City of Prescott, Arizona

Debt Handbook

May 2012

RBC Capital Markets®

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SECTION I

Introduction

This handbook has been prepared for the City of Prescott, Arizona (the “City”) to provide summaries of the City’s current debt outstanding and the City’s potential capacity for the issuance of additional debt. It also contains a general summary of financing options available to cities and towns in Arizona, as well as summaries of rating categories.

The City’s interest payments on existing debt are generally made semi-annually and occur on January 1 and July 1. Unless noted otherwise, all outstanding bonded debt figures have been calculated as of July 2, 2011.

In the following sections are summaries of the City’s outstanding bonded debt obligations. The City currently has the following five types of debt outstanding:

- General Obligation Bonds
- Municipal Property Corporation Bonds
- Improvement District Bonds
- Community Facilities District Bonds
- Loans with the Water Infrastructure Financing Authority of Arizona (WIFA)

General Obligation Bonds

The City's General Obligation Bonds are "full faith and credit" bonds, secured by ad valorem taxes levied without limit against all taxable property within the City. The City has two General Obligation bond issues outstanding, as summarized below. Without additional voter authorization, the City may not issue further general obligation debt.

General Obligation Bonds, Series 1998

Proceeds were used to provide funds (a) to finance the acquisition of certain real property and water rights and the making of certain improvements associated with the acquisition and improvement of Willow Lake and Watson Lake and related properties and water rights for water resources and recreational purposes; (b) to advance refund $2,395,000 General Obligation Bonds, Series 1989 dated December 1, 1989, which financed the construction of a new police and public safety facility along with the renovation and expansion of the existing City Hall.

General Obligation Bonds, Series 2007

Proceeds were used to finance improvements to Watson and Willow Lakes properties of the City which are used for water resource and recreational purposes.

Listed below is a schedule of the outstanding principal amount for the above-described General Obligation Bond Issues and the total combined debt service payments as of July 2, 2011.

Summary of Existing Prescott General Obligation Bonds

Issue Date	Bond Issue	Original Principal	Outstanding Principal	Redemption
12/08/1999	GO Bonds, Series 1998	$15,895,000	$2,610,000	7/1/2008 at 100
05/30/2007	GO Bonds, Series 2007	1,510,000	985,000	Non Callable
Total		**$17,405,000**	**$3,595,000**	

RBC Capital Markets®

General Obligation Bonds

City of Prescott, Arizona
Aggregate General Obligation Bonds

Remaining Principal and Interest Payments as of July 2, 2011 (1)

Date	Principal	Interest	Total D/S	Remaining FY Total
01/01/2012		$78,425.00	$78,425.00	
07/01/2012	$1,425,000	78,425.00	1,503,425.00	$1,581,850.00
01/01/2013		46,737.50	46,737.50	
07/01/2013	1,490,000	46,737.50	1,536,737.50	1,583,475.00
01/01/2014		13,600.00	13,600.00	
07/01/2014	160,000	13,600.00	173,600.00	187,200.00
01/01/2015		10,400.00	10,400.00	
07/01/2015	165,000	10,400.00	175,400.00	185,800.00
01/01/2016		7,100.00	7,100.00	
07/01/2016	175,000	7,100.00	182,100.00	189,200.00
01/01/2017		3,600.00	3,600.00	
07/01/2017	180,000	3,600.00	183,600.00	187,200.00
Totals	$3,595,000	$319,725.00	$3,914,725.00	$3,914,725.00

(1) Includes Series 1998 and Series 2007 General Obligation Bonds

Remaining Authorization: None

General Obligation Bonds

$15,895,000
City of Prescott, Arizona
General Obligation and Refunding Bonds
Series 1998

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 12/8/98

Date	Principal	Coupon	Interest	Total D/S	FY Total	CUSIP (740716)
01/01/2012			$58,725.00	$58,725.00		
07/01/2012	$1,275,000	4.500%	58,725.00	1,333,725.00	$1,392,450.00	GG4
01/01/2013			30,037.50	30,037.50		
07/01/2013	1,335,000	4.500%	30,037.50	1,365,037.50	1,395,075.00	GH2
Totals	$ 2,610,000		$177,525.00	$2,787,525.00	$2,787,525.00	

Callable Bonds:

Call Dates: **In whole or in part, on any date, computed as follows:**
7/1/08 and thereafter @ 100.0%

Bond Insurance: FGIC

$1,510,000
City of Prescott, Arizona
General Obligation Bonds
Series 2007

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 5/30/07

Date	Principal	Coupon	Interest	Total D/S	FY Total	CUSIP (740716)
01/01/2012			$19,700.00	$19,700.00		
07/01/2012	$150,000	4.000%	19,700.00	169,700.00	$189,400.00	GN9
01/01/2013			16,700.00	16,700.00		
07/01/2013	155,000	4.000%	16,700.00	171,700.00	188,400.00	GP4
01/01/2014			13,600.00	13,600.00		
07/01/2014	160,000	4.000%	13,600.00	173,600.00	187,200.00	GQ2
01/01/2015			10,400.00	10,400.00		
07/01/2015	165,000	4.000%	10,400.00	175,400.00	185,800.00	GR0
01/01/2016			7,100.00	7,100.00		
07/01/2016	175,000	4.000%	7,100.00	182,100.00	189,200.00	GS8
01/01/2017			3,600.00	3,600.00		
07/01/2017	180,000	4.000%	3,600.00	183,600.00	187,200.00	GT6
Totals	985,000		$142,200.00	$1,127,200.00	$1,127,200.00	

Callable Bonds: None

Bond Insurance: None

Municipal Property Corporation Debt

The City of Prescott, Arizona Municipal Property Corporation ("MPC") is a non-profit corporation incorporated under the laws of the state on October 26, 1972. The principal objective of the MPC is to finance the construction and acquisition of municipal buildings and improvements on land owned by the City.

The MPC may issue debt secured by a pledge of excise taxes and state shared sales taxes or other revenues provided that a debt service coverage test is satisfied. The issuance of certificates of participation subject to annual appropriation is not subject to debt service coverage requirements, but may be limited by credit markets and City policy. A common debt service coverage test requires that excise taxes and state shared sales taxes pledged for payment of the bonds exceeds maximum annual debt service by three times. The City's current MPC bond documents require a 1.5 times debt service coverage for existing MPC debt and 3 times debt service coverage test for additional debt to be secured by the Excise Tax and State Shared Sales Tax pledge. Current debt service coverage on MPC debt outstanding is approximately 7.2 times.

The City currently has four outstanding issues of MPC debt which are secured by a pledge of Excise Taxes and State Shared Sales Taxes. The table below shows the Excise Taxes and State Shared Sales Taxes for the past two fiscal years.

Table 1 – Actual Excise Tax and State Shared Revenue for the Fiscal Years Ended June 30

Revenue Source	2010	2011
City Privilege and Use taxes	$12,177,884	$12,144,493
State Shared Sales Taxes	8,255,759	9,354,640
Franchise Taxes	1,644,977	1,637,128
Licenses and Permits	381,558	386,243
Charges for Services	886,019	771,983
Fines and Forfeitures	646,737	620,248
Total	**$23,992,934**	**$24,914,735**

Source: City of Prescott Finance Department

The City's level of receipts from State shared sales taxes are determined by statutory formulae and no assurances can be given that the amount of those components will not be reduced or eliminated by the State legislature in the future. The other revenue sources are levied by the City and, while not guaranteed, are not subject to the level of legislative change that the State shared sales taxes are.

Municipal Property Corporation

Revenue Bonds, Series 2004

$12,525,000 of the total $16,875,000 bond issue was used to acquire the City's portion of the JWK Ranch. This portion of the issue matures in 30 years and was issued with an interest rate of 4.62% and a final maturity date in 2034. The remaining portion of $4,350,000 represents refunding bonds issued to refund the outstanding Series 1993-E issue. This portion of the issue has fully matured and is no longer outstanding. However, the Series 1993-E projects consisted of the City's wastewater treatment plant/ water system facilities and the City's South Golf Course and Clubhouse.

Revenue Bonds, Series 2007

The MPC issued the Series 2007 bonds for the purpose of providing funds for (i) the expansion of the City's Central Garage and (ii) the expansion of the City's Waste Transfer Station. The bonds were issued with an interest rate of 4.34% and a final maturity in 2027.

Revenue Bonds, Series 2010 (Taxable Build America Bonds)

The MPC issued the Series 2010 (Taxable Build America Bonds) for the purpose of providing funds for the construction of certain roadways within the City. Build America Bonds (BABs) were introduced in 2009 as part of the American Recovery and Reinvestment Act to help create jobs and stimulate the U.S. economy. BABs are taxable municipal bonds that feature tax credits and/or federal subsidies for bondholders and state and local government bond issuers. The objective of the BABs program was to help lower the cost of borrowing for state and local governments in financing new projects. For the Series 2010 bond issue, the City elected to receive a 35% federal subsidy for each semi-annual interest payment made on the bonds. The Series 2010 bonds were issued with a final maturity in 2029 with an interest rate of 3.63% (net of the 35% BAB subsidy).

Revenue Bonds, Series 2011 (Private Placement)

The MPC issued the Series 2011 Bonds by way of a private placement to a bank (Compass Bank) for the purpose of providing funds for the financing of certain roadway and capital improvements, and capital equipment. The bonds were issued with an interest rate of 4.17% and a final maturity in 2031.

Listed below is a schedule of the outstanding principal amount for the above-described MPC bond issues and, on the following page, the total combined debt service payments as of January 2, 2012.

Summary of Existing Prescott MPC Debt (a)

Issue Date	Bond Issue	Original Principal	Outstanding Principal	Redemption
12/29/2004	Revenue Bonds, Series 2004	$16,875,000	$10,990,000	7/1/2014 at 100
05/30/2007	Revenue Bonds, Series 2007	6,625,000	5,715,000	7/1/2017 at 100
02/18/2010	Revenue Bonds, Series 2010 (Taxable BABs)	18,250,000	17,490,000	7/1/2020 at 100
05/12/2011	Revenue Bonds, Series 2011 (Private Placement)	8,910,000	8,910,000	7/1/2021 at 100
Total		**$50,660,000**	**$43,105,000**	

(a) Excludes the Series 1998-F bonds which were cash defeased in full on January 1, 2012.

Municipal Property Corporation

City of Prescott, Arizona
Aggregate Municipal Property Corporation Bonds

Remaining Principal and Interest Payments as of July 2, 2011 (1)

Date	Principal	Interest	Less: Federal Subsidy (2)	Total D/S	FY Total
01/01/2012	$59,000	$1,059,485.42	($154,486.61)	$963,998.81	
07/01/2012	1,647,000	1,007,559.36	(154,486.61)	2,500,072.75	$3,464,071.55
01/01/2013	61,000	982,597.71	(151,905.50)	891,692.21	
07/01/2013	1,684,000	981,322.81	(151,905.50)	2,513,417.31	3,405,109.51
01/01/2014	62,000	954,285.83	(148,612.53)	867,673.30	
07/01/2014	1,739,000	952,990.03	(148,612.53)	2,543,377.50	3,411,050.80
01/01/2015	64,000	921,360.65	(144,212.41)	841,148.24	
07/01/2015	1,793,000	920,023.05	(144,212.41)	2,568,810.64	3,409,958.88
01/01/2016		885,308.28	(138,995.81)	746,312.47	
07/01/2016	1,786,000	885,308.28	(138,995.81)	2,532,312.47	3,278,624.94
01/01/2017		847,848.88	(132,649.08)	715,199.80	
07/01/2017	1,840,000	847,848.88	(132,649.08)	2,555,199.80	3,270,399.60
01/01/2018		807,581.25	(125,573.26)	682,007.99	
07/01/2018	1,909,000	807,581.25	(125,573.26)	2,591,007.99	3,273,015.98
01/01/2019		765,450.40	(118,211.98)	647,238.42	
07/01/2019	1,984,000	765,450.40	(118,211.98)	2,631,238.42	3,278,476.84
01/01/2020		717,655.80	(110,439.35)	607,216.45	
07/01/2020	2,065,000	717,655.80	(110,439.35)	2,672,216.45	3,279,432.90
01/01/2021		667,446.55	(102,244.89)	565,201.66	
07/01/2021	2,146,000	667,446.55	(102,244.89)	2,711,201.66	3,276,403.32
01/01/2022		615,830.15	(93,618.09)	522,212.06	
07/01/2022	2,228,000	615,830.15	(93,618.09)	2,750,212.06	3,272,424.12
01/01/2023		561,508.20	(84,461.83)	477,046.37	
07/01/2023	2,320,000	561,508.20	(84,461.83)	2,797,046.37	3,274,092.74
01/01/2024		504,699.83	(74,354.04)	430,345.79	
07/01/2024	2,418,000	504,699.83	(74,354.04)	2,848,345.79	3,278,691.58
01/01/2025		444,338.25	(63,851.81)	380,486.44	
07/01/2025	2,518,000	444,338.25	(63,851.81)	2,898,486.44	3,278,972.88
01/01/2026		382,760.05	(53,004.44)	329,755.61	
07/01/2026	2,607,000	382,760.05	(53,004.44)	2,936,755.61	3,266,511.22
01/01/2027		314,230.75	(40,545.66)	273,685.09	
07/01/2027	2,728,000	314,230.75	(40,545.66)	3,001,685.09	3,275,370.18
01/01/2028		242,526.30	(27,540.45)	214,985.85	
07/01/2028	2,340,000	242,526.30	(27,540.45)	2,554,985.85	2,769,971.70
01/01/2029		178,531.93	(14,043.44)	164,488.49	
07/01/2029	2,442,000	178,531.93	(14,043.44)	2,606,488.49	2,770,976.98
01/01/2030		111,766.50		111,766.50	
07/01/2030	1,210,000	111,766.50		1,321,766.50	1,433,533.00
01/01/2031		83,894.50		83,894.50	
07/01/2031	1,265,000	83,894.50		1,348,894.50	1,432,789.00
01/01/2032		54,750.00		54,750.00	
07/01/2032	695,000	54,750.00		749,750.00	804,500.00
01/01/2033		37,375.00		37,375.00	
07/01/2033	730,000	37,375.00		767,375.00	804,750.00
01/01/2034		19,125.00		19,125.00	
07/01/2034	765,000	19,125.00		784,125.00	803,250.00
Totals	$43,105,000	$24,264,880.08	($3,557,502.36)	$63,812,377.72	$63,812,377.72

(1) Includes Series 2004, Series 2007, Series 2010 Taxable BABs and Series 2011 Municipal Property Corporation Bonds. Does not include Series 1998-F as the remaining bonds were cash defeased in full on January 1, 2012.

(2) Represent 35% Federal Subsidy of interest payments in connection with the Series 2010 Build America Bonds.

Municipal Property Corporation

$16,875,000
City of Prescott, Arizona
Municipal Property Corporation
Revenue Bonds
Series 2004

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 12/29/2004

Date	Principal	Coupon	Interest	Total D/S	FY Total	CUSIP (74073R)
01/01/2012			$258,300.00	$258,300.00		
07/01/2012	$285,000	3.750%	258,300.00	543,300.00	$801,600.00	AH0
01/01/2013			252,956.25	252,956.25		
07/01/2013	295,000	3.750%	252,956.25	547,956.25	800,912.50	AJ6
01/01/2014			247,425.00	247,425.00		
07/01/2014	310,000	4.000%	247,425.00	557,425.00	804,850.00	AK3
01/01/2015			241,225.00	241,225.00		
07/01/2015	320,000	4.000%	241,225.00	561,225.00	802,450.00	AL1
01/01/2016			234,825.00	234,825.00		
07/01/2016	335,000	4.000%	234,825.00	569,825.00	804,650.00	AM9
01/01/2017			228,125.00	228,125.00		
07/01/2017	345,000	4.000%	228,125.00	573,125.00	801,250.00	AN7
01/01/2018			221,225.00	221,225.00		
07/01/2018	360,000	4.000%	221,225.00	581,225.00	802,450.00	AP2
01/01/2019			214,025.00	214,025.00		
07/01/2019	375,000	5.000%	214,025.00	589,025.00	803,050.00	AQ0
01/01/2020			204,650.00	204,650.00		
07/01/2020	395,000	5.000%	204,650.00	599,650.00	804,300.00	AR8
01/01/2021			194,775.00	194,775.00		
07/01/2021	415,000	4.500%	194,775.00	609,775.00	804,550.00	AS6
01/01/2022			185,437.50	185,437.50		
07/01/2022	430,000	4.500%	185,437.50	615,437.50	800,875.00	AT4
01/01/2023			175,762.50	175,762.50		
07/01/2023	450,000	4.500%	175,762.50	625,762.50	801,525.00	AU1
01/01/2024			165,637.50	165,637.50		
07/01/2024	470,000	5.000%	165,637.50	635,637.50	801,275.00	AV9
01/01/2025			153,887.50	153,887.50		
07/01/2025	495,000	4.500%	153,887.50	648,887.50	802,775.00	AW7
01/01/2026			142,750.00	142,750.00		
07/01/2026	515,000	5.000%	142,750.00	657,750.00	800,500.00	AX5
01/01/2027			129,875.00	129,875.00		
07/01/2027	545,000	5.000%	129,875.00	674,875.00	804,750.00	AX5
01/01/2028			116,250.00	116,250.00		
07/01/2028	570,000	5.000%	116,250.00	686,250.00	802,500.00	AX5
01/01/2029			102,000.00	102,000.00		
07/01/2029	600,000	5.000%	102,000.00	702,000.00	804,000.00	AX5
01/01/2030			87,000.00	87,000.00		
07/01/2030	630,000	5.000%	87,000.00	717,000.00	804,000.00	AY3
01/01/2031			71,250.00	71,250.00		
07/01/2031	660,000	5.000%	71,250.00	731,250.00	802,500.00	AY3
01/01/2032			54,750.00	54,750.00		
07/01/2032	695,000	5.000%	54,750.00	749,750.00	804,500.00	AY3
01/01/2033			37,375.00	37,375.00		
07/01/2033	730,000	5.000%	37,375.00	767,375.00	804,750.00	AY3
01/01/2034			19,125.00	19,125.00		
07/01/2034	765,000	5.000%	19,125.00	784,125.00	803,250.00	AY3
Totals	$10,990,000		$7,477,262.50	$18,467,262.50	$18,467,262.50	

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows:**
7/1/14 @ 100%

Bond Insurance: National Public Finance Gaurantee (formerly MBIA)

$6,625,000
City of Prescott, Arizona
Municipal Property Corporation
Revenue Bonds
Series 2007

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 5/30/07

Date	Principal	Coupon	Interest	Total D/S	FY Total	CUSIP (74073R)
01/01/2012			$122,883.13	$122,883.13		
07/01/2012	$260,000	4.000%	122,883.13	382,883.13	$505,766.25	BD8
01/01/2013			117,683.13	117,683.13		
07/01/2013	265,000	3.625%	117,683.13	382,683.13	500,366.25	BE6
01/01/2014			112,880.00	112,880.00		
07/01/2014	280,000	3.750%	112,880.00	392,880.00	505,760.00	BF3
01/01/2015			107,630.00	107,630.00		
07/01/2015	290,000	3.800%	107,630.00	397,630.00	505,260.00	BG1
01/01/2016			102,120.00	102,120.00		
07/01/2016	300,000	3.875%	102,120.00	402,120.00	504,240.00	BH9
01/01/2017			96,307.50	96,307.50		
07/01/2017	310,000	3.900%	96,307.50	406,307.50	502,615.00	BJ5
01/01/2018			90,262.50	90,262.50		
07/01/2018	325,000	4.000%	90,262.50	415,262.50	505,525.00	BK2
01/01/2019			83,762.50	83,762.50		
07/01/2019	340,000	5.000%	83,762.50	423,762.50	507,525.00	BL0
01/01/2020			75,262.50	75,262.50		
07/01/2020	355,000	5.000%	75,262.50	430,262.50	505,525.00	BL0
01/01/2021			66,387.50	66,387.50		
07/01/2021	370,000	5.000%	66,387.50	436,387.50	502,775.00	BL0
01/01/2022			57,137.50	57,137.50		
07/01/2022	390,000	5.000%	57,137.50	447,137.50	504,275.00	BL0
01/01/2023			47,387.50	47,387.50		
07/01/2023	410,000	4.250%	47,387.50	457,387.50	504,775.00	BM8
01/01/2024			38,675.00	38,675.00		
07/01/2024	430,000	4.250%	38,675.00	468,675.00	507,350.00	BM8
01/01/2025			29,537.50	29,537.50		
07/01/2025	450,000	4.250%	29,537.50	479,537.50	509,075.00	BM8
01/01/2026			19,975.00	19,975.00		
07/01/2026	460,000	4.250%	19,975.00	479,975.00	499,950.00	BM8
01/01/2027			10,200.00	10,200.00		
07/01/2027	480,000	4.250%	10,200.00	490,200.00	500,400.00	BM8
Totals	$5,715,000		$2,356,182.50	$8,071,182.50	$8,071,182.50	

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows:**
7/1/17 @ 100%

Bond Insurance: Ambac

Municipal Property Corporation

$18,250,000
City of Prescott, Arizona
Municipal Property Corporation
Taxable Revenue Bonds
Series 2010 (Qualified Build America Bonds - Direct Pay)

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 2/18/10

Date	Principal	Coupon	Interest	Less: Federal Subsidy (1)	Total D/S	FY Total	CUSIP (74073R)
01/01/2012			$441,390.33	($154,486.61)	$286,903.72		
07/01/2012	$765,000	1.928%	441,390.33	(154,486.61)	1,051,903.72	$1,338,807.44	BQ9
01/01/2013			434,015.73	(151,905.50)	282,110.23		
07/01/2013	775,000	2.428%	434,015.73	(151,905.50)	1,057,110.23	1,339,220.46	BR7
01/01/2014			424,607.23	(148,612.53)	275,994.70		
07/01/2014	785,000	3.203%	424,607.23	(148,612.53)	1,060,994.70	1,336,989.40	BS5
01/01/2015			412,035.45	(144,212.41)	267,823.04		
07/01/2015	805,000	3.703%	412,035.45	(144,212.41)	1,072,823.04	1,340,646.08	BT3
01/01/2016			397,130.88	(138,995.81)	258,135.07		
07/01/2016	825,000	4.396%	397,130.88	(138,995.81)	1,083,135.07	1,341,270.14	BU0
01/01/2017			378,997.38	(132,649.08)	246,348.30		
07/01/2017	845,000	4.785%	378,997.38	(132,649.08)	1,091,348.30	1,337,696.60	BV8
01/01/2018			358,780.75	(125,573.26)	233,207.49		
07/01/2018	870,000	4.835%	358,780.75	(125,573.26)	1,103,207.49	1,336,414.98	BW6
01/01/2019			337,748.50	(118,211.98)	219,536.52		
07/01/2019	900,000	4.935%	337,748.50	(118,211.98)	1,119,536.52	1,339,073.04	BX4
01/01/2020			315,541.00	(110,439.35)	205,101.65		
07/01/2020	930,000	5.035%	315,541.00	(110,439.35)	1,135,101.65	1,340,203.30	BY2
01/01/2021			292,128.25	(102,244.89)	189,883.36		
07/01/2021	960,000	5.135%	292,128.25	(102,244.89)	1,149,883.36	1,339,766.72	BZ9
01/01/2022			267,480.25	(93,618.09)	173,862.16		
07/01/2022	990,000	5.285%	267,480.25	(93,618.09)	1,163,862.16	1,337,724.32	CA3
01/01/2023			241,319.50	(84,461.83)	156,857.67		
07/01/2023	1,025,000	5.635%	241,319.50	(84,461.83)	1,181,857.67	1,338,715.34	CD7
01/01/2024			212,440.13	(74,354.04)	138,086.09		
07/01/2024	1,065,000	5.635%	212,440.13	(74,354.04)	1,203,086.09	1,341,172.18	CD7
01/01/2025			182,433.75	(63,851.81)	118,581.94		
07/01/2025	1,100,000	5.635%	182,433.75	(63,851.81)	1,218,581.94	1,337,163.88	CD7
01/01/2026			151,441.25	(53,004.44)	98,436.81		
07/01/2026	1,140,000	6.245%	151,441.25	(53,004.44)	1,238,436.81	1,336,873.62	CH8
01/01/2027			115,844.75	(40,545.66)	75,299.09		
07/01/2027	1,190,000	6.245%	115,844.75	(40,545.66)	1,265,299.09	1,340,598.18	CH8
01/01/2028			78,687.00	(27,540.45)	51,146.55		
07/01/2028	1,235,000	6.245%	78,687.00	(27,540.45)	1,286,146.55	1,337,293.10	CH8
01/01/2029			40,124.13	(14,043.44)	26,080.69		
07/01/2029	1,285,000	6.245%	40,124.13	(14,043.44)	1,311,080.69	1,337,161.38	CH8
Totals	$17,490,000		$10,164,292.52	($3,557,502.36)	$24,096,790.16	$24,096,790.16	

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows:**
7/1/20 @ 100%

Bond Insurance: None

(1) Represents 35% Federal Subsidy of interest payments in connection with the Build America Bond program.

Municipal Property Corporation

$8,910,000
City of Prescott, Arizona
Municipal Property Corporation
Revenue Bonds
Series 2011 (Private Placement)

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 5/12/11

Date	Principal	Coupon	Interest	Total D/S	FY Total
01/01/2012	$59,000	4.180%	$236,911.96	$295,911.96	
07/01/2012	337,000	4.180%	184,985.90	521,985.90	$817,897.86
01/01/2013	61,000	4.180%	177,942.60	238,942.60	
07/01/2013	349,000	4.180%	176,667.70	525,667.70	764,610.30
01/01/2014	62,000	4.180%	169,373.60	231,373.60	
07/01/2014	364,000	4.180%	168,077.80	532,077.80	763,451.40
01/01/2015	64,000	4.180%	160,470.20	224,470.20	
07/01/2015	378,000	4.180%	159,132.60	537,132.60	761,602.80
01/01/2016			151,232.40	151,232.40	
07/01/2016	326,000	4.180%	151,232.40	477,232.40	628,464.80
01/01/2017			144,419.00	144,419.00	
07/01/2017	340,000	4.180%	144,419.00	484,419.00	628,838.00
01/01/2018			137,313.00	137,313.00	
07/01/2018	354,000	4.180%	137,313.00	491,313.00	628,626.00
01/01/2019			129,914.40	129,914.40	
07/01/2019	369,000	4.180%	129,914.40	498,914.40	628,828.80
01/01/2020			122,202.30	122,202.30	
07/01/2020	385,000	4.180%	122,202.30	507,202.30	629,404.60
01/01/2021			114,155.80	114,155.80	
07/01/2021	401,000	4.180%	114,155.80	515,155.80	629,311.60
01/01/2022			105,774.90	105,774.90	
07/01/2022	418,000	4.180%	105,774.90	523,774.90	629,549.80
01/01/2023			97,038.70	97,038.70	
07/01/2023	435,000	4.180%	97,038.70	532,038.70	629,077.40
01/01/2024			87,947.20	87,947.20	
07/01/2024	453,000	4.180%	87,947.20	540,947.20	628,894.40
01/01/2025			78,479.50	78,479.50	
07/01/2025	473,000	4.180%	78,479.50	551,479.50	629,959.00
01/01/2026			68,593.80	68,593.80	
07/01/2026	492,000	4.180%	68,593.80	560,593.80	629,187.60
01/01/2027			58,311.00	58,311.00	
07/01/2027	513,000	4.180%	58,311.00	571,311.00	629,622.00
01/01/2028			47,589.30	47,589.30	
07/01/2028	535,000	4.180%	47,589.30	582,589.30	630,178.60
01/01/2029			36,407.80	36,407.80	
07/01/2029	557,000	4.180%	36,407.80	593,407.80	629,815.60
01/01/2030			24,766.50	24,766.50	
07/01/2030	580,000	4.180%	24,766.50	604,766.50	629,533.00
01/01/2031			12,644.50	12,644.50	
07/01/2031	605,000	4.180%	12,644.50	617,644.50	630,289.00
Totals	$8,910,000		$4,267,142.56	$13,177,142.56	$13,177,142.56

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows: 7/1/21 @ 100%**

Bond Insurance: None

Improvement District Bonds

Improvement District Bonds issued by the City are secured by special assessments levied upon the real property included within the improvement district. These bonds do not constitute a general obligation of the City and are not backed by general taxing power, but the City is contingently liable for their payment in the event that property owners within the District do not make payments. Statutory provisions require that improvement district bonds bear a single interest rate, have a final maturity no longer than twenty-five years and three months, and pay principal on January 1. The City currently has three outstanding issues of Improvement District Bonds that were issued to provide funds for improvement costs such as design and engineering, site clearing, installation of utilities and drainage improvements, importation of fill and aggregate sub-base, grading and construction of improvements in various areas of the city.

Listed below is a table of the outstanding principal amount of City Improvement District Bonds as of January 2, 2012. [Note: the outstanding principal balances below exclude principal payments made on January 1, 2012. The detailed debt service schedules on the following pages, however, reflect total debt service requirements from the beginning of fiscal year 2012 and, therefore, include the January 1, 2012 principal amounts.]

Summary of Existing Prescott Improvement District Bond Debt				
Issue Date	**Bond Issue**	**Original Principal**	**Outstanding Principal**	**Redemption**
09/01/2000	Improvement District (P-162) Bonds	$1,920,000	$505,000	1/1/2009 at 100
02/01/2001	Improvement District (P-163) Bonds	2,470,000	525,000	1/1/2009 at 100
10/01/2003	Improvement District (P-164) Bonds	95,840	49,984	Anytime (WIFA)
Total		**$4,485,840**	**$1,079,984**	

Improvement District Bonds

City of Prescott, Arizona
Aggregate Improvement District Bonds

Remaining Principal and Interest Payments as of July 2, 2011 (1)

Date	Principal	Interest	Total D/S	FY Total
01/01/2012	$330,044	$33,501.36	$363,545.36	
07/01/2012		25,587.30	25,587.30	$389,132.66
01/01/2013	340,044	25,587.30	365,631.30	
07/01/2013		17,418.24	17,418.24	383,049.54
01/01/2014	350,044	17,418.24	367,462.24	
07/01/2014		8,994.18	8,994.18	376,456.42
01/01/2015	355,044	8,994.18	364,038.18	
07/01/2015		442.62	442.62	364,480.80
01/01/2016	5,044	442.62	5,486.62	
07/01/2016		378.56	378.56	5,865.18
01/01/2017	5,044	378.56	5,422.56	
07/01/2017		314.50	314.50	5,737.06
01/01/2018	4,953	314.50	5,267.30	
07/01/2018		251.60	251.60	5,518.90
01/01/2019	4,953	251.60	5,204.40	
07/01/2019		188.70	188.70	5,393.10
01/01/2020	4,953	188.70	5,141.50	
07/01/2020		125.80	125.80	5,267.30
01/01/2021	4,953	125.80	5,078.60	
07/01/2021		62.90	62.90	5,141.50
01/01/2022	4,953	62.90	5,015.70	
07/01/2022				5,015.70
Totals	$1,410,028	$141,030.16	$1,551,058.16	$1,551,058.16

(1) Includes No. P- 162, No. P- 163 and No. P-164 Improvement District Bonds.

Improvement District Bonds

$1,920,000
City of Prescott, Arizona
Improvement District No. P - 162
Improvement Bonds

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 9/1/00

Date	Principal	Coupon	Interest	Total D/S	FY Total
01/01/2012	$150,000	5.100%	$16,702.50	$166,702.50	
07/01/2012			12,877.50	12,877.50	$179,580.00
01/01/2013	160,000	5.100%	12,877.50	172,877.50	
07/01/2013			8,797.50	8,797.50	181,675.00
01/01/2014	170,000	5.100%	8,797.50	178,797.50	
07/01/2014			4,462.50	4,462.50	183,260.00
01/01/2015	175,000	5.100%	4,462.50	179,462.50	
07/01/2015					179,462.50
Totals	$655,000		$68,977.50	$723,977.50	$723,977.50

Callable Bonds:

Call Dates: **In whole or in part at any time, computed as follows:**
1/1/09 @ 100%

Bond Insurance: National Public Finance Gaurantee (formerly MBIA)

RBC Capital Markets®

$2,470,000
City of Prescott, Arizona
Improvement District No. P - 163
Improvement Bonds

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 2/1/01

Date	Principal	Coupon	Interest	Total D/S	FY Total
01/01/2012	$175,000	4.600%	$16,100.00	$191,100.00	
07/01/2012			12,075.00	12,075.00	$203,175.00
01/01/2013	175,000	4.600%	12,075.00	187,075.00	
07/01/2013			8,050.00	8,050.00	195,125.00
01/01/2014	175,000	4.600%	8,050.00	183,050.00	
07/01/2014			4,025.00	4,025.00	187,075.00
01/01/2015	175,000	4.600%	4,025.00	179,025.00	
07/01/2015					179,025.00
Totals	$700,000		$64,400.00	$764,400.00	$764,400.00

Callable Bonds:

Call Dates: **In whole or in part at any time, computed as follows:**
1/1/09 @ 100%

Bond Insurance: National Public Finance Gaurantee (formerly MBIA)

Improvement District Bonds

$95,840
City of Prescott, Arizona
Improvement District No. P - 164
Improvement Bonds (WIFA)

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 10/1/03

Date	Principal	Coupon	Interest	Total D/S	FY Total
01/01/2012	$5,044	2.540%	$698.86	$5,742.86	
07/01/2012			634.80	634.80	$6,377.66
01/01/2013	5,044	2.540%	634.80	5,678.80	
07/01/2013			570.74	570.74	6,249.54
01/01/2014	5,044	2.540%	570.74	5,614.74	
07/01/2014			506.68	506.68	6,121.42
01/01/2015	5,044	2.540%	506.68	5,550.68	
07/01/2015			442.62	442.62	5,993.30
01/01/2016	5,044	2.540%	442.62	5,486.62	
07/01/2016			378.56	378.56	5,865.18
01/01/2017	5,044	2.540%	378.56	5,422.56	
07/01/2017			314.50	314.50	5,737.06
01/01/2018	4,953	2.540%	314.50	5,267.30	
07/01/2018			251.60	251.60	5,518.90
01/01/2019	4,953	2.540%	251.60	5,204.40	
07/01/2019			188.70	188.70	5,393.10
01/01/2020	4,953	2.540%	188.70	5,141.50	
07/01/2020			125.80	125.80	5,267.30
01/01/2021	4,953	2.540%	125.80	5,078.60	
07/01/2021			62.90	62.90	5,141.50
01/01/2022	4,953	2.540%	62.90	5,015.70	
07/01/2022					5,015.70
Totals	$55,028		$7,652.66	$62,680.66	$62,680.66

Callable Bonds:

Call Dates: **In whole or in part at any time, computed as follows:**
10/1/03 @ 100%

Bond Insurance: **None**

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 designated 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

The $7,315,000 special assessment bonds were issued on November 1, 1996, with an interest rate of 7.75% and a final maturity in July, 2021.

Hassayampa CFD Number 2

The $1,240,000 special assessment bonds were issued on February 1, 2000, with an interest rate of 7.50% and a final maturity in July, 2024.

Listed below is a table of the outstanding principal amount of Community Facilities District Bonds as of January 2, 2012.

Summary of Existing Prescott CFD Debt			
Issue Date	Bond Issue	Original Principal	Outstanding Principal
11/01/1996	Hassayampa Community Facilities District No. 1 Special Assesment Bonds Series 1996	$7,315,000	$3,305,000
02/01/2000	Hassayampa Community Facilities District No. 2 Special Assesment Bonds Series 2000	1,240,000	475,000
Total		**$8,555,000**	**$3,780,000**

Community Facilities District Bonds

Hassayampa Community Facilities Districts
(City of Prescott, Arizona)
Aggregate CFD Bonds

Remaining Principal and Interest Payments as of July 2, 2011 (1)

Date	Principal	Interest	Total D/S	Fiscal Year Total
01/01/2012		$145,881.25	$145,881.25	
07/01/2012	$250,000	145,881.25	395,881.25	$541,762.50
01/01/2013		136,218.75	136,218.75	
07/01/2013	275,000	136,218.75	411,218.75	547,437.50
01/01/2014		125,593.75	125,593.75	
07/01/2014	295,000	125,593.75	420,593.75	546,187.50
01/01/2015		114,193.75	114,193.75	
07/01/2015	315,000	114,193.75	429,193.75	543,387.50
01/01/2016		102,025.00	102,025.00	
07/01/2016	340,000	102,025.00	442,025.00	544,050.00
01/01/2017		88,887.50	88,887.50	
07/01/2017	370,000	88,887.50	458,887.50	547,775.00
01/01/2018		74,593.75	74,593.75	
07/01/2018	395,000	74,593.75	469,593.75	544,187.50
01/01/2019		59,331.25	59,331.25	
07/01/2019	430,000	59,331.25	489,331.25	548,662.50
01/01/2020		42,718.75	42,718.75	
07/01/2020	460,000	42,718.75	502,718.75	545,437.50
01/01/2021		24,943.75	24,943.75	
07/01/2021	500,000	24,943.75	524,943.75	549,887.50
01/01/2022		5,625.00	5,625.00	
07/01/2022	50,000	5,625.00	55,625.00	61,250.00
01/01/2023		3,750.00	3,750.00	
07/01/2023	50,000	3,750.00	53,750.00	57,500.00
01/01/2024		1,875.00	1,875.00	
07/01/2024	50,000	1,875.00	51,875.00	53,750.00
Totals	$3,780,000	$1,851,275.00	$5,631,275.00	$5,631,275.00

(1) Includes Hassaympa CFD Special Assessment Bonds, Series 1996 and Series 2000.

Community Facilities District Bonds

$7,315,000
Hassayampa Community Facilities District #1
(City of Prescott, Arizona)
Series 1996

Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 11/1/96

Date	Principal	Interest	Total D/S	Fiscal Year Total	CUSIP (418334)
01/01/2012		$128,068.75	$128,068.75		
07/01/2012	$230,000	128,068.75	358,068.75	$486,137.50	AA6
01/01/2013		119,156.25	119,156.25		
07/01/2013	250,000	119,156.25	369,156.25	488,312.50	AA6
01/01/2014		109,468.75	109,468.75		
07/01/2014	270,000	109,468.75	379,468.75	488,937.50	AA6
01/01/2015		99,006.25	99,006.25		
07/01/2015	285,000	99,006.25	384,006.25	483,012.50	AA6
01/01/2016		87,962.50	87,962.50		
07/01/2016	310,000	87,962.50	397,962.50	485,925.00	AA6
01/01/2017		75,950.00	75,950.00		
07/01/2017	335,000	75,950.00	410,950.00	486,900.00	AA6
01/01/2018		62,968.75	62,968.75		
07/01/2018	360,000	62,968.75	422,968.75	485,937.50	AA6
01/01/2019		49,018.75	49,018.75		
07/01/2019	390,000	49,018.75	439,018.75	488,037.50	AA6
01/01/2020		33,906.25	33,906.25		
07/01/2020	420,000	33,906.25	453,906.25	487,812.50	AA6
01/01/2021		17,631.25	17,631.25		
07/01/2021	455,000	17,631.25	472,631.25	490,262.50	AA6
Totals	$ 3,305,000	$1,566,275.00	$4,871,275.00	$4,871,275.00	

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows:**
7/1/10 - 6/30/15 @ 101%
7/1/15 and thereafter @ 100%

Bond Insurance: None

Community Facilities District Bonds

$1,240,000
Hassayampa Community Facilities District #2
(City of Prescott, Arizona)
Series 2000
Remaining Principal and Interest Payments as of July 2, 2011

Dated Date: 2/1/00

Date	Principal	Interest	Total D/S	Fiscal Year Total	CUSIP (418334)
01/01/2012		$17,812.50	$17,812.50		
07/01/2012	$20,000	17,812.50	37,812.50	$55,625.00	AB4
01/01/2013		17,062.50	17,062.50		
07/01/2013	25,000	17,062.50	42,062.50	59,125.00	AB4
01/01/2014		16,125.00	16,125.00		
07/01/2014	25,000	16,125.00	41,125.00	57,250.00	AB4
01/01/2015		15,187.50	15,187.50		
07/01/2015	30,000	15,187.50	45,187.50	60,375.00	AB4
01/01/2016		14,062.50	14,062.50		
07/01/2016	30,000	14,062.50	44,062.50	58,125.00	AB4
01/01/2017		12,937.50	12,937.50		
07/01/2017	35,000	12,937.50	47,937.50	60,875.00	AB4
01/01/2018		11,625.00	11,625.00		
07/01/2018	35,000	11,625.00	46,625.00	58,250.00	AB4
01/01/2019		10,312.50	10,312.50		
07/01/2019	40,000	10,312.50	50,312.50	60,625.00	AB4
01/01/2020		8,812.50	8,812.50		
07/01/2020	40,000	8,812.50	48,812.50	57,625.00	AB4
01/01/2021		7,312.50	7,312.50		
07/01/2021	45,000	7,312.50	52,312.50	59,625.00	AB4
01/01/2022		5,625.00	5,625.00		
07/01/2022	50,000	5,625.00	55,625.00	61,250.00	AB4
01/01/2023		3,750.00	3,750.00		
07/01/2023	50,000	3,750.00	53,750.00	57,500.00	AB4
01/01/2024		1,875.00	1,875.00		
07/01/2024	50,000	1,875.00	51,875.00	53,750.00	AB4
Totals	475,000	$285,000.00	$760,000.00	$760,000.00	

Callable Bonds:

Call Dates: **In whole at any time, or in part on any interest payment date, computed as follows:**
7/1/11 - 6/30/12 @ 101%
7/1/12 and thereafter @ 100%

Bond Insurance: None

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 rates on loans for up to one hundred percent of eligible project costs.

The Drinking Water Loans are recorded in and paid out of revenues of Water Fund while the Clean Water loans are recorded in and paid out of revenues of the Wastewater Fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds. The table on the following page provides a summary of debt service coverage for the Water and Wastewater Funds.

Listed below is a table of the outstanding principal amount of WIFA Loans as of April 30, 2012.

Summary of Existing Prescott Improvement District Bond Debt (a)				
Date of Authorization	Loan Type	Loan Number	Original Principal	Outstanding Principal
Loans Supported by the Water Fund				
08/24/2007	Drinking Water Loan	920125-08	$9,854,000	$7,792,107
07/31/2009	Drinking Water Loan (c)	92A166-09	8,998,096	2,373,532
07/31/2009	Drinking Water Loan	92A154-10	3,591,880	100,858
12/03/2010	Drinking Water Loan	920206-11	1,060,000	979,954
Loans Supported by the Wastewater Fund				
08/24/2007	Clean Water Loan (b)	910097-08	4,703,000	4,024,403
07/31/2009	Clean Water Loan	910122-10	6,573,506	5,585,334
12/03/2010	Clean Water Loan (d)	910147-11	2,070,000	1,498,740
12/03/2010	Clean Water Loan (d)	910148-11	1,635,870	0
06/10/2011	Clean Water Loan (d)	910151-11	45,802,753	704,152
Combined Total			**$84,289,105**	**$23,059,080**
		Total Drinking Water Loans:	**$23,503,976**	**$11,246,451**
		Total Clean Water Loans:	**$60,785,129**	**$11,812,629**

Source: City of Prescott, April 30, 2012

(a) The City has one other outstanding WIFA loan which is reflected in the Improvement District Bonds section above for District 164 because this loan is repaid by participants of the improvement district.

(b) The forgivable amount of this WIFA loan is $4,000,000 and is not included in the amount outstanding.

(c) The forgivable amount of this WIFA loan is $2,155,128 and is not included in the amount outstanding.

(d) These three WIFA loans have not been drawn down in full by the City.

Water Infrastructure Finance Authority of Arizona Loans

The following table summarizes debt service coverage for the Water and Wastewater Funds for fiscal years 2010-11 through 2017-18 (note: fiscal year 2010-11 is actual and fiscal years 2011-12 through 2017-18 are estimated).

	WATER AND WASTEWATER FUND DEBT SERVICE COVERAGE *							
	FISCAL YEARS							
System	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Water Fund								
Water Revenues	$14,385,461	$15,736,994	$16,133,105	$17,040,399	$17,489,375	$17,953,321	$18,482,685	$19,027,930
Less: Impact and Development Fees	1,116,512	1,222,407	1,259,069	1,296,841	1,335,747	1,375,819	1,417,094	1,459,606
Total Revenues	13,268,949	14,514,587	14,874,036	15,743,558	16,153,628	16,577,502	17,065,591	17,568,324
Operating Expenses	9,071,549	7,716,843	7,941,572	8,287,430	8,651,199	9,033,940	9,436,788	9,860,950
Net Water Revenues	$4,197,400	$6,797,744	$6,932,464	$7,456,128	$7,502,429	$7,543,562	$7,628,803	$7,707,374
Debt Service	$2,020,203	$3,427,632	$2,400,966	$2,813,787	$2,801,213	$2,806,340	$2,768,158	$2,637,707
Debt Service Coverage	**2.08**	**1.98**	**2.89**	**2.65**	**2.68**	**2.69**	**2.76**	**2.92**
Wastewater Fund								
Wastewater Operations Revenues	$7,795,255	$8,710,908	$9,555,700	$10,645,700	$10,937,700	$11,236,610	$11,548,697	$11,868,237
Operating Expenses	4,206,898	4,694,444	5,043,834	5,290,283	5,550,786	5,826,229	6,117,559	6,425,788
Net Wastewater Revenues	$3,588,357	$4,016,464	$4,511,866	$5,355,417	$5,386,914	$5,410,381	$5,431,138	$5,442,449
Debt Service (including WW Impact)	$1,785,948	$3,863,646	$2,634,121	$4,538,050	$4,533,403	$4,546,381	$4,483,673	$4,247,338
Debt Service Coverage	**2.01**	**1.04**	**1.71**	**1.18**	**1.19**	**1.19**	**1.21**	**1.28**

* Source: City of Prescott Finance Department. Fiscal year 2010-11 is actual. Fiscal Year 2011-12 through 2017-18 are estimated.

General Obligation Debt Capacity

The ability of the City to incur general obligation debt is governed by constitutional and statutory provisions of Arizona law, including the requirement of a vote of the electorate to authorize such bonds. Under the provisions of the Arizona Constitution, as amended in 1980 and 2006, outstanding general obligation bonded debt for water, sewer, lighting, parks, open space/recreational purposes, acquisition and development of public safety, law enforcement, fire/emergency facilities and streets/transportation facilities may not exceed 20% of a municipality's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed an additional 6% of a municipality's net secondary assessed valuation.

City of Prescott Net Direct Overlapping G.O. Debt

Based on the City's Net Secondary Assessed Valuation for fiscal year 2011-12 of $644,854,163, the City has the following general obligation bond capacity in the 6% and 20% categories:

All Other General Obligation Bonds	
6% Constitutional Limitation	$38,691,250
Net Direct General Obligation Bonds Outstanding	0
Unused 6% Limitation Borrowing Capacity	$38,691,250

Water, Sewer, Light, Parks and Open Space, Transportation and Public Safety Purpose Bonds	
20% Constitutional Limitation	$128,970,833
Net Direct General Obligation Bonds Outstanding	3,595,000
Unused 20% Limitation Borrowing Capacity	$125,375,833

General obligation debt margins change each year due to changes in net secondary assessed valuation and the retirement of the City's outstanding debt, if any. *Based on the preliminary net secondary assessed valuation for fiscal year 2012-13 of $555,286,772, as reported by Yavapai County, the Unused 6% and 20% Limitation Borrowing Capacity is estimated to be $33,317,206 and $107,462,354, respectively.*

City of Prescott Net Direct Overlapping G.O. Debt

	2011-12 Net Secondary Assessed Valuation (a)	Net Outstanding Bonded Debt	Proportion Applicable to City of Prescott		2011-12 Combined Tax Rate Per $100 Assessed
			Approx. Percent	Amount	
State of Arizona	$61,700,292,915	None	1.05%	None	None
Yavapai County	2,753,690,772	None	23.42%	None	$2.3431
Yavapai County Community College District	2,753,690,772	$43,935,000	23.42%	$10,288,616	1.6175
Mountain Institute Joint Technology (MIJT)	1,741,933,885	None	37.02%	None	0.0500
Prescott Unified School District No. 1	903,814,803	11,160,000	71.35%	7,962,441	2.9052
City of Prescott	**644,854,163**	**3,595,000**	**100.00%**	**3,595,000**	**0.4433**
Total Direct and Overlapping General Obligation Bonded Debt		**$58,690,000**		**$21,846,058**	**$7.3591**

Source: State of Arizona Department of Revenue and Arizona Tax Research Association

General Obligation Debt Capacity

City of Prescott Debt Burden

Direct and overlapping net debt are compared to the net secondary assessed valuation and full cash value of all taxable property to calculate debt burden. The City's estimated full cash value for 2011-12 is $5,221,991,565. Additionally, the net debt figures can be compared to population to determine net debt per capita.

	% of 2011-12 Net Secondary Assessed Valuation (a) $644,854,163	% of 2011-12 Full Cash Value $5,221,991,565	Population (b) 39,843
Direct Debt ($3,595,000)	0.56%	0.07%	$90.23
Direct and Overlapping Debt ($21,846,058)	3.39%	0.42%	$548.30

(a) Arizona Department of Revenue, Abstract of Assessment Roll, 2011
(b) City of Prescott, Comprehensive Annual Financial Report, June 30, 2011

An aspect of debt analysis that relates to debt burden is tax base. A strong tax base permits a municipality to issue property tax supported General Obligation bonds without unduly burdening taxpayers. Shown below are the City's Net Secondary Assessed Valuations since fiscal year 2005-06.

City of Prescott Net Secondary Assessed Valuation

Fiscal Year	Net Secondary Assessed Valuation	% Change
2012-13*	$555,286,772	-26.1%
2011-12	644,854,163	-21.6%
2010-11	751,765,930	-8.6%
2009-10	822,167,484	1.5%
2008-09	809,994,831	26.1%
2007-08	642,466,094	16.4%
2006-07	551,843,276	11.0%
2005-06	497,226,209	11.0%

Source: Arizona Tax Research Association
** Yavapai County, February 2012 Preliminary Abstract*

General Obligation Debt Capacity

Shown below are the City's Primary and Secondary Tax Rates since fiscal year 2005-06.

City of Prescott Primary and Secondary Tax Rates

Fiscal Year	Primary Tax Rate per $100 Assessed Valuation	Secondary Tax Rate per $100 Assessed Valuation	Total Combined Tax Rate
2011-12	$0.1978	$0.2455	$0.4433
2010-11	0.1737	0.2093	0.3830
2009-10	0.1695	0.2002	0.3697
2008-09	0.1839	0.2396	0.4235
2007-08	0.1991	0.2982	0.4973
2006-07	0.2182	0.3093	0.5275
2005-06	0.2245	0.3413	0.5658

Source: *Arizona Tax Research Association*

Municipal Property Corporation Debt Capacity

MPC Bonds issued by the City may be secured by a pledge of Excise Taxes and State Shared Sales Taxes or revenues from the City's Water and Wastewater Enterprise System. The bonds do not constitute a general obligation of the City and are not backed by general taxing power. Although the Arizona Revised Statutes do not place a limitation on the principal amount of such bonds that may be issued, the legal documents governing their issuance will contain a debt service coverage test that must be met in order to issue bonds.

The table on the following page shows the estimated capacity for MPC Bonds assuming a pledge of Excise Taxes and State Shared Sales Taxes.

A borrowing supported by Excise Taxes and State Shared Sales Taxes generally has a debt service coverage requirement of 300% of total revenues. The table on the following page shows the debt currently supported by Excise Taxes and State Shared Sales Taxes and the remaining capacity for new debt, while maintaining 300% coverage. As such, fiscal year 2011-12 revenues of $24,914,735 could support an aggregate annual debt service amount of approximately $8.3 million at 300% coverage. While this is shown as "capacity," repayment sources need to be considered as well. Translated into a borrowing for 20 years at an annual interest rate of 6.0%, the City would be able to issue approximately $69 million of MPC revenue bonds secured by Excise Taxes and State Shared Sales Taxes.

CITY OF PRESCOTT, ARIZONA
MUNICIPAL PROPERTY CORPORATION

Estimated $69,075,000 Bond Capacity at 3 Times Debt Service Coverage

		$6,625,000 Series 2007 Dated: 5/30/07			$18,250,000 Series 2010 (Build America Bonds) Dated: 2/18/10				$8,910,000 Series 2011 (Private Placement) Dated: 5/12/11					Estimated Additional Capacity At 3 Times Coverage (c)				
Fiscal Year	Estimated Pledged Revenues (a)	Principal	Interest	Total	Principal	Interest	Less: Federal Subsidy	Total	Principal	Interest	Total	Total Combined Outstanding Debt Service (b)	Estimated Outstanding Debt Service Coverage	Principal	Estimated Interest	Total	Total Estimated Combined Debt Service	Estimated New Debt Service Coverage
2011-12	$24,914,735	$260,000	$245,766	$505,766	$765,000	$882,781	($308,973)	$1,338,807	$396,000	$421,898	$817,898	$2,662,472	9.36x				$2,662,472	9.36x
2012-13		265,000	235,366	500,366	775,000	868,031	(303,811)	1,339,220	410,000	354,610	764,610	2,604,197	9.57x	$1,715,000	$3,983,325	$5,698,325	8,302,522	3.00x
2013-14		280,000	225,760	505,760	785,000	849,214	(297,225)	1,336,989	426,000	337,451	763,451	2,606,201	9.56x	1,655,000	4,041,600	5,696,600	8,302,801	3.00x
2014-15		290,000	215,260	505,260	805,000	824,071	(288,425)	1,340,646	442,000	319,603	761,603	2,607,509	9.55x	1,755,000	3,942,300	5,697,300	8,304,809	3.00x
2015-16		300,000	204,240	504,240	825,000	794,262	(277,992)	1,341,270	326,000	302,465	628,465	2,473,975	10.07x	1,990,000	3,837,000	5,827,000	8,300,975	3.00x
2016-17		310,000	192,615	502,615	845,000	757,995	(265,298)	1,337,697	340,000	288,838	628,838	2,469,150	10.09x	2,115,000	3,717,600	5,832,600	8,301,750	3.00x
2017-18		325,000	180,525	505,525	870,000	717,562	(251,147)	1,336,415	354,000	274,626	628,626	2,470,566	10.08x	2,240,000	3,590,700	5,830,700	8,301,266	3.00x
2018-19		340,000	167,525	507,525	900,000	675,497	(236,424)	1,339,073	369,000	259,829	628,829	2,475,427	10.06x	2,370,000	3,456,300	5,826,300	8,301,727	3.00x
2019-20		355,000	150,525	505,525	930,000	631,082	(220,879)	1,340,203	385,000	244,405	629,405	2,475,133	10.07x	2,515,000	3,314,100	5,829,100	8,304,233	3.00x
2020-21		370,000	132,775	502,775	960,000	584,257	(204,490)	1,339,767	401,000	228,312	629,312	2,471,853	10.08x	2,665,000	3,163,200	5,828,200	8,300,053	3.00x
2021-22		390,000	114,275	504,275	990,000	534,961	(187,236)	1,337,724	418,000	211,550	629,550	2,471,549	10.08x	2,830,000	3,003,300	5,833,300	8,304,849	3.00x
2022-23		410,000	94,775	504,775	1,025,000	482,639	(168,924)	1,338,715	435,000	194,077	629,077	2,472,568	10.08x	2,995,000	2,833,500	5,828,500	8,301,068	3.00x
2023-24		430,000	77,350	507,350	1,065,000	424,880	(148,708)	1,341,172	453,000	175,894	628,894	2,477,417	10.06x	3,170,000	2,653,800	5,823,800	8,301,217	3.00x
2024-25		450,000	59,075	509,075	1,100,000	364,868	(127,704)	1,337,164	473,000	156,959	629,959	2,476,198	10.06x	3,365,000	2,463,600	5,828,600	8,304,798	3.00x
2025-26		460,000	39,950	499,950	1,140,000	302,883	(106,009)	1,336,874	492,000	137,188	629,188	2,466,011	10.10x	3,575,000	2,261,700	5,836,700	8,302,711	3.00x
2026-27		480,000	20,400	500,400	1,190,000	231,690	(81,091)	1,340,598	513,000	116,622	629,622	2,470,620	10.08x	3,785,000	2,047,200	5,832,200	8,302,820	3.00x
2027-28					1,235,000	157,374	(55,081)	1,337,293	535,000	95,179	630,179	1,967,472	12.66x	4,515,000	1,820,100	6,335,100	8,302,572	3.00x
2028-29					1,285,000	80,248	(28,087)	1,337,161	557,000	72,816	629,816	1,966,977	12.67x	4,785,000	1,549,200	6,334,200	8,301,177	3.00x
2029-30									580,000	49,533	629,533	629,533	39.58x	6,410,000	1,262,100	7,672,100	8,301,633	3.00x
2030-31									605,000	25,289	630,289	630,289	39.53x	6,795,000	877,500	7,672,500	8,302,789	3.00x
2031-32														7,830,000	469,800	8,299,800	8,299,800	3.00x
		$5,715,000	$2,356,183	$8,071,183	$17,490,000	$10,164,293	($3,557,502)	$24,096,790	$8,910,000	$4,267,143	$13,177,143	$45,345,115		$69,075,000	$54,287,925	$123,362,925	$168,708,040	

(a) Pledged excise tax revenues for fiscal years 2010 and 2011 are actual.

Source	2010	2011
Privilege & Use Tax	$12,177,884	$12,144,493
State Share Taxes	8,255,759	9,354,640
Franchise Fees	1,644,977	1,637,128
Licenses & Permits	381,558	386,243
Charges for Services	886,019	771,983
Fines & Forfeitures	646,737	620,248
Total Pledged Revenues	$23,992,934	$24,914,735

(b) Total debt service does not include the Series 2004 bonds which are supported by water system revenues.

(c) Debt Capacity assumes bond issuance with 20-year amortization, at a 6.00% interest rate and dated 7/15/12.

Summary of Financing Options

The City has numerous options available for financing its capital needs. On the following pages are summaries of each of the financing options listed below:

- Pay-as-you-go funding
- General obligation bonds
- Revenue bonds
  - Utility revenue bonds
  - Street and highway revenue bonds
- MPC Issued Bonds/ Lease purchase financings
- Improvement District Bonds
- Community Facilities Districts
- State Agency Options

PAY-AS-YOU-GO FUNDING

Legal Purposes(s)

- Any lawful or necessary purposes

Characteristics

- Least costly funding method
- No debt incurred
- Expenditures included in expenditure limitation

Limitation

- Available funds

Types of Projects Financed

- All projects are possible
- Given cities' finances, this approach is usually most applicable for smaller maintenance and improvement projects

GENERAL OBLIGATION BONDS

Legal Purpose(s)

- Any lawful or necessary purpose

Characteristics

- "Full faith and credit" bonds
- Secured by unlimited property tax pledge
- Debt service can be paid from property taxes or enterprise revenues, e.g. water and sewer system revenues, highway user revenues
- Debt service not included in expenditure limitation
- Generally lowest cost financing approach

Limitations

- Subject to voter authorization
- Pursuant to Arizona Constitution, principal outstanding may not exceed:
- 20% of net secondary assessed value for water, sewer, lighting, parks, open spaces, recreational purposes, public safety, law enforcement, fire and emergency facilities and streets and transportation facilities and an additional 6% of net secondary assessed value for all other purposes.

Types of City Projects Financed

- All projects are possible
- Projects with strong public support
- Non-revenue supported projects such as:
  - Flood control projects
  - Parks improvements
  - Administrative buildings
- Where bonding capacity allows:
  - water and sewer projects
  - major street projects

UTILITY REVENUE BONDS

Legal Purpose(s)

- Acquiring, constructing or improving "utility undertaking"
- Utility undertakings include water, sewer, gas, electric light or power, and garbage disposal systems; airport buildings and facilities

Characteristics

- Not a general or "full faith and credit" obligation of City
- Secured by revenues of the applicable utility undertaking
- Debt service paid from above revenues
- Debt service and expenditure of bond proceeds are not included in expenditure limitation

Limitations

- Certain categories of expenditures are not subject to voter authorization
- Prior year's net revenues must exceed maximum annual debt service by a specific factor

Types of Projects Financed

- Water and sewer projects
- Airport projects

STREET AND HIGHWAY REVENUE BONDS

Legal Purposes(s)

- Improving, constructing or maintaining City streets and highways
- Acquisition of necessary rights of way

Characteristics

- Not a general or "full faith and credit" obligation of City
- Secured by City's receipts of state-shared gas taxes and other highway user fees and charges
- Debt service paid from above receipts
- Debt service and expenditure of bond proceeds are not included in expenditure limitation

Limitations

- Subject to voter authorization
- Maximum annual debt service for Junior Lien and Senior Lien Bonds may not exceed 66.6% of most recent year's receipts (e.g., one and one-half times coverage ratio of receipts to maximum annual debt service)

Types of Projects Financed

- Street and highway improvement projects

MPC BONDS/ LEASE PURCHASE FINANCINGS

Legal Purpose(s)

- Any lawful or necessary purposes

Characteristics

- May be secured by a pledge of specific revenues (e.g., excise taxes, enterprise revenues, etc.) or by annual appropriations
- Debt service not included in expenditure limitation
- City receives ownership of project when debt is retired
- If rated, generally one category below general obligation rating
- May be used for short-term (equipment) or long-term (real property) projects

Limitations

- No legal limitations
- Limited by general creditworthiness of City and existing debt burden
- May be limited by existing legal documents if security is a pledge of revenue

Types of City Projects Financed

- General projects for municipal buildings and improvements on land owned by the City

IMPROVEMENT DISTRICT BONDS

Legal Purpose(s)

- Numerous governmental purposes specified in statute
- Includes financing streets, curbs, gutters, sidewalks, sewers, waterworks, docks, levees, street lights, etc.

Characteristics

- Secured by assessments levied against property located within the district
- Backed by a contingent liability of City's general fund
- Not subject to voter authorization, but may be rejected by a majority of property owners within the district
- Improvements to be made cannot be of general benefit to the City as a whole

Limitations

- No legal limitations
- Limited by value of property within district
- Limited by general creditworthiness of City and existing debt burden

Types of City Projects Financed

- Local improvements

COMMUNITY FACILITIES DISTRICTS

Legal Purpose(s)

- A community facilities district is a political subdivision separate from a city and utilized for numerous governmental purposes as specified in the statutes, including financing for public infrastructure

Characteristics

- May issue general obligation, revenue and assessment bonds
- May be formed within the boundaries of a city or county
- May have a separate board of directors or the City Council may act as board (as specified in statutes)
- General obligation bonds must be voter approved
- Formation is initiated by petition of the landowners in the district
- Once formed, CFDs have many of the same powers of a City

Limitations

- Given "raw land" nature of most CFDs, value of land will determine amount of debt that can be issued

Types of Projects Financed

- "Public Infrastructure" as defined in Arizona Statutes
- Most projects which can be dedicated to a municipal entity

STATE AGENCY OPTIONS

There are several State Agencies in Arizona that have loan and/or grant programs that were designed to assist local governments in Arizona with financing their capital projects. They are:

- **The Water Infrastructure Finance Authority of Arizona (“WIFA”)**
- **Greater Arizona Development Authority (“GADA”)**
- **The Arizona Department of Transportation (“ADOT”) Help Loan Program**
- **The Arizona Department of Transportation Aeronautics Loan Program**

For specific information regarding any of the State Agencies listed above and more detailed information regarding their programs, please contact the respective agencies.

Bond Ratings

City of Prescott Bond Ratings

Type of Bond	Most Recent Issue	Moody's Underlying	Moody's Insured	S&P Underlying	S&P Insured	Fitch Underlying	Fitch Insured	Insurer
General Obligation	Series 2007	Aa2	-	AA-	-	AA	-	None
Street and Highway Revenue	-	-	-	-	-	-	-	-
Senior Lien	-	-	-	-	-	-	-	-
Junior Lien	-	-	-	-	-	-	-	-
Improvement District	Series 2001	A1	A1	-	-	-	-	Nat'l PFG **
MPC Bonds	Series 2010 *	Aa3	-	AA	-	AA	-	None
Community Facilities District	Series 2000	NR	NR	NR	NR	NR	NR	-

* The Series 2011 MPC bond issue was a private placement with no ratings.
** Formerly MBIA Insurance Corporation.

Key to Municipal Ratings

Aaa/AAA

Bonds which are rated Aaa/AAA are judged to be of the best quality. They carry the smallest degree of investment risk and interest payments are protected by a large or by an exceptionally stable margin and principal is secure.

Aa/AA

Bonds which are rated Aa/AA are judged to be of high quality by all standards. Margins of protection are slightly less than Aaa/AAA securities.

A/A

Bonds which are rated A/A possess many favorable investment attributes and are considered to be upper medium grade obligations. Factors giving security to principal and interest are considered adequate.

Baa/BBB

Bonds which are rated Baa/BBB are considered medium grade obligations; they are neither highly protective nor poorly secured. Interest payments and principal security appear adequate for the present but may not be reliable over any great length of time.

Underlying Debt Ratings of Select Arizona Issuers

Below are debt ratings for select jurisdictions within the State of Arizona. When available, the general obligation ("GO") rating is shown. If the issuer does not have a GO rating, the highest rating of the issuer is shown.

Entity	County	Rating Type	Moody's	S&P	Fitch
Sierra Vista	Cochise	*	A1	AA	AA-
Flagstaff	Coconino	GO	Aa2	AA	-
Apache Junction	Maricopa	*	A2	-	-
Goodyear	Maricopa	GO	Aa2	AA-	-
Tempe	Maricopa	GO	Aa1	AAA	AAA
Bullhead City	Mohave	*	-	A+	A+
Kingman	Mohave	*	-	AA-	AA-
Oro Valley	Pima	*	-	AA-	AA-
Casa Grande	Pinal	GO	-	AA-	AA
City of Prescott	**Yavapai**	**GO**	**Aa2**	**AA-**	**AA**
Chino Valley	Yavapai	*	-	A+	-
Prescott Valley	Yavapai	*	-	AA-	AA-
Sedona	Yavapai	*	-	A	-
Yavapai County	Yavapai	**	Aa2	-	-

* Reflects Senior Most Rating(s) of the Issuer.
** Reflects "Issuer Rating" as reported by Moody's.

Rating Agencies Credit Reports

The following pages contain the City's most recent credit rating reports from S&P, Moody's and Fitch. The reports were issued in connection with the Series 2010 MPC bond transaction. In the spring of 2010, Moody's and Fitch recalibrated the City's credit ratings to Aa3 (from A1) and AA (from AA-), respectively. In addition, Fitch affirmed the City's AA rating on January 4, 2011. The January 4, 2011 Fitch report is included on the following pages along with the original Series 2010 reports from S&P and Moody's.

FitchRatings

Fitch Affirms Prescott, AZ GO and MPC Rev Bonds at 'AA'; Outlook Stable

Ratings Endorsement Policy
04 Jan 2011 3:16 PM (EST)

Fitch Ratings-Austin-04 January 2011: Fitch Ratings affirms the following ratings for Prescott, Arizona general obligation (GO) bonds and Municipal Property Corporation (the corporation) revenue bonds as part of its continuous surveillance efforts:

--$4.9 million GO bonds at 'AA';
--$38.8 million excise tax revenue bonds at 'AA'.

The Rating Outlook is Stable.

RATING RATIONALE:
--While the city has maintained a sound financial profile, characterized by generally positive operating results and healthy reserves, current recessionary pressures are expected to reduce operating reserves.
--The city has a heavy reliance on sales tax revenues for operations, and recent declines in receipts have forced the city to make significant budget adjustments.
--Despite recent declines in pledged revenues, debt service coverage on outstanding corporation revenue bonds remains healthy.
--Debt levels are manageable and the payout rate is above average; capital needs have been scaled back due to the recession.
--Because the corporation's lease structure presents no appropriation risk and the city relies heavily on this financing vehicle for its capital program, Fitch makes no distinction between this rating and the city's current GO bond rating of 'AA'.

KEY RATING DRIVERS:
--Any further declines in sales tax receipts and development-related revenues would require additional spending reduction measures by the city in order to maintain satisfactory reserve levels.
--Although residential and commercial development activity has slowed sharply in Prescott, city officials anticipate stable taxable values over the next several years due to a lack of speculative building during the recent housing boom.

SECURITY:
The GO bonds are payable from the unlimited ad valorem tax levied against all taxable property in the city.

The revenue bonds are payable from rent payments by the city to the corporation, which are secured by a pledge of excise tax and state shared revenues. This pledge is subordinate to that securing the corporation's outstanding series 1998-F revenue bonds, and is on parity with the corporation's outstanding series 2004, 2007, and 2010 revenue bonds.

CREDIT SUMMARY:
The city's financial profile is sound, although recent weakness in various revenues has applied pressure to operations. Local sales tax revenues, which are the largest general fund revenue source, declined the past two fiscal years, including a sizable 15% drop in fiscal 2009 and a moderate 2% drop in fiscal 2010. Other economically sensitive revenues, primarily charges for services and licenses and permits, have also slipped since fiscal 2007 as the housing industry and overall economy weakened. Despite these revenue declines, operating reserves remain satisfactory due largely to expenditure reduction measures instituted by management beginning in fiscal 2009. The city has adopted the new GASB 54 reporting standard, and the newly categorized unassigned general fund balance at fiscal 2010 year-end was $10.8 million, or nearly 30% of expenditures and transfers out; this amount exceeds the city's minimum fund balance policy of 20% of revenues.

City administrators continued with their cost cutting efforts in the preparation of the fiscal 2011 budget; measures to date have included the elimination of more than 50 positions (including 15 layoffs), departmental reorganizations, a freeze on salaries and benefits, and restrictions on discretionary spending. The fiscal 2011 budget includes a 7.5% reduction in general fund outlays from the prior year budget, and no change in sales tax revenues from fiscal 2010 budget. Management does not anticipate any drawdown in operating reserves for fiscal 2011.

The excise taxes pledged to pay debt service on the corporation bonds include local transaction privilege (sales) taxes, franchise taxes, licenses and permits, charges for services, and fines and forfeitures; the state-shared revenues consist of state-shared sales taxes and state revenue sharing (income tax). The city sales tax is the largest excise tax component, comprising more than 45% of total excise tax revenues in fiscal 2010. Growth in excise tax revenues, which had been steady, reversed in fiscal 2009 with a nearly 9% decline to $27.4 million, and declined further in fiscal 2010 by 5% to 25.9 million. The city anticipates further, more moderate declines in fiscal 2011 before growth in excise taxes resumes in fiscal 2012. Fiscal 2010 revenues generated maximum annual debt service coverage on all revenue bonds of more than 9 times (x). Fitch notes that while the excise tax revenues are pledged to the revenue bonds, the fact that they also are the primary operating revenues of the city generates the high coverage. Fitch also observes that while excise taxes are pledged to the repayment of all outstanding corporation debt, the city utilizes other funding sources (utility system revenues, a separate .75% transportation and open space sales tax) to pay more than 80% of corporation debt.

Fitch considers the city's debt profile an additional credit strength. Debt ratios, both on a per capita basis and as a percentage of tax base, are in the low to moderate range. Also, the pace of principal retirement on tax-supported debt is above average. The city's five-year capital plan was revised from roughly $280 million to $107 million in response to reduced growth pressures; the largest components are water, wastewater and street projects. In addition, the city's fiscal 2011 capital budget totals approximately $80 million, a 40% reduction from prior year budget.

Prescott is located roughly 100 miles northwest of Phoenix and 90 miles south of Flagstaff in Yavapai County. The first territorial capital of Arizona, the city has grown steadily in population over the past 30 years; the current estimate of 43,573 residents represents a healthy 25% gain over the 2000 census total. The moderate climate, scenic surroundings and historical flavor contribute to an active tourism industry. Other important economic sectors are healthcare, services, government and education. Like most Arizona cities, Prescott has seen a dramatic decline in housing starts over the past four years. From a recent peak of 784 in 2004, starts declined to 238 in 2009, and only 47 through November 2010. However, given the significant amount of undeveloped land in the potential growth areas around the city, Fitch believes the long-term growth prospects for the city are good.

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In addition to the sources of information identified in the Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, LoanPerformance, Inc., and IHS Global Insight.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria', dated 16 Aug 2010.
--'U.S. Local Government Tax-Supported Rating Criteria', dated 08 Oct 2010.

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria
U.S. Local Government Tax-Supported Rating Criteria

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&POOR'S

Global Credit Portal®
RatingsDirect®

January 12, 2010

Summary:

Prescott Municipal Property Corp., Arizona; Miscellaneous Tax; Sales Tax

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Table Of Contents

Summary:

Prescott Municipal Property Corp., Arizona; Miscellaneous Tax; Sales Tax

Credit Profile		
US$18.245 mil rev bnds ser 2010 due 07/01/2029		
Long Term Rating	AA/Stable	New
Prescott Mun Prop Corp		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Prescott Mun Prop Corp misc tax		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Prescott Municipal Property Corp., Ariz.'s series 2010 excise tax bonds. At the same time, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on all preexisting parity revenue bonds. The outlook is stable.

The rating reflects:

- The City of Prescott's strong maximum annual debt service (MADS) coverage of approximately 8x;
- Strong bond provisions, including a 3.0x additional bonds test (ABT) and a rate covenant for excise taxes at 1.5x, combined with the significance of sales and use taxes in the city's budget, which places practical limitations on issuing additional debt of this type; and
- The city's ability to support excise debt service payments, though not legally pledged, with nongeneral fund dedicated revenue streams.

Limiting the rating are:

- Two years of decreasing total sales tax revenue coupled with the projected fiscal 2010 decrease; and
- The absence of a debt service reserve fund, offset by a strengthened ABT and continued strong debt service coverage (DSC).

A pledge on the city's excise tax revenues after payment on the city's senior, closed lien -- including the city's sales and transaction privilege taxes, state-shared revenues, licenses and other fees, and fines and forfeitures -- secures the series 2010 bonds.

In our view, the pledged excise tax revenues have sustained strong growth until this last fiscal year (2009), increasing by 27% -- a 9% average -- annually between fiscals 2005 and 2008. At the end of fiscal 2008, the revenue source totaled $30.1 million. However, excise tax revenues dropped by 9% in fiscal 2009 (estimated actuals), and management projects another decrease of 5% in fiscal 2010, resulting in an estimated $25.8 million in pledged revenue. Pledged fiscal 2009 revenues consisted of the city's privilege and use tax (47% of pledged revenues), state-shared income and sales tax (34%), franchise taxes charged to utilities (6%), permits and fees (1%), charges for services (5%), and fines and forfeitures (7%). City officials have dedicated 1% of the total 2% city sales tax, which expires after 2015, to street improvements and open-space acquisitions. In September 2009, voters approved a 0.75% tax for street improvements, which will take effect in 2016 and expire in 2036.

Prescott is a retail center for an estimated regional population of 200,000 in four municipalities. As a result, per capita retail sales are what we consider extremely strong at 181% of the national level in fiscal 2009. Fiscal 2009 (estimated actuals) pledged revenues cover future senior and junior MADS in excess of 8x; using forecasted fiscal 2010 pledged revenues, MADS will decrease to what we still consider a strong projected 7.9x. The debt service structure includes a significant decline in debt service payments in 2019 after the series 1998 closed senior bonds mature. Using fiscal 2009 (estimated actuals) pledged revenues and assuming no additional debt issuance, MADS coverage during 2019-2034 grows to 9.9x. Although excise taxes are legally pledged for the bonds' repayment, city officials, in practice, have historically used impact fees, water rate increases, and golf course revenues to repay the bonds. Pledged revenues account for a large 86% of city general fund revenues. General fund balances have been historically very strong. The city closed fiscal 2008 with approximately a $300,000 after transfers for a $10.3 million unreserved general fund balance, or 31% of expenditures and transfers out. Management is projecting to finish slightly stronger in fiscal 2009, but does anticipate a $2.5 million decrease from the 2009 general fund balance to $8.8 million in fiscal 2010.

The city's large capital improvement plan (CIP) includes such projects as road improvements, water system improvements, and open-space projects. City officials have historically used pay-as-you-go financing from nonpledged (the 1% dedicated to capital portion) sales tax receipts, which generated approximately $13 million in fiscal 2009, to finance a portion of the operating and capital budget. Management intends to use system revenue-supported debt to finance the majority of the plan.

According to officials, series 2010 bond proceeds will fund the construction of certain roadway improvements. Bond provisions are, in our view, strong, with a historical ABT of 3x. In addition, a rate covenant of 1.5x is included, but any increase to the local sales tax rate above 1% requires the electorate's approval. There are no provisions for a debt service reserve fund.

Located in Yavapai County, 96 miles northwest of Phoenix, Prescott is in a geographic transition region between the desert and the mountain highlands. The city is a service center for Yavapai County, in particular for Prescott Valley, Ariz.; Chino Valley, Ariz.; and Dewey-Humboldt, Ariz. Historically centered on government and tourism, the city's economy has recently diversified into retail, services, and manufacturing. Population growth has been strong, increasing by 27.5% to 43,280 in 2008 from 33,938 in 2000. Major nonmanufacturing employers include:

- Yavapai Regional Medical Center (1,900 employees),
- Yavapai County (1,800),
- Yavapai College (1,300),
- Wal-Mart Stores Inc. (1,000), and
- Prescott Unified School District (700).

The city's unemployment rate through September 2009, at 7.9%, was lower than the state's 8.3% rate and the nation's 9.0% rate. Since 2003, market value per capita has increased by 67% to, in our opinion, an extremely strong $125,960 in 2008. Median household effective buying income was, in our view, good, at 90% of the national level for 2008, although we believe an above-average number of retirees limits this total. Per capita effective buying income, however, was strong at 112% of national levels.

Outlook

The stable outlook reflects our expectation that management's reliance on pledged revenues for general fund operations and sustained pledged revenue growth will support the maintenance of strong DSC well in excess of the 3x ABT. The stable outlook also reflects our expectation that management will primarily use nonpledged sales tax revenues and utility system revenue-supported debt to fund the city's large CIP for roads, water, and wastewater.

Related Research

USPF Criteria: Special Tax Bonds, June 13, 2007

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Moody's Investors Service

New Issue: **MOODY'S ASSIGNS A1 RATING TO CITY OF PRESCOTT, ARIZONA, MUNICIPAL PROPERTY CORPORATION REVENUE BONDS, SERIES 2010**

Global Credit Research - 11 Jan 2010

APPROXIMATELY $40 MILLION OF DEBT AFFECTED, INCLUDING CURRENT SALE

Municipality
AZ

Moody's Rating

ISSUE		RATING
Revenue Bonds, Series 2010		A1
Sale Amount	$18,245,000	
Expected Sale Date	01/25/10	
Rating Description	Revenue Bonds	

Opinion

NEW YORK, Jan 11, 2010 -- Moody's Investors Service has assigned an A1 rating to the City of Prescott, Arizona's $18.2 million Municipal Property Corporation Revenue Bonds, Series 2010. At this time, Moody's affirms the A1 rating on the Municipal Property Corporation's (MPC) previously issued $22 million in revenue bonds, including approximately $3.6 million in senior lien revenue bonds. Moody's also affirms the Aa3 rating on the city's general obligation debt totaling $6.24 million. Moody's notes the lack of a rating distinction between the senior and subordinate revenue bonds reflects the closed lien of the senior revenue bonds as well as significant coverage levels of all outstanding excise tax supported debt. The bonds are payable from rental payments to be made by the city pursuant to a lease agreement between the MPC and the city. Rental payments are secured by a second lien on the city's transaction privilege (sales) taxes, state-shared sales taxes, state revenue sharing, franchise taxes, permits, fees, fines and forfeitures. The current issuance will be used to finance the construction of certain roadway improvements. The A1 rating on MPC obligations also incorporates the city's unconditional contractual obligation to make semiannual payments subject only to the availability of pledged revenues which are also available for annual operations; ample historical coverage with declining coverage in the current fiscal year and in the near term and satisfactory legal covenants. Additionally, the A1rating reflects the city's economic slowdown, and solid financial management characterized by steady reserve levels despite challenged sales tax revenues collections, as well as a relatively low debt profile.

SOUND COVERAGE CHALLENGED AS THE CITY'S LARGEST REVENUE SOURCE DECLINES

Moody's believes that pledged revenues will continue to provide ample coverage of both city operating needs and debt service requirements. Pledged revenue for fiscal 2009 totaled $27.37 million, or roughly 80% of general fund revenues. State and local sales taxes comprise the bulk of these receipts (nearly 50%). After fiscal 2006 local sales tax collections slowed significantly from healthy levels in prior years; fiscal 2009 local sales taxes declined 14.6%. Similarly state shared sales taxes by about 13% from the prior year. Despite the declines, coverage of maximum annual debt service (MADS) for all outstanding excise tax bonds (including the 98 bonds) by FY09 pledged revenues remains sound at 8.35 times. However, projections indicate further declines in pledged revenues of 14% in FY10 and 5% in FY11resulting in MADS coverage of 7.89 times and 7.51 times, respectively. The rate covenant remains at 1.5 times and provides some additional security although any increase in the city's sales tax rate would require voter approval; legal provisions also include a 3.0 times additional bonds test.

PRUDENT MANAGEMENT MAINTAINS SOLID RESERVE LEVELS DESPITE DECLINING REVENUES

Moody's expects the city to maintain healthy general fund reserves given conservative financial operations, prudent reserve policies despite sluggish consumer activity. In fiscal 2006 the city's total general fund balance reached a peak of $12.7 million (38.0% of general fund revenues), including an unreserved, undesignated general fund balance of $10.6 million (31.7% of general fund revenues). In fiscal 2007 and fiscal 2008 the general fund balance remained relatively flat, but was slightly lower than FY06 due to a combination of increased annual expenditures including an above average transfer-out in FY07 and a steady increase public safety costs, followed by a slowdown in revenue growth. The fiscal 2008 total general fund balance ended at $12.1 million (34.4% of general fund revenues), including an unreserved, undesignated general fund balance of $10.3 million (29.2% of general fund revenues). In fiscal 2009 despite reducing annual expenditures to offset below budget local sales tax collections and below budget state shared revenues the total general fund balance declined slightly to $11.8 million (36.5% of revenues), including a slightly larger decline in the unreserved, undesignated portion of reserves to $7.6 million (23.4% of general fund revenues).

Fiscal 2009 general fund operations are supported by local sales taxes (39%), intergovernmental revenues made up 29% of general fund revenues and were comprised of state shared revenues (19%) and state shared sales taxes (10%); property taxes mad e up a small 4%. Similar to the state and nation, local sales taxes have been declining since fiscal 2008 (1.3%) and dropped precipitously in fiscal 2009 by 14.65 from the prior year. Moody's notes the city still maintains a favorable sales tax environment relative to nearby cities with a somewhat low 2% sales tax comprised of 1% unrestricted and 1% dedicated to street and open space purposes. Between 2004 and 2009, annual local sales tax revenues grew an average 1.6%, excluding the dedicated 1% tax.

For the current fiscal year (FY10), management has taken steps to reduce the general fund operating budget and preserve genera fund reserve levels. These steps include eliminating various programs and general fund positions. Management estimates the unreserved, undesignated general fund balance will end above the city's reserve requirement at $10.2 million (31% of revenues).

Moody's views the city's favorable business environment, conservative financial operations and trend of healthy reserves as an important factor in the city's Aa3 rating, especially given the city's reliance on economically sensitive revenues.

LOCATED IN CENTRAL ARIZONA; TAX BASE GROWTH SLOWS SIGNIFICANTLY

The relatively small 39 square mile City of Prescott is the county seat of Yavapai County (issuer rated A1) in west central Arizona, approximately 96 miles northwest of the City of Phoenix (GO rated Aa1 with negative outlook). Moody's believes healthcare and education entities will continue to provide a stable source of economic and employment growth locally, and over the medium term will complement the recovery of residential development and increased activity from the area's large manufacturing presence. Full market value of taxable property increased a strong 15.3% annually on average between 2004 and 2009. Reflective of an 18 month lag in property assessments in Arizona the city's 2010 full value increased only 1.5% due to a combination of an ongoing slowdown in new residential permits, persistent housing price declines, and low demand. The 2010 full market value was equal to a still sizable $6.7 billion.

Moody's expects 2011 values may decline from current values. Full market value per capita is well above the median for similarly rated cities at $154,675. Since 2000, the population has grown 28% to an estimated 43,280 (2008) as new residents, mostly retirees, relocate from larger metropolitan areas to take advantage of the city's favorable climate and mix of affordable and upper-end housing. As of October 2009 the city's unemployment rate continued to increase and was 8.5%, but below the county (9.5%), state (9.4%), and nation (9.5%). According to the 2000 census, favorable socioeconomic indicators reflect an older demographic with a median age of residents well above the state and nation and per capita and median family income levels at 111% and 100% of state levels, respectively.

LOW DEBT PROFILE

Moody's expects the city's debt profile will remain manageable given relatively low debt levels and no plans for future borrowing in he next five years. Proceeds from the current sale will be used to finance various road improvements. The city's direct debt burden of 0.7% approximates the national Aa3 city median. Payout of general obligation debt is rapid at 100% in seven years. Payout of all debt including the current ale is 53.0% in ten years. All of the city's debt is fixed rate.

KEY STATISTICS:

2009 population estimate: 43,280

1999 Per capita income: $22,565 (111.3% of state)

1999 median family income: $46,481 (99.5% of state)

2010 full valuation: $6.69 billion

Full value per capita: $154,675

Direct debt burden: 0.7%

Overall debt burden: 1.3%

Payout of principal (10 years): 53.0%

FY09 Unreserved, undesignated General Fund balance: $7.6 million (23.4% of General Fund revenues)

FY09 Total General Fund balance: $11.8 million (36.5% of General Fund revenues)

The last rating action was on April 26, 2007 when the City of Prescott Municipal Property Corporation rating was upgraded to A1 from A2.

The principal methodology used in rating City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010 was Local Government General Obligation and Related Ratings (December 2008), which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issue can also be found in the Credit Policy & Methodologies

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