	\$ 189,120	\$ 349,120	\$ 21,865,697	\$ -	\$ 21,865,697	1.6%
1999	175,000	147,196	322,196	26,520,409	-	26,520,409	1.2%
2000	280,000	1,131,353	1,411,353	30,344,097	-	30,344,097	4.7%
2001	960,000	701,715	1,661,715	51,714,037	-	51,714,037	3.2%
2002	1,025,000	644,115	1,726,715	44,505,402	-	44,505,402	3.9%
2003	1,085,000	582,615	1,667,615	36,700,462	-	36,700,462	4.5%
2004	1,140,000	534,875	1,674,875	45,724,299	-	45,724,299	3.7%
2005	1,195,000	489,275	1,684,275	54,158,220	-	54,158,220	3.1%
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%

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XXII

Statistical Section - Debt Capacity

Schedule of Water and Wastewater Revenue Bond Coverage

Last ten fiscal years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Revenue Bond Debt Service</u>			<u>Coverage (2)</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1998	\$ 8,818,381	\$ 5,668,869	\$ 3,149,512	\$ -	\$ -	\$ -	-
1999	9,603,732	4,998,126	4,605,606	-	-	-	-
2000	10,194,379	5,855,785	4,338,594	-	-	-	-
2001	10,461,178	6,171,567	4,289,611	-	-	-	-
2002	10,909,306	7,057,951	3,851,355	-	-	-	-
2003	14,510,866	11,388,242	3,122,624	-	-	-	-
2004	17,341,679	11,619,209	5,722,470	-	-	-	-
2005	27,905,262	13,186,223	14,719,039	-	-	-	-
2006	23,481,340	14,264,149	9,217,191	-	-	-	-
2007	24,792,698	16,274,457	8,518,241	-	-	-	-

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA  
**Table XXIII**  
**Statistical Section - Debt Capacity**  
**Direct and Overlapping Debt**  
June 30, 2007

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	<u>Net Bonds</u> <u>Outstanding</u>	<u>Percentage</u> <u>Applicable</u> <u>to Prescott (1)</u>	<u>Amount</u> <u>Applicable</u> <u>to Prescott</u>
<b><u>Direct Debt</u></b>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 9,335,000	100.0%	\$ 9,335,000
Total direct debt			<u>9,335,000</u>
<b><u>Overlapping Debt</u></b>			
Yavapai Community College District	56,425,000	24.3%	13,733,955
Prescott Unified School District	19,485,000	73.8%	14,382,385
Total overlapping debt			<u>28,116,340</u>
Total direct & overlapping debt			<u>\$ 37,451,340</u>

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

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	<u>Total</u> <u>Assessed</u> <u>Valuation</u>		<u>Valuation</u> <u>in</u> <u>Prescott</u>	<u>Percent</u> <u>in</u> <u>Prescott</u>
<b><u>Taxing District</u></b>				
Yavapai Community College District	\$ 2,125,710,207	\$	517,402,011	24.3%
Prescott Unified School District	700,967,044		517,402,011	73.8%

Source: Yavapai County assessor's office and finance department

**CITY OF PRESCOTT, ARIZONA**  
**Table XXIV**  
**Statistical Section - Debt Capacity**  
**Legal Debt Margins**  
June 30, 2007

	<u>General Obligation Bonds</u>	
	<u>All Others</u> <u>6% (1)</u>	<u>Water &amp; Sewer</u> <u>20% (2)</u>
<b><u>Legal Debt Limitation</u></b>		
(2006-07 secondary assessed valuation \$551,843,276)	\$ 33,110,597	\$ 110,368,655
<b><u>Outstanding Debt</u></b>		
Municipal facilities & refunding bond series 1998	690,000	8,645,000
Total outstanding debt	690,000	8,645,000
Total margin available	\$ 32,420,597	\$ 101,723,655
Total debt applicable to the limit as a percentage of the debt limit	2.1%	7.8%

Source: City of Prescott finance department

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

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

**Computation of Debt Margin Highway User Tax Bonds**

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

Highway user tax revenue FY 2006-07	\$ 3,680,279
Percent of margin	50%
Highway user margin	1,840,140
Bond principal due FY 2006-2007	-
Bond interest due FY 2006-2007	-
Margin available	\$ 1,840,140

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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Obligation Bonds 6% limit (1)</b>	\$ 13,794	\$ 14,694	\$ 16,713	\$ 17,829	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111
Outstanding debt subject to limit	<u>3,200</u>	<u>2,590</u>	<u>2,405</u>	<u>2,405</u>	<u>2,155</u>	<u>1,885</u>	<u>1,605</u>	<u>1,315</u>	<u>1,010</u>	<u>690</u>
Total margin available	<u>\$ 10,594</u>	<u>\$ 12,104</u>	<u>\$ 14,308</u>	<u>\$ 15,424</u>	<u>\$ 17,399</u>	<u>\$ 19,371</u>	<u>\$ 23,077</u>	<u>\$ 25,554</u>	<u>\$ 28,824</u>	<u>\$ 32,421</u>
Total debt applicable to the limit as a percentage of the debt limit	23.2%	17.6%	14.4%	13.5%	11.0%	8.9%	6.5%	4.9%	3.4%	2.1%
<b>Water &amp; Wastewater 20% limit (2)</b>	\$ 45,981	\$ 48,981	\$ 55,710	\$ 59,431	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369
Outstanding debt subject to limit	<u>-</u>	<u>13,910</u>	<u>13,395</u>	<u>12,435</u>	<u>11,660</u>	<u>10,845</u>	<u>9,985</u>	<u>9,080</u>	<u>8,130</u>	<u>8,645</u>
Total margin available	<u>\$ 45,981</u>	<u>\$ 35,071</u>	<u>\$ 42,315</u>	<u>\$ 46,996</u>	<u>\$ 53,521</u>	<u>\$ 60,008</u>	<u>\$ 72,288</u>	<u>\$ 80,482</u>	<u>\$ 91,315</u>	<u>\$ 101,724</u>
Total debt applicable to the limit as a percentage of the debt limit	n/a	28.4%	24.0%	20.9%	17.9%	15.3%	12.1%	10.1%	8.2%	7.8%
<b>Highway User Margin 50% limit (3)</b>	\$ 1,343	\$ 1,454	\$ 1,524	\$ 1,519	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840
Bond principal due	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bond interest due	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Margin available	<u>\$ 1,343</u>	<u>\$ 1,454</u>	<u>\$ 1,524</u>	<u>\$ 1,519</u>	<u>\$ 1,397</u>	<u>\$ 1,433</u>	<u>\$ 1,595</u>	<u>\$ 1,622</u>	<u>\$ 1,746</u>	<u>\$ 1,840</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		Debt Service			CFD Assessments		Debt Service			Excise Tax	Debt Service		
	Collected	Principal	Interest	Coverage	Collected	Principal	Interest	Coverage	Collected	Principal (1)	Interest	Coverage		
1998	\$ 33,057	\$ 47,596	\$ 10,202	57%	\$ 1,127,503	\$ 405,000	\$ 571,419	115%	\$ 14,286,428	\$ 1,340,000	\$ 895,985	639%		
1999	90,760	98,149	24,996	74%	726,826	115,000	541,391	111%	15,453,928	1,410,000	981,982	646%		
2000	86,809	69,320	17,871	100%	835,506	255,000	566,348	102%	17,067,592	1,110,000	1,021,050	801%		
2001	305,749	157,533	148,216	100%	884,380	230,000	620,163	104%	18,111,846	1,175,000	959,685	848%		
2002	532,232	314,203	218,193	100%	926,479	270,000	588,615	108%	19,893,723	1,240,000	894,068	932%		
2003	522,415	320,107	202,475	100%	823,983	390,000	561,275	87%	21,019,140	4,745,000	824,370	377%		
2004	511,743	330,151	187,855	99%	893,919	430,000	536,218	93%	24,499,861	900,000	505,833	1743%		
2005	504,341	335,051	172,029	99%	977,151	190,000	498,512	142%	27,369,255	5,120,000	853,395	458%		
2006	479,501	332,151	155,627	98%	1,033,506	505,000	472,444	106%	31,230,172	1,305,000	910,278	1410%		
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,631,993	1,345,000	856,703	1482%		

Source: City of Prescott finance department

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

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXVII

Statistical Section

Demographic and Economic Statistics

Last ten calendar years

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Annual Unemployment Rate (1)</u>	<u>School Enrollment (2)</u>
1998	32,037	\$ 2,876,320	\$ 18,933	4.0%	5,242
1999	32,086	3,144,911	19,944	3.3%	5,149
2000	33,581	3,315,373	21,148	3.9%	5,046
2001	33,938	3,574,050	21,308	4.2%	5,049
2002	35,815	3,713,436	21,514	5.3%	5,031
2003	36,375	3,927,080	21,969	5.1%	5,000
2004	38,180	4,425,695	23,696	4.6%	5,113
2005	40,225		24,521	4.4%	5,242
2006	41,050			3.9%	5,558
2007	42,085			3.7% (3)	5,688

Source: Arizona Department of Economic Security

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

(2) Source: Arizona Department of Education.

(3) Average through August 2007

The 2005, 2006 and 2007 personal income amounts were not available.

The 2006 and 2007 per capita personal income amounts were not available.

**CITY OF PRESCOTT, ARIZONA**

**Table XXVIII**

**Statistical Section**

**Demographic and Economic Statistics**

**Principal Employers**

Current fiscal year and nine years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2006/07</u>			<u>1997/98</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>
Yavapai Regional Medical Center	Hospital	1,850	1	10.5%	730	3	5.2%
Yavapai County	Government	1,800	2	10.2%	1,213	1	8.7%
Prescott Unified School District	Public Schools	700	3	4.0%	573	4	4.1%
Veteran's Administration Medical Center	Hospital	700	4	4.0%	550	5	4.0%
City of Prescott	Government	545	5	3.1%	385	6	2.8%
Wal-Mart Stores	Retail	450	6	2.6%			
State of Arizona	Government	438	7	2.5%	330	7	2.4%
Yavapai College	College	415	8	2.4%	282	9	2.0%
Fann Contracting	Construction	400	9	2.3%			
Embry-Riddle Aeronautical University	College	398	10	2.3%	300	8	2.2%
West Yavapai Guidance Clinic	Clinic				182	10	1.3%
Sturm Ruger	Manufacturing				1176	2	8.5%
		<u>5,846</u>		<u>33.2%</u>	<u>4,991</u>		<u>35.9%</u>

The 2006/07 total City employment was 17,602 based on Arizona Department of Economic Security information for 2007.

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

CITY OF PRESCOTT, ARIZONA

Table XXIX

Statistical Section - Operating Information

City Employees by Function/Program

Last ten fiscal years

Function/ Program	<i>Full-time Equivalent Employees at June 30</i>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	19	21	21	28	29	31	31	35	33	36
Administrative Services (1)	8	9	9	12	12	6	6	6	5	5
Budget and Finance (1)	9	10	10	11	11	24	23	22	23	23
Community Development	18	19	20	21	23	23	27	27	27	30
Cultural & Recreation	39	41	44	45	47	65	66	65	76	60
Police	89	90	97	99	100	103	108	112	124	134
Fire	52	57	57	63	63	63	64	84	84	75
Central Garage	7	7	7	7	7	7	7	8	9	10
Self Insurance	2	2	2	2	2	3	3	2	2	2
Facilities Maintenance	3	3	4	3	3	0	0	7	5	6
Engineering	16	19	19	19	20	25	23	24	25	22
Water	39	39	40	40	40	36	35	35	36	40
Wastewater	27	26	26	27	27	27	27	29	30	32
Solid Waste	12	12	12	13	13	13	15	16	16	18
Transfer Station	5	5	5	5	5	5	6	6	7	7
Airport	9	11	11	11	12	12	13	13	11	9
Golf Course	10	15	18	15	14	28	28	29	30	17
Streets	27	24	24	28	29	30	34	34	35	39
<b>Total</b>	<b>391</b>	<b>410</b>	<b>426</b>	<b>449</b>	<b>457</b>	<b>501</b>	<b>516</b>	<b>551</b>	<b>575</b>	<b>565</b>
Number of citizens per employee	82	78	79	76	78	73	74	73	71	75

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table XXX

Statistical Section - Operating Information

Operating Indicators by Function/Program

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Community Development</b>										
Building permits issued	1,724	1,544	1,822	1,679	2,027	1,948	1,927	2,034	2,185	2,237
Permit valuations (in millions)	76	104	103	116	161	186	166	198	189	133
<b>Cultural &amp; Recreation</b>										
Library circulation (3)	648,501	756,393	779,478	832,829	886,398	913,474	943,107	962,922	723,141	713,700
Library visits (3)	354,229	371,039	369,497	387,699	408,448	400,000	473,993	477,768	246,594	420,776
Library resources available	126,689	151,959	160,108	160,145	147,175	149,130	161,545	156,790	169,784	142,564
New cards issued	5,283	5,245	5,061	4,943	5,362	7,212	8,288	8,550	4,091	7,424
Golf Rounds	N/A	95,874	93,621	86,289	90,916	79,719	78,786	81,213	86,307	79,665
<b>Police (Calendar Year)</b>										
Calls for service	34,108	31,914	32,075	33,283	35,226	35,159	36,284	36,671	34,711	-
Part 1 crimes (1)	1,757	1,844	1,942	1,939	2,132	2,386	2,080	2,088	1,796	-
Part 2 crimes (2)	3,261	3,311	3,632	3,439	3,760	3,683	3,521	3,856	3,896	-
<b>Fire</b>										
Calls for service	4,428	4,477	5,247	5,343	5,744	6,136	6,001	6,444	7,007	6,808
Inspections	565	1,272	1,422	1,680	1,200	851	1,450	1,856	1,620	2,374
<b>Water</b>										
Connections	16,204	16,705	16,904	16,629	17,222	19,062	19,760	19,205	19,806	20,468
<b>Wastewater</b>										
Connections	11,613	12,609	13,709	13,467	14,180	14,948	15,478	16,091	16,696	17,168
<b>Solid Waste</b>										
Residential accounts	11,871	12,590	13,274	13,625	13,655	14,066	14,346	15,098	16,974	17,115
Commercial accounts	1,248	1,248	1,311	1,350	1,380	1,501	1,581	1,613	1,532	1,515
Tons collected	27,515	29,000	31,019	33,237	32,569	32,629	33,876	34,916	34,986	35,564
<b>Transfer Station</b>										
Transactions per year	39,626	53,205	59,334	60,854	68,957	73,935	78,228	84,330	84,826	84,542
Tons per year	39,100	45,503	50,565	51,456	51,903	57,069	60,413	63,494	70,905	70,041
<b>Airport (Calendar Year)</b>										
Passenger aircraft landings	2,339	1,921	1,834	1,618	1,324	1,586	1,697	1,576	1,808	-
Passengers	16,455	12,301	11,752	8,708	9,168	10,827	15,600	10,363	8,397	-
FAA traffic count	349,915	336,672	320,037	325,491	338,208	298,789	272,855	237,990	236,317	-
<b>Public Works</b>										
Cold mix repairs(lbs)	-	128,680	245,520	180,980	89,140	155,460	323,640	109,040	129,013	140,155
Hot Mix repairs (tons)	-	955	400	757	465	1,376	1,727	8,378	2,050	1,156

(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 of.

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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>										
Area square miles	36	37	37	38	39	39	39	39	39	40
<b>Cultural and Recreation (3)</b>										
Parks										17
Park acres										1,384
Miles of trails										55
Open space - private (acres)										350
Open space - public (acres)										160
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Water</b>										
Miles of water mains	401	436	452	472	472	482	496	505	509	516
<b>Wastewater</b>										
Miles of sanitary sewers	550	588	605	615	622	635	647	647	345 (2)	350
<b>Solid Waste</b>										
Collection trucks	12	12	12	12	12	12	15	15	14	15
<b>Airport</b>										
Total based aircraft	290	310	319	343	347	364	338	349	340	330
<b>Golf Course</b>										
Holes	36	36	36	36	36	36	36	36	36	36
<b>Public Works</b>										
Streets (paved miles) (1)	406	421	425	430	205	215	221	221	222	224

(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 connection with a Hydraulic Sewer Model project, the entire sewer system was surveyed. This survey has documented the locations of our manholes and the lines with lengths. To date with the 95% completion we have logged about 345 miles of 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.