



CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by
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Budget and Finance Department
City of Prescott



CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
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For the year ended June 30, 2009

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INTRODUCTORY SECTION







CITY OF PRESCOTT
201 South Cortez
Prescott, Arizona 86303

October 19, 2009

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, 2009. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a broad framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech & Co., P.C. has issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

This report presents the financial position of the City as of June 30, 2009, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

REPORTING ENTITY

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

CITY OF PRESCOTT PROFILE

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

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

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

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

Although small in population, 43,280, 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
Cobham Avionics
Exsil
Zila Pharmaceuticals

Retail

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

Tourism

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

Prescott is commonly mentioned as a desirable retirement community by several publications. Families also consider Prescott an attractive location in which to live as evidenced by the 5,776 school enrollment during the 2009 school year.

ECONOMIC CONDITION

The erosion of financial sectors in the United States and abroad has created serious economic impacts that have not been seen since the last depression. Economists recognize 'recessions' based upon two consecutive negative quarters of GNP. The current U.S. recession began one year ago, so the downturn already exceeds the postwar average of 10 months. Surely this recession will be among the worst in the postwar period.

At mid-year, the financial markets continued the decline, national retail sales posted the largest decline (-11%) in seventeen years, unemployment rates neared 10% and the housing market hit the bottom. Economists seem to agree that the nation entered into a recession back in December 2007.

Prescott began to face a local recession around the same time. The City's core revenue sources: privilege (sales) tax, gas tax, bed tax, building permit fees and State shared sales and income taxes all began a downward spiral. Privilege (sales) taxes which make up 44% of total governmental revenues deteriorated nearly \$4.4 million or 15% in FY 2009.

Analysts predict the economy bottoms out in the second quarter of 2009 and modest positive growth is expected in the second half of the year. Consumer spending is expected to continue to fall and does not recover until the third quarter of 2009 and nonresidential building is projected to contract at an increasing rate through the first three quarters of 2009. The expectation among analysts is that the combination of weak consumer spending, negative job creation and the ongoing credit crisis will inhibit the recovery.

Management has responded to these declines by reducing positions, delaying capital projects and making other cuts and continues to plan and respond to further declines. We maintain a guarded outlook for FY 2010 and are carefully reviewing monthly revenue and economic trends to modify spending as needed.

Conservative financial policies and prudent management practices allowed the City to continue providing ongoing basic services to its citizens, as well as adding new and enhanced programs and services based on a growing population, citizen demand, and City Council direction.

LONG-TERM FINANCIAL PLANNING

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

For a second year in a row, we are projecting little to no revenue growth and we face the likelihood that this revenue pattern will continue through FY 2010 and possibly FY 2011. The current economic climate has dictated that we make spending adjustments that are not just short-term deferrals. In formulating the FY 2010 budget, spending reductions were made to be sustainable over the next two or three years. The General Fund budget is 8.1% below the adopted FY 2009 budget. Except for the economic stimulus legislation, which will provide an infusion of Federal money for some targeted projects, there has been little reason to be optimistic that the downward trend in revenues will be reversed soon enough to expect much improvement in the City's overall fiscal situation during FY2010.

The spending reductions for FY 2010 have resulted in significant adjustments in virtually every departmental budget. Even after reducing non-personnel expenses, there was a need to uncover further savings in the form of the elimination of positions. The recommended budget reflects the elimination of 52 full time positions. The majority of these positions were eliminated through attrition; however, there were 12 true lay-offs.

Some of the staffing adjustments will have or already have had a direct change to our service levels, such as the elimination of the programming staffing in Parks and Recreation. Several departments have undergone reorganizations to eliminate positions and reduce spending.

While many experts are predicting that we have hit bottom and are now in the recovery stage others caution we may see double-bottom in the economy. As unemployment heads north of 10% the consumer confidence levels head south and people are far less likely to spend and much more likely to save. Until this trend reverses we remain cautious.

This past year, the City accomplished many key projects which benefit our citizens:

Financial Sustainability

- The City was instrumental in the successful implementation of Prescott Young Professionals
- The Airport successfully completed a reclassification with Transportation Security Administration bringing the Airport from a Category IV to a Category III airport
- New airline service was initiated with Horizon Airlines providing daily service to LAX, and Great Lakes Airlines with service to Ontario, California and Denver, Colorado
- Airline passenger enplanements increased by 81% during the year

Road Improvements

- Copper Basin Road was substantially complete
- Sixteen projects involving unpaved streets were paved using recycled millings
- Rosser Street Reconstruction completed between Willow Creek and Campbell
- Summit and Marina Street Sidewalk Projects were completed

Public Safety

- Phone upgrades were made to identify the location of cell phone calls received
- The Public Safety Communications Radio Tower Project neared 70% completion
- Property and Violent Crime Statistics continue a downward trend
- A booking facility with two cells was constructed in response to the County decision to close the Prescott jail location.
- The canine program participated in 60 special engagements and community contacts and were used to conduct 70 area and building searches, over 200 vehicle searches, which resulted in 64 drug seizures
- Conducted the first Yavapai County Technical Rescue Technician training, 200 hour course, for area fire departments and personnel completed 450 hours of Aircraft Rescue and Firefighting training
- Trained 3,000 students in fire and life safety and 1,575 citizens in CPR

Community Development

- Adopted the 2008 amendments to the 2006 International Building Codes
- Created a Smart Growth Web Page
- Participated in the formation of Yavapai Chapter of the U. S. Green Building Council
- Conducted 10 neighborhood cleanups, resulting in over 100 tons of debris collected
- Received one of 10 Great American Places Awards from the American Planning Association for the Prescott Courthouse Plaza
- Negotiated a two-year contract with the Yavapai Humane Society for animal care services

Community Outreach

- Recognized for quality government television production. Honored by PCAC Board for "Outstanding Achievement in Television Programming."
- Successfully revamped Summer Concert Series at the Courthouse Plaza. Expanded programs and increased attendance by over 50%

Environmental Protection

- An erosion control plan was implemented at the old landfill, improving its condition as open space
- Reclaimed 2,800 tons of concrete as usable aggregate material, preventing its entry into the landfill
- Received a \$30,000 grant from ADEQ for a Household Hazardous Waste drop off day. Nearly 500 local residents took advantage of the free disposal services, preventing hazardous materials from entering the landfill, water table, and local area open spaces.
- Surface water from Watson and Willow Lakes was efficiently managed and delivered to the Aquifer Recharge Facility totaling 1,800.43 ac/ft for the fiscal year

Utility System

- Treated 79,210 feet of sewer main with Chemical Root Control as part of the Preventive Maintenance Structured Cleaning Program
- Wastewater Collections Crews cleaned 658,110 feet of sewer main as part of the Preventive Maintenance Structured Cleaning Program and Camera Crew performed 195,300 feet of CCTV inspection in sewer mains as part of preventive and follow-up inspection program

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

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

Debt Administration

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

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

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

Cash Management

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

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

Risk Management

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Prescott for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 27th 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, 2008 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, 2009.

Independent Audit

In accordance with the City Charter and Arizona law, the City's financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Heinfeld, Meech & Co., P.C. conducted the audit for fiscal year ending June 30, 2009. The audit opinion is located in the financial section of the report.

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

Acknowledgments

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

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

Respectfully submitted,



Mark Woodfill, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Prescott
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

Citizens Boards & Commissions

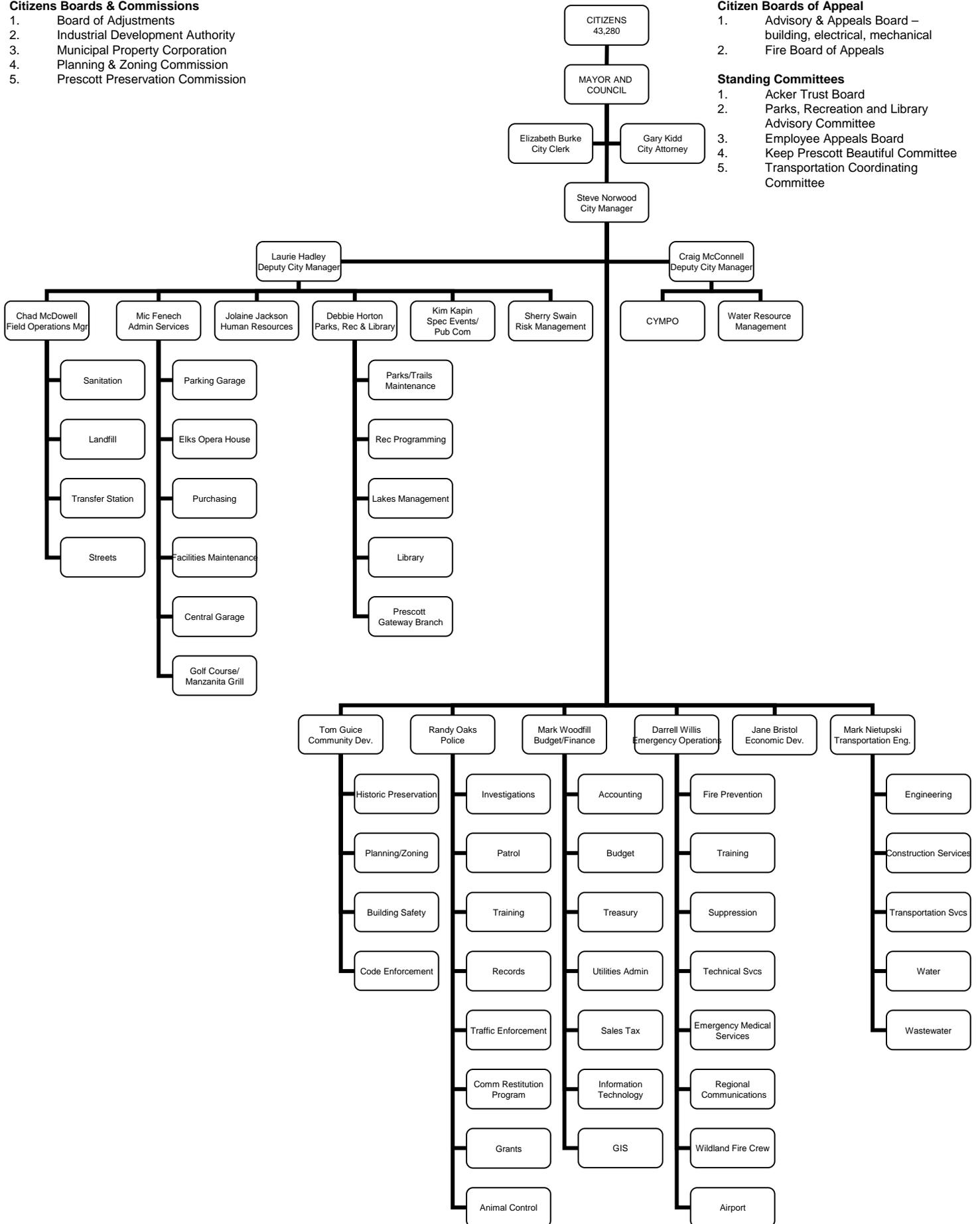
1. Board of Adjustments
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

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, 2009

ELECTED OFFICIALS

Jack Wilson, Mayor

Council

Bob Bell

Mary Ann Suttles

Bob Roecker

Jim Lamerson

Robert J. Luzius

Lora Lopas

Appointed Officials

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

Mailing Address

201 South Cortez
Prescott, AZ 86303

www.cityofprescott.net

FINANCIAL SECTION







INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Streets and Open Space Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of City of Prescott, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 to 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Heinfeld, Meech & Co., P.C.

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

October 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal years 2009 and 2008 by \$500.4 million and \$491.3 (net assets), respectively. Of these amounts, \$29.0 million and \$31.0 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$9.1 million and \$40.8 million during fiscal years 2009 and 2008, respectively.

The fiscal year 2009 increase was achieved despite sharp declines in privilege (sales) tax collections (\$4.4 million or 15%). Capital grants and contributions decreased by \$17.9 million or 75% because grant funding and developer contributions dried up as the economy cooled down. The \$18.9 million increase to the invested in capital assets, net of related debt results from the completion of several capital projects and land acquisitions.

Overall City program expenses decreased by \$2.8 million or 3%.

REPORT LAYOUT

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2009 and June 30, 2008 follows:

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Cash and investments	\$ 32.9	\$ 43.3	\$ 28.2	\$ 28.7	\$ 61.1	\$ 72.0
Other assets	17.4	14.9	(2.5)	0.9	14.9	15.8
Capital assets	282.0	274.7	209.5	198.9	491.5	473.6
Total assets	<u>332.3</u>	<u>332.9</u>	<u>235.2</u>	<u>228.5</u>	<u>567.5</u>	<u>561.4</u>
Other liabilities	7.1	8.5	4.6	4.2	11.7	12.7
Noncurrent liabilities	23.3	25.9	32.2	31.5	55.5	57.4
Total liabilities	<u>30.4</u>	<u>34.4</u>	<u>36.8</u>	<u>35.7</u>	<u>67.2</u>	<u>70.1</u>
Net assets:						
Invested in capital assets, net of debt	266.1	257.6	179.7	169.6	445.8	427.2
Restricted	14.6	22.0	10.3	11.1	24.9	33.1
Unrestricted	21.3	18.9	8.4	12.1	29.7	31.0
Total net assets	<u>\$ 302.0</u>	<u>\$ 298.5</u>	<u>\$ 198.4</u>	<u>\$ 192.8</u>	<u>\$ 500.4</u>	<u>\$ 491.3</u>

Governmental Activities

During fiscal year 2009 the balance of net assets increased \$3.5 million due to a large number of improvements and various capital improvement projects totaling \$32.6 million. However, much of the increase in net assets was offset by increased depreciation totaling \$12.0 million. The most notable additions include:

- Vehicle additions amounted to \$.8 million which included a fire pumper truck, a street sweeper truck and several police vehicles.
- \$8.6 million was spent on road improvements including Copper Basin Road, the SR89A/Side Road intersection, Ruth and Demrse Streets and Williamson Valley Road which comprised nearly 65% of the total road spending.
- \$8.2 million was expended on land and right-of-way acquisitions. This included several open space acquisitions in the Granite Dells area.
- Developers contributed \$1.8 million in roads and right-of-way assets to the City.

Cash and investments declined by \$10.4 million reflecting the spending on projects, a decline in tax receipts and lower interest on investments.

Business-type Activities

During fiscal year 2009 the balance of net assets increased by \$5.6 million due in part to the following specific activities:

Water: \$7.8 million in improvements were added during the year. These include \$.5 million for Big Chino Ranch water project. Developers contributed \$.9 million in offsite improvements with the remainder made up of road related water projects for pump stations, reservoirs, waterlines and road related improvements.

Wastewater: \$7.2 million in improvements, which included several wastewater main replacement projects including the North Prescott Regional Force Main (\$4.0 million) the Airport Biosolid Centrifuge (\$1.0 million) and several sewer rehabilitation projects related to road construction projects. Developers contributed \$.5 in offsite improvements.

Golf Course: The golf course entered into a capital lease for new golf carts, a beverage cart and a ball picker cart amounting to \$.6 million

\$5.4 million in depreciation expense offset a significant amount of the growth in net assets.

The City's overall financial position has improved slightly 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 \$21.3 and \$8.4 million respectively.

There are restrictions on \$14.5 million of net assets for governmental activities and an additional \$10.3 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, 2009 and June 30, 2008 follows:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services and other	\$4.2	\$4.8	\$30.9	\$32.7	\$35.1	\$37.5
Operating grants and contributions	4.7	5.3	-	-	4.7	5.3
Capital grants and contributions	2.0	12.4	4.0	11.4	6.0	23.8
Total program revenues	10.9	22.5	34.9	44.1	45.8	66.6
General revenues						
Taxes	30.2	34.5	-	-	30.2	34.5
Intergovernmental	12.2	12.5	-	-	12.2	12.5
Interest and investment income	2.1	3.0	1.3	1.8	3.4	4.8
Gain (loss) on sale of property	0.2	8.6	-	(0.9)	0.2	7.7
Miscellaneous	0.6	0.5	0.6	0.7	1.2	1.2
Total general revenues	45.3	59.1	1.9	1.6	47.2	60.7
Total revenues	56.2	81.6	36.8	45.7	93.0	127.3
Expenses						
General government	4.7	2.8	-	-	4.7	2.8
Community services	2.5	2.8	-	-	2.5	2.8
Culture and recreation	7.1	7.4	-	-	7.1	7.4
Police and court	11.6	12.7	-	-	11.6	12.7
Fire	8.1	8.2	-	-	8.1	8.2
Public works	17.5	16.9	-	-	17.5	16.9
Interest on long-term debt	1.1	1.2	-	-	1.1	1.2
Water	-	-	10.4	10.3	10.4	10.3
Wastewater	-	-	7.1	7.4	7.1	7.4
Golf course	-	-	3.0	3.5	3.0	3.5
Airport	-	-	2.1	4.1	2.1	4.1
Solid waste/transfer station(1)	-	-	8.4	5.2	8.4	5.2
Regional Transfer station	-	-	-	4.0	-	4.0
Parking garage	-	-	0.3	0.3	0.3	0.3
Total expenses	52.6	52.0	31.3	34.8	83.9	86.8
Increase (decrease) before transfers	3.6	29.6	5.5	10.9	9.1	40.5
Transfers	(0.1)	0.3	0.1	(0.3)	-	-
Rounding	-	0.2	-	0.2	-	0.4
Change in net assets	3.5	30.1	5.6	10.8	9.1	40.9
Beginning net assets	298.5	268.4	192.8	182.0	491.3	450.4
Ending net assets	\$ 302.0	\$ 298.5	\$ 198.4	\$ 192.8	\$ 500.4	\$ 491.3

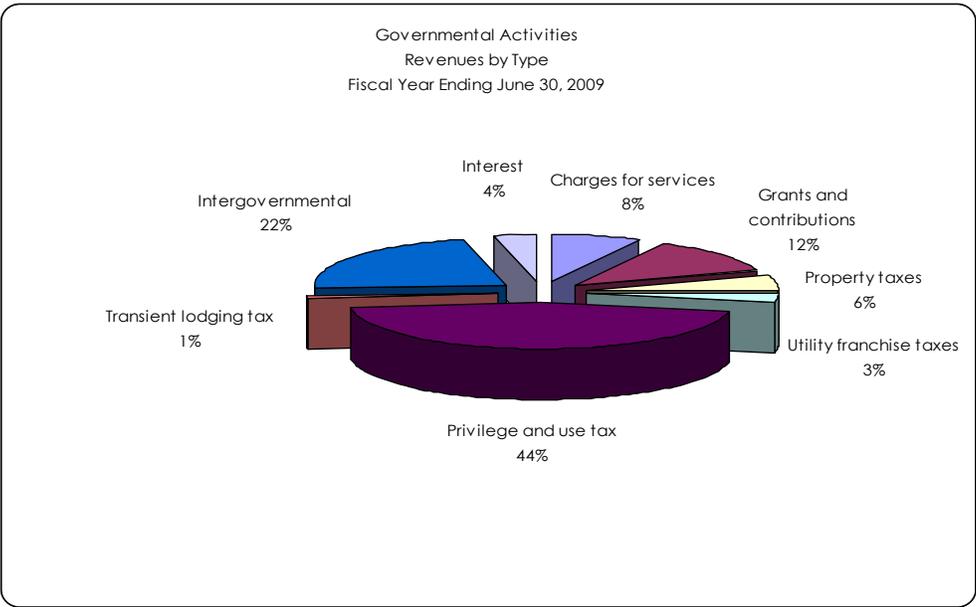
Rounding adjustments result in small differences when compared to financial statements.

(1) Solid waste and the Transfer station were combined in FY 2009. In FY 2008, the amount relates to solid waste only.

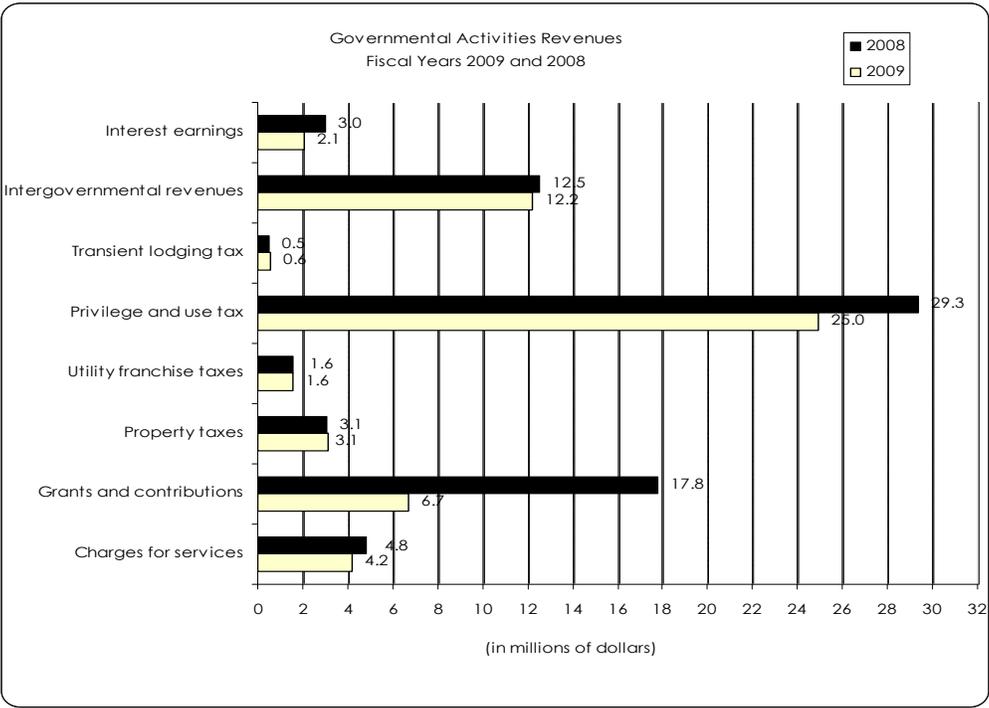
Governmental Activities

The cost of all governmental activities this year was \$52.6 million. \$4.2 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$6.7 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$30.2 million, was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest amounted to \$15.1 million.

The chart below shows the breakdown of governmental activities revenue.



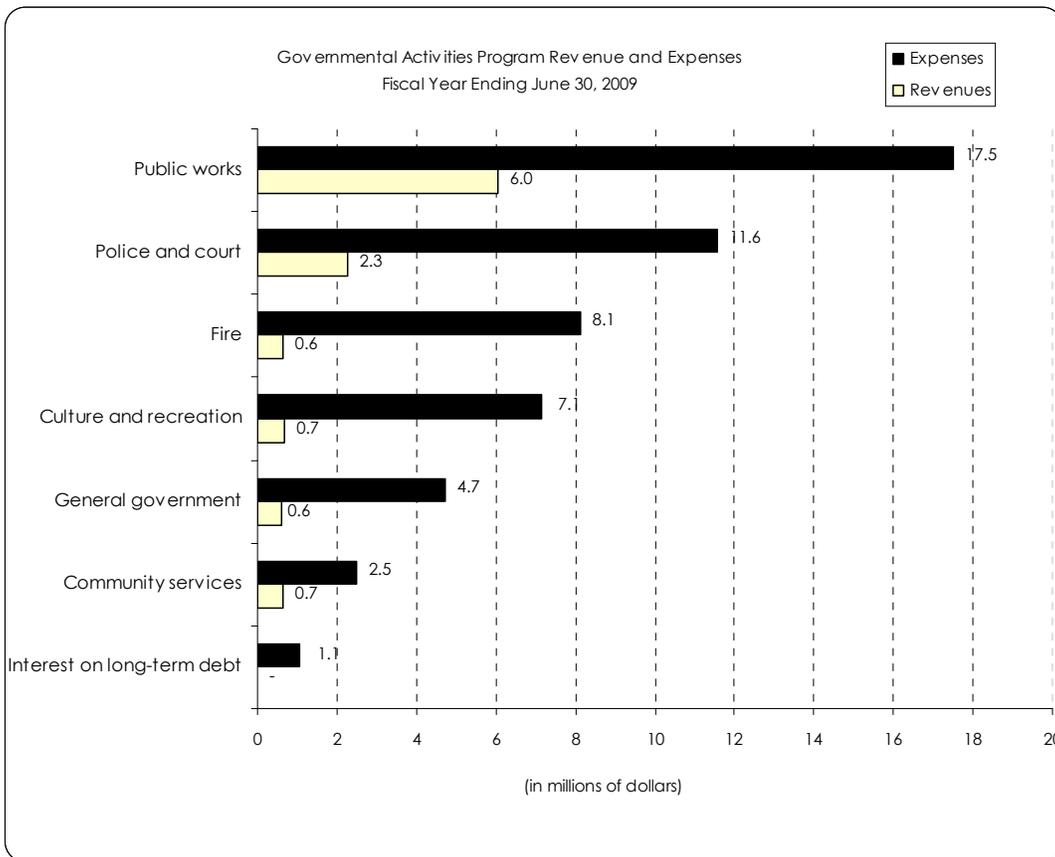
The graph below compares the governmental revenues from fiscal year 2009 to fiscal year 2008.



Total governmental activities revenues decreased by \$25.0 million or 31% from the previous year. Key factors in this change include:

- Privilege (sales) tax declined by nearly \$4.4 million or 15%.
- Grants and contributions decreased by \$11.0 million or 62%. The primary factor behind this was the decrease in developer road and right-of-way contributions that typically accompany new development in the City. Building permit valuations dropped to \$44 million in FY 2009; a decrease of \$30 million, or 40% from the prior year and significantly below the \$157 million annual average the City enjoyed from FY 2000-2007.
- In FY 2008, the City benefited from a one-time gain on the land trade with Yavapai County.

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 \$.6 million or 1%.

There was one amendment to the budget after final adoption impacting governmental activities; this represents a transfer of budget appropriation, not funding. The Capital improvement fund transferred \$4,437,595 to the Streets and Open Space fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29.4 million, a decrease of \$8.3 million in comparison to the combined ending fund balances for fiscal year 2008 of \$37.7 million.

Approximately \$20.9 million of the total for fiscal year 2009 and \$34.0 million of the total for fiscal year 2008 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or restricted for specific purposes; examples are impact fees and trust accounts.

Revenues for governmental functions overall totaled approximately \$54.5 million in fiscal year 2009, a decrease of 12.1% (\$7.5 million) over the previous year total of \$62.0 million. In fiscal year 2009, expenditures for governmental functions totaled \$63.0 million, a decrease of 13% (\$9.4 million) over the fiscal year 2008 total of \$72.4 million.

In the fiscal year ended June 30, 2009 expenditures for governmental functions exceeded revenues by \$8.6 million or (16%). In 2008, governmental functions expenditures exceeded revenues by approximately \$10.4 million (17%). The decrease in both years reflects that previously delayed road projects, primarily Iron Springs and Copper Basin roads incurred significant spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$7.6 million, while total fund balance was \$11.8 million. The unreserved and total balances for the General Fund at the end of fiscal year 2008 were \$10.3 million and \$12.1 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

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

- Taxes decreased by \$2.1 million or 12% from the previous year mainly from the economy induced drop in privilege (sales) tax collections which were down \$2.2 million or 15% from the budget projection.
- Intergovernmental revenues decreased by \$323,065 or 3% from the previous year which reflect the City's share of State tax collections which have declined as Arizona's economy has been hit hard. The State Shared Sales Tax portion of intergovernmental revenues has declined by \$503,135 (13%) and was under budget by \$443,758 or 12%.
- Charges for General Fund services were down \$494,403 or 26% from the previous year as building activity has stalled; this area was also under budget by \$428,801 or 23%.
- General Fund expenses decreased by \$1.4 million or 4% from the prior year and were under budget by \$1.5 million or 4%. This reflects the City's response to reduce spending to temper the drop in tax revenues and the economy.

Unreserved fund balance represents 24% percent of the total General Fund expenditures of \$31.4 million in fiscal year 2009 and 31% percent of the total General Fund expenditures of \$32.8 million in fiscal year 2008.

Overall, the General Fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2009, of \$888,737 which is down 63% compared to the prior year of \$2.4 million.

The Streets and Open Space fund expenditures exceeded revenues by \$6.4 million during the year. The privilege tax for streets and open space was less than budgeted by \$2.5 million or 17%. The fund's expenditures were under budget by \$12.9 million which results from delays in road projects. Open space funds in the amount of \$8.2 million were spent to acquire the land in the Granite Dells area. The remaining spending was incurred on road projects, primarily Copper Basin Road and the SR89A and Side Road intersection.

The Impact Fees Fund was hampered by the slowdown in building activity. Impact fee licenses and permits revenues declined by \$301,849 (49%) compared to the budgeted amount and decreased by \$199,676 (39%) compared to the previous year.

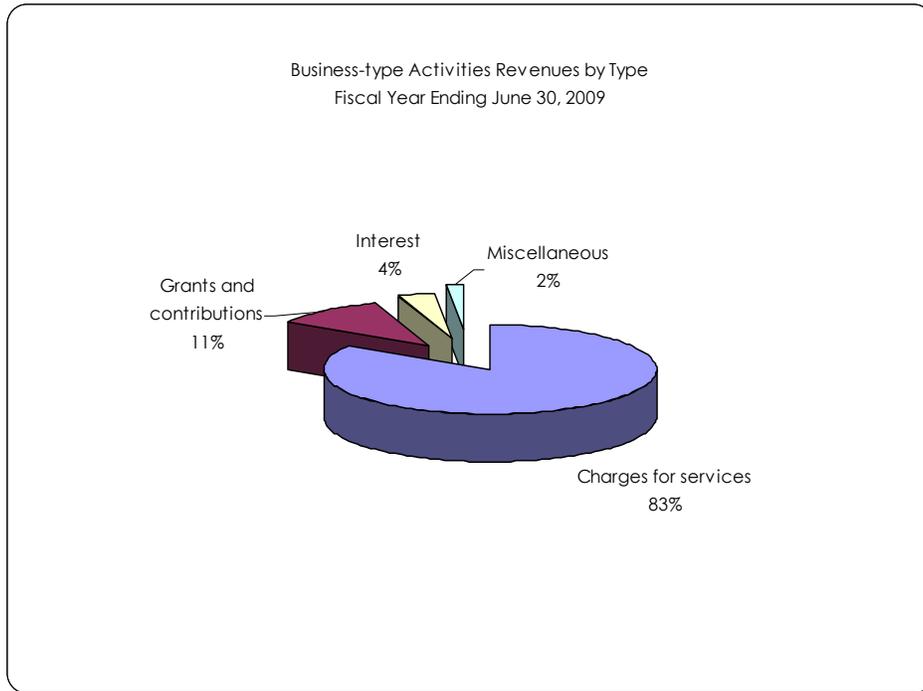
Other individual governmental funds had no unusual fluctuations which warrant explanation.

Business-type Activities

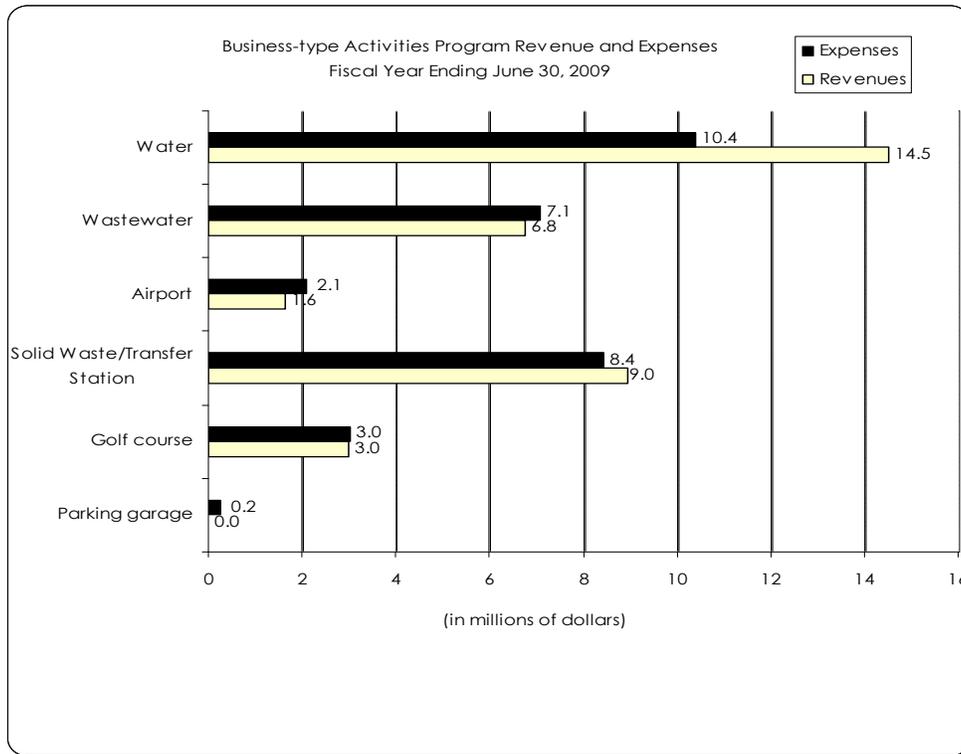
The cost of providing all business-type activities this year was \$31.3 million. Of this cost, \$30.9 million was paid by users, \$4.0 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities resulting in a net revenue of \$3.7 million. Investment earnings of \$1.3 million, miscellaneous income of \$.6 million and a transfer in of a \$.1 million resulted in an overall increase in net assets of \$5.6 million.

Business-type activities revenue decreased by \$8.9 million (19%) compared to the previous year. User charges decreased by \$1.8 million, while developer contributions and grants were down \$7.4 million for fiscal year 2009 compared to fiscal year 2008.

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



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



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

- Water sales actually declined by 6% when compared to the budget. This occurred because of less building activity and increased conservation of water by our customers. Capital projects were budgeted in the amount of \$38.7 million but only \$7.0 million was actually spent during the year because of project delays.
- The Wastewater Fund reflects expense exceeding revenue by \$.3 million. A rate study is planned for FY 2010.
- The Airport decline results primarily from a drop in federal and state grant funding during the year.
- The golf course had a small operating loss as people spent less on discretionary entertainment during the year. This fund continues to generate negative cash flow as evidenced by the amount due to the General Fund which swelled an additional \$.5 million during the year and now exceeds \$2.2 million. The golf course debt service drops significantly in FY 2011 and the fund should be able to begin chipping away at this deficit at that time.

Customer and developer contributions amounted to \$4.0 million during the year, which was a \$7.4 million (65%) decline from the previous year and was created by the decline in building activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009 the City had invested \$491.4 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$17.8 million.

The following table reconciles the changes in capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Beginning balance	\$ 274.7	\$ 236.7	\$ 198.9	\$ 185.7	\$ 473.6	\$ 422.4
Additions	32.6	51.1	38.7	20.1	71.3	71.2
Deductions	(13.5)	(2.4)	(23.7)	(2.7)	(37.2)	(5.1)
Depreciation	(11.8)	(10.7)	(4.5)	(4.2)	(16.3)	(14.9)
Ending balance	\$ 282.0	\$ 274.7	\$ 209.4	\$ 198.9	\$ 491.4	\$ 473.6

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

Debt Administration

As of year-end, the City had \$55.4 million in debt outstanding compared to \$57.3 million last year.

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

	Governmental	Business	Total
	Activities	Activities	
Beginning Balance	\$ 25.8	\$ 31.5	\$ 57.3
Additions	0.8	3.6	4.4
Retirements	(3.4)	(2.9)	(6.3)
Ending Balance	\$ 23.2	\$ 32.2	\$ 55.4

During 2008, the City obtained \$9,854,000 in financing from the Water Infrastructure Finance Authority of Arizona (WIFA) for several drinking water projects which include: the Willow Creek transmission line relocation and upgrade, water meter changeout program, Recharge intake pipeline replacement, airport recharge facility recovery wells and water improvements to Gail Gardner way and Iron Springs road. The WIFA subsidy for these projects is 80%. At June 30, 2009 the City has drawn on \$6,056,366 of the loan (\$1,127,835 was drawn down during FY 2009), leaving \$3,797,634 available for drawdown. The interest rate at June 30 on the outstanding balance of \$5,712,902 is 3.64%.

The City also obtained \$4,703,000 in financing during FY 2008 from WIFA for several clean water projects which include: Sewer projects for Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth and Demerse and Gurley Street (Arizona to Bradshaw). The WIFA subsidy for these projects is 85%. At June 30, 2009 the City completed the drawdowns for this loan amounting to \$4,702,999 (\$1,382,069 was drawn down during FY 2009). The interest rate at June 30 on the outstanding balance of \$4,542,881 is 3.868%.

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

The golf course entered into a lease purchase agreement for golf carts, a beverage cart and a ball picker cart totaling \$570,885. The General Fund and Water Fund entered into a lease for the new financial accounting system totalling \$490,000, \$250,000 represents the General Fund share while the Water Fund's share is \$240,000.

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

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

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

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, 2009 the City had remaining debt capacity of \$154.2 million under the 20% test and \$48.6 million under the 6% test. The City also has \$1.5 million available under highway user bond authority which is based on 50% of the prior year highway user revenue.

ECONOMIC FACTORS

The City faces a variety of issues. The economic downturn that is being felt in many communities has affected many revenue sources that contribute to the operations of the City of Prescott. The impact on these revenues is reflected below.

The City's projected share of the State income tax for FY 2010 is down 12% from FY 2009. State income tax is based on tax collections that were received by the State of Arizona two years ago so this is the first fiscal year it reflects the decline in the economy. This, along with a 3% decrease projected in the City's share of the State sales tax, will effect how the City will maintain basic service levels in the general fund service areas.

Privilege (sales) tax revenues are estimated to decrease 4.0% in FY 2010 when compared to FY 2009. Prescott has continued to experience lower consumer spending, job losses, and small business closures. These economic conditions, occurring all over the State, have also contributed to the delay of the hotel/conference center project and mixed use projects planned for downtown.

On a positive note, Embry-Riddle Aeronautical University has continued to invest in its Prescott campus and the first building in their Business/Technology Park should break ground in 2010. Bed Bath & Beyond has been announced at the Prescott Gateway Mall to fill a 30,000 SF vacancy, planning to be open for the holiday season. In addition, Cobham Avionics, formerly Global Wulfsberg, located in an Airport Industrial Park, will be creating or transferring in about 50 jobs, primarily in engineering. Horizon Air service at the Prescott Municipal Airport continues to be strong without any direct incentives from the City and Great Lakes Airways has started service to Denver, Colorado and Farmington, New Mexico. Cavan Investments will continue with annexation projects in North Prescott which continues to be an area of interest for residential and commercial uses.

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

NEXT YEAR'S BUDGETS AND RATES

The FY 2010 Budget was formulated based on feedback from Mayor and Council through its goals, policies, and guidelines, input from various advisory committees, 2003 General Plan, community input (from individuals, neighborhood groups or service clubs), downtown groups, as well as corridor and area plans.

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

Stronger Local Economy and Expanded Tax Base

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

Better Mobility through Improved Roads and Transportation System

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

Managed Growth for a Balanced Community

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

Polished City – Beautiful and Clean

- Cleaner and well-maintained streets, alleys and rights-of-way
- Reduce the amount of blighted homes and buildings
- Effective solid waste collection and management
- Redevelopment of older commercial centers
- Well maintained parks and recreational areas

First Class Utility System

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

Alive Downtown

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

The FY 2010 Budget consists of two different components – the operating budget and the capital budget. The operating budget is \$ 81,448,527 representing an 0.8% increase from FY 2009. 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 \$99,370,166, a 43.4% decrease from FY 2009. It includes projects and new programs that are included in the five-year plan and considered affordable within current revenue sources or planned debt issuance. Capital budgets tend to rise and fall each year depending on the timing of projects – especially if a city, such as Prescott, is primarily on a “pay-as-you-go” program.

The operational and capital components bring the total budget for FY 2010 to \$180,818,693.

With a few modifications, the capital investments included in the FY 2010 budget are part of the Five-Year Capital Improvement Plan adopted during the budget process.

Water Fund

The major funding allocation in the Water Fund is \$5,338,650 for the design and construction of a pipeline, reservoirs, wells and related infrastructure to deliver water from the Big Chino Ranch that was purchased during FY 2005.

Other notable projects in the Water Fund include:

- An allocation in the amount of \$4,790,000 for the Old North Tank Reservoir Replacement project which consists of the design and construction of a new 1.4 million gallon reservoir to replace the existing tank in the same location.
- Funding for Airport Zone 12 New Reservoir in the amount of \$3,212,500. This project is to design and construct a new 2.0 million gallon water reservoir and 5,200 GPM booster station located south of SR89A on the northern boundary of the Granite Dells Annexation area in the Airport service area.
- \$2,800,000 for the Indian Hill Reservoir.

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

Wastewater Fund

Within the Wastewater Fund, the largest allocations are the Granite Dells project (\$1,600,000) and the improvements associated with the wastewater main replacements/improvements necessitated by street projects is included in this fund.

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

Solid Waste/Transfer Station Fund

Anticipated capital expenditures during FY 2010 for this fund include \$75,000 for the second phase of the Transfer Station Expansion.

Airport Fund

Infrastructure projects totaling over \$1.6 million are grant funded for FY 2010 with the City's share of these grants being \$121,512.

Streets

Street maintenance operations continue to be funded at a level of \$3.6 million. Maintenance operations include snow removal, striping (in-house and contractual), signage, signal maintenance, installation of new street lights including maintenance through Arizona Public

Service, drainage improvements, trash and weed removal, crack sealing, pothole patching, unpaved road grading, and electricity for the street light system and traffic signals.

1% Tax – Streets and Open Space Fund

Included in the FY 2010 budget is nearly \$3.4 million for potential open space purposes. Also in this fund is over \$20.7 million in street projects; the largest of which is the SR89A/Side Road project with \$15.6 million budgeted in FY 2010 with the remainder planned for FY 2011. Other notable projects are the Ruth/Demerse Street road construction project in the amount of \$2,873,454 and Pavement Preservation (\$1,209,831).

General Fund

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

Notable capital outlay in the General Fund for FY 2010 includes: \$271,053 as a carryover for a financial reporting and the HR/Payroll software program system, \$118,000 for a document management system (carryover) and \$75,000 for automated parking collection systems for the lakes managed by Parks and Recreation.

FUTURE ISSUES

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

- Protection of our watershed and aquifer water quality
- Achieving a long term sustainable water supply
- Enhancing and sustaining long-term Airport area economic investment and growth
- Prioritizing open space acquisitions
- Continued financial participation with Elks Opera House

FINANCIAL CONTACT

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

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

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 32,882,718	\$ 28,239,759	\$ 61,122,477
Receivables (net)	11,737,641	2,627,636	14,365,277
Internal balances	5,458,058	(5,458,058)	-
Inventories	238,019	408,751	646,770
Capital assets			
Land	69,972,755	28,364,391	98,337,146
Construction in progress	17,292,456	25,308,660	42,601,116
Other capital assets (net of accumulated depreciation)	194,757,310	155,717,937	350,475,247
Total assets	332,338,957	235,209,076	567,548,033
LIABILITIES			
Accounts payable	2,344,678	3,477,672	5,822,350
Accrued expenses	1,803,669	817,312	2,620,981
Claims payable	2,311,984	-	2,311,984
Deposits	96,363	327,784	424,147
Unearned revenue	540,171	37,240	577,411
Noncurrent liabilities			
Compensated absences due within one year	1,991,960	341,493	2,333,453
Bonds and other debt due within one year	2,244,821	2,546,311	4,791,132
Due in more than one year	19,021,120	29,280,187	48,301,307
Total liabilities	30,354,766	36,827,999	67,182,765
NET ASSETS			
Invested in capital assets, net of related debt	266,149,520	179,722,216	445,871,736
Restricted for:			
Capital projects	250,000	6,052,210	6,302,210
Streets and open space privilege tax activities	2,437,058	-	2,437,058
Impact fee projects	2,537,954	1,505,624	4,043,578
Highway user projects	372,670	-	372,670
Debt service	8,338,953	2,705,727	11,044,680
Expendable trust	574,994	-	574,994
Unrestricted	21,323,042	8,395,300	29,718,342
Total net assets	\$ 301,984,191	\$ 198,381,077	\$ 500,365,268

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, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services, Fees, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
<i>Governmental activities:</i>							
General government	\$ 4,729,659	\$ 287,233	\$ 331,993	\$ -	\$ (4,110,433)	\$ -	\$ (4,110,433)
Community services	2,496,954	557,381	92,753	-	(1,846,820)	-	(1,846,820)
Culture and recreation	7,128,215	676,388	760	-	(6,451,067)	-	(6,451,067)
Police and court	11,577,275	2,029,268	151,247	103,938	(9,292,822)	-	(9,292,822)
Fire	8,136,035	393,231	206,899	41,577	(7,494,328)	-	(7,494,328)
Public works	17,504,910	270,456	3,896,527	1,863,554	(11,474,373)	-	(11,474,373)
Interest on long-term debt	1,055,002	-	-	-	(1,055,002)	-	(1,055,002)
Total governmental	52,628,050	4,213,957	4,680,179	2,009,069	(41,724,845)	-	(41,724,845)
<i>Business-type activities:</i>							
Water	10,398,324	11,833,103	-	2,696,390	-	4,131,169	4,131,169
Wastewater	7,070,036	5,836,923	-	915,732	-	(317,381)	(317,381)
Golf course	3,027,055	2,981,108	-	21,441	-	(24,506)	(24,506)
Airport	2,106,018	1,312,884	-	331,966	-	(461,168)	(461,168)
Solid waste/transfer station	8,432,884	8,930,779	-	29,938	-	527,833	527,833
Parking garage	244,877	48,063	-	-	-	(196,814)	(196,814)
Total business-type activities	31,279,194	30,942,860	-	3,995,467	-	3,659,133	3,659,133
Total primary government	\$ 83,907,244	\$ 35,156,817	\$ 4,680,179	\$ 6,004,536	(41,724,845)	3,659,133	(38,065,712)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,211,716	-	1,211,716
Property taxes, levied for debt service	1,935,447	-	1,935,447
Utility franchise taxes	1,567,388	-	1,567,388
City privilege and use tax, general purposes	12,794,026	-	12,794,026
City privilege and use tax, major street and open space program	12,157,858	-	12,157,858
Transient lodging tax	558,806	-	558,806
Intergovernmental revenues - unrestricted	12,205,058	-	12,205,058
Interest and investment income	2,070,231	1,296,043	3,366,274
Gain (loss) on sale of property	164,217	-	164,217
Miscellaneous	618,265	598,764	1,217,029
Transfers	(67,811)	67,811	-
Total general revenues and transfers	45,215,201	1,962,618	47,177,819
Change in net assets	3,490,356	5,621,751	9,112,107
Net assets - beginning	298,493,835	192,759,326	491,253,161
Net assets - ending	\$ 301,984,191	\$ 198,381,077	\$ 500,365,268

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

GENERAL FUND

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

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

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

SPECIAL REVENUE FUNDS

Streets and Open Space

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

DEBT SERVICE FUNDS

Community Facilities Districts

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

CITY OF PRESCOTT, ARIZONA

Balance Sheet

Governmental Funds

June 30, 2009

	Major Funds				
	General	Streets and Open Space	Community Facilities Districts Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 6,711,905	\$ 2,402,217	\$ 1,470,931	\$ 12,066,125	\$ 22,651,178
Cash with fiscal agent	205,240	420,000	-	-	625,240
Accounts receivable (net)	2,933,693	1,016,718	-	44,109	3,994,520
Property taxes receivable	55,242	-	-	90,895	146,137
Special assessments receivable	-	-	4,510,780	2,067,247	6,578,027
Intergovernmental receivable	378,678	-	-	513,895	892,573
Interfund receivables	4,040,300	-	-	1,924,826	5,965,126
Inventory	2,787	-	-	-	2,787
Interest receivable	126,326	-	-	58	126,384
Long-term interfund receivables	3,974	-	-	-	3,974
Total assets	<u>\$ 14,458,145</u>	<u>\$ 3,838,935</u>	<u>\$ 5,981,711</u>	<u>\$ 16,707,155</u>	<u>\$ 40,985,946</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 657,046	\$ 1,397,218	\$ -	\$ 58,903	\$ 2,113,167
Accrued expenditures	1,560,766	4,120	-	120,361	1,685,247
Interfund payable	-	-	-	511,042	511,042
Deposits returnable	96,363	-	-	-	96,363
Unearned revenue	288,000	539	-	251,632	540,171
Deferred revenue	44,151	-	4,510,780	2,133,131	6,688,062
Total liabilities	<u>2,646,326</u>	<u>1,401,877</u>	<u>4,510,780</u>	<u>3,075,069</u>	<u>11,634,052</u>
Fund Balance					
Fund balance:					
Reserved for:					
Interfund loans	4,044,274	-	-	1,924,826	5,969,100
Inventory	2,787	-	-	-	2,787
Capital projects	-	1,061,402	-	250,000	1,311,402
Land and capital improvements	205,240	420,000	-	-	625,240
Acker trust expenditures	-	-	-	574,994	574,994
Unreserved, reported in:					
General fund	7,559,518	-	-	-	7,559,518
Special revenue fund	-	955,656	-	10,463,291	11,418,947
Debt service fund	-	-	1,470,931	224,111	1,695,042
Capital projects fund	-	-	-	194,864	194,864
Total fund balances	<u>11,811,819</u>	<u>2,437,058</u>	<u>1,470,931</u>	<u>13,632,086</u>	<u>29,351,894</u>
Total liabilities and fund balances	<u>\$ 14,458,145</u>	<u>\$ 3,838,935</u>	<u>\$ 5,981,711</u>	<u>\$ 16,707,155</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$98,302,947.

271,467,730

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

Deferred special assessment revenue
Deferred property tax revenue

\$ 6,578,027
110,035

6,688,062

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
Compensated absences

(13,265,962)
(4,429,374)

(17,695,336)

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.

12,171,841

Net assets of governmental activities

\$ 301,984,191

CITY OF PRESCOTT, ARIZONA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2009

	Major Funds				
	General	Streets and Open Space	Community		Total Governmental Funds
			Facilities Districts Debt Service	Nonmajor Governmental Funds	
Revenues					
Taxes	\$ 15,564,953	\$ 12,157,858	\$ -	\$ 2,482,519	\$ 30,205,330
Intergovernmental revenues	12,205,058	480,540	-	4,336,197	17,021,795
Licenses and permits	263,858	-	-	546,955	810,813
Charges for services	1,435,556	-	-	-	1,435,556
Fines and forfeitures	1,967,588	-	-	-	1,967,588
Gifts and donations	-	-	-	170,124	170,124
Interest and investment income	398,826	173,886	401,218	749,594	1,723,524
Miscellaneous	493,555	-	299,831	362,279	1,155,665
Total revenues	<u>32,329,394</u>	<u>12,812,284</u>	<u>701,049</u>	<u>8,647,668</u>	<u>54,490,395</u>
Expenditures					
Current operating					
General government	3,330,492	-	-	2,020,978	5,351,470
Community services	2,117,154	-	-	568,475	2,685,629
Culture and recreation	5,921,466	-	-	144,049	6,065,515
Police and court	12,302,538	-	-	275,465	12,578,003
Fire	7,509,326	-	-	365,237	7,874,563
Public works	-	-	-	3,371,896	3,371,896
Capital outlay	56,155	19,241,163	-	2,516,129	21,813,447
Debt service - principal	183,802	-	370,000	1,907,151	2,460,953
Debt service - interest	19,724	-	375,425	445,440	840,589
Total expenditures	<u>31,440,657</u>	<u>19,241,163</u>	<u>745,425</u>	<u>11,614,820</u>	<u>63,042,065</u>
Excess (deficiency) of revenues over expenditures	<u>888,737</u>	<u>(6,428,879)</u>	<u>(44,376)</u>	<u>(2,967,152)</u>	<u>(8,551,670)</u>
Other Financing Sources (Uses)					
Capital leases	250,000	-	-	-	250,000
Transfers in	21,752	-	-	3,022,984	3,044,736
Transfers out	(1,456,930)	(701,975)	-	(953,642)	(3,112,547)
Total other financing sources (uses)	<u>(1,185,178)</u>	<u>(701,975)</u>	<u>-</u>	<u>2,069,342</u>	<u>182,189</u>
Net change in fund balances	(296,441)	(7,130,854)	(44,376)	(897,810)	(8,369,481)
Fund balance - beginning	12,108,260	9,567,912	1,515,307	14,529,896	37,221,375
Fund balance - ending	<u>\$ 11,811,819</u>	<u>\$ 2,437,058</u>	<u>\$ 1,470,931</u>	<u>\$ 13,632,086</u>	<u>\$ 29,351,894</u>

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, 2009

Net change in fund balances - total governmental funds \$ (8,369,481)

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. 5,380,041

Donations of capital assets are not reflected on the governmental fund statements, but are shown in the statement of activities. 1,924,054

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trades) is to increase net assets. 14,091

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (591,060)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however has any effect on net assets. This is the amount by which principal retirement exceeded debt proceeds in the current period. 2,210,878

The net revenues of certain activities of internal service funds is reported with governmental activities. 2,635,703

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. 286,130

Change in net assets of governmental activities \$ 3,490,356

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, 2009

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Privilege (sales) tax	\$ 15,002,000	\$ 15,002,000	\$ 12,794,026	\$ (2,207,974)
Property tax	1,215,502	1,215,502	1,203,539	(11,963)
Franchise tax	1,564,191	1,564,191	1,567,388	3,197
State revenue sharing	6,010,096	6,010,096	6,093,130	83,034
State shared sales tax	3,687,548	3,687,548	3,243,790	(443,758)
Auto in-lieu tax	2,584,922	2,584,922	2,307,037	(277,885)
County aid	534,382	534,382	561,101	26,719
Licenses and permits	274,350	274,350	263,858	(10,492)
Charges for services	1,864,357	1,864,357	1,435,556	(428,801)
Fines and forfeitures	1,772,073	1,772,073	1,967,588	195,515
Interest and investment income	368,865	368,865	398,826	29,961
Miscellaneous	334,675	334,675	493,555	158,880
Total revenues	<u>35,212,961</u>	<u>35,212,961</u>	<u>32,329,394</u>	<u>(2,883,567)</u>
Expenditures				
City council	59,353	59,353	29,902	29,451
City clerk	125,712	125,712	31,323	94,389
City court	521,285	521,285	477,439	43,846
City manager	1,604,204	1,604,204	1,291,640	312,564
Legal department	285,357	285,357	230,923	54,434
Budget and finance	1,868,685	1,868,685	1,425,425	443,260
Administrative services	572,919	572,919	524,805	48,114
Community development	2,430,949	2,430,949	2,117,154	313,795
Parks, recreation and library	6,079,335	6,079,335	5,934,394	144,941
Police department	12,703,771	12,703,771	11,830,291	873,480
Fire department	7,550,839	7,550,839	7,547,361	3,478
Total expenditures	<u>33,802,409</u>	<u>33,802,409</u>	<u>31,440,657</u>	<u>1,455,343</u>
Excess of revenues over expenditures	<u>1,410,552</u>	<u>1,410,552</u>	<u>888,737</u>	<u>(1,428,224)</u>
Other Financing Sources (Uses)				
Capital leases	250,000	250,000	250,000	-
Transfers in	-	-	21,752	21,752
Transfers out	(2,401,223)	(2,401,223)	(1,456,930)	944,293
Total other financing sources and uses	<u>(2,151,223)</u>	<u>(2,151,223)</u>	<u>(1,185,178)</u>	<u>966,045</u>
Net change in fund balances	<u>(740,671)</u>	<u>(740,671)</u>	<u>(296,441)</u>	<u>(462,179)</u>
Fund balance - beginning	12,108,260	12,108,260	12,108,260	-
Fund balance - ending	<u>\$ 11,367,589</u>	<u>\$ 11,367,589</u>	<u>11,811,819</u>	<u>\$ (462,179)</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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 14,703,000	\$ 14,703,000	\$ 12,157,858	\$ (2,545,142)
Intergovernmental revenues	-	-	480,540	480,540
Interest and investment income	500,000	500,000	173,886	(326,114)
Total revenues	<u>15,203,000</u>	<u>15,203,000</u>	<u>12,812,284</u>	<u>(2,390,716)</u>
Expenditures				
Current operating				
Capital outlay	27,663,108	32,100,703	19,241,163	12,859,540
Total expenditures	<u>27,663,108</u>	<u>32,100,703</u>	<u>19,241,163</u>	<u>12,859,540</u>
Excess (deficiency) of revenues over expenditures	<u>(12,460,108)</u>	<u>(16,897,703)</u>	<u>(6,428,879)</u>	<u>10,468,824</u>
Other Financing Sources (Uses)				
Transfers in	(175,000)	(175,000)	-	175,000
Transfers out	-	-	(701,975)	(701,975)
Total other financing sources and uses	<u>(175,000)</u>	<u>(175,000)</u>	<u>(701,975)</u>	<u>(526,975)</u>
Net change in fund balances	<u>(12,635,108)</u>	<u>(17,072,703)</u>	<u>(7,130,854)</u>	<u>5,504,254</u>
Fund balance - beginning	9,567,912	9,567,912	9,567,912	-
Fund balance - ending	<u>\$ (3,067,196)</u>	<u>\$ (7,504,791)</u>	<u>\$ 2,437,058</u>	<u>\$ 5,504,254</u>

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



FUND FINANCIAL STATEMENTS

Proprietary Funds

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

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

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

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

CITY OF PRESCOTT, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2009

ASSETS	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Totals	
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
Current Assets							
Cash and cash equivalents	\$ 15,218,538	\$ -	\$ -	\$ 5,920,384	\$ 1,105	\$ 21,140,027	\$ 9,330,410
Accounts receivable (net)	2,395,171	-	61,814	2,725	20,849	2,480,559	-
Intergovernmental receivables - grants	9,067	-	135,072	2,938	-	147,077	-
Inventory at cost	360,585	-	-	-	48,166	408,751	235,232
Total current assets	17,983,361	-	196,886	5,926,047	70,120	24,176,414	9,565,642
Noncurrent Assets							
Restricted cash and cash equivalents							
Water development	5,453,619	-	-	-	-	5,453,619	-
Landfill closure reserve	-	-	-	598,591	-	598,591	-
Cash with fiscal agent	204,436	363,663	-	228,184	-	796,283	275,890
Customer deposits	251,239	-	-	-	-	251,239	-
Total restricted assets	5,909,294	363,663	-	826,775	-	7,099,732	275,890
Capital Assets							
Land and construction in process	41,552,859	8,271,908	1,782,428	102,302	1,963,554	53,673,051	13,191
Buildings	2,090,684	5,760,829	4,503,817	1,453,004	7,027,258	20,835,592	5,259,218
Improvements other than buildings	93,691,668	70,695,490	34,078,920	950,138	5,650,170	205,066,386	49,023
Machinery and equipment	4,878,784	1,767,045	430,484	3,279,761	1,868,093	12,224,167	7,909,952
Less accumulated depreciation	(34,119,825)	(26,951,002)	(14,377,998)	(2,978,980)	(3,980,403)	(82,408,208)	(2,676,593)
Total capital assets (net of accumulated depreciation)	108,094,170	59,544,270	26,417,651	2,806,225	12,528,672	209,390,988	10,554,791
Total noncurrent assets	114,003,464	59,907,933	26,417,651	3,633,000	12,528,672	216,490,720	10,830,681
Total assets	131,986,825	59,907,933	26,614,537	9,559,047	12,598,792	240,667,134	20,396,323

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

Business-type Activities - Enterprise Funds

	Major Funds					Totals	Governmental Activities- Internal Service Funds
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 1,513,287	\$ 1,656,882	\$ 18,318	\$ 274,072	\$ 15,113	\$ 3,477,672	\$ 231,511
Accrued expenses	406,451	194,506	29,256	85,811	101,288	817,312	118,422
Compensated absences - current	102,148	99,792	25,979	68,896	44,678	341,493	180,442
Advance customer payments	66,177	-	1,372	-	-	67,549	-
Interfund payables	-	3,078,124	105,181	-	2,270,779	5,454,084	-
Loans payable - current	401,522	166,311	336,788	-	222,674	1,127,295	-
Bonds - current	577,430	330,015	-	55,248	387,555	1,350,248	184,752
Landfill closure/postclosure cost - current	-	-	-	68,768	-	68,768	-
Deferred revenue - current	-	-	1,774	-	20,393	22,167	-
Claims payable	-	-	-	-	-	-	2,311,984
Customer water deposits	260,235	-	-	-	-	260,235	-
Total current liabilities	<u>3,327,250</u>	<u>5,525,630</u>	<u>518,668</u>	<u>552,795</u>	<u>3,062,480</u>	<u>12,986,823</u>	<u>3,027,111</u>
Noncurrent Liabilities							
Compensated absences	235,382	214,918	69,863	123,633	47,927	691,723	609,288
Loans payable	5,518,414	4,376,570	1,120,533	-	466,979	11,482,496	-
Interfund payable	-	-	-	-	3,974	3,974	-
Bonds payable	12,451,522	2,113,478	-	1,371,917	-	15,936,917	4,588,083
Landfill closure/postclosure cost	-	-	-	1,169,051	-	1,169,051	-
Deferred revenue	-	-	15,073	-	-	15,073	-
Total noncurrent liabilities	<u>18,205,318</u>	<u>6,704,966</u>	<u>1,205,469</u>	<u>2,664,601</u>	<u>518,880</u>	<u>29,299,234</u>	<u>5,197,371</u>
Total liabilities	<u>21,532,568</u>	<u>12,230,596</u>	<u>1,724,137</u>	<u>3,217,396</u>	<u>3,581,360</u>	<u>42,286,057</u>	<u>8,224,482</u>
NET ASSETS							
Invested in capital assets, net of related debt	89,145,282	52,557,896	24,960,330	1,607,244	11,451,464	179,722,216	5,781,956
Restricted for capital projects	5,453,619	-	-	598,591	-	6,052,210	-
Restricted for debt service	978,952	496,326	336,788	283,432	610,229	2,705,727	3,158,436
Restricted for impact fee projects	1,505,624	-	-	-	-	1,505,624	-
Unrestricted	13,370,780	(5,376,885)	(406,718)	3,852,384	(3,044,261)	8,395,300	3,231,449
Total net assets	<u>\$ 110,454,257</u>	<u>\$ 47,677,337</u>	<u>\$ 24,890,400</u>	<u>\$ 6,341,651</u>	<u>\$ 9,017,432</u>	<u>\$ 198,381,077</u>	<u>\$ 12,171,841</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, 2009

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds			
Operating Revenues							
Water sales	\$ 10,716,675	\$ -	\$ -	\$ -	\$ -	\$ 10,716,675	\$ -
Water connection fees	200,451	-	-	-	-	200,451	-
Alternative water source fees	915,977	-	-	-	-	915,977	-
Wastewater service fees	-	5,679,623	-	-	-	5,679,623	-
Wastewater connection fees	-	2,800	-	-	-	2,800	-
Effluent recharge fees	-	154,500	-	-	-	154,500	-
Golf course green fees	-	-	-	-	1,424,299	1,424,299	-
Restaurant sales	-	-	-	-	758,050	758,050	-
Golf course rentals	-	-	-	-	516,524	516,524	-
Golf pro-shop sales	-	-	-	-	282,235	282,235	-
Fuel sales and flowage fees	-	-	227,615	-	-	227,615	-
Tie down and hangar rentals	-	-	1,085,269	-	-	1,085,269	-
Refuse collection fees	-	-	-	5,335,075	-	5,335,075	-
Tipping fees	-	-	-	3,595,704	-	3,595,704	-
Other services	-	-	-	-	48,063	48,063	9,745,127
Miscellaneous	61,771	485,673	44,660	-	6,660	598,764	652
Total operating revenues	11,894,874	6,322,596	1,357,544	8,930,779	3,035,831	31,541,624	9,745,779
Operating Expenses							
Personnel services	2,670,542	2,268,609	583,385	1,695,243	1,439,104	8,656,883	3,211,849
Supplies	536,445	495,670	57,152	586,316	657,238	2,332,821	761,077
Other services and charges	4,370,015	2,189,256	467,369	5,918,745	717,920	13,663,305	1,997,772
Depreciation	2,013,390	1,831,500	915,354	168,631	513,436	5,442,311	736,521
Claims expense	-	-	-	-	-	-	650,482
Total operating expenses	9,590,392	6,785,035	2,023,260	8,368,935	3,327,698	30,095,320	7,357,701
Operating income (loss)	2,304,482	(462,439)	(665,716)	561,844	(291,867)	1,446,304	2,388,078
Non-Operating Revenues (Expenses)							
Interest and investment income	1,006,534	39,308	158	249,551	492	1,296,043	346,661
Interest expense	(807,932)	(285,001)	(82,758)	(63,949)	(77,754)	(1,317,394)	(214,367)
Net gain (loss) on disposal of assets	-	-	-	-	133,520	133,520	115,331
Total non-operating Revenues (expenses)	198,602	(245,693)	(82,600)	185,602	56,258	112,169	247,625
Income (loss) before contributions and transfers	2,503,084	(708,132)	(748,316)	747,446	(235,609)	1,558,473	2,635,703
Grant contributions	4,434	141,991	331,966	29,938	-	508,329	-
Capital contributions	2,691,956	773,741	-	-	21,441	3,487,138	-
Transfers in	101,526	-	77,673	-	-	179,199	-
Transfers out	(106,457)	(4,931)	-	-	-	(111,388)	-
Change in net assets	5,194,543	202,669	(338,677)	777,384	(214,168)	5,621,751	2,635,703
Total net assets - beginning	105,259,714	47,474,668	25,229,077	5,564,267	9,231,600	192,759,326	9,536,138
Total net assets - ending	\$ 110,454,257	\$ 47,677,337	\$ 24,890,400	\$ 6,341,651	\$ 9,017,432	\$ 198,381,077	\$ 12,171,841

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, 2009

	Business-type Activities -		Enterprise Funds	
	Major Funds			
	Water	Waste Water	Airport	Solid Waste/ Transfer Station
Cash flows from operating activities:				
Cash received from customers	\$ 11,542,140	\$ 5,836,923	\$ 1,292,261	\$ 8,938,804
Cash payments to suppliers for goods and services	(5,240,249)	(1,764,765)	(574,742)	(6,890,988)
Cash payments to employees for services	(2,448,743)	(2,177,811)	(563,436)	(1,655,229)
Other operating receipts	61,771	485,673	44,660	-
Net cash provided by (used for) operating activities	<u>3,914,919</u>	<u>2,380,020</u>	<u>198,743</u>	<u>392,587</u>
Cash flows from noncapital financing activities:				
Repayments under interfund loan arrangement	-	-	-	-
Receipts (payments) under interfund loan arrangement	-	3,078,124	105,181	-
Interest paid on noncapital financing	-	-	-	-
Transfers in	101,526	-	77,673	-
Transfers out	(106,457)	(4,931)	-	-
Net cash provided by (used for) noncapital financing activity	<u>(4,931)</u>	<u>3,073,193</u>	<u>182,854</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from debt issues	1,127,835	1,382,069	-	-
Acquisition and construction of capital assets	(6,637,202)	(6,710,844)	(409,638)	(61,116)
Principal paid on capital financing	(975,738)	(508,499)	(320,094)	(52,946)
Interest paid on capital financing	(807,932)	(285,001)	(82,758)	(63,949)
Proceeds/payments from sales of capital assets	-	-	-	-
Contributed from capital grant	4,434	141,991	347,759	27,000
Contributed from customers	1,749,012	256,067	-	-
Net cash provided by (used for) capital and related financing activities	<u>(5,539,591)</u>	<u>(5,724,217)</u>	<u>(464,731)</u>	<u>(151,011)</u>
Cash flows from investing activities:				
Interest on investments	1,006,534	39,308	158	249,551
Net cash provided by (used for) investing activities	<u>1,006,534</u>	<u>39,308</u>	<u>158</u>	<u>249,551</u>
Net increase (decrease) in cash and cash equivalents	(623,069)	(231,696)	(82,976)	491,127
Cash and cash equivalents at July 1	21,750,901	595,359	82,976	6,256,032
Cash and cash equivalents at June 30	<u>\$ 21,127,832</u>	<u>\$ 363,663</u>	<u>\$ -</u>	<u>\$ 6,747,159</u>
Reconciliation to statement of net assets				
Cash and cash equivalents at June 30, unrestricted	\$ 15,218,538	\$ -	\$ -	\$ 5,920,384
Cash and cash equivalents at June 30, restricted	5,909,294	363,663	-	826,775
Total	<u>\$ 21,127,832</u>	<u>\$ 363,663</u>	<u>\$ -</u>	<u>\$ 6,747,159</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 2,304,482	\$ (462,439)	\$ (665,716)	\$ 561,844
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,013,390	1,831,500	915,354	168,631
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(301,716)	-	(35,989)	8,025
(Increase) decrease in inventory	(98,422)	-	-	-
(Increase) decrease in prepaid expense	-	-	17,139	-
Increase (decrease) in accounts payable	(235,367)	920,161	(50,221)	(328,475)
Increase (decrease) in accrued expenses	189,696	50,013	6,514	27,192
Increase (decrease) in compensated absences	(48,623)	21,695	4,099	(2,063)
Increase (decrease) in advance customer payments	3,288	-	-	-
Increase (decrease) in customer water deposits	7,465	-	-	-
Increase (decrease) in accrued vacation and sick payable	80,726	19,090	9,336	14,885
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in landfill closure & postclosure cost payable	-	-	-	(57,452)
Increase (decrease) in deferred revenue	-	-	(1,773)	-
Total adjustments	<u>1,610,437</u>	<u>2,842,459</u>	<u>864,459</u>	<u>(169,257)</u>
Net cash provided by operating activities	<u>\$ 3,914,919</u>	<u>\$ 2,380,020</u>	<u>\$ 198,743</u>	<u>\$ 392,587</u>
Noncash investing, capital and financing activities				
Contributions from developers	\$ 905,167	\$ 517,674	\$ -	\$ -
Contributions of capital assets from government	-	-	-	-
Borrowing under capital lease (1)	240,000	-	-	-
Total noncash investing, capital and financing activities	<u>\$ 1,145,167</u>	<u>\$ 517,674</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The City entered into two time-pay agreements to purchase: financial software costing \$240,000 for the Water Fund; and golf carts costing \$570,885 for the Golf Course Fund. monthly installments made on these borrowings amounted to \$32,965 and \$71,559 respectively before year-end.

Nonmajor		Governmental	
Funds	Totals	Activities-	Internal
		Service Funds	
\$ 2,982,862	\$ 30,592,990	\$ 9,745,127	
(1,440,482)	(15,911,226)	(3,638,590)	
(1,407,861)	(8,253,080)	(3,124,687)	
6,660	598,764	652	
141,179	7,027,448	2,982,502	
7,417	7,417	-	
431,112	3,614,417	-	
(33,300)	(33,300)	-	
-	179,199	-	
-	(111,388)	-	
405,229	3,656,345	-	
-	2,509,904	-	
(5,990)	(13,824,790)	(799,701)	
(819,808)	(2,677,085)	(177,054)	
(44,454)	(1,284,094)	(214,367)	
284,726	284,726	127,529	
-	521,184	-	
-	2,005,079	-	
(585,526)	(12,465,076)	(1,063,593)	
492	1,296,043	346,661	
492	1,296,043	346,661	
(38,626)	(485,240)	2,265,570	
39,731	28,724,999	7,340,730	
\$ 1,105	\$ 28,239,759	\$ 9,606,300	
\$ 1,105	\$ 21,140,027	\$ 9,330,410	
-	7,099,732	275,890	
\$ 1,105	\$ 28,239,759	\$ 9,606,300	
\$ (291,867)	1,446,304	\$ 2,388,078	
513,436	5,442,311	736,521	
-			
22,814	(306,866)	-	
22,011	(76,411)	7,159	
-	17,139		
(87,335)	218,763	(1,717)	
39,074	312,489	66,505	
(22,854)	(47,746)	20,657	
(701)	2,587	-	
-	7,465	-	
15,023	139,060	-	
-	-	(234,701)	
-	(57,452)	-	
(68,422)	(70,195)	-	
433,046	5,581,144	594,424	
\$ 141,179	\$ 7,027,448	\$ 2,982,502	
\$ -	\$ 1,422,841	\$ -	
21,441	21,441		
570,885	810,885		
\$ 592,326	\$ 2,255,167	\$ -	

There were no down payments and th



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, 2009

	Agency County Justice Court
ASSETS	
Cash and short-term investments	\$ 133,946
Accounts Receivable	-
Land	-
Improvements	-
Total assets	<u>133,946</u>
LIABILITIES	
Accounts payable	-
Due to other governments	133,946
Total liabilities	<u>133,946</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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

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

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

B. Basic Financial Statements

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

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

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

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

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

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

C. Basis of Presentation - Fund Accounting

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

The City reports four of its six enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, wastewater, airport, and solid waste/transfer station

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

Additionally, the City reports the following fund types:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

E. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Funds are invested primarily with the Arizona State Treasurer's Local Government Investment Pool (LGIP), securities of the U.S. government, agencies of the U.S. government, and other investments. Investments are stated at fair value. The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1. The reported value of the LGIP is the same as the face value of the pool shares less a reserve for potential losses.

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

F. Receivables and Payables

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

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

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

Property taxes levied for the current operation and maintenance expenses on residential property are limited to one percent of the primary full cash value of such property. In addition, taxes levied for the current operation and maintenance expenses on all types of property are limited to a maximum

increase of two percent over the prior year's levy, adjusted for new construction and annexations.

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

G. Inventories

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

Vacation Leave - All permanent full-time employees of the City are entitled to 12 days of vacation each year during the first three years of service increasing to 15 days for three to ten years of service, 18 days for ten to fifteen years of service, and 20 days for fifteen or more years of service. Vacation can be carried over from year to year with a maximum of 25 days vacation time to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated (vested) vacation time. The total amount of vested vacation leave at June 30, 2009, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General government	\$ 1,152,131	\$ 469,434	\$ 1,621,565
Other	157,828	46,454	204,282
Total governmental	<u>1,309,959</u>	<u>515,888</u>	<u>1,825,847</u>
Business-type activities:			
Water	102,148	35,352	137,500
Wastewater	75,110	24,804	99,914
Golf course	44,678	27,781	72,459
Airport	25,979	11,434	37,413
Solid waste	68,895	33,522	102,417
Total business-type	<u>316,810</u>	<u>132,893</u>	<u>449,703</u>
Total vested	<u>\$ 1,626,769</u>	<u>\$ 648,781</u>	<u>\$ 2,275,550</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, 2009, 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, 2009 is as follows:

	Accrued Liability 6/30/2008	Fiscal Year 2009 Change	Accrued Liability 6/30/2009
Governmental-type activities:			
General government	\$ 1,635,289	\$ (108,188)	\$ 1,527,101
Other	216,458	38,787	255,245
Total governmental activities	<u>1,851,747</u>	<u>(69,401)</u>	<u>1,782,346</u>
Business-type activities:			
Water	81,779	14,802	96,581
Wastewater	73,554	16,578	90,132
Golf course	15,023	(2,843)	12,180
Airport	21,261	2,544	23,805
Solid waste/transfer station	31,883	18,998	50,881
Regional transfer station(1)	14,431	(14,431)	-
Total business-type activities	<u>237,931</u>	<u>35,648</u>	<u>273,579</u>
Total accrued sick pay	<u>\$ 2,089,678</u>	<u>\$ (33,753)</u>	<u>\$ 2,055,925</u>

(1) In FY 2009, the Regional Transfer Station and Solid Waste activities were combined.

The current portion of the sick leave above is estimated to be \$365,344.

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, 2009 is as follows:

	Accrued Liability 6/30/2008	Fiscal Year 2009 Change	Accrued Liability 6/30/2009
Governmental-type activities:			
General government	\$ 1,415,935	\$ (135,229)	\$ 1,280,706
Other	286,993	43,210	330,203
Total governmental activities	<u>1,702,928</u>	<u>(92,019)</u>	<u>1,610,909</u>
Business-type activities:			
Water	66,081	37,368	103,449
Wastewater	105,793	18,871	124,664
Golf course	15,696	(7,731)	7,965
Airport	33,274	1,351	34,625
Solid waste/transfer station	23,615	15,616	39,231
Regional transfer station (1)	16,324	(16,324)	-
Total business-type activities	<u>260,783</u>	<u>49,151</u>	<u>309,934</u>
Total retirement bonus	<u>\$ 1,963,711</u>	<u>\$ (42,868)</u>	<u>\$ 1,920,843</u>

(1) In FY 2009, the Regional Transfer Station and Solid Waste activities were combined.

The current portion of the retirement bonus above is estimated to be \$341,339.

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

<u>To:</u>	<u>From:</u>	<u>Amount</u>
Streets and Open Space	Capital Improvement	<u>\$ 4,437,595</u>
Total appropriation transfers		<u><u>\$ 4,437,595</u></u>

B. Budget Basis of Accounting

The City of Prescott's budget is adopted on a basis other than generally accepted accounting principles.

The results of operations which provide a meaningful comparison of actual results with the budget are presented in the fund financial statements - statement of revenues, expenditures and changes in fund balances - budget and actual – for the general fund and major special revenue funds.

C. Excess of Budgeted Expenditures over Budgeted Revenue

The Streets and Open Space Fund expenditures were budgeted to exceed revenues by \$16,897,703. The actual deficit amounted to \$6,428,879 because many budgeted projects were not completed during the year.

D. Deficit net assets

The Engineering Service Fund had a deficit net asset balance of \$389,206 as of June 30, 2009. This fund recovers its cost through user charges to other departments within the City. The cost recovery calculations vary from one year to the next and are adjusted each year when the budget is prepared. We anticipate this fund to have a positive net asset balance during FY 2010.

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, 2009, the carrying amount of the City's deposits was \$2,333,827 and the bank balance was \$4,065,211. The difference represents outstanding checks and other reconciling items. The Hassayampa Community Facilities Districts had cash held by fiscal agents amounting to \$715,733 at June 30, 2009.

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, 2009, 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, 2009 was .55, or slightly more than a half year.

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 and the State Treasurer's Local Government Investment Pool. These investments represent 46% and 50% respectively, of the City's

total investments.

Investments

The City's investments at June 30, 2009 are summarized as follows (modified duration is in years):

Investment Type	Fair Value	Rating	Modified
		Moody / S&P	Duration
State Treasurer's pool	\$ 26,596,108	Not Rated	0.00
U.S. Government Mutual Fund	2,162,836	Not Rated	0.00
U.S. agency collateralized mortgage obligations	29,022,454	Aaa / AAA	1.09
Total fair value	<u>\$ 57,781,398</u>		
Portfolio modified duration			0.55

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	Community		Total
			Facilities Districts Debt Service	Nonmajor Funds	
Receivables:					
Accounts (net)	\$ 2,933,693	\$ 1,016,718	\$ -	\$ 44,109	\$ 3,994,520
Interest	126,326	-	-	58	126,384
Property taxes	55,242	-	-	90,895	146,137
Special assessments	-	-	4,510,780	2,067,247	6,578,027
Intergovernmental	378,678	-	-	513,895	892,573
Total	<u>\$ 3,493,939</u>	<u>\$ 1,016,718</u>	<u>\$ 4,510,780</u>	<u>\$ 2,716,204</u>	<u>\$ 11,737,641</u>

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

	Water	Airport	Solid Waste		Total
			Transfer Station	Nonmajor Funds	
Accounts receivable	\$ 2,395,171	\$ 61,814	\$ 2,725	\$ 20,849	\$ 2,480,559
Intergovernmental	9,067	135,072	2,938	-	147,077
Total	<u>\$ 2,404,238</u>	<u>\$ 196,886</u>	<u>\$ 5,663</u>	<u>\$ 20,849</u>	<u>\$ 2,627,636</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	\$ 44,151	\$ -
Delinquent property taxes receivable City of Prescott Debt Service Fund	65,884	-
Special assessments not yet due (Debt Service Fund)	2,067,247	-
Community Facilities Districts assessments not yet due	4,510,780	-
Unearned rents and deposits General Fund	-	288,000
Grant drawdowns prior to meeting eligibility requirements	-	252,171
Total	<u>\$ 6,688,062</u>	<u>\$ 540,171</u>

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2009 was as follows:

Description	Beginning			Ending Balance
	Balance	Increases	Decreases	
Land and construction in progress	\$ 92,220,882	\$ 8,249,146	\$ 13,204,817	\$ 87,265,211
Total non-depreciable	92,220,882	8,249,146	13,204,817	87,265,211
Buildings	30,029,757	16,546	6,802	30,039,501
Improvements other than buildings	30,665,931	2,236,067	-	32,901,998
Machinery and equipment	23,897,334	1,226,194	255,135	24,868,393
Infrastructure	186,987,423	20,939,535	-	207,926,958
Total depreciable	271,580,445	24,418,342	261,937	295,736,850
Accumulated depreciation				
Buildings	(7,672,326)	(627,657)	-	(8,299,983)
Improvements other than buildings	(7,235,780)	(905,681)	-	(8,141,461)
Machinery and equipment	(12,124,853)	(1,355,112)	(215,327)	(13,264,638)
Infrastructure	(62,114,835)	(9,158,623)	-	(71,273,458)
Total accumulated depreciation	(89,147,794)	(12,047,073)	(215,327)	(100,979,540)
Governmental activities capital assets, net	<u>\$ 274,653,533</u>	<u>\$ 20,620,415</u>	<u>\$ 13,251,427</u>	<u>\$ 282,022,521</u>

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

General government	\$ 1,260,087
Community services	98,064
Culture and recreation	974,196
Public safety - police	207,533
Public safety - fire	206,646
Public works	9,300,547
Total depreciation for governmental activities	<u>\$ 12,047,073</u>

Capital asset activity for business-type activities for the year ended June 30, 2009 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in process	\$ 50,989,432	\$ 10,781,910	\$ 8,098,291	\$ 53,673,051
Total non-depreciable	50,989,432	10,781,910	8,098,291	53,673,051
Buildings	19,434,726	1,462,180	61,314	20,835,592
Improvements other than buildings	194,008,839	25,522,983	14,465,436	205,066,386
Machinery and equipment	12,329,471	937,925	1,043,229	12,224,167
Total depreciable	225,773,036	27,923,088	15,569,979	238,126,145
Accumulated depreciation				
Buildings	(6,797,141)	(475,663)		(7,272,804)
Improvements other than buildings	(61,458,052)	(4,476,235)		(65,934,287)
Machinery and equipment	(9,602,727)	(490,413)	(892,023)	(9,201,117)
Total accumulated depreciation	(77,857,920)	(5,442,311)	(892,023)	(82,408,208)
Business-type activities				
capital assets,net	\$ 198,904,548	\$ 33,262,687	\$ 22,776,247	\$ 209,390,988

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

Water	\$ 2,013,390
Wastewater	1,831,500
Golf course	355,132
Airport	915,354
Solid waste	168,631
Parking garage	158,304
Total depreciation for business-type activities	<u>\$ 5,442,311</u>

D. Interfund Receivables, Payables and Transfers

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

In 2004, the golf course (restaurant) borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant. The balance of this loan, \$11,731 will be paid off in full in 2011; \$7,757 in 2010 and \$3,974 in 2011. Additionally, the golf course has overdrawn their share of pooled cash in the amount of \$2,263,022 resulting in a total interfund payable to the general fund of \$2,274,753.

In 2007, the impact fee fund borrowed \$595,000 from the capital improvement fund to complete the adult center. The balance at June 30, 2009 was \$511,042 as is being repaid as recreation impact fees are collected.

In 2009, the wastewater enterprise fund incurred large capital improvement project expenses that will be reimbursed from WIFA loan proceeds which will be received early in fiscal year 2010; at that time the interfund loan with the general fund (\$1,664,340) and the capital improvement fund (\$1,413,784) will be repaid.

In 2009, the airport fund has overdrawn their share of pooled cash in the amount of \$105,181 because grant reimbursements have not yet been made.

The composition of interfund balances as of June 30, 2009 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 4,044,274	\$ -
Nonmajor fund - Capital improvement	1,924,826	-
Nonmajor fund - Impact fees	-	511,042
Wastewater fund	-	3,078,124
Airport fund	-	105,181
Nonmajor enterprise fund- Golf Course	-	2,274,753
Total	<u>\$ 5,969,100</u>	<u>\$ 5,969,100</u>

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, 2009 were as follows:

Transfers Out From:		Transfers In To:	
General	\$ 1,456,930	General	\$ 21,752
Major governmental Streets & open space	701,975	Nonmajor governmental	3,022,984
Nonmajor governmental	953,642	Enterprise	
Enterprise		Water	101,526
Water	106,457	Airport	77,673
Wastewater	4,931	Total enterprise	<u>179,199</u>
	<u>111,388</u>		
Total	<u>\$ 3,223,935</u>	Total	<u>\$ 3,223,935</u>

E. Leases

Capital Leases

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

	Capital Equipment
Business-type activities	
Water	\$ 3,722,487
Golf course	2,628,563
Airport	4,291,535
Less accumulated amortization	<u>(2,928,524)</u>
	7,714,061
Governmental activities	800,685
Less accumulated amortization	<u>(100,984)</u>
	<u>\$ 8,413,762</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, 2009:

Year Ending June 30,	Amount
2010	\$ 903,274
2011	759,511
2012	739,032
2013	448,512
2014	<u>176,993</u>
Total minimum lease payments	3,027,322
Less: amounts representing interest	<u>(222,141)</u>
Present value of net minimum lease payments at June 30, 2009	<u>\$ 2,805,181</u>

F. Long-Term Debt

General Obligation Bonds

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

In May 2007 an additional \$1,510,000 in general obligation bonds were issued. The bonds mature in July 2017. The bonds were issued to make the final phase improvements to Willow and Watson Lakes. The City has no remaining authorized but unissued general obligation bond authority.

The refunding portion of the 1998 general obligation bond issue matured during FY 2009.

The balance outstanding at June 30, 2009 was as follows:

Purpose	Interest rate	Amount
Governmental activities (1998 issue)	4.34%	\$ 4,980,000
Governmental activities (2007 issue)	various	<u>1,260,000</u>
		<u>\$ 6,240,000</u>

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

Year Ending		
June 30,	Principal	Interest
2010	\$ 1,290,000	\$ 270,975
2011	1,355,000	215,910
2012	1,425,000	156,850
2013	1,490,000	93,475
2014	160,000	27,200
2015-2017	520,000	42,200
Total	<u>\$ 6,240,000</u>	<u>\$ 806,610</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	6/30/2009
2001	161	\$ 124,096	12,107	7/1/2010	7.00%	\$ 24,213
2001	162	1,920,000	130,000	9/1/2015	5.10%	940,000
2001	163	2,470,000	175,000	2/1/2016	4.60%	1,050,000
2004	164	95,840	5,044	1/1/2022	2.54%	65,575
						<u>\$ 2,079,788</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
2010	\$ 332,151	\$ 91,464
2011	337,150	75,180
2012	330,044	59,065
2013	340,044	43,173
2014	350,044	26,570
2015-2019	375,221	12,769
2020-2022	15,134	855
Total	<u>\$ 2,079,788</u>	<u>\$ 309,076</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, 2009 was \$3,895,000.
- 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, 2009 was \$600,000.

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

Year Ending	Principal	Interest
June 30,		
2010	\$ 235,000	\$ 346,863
2011	250,000	328,712
2012	265,000	309,400
2013	290,000	288,925
2014	310,000	266,525
2015-2019	1,960,000	933,238
2020-2024	1,185,000	171,475
Total	<u>\$ 4,495,000</u>	<u>\$ 2,645,138</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 and/or solid waste which remain after payment of necessary operation and maintenance expenses of the systems and all financial requirements of all present and future water and wastewater revenue bonds of the City, and
- the building, equipment and/or machinery.

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

For fiscal year 2008-09 pledged revenues collected were \$26,519,272. The principal and interest paid on this debt in fiscal year 2008-09 was \$2,718,756 (10.4% of pledged revenues collected).

The MPC has the following outstanding bonds:

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

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

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

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

Serviced by:		Payment	Interest	Balance
Fund	Reason for Financing	Period	Rate	6/30/2009
Water	Various improvements	Semi-annual	2.92%	\$ 193,777
	Water tanks	Semi-annual	4.69%	1,305,174
	Big Chino Water Ranch	Semi-annual	4.62%	<u>11,530,000</u>
				<u>13,028,951</u>
Wastewater	Various improvements	Semi-annual	2.92%	118,668
	Airport WWTP upgrade	Semi-annual	4.69%	<u>2,324,826</u>
				<u>2,443,494</u>
Solid waste	Transfer station expansion	Semi-annual	4.35%	1,427,240
Central garage	Facility expansion	Semi-annual	4.35%	4,772,760
Golf course	Expansion improvement	Semi-annual	2.92%	387,555
	Total MPC Debt			<u><u>\$ 22,060,000</u></u>

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

Year Ending		
June 30,	Principal	Interest
2010	\$1,535,000	\$992,261
2011	865,000	936,779
2012	910,000	901,141
2013	940,000	863,629
2014	990,000	825,385
2015-2019	5,110,000	3,459,178
2020-2024	4,115,000	2,422,225
2025-2029	4,115,000	1,408,950
2030-2034	3,480,000	539,000
Total	<u>\$22,060,000</u>	<u>\$12,348,548</u>

Water Infrastructure Finance Authority of Arizona Loans:

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

During 2008, the City obtained \$9,854,000 in financing from WIFA for several Drinking Water projects which include: the Willow Creek Transmission Line Relocation and Upgrade, Water Meter Changeout Program, Recharge Intake Pipeline Replacement, Airport Recharge Facility Recovery Wells and Water improvements to Gail Gardner Way and Iron Springs Road. The WIFA subsidy for these projects is 80%. At June 30, 2009 the City has drawn on \$6,056,366 of the loan, leaving \$3,797,634 available for drawdown. The interest rate at June 30 on the outstanding balance of \$5,712,902 is 3.64%.

During 2008, the City also obtained \$4,703,000 in financing from WIFA for several Clean Water projects which include: Sewer projects for Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth and Demerse and Gurley Street (Arizona to Bradshaw). The WIFA subsidy for these projects is 85%. During FY 2009 the City completed the drawdowns for this loan amounting to \$4,702,999. The interest rate at June 30 on the outstanding balance of \$4,542,881 is 3.868%.

The drinking water loans are recorded in and paid out of revenues of Water Fund while the Clean Water loans are recorded in and paid out of revenues of Wastewater fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds. For the fiscal year ended June 30, 2009, the net revenues available for service of this debt were \$3,813,788. The principal and interest paid on this debt in fiscal year 2008-09 was \$884,761 (23.2% of net revenues).

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

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

Year Ending		
June 30,	Principal	Interest
2010	\$355,967	\$235,842
2011	368,924	188,278
2012	382,353	174,605
2013	396,270	160,434
2014	410,695	145,747
2015-2019	2,288,896	489,027
2020-2022	1,509,797	81,139
Total	<u>\$5,712,902</u>	<u>\$1,475,072</u>

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

Year Ending	Principal	Interest
June 30,		
2010	\$166,311	\$172,502
2011	172,742	165,945
2012	179,424	159,134
2013	186,363	152,060
2014	196,571	144,654
2015-2019	1,086,111	602,419
2020-2024	1,313,023	371,089
2025-2028	1,242,336	98,217
Total	<u>\$4,542,881</u>	<u>\$1,866,020</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 7,825,000	\$ -	\$ (1,585,000)	\$ 6,240,000	\$ 1,290,000
Municipal Properties Corporation	4,949,890	-	(177,055)	4,772,835	184,752
Special assessment	2,401,939	-	(322,151)	2,079,788	332,151
Community Facilities Districts	4,865,000	-	(370,000)	4,495,000	235,000
Total bonds payable	<u>20,041,829</u>	<u>-</u>	<u>(2,454,206)</u>	<u>17,587,623</u>	<u>2,041,903</u>
Lease purchase contracts	385,076	250,000	(183,902)	451,174	202,918
Compensated absences	5,414,284	534,275	(729,455)	5,219,104	1,991,960
Governmental activity long-term liabilities	<u>\$ 25,841,189</u>	<u>\$ 784,275</u>	<u>\$ (3,367,563)</u>	<u>\$ 23,257,901</u>	<u>\$ 4,236,781</u>
Business-type Activities:					
Bonds payable:					
Municipal Properties Corporation	\$ 18,780,110	\$ -	\$ (1,492,945)	\$ 17,287,165	\$ 1,350,248
Loans payable:					
WIFA	8,249,461	2,509,905	(503,583)	10,255,783	522,278
Lease purchase contracts	2,254,042	810,885	(710,919)	2,354,008	605,016
Landfill closure/postclosure costs	1,295,271	-	(57,452)	1,237,819	68,768
Compensated absences	941,903	256,020	(164,707)	1,033,216	341,493
Business-type activity long-term liabilities	<u>\$ 31,520,787</u>	<u>\$ 3,576,810</u>	<u>\$ (2,929,606)</u>	<u>\$ 32,167,991</u>	<u>\$ 2,887,803</u>

Details of other obligations other than bonds (contracts, loans payable, and compensated absences payable) as of June 30, 2009 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type	Balance 6/30/2009
<u>Governmental-type Activities</u>					
General	Payroll/HR and VOIP phone sys.	Monthly	3.95%	Lease/purchase	\$ 235,586
Fund	Financial Reporting system	Monthly	4.09%	Lease/purchase	215,589
	Compensated absences			Payable	5,219,104
	Total Governmental-type				<u>5,670,279</u>
<u>Business-type Activities</u>					
Water	WIFA Loan Payable	Semi-annual	3.64%	Loan	5,712,902
Fund	Financial Reporting system	Monthly	4.09%	Lease/purchase	207,034
	Compensated absences			Payable	337,529
					<u>6,257,465</u>
Wastewater					
Fund	WIFA Loan Payable	Semi-annual	3.87%	Loan	4,542,881
	Compensated absences			Payable	314,710
					<u>4,857,591</u>
Golf	Golf equipment/improvements	Monthly	4.80%	Lease/purchase	70,638
Course	Golf mowing equipment	Monthly	5.77%	Lease/purchase	119,689
Fund	Golf bev. cart and ball picker	Monthly	4.09%	Lease/purchase	22,156
	Golf carts	Monthly	4.09%	Lease/purchase	477,170
	Compensated absences			Payable	92,604
					<u>782,257</u>
Airport	T-hangars	Quarterly	6.35%	Lease/purchase	127,813
Fund	T-hangars	Quarterly	4.99%	Lease/purchase	285,017
	T-hangars and taxilane	Monthly	4.84%	Lease/purchase	931,952
	Hangar design	Monthly	4.84%	Lease/purchase	112,539
	Compensated absences			Payable	95,842
					<u>1,553,163</u>
Solid Waste	Landfill closure/post closure costs			Payable	1,237,819
Fund	Compensated absences			Payable	192,529
					<u>1,430,348</u>
	Total Business-type				<u>14,880,824</u>
	Total other obligations				<u>\$ 20,551,103</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, 2009. 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, \$789,730 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, 2009
(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,290	\$ 271	\$ 332	\$ 91	\$ 235	\$ 347
2011	1,355	216	337	75	250	329
2012	1,425	157	330	59	265	309
2013	1,490	94	340	43	290	289
2014	160	27	350	27	310	267
2015-2019	520	42	376	13	1,960	933
2020-2024	-	-	15	1	1,185	171
Total	<u>\$ 6,240</u>	<u>\$ 807</u>	<u>\$ 2,080</u>	<u>\$ 309</u>	<u>\$ 4,495</u>	<u>\$ 2,645</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,535	\$ 992	\$ 3,367	\$ 504	\$ 6,759	\$ 2,205
2011	865	937	1,531	418	4,338	1,975
2012	910	901	1,555	373	4,485	1,799
2013	940	864	1,305	333	4,365	1,623
2014	990	826	1,076	293	2,886	1,440
2015-2019	5,110	3,459	4,850	1,580	12,816	6,027
2020-2024	4,115	2,422	4,293	533	9,608	3,127
2025-2029	4,115	1,409	2,574	99	6,689	1,508
2030-2034	3,480	539	-	-	3,480	539
Total	<u>\$ 22,060</u>	<u>\$ 12,349</u>	<u>\$ 20,551</u>	<u>\$ 4,133</u>	<u>\$ 55,426</u>	<u>\$ 20,243</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, 2009, the City is well within its debt limits, having \$154.2 million in borrowing capacity in the 20% category, and \$48.6 million in borrowing capacity in the 6% category. The City also has a \$1.5 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2009.

G. Risk Management

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

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

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

Claims Liabilities

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

Unpaid Claims Liabilities

The claims liability of \$2,311,984 for general self-insurance reported in the fund at June 30, 2009 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, 2007 to June 30, 2009:

	General Self-Insurance
Liability balance, June 30, 2007	\$ 2,717,340
Claims and changes in estimates	86,748
Claims payments	<u>(257,403)</u>
Liability balance, June 30, 2008	2,546,685
Claims and changes in estimates	57,933
Claims payments	<u>(292,634)</u>
Liability balance, June 30, 2009	<u><u>\$ 2,311,984</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, 2009, which could have a significant effect on the financial position of the City have been provided for in the accounts.

I. Contingent Liabilities

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

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

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

J. Intergovernmental Agreements

The City has an agreement with the Town of Prescott Valley to share costs for development of groundwater located in the Big Chino sub-basin beneath the Big Chino Water Ranch for municipal supply purposes. The intergovernmental agreement with the Town of Prescott Valley provides the City with 54.1% and the Town of Prescott Valley with 45.9% of imported groundwater through this project.

In late 2004 the City acquired 4,500 deeded acres, along with a leasehold interest in 2,000 acres of state land that were a portion of the JWK Ranch. The property was later renamed the Big Chino Water Ranch. It is through this project that the City will implement the right, granted by the Arizona Legislature, to transport groundwater from the Big Chino Sub-basin into the Prescott Active Management Area (AMA).

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

In November 2008, ADWR issued a preliminary decision and order finding that the City's application satisfied all of the requirements for a Designation of Assured Water Supply. More specifically, ADWR determined that the City has the right to withdraw 8,067 af/yr of groundwater from the Big Chino Sub-basin and transport it for use within the Prescott AMA. ADWR's preliminary decision and order further confirmed that the groundwater to be transported from the Big Chino Sub-basin is physically, continuously and legally available for at least 100 years, and is consistent with the long-term water management goals of all the state's AMAs, which is to ensure the sustainability of the AMAs' groundwater supplies. The preliminary decision & order of ADWR has been subjected to an administrative hearing which concluded in June 2009.

The City is awaiting a final determination regarding the role and allowable volume of imported water available to the communities from ADWR from the Big Chino Sub-basin. Development of the well field, transmission pipelines, pump stations, reservoirs and other required infrastructure is estimated to cost \$133 million. The target date for delivery of water from the Big Chino Water Ranch is late 2014.

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, 2009, active ASRS members were required to contribute at the actuarially determined rate of 9.45% (8.95% retirement and .50% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 9.45% (7.99% for retirement, .96% for health insurance premium and 0.5% for long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2009, 2008 and 2007 were \$1,929,521, \$2,007,649, and \$1,801,754, respectively, which were equal to the required contributions for the years, as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total
2009	\$ 1,631,415	\$ 196,015	\$ 102,091	\$ 1,929,521
2008	1,683,497	219,587	104,565	2,007,649
2007	1,494,862	207,895	98,997	1,801,754

Agent plans - For the year ended June 30, 2009, 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 27.65% for police and 27.72% for fire. The health insurance premium portion of the contribution rates were actuarially set at .63% of covered payroll for police and .54% of covered payroll for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2008 (the date of the most recent actuarial valuation) and related information follow.

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	27.65%	27.02%	0.63%
Fire	27.72%	27.18%	0.54%
Annual pension cost			
Police	\$ 1,006,425	\$ 983,494	\$ 22,931
Fire	\$ 927,617	\$ 909,547	\$ 18,070
Contributions made			
Police	\$ 1,006,425	\$ 983,494	\$ 22,931
Fire	\$ 927,617	\$ 909,547	\$ 18,070

Actuarial valuation date	06/30/08
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period	28 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>
Police Pension			
2006	\$788,404	100%	\$ 0
2007	852,298	100%	0
2008	983,494	100%	0
Police Health Insurance			
2007	\$16,216	100%	0
2008	22,931	100%	0
Fire Pension			
2006	\$ 389,932	100%	\$ 0
2007	690,476	100%	0
2008	909,547	100%	0
Fire Health Insurance			
2007	\$ 13,860	100%	0
2008	18,070	100%	0

An analysis of funding progress for each of the Arizona Public Safety Personnel Retirement System agent plans as of the most recent actuarial valuation follows. For this valuation, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported, these benefits are disaggregated and reported separately.

Valuation Date <u>June 30,</u>	(1) Valuation Value of <u>Assets</u>	(2) Actuarial Accrued Liability <u>(AAL)</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded AAL <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>(5)</u>	(6) Unfunded/ (Overfunded) AAL as a Percentage of Covered Payroll <u>(4)/(5)</u>
Police						
2003	\$13,421,537	\$17,507,107	76.7 %	\$ 4,085,570	\$ 3,224,009	126.7%
2004	13,166,987	18,892,985	69.7	5,725,998	2,985,970	191.8
2005	13,093,401	22,338,111	58.6	9,244,710	3,256,530	283.9
2006	13,235,811	25,407,296	52.1	12,171,485	3,923,713	310.2
2007	12,680,522	27,409,378	46.3	14,728,856	4,294,056	343.0
2008	12,812,487	27,027,889	47.4	14,215,402	4,296,379	330.9
Fire						
2003	\$18,500,014	\$ 19,967,900	92.6%	\$ 1,467,886	\$ 2,727,989	53.8%
2004	18,403,108	22,002,449	83.6	3,599,341	2,922,346	123.2
2005	18,547,038	24,917,704	74.4	6,370,666	3,165,228	201.3
2006	18,334,323	27,586,727	66.5	9,252,404	3,474,512	266.3
2007	18,277,316	30,982,052	59.0	12,704,736	3,709,276	342.5
2008	17,937,835	30,883,588	58.1	12,945,753	4,320,143	299.7

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

Actuarial Accrued Liability

Valuation Date <u>June 30,</u>	(1) Valuation Value of <u>Assets</u>	(2) Actuarial Accrued Liability <u>(AAL)</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded AAL <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>(5)</u>	(6) Unfunded/ (Overfunded) AAL as a Percentage of Covered Payroll <u>(4)/(5)</u>
Police						
2006	\$ -	\$ 979,168	- %	\$ 979,168	\$ 3,923,713	24.96%
2007	-	1,015,252	-	1,015,252	4,294,056	24.48
2008	-	923,699	-	923,699	4,296,379	21.50
Fire						
2006	\$ -	\$ 894,902	- %	\$ 894,902	\$ 3,474,512	25.76%
2007	-	902,019	-	902,019	3,709,276	24.32
2008	-	900,425	-	900,425	4,320,143	20.84

Annual Required Contribution

Valuation Date <u>June 30,</u>	Fiscal Year Ended <u>June 30,</u>	(1) Normal Cost <u>(1)</u>	(2) Actuarial Accrued Liability <u>(2)</u>	(3) Total <u>(1)+(2)</u>	(4) Dollar Amount Based on Covered Payroll <u>(4)</u>
Police					
2006	\$ -	\$ 979,168	- %	\$ 979,168	\$ 3,923,713
2007	-	1,015,252	-	1,015,252	4,294,056
2008	-	923,699	-	923,699	4,296,379
Fire					
2006	\$ -	\$ 894,902	- %	\$ 894,902	\$ 3,474,512
2007	-	902,019	-	902,019	3,709,276
2008	-	900,425	-	900,425	4,320,143

The Health Insurance Subsidy payments reported for fiscal year 2008 were \$22,931 for the Police plan and \$18,070 for the Fire plan.

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 \$1,237,819 reported in the solid waste enterprise fund as landfill closure and postclosure care liability at June 30, 2009, 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 \$5.0 million.

The City also has remaining construction commitments totaling \$2.0 million for various road projects and \$6.4 million for various water and sewer infrastructure at June 30, 2009.

N. Subsequent Events

The City received financing from the Water Finance Authority of Arizona in the amount of \$12.6 million for water improvements. A \$9 million loan will allow the City to construct new main lines, add a new pump station and purchase a new water storage tank. A second \$3.6 million loan will allow for a second line to enhance the existing supply line to the system and service area. \$4 million of the loan represents forgivable principal funding from the American Recovery and Reinvestment Act of 2009 (ARRA).



COMBINING STATEMENTS

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Highway User Fund

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

Capital Improvement Fund

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

Transient Lodging Tax Fund

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

Grants Fund

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

Impact Fees Fund

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

Miscellaneous Gift Trust Fund

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

DEBT SERVICE FUNDS

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

City of Prescott

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

CAPITAL PROJECTS FUNDS

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

Lakes Purchase Fund

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

Community Facilities Districts Fund

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

PERMANENT FUND

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

Acker Trust Fund

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

CITY OF PRESCOTT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds						Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	City of Prescott	Lakes Purchase	Community Facilities Districts	Acker Trust	
ASSETS											
Cash and short-term investments	\$ 195,108	\$ 7,495,700	\$ 61,899	75,971	\$ 3,049,031	\$ 219,516	\$ 199,042	\$ -	\$ 194,864	\$ 574,994	\$ 12,066,125
Accounts receivable (net)	-	-	44,109	-	-	-	-	-	-	-	44,109
Property taxes receivable	-	-	-	-	-	-	90,895	-	-	-	90,895
Special assessments receivable	-	-	-	-	-	-	2,067,247	-	-	-	2,067,247
Intergovernmental receivable	320,793	-	-	193,102	-	-	-	-	-	-	513,895
Interfund receivables	-	1,924,826	-	-	-	-	-	-	-	-	1,924,826
Miscellaneous receivable	-	-	-	-	-	-	58	-	-	-	58
Total assets	\$ 515,901	\$ 9,420,526	\$ 106,008	\$ 269,073	\$ 3,049,031	\$ 219,516	\$ 2,357,242	\$ -	\$ 194,864	\$ 574,994	\$ 16,707,155
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 28,043	\$ 26,751	\$ 43	\$ 3,174	\$ 35	\$ 857	\$ -	\$ -	\$ -	\$ -	\$ 58,903
Accrued expenditures	115,188	-	1,301	3,872	-	-	-	-	-	-	120,361
Interfund payable	-	-	-	-	511,042	-	-	-	-	-	511,042
Unearned revenue	-	-	-	251,632	-	-	-	-	-	-	251,632
Deferred revenue	-	-	-	-	-	-	2,133,131	-	-	-	2,133,131
Total liabilities	143,231	26,751	1,344	258,678	511,077	857	2,133,131	-	-	-	3,075,069
Fund Balances											
Fund balance:											
Reserved for:											
Capital projects	-	250,000	-	-	-	-	-	-	-	-	250,000
Interfund loans	-	1,924,826	-	-	-	-	-	-	-	-	1,924,826
Acker trust expenditures	-	-	-	-	-	-	-	-	-	574,994	574,994
Unreserved, reported in:											
Special revenue fund	372,670	7,218,949	104,664	10,395	2,537,954	218,659	-	-	-	-	10,463,291
Debt service fund	-	-	-	-	-	-	224,111	-	-	-	224,111
Capital projects fund	-	-	-	-	-	-	-	194,864	-	-	194,864
Total fund balances	372,670	9,393,775	104,664	10,395	2,537,954	218,659	224,111	-	194,864	574,994	13,632,086
Total liabilities and fund balances	\$ 515,901	\$ 9,420,526	\$ 106,008	\$ 269,073	\$ 3,049,031	\$ 219,516	\$ 2,357,242	\$ -	\$ 194,864	\$ 574,994	\$ 16,707,155

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2009

	Special Revenue Funds					Miscellaneous Gift Trust	Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Other Governmental Funds
	Highway User	Capital Improvement	Transient Lodging Tax	Grants	Impact Fees		City of Prescott	Lakes Purchase	Community Facilities Districts	Acker Trust	
Revenues											
Taxes	\$ -	\$ -	\$ 558,806	\$ -	\$ -	\$ -	\$ 1,923,713	\$ -	\$ -	\$ -	\$ 2,482,519
Intergovernmental revenues	3,415,987	-	-	920,210	-	-	-	-	-	-	4,336,197
Licenses and permits	230,591	-	-	-	316,364	-	-	-	-	-	546,955
Gifts and donations	-	-	47,666	-	-	122,458	-	-	-	-	170,124
Interest and investment income	9,069	389,344	3,223	7,483	130,147	115	158,087	7,632	510	43,984	749,594
Miscellaneous	35,265	26,072	-	-	-	-	300,942	-	-	-	362,279
Total revenues	3,690,912	415,416	609,695	927,693	446,511	122,573	2,382,742	7,632	510	43,984	8,647,668
Expenditures											
Current operating											
General government	-	2,012,746	-	5,000	-	3,232	-	-	-	-	2,020,978
Community services	-	-	383,863	184,612	-	-	-	-	-	-	568,475
Culture and recreation	-	-	68,094	60,750	-	10,205	-	-	-	5,000	144,049
Police and court	-	-	-	243,858	-	31,607	-	-	-	-	275,465
Fire	-	-	-	365,237	-	-	-	-	-	-	365,237
Public works	3,371,896	-	-	-	-	-	-	-	-	-	3,371,896
Capital outlay	434,550	1,564,318	223,968	286,274	-	-	-	-	7,019	-	2,516,129
Debt service - principal	-	-	-	-	-	-	1,907,151	-	-	-	1,907,151
Debt service - interest	-	-	-	-	-	-	445,440	-	-	-	445,440
Total expenditures	3,806,446	3,577,064	675,925	1,145,731	-	45,044	2,352,591	-	7,019	5,000	11,614,820
Excess (deficiency) of revenues over (under) expenditures	(115,534)	(3,161,648)	(66,230)	(218,038)	446,511	77,529	30,151	7,632	(6,509)	38,984	(2,967,152)
Other Financing Sources (Uses)											
Transfers in	-	2,440,018	-	191,932	391,034	-	-	-	-	-	3,022,984
Transfers out	-	(77,673)	-	-	(463,183)	(21,752)	-	(391,034)	-	-	(953,642)
Total other financing sources (uses)	-	2,362,345	-	191,932	(72,149)	(21,752)	-	(391,034)	-	-	2,069,342
Net change in fund balance	(115,534)	(799,303)	(66,230)	(26,106)	374,362	55,777	30,151	(383,402)	(6,509)	38,984	(897,810)
Fund balance - beginning	488,204	10,193,078	170,894	36,501	2,163,592	162,882	193,960	383,402	201,373	536,010	14,529,896
Fund balance - ending	\$ 372,670	\$ 9,393,775	\$ 104,664	\$ 10,395	\$ 2,537,954	\$ 218,659	\$ 224,111	\$ -	\$ 194,864	\$ 574,994	\$ 13,632,086

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

GOVERNMENTAL FUNDS

Special Revenue Funds

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

Debt Service Funds

- City of Prescott
- Community Facilities Districts

Capital Projects Funds

- Lakes purchase
- Community Facilities Districts

Permanent Fund

- Acker trust

CITY OF PRESCOTT, ARIZONA

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

Highway User Fund

For the year ended June 30, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Highway user revenue	\$ 3,703,311	\$ 3,703,311	\$ 3,024,565	\$ (678,746)
Local transportation assistance funds	192,368	192,368	182,749	(9,619)
Intergovernmental contributions	294,264	294,264	208,673	(85,591)
Total intergovernmental revenues	<u>4,189,943</u>	<u>4,189,943</u>	<u>3,415,987</u>	<u>(773,956)</u>
Licenses and permits	253,950	253,950	230,591	(23,359)
Interest and investment income	10,000	10,000	9,069	(931)
Miscellaneous	15,000	15,000	35,265	20,265
Total revenues	<u>4,468,893</u>	<u>4,468,893</u>	<u>3,690,912</u>	<u>(777,981)</u>
Expenditures				
Current operating				
Public works	3,615,866	3,615,866	3,371,896	243,970
Capital outlay	550,000	550,000	434,550	115,450
Total expenditures	<u>4,165,866</u>	<u>4,165,866</u>	<u>3,806,446</u>	<u>359,420</u>
Excess (deficiency) of revenues over expenditures	303,027	303,027	(115,534)	(418,561)
Fund balance - beginning	488,204	488,204	488,204	-
Fund balance - ending	<u>\$ 791,231</u>	<u>\$ 791,231</u>	<u>372,670</u>	<u>\$ (418,561)</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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 141,389	\$ 141,389	\$ 389,344	\$ 247,955
Miscellaneous	26,500	26,500	26,072	(428)
Total revenues	<u>167,889</u>	<u>167,889</u>	<u>415,416</u>	<u>247,527</u>
Expenditures				
Current operating				
General government	7,865,266	3,427,671	2,012,746	1,414,925
Capital outlay	3,294,945	3,294,945	1,564,318	1,730,627
Total expenditures	<u>11,160,211</u>	<u>6,722,616</u>	<u>3,577,064</u>	<u>3,145,552</u>
Excess (deficiency) of revenues over expenditures	<u>(10,992,322)</u>	<u>(6,554,727)</u>	<u>(3,161,648)</u>	<u>3,393,079</u>
Other Financing Sources (Uses)				
Transfers in	3,662,914	3,662,914	2,440,018	(1,222,896)
Debt issuance	-	-	-	-
Transfers out	<u>(559,292)</u>	<u>(559,292)</u>	<u>(77,673)</u>	<u>481,619</u>
Total other financing sources and uses	<u>3,103,622</u>	<u>3,103,622</u>	<u>2,362,345</u>	<u>(741,277)</u>
Net change in fund balances	(7,888,700)	(3,451,105)	(799,303)	7,089,397
Fund balance - beginning	10,193,078	10,193,078	10,193,078	-
Fund balance - ending	<u>\$ 2,304,378</u>	<u>\$ 6,741,973</u>	<u>\$ 9,393,775</u>	<u>\$ 7,089,397</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - transient lodging tax	\$ 680,715	\$ 680,715	\$ 558,806	\$ (121,909)
Interest and investment income	3,000	3,000	3,223	223
Gifts and donations	37,000	37,000	47,666	10,666
Total revenues	<u>720,715</u>	<u>720,715</u>	<u>609,695</u>	<u>(111,020)</u>
Expenditures				
Current operating - community services				
Other services and charges	490,520	490,520	383,863	106,657
Current operating - culture and recreation				
Other services and charges	35,625	35,625	68,094	(32,469)
Capital outlay	245,627	245,627	223,968	21,659
Total expenditures	<u>771,772</u>	<u>771,772</u>	<u>675,925</u>	<u>95,847</u>
Excess (deficiency) of revenues over expenditures	(51,057)	(51,057)	(66,230)	(15,173)
Fund balance - beginning	170,894	170,894	170,894	-
Fund balance - ending	<u>\$ 119,837</u>	<u>\$ 119,837</u>	<u>\$ 104,664</u>	<u>\$ (15,173)</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Intergovernmental revenues	\$ 5,209,423	\$ 5,209,423	\$ 920,210	\$ (4,289,213)
Interest and investment income	-	-	7,483	7,483
Total revenues	<u>5,209,423</u>	<u>5,209,423</u>	<u>927,693</u>	<u>(4,281,730)</u>
Expenditures				
Current operating - general government				
Supplies	50,000	50,000	-	50,000
Other services and charges	18,000	18,000	5,000	13,000
Total general government	<u>68,000</u>	<u>68,000</u>	<u>5,000</u>	<u>63,000</u>
Current operating - community services				
Personnel services	64,703	64,703	49,721	14,982
Supplies	20,800	20,800	7,953	12,847
Other services and charges	624,266	624,266	126,938	497,328
Total community services	<u>709,769</u>	<u>709,769</u>	<u>184,612</u>	<u>525,157</u>
Current operating - culture and recreation				
Supplies	113,021	113,021	-	113,021
Other services and charges	294,209	294,209	60,750	233,459
Total culture and recreation	<u>407,230</u>	<u>407,230</u>	<u>60,750</u>	<u>346,480</u>
Current operating - police and court				
Personnel services	-	-	71,601	(71,601)
Supplies	230,025	230,025	130,561	99,464
Other services and charges	284,800	284,800	41,696	243,104
Total police and court	<u>514,825</u>	<u>514,825</u>	<u>243,858</u>	<u>270,967</u>
Current operating - fire				
Personnel services	228,900	228,900	353,028	(124,128)
Supplies	17,930	17,930	3,261	14,669
Other services and charges	155,900	155,900	8,948	146,952
Total fire	<u>402,730</u>	<u>402,730</u>	<u>365,237</u>	<u>37,493</u>
Capital outlay	<u>3,808,528</u>	<u>3,808,528</u>	<u>286,274</u>	<u>3,522,254</u>
Total expenditures	<u>5,911,082</u>	<u>5,911,082</u>	<u>1,145,731</u>	<u>4,765,351</u>
Excess (deficiency) of revenues over expenditures	<u>(701,659)</u>	<u>(701,659)</u>	<u>(218,038)</u>	<u>483,621</u>
Other Financing Sources (Uses)				
Transfers in	581,159	581,159	191,932	(389,227)
Total other financing sources (uses)	<u>581,159</u>	<u>581,159</u>	<u>191,932</u>	<u>(389,227)</u>
Net change in fund balances	<u>(120,500)</u>	<u>(120,500)</u>	<u>(26,106)</u>	<u>94,394</u>
Fund balance - beginning	36,501	36,501	36,501	-
Fund balance - ending	<u>\$ (83,999)</u>	<u>\$ (83,999)</u>	<u>\$ 10,395</u>	<u>\$ 94,394</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits - impact fees	\$ 618,213	\$ 618,213	\$ 316,364	\$ (301,849)
Interest and investment income	102,700	102,700	130,147	27,447
Total revenues	<u>720,913</u>	<u>720,913</u>	<u>446,511</u>	<u>(274,402)</u>
Expenditures				
Capital outlay	223,200	223,200	-	223,200
Total expenditures	<u>223,200</u>	<u>223,200</u>	<u>-</u>	<u>223,200</u>
Excess (deficiency) of revenues over expenditures	<u>497,713</u>	<u>497,713</u>	<u>446,511</u>	<u>(51,202)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	391,034	391,034
Transfers out	(40,932)	(40,932)	(463,184)	(422,252)
Total other financing sources (uses)	<u>(40,932)</u>	<u>(40,932)</u>	<u>(72,150)</u>	<u>(31,218)</u>
Net change in fund balances	456,781	456,781	374,361	(82,420)
Fund balance - beginning	2,163,592	2,163,592	2,163,592	-
Fund balance - ending	<u>\$ 2,620,373</u>	<u>\$ 2,620,373</u>	<u>\$ 2,537,953</u>	<u>\$ (82,420)</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, 2009

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ 115	\$ 115
Gifts and donations	-	-	122,458	122,458
Total revenues	-	-	122,573	122,573
Expenditures				
General government supplies	-	-	3,232	(3,232)
General government other charges	75,000	75,000	-	75,000
Culture and recreation other charges	-	-	10,205	(10,205)
Police and court	-	-	31,607	(31,607)
Total expenditures	75,000	75,000	45,044	29,956
Excess (deficiency) of revenues over expenditures	(75,000)	(75,000)	77,529	152,529
Other Financing Sources (Uses)				
Transfers out	-	-	(21,752)	(21,752)
Total other financing sources (uses)	-	-	(21,752)	(21,752)
Net change in fund balances	(75,000)	(75,000)	55,777	130,777
Fund balance - beginning	162,882	162,882	162,882	-
Fund balance - ending	\$ 87,882	\$ 87,882	\$ 218,659	\$ 130,777

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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax revenue	\$ 1,923,785	\$ 1,923,785	\$ 1,923,713	\$ (72)
Interest and investment income	137,366	137,366	158,087	20,721
Miscellaneous	306,528	306,528	300,942	(5,586)
Total revenues	<u>2,367,679</u>	<u>2,367,679</u>	<u>2,382,742</u>	<u>15,063</u>
Expenditures				
Debt service				
Principal	1,907,151	1,907,151	1,907,151	-
Interest	446,901	446,901	445,440	1,461
Total expenditures	<u>2,354,052</u>	<u>2,354,052</u>	<u>2,352,591</u>	<u>1,461</u>
Excess (deficiency) of revenues over expenditures	13,627	13,627	30,151	16,524
Fund balance - beginning	193,960	193,960	193,960	-
Fund balance - ending	<u>\$ 207,587</u>	<u>\$ 207,587</u>	<u>\$ 224,111</u>	<u>\$ 16,524</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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 401,218	\$ 401,218
Miscellaneous	1,045,301	1,045,301	299,831	(745,470)
Total revenues	<u>1,045,301</u>	<u>1,045,301</u>	<u>701,049</u>	<u>(344,252)</u>
Expenditures				
Debt service				
Principal	572,857	572,857	370,000	202,857
Interest	472,444	472,444	375,425	97,019
Total expenditures	<u>1,045,301</u>	<u>1,045,301</u>	<u>745,425</u>	<u>299,876</u>
Excess (deficiency) of revenues over expenditures	-	-	(44,376)	(44,376)
Fund balance - beginning	<u>1,625,427</u>	<u>1,625,427</u>	<u>1,515,307</u>	<u>(110,120)</u>
Fund balance - ending	<u>\$ 1,625,427</u>	<u>\$ 1,625,427</u>	<u>\$ 1,470,931</u>	<u>\$ (154,496)</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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 7,632	\$ 7,632
Total revenues	-	-	7,632	7,632
Expenditures				
Capital outlay	50,152,426	50,152,426	-	50,152,426
Total expenditures	50,152,426	50,152,426	-	50,152,426
Excess (deficiency) of revenues over expenditures	(50,152,426)	(50,152,426)	7,632	50,160,058
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(391,034)	391,034
Total other financing sources (uses)	-	-	(391,034)	391,034
Net change in fund balances	(50,152,426)	(50,152,426)	(383,402)	50,551,092
Fund balance - beginning	383,402	383,402	383,402	-
Fund balance - ending	\$ (49,769,024)	\$ (49,769,024)	\$ -	\$ 50,551,092

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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ 510	\$ 510
Miscellaneous	60,000	60,000	-	(60,000)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>510</u>	<u>(59,490)</u>
Expenditures				
Capital outlay	60,000	60,000	7,019	52,981
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>7,019</u>	<u>52,981</u>
Excess (deficiency) of revenues over expenditures	-	-	(6,509)	(6,509)
Fund balance - beginning	203,429	203,429	201,373	(2,056)
Fund balance - ending	<u>\$ 203,429</u>	<u>\$ 203,429</u>	<u>\$ 194,864</u>	<u>\$ (8,565)</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, 2009

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 20,000	\$ 20,000	\$ 43,984	\$ 23,984
Real estate sales	-	-	-	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>43,984</u>	<u>23,984</u>
Expenditures				
Culture and recreation	<u>25,000</u>	<u>25,000</u>	<u>5,000</u>	<u>20,000</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>5,000</u>	<u>20,000</u>
Excess (deficiency) of revenues over expenditures	(5,000)	(5,000)	38,984	43,984
Fund balance - beginning	<u>536,010</u>	<u>536,010</u>	<u>536,010</u>	-
Fund balance - ending	<u>\$ 531,010</u>	<u>\$ 531,010</u>	<u>\$ 574,994</u>	<u>\$ 43,984</u>

COMBINING STATEMENTS Nonmajor Proprietary Funds

ENTERPRISE FUNDS

Parking garage

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

Golf course

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

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2009

	<u>Parking Garage</u>	<u>Golf Course</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,105	\$ -	\$ 1,105
Accounts receivable (net)	-	20,849	20,849
Inventory (at cost)	-	48,166	48,166
Total current assets	<u>1,105</u>	<u>69,015</u>	<u>70,120</u>
Noncurrent Assets			
Capital Assets			
Land and construction in process	-	1,963,554	1,963,554
Buildings	6,332,379	694,879	7,027,258
Improvements other than buildings	-	5,650,170	5,650,170
Machinery and equipment	-	1,868,093	1,868,093
Less accumulated depreciation	(474,922)	(3,505,481)	(3,980,403)
Total capital assets (net of accumulated depreciation)	<u>5,857,457</u>	<u>6,671,215</u>	<u>12,528,672</u>
Total noncurrent assets	<u>5,857,457</u>	<u>6,671,215</u>	<u>12,528,672</u>
Total assets	<u>5,858,562</u>	<u>6,740,230</u>	<u>12,598,792</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ -	\$ 15,113	\$ 15,113
Accrued expenses	829	100,459	101,288
Compensated absences - current	-	44,678	44,678
Advance customer payments	-	-	-
Interfund payable	-	2,270,779	2,270,779
Bonds payable - current	-	387,555	387,555
Loans payable - current	-	222,674	222,674
Deferred revenue - current	-	20,393	20,393
Total current liabilities	<u>829</u>	<u>3,061,651</u>	<u>3,062,480</u>
Noncurrent Liabilities			
Compensated absences	-	47,927	47,927
Interfund payable	-	3,974	3,974
Loans payable	-	466,979	466,979
Total noncurrent liabilities	<u>-</u>	<u>518,880</u>	<u>518,880</u>
Total liabilities	<u>829</u>	<u>3,580,531</u>	<u>3,581,360</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,857,457	5,594,007	11,451,464
Restricted for debt service	-	610,229	610,229
Unrestricted	276	(3,044,537)	(3,044,261)
Total net assets	<u>\$ 5,857,733</u>	<u>\$ 3,159,699</u>	<u>\$ 9,017,432</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Proprietary Funds

For the year ended June 30, 2009

	<u>Parking Garage</u>	<u>Golf Course</u>	<u>Totals</u>
Operating Revenues			
Golf course green fees	\$ -	\$ 1,424,299	\$ 1,424,299
Restaurant sales	-	758,050	758,050
Golf course rentals	-	516,524	516,524
Golf pro-shop sales	-	282,235	282,235
Other services	48,063	-	48,063
Miscellaneous	3,350	3,310	6,660
Total operating revenues	<u>51,413</u>	<u>2,984,418</u>	<u>3,035,831</u>
Operating Expenses			
Personnel services	24,552	1,414,552	1,439,104
Supplies	-	657,238	657,238
Other services and charges	62,021	655,899	717,920
Depreciation	158,304	355,132	513,436
Total operating expenses	<u>244,877</u>	<u>3,082,821</u>	<u>3,327,698</u>
Operating income (loss)	<u>(193,464)</u>	<u>(98,403)</u>	<u>(291,867)</u>
Non-Operating Revenues (Expenses)			
Interest and investment income	492	-	492
Interest expense	-	(77,754)	(77,754)
Net gain (loss) on disposal of assets	-	133,520	133,520
Total non-operating Revenues (expenses)	<u>492</u>	<u>55,766</u>	<u>56,258</u>
Income (loss) before contributions and transfers	(192,972)	(42,637)	(235,609)
Capital contribution	-	21,441	21,441
Change in net assets	<u>(192,972)</u>	<u>(21,196)</u>	<u>(214,168)</u>
Total net assets - beginning	6,050,705	3,180,895	9,231,600
Total net assets - ending	<u>\$ 5,857,733</u>	<u>\$ 3,159,699</u>	<u>\$ 9,017,432</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2009

	<u>Parking Garage</u>	<u>Golf Course</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 48,063	\$ 2,934,799	\$ 2,982,862
Cash payments to suppliers for goods and services	(65,816)	(1,374,666)	(1,440,482)
Cash payments to employees for services	(24,715)	(1,383,146)	(1,407,861)
Other operating receipts	3,350	3,310	6,660
Net cash provided by (used for) operating activities	<u>(39,118)</u>	<u>180,297</u>	<u>141,179</u>
Cash flows from noncapital financing activities:			
Repayments under interfund loan arrangement	-	7,417	7,417
Receipts (payments) under interfund loan arrangement	-	431,112	431,112
Interest paid on noncapital financing	-	(33,300)	(33,300)
Net cash provided by (used for) noncapital financing activity	<u>-</u>	<u>405,229</u>	<u>405,229</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(5,990)	(5,990)
Principal paid on capital financing	-	(819,808)	(819,808)
Interest paid on capital financing	-	(44,454)	(44,454)
Proceeds from sales of fixed assets	-	284,726	284,726
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(585,526)</u>	<u>(585,526)</u>
Cash flows from investing activities:			
Interest on investments	492	-	492
Net cash provided by (used for) investing activities	<u>492</u>	<u>-</u>	<u>492</u>
Net increase (decrease) in cash and cash equivalents	(38,626)	-	(38,626)
Cash and cash equivalents at July 1	39,731	-	39,731
Cash and cash equivalents at June 30	<u>\$ 1,105</u>	<u>\$ -</u>	<u>\$ 1,105</u>
Reconciliation to statement of net assets			
Cash and cash equivalents at June 30, unrestricted	\$ 1,105	\$ -	\$ 1,105
Total	<u>\$ 1,105</u>	<u>\$ -</u>	<u>\$ 1,105</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (193,464)	\$ (98,403)	\$ (291,867)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	158,304	355,132	513,436
Changes in assets and liabilities:			-
(Increase) decrease in accounts receivable	-	22,814	22,814
(Increase) decrease in inventory	-	22,011	22,011
Increase (decrease) in accounts payable	(3,795)	(83,540)	(87,335)
Increase (decrease) in accrued expenses	(163)	39,237	39,074
Increase (decrease) in compensated absences	-	(22,854)	(22,854)
Increase (decrease) in advance customer payments	-	(701)	(701)
Increase (decrease) in accrued vacation and sick payable	-	15,023	15,023
Increase (decrease) in deferred revenue	-	(68,422)	(68,422)
Total adjustments	<u>154,346</u>	<u>278,700</u>	<u>433,046</u>
Net cash provided by operating activities	<u>\$ (39,118)</u>	<u>\$ 180,297</u>	<u>\$ 141,179</u>
Noncash investing, capital and financing activities			
Borrowing under capital lease	\$ -	\$ 570,885	\$ 570,885
Contributions of capital assets from government	-	21,441	21,441
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ 592,326</u>	<u>\$ 592,326</u>

(1) The City entered into a time-pay agreement to purchase golf carts costing \$570,885 for the Golf Course Fund. There was no down payment and the monthly installments made on this borrowing amounted \$71,559 before year-end.

**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, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Water sales	\$ 11,353,348	\$ 11,353,348	\$ 10,716,675	\$ (636,673)
Water connection fees	270,000	270,000	200,451	(69,549)
Alternative water source fees	874,198	874,198	915,977	41,779
Alternative water impact fees	2,356,814	2,356,814	1,253,884	(1,102,930)
Interest and investment income	495,000	495,000	1,006,534	511,534
Issuance of debt	240,000	240,000	1,367,835	1,127,835
Grant revenue	15,120	15,120	4,434	(10,686)
Miscellaneous	95,000	95,000	61,771	(33,229)
Transfer in	-	-	101,526	101,526
Total revenues	<u>15,699,480</u>	<u>15,699,480</u>	<u>15,629,087</u>	<u>(70,393)</u>
Expenditures				
Personnel services	2,740,713	2,740,713	2,638,439	102,274
Supplies	541,480	541,480	536,445	5,035
Other services and charges	5,354,612	5,354,612	4,326,348	1,028,264
Capital expenditures	38,748,890	38,748,890	6,958,651	31,790,239
Debt service: principal	769,420	769,420	975,738	(206,318)
Debt service: interest	735,641	735,641	807,932	(72,291)
Transfer out	-	-	106,457	(106,457)
Total expenditures	<u>48,890,756</u>	<u>48,890,756</u>	<u>16,350,010</u>	<u>32,540,746</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (33,191,276)</u>	<u>\$ (33,191,276)</u>	<u>(720,923)</u>	<u>\$ 32,470,353</u>

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	6,877,202
Principal repayment	975,738
Issuance of debt	(1,367,835)
Sick and vacation accrual	(32,101)
Depreciation expense	(2,013,390)
Capital contributions	1,475,852
Change in net assets (GAAP basis)	<u>\$ 5,194,543</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Wastewater Enterprise Fund

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Wastewater service fees	\$ 5,987,982	\$ 5,987,982	\$ 5,679,623	\$ (308,359)
Wastewater connection fees	10,300	10,300	2,800	(7,500)
Effluent recharge fees	154,500	154,500	154,500	-
Interest and investment income	180,250	180,250	39,308	(140,942)
Issuance of debt	-	-	1,382,069	1,382,069
Grant revenue	-	-	141,991	141,991
Miscellaneous	438,000	438,000	485,673	47,673
Wastewater buy-in fees	1,107,940	1,107,940	256,067	(851,873)
Total revenues	<u>7,878,972</u>	<u>7,878,972</u>	<u>8,142,031</u>	<u>263,059</u>
Expenditures				
Personnel services	2,249,497	2,249,497	2,227,824	21,673
Supplies	508,310	508,310	495,670	12,640
Other services and charges	2,859,235	2,859,235	2,074,756	784,479
Capital expenditures	20,910,104	20,910,104	6,825,344	14,084,760
Debt service: principal	704,347	704,347	508,499	195,848
Debt service: interest	471,235	471,235	285,001	186,234
Transfer out	-	-	4,931	(4,931)
Total expenditures	<u>27,702,728</u>	<u>27,702,728</u>	<u>12,422,025</u>	<u>15,280,703</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (19,823,756)</u>	<u>\$ (19,823,756)</u>	<u>(4,279,994)</u>	<u>\$ 15,543,762</u>

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	6,710,844
Principal repayment	508,499
Issuance of debt	(1,382,069)
Sick and vacation accrual	(40,785)
Depreciation expense	(1,831,500)
Capital contributions	517,674
Change in net assets (GAAP basis)	<u>\$ 202,669</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Golf Course Enterprise Fund

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Golf course green fees	\$ 1,750,217	\$ 1,750,217	\$ 1,424,299	\$ (325,918)
Golf course rentals	697,816	697,816	516,524	(181,292)
Golf pro-shop sales	384,127	384,127	282,235	(101,892)
Restaurant sales	954,500	954,500	758,050	(196,450)
Proceeds from sales of assets	280,000	280,000	284,726	4,726
Issuance of debt	620,000	620,000	570,885	(49,115)
Miscellaneous	100,000	100,000	3,311	(96,689)
Total revenues	<u>4,786,660</u>	<u>4,786,660</u>	<u>3,840,030</u>	<u>(946,630)</u>
Expenditures				
Personnel services	1,484,515	1,484,515	1,422,384	62,131
Supplies	721,290	721,290	657,238	64,052
Other services and charges	743,159	743,159	655,899	87,260
Capital expenditures	620,000	620,000	576,875	43,125
Debt service: principal	798,248	798,248	819,808	(21,560)
Debt service: interest	103,672	103,672	77,754	25,918
Total expenditures	<u>4,470,884</u>	<u>4,470,884</u>	<u>4,209,958</u>	<u>260,926</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 315,776</u>	<u>\$ 315,776</u>	<u>(369,928)</u>	<u>\$ (685,704)</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			576,875	
Principal repayment			819,808	
Issuance of debt			(570,885)	
Capital contributions from government			21,441	
Sick and vacation accrual			7,832	
Net cost of disposal of assets			(151,207)	
Depreciation expense			(355,132)	
Change in net assets (GAAP basis)			<u>\$ (21,196)</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Airport Enterprise Fund

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Fuel sales and flowage fees	\$ 283,011	\$ 283,011	\$ 227,615	\$ (55,396)
Less: Cost of fuel sales	500	500	-	500
Net profit on fuel sales	282,511	282,511	227,615	(54,896)
Tie down and hangar rentals	1,201,545	1,201,545	1,085,269	(116,276)
Capital grant revenue	12,556,400	12,556,400	331,966	(12,224,434)
Interest and investment income	-	-	158	158
Miscellaneous	81,686	81,686	44,660	(37,026)
Transfer in	731,292	731,292	77,673	(653,619)
Proceeds from financing	861,450	861,450	-	(861,450)
Total revenues	15,714,884	15,714,884	1,767,341	(13,947,543)
Expenditures				
Personnel services	546,764	546,764	569,950	(23,186)
Supplies	58,800	58,800	57,152	1,648
Other services and charges	711,624	711,624	467,369	244,255
Capital expenditures	11,588,892	11,588,892	409,638	11,179,254
Debt service: principal	320,094	320,094	320,094	-
Debt service: interest	82,758	82,758	82,760	(2)
Total expenditures	13,308,932	13,308,932	1,906,963	11,401,969
Excess (deficiency) of revenues over expenditures	\$ 2,405,952	\$ 2,405,952	(139,622)	\$ (2,545,574)
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			409,640	
Principal repayment			320,094	
Sick and vacation accrual			(13,435)	
Depreciation expense			(915,354)	
Change in net assets (GAAP basis)			\$ (338,677)	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Solid Waste/Transfer Station Enterprise Fund

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Refuse collection fees	\$ 5,489,552	\$ 5,489,552	\$ 5,335,075	\$ (154,477)
Tipping fees	3,895,884	3,895,884	3,595,704	(300,180)
Interest and investment income	130,000	130,000	249,551	119,551
Grant revenue	30,000	30,000	29,938	(62)
Total revenues	<u>9,545,436</u>	<u>9,545,436</u>	<u>9,210,268</u>	<u>(335,168)</u>
Expenditures				
Personnel services	1,694,379	1,694,379	1,699,430	(5,051)
Supplies	758,500	758,500	601,582	156,918
Other services and charges	7,158,262	7,158,262	5,951,483	1,206,779
Capital expenditures	332,856	332,856	53,556	279,300
Debt service: principal	52,946	52,946	52,946	-
Debt service: interest	64,359	64,359	63,949	410
Transfer out	731,292	731,292	-	731,292
Total expenditures	<u>10,792,594</u>	<u>10,792,594</u>	<u>8,422,946</u>	<u>2,369,648</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,247,158)</u>	<u>\$ (1,247,158)</u>	787,322	<u>\$ 2,034,480</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			61,116	
Landfill closure accrual			57,452	
Sick and vacation accrual			(12,821)	
Depreciation expense			(168,631)	
Principal repayment			52,946	
Change in net assets (GAAP basis)			<u>\$ 777,384</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Parking Garage Enterprise Fund

For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Other services	\$ 70,600	\$ 70,600	\$ 48,063	\$ (22,537)
Interest and investment income	1,000	1,000	492	(508)
Miscellaneous	-	-	3,350	3,350
Total revenues	<u>71,600</u>	<u>71,600</u>	<u>51,905</u>	<u>(19,695)</u>
Expenditures				
Personnel services	24,833	24,833	24,552	281
Other services and charges	93,025	93,025	62,021	31,004
Total expenditures	<u>117,858</u>	<u>117,858</u>	<u>86,573</u>	<u>31,285</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (46,258)</u>	<u>\$ (46,258)</u>	<u>\$ (34,668)</u>	<u>\$ 11,590</u>
Reconciliation to Generally Accepted Accounting Principles				
Depreciation expense			(158,304)	
Change in net assets (GAAP basis)			<u>\$ (192,972)</u>	



COMBINING STATEMENTS

Internal Service Funds

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

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, 2009

ASSETS	Central Garage	General Self- Insurance	Engineering Services	Facilities Maintenance	Totals
Current Assets					
Cash and cash equivalents	\$ 5,874,259	\$ 3,103,530	\$ 113,313	\$ 239,308	\$ 9,330,410
Inventory at cost	235,232	-	-	-	235,232
Total current assets	<u>6,109,491</u>	<u>3,103,530</u>	<u>113,313</u>	<u>239,308</u>	<u>9,565,642</u>
Noncurrent Assets					
Restricted cash and cash equivalents					
Cash with fiscal agent	275,890	-	-	-	275,890
Total restricted assets	<u>275,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,890</u>
Capital Assets					
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	7,557,340	-	302,522	50,090	7,909,952
Total capital assets	<u>12,842,222</u>	<u>-</u>	<u>339,072</u>	<u>50,090</u>	<u>13,231,384</u>
Less accumulated depreciation	(2,447,242)	-	(200,841)	(28,510)	(2,676,593)
Net capital assets	<u>10,394,980</u>	<u>-</u>	<u>138,231</u>	<u>21,580</u>	<u>10,554,791</u>
Total assets	<u>16,780,361</u>	<u>3,103,530</u>	<u>251,544</u>	<u>260,888</u>	<u>20,396,323</u>
LIABILITIES					
Current Liabilities					
Accounts payable	1,084	228,674	1,548	205	231,511
Accrued expenses	28,838	-	70,298	19,286	118,422
Compensated absences - current	55,531	-	113,027	11,884	180,442
Bonds and assessments - current	184,752	-	-	-	184,752
Claims payable	-	2,311,984	-	-	2,311,984
Total current liabilities	<u>270,205</u>	<u>2,540,658</u>	<u>184,873</u>	<u>31,375</u>	<u>3,027,111</u>
Noncurrent Liabilities					
Compensated absences	116,132	-	455,877	37,279	609,288
Bonds and assessments payable	4,588,083	-	-	-	4,588,083
Total noncurrent liabilities	<u>4,704,215</u>	<u>-</u>	<u>455,877</u>	<u>37,279</u>	<u>5,197,371</u>
Total liabilities	<u>4,974,420</u>	<u>2,540,658</u>	<u>640,750</u>	<u>68,654</u>	<u>8,224,482</u>
Net Assets					
Invested in capital assets, net of related debt	5,622,145	-	138,231	21,580	5,781,956
Restricted for debt service	3,158,436	-	-	-	3,158,436
Unrestricted	3,025,360	562,872	(527,437)	170,654	3,231,449
Total net assets	<u>\$ 11,805,941</u>	<u>\$ 562,872</u>	<u>\$ (389,206)</u>	<u>\$ 192,234</u>	<u>\$ 12,171,841</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2009

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
Operating Revenues					
Other services	\$ 4,470,285	\$ 2,106,607	\$ 1,968,779	\$ 1,199,456	\$ 9,745,127
Miscellaneous	-	-	652	-	652
Total operating revenues	<u>4,470,285</u>	<u>2,106,607</u>	<u>1,969,431</u>	<u>1,199,456</u>	<u>9,745,779</u>
Operating Expenses					
Personnel services	652,662	268,670	1,844,415	446,102	3,211,849
Supplies	616,973	998	37,966	105,140	761,077
Other services and charges	338,522	832,876	321,706	504,668	1,997,772
Depreciation	713,380	-	19,920	3,221	736,521
Claims expense	-	650,482	-	-	650,482
Total operating expenses	<u>2,321,537</u>	<u>1,753,026</u>	<u>2,224,007</u>	<u>1,059,131</u>	<u>7,357,701</u>
Operating income (loss)	<u>2,148,748</u>	<u>353,581</u>	<u>(254,576)</u>	<u>140,325</u>	<u>2,388,078</u>
Non-operating Revenues (Expenses)					
Interest and investment income	222,348	112,621	2,238	9,454	346,661
Interest expense	(214,367)	-	-	-	(214,367)
Net gain (loss) on disposal of assets	115,331	-	-	-	115,331
Total non-operating revenues	<u>123,312</u>	<u>112,621</u>	<u>2,238</u>	<u>9,454</u>	<u>247,625</u>
Change in net assets	2,272,060	466,202	(252,338)	149,779	2,635,703
Total net assets - beginning	9,533,881	96,670	(136,868)	42,455	9,536,138
Total net assets - ending	<u>\$ 11,805,941</u>	<u>\$ 562,872</u>	<u>\$ (389,206)</u>	<u>\$ 192,234</u>	<u>\$ 12,171,841</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2009

	<u>Central Garage</u>	<u>General Self- Insurance</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 4,470,285	\$ 2,106,607
Cash payments to suppliers for goods and services	(1,014,293)	(1,600,826)
Cash payments to employees for services	(660,881)	(275,065)
Other operating receipts	-	-
Net cash provided by (used for) operating activities	<u>2,795,111</u>	<u>230,716</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(799,701)	-
Principal paid on capital financing	(177,054)	-
Interest paid on capital financing	(214,367)	-
Proceeds from sales of capital assets	127,529	-
Net cash provided by (used for) capital and related financing activities	<u>(1,063,593)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	222,348	112,623
Net cash provided by (used for) investing activities	<u>222,348</u>	<u>112,623</u>
Net increase (decrease) in cash and cash equivalents	1,953,866	343,339
Cash and cash equivalents - beginning	4,196,283	2,760,191
Cash and cash equivalents - ending	<u>\$ 6,150,149</u>	<u>\$ 3,103,530</u>
Reconciliation to statement of net assets		
Cash and cash equivalents at June 30, unrestricted	\$ 5,874,259	\$ 3,103,530
Cash and cash equivalents at June 30, restricted	275,890	-
Total	<u>\$ 6,150,149</u>	<u>\$ 3,103,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Operating income (loss)	\$ 2,148,748	\$ 353,581
Adjustments to reconcile operating income activities:		
Depreciation	713,380	-
Change in assets and liabilities:		
(Increase) decrease in inventory	7,159	-
Increase (decrease) in accounts payable	(65,957)	118,231
Increase (decrease) in accrued expenses	(28,773)	(6,395)
Increase (decrease) in compensated absences	20,554	-
Increase (decrease) in claims payable	-	(234,701)
Total adjustments	<u>646,363</u>	<u>(122,865)</u>
Net cash provided by (used for) operating activities	<u>\$ 2,795,111</u>	<u>\$ 230,716</u>

<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
\$ 1,968,779	\$ 1,199,456	\$ 9,745,127
(363,339)	(660,132)	(3,638,590)
(1,735,747)	(452,994)	(3,124,687)
652	-	652
<u>(129,655)</u>	<u>86,330</u>	<u>2,982,502</u>
-	-	(799,701)
-	-	(177,054)
-	-	(214,367)
-	-	127,529
<u>-</u>	<u>-</u>	<u>(1,063,593)</u>
2,240	9,450	346,661
<u>2,240</u>	<u>9,450</u>	<u>346,661</u>
(127,415)	95,780	2,265,570
240,728	143,528	7,340,730
<u>\$ 113,313</u>	<u>\$ 239,308</u>	<u>\$ 9,606,300</u>
\$ 113,313	\$ 239,308	\$ 9,330,410
-	-	275,890
<u>\$ 113,313</u>	<u>\$ 239,308</u>	<u>\$ 9,606,300</u>
\$ (254,576)	\$ 140,325	\$ 2,388,078
19,920	3,221	736,521
-	-	7,159
(3,667)	(50,324)	(1,717)
102,922	(1,249)	66,505
5,746	(5,643)	20,657
-	-	(234,701)
<u>124,921</u>	<u>(53,995)</u>	<u>594,424</u>
<u>\$ (129,655)</u>	<u>\$ 86,330</u>	<u>\$ 2,982,502</u>

CITY OF PRESCOTT, ARIZONA
Schedule of Revenues and Expenditures - Budget and Actual
Central Garage Internal Service Fund
For the year ended June 30, 2009

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other Services	\$ 4,301,785	\$ 4,301,785	\$ 4,470,285	\$ 168,500
Interest and investment income	100,000	100,000	222,348	122,348
Proceeds on sales of assets	80,000	80,000	127,529	47,529
Total revenues	<u>4,481,785</u>	<u>4,481,785</u>	<u>4,820,162</u>	<u>338,377</u>
Expenditures				
Personnel services	698,680	698,680	664,348	34,332
Supplies	636,950	636,950	616,973	19,977
Other services and charges	332,122	332,122	306,713	25,409
Capital expenditures	7,271,541	7,271,541	831,509	6,440,032
Debt service: principal	177,054	177,054	177,054	-
Debt service: interest	213,907	213,907	214,367	(460)
Total expenditures	<u>9,330,254</u>	<u>9,330,254</u>	<u>2,810,964</u>	<u>6,519,290</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,848,469)</u>	<u>\$ (4,848,469)</u>	2,009,198	<u>\$ 6,857,667</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			799,701	
Sick and vacation accrual			11,685	
Cost of assets transferred			(12,198)	
Principal repayment			177,054	
Depreciation			(713,380)	
Change in net assets (GAAP basis)			<u>\$ 2,272,060</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, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Other services	\$ 2,265,204	\$ 2,265,204	\$ 2,106,607	\$ (158,597)
Interest and investment income	20,000	20,000	112,621	92,621
Total revenues	<u>2,285,204</u>	<u>2,285,204</u>	<u>2,219,228</u>	<u>(65,976)</u>
Expenditures				
Personnel services	268,706	268,706	268,670	36
Supplies	2,725	2,725	998	1,727
Other services and charges	1,153,773	1,153,773	832,876	320,897
Claims expenditures	840,000	840,000	885,183	(45,183)
Total expenditures	<u>2,265,204</u>	<u>2,265,204</u>	<u>1,987,727</u>	<u>277,477</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 20,000</u>	<u>\$ 20,000</u>	231,501	<u>\$ 211,501</u>

Reconciliation to Generally Accepted Accounting Principles

Record actuarial report adjustment	234,701
	<u>\$ 466,202</u>

CITY OF PRESCOTT, ARIZONA
Schedule of Revenues and Expenditures - Budget and Actual
Engineering Services Internal Service Fund
For the year ended June 30, 2009

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Other services	\$ 2,355,110	\$ 2,355,110	\$ 1,968,779	\$ (386,331)
Interest and investment income	2,000	2,000	2,238	238
Miscellaneous	500	500	652	152
Total revenues	<u>2,357,610</u>	<u>2,357,610</u>	<u>1,971,669</u>	<u>(385,941)</u>
Expenditures				
Personnel services	1,959,212	1,959,212	1,731,919	227,293
Supplies	58,250	58,250	37,966	20,284
Other services and charges	340,148	340,148	321,706	18,442
Total expenditures	<u>2,357,610</u>	<u>2,357,610</u>	<u>2,091,591</u>	<u>266,019</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	(119,922)	<u>\$ (119,922)</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(112,496)	
Depreciation			(19,920)	
Change in net assets (GAAP basis)			<u>\$ (252,338)</u>	

CITY OF PRESCOTT, ARIZONA
Schedule of Revenues and Expenditures - Budget and Actual
Facilities Maintenance Internal Service Fund
For the year ended June 30, 2009

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other services	\$ 1,179,434	\$ 1,179,434	\$ 1,199,456	\$ 20,022
Interest and investment income	1,500	1,500	9,454	7,954
Total revenues	<u>1,180,934</u>	<u>1,180,934</u>	<u>1,208,910</u>	<u>27,976</u>
Expenditures				
Personnel services	529,238	529,238	455,964	73,274
Supplies	85,500	85,500	105,140	(19,640)
Other services and charges	564,256	564,256	504,825	59,431
Capital expenditures	-	-	(157)	157
Total expenditures	<u>1,178,994</u>	<u>1,178,994</u>	<u>1,065,772</u>	<u>113,222</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,940</u>	<u>\$ 1,940</u>	143,138	<u>\$ 141,198</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			9,862	
Depreciation			(3,221)	
Change in net assets (GAAP basis)			<u>\$ 149,779</u>	

Fiduciary Funds

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

County Justice Court Agency

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

CITY OF PRESCOTT, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2009

	Agency Funds			
	County Justice Court			
	Balance			Balance
	July 1, 2008	Additions	Deductions	June 30, 2009
ASSETS				
Cash and short-term investments	\$ 153,858	\$ 2,438,519	\$ 2,458,431	\$ 133,946
Total assets	<u>\$ 153,858</u>	<u>\$ 2,438,519</u>	<u>\$ 2,458,431</u>	<u>\$ 133,946</u>
LIABILITIES				
Due to other governments	\$ 153,858	\$ 2,438,519	\$ 2,458,431	\$ 133,946
Total liabilities	<u>\$ 153,858</u>	<u>\$ 2,438,519</u>	<u>\$ 2,458,431</u>	<u>\$ 133,946</u>



OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of General Obligation Bonds Payable
June 30, 2009

	Refunding & Municipal Facilities Bond <u>Series 1998</u>	Municipal Facilities Bond <u>Series 2007</u>	Total General Obligation Bonds
Interest rates	4.34%	various	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	10,915,000	250,000	11,165,000
Outstanding	4,980,000	1,260,000	6,240,000
Principal retirement:			
2010	1,155,000	135,000	1,290,000
2011	1,215,000	140,000	1,355,000
2012	1,275,000	150,000	1,425,000
2013	1,335,000	155,000	1,490,000
2014	-	160,000	160,000
2015	-	165,000	165,000
2016	-	175,000	175,000
2017	-	180,000	180,000

CITY OF PRESCOTT, ARIZONA

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

June 30, 2009

	Water, Sewer & Golf Course Imp. Refunding Bond Series 2004-G	Water & Sewer Improvement Bond Series 1998-F	Big Chino Ranch Series 2004-G	Central Garage & Transfer Station Series 2007	Total Bonds Payable
Interest rates	2.92%	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	3,650,000	2,530,000	995,000	425,000	7,600,000
Outstanding	700,000	3,630,000	11,530,000	6,200,000	22,060,000
Principal retirement:					
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, 2009

	Imp. District #161	Imp. District #162	Imp. District #163	Imp. District #164	Total Imp. District
Interest rates	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,609,936
Issued	124,096	1,920,000	2,470,000	95,840	4,609,936
Retired	99,883	980,000	1,420,000	30,265	2,530,148
Outstanding	24,213	940,000	1,050,000	65,575	2,079,788
Principal retirement:					
2010	12,107	140,000	175,000	5,044	332,151
2011	12,106	145,000	175,000	5,044	337,150
2012	-	150,000	175,000	5,044	330,044
2013	-	160,000	175,000	5,044	340,044
2014	-	170,000	175,000	5,044	350,044
2015	-	175,000	175,000	5,045	355,045
2016	-	-	-	5,044	5,044
2017	-	-	-	5,044	5,044
2018	-	-	-	5,044	5,044
2019	-	-	-	5,044	5,044
2020	-	-	-	5,044	5,044
2021	-	-	-	5,044	5,044
2022	-	-	-	5,046	5,046

CITY OF PRESCOTT, ARIZONA

Schedule of Community Facilities Districts Bonds Payable

June 30, 2009

	Hassayampa #1 Community Facilities Bonds Series 1996	Hassayampa #2 Community Facilities Bonds Series 2000	Total Community Facilities Bonds
Interest rates	7.75%	7.50%	N/A
Issue date	11/1/1996	2/1/2000	N/A
Final maturity date	7/1/2021	7/1/2024	N/A
Authorized	\$ 7,315,000	\$ 1,240,000	\$ 8,555,000
Issued	7,315,000	1,240,000	8,555,000
Retired	3,420,000	640,000	4,060,000
Outstanding	3,895,000	600,000	4,495,000
Principal retirement:			
2010	210,000	25,000	235,000
2011	225,000	25,000	250,000
2012	240,000	25,000	265,000
2013	260,000	30,000	290,000
2014	280,000	30,000	310,000
2015	300,000	35,000	335,000
2016	325,000	35,000	360,000
2017	350,000	40,000	390,000
2018	380,000	40,000	420,000
2019	410,000	45,000	455,000
2020	440,000	45,000	485,000
2021	475,000	50,000	525,000
2022	-	55,000	55,000
2023	-	60,000	60,000
2024	-	60,000	60,000

CITY OF PRESCOTT, ARIZONA
Schedule of Loans Payable
June 30, 2009

	Water Infrastructure Finance Authority <u>2007 Drinking Water Loan</u>	Water Infrastructure Finance Authority <u>2008 Clean Water Loan</u>	Total Loans <u>Payable</u>
Interest rates	3.64%	3.868%	N/A
Issue date	8/24/2007	8/24/2007	N/A
Final maturity date	7/1/2027	7/1/2027	N/A
Authorized	\$ 9,854,000	\$ 4,703,000	\$ 14,557,000
Issued	6,056,366	4,702,999	10,759,365
Retired	343,464	160,118	503,582
Outstanding	5,712,902	4,542,881	10,255,783
Principal retirement:			
2010	355,967	166,311	522,278
2011	368,924	172,742	541,666
2012	382,353	179,424	561,777
2013	396,270	186,363	582,633
2014	410,695	196,571	607,266
2015	425,644	201,057	626,701
2016	441,137	208,833	649,970
2017	457,195	216,909	674,104
2018	473,836	225,300	699,136
2019	491,084	234,012	725,096
2020	508,960	243,062	752,022
2021	527,486	252,463	779,949
2022	473,351	262,227	735,578
2023	-	272,369	272,369
2024	-	282,902	282,902
2025	-	293,844	293,844
2026	-	305,208	305,208
2027	-	317,012	317,012
2028	-	326,272	326,272

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 eight fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities								
Invested in capital assets, net of related debt	\$150.0	\$151.8	\$163.0	\$177.9	\$184.8	\$203.7	\$257.6	\$266.1
Restricted	36.4	43.7	45.4	43.9	50.2	31.4	22.0	14.5
Unrestricted	5.3	6.5	7.7	8.9	11.6	33.3	18.9	21.3
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>	<u>298.5</u>	<u>301.9</u>
Business-type activities								
Invested in capital assets, net of related debt	102.2	110.0	115.9	129.6	148.8	162.0	170.1	179.7
Restricted	8.0	4.9	4.5	7.1	7.6	9.4	11.0	10.3
Unrestricted	11.7	11.8	14.2	15.4	14.2	10.6	12.0	8.4
Total business-type activities net assets	<u>121.9</u>	<u>126.7</u>	<u>134.6</u>	<u>152.1</u>	<u>170.6</u>	<u>182.0</u>	<u>193.1</u>	<u>198.4</u>
Primary government								
Invested in capital assets, net of related debt	252.2	261.8	278.9	307.5	333.6	365.7	427.7	445.8
Restricted	44.4	48.6	49.9	51.0	57.8	40.8	33.0	24.8
Unrestricted	17.0	18.3	21.9	24.3	25.8	43.9	30.9	29.7
Total primary government net assets	<u>\$313.6</u>	<u>\$328.7</u>	<u>\$350.7</u>	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>	<u>\$491.6</u>	<u>\$500.3</u>

Source: City of Prescott finance department

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table IIa

Statistical Section - Financial Trends

Changes in Net Assets

Last eight fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses								
Governmental Activities:								
General government	\$ 4,518,316	\$ 3,798,901	\$ 5,552,612	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607	\$ 2,795,027	\$ 4,729,659
Community services	1,984,672	2,083,451	2,147,067	2,504,447	2,409,814	3,215,988	2,753,553	2,496,954
Culture and recreation	4,414,069	4,724,473	5,412,480	5,323,256	6,177,208	6,688,038	7,423,431	7,128,215
Public Safety								
Police and court	-	7,774,898	8,154,036	8,888,639	10,615,068	11,871,859	12,708,979	11,577,275
Fire	-	5,410,325	5,883,210	6,221,770	7,069,541	7,392,504	8,154,199	8,136,035
Total public safety (1)	<u>11,897,746</u>	<u>13,185,223</u>	<u>14,037,246</u>	<u>15,110,409</u>	<u>17,684,609</u>	<u>19,264,363</u>	<u>20,863,178</u>	<u>19,713,310</u>
Public Works	9,152,996	10,859,477	11,131,614	10,964,098	14,483,522	16,078,254	16,900,857	17,504,910
Interest on long-term debt	1,468,910	1,359,238	1,263,727	1,161,057	1,087,363	1,003,567	1,195,481	1,055,002
Total governmental activities expenses	<u>33,436,709</u>	<u>36,010,763</u>	<u>39,544,746</u>	<u>40,966,808</u>	<u>47,929,166</u>	<u>50,672,817</u>	<u>51,931,527</u>	<u>52,628,050</u>
Business-type Activities:								
Water	6,132,824	6,634,008	6,958,715	7,384,458	8,163,189	9,910,947	10,251,868	10,398,324
Wastewater	4,586,322	4,754,234	4,660,494	5,801,765	6,100,960	6,363,510	7,415,592	7,070,036
Golf course	2,118,559	2,031,656	2,147,973	1,971,548	2,629,179	3,219,774	3,539,999	3,027,055
Airport	3,332,768	3,649,511	3,619,357	4,324,540	5,052,283	4,716,619	4,101,413	2,106,018
Solid waste (2)	4,741,566	3,526,496	3,888,569	4,792,152	4,931,475	4,970,215	5,223,966	8,432,884
Transfer station (2)	2,749,348	3,152,264	3,503,582	3,697,857	3,705,833	4,093,191	4,029,674	-
Total solid waste/transfer station (2)	<u>7,490,914</u>	<u>6,678,760</u>	<u>7,392,151</u>	<u>8,490,009</u>	<u>8,637,308</u>	<u>9,063,406</u>	<u>9,253,640</u>	<u>8,432,884</u>
Parking garage	-	660	400	-	102,270	251,831	250,970	244,877
Total business-type activities expenses	<u>23,661,387</u>	<u>23,748,829</u>	<u>24,779,090</u>	<u>27,972,320</u>	<u>30,685,189</u>	<u>33,526,087</u>	<u>34,813,482</u>	<u>31,279,194</u>
Total primary government expenses	<u>\$57,098,096</u>	<u>\$59,759,592</u>	<u>\$64,323,836</u>	<u>\$68,939,128</u>	<u>\$78,614,355</u>	<u>\$84,198,904</u>	<u>\$86,745,009</u>	<u>\$83,907,244</u>

Source: City of Prescott finance department

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

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

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table IIb

Statistical Section - Financial Trends

Changes in Net Assets

Last eight fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Program Revenue								
Governmental Activities:								
Charges for services:								
General government (3)	\$ 1,065,663	\$ 1,365,986	\$ 1,328,746	\$ 1,709,487	\$ 1,704,995	\$ 373,184	\$ 424,522	\$ 287,233
Community services (3)	300,514	303,604	316,299	386,522	329,140	1,012,016	759,032	557,381
Culture and recreation	1,136,251	1,501,425	1,219,762	1,474,204	1,342,645	1,106,163	828,718	676,388
Public Safety								
Police and court	-	677,483	873,926	1,075,633	1,637,260	1,735,625	1,810,533	2,029,268
Fire	-	669,730	746,516	542,502	542,641	593,633	653,650	393,231
Total public safety (1)	630,012	1,347,213	1,620,442	1,618,135	2,179,901	2,329,258	2,464,183	2,422,499
Public Works	512,842	601,140	618,700	680,346	750,987	451,537	314,725	270,456
Operating grants and contributions	7,081,311	3,960,189	4,879,585	4,841,655	4,536,312	5,110,022	5,320,140	4,680,179
Capital grants and contributions	905,334	2,575,571	6,296,262	2,761,682	13,509,535	10,003,889	12,437,202	2,009,069
Total governmental activities program revenues	11,631,927	11,655,128	16,279,796	13,472,031	24,353,515	20,386,069	22,548,522	10,903,205
Business-type Activities:								
Charges for services:								
Water	6,578,870	6,991,854	7,133,069	8,667,426	9,472,952	9,439,229	12,371,505	11,833,103
Wastewater	3,805,400	3,908,024	3,894,327	4,146,635	4,139,815	4,406,795	4,485,370	5,836,923
Golf course	2,423,769	2,149,134	2,162,487	2,218,301	2,570,842	3,382,094	3,257,411	2,981,108
Airport	2,819,818	2,997,688	3,226,483	3,834,834	4,472,618	4,127,668	3,350,194	1,312,884
Solid waste (4)	3,970,025	4,142,580	4,394,885	4,764,901	5,301,908	5,651,499	5,725,438	8,930,779
Transfer station (4)	2,772,425	3,131,601	3,430,790	3,768,809	4,217,447	4,047,899	3,481,693	-
Total solid waste/transfer station (4)	6,742,450	7,274,181	7,825,675	8,533,710	9,519,355	9,699,398	9,207,131	8,930,779
Parking garage (2)	-	-	-	-	64,632	58,527	58,072	48,063
Capital grants and contributions	5,815,099	4,116,293	7,731,228	15,913,794	11,398,193	11,426,649	11,443,754	3,995,467
Total business-type activities program revenues	28,185,406	27,437,174	31,973,269	43,314,700	41,638,407	42,540,360	44,173,437	34,938,327
Total primary government revenues	\$39,817,333	\$39,092,302	\$48,253,065	\$56,786,731	\$65,991,922	\$62,926,429	\$66,721,959	\$45,841,532
Net (Expense)/Revenue								
Governmental activities	\$ (21,804,782)	\$ (24,355,635)	\$ (23,264,950)	\$ (27,494,777)	\$ (23,575,651)	\$ (30,286,748)	\$ (29,383,005)	\$ (41,724,845)
Business-type activities	4,524,019	3,688,345	7,194,179	15,342,380	10,953,218	9,014,273	9,359,955	3,659,133
Total primary government net expense	\$ (17,280,763)	\$ (20,667,290)	\$ (16,070,771)	\$ (12,152,397)	\$ (12,622,433)	\$ (21,272,475)	\$ (20,023,050)	\$ (38,065,712)

Source: City of Prescott finance department

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

(2) Parking garage opened in fiscal year 2006.

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

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

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table IIc

Statistical Section - Financial Trends

Changes in Net Assets

Last eight fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental revenues and other changes in net assets								
Governmental Activities:								
Taxes:								
Property taxes, levied for general purposes	\$ 825,330	\$ 826,858	\$ 898,810	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323	\$ 1,156,383	\$ 1,211,716
Property taxes, levied for debt service	1,680,005	1,680,721	1,676,385	1,688,385	1,690,354	1,708,876	1,909,468	1,935,447
Utility franchise taxes	1,008,081	1,020,608	1,147,098	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388
City privilege and use tax, general purposes	9,615,252	10,126,355	11,835,113	13,215,116	15,129,080	15,810,057	14,975,742	12,794,026
City privilege and use tax, major street and open space program	9,270,390	9,872,177	11,517,650	12,918,249	14,731,785	15,333,864	14,365,539	12,157,858
Transient lodging tax	307,300	301,900	326,387	359,928	417,001	437,770	529,488	558,806
Intergovernmental revenues - unrestricted	8,746,519	8,840,065	8,416,354	8,816,640	10,124,341	11,614,540	12,528,123	12,205,058
Interest and investment income	1,936,527	1,425,352	935,209	2,036,084	1,790,200	3,728,455	3,015,995	2,070,231
Gain (loss) on sale of property (1)	-	-	-	-	-	-	8,595,744	164,217
Miscellaneous	1,578,550	595,506	636,217	1,317,671	818,055	875,139	546,570	618,265
Transfers	(106,471)	(54,356)	(25,072)	(350,377)	(6,345,662)	(83,037)	300,237	(67,811)
Total governmental activities	<u>34,861,483</u>	<u>34,635,186</u>	<u>37,364,151</u>	<u>42,240,803</u>	<u>40,768,577</u>	<u>52,035,059</u>	<u>59,487,172</u>	<u>45,215,201</u>
Business-type Activities:								
Interest and investment income	633,461	436,335	103,650	715,632	676,194	1,691,475	1,846,596	1,296,043
Gain (loss) on sale of property	-	-	-	-	-	-	(921,677)	-
Miscellaneous	684,847	607,466	597,869	1,022,528	839,545	636,048	732,782	598,764
Transfers	106,471	54,356	25,072	350,377	6,345,662	83,037	(300,237)	67,811
Total business-type activities	<u>1,424,779</u>	<u>1,098,157</u>	<u>726,591</u>	<u>2,088,537</u>	<u>7,861,401</u>	<u>2,410,560</u>	<u>1,357,464</u>	<u>1,962,618</u>
Total primary government	<u>\$36,286,262</u>	<u>\$35,733,343</u>	<u>\$38,090,742</u>	<u>\$44,329,340</u>	<u>\$48,629,978</u>	<u>\$54,445,619</u>	<u>\$60,844,636</u>	<u>\$47,177,819</u>
Change in net assets								
Governmental activities	\$ 13,056,701	\$ 10,279,551	\$ 14,099,201	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311	\$ 30,104,167	\$ 3,490,356
Business-type activities	5,948,798	4,786,502	7,920,770	17,430,917	18,814,619	11,424,833	10,717,419	5,621,751
Total primary government	<u>\$ 19,005,499</u>	<u>\$ 15,066,053</u>	<u>\$ 22,019,971</u>	<u>\$ 32,176,943</u>	<u>\$ 36,007,545</u>	<u>\$ 33,173,144</u>	<u>\$ 40,821,586</u>	<u>\$ 9,112,107</u>

Source: City of Prescott finance department

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

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Assets

Last eight 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	Transfers, Gains(losses) and Miscellaneous	Total		
2002	\$ 3,645,282	\$ 7,081,311	\$ 905,334	\$ 11,631,927	\$ 22,706,358	\$ 8,746,519	\$ 1,936,527	\$ 1,578,550	\$ 34,967,954	\$ 46,599,881	\$ 13,056,701
2003	5,119,368	3,960,189	2,575,571	11,655,128	23,828,619	8,840,065	1,425,352	595,506	34,689,542	46,344,670	10,279,551
2004	5,103,949	4,879,585	6,296,262	16,279,796	27,401,443	8,416,354	935,209	636,217	37,389,223	53,669,019	14,099,201
2005	5,868,694	4,841,655	2,761,682	13,472,031	30,420,785	8,816,640	2,036,084	1,317,671	42,591,180	56,063,211	14,746,026
2006	6,307,668	4,536,312	13,509,535	24,353,515	34,381,643	10,124,341	1,790,200	818,055	47,114,239	71,467,754	17,192,926
2007	5,272,158	5,110,022	10,003,889	20,386,069	35,899,962	11,614,540	3,728,455	875,139	52,118,096	72,504,165	21,748,311
2008	4,791,180	5,320,140	12,437,202	22,548,522	34,500,503	12,528,123	3,015,997	9,442,551	59,487,174	82,035,696	30,104,167
2009	4,213,957	4,680,179	2,009,069	10,903,205	30,225,241	12,205,058	2,070,231	714,671	45,215,201	56,118,406	3,490,356

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 eight fiscal years

Business-type activities:															
<i>Program Revenues</i>											<i>General Revenues</i>				
Charges for Services															
<u>Fiscal Year</u>	<u>Water</u>	<u>Waste Water</u>	<u>Golf</u>	<u>Airport</u>	<u>Solid Waste (1)</u>	<u>Transfer Station (1)</u>	<u>Total Solid Waste/ Transfer Station (1)</u>	<u>Parking Garage</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>	<u>Interest</u>	<u>Transfers, Gains (losses) and Miscellaneous</u>	<u>Total</u>	<u>Total Program and General Revenue</u>	<u>Total Net Revenue/ Change in Net Assets</u>
2002	\$ 6,578,870	\$ 3,805,400	\$ 2,423,769	\$ 2,819,818	\$ 3,970,025	\$ 2,772,425	\$ 6,742,450	\$ -	\$ 5,815,099	\$ 28,185,406	\$ 633,461	\$ 684,847	\$ 1,318,308	\$ 29,503,714	\$ 5,948,798
2003	6,991,854	3,908,024	2,149,134	2,997,688	4,142,580	3,131,601	7,274,181	-	4,116,293	27,437,174	436,335	607,466	1,043,801	28,480,975	4,786,502
2004	7,133,069	3,894,327	2,162,487	3,226,483	4,394,885	3,430,790	7,825,675	-	7,731,228	31,973,269	103,650	597,869	701,519	32,674,788	7,920,770
2005	8,667,426	4,146,635	2,218,301	3,834,834	4,764,901	3,768,809	8,533,710	-	15,913,794	43,314,700	715,632	1,022,528	1,738,160	45,052,860	17,430,917
2006	9,472,952	4,139,815	2,570,842	4,472,618	5,301,908	4,217,447	9,519,355	64,632	11,398,193	41,638,407	676,194	839,545	1,515,739	43,154,146	18,814,619
2007	9,439,229	4,406,795	3,382,094	4,127,668	5,651,499	4,047,899	9,699,398	58,527	11,426,649	42,540,360	1,691,475	636,048	2,327,523	44,867,883	11,424,833
2008	12,371,505	4,485,370	3,257,411	3,350,194	5,725,438	3,481,693	9,207,131	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419
2009	11,833,103	5,836,923	2,981,108	1,312,884	8,930,779	-	8,930,779	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751

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

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 eight fiscal years

Fiscal Year	Primary government activities:													
	Program Revenues				General Revenues								Total Program and General Revenue	Total Net Revenue/ Change in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest	Transfers, Gains (losses) and Miscellaneous	Total					
2002	\$ 26,015,589	\$ 7,081,311	\$ 6,720,433	\$ 39,817,333	\$ 22,706,358	\$ 8,746,519	\$ 2,569,988	\$ 2,263,397	\$ 36,286,262	\$ 76,103,595	\$ 19,005,499			
2003	28,440,249	3,960,189	6,691,864	39,092,302	23,828,619	8,840,065	1,861,687	1,202,972	35,733,343	74,825,645	15,066,053			
2004	29,345,990	4,879,585	14,027,490	48,253,065	27,401,443	8,416,354	1,038,859	1,234,086	38,090,742	86,343,807	22,019,971			
2005	33,269,600	4,841,655	18,675,476	56,786,731	30,420,785	8,816,640	2,751,716	2,340,199	44,329,340	101,116,071	32,176,943			
2006	36,547,882	4,536,312	24,907,728	65,991,922	34,381,643	10,124,341	2,466,394	1,657,600	48,629,978	114,621,900	36,007,545			
2007	36,385,869	5,110,022	21,430,538	62,926,429	35,899,962	11,614,540	5,419,930	1,511,187	54,445,619	117,372,048	33,173,144			
2008	37,520,863	5,320,140	23,880,956	66,721,959	34,500,503	12,528,123	4,862,591	8,953,419	60,844,636	127,566,595	40,821,586			
2009	35,156,817	4,680,179	6,004,536	45,841,532	30,225,241	12,205,058	3,366,274	1,381,246	47,177,819	93,019,351	9,112,107			

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 eight fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities								
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959	\$507,384	\$619,226
Community services	846,264	960,756	410,900	607,916	885,113	2,230,826	1,054,549	650,134
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219	2,653,076	1,865,462	1,062,952	677,148
Police and court	1,555,080	1,438,315	1,607,611	1,331,412	2,075,968	2,172,971	2,102,735	2,284,453
Fire (1)	-	851,011	1,074,515	725,709	767,928	894,621	914,572	641,707
Public works	6,987,283	5,523,263	9,505,148	6,342,288	16,247,372	12,824,230	16,906,330	6,030,537
Total governmental activities program revenues	<u>\$11,631,927</u>	<u>\$11,655,128</u>	<u>\$16,279,796</u>	<u>\$13,472,031</u>	<u>\$24,353,515</u>	<u>\$20,386,069</u>	<u>\$22,548,522</u>	<u>\$10,903,205</u>

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.

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

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 eight fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund								
Excess of revenues over expenditures	\$3.3	\$3.6	\$3.6	\$5.2	\$5.6	\$5.6	\$2.4	\$0.9
Other Financing Sources (Uses)								
Lease proceeds	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.3
Transfers in	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers out	(2.4)	(0.7)	(3.1)	(3.5)	(4.4)	(6.5)	(2.0)	(1.5)
Total other financing sources (uses)	(2.3)	(0.7)	(3.1)	(3.5)	(3.7)	(6.5)	(2.0)	(1.2)
Net change in fund balance	1.0	2.9	0.5	1.7	1.9	-0.9	0.4	-0.3
Beginning fund balance	3.9	4.9	7.8	8.3	10.0	12.7	11.7	12.1
Prior period adjustment	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Beginning fund balance - as restated	3.9	4.9	7.8	8.3	10.8	12.7	11.7	12.1
Ending fund balance	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.0</u>	<u>12.7</u>	<u>11.8</u>	<u>12.1</u>	<u>11.8</u>
Reserved	0.7	3.2	2.8	3.2	2.1	1.4	1.8	4.3
Unreserved	4.2	4.6	5.5	6.8	10.6	10.2	10.3	7.6
Total general fund balance	<u>\$4.9</u>	<u>\$7.8</u>	<u>\$8.3</u>	<u>\$10.0</u>	<u>\$12.7</u>	<u>\$11.6</u>	<u>\$12.1</u>	<u>\$11.9</u>
All Other Governmental Funds								
Excess (deficiency) of revenues over expenditures	(\$1.7)	\$4.8	(\$0.3)	(\$3.9)	\$0.4	(\$7.5)	(\$12.8)	(\$9.4)
Other Financing Sources (Uses)								
Bond issuances	-	-	-	-	-	1.5	0.0	0.0
Transfers in	2.8	1.8	3.9	3.8	6.8	8.4	3.4	3.0
Transfers out	(0.7)	(1.1)	(1.0)	(1.0)	(2.5)	(1.9)	(1.5)	(1.7)
Total other financing sources (uses)	2.1	0.7	2.9	2.8	4.3	8.0	1.9	1.3
Net change in fund balance	0.4	5.5	2.6	(1.1)	4.7	0.5	(10.9)	(8.1)
Beginning fund balance	23.8	24.2	29.7	32.3	31.3	36.0	36.5	25.6
Ending fund balance	<u>24.2</u>	<u>29.7</u>	<u>32.3</u>	<u>31.3</u>	<u>36.0</u>	<u>36.5</u>	<u>25.6</u>	<u>17.5</u>
Reserved for dedicated purposes	0.6	0.5	0.5	0.5	0.5	0.5	1.8	4.2
Unreserved, reported in:								
Special revenue funds	20.1	26.2	29.3	29.2	34.1	33.3	21.5	11.4
Debt service funds	1.3	1.4	1.4	1.7	1.7	2.0	1.7	1.7
Capital projects funds	2.2	1.6	1.1	(0.1)	(0.3)	0.7	0.6	0.2
Total all other governmental funds fund balance	<u>\$24.2</u>	<u>\$29.7</u>	<u>\$32.3</u>	<u>\$31.3</u>	<u>\$36.0</u>	<u>\$36.5</u>	<u>\$25.6</u>	<u>\$17.5</u>
Total general and other governmental funds - fund balance	<u>\$29.1</u>	<u>\$37.5</u>	<u>\$40.6</u>	<u>\$41.3</u>	<u>\$48.7</u>	<u>\$48.1</u>	<u>\$37.7</u>	<u>\$29.4</u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last eight fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues								
Taxes	\$ 22,706,358	\$ 23,845,928	\$ 27,418,458	\$ 30,433,859	\$ 34,401,134	\$ 35,899,318	\$ 34,475,231	\$ 30,205,330
Intergovernmental revenues	16,326,996	13,514,966	14,104,448	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795
Licenses and permits	2,387,963	3,170,195	2,615,347	3,661,079	3,892,462	1,537,880	1,142,050	810,813
Charges for services	858,072	1,436,338	1,761,234	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556
Fines and forfeitures	399,247	512,835	727,368	907,993	1,480,324	1,534,587	1,719,170	1,967,588
Gifts and donations	122,981	38,857	233,426	91,205	102,716	51,284	59,882	170,124
Interest and investment income	1,830,934	1,383,229	925,387	1,944,433	1,690,663	3,431,739	2,644,168	1,723,524
Miscellaneous	1,455,569	1,167,515	1,273,092	1,980,566	2,138,267	1,283,031	1,634,095	1,155,665
Total revenues	<u>46,088,120</u>	<u>45,069,863</u>	<u>49,058,760</u>	<u>55,473,482</u>	<u>60,421,560</u>	<u>63,676,276</u>	<u>62,047,057</u>	<u>54,490,395</u>
Expenditures								
General government	\$ 3,507,893	\$ 3,112,805	3,664,500	4,639,844	5,911,150	5,677,646	6,193,642	5,351,470
Community services	1,737,515	1,921,862	2,152,142	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629
Culture and recreation	3,880,000	4,152,052	4,125,700	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515
Police and court	11,044,795	7,328,394	7,873,737	8,516,869	10,336,021	11,672,399	12,533,337	12,578,003
Fire		5,098,237	5,358,362	5,817,037	6,413,599	7,091,353	7,931,941	7,874,563
Public works	2,247,948	2,691,222	2,934,571	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896
Capital outlay	18,965,560	9,193,799	16,399,864	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447
Debt service - principal	1,653,723	1,843,153	1,952,003	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953
Debt service - interest	1,467,968	1,358,938	1,263,420	1,160,334	1,084,915	1,000,152	959,565	840,589
Total expenditures	<u>44,505,402</u>	<u>36,700,462</u>	<u>45,724,299</u>	<u>54,158,220</u>	<u>54,428,319</u>	<u>65,572,291</u>	<u>72,406,904</u>	<u>63,042,065</u>
Excess of Revenues over (under) Expenditures	1,582,718	8,369,401	3,334,461	1,315,262	5,993,241	(1,896,015)	(10,359,847)	(8,551,670)
Other Financing Sources (Uses)								
Bond issuances						1,524,974	-	-
Capital leases					734,000	-	-	250,000
Transfers in	2,927,174	1,763,447	3,933,148	3,856,870	6,830,592	8,362,823	3,362,326	3,044,736
Transfers out	(3,033,645)	(1,817,802)	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)	(3,112,547)
Total other financing sources (uses)	<u>(106,471)</u>	<u>(54,355)</u>	<u>(161,912)</u>	<u>(680,877)</u>	<u>629,067</u>	<u>1,456,540</u>	<u>(196,203)</u>	<u>182,189</u>
Net change in fund balances	<u>1,476,247</u>	<u>8,315,046</u>	<u>3,172,549</u>	<u>634,385</u>	<u>6,622,308</u>	<u>(439,475)</u>	<u>(10,556,050)</u>	<u>(8,369,481)</u>
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	11.0%	9.0%	8.7%	6.8%	9.5%	7.1%

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.

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

CITY OF PRESCOTT, ARIZONA

Table 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							
2000	\$ 2,864,098	\$ 1,103,357	\$ 3,264,115	\$ 8,989,091	\$ -	\$ 1,881,707	\$ 18,102,368	\$ 11,787,515	\$ 454,214	\$ -	\$ 30,344,097	n/a
2001	3,289,431	1,345,762	3,391,994	9,855,935	-	2,081,956	19,965,078	31,695,096	53,863	-	51,714,037	n/a
2002	3,507,893	1,737,515	3,880,000	11,044,795	-	2,247,948	22,418,151	18,965,560	1,653,723	1,467,968	44,505,402	12%
2003	3,112,805	1,921,862	4,152,052	7,328,394	5,098,237	2,691,222	24,304,572	9,193,799	1,843,153	1,358,938	36,700,462	11.6%
2004	3,664,500	2,152,142	4,125,700	7,873,737	5,358,362	2,934,571	26,109,012	16,399,864	1,952,003	1,263,420	45,724,299	11.0%
2005	4,639,844	2,314,246	4,735,603	8,516,869	5,817,037	3,145,141	29,168,740	22,109,095	1,720,051	1,160,334	54,158,220	9.0%
2006	5,911,150	2,190,852	5,607,706	10,336,021	6,413,599	3,650,496	34,109,824	17,074,369	2,159,211	1,084,915	54,428,319	8.7%
2007	5,677,646	2,641,295	6,038,931	11,672,399	7,091,353	3,986,169	37,107,793	25,464,042	2,000,304	1,000,152	65,572,291	6.8%
2008	6,193,642	2,926,188	6,257,768	12,533,337	7,931,941	3,606,011	39,448,887	29,327,591	2,670,861	959,565	72,406,904	9.5%
2009	5,351,470	2,685,629	6,065,515	12,578,003	7,874,563	3,371,896	37,927,076	21,813,447	2,460,953	840,589	63,042,065	7.1%

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>Miscellaneous</u>	<u>Total</u>
2000	\$ 18,177,798	\$ 13,818,155	\$ 1,564,969	\$ 692,733	\$ 379,949	\$ 1,480,055	\$ 674,791	\$ 36,788,450
2001	19,220,526	14,967,912	1,561,537	733,362	362,102	2,078,477	741,371	39,665,287
2002	22,706,358	16,326,996	2,387,963	858,072	399,247	1,830,934	1,455,569	45,965,139
2003	23,845,928	13,514,966	3,170,195	1,436,338	512,835	1,383,229	1,206,372	45,069,863
2004	27,418,458	14,104,448	2,615,347	1,761,234	727,368	925,387	1,506,518	49,058,760
2005	30,433,859	15,154,725	3,661,079	1,299,622	907,993	1,944,433	2,071,771	55,473,482
2006	34,401,134	15,381,132	3,892,462	1,334,862	1,480,324	1,690,663	2,240,983	60,421,560
2007	35,899,318	17,738,746	1,537,880	2,199,691	1,534,587	3,431,739	1,334,315	63,676,276
2008	34,475,231	18,442,502	1,142,050	1,929,959	1,719,170	2,644,168	1,693,977	62,047,057
2009	30,205,330	17,021,795	810,813	1,435,556	1,967,588	1,723,524	1,325,789	54,490,395

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						
2000	P	\$ -	\$ 249,063,290	\$ 13,489,333	\$ 16,413,953	\$ 278,966,576	\$ 45,528,479	\$ 233,438,097	-3.0%	\$ 2,092,232,685	\$8.2047
	S	119,583,499	153,161,018	13,474,471	16,428,815	302,647,803	43,444,813	259,202,990	5.8%	2,265,959,664	1.4691
2001	P	-	270,767,262	15,084,880	18,406,551	304,258,693	22,070,164	282,188,529	20.9%	2,274,048,212	7.8270
	S	124,002,003	164,506,274	15,051,055	18,437,147	321,996,479	24,843,875	297,152,604	14.6%	2,401,274,248	1.4810
2002	P	-	298,523,370	16,568,026	20,270,308	335,361,704	23,276,557	312,085,147	10.6%	2,512,369,029	7.5298
	S	128,101,429	185,985,911	16,559,405	20,270,308	350,917,053	25,009,576	325,907,477	9.7%	2,621,445,412	1.7228
2003	P	-	325,807,051	16,215,575	22,171,331	364,193,957	23,875,505	340,318,452	9.0%	2,740,841,490	7.5540
	S	131,615,879	209,475,582	16,230,175	22,171,331	379,492,967	25,227,311	354,265,656	8.7%	2,847,617,642	1.6541
2004	P	-	369,580,785	15,003,540	24,730,430	409,314,755	24,574,660	384,740,095	13.1%	3,059,452,688	7.6004
	S	159,328,874	239,175,556	15,003,540	24,730,430	438,238,400	26,873,584	411,364,816	16.1%	3,232,742,974	1.4420
2005	P	-	409,982,059	14,665,909	20,921,184	445,569,152	25,723,206	419,845,946	9.1%	3,366,027,959	7.4160
	S	174,363,451	265,094,752	14,670,567	20,921,184	475,049,954	27,239,856	447,810,098	8.9%	3,548,266,877	0.9915
2006	P	-	454,345,973	16,408,454	21,047,306	491,801,733	24,805,656	466,996,077	11.2%	3,744,454,238	7.0503
	S	181,287,420	304,464,222	16,408,431	21,047,306	523,207,379	25,981,170	497,226,209	11.0%	3,974,902,455	0.7977
2007	P	-	506,912,059	13,598,953	22,706,169	543,217,181	25,815,170	517,402,011	10.8%	4,201,772,704	6.4839
	S	187,957,316	354,231,282	13,598,953	22,706,169	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	-	571,868,029	16,970,497	22,767,721	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	219,399,458	413,148,579	16,969,721	22,767,721	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640
2009	P	-	654,867,092	16,367,533	23,305,137	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	307,050,409	505,741,499	16,367,533	23,305,137	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770

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)							
2000	P	\$ 0.3169	\$ 4.1210	\$ 1.5294	\$ 2.2374	\$ -	\$ 8.2047
	S	0.5067	0.4216	0.0956	0.4452	-	1.4691
2001	P	0.2906	3.8751	1.5330	2.1283	-	7.8270
	S	0.5592	0.3989	0.0875	0.4354	-	1.4810
2002	P	0.2627	3.6306	1.5325	2.1040	-	7.5298
	S	0.5121	0.3658	0.4163	0.4286	-	1.7228
2003	P	0.2522	3.6222	1.5835	2.0961	-	7.5540
	S	0.4707	0.3583	0.3954	0.4297	-	1.6541
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.6004
	S	0.4072	0.2935	0.3106	0.4307	-	1.4420
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.4160
	S	0.3763	0.2857	0.2888	0.4069	-	0.9915
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.0503
	S	0.3413	0.2687	0.2614	0.4034	-	0.7977
2007	P	0.2182	3.1797	1.4308	1.6552	-	6.4839
	S	0.3093	0.2709	0.2265	0.3898	-	1.1965
2008	P	0.1991	2.9608	1.3397	1.5292	-	6.0288
	S	0.2982	0.2262	0.1828	0.3568	-	1.0640
2009	P	0.1839	2.7477	1.1989	1.3683	-	5.4988
	S	0.2396	0.0504	0.1405	0.3465	-	0.7770
Tax Levies							
2000	P	\$ 820,000	\$ 14,650,581	\$ 16,779,826	\$ 24,547,733	\$ -	\$ 56,798,140
	S	1,411,354	1,659,543	1,135,081	4,869,938	-	9,075,916
2001	P	820,000	15,065,840	18,109,635	25,141,805	-	59,137,280
	S	1,661,716	1,670,688	1,091,840	5,059,091	-	9,483,335
2002	P	820,000	15,596,853	19,630,398	26,951,447	-	62,998,698
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	14,310,793
2003	P	858,120	16,979,781	21,980,482	29,096,384	-	68,914,767
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	15,017,086
2004	P	929,147	18,984,254	23,771,406	32,649,944	-	76,334,751
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	14,792,880
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	82,928,572
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	15,453,297
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	89,331,795
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	16,523,444
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,016,267
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	17,468,813
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	95,777,302
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	18,918,115
2009	P	1,214,192	25,284,657	35,424,260	40,429,914	-	102,353,023
	S	1,939,408	588,540	5,264,245	12,399,561	-	20,191,754

The portion of the 2008-09 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,214,192	\$ 18,156,887	\$ 7,922,793	\$ 9,042,330	\$ -	\$ 36,336,202
	S	1,939,408	408,482	1,138,094	2,680,701	-	6,166,685
Percent	P	100%	71.8%	22.4%	22.4%	-	35.5%
	S	100%	69.4%	21.6%	21.6%	-	30.5%

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	2008/2009			1999/2000		
		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	\$ 13,169,789	1	1.6%	\$ 7,893,164	1	2.8%
TWC II Prescott Mall LLC	Shopping center	8,883,966	2	1.1%			
Qwest Corporation / US West	Telecommunications	4,814,047	3	0.6%	4,923,070	3	1.8%
Unisource Energy Corporation	Gas utility	4,649,705	4	0.6%	5,472,353	2	2.0%
First American Title	Title	3,279,895	5	0.4%			
Bonanza LLC - Ponderosa Plaza	Shopping center	3,176,489	6	0.4%	2,082,658	4	0.8%
Wal-Mart	Shopping Center	3,123,904	7	0.4%			
Lowes	Retail	2,658,469	8	0.3%			
LFRV LLC (Las Fuentes)	Commercial rental	2,527,254	9	0.3%	1,724,157	5	0.6%
Wal-Mart 5303	Shopping center	2,123,813	10	0.3%			
1000 Morse LTD UI (Willow Creek Plaza)	Shopping center				1,232,234	8	0.4%
Costco	Shopping center				1,537,671	6	0.6%
Irvington/Prescott LLC	Shopping center				1,533,576	7	0.6%
Prescotonian Motel	Motel				1,108,951	9	0.4%
Smiths Management Corporation	Grocery store				968,652	10	0.4%
Total		\$ 48,407,331		6.0%	\$ 28,476,486		10.2%

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>
2000	\$ 2,231,354	\$ 2,161,688	96.9%	\$ 28,029	\$ 2,189,717	98.1%	\$ 133,837	6.0%
2001	2,481,716	2,445,577	98.5%	19,762	2,465,339	99.3%	150,214	6.1%
2002	2,489,115	2,428,916	97.6%	39,658	2,468,574	99.2%	170,755	6.9%
2003	2,525,735	2,402,338	95.1%	79,912	2,482,250	98.3%	193,699	7.7%
2004	2,604,022	2,580,873	99.1%	48,567	2,629,440	101.0%	145,337	5.6%
2005	2,685,518	2,677,274	99.7%	34,941	2,712,215	101.0%	118,640	4.4%
2006	2,745,431	2,725,807	99.3%	33,699	2,759,506	100.5%	104,565	3.8%
2007	2,835,796	2,815,931	99.3%	29,790	2,845,721	100.3%	94,640	3.3%
2008	3,076,772	2,984,844	97.0%	34,633	3,052,109	99.2%	119,303	3.9%
2009	3,153,600	3,053,820	96.8%	73,432	3,126,766	99.1%	146,137	4.6%

Source: Yavapai County treasurer's office

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

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

Penalties are not recorded in the above collection figures.

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

CITY OF PRESCOTT, ARIZONA

Table XV

Statistical Section - Revenue Capacity

Property Tax Information

Tax Rate Limitation

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

Assessments

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

Taxes Due

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

Payable

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

Tax Sales

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

Tax Deed

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

Redemption

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

CITY OF PRESCOTT, ARIZONA

Table XVI

Statistical Section - Revenue Capacity

Tax Revenues by Source

Last ten fiscal years

<u>Fiscal Year</u>	<u>Total Tax Per Capita</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Privilege and Use Taxes</u>	<u>Additional 1% Privilege Tax (1)</u>	<u>Franchise Taxes</u>	<u>Transient Lodging Tax (2)</u>
2000	\$581	\$ 19,494,931	\$ 2,161,034	\$ 8,289,438	\$ 7,999,852	\$ 778,302	\$ 266,305
2001	615	20,865,681	2,462,504	8,705,838	8,445,405	960,603	291,331
2002	634	22,706,358	2,505,335	9,615,252	9,270,390	1,008,081	307,300
2003	656	23,845,928	2,524,888	10,126,355	9,872,177	1,020,608	301,900
2004	718	27,418,458	2,592,210	11,835,113	11,517,650	1,147,098	326,387
2005	757	30,433,859	2,704,676	13,215,116	12,918,249	1,235,890	359,928
2006	838	34,401,134	2,753,961	15,129,080	14,731,785	1,369,307	417,001
2007	853	35,899,318	2,829,555	15,810,057	15,333,864	1,488,072	437,770
2008	798	34,475,231	3,040,579	14,975,742	14,365,539	1,563,883	529,488
2009	698	30,205,330	3,127,252	12,794,026	12,157,858	1,567,388	558,806

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	Automotive	Construction	General Merchandise	Misc. Retail	Food Stores	Real Estate				Business Services	Furniture	Hotel & Motel			All Other		Total	Tax Rate	Top 10 as percentage to Total
						Rentals	Restaurants & Bars	Utilities	Commun-ications			Motel	Printing	Apparel	Other				
2000	\$124,739,691	\$104,695,997	\$98,866,858	\$91,437,880	\$85,734,413	\$63,133,219	\$50,445,774	\$35,206,623	\$32,355,201	\$24,805,751	\$19,629,326	\$16,687,877	\$17,910,909	\$7,898,882	\$32,078,518	\$805,626,919	2%	29%	
2001	121,341,182	131,930,266	100,489,135	100,312,340	86,333,711	69,185,620	50,674,772	39,934,785	34,331,735	26,783,580	17,862,870	17,233,341	17,106,846	7,141,110	32,883,233	853,544,526	2%	28%	
2002	136,333,290	154,467,159	118,190,428	105,748,135	86,026,584	72,592,687	53,544,387	48,808,891	33,566,891	26,417,224	18,888,190	19,615,264	16,857,074	9,764,782	36,300,917	937,121,903	2%	24%	
2003	154,945,794	142,172,896	131,270,398	109,836,419	89,060,155	79,503,263	58,555,851	46,581,908	33,645,178	26,539,070	25,167,507	19,119,481	18,161,694	13,852,217	40,219,648	988,631,479	2%	28%	
2004	182,502,741	169,760,812	192,381,804	120,809,690	96,292,469	85,530,789	60,635,063	48,629,410	33,896,483	27,665,158	25,324,216	20,248,084	16,718,696	15,008,164	43,453,018	1,138,856,597	2%	29%	
2005	211,529,204	202,047,222	251,059,469	136,654,086	100,186,426	89,353,937	66,913,229	53,176,362	32,236,998	33,348,721	32,293,206	22,349,436	17,922,992	16,187,744	48,248,017	1,313,507,049	2%	28%	
2006	237,947,384	224,080,037	286,561,856	157,055,001	105,112,216	99,702,102	76,329,871	61,349,829	33,464,157	42,910,975	32,968,047	24,811,014	19,509,210	20,256,945	61,371,213	1,483,429,857	2%	30%	
2007	235,601,776	232,753,428	302,466,249	181,360,404	109,816,116	108,328,979	78,296,083	66,445,466	37,670,888	48,178,263	30,057,454	26,879,306	19,349,151	20,365,523	58,740,411	1,556,309,497	2%	27%	
2008	200,605,355	192,820,303	293,517,155	170,201,249	115,485,940	111,387,240	80,020,919	72,175,319	35,865,096	43,084,867	31,632,316	28,931,608	17,305,584	17,565,009	70,638,920	1,481,236,880	2%	33%	
2009	129,980,802	123,304,413	277,310,939	149,515,749	113,439,648	122,565,186	79,819,342	72,665,071	33,398,267	34,585,343	20,437,055	22,514,583	13,367,312	14,260,787	65,156,364	1,272,320,861	2%	35%	

Top 10 Taxpayers

FY 2009		FY 2000	
Arizona Public Service		Albertson's Food Stores	
Best Buy		Arizona Public Service	
Costco		Costco	
Frys Food & Drug		Fry's Food & Drug	
Lamb Chevrolet		Galpin Ford	
Lowes		Lamb Chevrolet	
Safeway		Qwest Corporation	
Tim's Buick Pontiac Toyota		Safeway Stores, Inc.	
UNS Gas, Inc.		Tim's Buick-Pontiac	
Wal-Mart		York Car Company	
Percent of Total Privilege Tax Collected	35%	Percent of Total Privilege Tax Collected:	29%

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table XVIII

Statistical Section - Revenue Capacity

Privilege Tax Overlapping Rates

Last ten fiscal years

<u>Fiscal Year</u>	<u>Prescott Privilege Tax General</u>	<u>Prescott Privilege Tax - Roads & Open Space (1)</u>	<u>Yavapai County Privilege Tax (3)</u>	<u>State of Arizona Privilege Tax</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
2000	1.00%	1.00%	0.50%	5.00%	7.50%	2.00%
2001	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2002	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2003	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2004	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2006	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%

Source: City of Prescott finance department

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

(2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City. This rate was increased to 3% on January 1, 2008.

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

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities				Business-type Activities						Total Debt to Personal Income	Adjusted Total Debt to Personal Income		
	Community		Municipal		General		Landfill Closure	Lease Purchase	Total Primary Government	Debt Per Capita			Adjusted Debt Per Capita (1)	
	General Obligation Bonds	Facilities District Bonds	Lease Purchase Contracts	Special Assessment Bonds	Properties Corporation Bonds	Obligation Bonds								Loans Payable (2)
2000	\$ 15,800,000	\$ 7,780,000	\$ 185,670	\$ 245,528	\$ 14,705,000	\$ -	\$ -	\$ 469,008	\$ 5,053,404	\$ 44,238,610	\$ 1,317	\$ 1,078	1.33%	1.09%
2001	14,840,000	7,550,000	144,418	4,602,063	13,530,000	-	-	469,008	4,047,226	45,182,715	1,331	973	1.26%	0.92%
2002	13,815,000	7,280,000	99,898	4,287,860	15,245,000	-	-	1,200,000	4,784,488	46,712,246	1,304	981	1.26%	0.95%
2003	12,730,000	6,889,000	51,852	3,967,753	10,500,000	-	-	1,191,364	4,186,452	39,516,421	1,086	788	1.01%	0.73%
2004	11,590,000	6,460,000	-	3,733,442	9,600,000	-	-	1,183,396	3,589,083	36,155,921	947	680	0.82%	0.59%
2005	10,395,000	6,270,000	-	3,398,392	21,355,000	-	-	1,178,442	3,640,013	46,236,847	1,149	909	1.04%	0.83%
2006	9,140,000	5,765,000	666,940	3,066,241	20,050,000	-	-	1,337,800	4,144,260	44,170,241	1,076	861	1.00%	0.80%
2007	9,335,000	5,560,000	528,787	2,724,090	25,330,000	-	-	1,324,670	3,436,504	48,239,051	1,146	949	1.09%	0.90%
2008	7,825,000	4,865,000	385,076	2,401,941	23,730,000	-	8,249,461	1,295,271	2,253,982	51,005,731	1,180	1,012	0.92%	0.79%
2009	6,240,000	4,495,000	451,174	2,079,788	22,060,000	-	10,255,783	1,237,819	2,354,008	49,173,572	1,136	984	0.84%	0.73%

Source: City of Prescott finance department

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

Population information can be found on Table XXVII. 2008 and 2009 percentage columns are based on 2007 personal income amounts. The 2008 and 2009 personal income amounts were not available.

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

(2) In 2008 the City entered into contracts with the Water Infrastructure Finance Authority (WIFA) for the financing of several drinking and clean water projects. The total amount authorized was \$14,557,000. \$10,759,365 has been drawn down through June 30, 2009.

CITY OF PRESCOTT, ARIZONA

Table XX

Statistical Section - Debt Capacity

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita (1)</u>
2000	\$ 259,202,990	\$ 15,800,000	\$ -	\$ 15,800,000	6.1%	\$471
2001	297,152,604	14,840,000	-	14,840,000	5.0%	437
2002	325,907,477	13,815,000	-	13,815,000	4.2%	386
2003	354,265,656	12,730,000	-	12,730,000	3.6%	350
2004	411,364,816	11,590,000	-	11,590,000	2.8%	304
2005	447,810,098	10,395,000	-	10,395,000	2.3%	258
2006	497,226,209	9,140,000	-	9,140,000	1.8%	223
2007	551,843,276	9,335,000	-	9,335,000	1.7%	222
2008	642,466,094	7,825,000	-	7,825,000	1.2%	181
2009	809,994,831	6,240,000	-	6,240,000	0.8%	144

Source: City of Prescott finance department

(1) Population information is shown on table XXVII.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XXI

Statistical Section - Debt Capacity

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>GO Bond Principal</u>	<u>GO Bond Interest</u>	<u>GO Bond Debt Service (1)</u>	<u>General Expenditures</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to Total General Expenditures</u>
2000	\$ 280,000	\$ 1,131,353	\$ 1,411,353	\$ 30,344,097	\$ 30,344,097	4.7%
2001	960,000	701,715	1,661,715	51,714,037	51,714,037	3.2%
2002	1,025,000	644,115	1,726,715	44,505,402	44,505,402	3.9%
2003	1,085,000	582,615	1,667,615	36,700,462	36,700,462	4.5%
2004	1,140,000	534,875	1,674,875	45,724,299	45,724,299	3.7%
2005	1,195,000	489,275	1,684,275	54,158,220	54,158,220	3.1%
2006	1,255,000	441,475	1,696,475	54,428,319	54,428,319	3.1%
2007	1,315,000	391,275	1,706,275	65,572,291	65,572,291	2.6%
2008	1,510,000	404,276	1,914,276	72,406,904	72,406,904	2.6%
2009	1,585,000	337,285	1,922,285	63,042,065	63,042,065	3.0%

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table XXII

Statistical Section - Debt Capacity

Schedule of Water and Wastewater Revenue Bond Coverage

Last ten fiscal years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2000	\$ 10,194,379	\$ 5,855,785	\$ 4,338,594
2001	10,461,178	6,171,567	4,289,611
2002	10,909,306	7,057,951	3,851,355
2003	14,510,866	11,388,242	3,122,624
2004	17,341,679	11,619,209	5,722,470
2005	27,905,262	13,186,223	14,719,039
2006	23,481,340	14,264,149	9,217,191
2007	24,792,698	16,274,457	8,518,241
2008	28,075,001	17,667,460	10,407,541
2009	21,282,148	17,468,360	3,813,788

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA
 Table XXIII
 Statistical Section - Debt Capacity
 Direct and Overlapping Debt
 June 30, 2009

	<u>Net Bonds Outstanding</u>	<u>Percentage Applicable to Prescott (1)</u>	<u>Amount Applicable to Prescott</u>
<u>Direct Debt</u>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 6,240,000	100.0%	<u>\$ 6,240,000</u>
Total direct debt			<u>6,240,000</u>
<u>Overlapping Debt</u>			
Yavapai Community College District	50,470,000	22.4%	11,287,839
Prescott Unified School District	158,480,000	71.8%	<u>113,804,331</u>
Total overlapping debt			<u>125,092,170</u>
Total direct & overlapping debt			<u>\$ 131,332,170</u>

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

	<u>Total Assessed Valuation</u>	<u>Valuation in Prescott</u>	<u>Percent in Prescott</u>
<u>Taxing District</u>			
Yavapai Community College District	\$ 2,954,598,732	\$ 660,809,115	22.4%
Prescott Unified School District	920,220,065	660,809,115	71.8%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA
Table XXIV
Statistical Section - Debt Capacity
Legal Debt Margins
June 30, 2009

	<u>General Obligation Bonds</u>	
	<u>All Others</u>	<u>Water & Wastewater</u>
	<u>6% (1)</u>	<u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2008-09 secondary assessed valuation \$809,994,831)	\$ 48,599,690	\$ 161,998,966
<u>Outstanding Debt</u>		
Municipal facilities & refunding bond series 1998	-	6,240,000
Total outstanding debt	-	6,240,000
Total margin available	\$ 48,599,690	\$ 155,758,966
Total debt applicable to the limit as a percentage of the debt limit	0.0%	3.9%

Source: City of Prescott finance department

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

(2) Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and wastewater services and recreational and playground facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

Computation of Debt Margin Highway User Tax Bonds

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

Highway user tax revenue FY 2008-09	\$ 3,024,565
Percent of margin	50%
Highway user margin	1,512,283
Bond principal due FY 2008-2009	-
Bond interest due FY 2008-2009	-
Margin available	\$ 1,512,283

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Obligation Bonds 6% limit (1)	\$ 16,713	\$ 17,829	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548	\$ 48,600
Outstanding debt subject to limit	2,405	2,405	2,155	1,885	1,605	1,315	1,010	690	-	-
Total margin available	<u>\$ 14,308</u>	<u>\$ 15,424</u>	<u>\$ 17,399</u>	<u>\$ 19,371</u>	<u>\$ 23,077</u>	<u>\$ 25,554</u>	<u>\$ 28,824</u>	<u>\$ 32,421</u>	<u>\$ 38,548</u>	<u>\$ 48,600</u>
Total debt applicable to the limit as a percentage of the debt limit	14.4%	13.5%	11.0%	8.9%	6.5%	4.9%	3.4%	2.1%	0.0%	0.0%
Water & Wastewater 20% limit (2)	\$ 55,710	\$ 59,431	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493	\$ 161,999
Outstanding debt subject to limit	13,395	12,435	11,660	10,845	9,985	9,080	8,130	8,645	7,825	6,240
Total margin available	<u>\$ 42,315</u>	<u>\$ 46,996</u>	<u>\$ 53,521</u>	<u>\$ 60,008</u>	<u>\$ 72,288</u>	<u>\$ 80,482</u>	<u>\$ 91,315</u>	<u>\$ 101,724</u>	<u>\$ 120,668</u>	<u>\$ 155,759</u>
Total debt applicable to the limit as a percentage of the debt limit	24.0%	20.9%	17.9%	15.3%	12.1%	10.1%	8.2%	7.8%	6.1%	3.9%
Highway User Margin 50% limit (3)	\$ 1,524	\$ 1,519	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688	\$ 1,512
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<u>\$ 1,524</u>	<u>\$ 1,519</u>	<u>\$ 1,397</u>	<u>\$ 1,433</u>	<u>\$ 1,595</u>	<u>\$ 1,622</u>	<u>\$ 1,746</u>	<u>\$ 1,840</u>	<u>\$ 1,688</u>	<u>\$ 1,512</u>

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

Source: City of Prescott finance department

- (1) Arizona's Constitution provides that a municipality cannot issue general obligation bonds in excess of 6% of assessed valuation for general municipal purposes.
- (2) Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and wastewater services and recreational and playground facilities.
- (3) Arizona law states that municipalities may issue highway users bonds to the extent that 50% of the highway user revenues in the preceding year will be sufficient to pay annual principal and interest of such bonds.

CITY OF PRESCOTT, ARIZONA

Table XXVI

Statistical Section - Debt Capacity

Pledged-Revenue Coverage

Last ten fiscal years

Fiscal Year	Special Assessment Bonds				Community Facilities District Bonds				Municipal Property Corporation Bonds			
	Special Assessments		Debt Service		CFD Assessments		Debt Service		Excise Tax	Debt Service		
	Collected	Principal	Interest	Coverage	Collected	Principal	Interest	Coverage	Collected	Principal (1)	Interest	Coverage
2000	\$ 86,809	\$ 69,320	\$ 17,871	100%	\$ 835,506	\$ 255,000	\$ 566,348	102%	\$ 17,067,592	\$ 1,110,000	\$ 1,021,050	801%
2001	305,749	157,533	148,216	100%	884,380	230,000	620,163	104%	18,111,846	1,175,000	959,685	848%
2002	532,232	314,203	218,193	100%	926,479	270,000	588,615	108%	19,893,723	1,240,000	894,068	932%
2003	522,415	320,107	202,475	100%	823,983	390,000	561,275	87%	21,019,140	4,745,000	824,370	377%
2004	511,743	330,151	187,855	99%	893,919	430,000	536,218	93%	24,499,861	900,000	505,833	1743%
2005	504,341	335,051	172,029	99%	977,151	190,000	498,512	142%	27,369,255	5,120,000	853,395	458%
2006	479,501	332,151	155,627	98%	1,033,506	505,000	472,444	106%	31,230,172	1,305,000	910,278	1410%
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,631,993	1,345,000	856,703	1482%
2008	437,256	322,151	122,907	98%	753,416	695,000	412,819	68%	30,905,164	1,600,000	1,123,841	1135%
2009	422,802	322,151	107,296	98%	701,049	370,000	375,425	94%	26,519,272	1,670,000	1,048,756	975%

Source: City of Prescott finance department

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

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXVII

Statistical Section

Demographic and Economic Statistics

Population, Income and Unemployment

Last ten calendar years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Annual Unemployment Rate (2)</u>	<u>School Enrollment (3)</u>
2000	33,581	\$ 3,574,050	\$ 21,163	3.9%	5,046
2001	33,938	3,701,821	21,359	4.2%	5,049
2002	35,815	3,853,070	21,590	5.3%	5,031
2003	36,375	4,049,851	22,071	5.1%	5,000
2004	38,180	4,524,850	23,858	4.6%	5,113
2005	40,225	5,098,280	25,831	4.4%	5,242
2006	41,050	5,567,857	26,989	3.9%	5,558
2007	42,085	5,860,461	27,620	3.7%	5,688
2008	43,217			5.6%	5,763
2009	43,280 (4)			(4)	5,776

(1) Source: Arizona Department of Economic Security

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

(3) Source: Arizona Department of Education.

(4) Based on information available in August 2009.

The 2008 and 2009 personal income amounts were not available.

The 2008 and 2009 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>2008/09</u>			<u>1999/2000</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>
Yavapai County	Government	1,505	1	8.6%	1,213	1	8.7%
Yavapai Regional Medical Center	Hospital	1,491	2	8.5%	730	3	5.2%
Veteran's Administration Medical Center	Hospital	823	3	4.7%	550	5	4.0%
Prescott Unified School District	Public Schools	754	4	4.3%	573	4	4.1%
City of Prescott	Government	504	5	2.9%	385	6	2.8%
Yavapai College	College	420	6	2.4%	282	9	2.0%
Embry-Riddle Aeronautical University	College	398	7	2.3%	300	8	2.2%
Yavapai Gaming Agency	Casino	309	8	1.8%			
Wal-Mart Stores	Retail	450	9	2.6%			
West Yavapai Guidance Clinic	Clinic	271	10	1.5%	182	10	1.3%
State of Arizona	Government				330	7	2.4%
Sturm Ruger	Manufacturing				1176	2	8.5%
		<u>6,925</u>		<u>39.3%</u>	<u>5,721</u>		<u>41.1%</u>

The 2008/09 total City employment was 17,513 based on Arizona Department of Economic Security information for January 2009.
The 1999/2000 total City employment was 13,905 based on Arizona Department of Economic Security information for 2000.

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	21	28	29	31	31	34.6	33.25	36	36	36
Administrative Services (1)	9	12	12	6	6	5.5	5	5	5	1
Budget and Finance (1)	10	11	11	24	23	22.2	22.5	23	23	23
Community Development	20	21	23	23	27	26.5	26.5	30	34	22
Cultural & Recreation	44	45	47	65	66	65.275	75.7	60	60	47
Police	97	99	100	103	108	111.5	123.55	134	130	120
Fire	57	63	63	63	64	84	84	75	78	75
Central Garage	7	7	7	7	7	8.2	9.2	10	11	9
Self Insurance	2	2	2	3	3	2.4	2	2	2	3
Facilities Maintenance	4	3	3	0	0	6.55	5.2	6	6	6
Engineering	19	19	20	25	23	23.5	24.6	22	23	19
Water	40	40	40	36	35	34.67	35.5	40	41	39
Wastewater	26	27	27	27	27	28.5	29.5	32	33	35
Solid Waste	12	13	13	13	15	16.23	15.8	18	18	26
Transfer Station (2)	5	5	5	5	6	6.2	6.6	7	8	-
Airport	11	11	12	12	13	12.8	11.1	9	9	8
Golf Course	18	15	14	28	28	28.6	30.2	17	21	16
Streets	24	28	29	30	34	33.5	34.5	39	42	33
Total	410	426	449	457	501	516	551	565	580	518
Number of citizens per employee	79	76	78	73	74	73	71	75	75	84

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XXX

Statistical Section - Operating Information

Operating Indicators by Function/Program

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Community Development										
Building permits issued	1,822	1,679	2,027	1,948	1,927	2,034	2,185	2,237	1,735	1,329
Permit valuations (in millions)	103	116	161	186	166	198	189	133	74	44
Cultural & Recreation										
Library circulation (3)	779,478	832,829	886,398	913,474	943,107	962,922	697,584	713,700	758,787	852,882
Library visits (3)	369,497	387,699	408,448	400,000	473,993	477,768	246,594	420,776	477,785	507,858
Library resources available	160,108	160,145	147,175	149,130	161,545	156,790	169,784	142,564	150,267	159,151
New cards issued	5,061	4,943	5,362	7,212	8,288	8,550	4,091	7,424	7,422	7,613
Golf Rounds	93,621	86,289	90,916	79,719	78,786	81,213	86,307	79,678	78,361	70,558
Police (Calendar Year)										
Calls for service	32,075	33,283	35,226	35,159	36,284	36,671	34,711	32,943	30,649	-
Part 1 crimes (1)	1,942	1,939	2,132	2,386	2,080	2,088	1,796	1,549	1,390	-
Part 2 crimes (2)	3,632	3,439	3,760	3,683	3,521	3,856	3,896	3,429	3,234	-
Fire										
Calls for service	5,247	5,343	5,744	6,136	6,001	6,444	7,007	6,808	7,130	7,452
Inspections	1,422	1,680	1,200	851	1,450	1,856	1,620	2,374	2,621	1,803
Water										
Connections	16,904	16,629	17,222	19,062	19,760	19,205	19,806	20,468	21,870	22,271
Wastewater										
Connections	13,709	13,467	14,180	14,948	15,478	16,091	16,696	17,168	17,416	17,522
Solid Waste										
Residential accounts	13,274	13,625	13,655	14,066	14,346	15,098	16,974	16,467	16,547	16,670
Commercial accounts	1,311	1,350	1,380	1,501	1,581	1,613	1,532	1,414	1,187	1,060
Tons collected	31,019	33,237	32,569	32,629	33,876	34,916	34,986	35,564	35,453	35,550
Transfer Station										
Transactions per year	59,334	60,854	68,957	73,935	78,228	84,330	84,826	84,542	73,339	70,381
Tons per year	50,565	51,456	51,903	57,069	60,413	63,494	70,905	70,041	73,412	59,260
Airport (Calendar Year)										
Commercial aircraft landings	1,834	1,618	1,324	1,586	1,697	1,576	1,808	1,742	1,484	-
Passengers	11,752	8,708	9,168	10,827	15,600	10,363	8,397	9,203	10,571	-
FAA traffic count	320,037	325,491	338,208	298,789	272,855	237,990	236,317	227,351	242,311	-
Public Works										
Cold mix repairs(lbs)	245,520	180,980	89,140	155,460	323,640	109,040	129,013	140,155	97,649	115,705
Hot Mix repairs (tons)	400	757	465	1,376	1,727	8,378	2,050	1,156	1,800	643

(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.

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Area square miles	37	38	39	39	39	39	39	40	40	41
Cultural and Recreation (3)										
Parks								17	21	21
Park acres								1,384	1,394	1,394
Miles of trails								55	33	36
Open space - public (acres)								160	195	278
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	452	472	472	482	496	505	509	516	531	536
Wastewater										
Miles of sanitary sewers	605	615	622	635	647	647	345 (2)	350	387	389
Solid Waste										
Collection trucks	12	12	12	12	15	15	14	15	15	16
Airport										
Total based aircraft	319	343	347	364	338	349	340	330	325	352
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles) (1)	425	430	205	215	221	221	222	224	231	234

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

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

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

Source: City of Prescott departments.