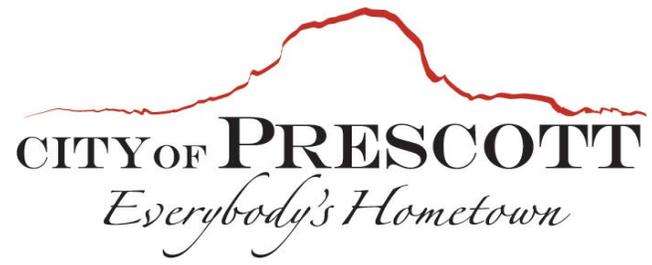


CITY OF **PRESCOTT**  
ARIZONA  
*Everybody's Hometown*



**CELEBRATING 125 YEARS OF THE WORLD'S OLDEST RODEO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**





*CITY OF PRESCOTT, ARIZONA*

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Prepared by  
Mark Woodfill  
Budget and Finance Department  
City of Prescott

**CITY OF PRESCOTT, ARIZONA**  
**Comprehensive Annual Financial Report**  
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For the year ended June 30, 2013

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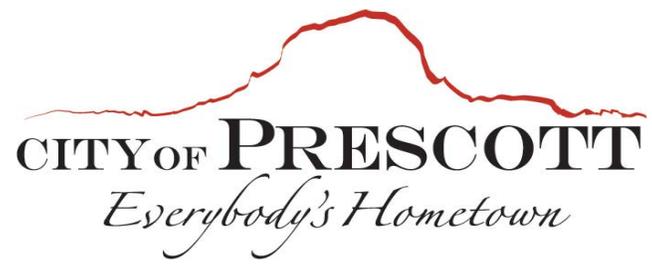
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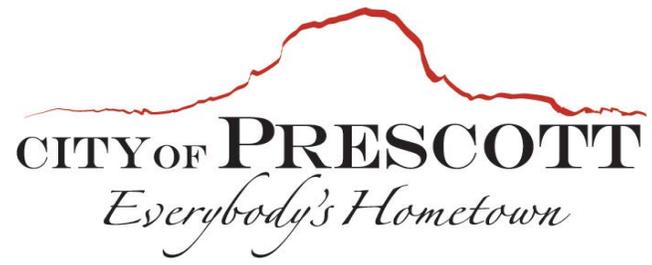
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## INTRODUCTORY SECTION





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

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November 18, 2013

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, 2013. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a broad framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Henry & Horne, LLP has issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2013. 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, 2013 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

## **REPORTING ENTITY**

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

## **CITY OF PRESCOTT PROFILE**

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

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

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

## LOCAL ECONOMY

Although small in population, 39,843, the City is not dependent on any one company or industry for economic vitality. The region is diverse in nature and benefits from the following industries:

### Education

Embry Riddle Aeronautical University  
Yavapai College  
Prescott College  
Northern Arizona University Extension

### Medical

Yavapai Regional Medical Center  
Veteran's Administration Hospital

### Manufacturing

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

### Retail

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

### Tourism

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

Prescott is the center for trade in the region, and as a result has grown into a community with a robust, diverse economy, which includes government, education, health care, manufacturing and tourism. Here is a brief overview of those sectors:

1. Government: Prescott is the Yavapai County seat, and as a result, is home to a majority of the county offices and court-related businesses. Several state and federal offices also call Prescott home as Prescott's convenient location allows them to serve the northern and central regions of Arizona.
2. Education: In addition to ERAU, Prescott is home to higher education institutions such as Yavapai College, Prescott College and Northern Arizona University Distance Learning Center. Prescott's K-12 offerings include public, private and charter schools.  
Health care: The VA Medical Center and Yavapai Regional Medical Center's main campus are both located in Prescott, as well as the bulk of related health care providers, (i.e., doctors, specialists, outpatient surgery centers and labs).
3. Manufacturing: Prescott's growing base of prime companies includes international manufacturers in the fields of aerospace, bioscience, guns and after-market vehicle accessories.
4. Tourism: Historical assets and outdoor recreation make Prescott a destination for visitors. Comfortable summer temperatures combine with signature events to create a perfect getaway for those from hotter parts of the state. Prescott's main tourist markets are the Phoenix and Tucson metro areas, California, Canada and Germany.

Each of these industries creates employment as well as opportunities for new business and entrepreneurial ventures, and Prescott recognizes the valuable contributions that our business community makes. For this reason, we strive to maintain Prescott as pro-business. We do this by being highly responsive to the needs of our business community, implementing best practices and availing businesses to tools and resources to foster success.

## LONG-TERM FINANCIAL PLANNING

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

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

The Fiscal Year 2014 Budget totals \$173,123,611, which represents an 8.2% increase from the prior year level, primarily attributable to increased capital projects in the City's enterprise funds. The \$88,247,934 Operating Budget primarily supports delivery of day to day core services, and is an increase of 14.1% over last year, all of which is the result of an \$11,000,000 budgeted expense that will provide appropriation for the potential refunding of existing debt issuance, and reduce the cost of interest over time. Excluding the debt refunding, the Operating Budget increased 0.7% over the prior year. The five year Capital Improvement Program (CIP) totals \$95,945,909 with the Capital Budget for FY14 totaling \$84,875,677.

As evidenced by the following highlights, the City continues to provide high levels of service to Prescott residents, businesses, and visitors, and realize many successes in our competitive commercial environment despite the budget challenges arising from external economic factors and the municipal revenue structure of the state.

As evidenced by the following highlights, the City continues to provide high levels of service to Prescott residents, businesses, and visitors, and realize many successes in our competitive commercial environment despite the budget challenges arising from external economic factors and the municipal revenue structure of the state.

#### Financial Sustainability and Economic Vitality

- Addition of new businesses: Natural Grocers, Games People Play, Massage Envy, Colt Cleaners, Mattress Firm, Fresh Vitamins, Beall's Outlet, Frozen Frannie's, Prescott Station, Prescott Area Pet Emergency Hospital
- Film Office Projects: Volkswagen Das Auto Magazine, Arizona Lottery, The Aviators, Yavapai Gaming, "The Dance", "A person Known to Me", "10", Ron Gould for Congress, CFM Productions, "Wide Awake".
- Successful in receiving two Arizona Commerce Authority Rural Grants for job creation and business expansion for Cobham, PLC. To date, the Program Tracking and Lean Production projects have resulted in the creation of six new jobs and over half a million dollars in new payroll.
- The City Council and Management Team worked collaboratively to provide enhancements to downtown traffic flow, pedestrian safety, and parking management.
- Collected \$199,976 in fees through field and desk audits (income which otherwise would be unrealized)

#### Public Safety (Police and Fire)

- Police Department volunteers contributed a total of 11,290 service hours, including 7,184 hours which were worked by Citizens on Patrol volunteers
- A total of \$63,224 in GOHS Grant funds were received for seatbelt enforcement, acquisition of a new marked police motorcycle and to augment enforcement equipment and paid overtime costs allowing the Police Department to administer twelve (12) DUI Taskforce, two-week enforcement of "Click it or Ticket" National Campaign efforts, and eight (8) Speed and Aggressive driver enforcement details.
- Patrol officers responded to 42,341 incidents; 26,776 were initiated as calls for service, with the remaining 15,365 self-initiated responses by the officer.
- The Police Department Community Services Section oversaw the 15<sup>th</sup> annual "Shop with a Cop" program, which hosted 98 participant children.
- The Police Department assisted Granite Mountain Middle School administration and teachers with emergency preparedness, providing a review of safety practices and facilities to identify opportunities for improved fortification, preparation, and to identify hiding places in the event of a lock down situation.
- The Fire Department treated 438 total acres within the Prescott Basin, completed 2,326 Red-Zone home assessments and obtained two additional fuels mitigation grants for the wildland program.
- 2,192 students were trained in fire and life safety and the Juvenile Fire Setter program was reestablished via collaboration between the Fire Department and Yavapai County Juvenile Court.
- The Fire Department applied for and received the FEMA 2012 Assistance to Firefighters Grant for \$186,000 to purchase a mobile live fire multi-trainer system, audio-visual equipment for the classroom, and commercial grade treadmills.

#### Major Capital Projects

- Zone 27 Water Reservoir Pump Station and Mains
- Zone 19 Water Reservoir, Piping and Pump Station (Copper Basin)
- Zone 12 Water Tank and Transmission Main
- Granite Creek and Willow Creek Dam Repairs
- Cliff Rose Wastewater Lift Station
- Sundog Wastewater Treatment Plant (WWTP) Nitrification/Denitrification Project
- Sundog WWTP Filter Repair and Replacement
- Airport Water Reclamation Facility Phase I Construction (3.75MG)
- City Shop Underground Storage Tank Cleanup
- S. Mount Vernon Avenue Street and Utilities Reconstruction
- Senator Highway Reconstruction
- FY13 Dexter Neighborhood Sidewalk Improvements
- 2013 Pavement Rehabilitation Project
- FY13 Chip Seal-Variou Streets
- Williamson Valley Rd Widening

#### Streets/Traffic Engineering/Drainage

- Responded to 17 emergency storm events (2,808 man-hours)
- Maintained 576 lane-miles of paved streets
- Replaced and repaired 1,438 traffic control and street signs
- Maintained 400 antique globe street lights in Central Business and Historic Districts
- Maintained 50 traffic signals and 4 roundabouts

- Initiated Intergovernmental Agreements for 1.2 million in Safe Route Infrastructure grant improvements
- Reviewed and approved 142 construction traffic control plans
- Provided traffic control plans and/or plan review for 49 special events
- Secured \$890,000 from the Yavapai County Flood Control District for engineering design and floodplain analysis for Cliff Rose Subdivision (as-built), Yavapai Hills Drainage Improvement Plans, Blackhawk Drainage Improvement Plans, Willow Creek Levee Analysis, Willow Creek Tributary, Willow Creek Reservoir Tributary, Granite Creek (Watson Lake to City limits)

#### Administrative Process Improvements

- Upgraded online agenda search and code publication software to provide easier public access to information
- Implemented online bill-pay and account review for utility billing enabling customers to view 12 months of account history and pay their bill
- Contracted with Sterling Information Systems for electronic background checks on all new employees thereby reducing the response time to one day for background results as opposed to two weeks and reducing the charge per new employee from \$140 to \$35 each
- Processed over 500 more applications than in FY12, participated on most interview panels of over 80 managed recruitments including high level positions such as City Clerk, City Attorney and Police Chief to ensure legal compliance and fair hiring practices
- Initiated a “premium holiday” to employees for month of December and distributed the City’s portion of December’s health insurance premium to employees through a longevity based one-time payment as a thank you for four years of service without pay raises and for keeping premium increases to a minimum by being health conscious

#### Elks Opera House

- Completed sale of Elks Opera House to Elks’ Theatre and Performing Arts Center, Inc., and Arizona Non-Profit Corporation, for a sale price that covered the City’s investment in the purchase and renovation of the facility. The Elks’ Center is actively booking performances as the new operator, and working toward significant renovation of the exterior, and additional performance space acquired in a separate transaction with private parties for the remainder of the Elks’ building

#### Parks & Recreation

- A nine-hole disc golf course was constructed at Watson Lake Park using matching funds and labor from the local disc golf club. Sign-in sheets at the first tee box show an average of 30 players per day
- The community restitution program was successfully reorganized within the Parks and Recreation Department in FY13 saving \$45,000 per year. This program is instrumental in keeping public areas clean and polished. In FY13 there were 16,729 hrs worked with a value of \$121,285
- The department partnered with the Dahlberg foundation, Highlands Center for Natural History, and local businesses to make improvements and open the center as a self guided interpretive nature center at no cost to the City. Improvements included a new roof for the cabin, 1.5 miles of new trail, installation of a native plant garden and installing a new liner in the pond. Volunteer groups perform ongoing maintenance
- Coordinated and hosted the first ever Prescott’s Great Outdoors event, which was revenue neutral and attended by over 2,200 people
- Completed a license agreement and construction of trail that completes the Watson loop and connects it to a new 5.7 mile Willow Lake Loop trail, constructed by the volunteer Over the Hill Gang

#### Library

- A Library Advisory Board, appointed by the City Council, met monthly beginning in January to review the operations and funding of the library, and a report from the Board was presented to Council as key information to FY14 budget discussions
- Over 719,112 items were circulated—an average of 18 items per capita and a 7% increase over FY12
- The Rock Garden, and early literacy center serving the youngest patrons and their caregivers, was created on the lower level of the library with support of the Friends and State grant funding and averages 35 visitors daily
- Presentation of 489 programs for youth resulted in 16,507 attending, and 235 adult programs were presented, including the Job Help Hub, which served Prescott residents searching for employment by providing assistance with resume creation, basic computer skills and interviewing skills with 4,617 persons attending these programs
- The Library Teen Advisory Group (TAG) was chosen as one of sixteen groups nationwide to participate in the American Library Association’s Teens’ Top Ten with the teens responsible for recommending titles to a national nomination list of new titles that is voted on by teens across the country

#### Community Development/Code Enforcement

- Implemented seven neighborhood enhancement projects resulting in the removal of 45.5 tons of waste

- Processed an annual caseload of 938 open cases, resulting in the successful closure of 926 cases and referral of four (4) cases to hearing officer for disposition
- The owners of six properties were recognized by the City Council with Historic Preservation Restoration and/or Stewardship Awards

#### Utility Systems (Water and Wastewater)

- Responded to and performed 3,254 Blue Stakes (marking of water and sewer facilities)
- Leak Detection was performed on approximately 80,000 lineal feet of water main, ensuring water resource accountability and equitable billing for customers
- Replaced or repaired 62 fire hydrants to provide efficient fire protection
- Collected and submitted 910 water quality samples to monitor for constituents for state conformance
- Treated 72,944 feet of sewer main for root control as part of the Preventive Maintenance program and cleaned 752,970 feet (142+ miles) of sewer main as part of the Structured Preventive Maintenance Cleaning Program
- The Camera Crew performed 168,393 feet (31+ miles) of CCTV inspection in sewer mains as part of condition assessment, preventive maintenance, and follow-up inspections
- The Department developed a regulatory compliant Wastewater Pre-treatment Program and obtained analytic and flow data from specific points within the wastewater collection system to assist preparation of technical program documents
- Public outreach with the community was completed in conjunction with an Industrial Waste Survey to encourage participation and build community awareness of the Pre-treatment program

#### Tourism

- Transient Occupancy (Bed) Tax revenue collection increased 2.92% despite occupancy being down a slight 0.9%
- Revenue per Available Room (RevPAR) increased 1.9%
- Average Daily Rate (ADR) also increased, up 2.8%
- The Tourism website was overhauled to enhance full screen graphics promoting the City's scenic beauty
- \$6.4 million in media coverage was achieved, up from \$4.9 million in FY12. This represents a 24% increase in non-paid promotion
- Representation was provided at six major trade/consumer/media shows

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

#### **DEBT ADMINISTRATION**

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

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

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

#### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Prescott for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 31<sup>st</sup> consecutive year that the City has achieved this prestigious award.

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

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

The City of Prescott received the Distinguished Budget Presentation Award from the GFOA for our conformity in the budget presentation for the fiscal year beginning July 1, 2012. 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, 2013.

## **Independent Audit**

In accordance with the City Charter and Arizona law, the City's financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Henry & Horne, LLP conducted the audit for fiscal year ending June 30, 2013. 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**

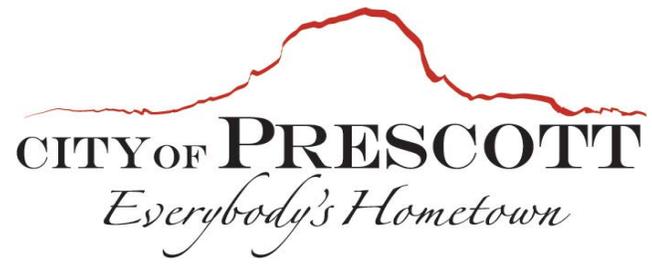
The preparation of the Comprehensive Annual Financial Report was a collaborative undertaking of the finance department. Each member has our appreciation for the assistance provided in the preparation of this document. We also recognize the efforts of other departments who provided data that helped to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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Mark Woodfill". The signature is written in a cursive, flowing style.

Mark Woodfill, CPA  
Finance Director





Government Finance Officers Association

**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, 2012**

Executive Director/CEO

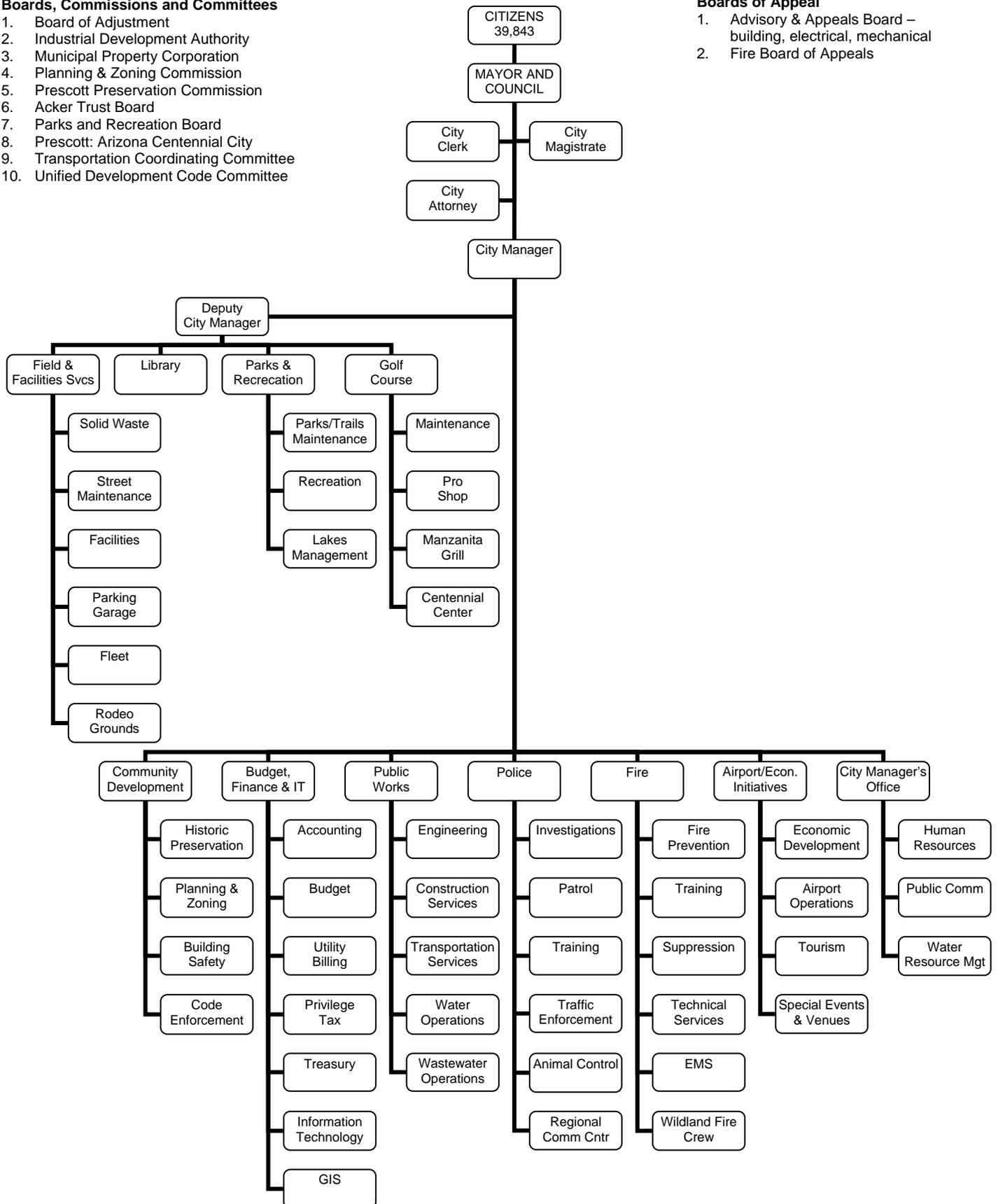
# ORGANIZATIONAL CHART AND CITY OFFICIALS

## Boards, Commissions and Committees

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

## Boards of Appeal

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



# **CITY OF PRESCOTT, ARIZONA**

*June 30, 2013*

## **ELECTED OFFICIALS**

**Marlin Kuykendall, Mayor**

### **Council**

**Charlie Arnold**

**Len Scamardo**

**Jim Lamerson**

**Alan Carlow**

**Chris Kuknyo**

**Steve Blair**

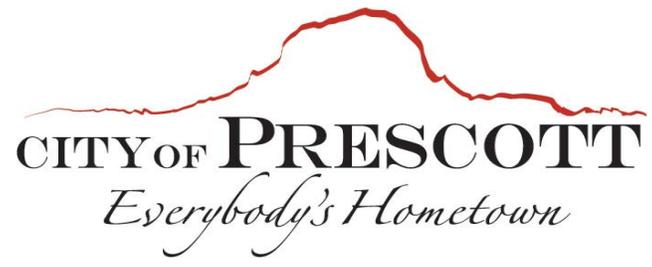
### **Appointed Officials**

<b>Craig McConnell</b>	<b>City Manager</b>
<b>Jon Paladini</b>	<b>City Attorney</b>
<b>Lynn Mulhall</b>	<b>City Clerk</b>
<b>Arthur Markham</b>	<b>City Magistrate</b>

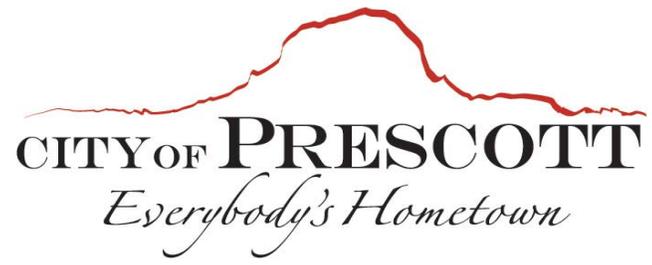
### **Mailing Address**

201 South Cortez  
Prescott, AZ 86303

[www.prescott-az.gov](http://www.prescott-az.gov)



## FINANCIAL SECTION





HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council  
City of Prescott  
Prescott, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Prescott, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Tempe**  
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Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-1749

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

**Casa Grande**  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and for the Streets and Open Space Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Prescott failed to use highway user revenue fund monies received by the City of Prescott pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Prescott solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

## **Emphasis of Matter**

As discussed in Note 3 to the financial statements, Governmental Accounting Standards Board (GASB) issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 65, Items Previously Reported as Assets and Liabilities that could have a material impact on the financial statements. For the City of Prescott, GASB Statement No. 62 has not impacted the financial statements; however, GASB Statement No. 63 has impacted what was previously identified as "Statement of Net Assets" and renamed it to "Statement of Net Position" and has impacted the presentation of the financial statements in the reclassification of deferred revenues from liabilities to deferred inflows of resources. GASB Statement No. 65 has not impacted the financial statements. Our opinions are not modified with respect to those matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prescott, Arizona's basic financial statements. The introductory section, other information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the City's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Prescott, Arizona's, internal control over financial reporting and compliance.

*Henry + Horne LLP*

Casa Grande, Arizona  
December 9, 2013

## 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 of Prescott exceeded its liabilities at the close of the most recent fiscal year by \$528.4 million. Of this amount \$48.3 million may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$18.8 million during fiscal year 2013, this increase was due in part to increased tax collections of \$2.1 million and increased capital grants of \$9.5 million.

The City's governmental funds reported a combined ending fund balance \$42.7 million, an increase of \$1.6 million from the previous year. Approximately 31.6% or \$13.5 million is unassigned and available for spending at the government's discretion this is approximately 48% of the general funds current year expenditures. The City's long-term debt went up \$13.5 million during the current year related to financing for utility projects.

Overall City program expenses had a minor decrease of \$3.9 million or 4.6%.

### 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 Position, Statement of Activities, Fund financial statements and the Notes to the Financial Statements. Statements of Net Position 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 Position 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 position provides a measure of the City's financial strength, or financial position. Over time, increases or decreases in net position 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 governmental 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 Position at June 30, 2013 and June 30, 2012 follows:

### City of Prescott's Net Position

(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Cash and investments	\$ 43.8	\$ 43.8	\$ 41.8	\$ 34.8	\$ 85.6	\$ 78.6
Other assets	15.8	15.9	(1.5)	(1.7)	14.3	14.2
Capital assets	282.9	279.9	250.5	226.3	533.4	506.2
Total assets	342.5	339.6	290.8	259.4	633.3	599.0
Long-term liabilities	35.0	37.1	53.0	37.4	88.0	74.5
Other liabilities	6.2	9.5	10.6	5.4	16.8	14.9
Total liabilities	41.2	46.6	63.6	42.8	104.8	89.4
Net Position:						
Net investment in capital assets	250.6	244.2	196.2	186.6	446.8	430.8
Restricted for:						
Streets & Open Space	15.2	17.1	-	-	15.2	17.1
Capital projects	4.3	4.0	-	-	4.3	4.0
Transient occupancy tax	.2	.2	-	-	.2	.2
Landfill closure	-	-	2.1	1.1	2.1	1.1
Debt service	1.5	5.7	1.3	.6	2.8	6.3
Grants and donations	.8	1.2	-	-	.8	1.2
Unrestricted	28.6	20.7	27.6	28.1	56.2	48.8
Total net position	\$ 301.2	\$ 293.1	\$ 227.2	\$ 216.4	\$ 528.4	\$ 509.5

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

#### Governmental Activities

During fiscal year 2013 the balance of net position increased by \$8.1 million primarily due to increased investment in capital assets and recognition of current year depreciation on capital assets.

#### Business-type Activities

During fiscal year 2013 the balance of net position increased by \$10.7 million due in part to the increase in water and wastewater user rates to fund needed capital improvements as well as capital improvement at the airport which are funded through grants.

There are restrictions on \$22 million of net position for governmental activities and an additional \$3.4 million in restricted net position of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects, unspent bond proceeds and the repayment of debt. Within the business-type activities are capital projects, bond proceeds and debt service reserves.

## STATEMENT OF ACTIVITIES

A summary of the Statement of Activities for the year ended June 30, 2013 and June 30, 2012 follows:

### City of Prescott's Changes in Net Position

(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services and other	\$ 4.8	\$ 4.7	\$ 34.5	\$ 34.5	\$ 39.3	\$ 39.2
Operating grants & contributions	2.0	2.5	-	-	2.0	2.5
Capital grants & contributions	3.1	3.1	13.8	4.3	16.9	7.4
Total program revenues	9.9	10.3	48.3	38.8	58.2	49.1
General revenues						
Taxes	31.6	29.7	-	-	31.6	29.7
Intergovernmental	9.5	8.7	-	-	9.5	8.7
Interest & investment income	.4	.8	.1	.6	.5	1.4
Miscellaneous	.8	.5	.3	.3	1.1	.8
Total general revenues	42.3	39.7	.4	.9	42.7	40.6
Total revenues	52.2	50.0	48.7	39.7	100.9	89.7
<b>Expenses</b>						
General government	3.3	3.8	-	-	3.3	3.8
Community services	1.6	1.6	-	-	1.6	1.6
Culture and recreation	6.3	6.1	-	-	6.3	6.1
Police and court	13.0	12.9	-	-	13.0	12.9
Fire	7.9	7.6	-	-	7.9	7.6
Public works	15.6	20.2	-	-	15.6	20.2
Interest on long-term debt	1.6	1.8	-	-	1.6	1.8
Airport	-	-	2.1	1.9	2.1	1.9
Golf course	-	-	3.1	3.0	3.1	3.0
Parking garage	-	-	-	.2	-	.2
Solid waste/transfer station	-	-	7.4	8.4	7.4	8.4
Wastewater	-	-	8.2	7.6	8.2	7.6
Water	-	-	11.9	10.9	11.9	10.9
Total Expenses	49.3	54.0	32.7	32.0	82.0	86.0
<b>Increase (decrease) before transfers</b>	2.9	(4.0)	16.0	7.7	18.9	3.7
transfers	5.3	-	(5.3)	-	-	-
<b>Change in net position</b>	8.2	(4.0)	10.7	7.7	18.9	3.7
Beginning net position	293.1	297.1	216.5	208.7	509.6	505.8
<b>Ending net position</b>	<b>\$301.3</b>	<b>\$293.1</b>	<b>\$227.2</b>	<b>\$216.4</b>	<b>\$528.5</b>	<b>\$509.5</b>

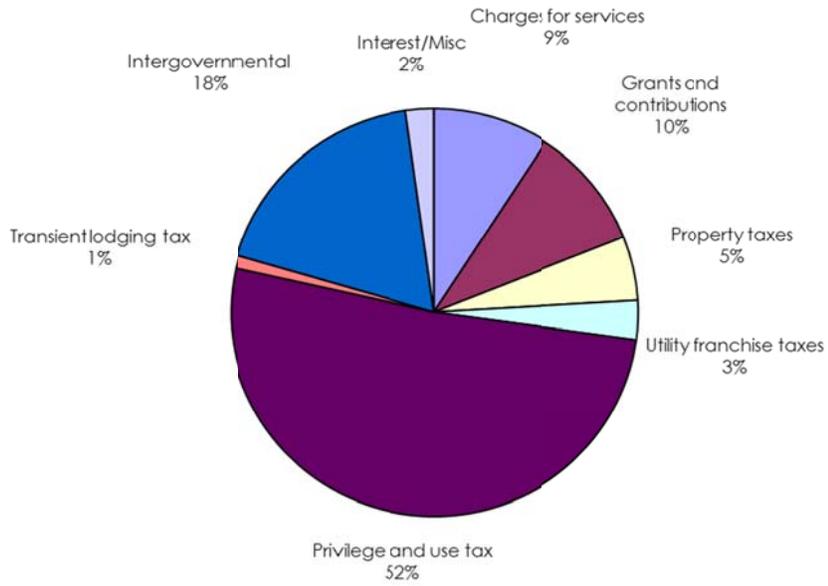
Rounding adjustments result in small differences when compared to financial statements.

#### **Governmental Activities**

The cost of all governmental activities this year was \$49.3 million. \$4.8 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$5.1 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$31.6 million was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest, amounted to \$7.8 million.

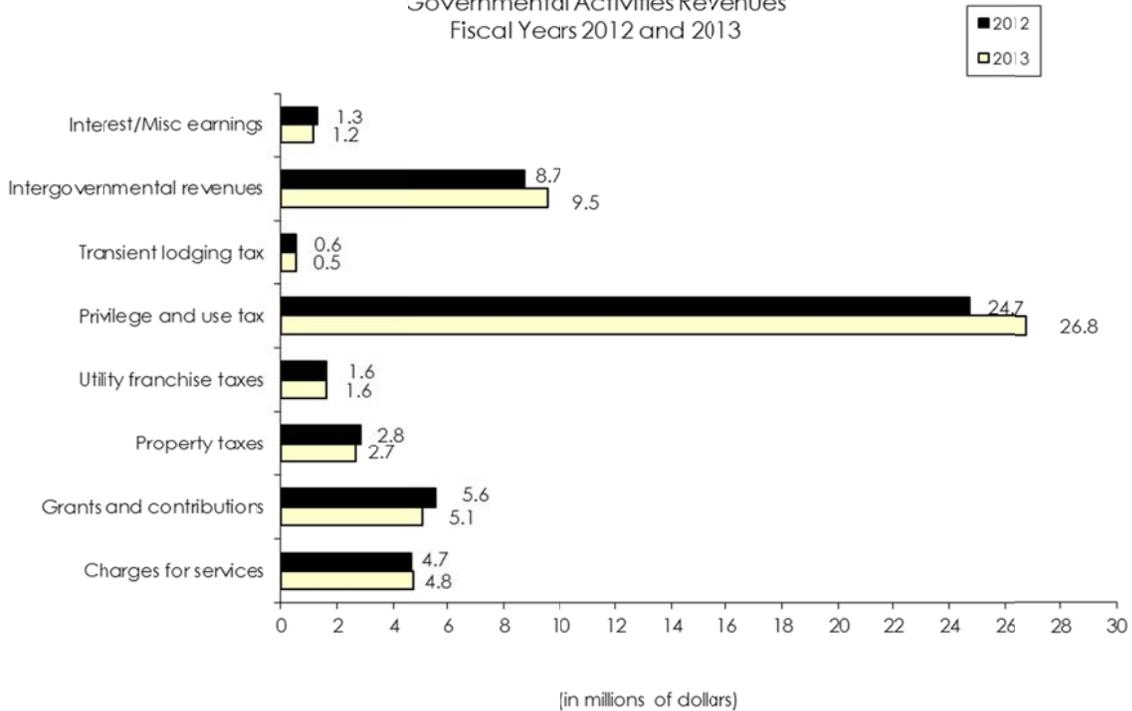
The following shows the breakdown of governmental activities revenue.

Governmental Activities  
Revenues by Type  
Fiscal Year Ending June 30, 2013



The graph below compares the governmental revenues from fiscal year 2013 to fiscal year 2012.

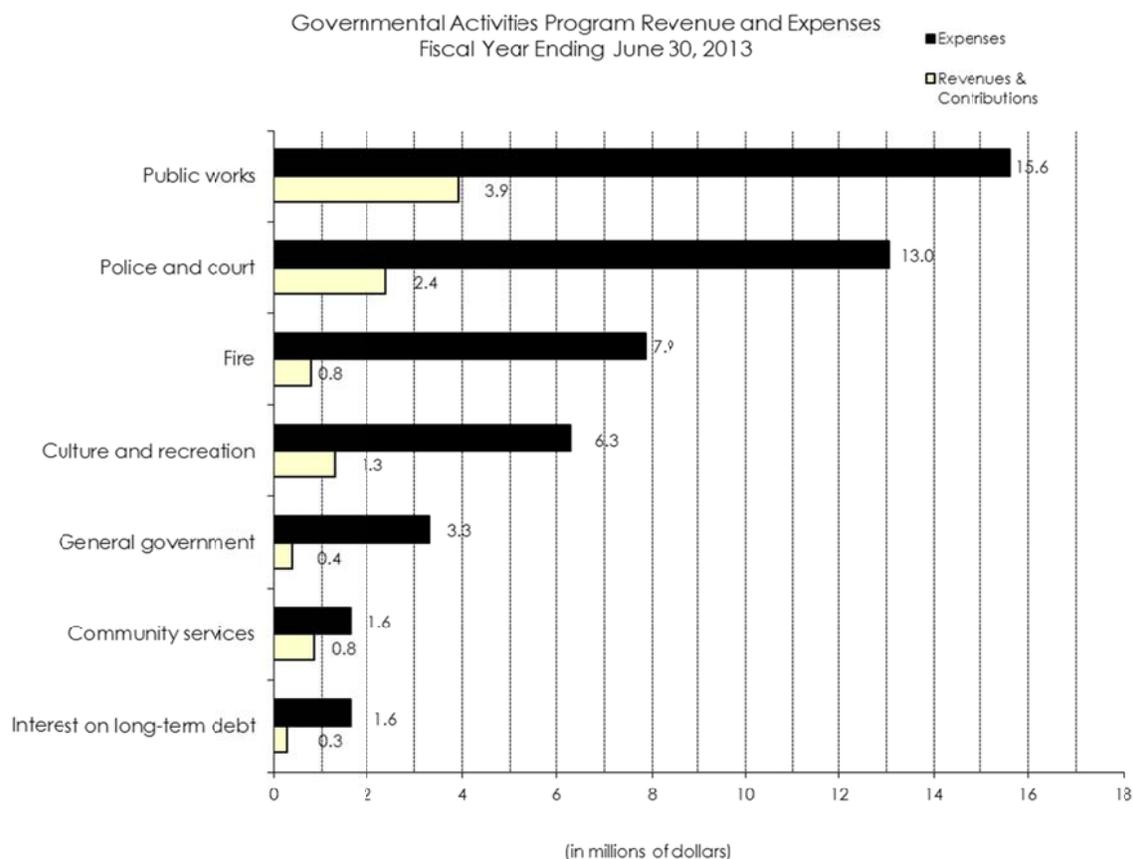
Governmental Activities Revenues  
Fiscal Years 2012 and 2013



Total governmental activities revenues Increased by \$2.2 million or 4.4% from the previous year. Key factors in this change include:

- Taxes increased \$1.9 million or 6.4%, as a result of increasing economic activity.
- Intergovernmental revenues were up \$.8 million or 9.2% due to increased state shared revenues from state wide increasing economic activity.
- Reduction in grants and contribution of \$.5 million or 8.9% due to granting cycles and the availability of grants.

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 decreased to \$49.4 million as compared to the prior year at \$54.0 million primarily from increased capital expenditures in public works compared to maintenance and repair expenses in the prior year.

### 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 \$42.7 million, an increase of \$1.6 million in comparison to the combined ending fund balances for fiscal year 2012.

Approximately \$13.5 million of the total for fiscal year 2013 represents unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is not available for new spending because it has already been committed, assigned, restricted or is designated nonspendable for specific purposes; examples are impact fees and trust accounts.

Revenues for governmental functions overall totaled approximately \$53.9 million in fiscal year 2013, an increase of 2.9% over the previous year total of \$51.0 million. In fiscal year 2013, expenditures for governmental functions totaled \$52.2 million, a decrease of 4.7% (\$2.6 million) under the fiscal year 2012 total of \$54.8 million.

In the fiscal year ended June 30, 2013 revenues for governmental functions exceeded expenditures by \$1.7 million or 3.3%. In 2012, governmental functions expenditures exceeded revenues by approximately \$3.7 million or 7.4%. The increase in fiscal year 2013 reflects the improving economic conditions.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$13.5 million, while the total fund balance was \$20.6 million. The unreserved and total balances for the General Fund at the end of fiscal year 2012 were \$10.3 million and \$17.7 million, respectively. The city also has \$0 of its fund balance as assigned, \$.4 million as committed, \$6.7 million as nonspendable, and \$0 as restricted.

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

- Taxes increased by \$.9 million or 5.5% from the previous year mainly from improvement in the local economy provided an increase in privilege (sales) tax collections.
- Intergovernmental revenues increased by \$.8 million or 7.3% from the previous year from improvement in the statewide economy.
- Miscellaneous revenues increased by \$1 million from the sale of the Elks opera house to a nonprofit group to manage and operate as a community theater.

Unassigned fund balance of \$13.5 million represents 48% percent of the total General Fund expenditures of \$28.2 million in fiscal year 2013. In fiscal year 2012, the unassigned fund balance of \$10.3 million represented 37% percent of the total General Fund expenditures of \$28.1 million.

Overall, the General Fund's performance resulted in revenue over expenditures in the fiscal year of \$3.5 million. In the prior year expenditures exceeded revenues by \$.6 million. This was a result of improved local economy and the sale of the Elks opera house asset.

The Streets and Open Space fund expenditures exceeded revenues by \$2.0 million during the year. In the prior year expenditures exceeded revenues by \$4.7 million. This was the result of spending of fund balance for planned capital projects.

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

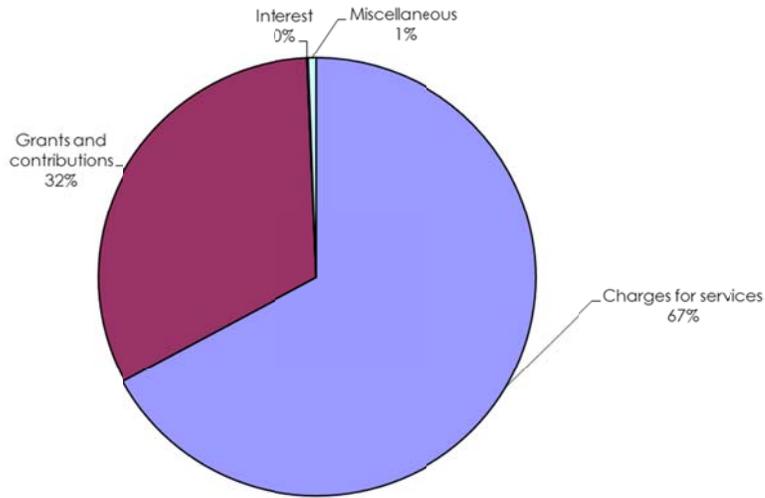
### ***Business-type Activities***

The cost of providing all business-type activities this year was \$32.7 million. Of this cost, \$34.5 million was paid by users, \$13.8 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities. Miscellaneous and investment earnings of \$.4 million and a transfer out of \$5.3 million resulted in an overall increase in net position of \$10.6 million.

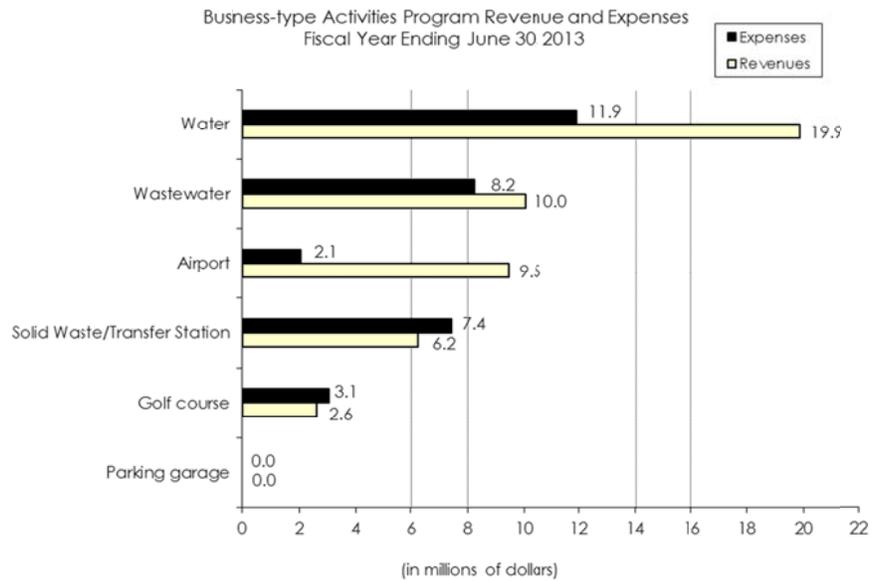
Business-type activities revenue increased by \$9.4 million compared to the previous year due to increased grant revenues for fiscal year 2013 compared to fiscal year 2012.

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

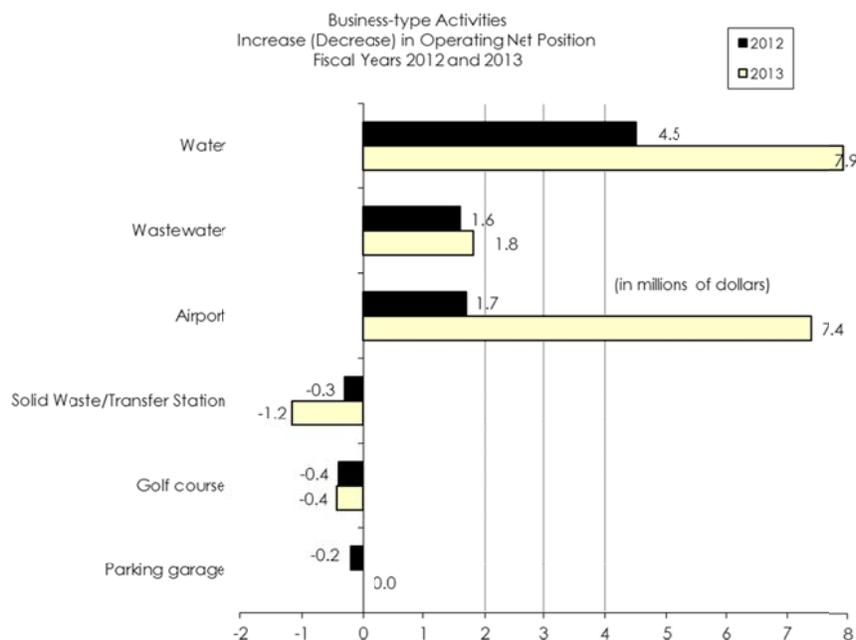
Business-type Activities Revenues by Type  
Fiscal Year Ending June 30, 2013



The City's business-type programs include the following: water, wastewater, golf course, airport, solid waste/transfer station and parking garage (which was transferred to the General fund during the current fiscal year). The chart below shows the revenue and expenses for each business-type program and the extent of each program's dependence on general revenues for support in the current year.



The chart below compares the business-type activities increase (decrease) in net position before transfers for fiscal year 2013 and 2012.



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

- The Water fund revenue exceeded expenses by \$2.7 million to accumulate resources for needed capital improvements.
- The Wastewater Fund reflects revenue exceeding expense by \$1.3 million as a new rate structure was went into effect in January 2013.
- There were significant capital grants in the Airport, Wastewater and Water funds of \$13.8 million.
- The Parking garage operation was transferred to the General fund during the current year resulting in a transfer out of \$5.3 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2013 the City had invested \$533.4 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$27.2 million.

The following table reconciles the changes in capital assets.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Beginning Balance	\$ 279.9	\$ 283.0	\$ 226.3	\$ 220.1	\$ 506.2	\$ 503.1
Transfers	6.3	-	\$ (6.3)	\$ -	-	-
Increases	12.8	31.5	36.8	17.0	49.6	48.5
Decreases	(2.9)	(21.0)	(0.6)	(3.9)	(3.5)	(24.9)
Depreciation	(13.2)	(13.6)	(5.7)	(6.9)	(18.9)	(20.5)
Ending Balance	\$ 282.9	\$ 279.9	\$ 250.5	\$ 226.3	\$ 533.4	\$ 506.2

See Section 1H and 3C in the Notes to the Financial Statements for further information on the City of Prescott's capital assets.

### **Debt Administration**

As of year-end, the City had \$80.7 million in long-term debt outstanding compared to \$82.9 million last year.

	Outstanding Long-Term Debt at Year End					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 0.7	\$ 2.2	\$ -	\$ -	\$ 0.7	\$ 2.2
Municipal Property Corporation	27.8	29.1	11.9	12.3	39.7	41.4
Special Assessments	0.7	1.1	-	-	0.7	1.1
Community Facilities District	3.0	3.3	-	-	3.0	3.3
Loans WIFA	-	-	42.3	24.7	42.3	24.7
Lease Purchase	-	0.1	0.2	0.5	0.2	0.6
Claims Payable	1.8	2.2	-	-	1.8	2.2
Landfill post-closure costs	-	-	2.1	1.1	2.1	1.1
Compensated absences	4.1	4.3	0.9	0.9	5.0	5.2
<b>Total</b>	<b>\$ 38.1</b>	<b>\$ 42.3</b>	<b>\$ 57.4</b>	<b>\$ 39.5</b>	<b>\$ 95.5</b>	<b>\$ 81.8</b>

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

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

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

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, lighting, parks, open space and recreational purposes may not exceed 20% of a City's net secondary assessed valuation. Outstanding general obligation bonded debt for other general municipal purposes may not exceed 6% of a City's net secondary assessed valuation. As of June 30, 2013, the City is well within its debt limits, having \$110.4 million in borrowing capacity in the 20% category, and \$33.3 million in borrowing capacity in the 6% category. The City also has a \$1.4 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2013.

### **ECONOMIC FACTORS**

Many financial issues are being faced by the City of Prescott in Fiscal Year 2013-2014. 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 of these revenues is reflected below.

The City's share of the State Income Tax is up 9.2% over FY2013 estimated endings. State Income Tax is based on tax collections that were received by the State of Arizona two years ago. This significant increase reflects the beginning of the slow recovery in the economic climate. This, along with a 3.3% increase projected in the City's share of the State Sales Tax and a 0.1% higher State Vehicle License Tax contribution, will affect how the City will maintain basic service levels in the general fund service areas.

Sales tax revenues are estimated to increase 2.5% in FY2014 when compared to FY2013 revised estimates. The Prescott economy has been showing signs of recovery in fiscal 2013. Housing inventory has been dropping and values have shown some signs of stabilizing. Permits for single-family homes increased 111.1% in FY13 compared with FY12. New commercial permits are also up, the value of those permits increased over 2012 and 2013. Overall, new commercial permits gained from 9 in FY12 to 12 in FY13.

The highly anticipated Trader Joe's opened on the 7.5 acre site at the Shops at Gateway, along with Five Guys Burgers, House of Bread and Fresh Vitamins. New retailer Natural Grocers by Vitamin Shoppe broke ground at The Shops at the Boulders and Manzanita Outdoors located in the Depot Marketplace. New Prescott restaurants include Arturo's Mexican Restaurant and Prescott Station. Prescott Lakes Golf Course opened their new dining room and clubhouse. There has also been growth in the manufacturing/industrial sector. Davidson's, a gun wholesaler, has

grown their operations in Prescott by expanding into a larger building near the airport. Cobham, PLC, an international aerospace manufacturer, relocated its slip ring manufacturing division to Prescott from France adding 8 new jobs.

Our property tax revenue is \$1,705,665 (Primary \$1,518,465, Secondary \$187,200). Prescott's net assessed value for 2013 of \$510,234,917 represents 22.4% of Yavapai County's net assessed values.

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 2014 Budget was formulated based on feedback from Mayor and Council through its goals, policies, and guidelines, input from various advisory committees, 2003 General Plan, community input (from individuals, neighborhood groups and service clubs), downtown groups, as well as corridor and area plans.

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

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

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

### **Better Mobility through Improved Roads and Transportation System**

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

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

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

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

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

### **First Class Utility System**

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

### **Alive Downtown**

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

The FY2013-14 Budget consists of two different components – the operating budget and the capital budget. The operating budget is \$88,247,934 representing a 14.1% increase from FY2012-13. 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 and recreation, library services, water, wastewater, solid waste collection including recycling, streets maintenance, planning and zoning, building inspection,

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

The second component, the capital budget, is set at \$84,875,677 a 2.6% increase from FY2012-13. 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.

With a few modifications, the capital investments included in the FY2013-14 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 \$2,500,000 for the design and construction of a new 3,250,000 million gallon reservoir to replace the existing tank in the same location. The water storage capacity this reservoir will provide is critical to meet growing peak demands in both this and adjacent pressure zones.

Other notable projects in the Water Fund include:

- \$2,383,000 for the completion of the second production/recovery well within the Airport area and follow with siting and developing of additional wells.
- Prescott Canyon Reservoir/Piping is budgeted at \$2,273,814.
- Funding for New Thumb Butte Reservoir in the amount of \$1,915,259. This project is to locate and purchase land and install a new 1.25 million gallon water reservoir located near the Thumb Butte Road area.

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

### **Wastewater Fund**

Within the Wastewater Fund, the largest allocations are as follows:

- Airport Phase 1 (\$124,151,180) is part of a multi-phased construction project for new improvements to upgrade the Airport Wastewater Treatment Plant to 3.75MG capacity.

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**

Several capital expenditures are planned in this fund for FY2013-2014. The following is a list of the equipment/capital projects that will be funded:

Landfill Cap Repair  
Replacement Vehicles  
Paving at the Transfer Station  
Repair Transfer Station Floor  
Inert Debris Recycling  
Household Hazardous Waste Day  
Transfer Station Stand Alone Scale  
Transfer Station Scale Replacement  
Rolloff Compactor  
Security Camera Replacement  
Welding Shop at Transfer Station  
Big Belly Solar Compactors  
Recycle Education & Outreach (REO)  
Assembly and Training Room Modification  
Work Lights at the Transfer Station

### **Airport Fund**

Infrastructure projects totaling nearly \$2.1 million are grant funded for FY2013-2014 with the City's share of these grants being \$390,452.

### **Golf Course**

There are no capital items budgeted in the Golf Course Fund in FY2013-2014.

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

Street maintenance operations continue to be funded at a level of \$7.7 million. Maintenance operations include snow removal, striping (in-house and contractual), signage, signal maintenance, installation of new street lights including

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

Included in the FY2013-2014 budget is \$500,000 for potential open space purchases. Also in this fund is nearly \$16.1 million in street projects; the largest of which is the Park Avenue Reconstruction project with \$3.6 million budgeted. Other notable projects are the Walker Road Rehabilitation project \$705,000 and an amped up Pavement Maintenance and Rehabilitation Program budget at \$4,503,809.

### **General Fund**

These are the departments/division providing basic services (administration, city court, legal department, parks programs and maintenance, library services, building inspection, planning and zoning, code enforcement, economic development, police, fire, finance, 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 FY2013-2014 includes: Remodel at 215 N McCormick for the Fire Administration offices \$437,277, and the planned pavement preservation project in the parking lot at Roughrider Park in the amount of \$80,000.

### **FUTURE ISSUES**

Despite our concerted efforts to address funding of the City's short and long-term operational and capital needs, significant challenges remain which will not be overcome in their entirety by turnarounds in the national and state economies:

- Census driven impacts to revenues collected and shared by the State
- Adequacy of funding sources to support both public safety and quality of life services
  - Dependence on local sales tax and constraints to property taxes
  - Reduction and elimination of grants providing important supplemental funding of public safety programs
- Local economic development and competition
- Shifting of financial costs from the State to municipalities
- Increases in employee insurance and retirement costs
- Increases in utility and fuel costs
- Compliance with more extensive, costly federal and state regulations
- Funding deferred replacement of vehicles and equipment, adequate maintenance of facilities, and necessary training

These items will require in-depth scrutiny and new approaches to assure that mandated responsibilities are successfully met.

### **FINANCIAL CONTACT**

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

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF PRESCOTT, ARIZONA**

**Statement of Net Position**

June 30, 2013

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and investments	\$ 41,804,755	\$ 39,577,886	\$ 81,382,641
Receivables (net)	8,830,836	4,655,375	13,486,211
Internal balances	6,694,477	(6,694,477)	-
Inventories	266,835	489,399	756,234
Restricted cash and investments	1,999,505	2,241,226	4,240,731
Capital assets			
Land	73,847,261	29,575,090	103,422,351
Construction in progress	2,948,818	57,164,198	60,113,016
Other capital assets (net of accumulated depreciation)	206,115,993	163,781,521	369,897,514
Total assets	<u>342,508,480</u>	<u>290,790,218</u>	<u>633,298,698</u>
<b>LIABILITIES</b>			
Accounts payable	1,517,991	5,034,443	6,552,434
Accrued expenses	1,316,088	890,652	2,206,740
Deposits	80,298	328,480	408,778
Unearned revenue	144,000	55,067	199,067
Bonds and other debt due within one year	3,134,990	4,335,555	7,470,545
Bonds and other debt - long term	35,046,138	53,021,847	88,067,985
Total liabilities	<u>41,239,505</u>	<u>63,666,044</u>	<u>104,905,549</u>
<b>NET POSITION</b>			
Net investment in capital assets	250,623,126	196,163,418	446,786,544
Restricted for:			
Streets and open space privilege tax activities	15,212,842	-	15,212,842
Capital projects	4,325,450	-	4,325,450
Transient occupancy tax	226,499	-	226,499
Landfill closure	-	2,090,000	2,090,000
Debt service	1,492,598	1,260,239	2,752,837
Grants and donations	831,214	-	831,214
Unrestricted	28,557,246	27,610,517	56,167,763
Total net position	<u>\$ 301,268,975</u>	<u>\$ 227,124,174</u>	<u>\$ 528,393,149</u>

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

CITY OF PRESCOTT, ARIZONA  
Statement of Activities  
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fees, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
<i>Governmental activities:</i>							
General government	\$ 3,302,722	\$ 388,673	\$ 10,722	\$ -	\$ (2,903,327)	\$ -	\$ (2,903,327)
Community services	1,618,583	632,081	205,598	-	(780,904)	-	(780,904)
Culture and recreation	6,293,045	1,220,539	55,178	-	(5,017,328)	-	(5,017,328)
Police and court	13,045,965	1,823,242	544,374	22,855	(10,655,494)	-	(10,655,494)
Fire	7,857,447	355,762	435,770	-	(7,065,915)	-	(7,065,915)
Public works	15,627,648	362,466	483,014	3,072,235	(11,709,933)	-	(11,709,933)
Interest on long-term debt	1,612,868	-	290,595	-	(1,322,273)	-	(1,322,273)
Total governmental	49,358,278	4,782,763	2,025,251	3,095,090	(39,455,174)	-	(39,455,174)
<i>Business-type activities:</i>							
Airport	2,055,655	1,341,487	-	8,111,293	-	7,397,125	7,397,125
Golf course	3,060,199	2,622,774	-	-	-	(437,425)	(437,425)
Solid waste/transfer station	7,415,304	6,249,960	-	-	-	(1,165,344)	(1,165,344)
Wastewater	8,231,034	9,634,789	-	405,132	-	1,808,887	1,808,887
Water	11,929,598	14,630,537	-	5,237,024	-	7,937,963	7,937,963
Total business-type activities	32,691,790	34,479,547	-	13,753,449	-	15,541,206	15,541,206
Total primary government	\$ 82,050,068	\$ 39,262,310	\$ 2,025,251	\$ 16,848,539	(39,455,174)	15,541,206	(23,913,968)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,088,021	-	1,088,021
Property taxes, levied for debt service					1,573,489	-	1,573,489
Utility franchise taxes					1,618,259	-	1,618,259
City privilege and use tax, general purposes					13,667,950	-	13,667,950
City privilege tax, major street and open space program					13,127,520	-	13,127,520
Transient lodging tax					526,893	-	526,893
Intergovernmental revenues - unrestricted					9,535,838	-	9,535,838
Interest and investment income					395,818	50,812	446,630
Miscellaneous					761,972	336,231	1,098,203
Transfers					5,310,563	(5,310,563)	-
Total general revenues and transfers					47,606,323	(4,923,520)	42,682,803
Change in net position					8,151,149	10,617,686	18,768,835
Net position - beginning					293,117,826	216,506,488	509,624,314
Net position - ending					\$ 301,268,975	\$ 227,124,174	\$ 528,393,149

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

## **FUND FINANCIAL STATEMENTS**

### **Major Governmental Funds**

#### **GENERAL FUND**

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

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

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

#### **SPECIAL REVENUE FUNDS**

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

This fund is used to account for the additional 1% privilege tax which is limited to street improvements and maintenance and/or open space acquisition. This 1% tax will sunset in December 2015 but the voters extended the tax starting in January 2016 for street improvements and maintenance at 0.75%. The highway user revenues are also reported in this fund.

**CITY OF PRESCOTT, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2013

	Major Funds			Total Governmental Funds
	General	Streets and Open Space	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and short-term investments	\$ 12,712,913	\$ 14,403,358	\$ 6,257,758	\$ 33,374,029
Restricted cash and investments	-	-	\$ 540,194	540,194
Accounts receivable (net)	2,629,848	1,438,702	77,540	4,146,090
Property taxes receivable	39,704	-	59,224	98,928
Special assessments receivable	-	-	3,577,737	3,577,737
Interfund receivables	6,743,937	-	-	6,743,937
Interest receivable	32,647	-	-	32,647
Intergovernmental receivable	457,570	267,407	250,457	975,434
Total assets	<u>\$ 22,616,619</u>	<u>\$ 16,109,467</u>	<u>\$ 10,762,910</u>	<u>\$ 49,488,996</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 510,008	\$ 796,170	\$ 80,578	\$ 1,386,756
Accrued expenditures	1,192,830	51,983	20,777	1,265,590
Interfund payable	-	-	49,460	49,460
Deposits returnable	80,298	-	-	80,298
Unearned revenue	144,000	-	-	144,000
Total liabilities	<u>1,927,136</u>	<u>848,153</u>	<u>150,815</u>	<u>2,926,104</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	65,508	48,472	3,736,334	3,850,314
Total deferred inflows of resources	<u>65,508</u>	<u>48,472</u>	<u>3,736,334</u>	<u>3,850,314</u>
<b>FUND BALANCES</b>				
Nonspendable	6,743,937	-	-	6,743,937
Restricted	-	15,212,842	6,875,761	22,088,603
Committed	390,178	-	-	390,178
Unassigned	13,489,860	-	-	13,489,860
Total fund balances	<u>20,623,975</u>	<u>15,212,842</u>	<u>6,875,761</u>	<u>42,712,578</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,616,619</u>	<u>\$ 16,109,467</u>	<u>\$ 10,762,910</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		423,839,182
Less: accumulated depreciation:		(147,992,229)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred grant revenue	\$ 123,810	
Deferred special assessment revenue	3,577,737	
Deferred property tax revenue	52,848	
Deferred privilege tax revenue	95,919	3,850,314
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and leases payable	(28,293,683)	
Compensated absences	(3,590,355)	(31,884,038)
Internal service funds are used by management to charge central garage, engineering and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		10,743,168
Net position of governmental activities		<u>\$ 301,268,975</u>

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

**CITY OF PRESCOTT, ARIZONA**

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

**Governmental Funds**

For the year ended June 30, 2013.

	<u>Major Funds</u>			<u>Total</u>
	<u>General</u>	<u>Streets and Open Space</u>	<u>Nonmajor Governmental Funds</u>	
<b>Revenues</b>				
Taxes	\$ 16,334,905	\$ 13,082,899	\$ 2,097,475	\$ 31,515,279
Intergovernmental revenues	11,530,978	3,219,265	1,507,712	16,257,955
Licenses and permits	505,592	-	487,829	993,421
Fines and forfeitures	628,414	-	-	628,414
Gifts and donations	-	-	85,338	85,338
Charges for services	1,080,688	267,487	-	1,348,175
Grant Contributions	-	17,435	-	17,435
Interest and investment income	62,718	15,919	317,181	395,818
Miscellaneous	1,528,527	295,995	822,222	2,646,744
Total revenues	<u>31,671,822</u>	<u>16,899,000</u>	<u>5,317,757</u>	<u>53,888,579</u>
<b>Expenditures</b>				
Current operating				
General government	2,170,546	-	458,485	2,629,031
Community services	1,302,865	-	291,208	1,594,073
Culture and recreation	5,209,007	-	113,876	5,322,883
Police and court	12,331,696	-	512,413	12,844,109
Fire	7,061,441	-	608,610	7,670,051
Public works	-	4,929,173	7,818	4,936,991
Parking Garage	-	-	-	-
Capital outlay				
General government	17,900	-	-	17,900
Community services	-	-	-	-
Culture and recreation	-	-	70,885	70,885
Police and court	63,867	-	271,888	335,755
Fire	-	-	-	-
Public works	-	11,653,215	322,873	11,976,088
Debt service - principal	53,593	1,063,000	2,085,044	3,201,637
Debt service - interest	1,757	1,217,654	393,457	1,612,868
Total expenditures	<u>28,212,672</u>	<u>18,863,042</u>	<u>5,136,557</u>	<u>52,212,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,459,150</u>	<u>(1,964,042)</u>	<u>181,200</u>	<u>1,676,308</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	37,293	56,480	455,779	549,552
Transfers out	(523,712)	-	(97,800)	(621,512)
Total other financing sources (uses)	<u>(486,419)</u>	<u>56,480</u>	<u>357,979</u>	<u>(71,960)</u>
Net change in fund balances	2,972,731	(1,907,562)	539,179	1,604,348
Fund balance - beginning	17,651,244	17,120,404	6,336,582	41,108,230
Fund balance - ending	<u>\$ 20,623,975</u>	<u>\$ 15,212,842</u>	<u>\$ 6,875,761</u>	<u>\$ 42,712,578</u>

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

**CITY OF PRESCOTT, ARIZONA**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the year ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,604,348

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 12,385,950	
Less: current year depreciation	13,275,303	(889,353)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (778,654)

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

Property taxes	(9,067)	
Assessments receivable	(793,750)	
Privilege tax receivable	95,919	
Grant Revenues	(204,163)	(911,061)

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 position. This is the amount by which principal retirement exceeded debt proceeds in the current period. 3,201,637

The net revenues of certain activities of internal service funds is reported with governmental activities. 295,548

Some expenses and transfers 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. 5,628,684

Change in net position of governmental activities \$ 8,151,149

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, 2013

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
<b>Revenues</b>				
Taxes	\$ 15,439,948	\$ 15,439,948	\$ 16,334,905	\$ 894,957
Intergovernmental revenues	11,678,890	11,678,890	11,530,978	(147,912)
Licenses and permits	330,600	330,600	505,592	174,992
Fines and forfeitures	589,800	589,800	628,414	38,614
Charges for services	989,800	989,800	1,080,688	90,888
Interest and investment income	263,250	263,250	62,718	(200,532)
Miscellaneous	399,708	399,708	1,528,527	1,128,819
Total revenues	<u>29,691,996</u>	<u>29,691,996</u>	<u>31,671,822</u>	<u>1,979,826</u>
<b>Expenditures</b>				
Current				
General government	2,513,419	2,613,419	2,170,546	442,873
Community services	1,429,583	1,429,583	1,302,865	126,718
Culture and recreation	5,462,091	5,462,091	5,209,007	253,084
Police and court	12,672,607	12,672,607	12,331,696	340,911
Fire	7,045,229	7,045,229	7,061,441	(16,212)
Total expenditures	<u>29,122,929</u>	<u>29,222,929</u>	<u>28,075,555</u>	<u>1,147,374</u>
Capital outlay				
General government	145,000	145,000	17,900	127,100
Culture and recreation	130,000	130,000	-	130,000
Police and court	323,145	323,145	63,867	259,278
Fire	177,376	177,376	-	177,376
Parking Garage	30,000	30,000	-	30,000
Total capital outlay	<u>805,521</u>	<u>805,521</u>	<u>81,767</u>	<u>723,754</u>
Debt service				
Principal	53,593	53,593	53,593	-
Interest	1,757	1,757	1,757	-
Total debt service	<u>55,350</u>	<u>55,350</u>	<u>55,350</u>	<u>-</u>
Total expenditures	<u>29,983,800</u>	<u>30,083,800</u>	<u>28,212,672</u>	<u>1,871,128</u>
Excess of revenues over expenditures	<u>(291,804)</u>	<u>(391,804)</u>	<u>3,459,150</u>	<u>3,850,954</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	20,000	20,000	37,293	17,293
Transfers out	(590,183)	(590,183)	(523,712)	66,471
Total other financing sources and uses	<u>(570,183)</u>	<u>(570,183)</u>	<u>(486,419)</u>	<u>83,764</u>
Net change in fund balances	<u>(861,987)</u>	<u>(961,987)</u>	<u>2,972,731</u>	<u>3,934,718</u>
Fund balance - beginning	17,651,244	17,651,244	17,651,244	-
Fund balance - ending	<u>\$ 16,789,257</u>	<u>\$ 16,689,257</u>	<u>\$ 20,623,975</u>	<u>\$ 3,934,718</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, 2013

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 12,076,486	\$ 12,076,486	\$ 13,082,899	\$ 1,006,413
Intergovernmental revenues	3,768,792	3,768,792	3,219,265	(549,527)
Charges for services	336,089	336,089	267,487	(68,602)
Grant contributions	-	-	17,435	17,435
Interest and investment income	50,000	50,000	15,919	(34,081)
Miscellaneous	318,812	318,812	295,995	(22,817)
Total revenues	<u>16,550,179</u>	<u>16,550,179</u>	<u>16,899,000</u>	<u>348,821</u>
<b>Expenditures</b>				
Current				
Public works	5,856,582	5,856,582	4,929,173	927,409
Total current	<u>5,856,582</u>	<u>5,856,582</u>	<u>4,929,173</u>	<u>927,409</u>
Capital outlay				
Culture and recreation	500,000	500,000	-	500,000
Public works	18,808,523	18,808,523	11,653,215	7,155,308
Total capital outlay	<u>19,308,523</u>	<u>19,308,523</u>	<u>11,653,215</u>	<u>7,655,308</u>
Debt service				
Principal	1,063,000	1,063,000	1,063,000	-
Interest	1,218,504	1,218,504	1,217,654	850
Total debt service	<u>2,281,504</u>	<u>2,281,504</u>	<u>2,280,654</u>	<u>850</u>
Total expenditures	<u>27,446,609</u>	<u>27,446,609</u>	<u>18,863,042</u>	<u>8,583,567</u>
Excess (deficiency) of revenues over expenditures	<u>(10,896,430)</u>	<u>(10,896,430)</u>	<u>(1,964,042)</u>	<u>8,932,388</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	56,480	56,480	56,480	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>56,480</u>	<u>56,480</u>	<u>56,480</u>	<u>-</u>
Net change in fund balances	<u>(10,839,950)</u>	<u>(10,839,950)</u>	<u>(1,907,562)</u>	<u>8,932,388</u>
Fund balance - beginning	17,120,404	17,120,404	17,120,404	-
Fund balance - ending	<u>\$ 6,280,454</u>	<u>\$ 6,280,454</u>	<u>\$ 15,212,842</u>	<u>\$ 8,932,388</u>

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

## **FUND FINANCIAL STATEMENTS**

### **Proprietary Funds**

The City has five enterprise funds. Enterprise funds are used to account for the acquisition, operation and maintenance of water, wastewater, golf course, airport, solid waste and regional transfer station. 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**

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

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2013

ASSETS	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Totals	
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
<b>Current Assets</b>							
Cash and cash equivalents	\$ 28,048,305	\$ 5,232,701	\$ -	\$ 6,296,880	\$ -	\$ 39,577,886	\$ 8,430,726
Accounts receivable (net)	2,030,326	969,748	150,012	287,256	5,928	3,443,270	-
Grant receivable	-	-	1,212,105	-	-	1,212,105	-
Inventory at cost	437,632	-	-	-	51,767	489,399	266,835
Total current assets	30,516,263	6,202,449	1,362,117	6,584,136	57,695	44,722,660	8,697,561
<b>Noncurrent Assets</b>							
Restricted cash and cash equivalents							
Restricted cash	-	1,260,239	-	980,987	-	2,241,226	1,459,311
Total restricted assets	-	1,260,239	-	980,987	-	2,241,226	1,459,311
Capital assets							
Land	25,922,496	443,477	1,143,261	102,302	1,963,554	29,575,090	13,191
Construction in process	24,831,669	20,691,895	11,640,634	-	-	57,164,198	14,354
Buildings	2,278,437	5,760,829	4,563,482	1,502,877	694,879	14,800,504	5,259,218
Improvements other than buildings	119,582,642	80,621,308	34,801,541	950,138	5,650,170	241,605,799	49,023
Machinery and equipment	5,198,430	2,729,199	438,784	6,065,117	1,964,065	16,395,595	6,077,926
Less accumulated depreciation	(44,158,043)	(35,833,641)	(18,594,107)	(5,931,156)	(4,503,430)	(109,020,377)	(4,348,593)
Total capital assets (net of accumulated depreciation)	133,655,631	74,413,067	33,993,595	2,689,278	5,769,238	250,520,809	7,065,119
Total noncurrent assets	133,655,631	75,673,306	33,993,595	3,670,265	5,769,238	252,762,035	8,524,430
Total assets	\$ 164,171,894	\$ 81,875,755	\$ 35,355,712	\$ 10,254,401	\$ 5,826,933	\$ 297,484,695	\$ 17,221,991
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 1,973,595	\$ 2,242,322	\$ 527,632	\$ 247,511	\$ 43,383	\$ 5,034,443	\$ 131,235
Accrued expenses	486,572	324,197	12,357	34,291	33,235	890,652	50,498
Claims payable	-	-	-	-	-	-	272,666
Interfund payables	143,821	256,179	1,134,416	-	-	1,534,416	-
Deposits returnable	-	-	22,298	-	-	22,298	-
Customer water deposits	306,182	-	-	-	-	306,182	-
Deferred revenue - current	-	-	9,753	-	45,314	55,067	-
Compensated absences - current	-	89,900	-	-	-	89,900	243,633
Loans payable - current	1,094,948	2,393,930	145,909	-	1,412	3,636,199	-
Bonds - current	310,000	-	-	64,456	125,000	499,456	215,544
Landfill closure costs - current	-	-	-	110,000	-	110,000	-
Total current liabilities	4,315,118	5,306,528	1,852,365	456,258	248,344	12,178,613	913,576
<b>Noncurrent Liabilities</b>							
Claims payable	-	-	-	-	-	-	1,565,935
Compensated absences	409,227	117,142	62,592	156,902	74,248	820,111	219,594
Loans payable	15,968,286	22,894,168	-	-	-	38,862,454	-
Bonds payable	10,100,000	-	-	1,130,282	129,000	11,359,282	3,779,718
Interfund payable	437,094	779,086	-	-	3,943,881	5,160,061	-
Landfill closure/postclosure cost	-	-	-	1,980,000	-	1,980,000	-
Total noncurrent liabilities	26,914,607	23,790,396	62,592	3,267,184	4,147,129	58,181,908	5,565,247
Total liabilities	31,229,725	29,096,924	1,914,957	3,723,442	4,395,473	70,360,521	6,478,823
<b>NET POSITION</b>							
Net investment in capital assets	106,182,397	49,124,969	33,847,686	1,494,540	5,513,826	196,163,418	3,069,857
Restricted for debt service	-	1,260,239	-	-	-	1,260,239	-
Restricted for landfill closure	-	-	-	2,090,000	-	2,090,000	-
Unrestricted	26,759,772	2,393,623	(406,931)	2,946,419	(4,082,366)	27,610,517	7,673,311
Total net position	\$ 132,942,169	\$ 52,778,831	\$ 33,440,755	\$ 6,530,959	\$ 1,431,460	\$ 227,124,174	\$ 10,743,168

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 Position**  
**Proprietary Funds**  
For the year ended June 30, 2013

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds			
<b>Operating Revenues</b>							
Water sales	\$ 12,744,638	\$ -	\$ -	\$ -	\$ -	\$ 12,744,638	\$ -
Water connection fees	184,281	-	-	-	-	184,281	-
Alternative water source fees	1,705,207	-	-	-	-	1,705,207	-
Wastewater service fees	-	9,000,507	-	-	-	9,000,507	-
Effluent sales	-	634,282	-	-	-	634,282	-
Golf course green fees	-	-	-	-	1,109,627	1,109,627	-
Restaurant sales	-	-	-	-	762,895	762,895	-
Golf course rentals	-	-	-	-	587,286	587,286	-
Golf pro-shop sales	-	-	-	-	162,966	162,966	-
Fuel sales and flowage fees	-	-	108,813	-	-	108,813	-
Tie down and hangar rentals	-	-	1,231,174	-	-	1,231,174	-
Refuse collection fees	-	-	-	4,837,568	-	4,837,568	-
Tipping fees	-	-	-	1,118,463	-	1,118,463	-
Charges for services	-	-	-	-	-	-	5,041,055
Other services	-	-	-	-	-	-	2,242,922
Miscellaneous	48,536	197,344	79,281	310,219	18,567	653,947	5
Total operating revenues	14,682,662	9,832,133	1,419,268	6,266,250	2,641,341	34,841,654	7,283,982
<b>Operating Expenses</b>							
Personnel services	2,744,345	2,323,438	488,719	1,491,161	1,394,249	8,441,912	2,407,075
Supplies	646,939	521,372	75,490	582,928	680,431	2,507,160	848,312
Other services and charges	4,941,420	2,531,533	494,829	4,600,226	692,181	13,260,189	2,469,996
Depreciation	2,664,554	2,301,029	979,888	686,417	279,952	6,911,840	718,139
Claims expense	-	-	-	-	-	-	400,205
Total operating expenses	10,997,258	7,677,372	2,038,926	7,360,732	3,046,813	31,121,101	6,843,727
Operating income (loss)	3,685,404	2,154,761	(619,658)	(1,094,482)	(405,472)	3,720,553	440,255
<b>Non-Operating Revenues (Expenses)</b>							
Interest and investment income	37,876	4,957	-	7,979	-	50,812	9,112
Interest expense	(932,340)	(553,662)	(16,729)	(54,572)	(13,386)	(1,570,689)	(182,494)
Other non-operating expense	-	-	-	-	(5,382,522)	(5,382,522)	-
Net gain (loss) on disposal of assets	-	-	-	(25,876)	-	(25,876)	28,675
Total non-operating revenues (expenses)	(894,464)	(548,705)	(16,729)	(72,469)	(5,395,908)	(6,928,275)	(144,707)
Income (loss) before contributions and transfers	2,790,940	1,606,056	(636,387)	(1,166,951)	(5,801,380)	(3,207,722)	295,548
Grant contributions	2,138,608	-	8,111,293	-	-	10,249,901	-
Capital contributions	3,098,416	405,132	-	-	-	3,503,548	-
Transfers in	-	-	18,052	-	53,907	71,959	-
Transfers out	-	-	-	-	-	-	-
Change in net position	8,027,964	2,011,188	7,492,958	(1,166,951)	(5,747,473)	10,617,686	295,548
Total net position - beginning	124,914,205	50,767,643	25,947,797	7,697,910	7,178,933	216,506,488	10,447,620
Total net position - ending	\$ 132,942,169	\$ 52,778,831	\$ 33,440,755	\$ 6,530,959	\$ 1,431,460	\$ 227,124,174	\$ 10,743,168

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

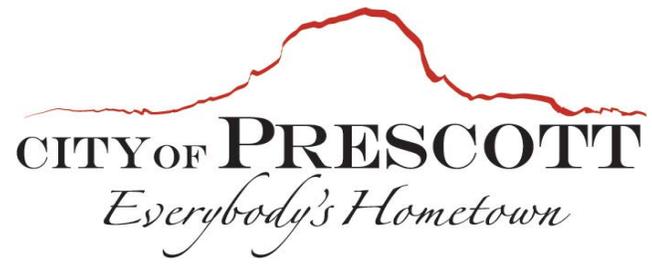
**CITY OF PRESCOTT, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the year ended June 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Major Funds</b>			
	<b>Water</b>	<b>Waste- water</b>	<b>Airport</b>	<b>Solid Waste/ Transfer Station</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 14,626,483	\$ 9,726,490	\$ 1,436,791	\$ 6,251,626
Cash payments to employees for services	(2,673,243)	(2,342,515)	(491,110)	(1,486,118)
Cash payments to suppliers for goods and services	(4,534,672)	(1,541,363)	(128,875)	(4,218,512)
Net cash provided by (used for) operating activities	7,418,568	5,842,612	816,806	546,996
<b>Cash flows from noncapital financing activities:</b>				
Receipts (payments) under interfund loan arrangement	-	-	610,420	-
Transfers in	-	-	18,052	-
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activity	-	-	628,472	-
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(11,167,886)	(16,664,816)	(8,567,650)	(149,658)
Contributed from capital grant	2,138,608	-	7,456,691	-
Contributed from customers	3,191,011	405,132	-	-
Interest paid on capital financing	(924,304)	(485,905)	(16,729)	(54,572)
Principal paid on capital financing	(1,124,037)	(807,271)	(317,590)	(61,003)
Proceeds from debt issues	6,430,890	12,514,121	-	-
Proceeds from sales of capital assets	-	-	-	10,013
Net cash provided by (used for) capital and related financing activities	(1,455,718)	(5,038,739)	(1,445,278)	(255,220)
<b>Cash flows from investing activities:</b>				
Interest on investments	37,876	4,957	-	7,979
Net cash provided by (used for) investing activities	37,876	4,957	-	7,979
Net increase (decrease) in cash and cash equivalents	6,000,726	808,830	-	299,755
Cash and cash equivalents at July 1	22,047,579	5,684,110	-	6,978,112
Cash and cash equivalents at June 30	\$ 28,048,305	\$ 6,492,940	\$ -	\$ 7,277,867
<b>Reconciliation to statement of net position:</b>				
Cash and cash equivalents at June 30, unrestricted	\$ 28,048,305	\$ 5,232,701	\$ -	\$ 6,296,880
Cash and cash equivalents at June 30, restricted	-	1,260,239	-	980,987
Total	\$ 28,048,305	\$ 6,492,940	\$ -	\$ 7,277,867
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 3,685,404	\$ 2,154,761	\$ (619,658)	\$ (1,094,482)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,664,554	2,301,029	979,888	686,417
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	980,897	1,508,729	441,444	964,642
Increase (decrease) in compensated absences	61,866	(24,376)	667	1,301
(Increase) decrease in accounts receivable	(56,179)	(105,642)	17,523	(14,624)
Increase (decrease) in claims payable	-	-	-	-
(Increase) decrease in inventory	72,789	-	-	-
Increase (decrease) salary & benefits payable	9,237	8,111	(3,058)	3,742
Total adjustments	3,733,164	3,687,851	1,436,464	1,641,478
Net cash provided by operating activities	\$ 7,418,568	\$ 5,842,612	\$ 816,806	\$ 546,996

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

Nonmajor Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,642,252	\$ 34,683,642	\$ 7,283,982
(1,401,407)	(8,394,393)	(2,392,445)
(1,381,053)	(11,804,475)	(4,306,869)
(140,208)	14,484,774	584,668
227,195	837,615	-
53,907	71,959	-
-	-	-
281,102	909,574	-
-	(36,550,010)	(24,349)
-	9,595,299	-
-	3,596,143	-
(13,386)	(1,494,896)	(182,494)
(127,508)	(2,437,409)	(203,997)
-	18,945,011	-
-	10,013	74,216
(140,894)	(8,335,849)	(336,624)
-	50,812	9,112
-	50,812	9,112
-	7,109,311	257,156
-	34,709,801	9,632,881
\$ -	\$ 41,819,112	\$ 9,890,037
\$ -	\$ 39,577,886	\$ 8,430,726
-	2,241,226	1,459,311
\$ -	\$ 41,819,112	\$ 9,890,037
\$ (405,472)	\$ 3,720,553	\$ 440,255
279,952	6,911,840	718,139
-	-	-
(15,344)	3,880,368	(575,222)
(10,323)	29,135	24,973
911	(158,011)	-
-	-	-
6,903	79,692	(13,134)
3,165	21,197	(10,343)
265,264	10,764,221	144,413
\$ (140,208)	\$ 14,484,774	\$ 584,668

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



## Fiduciary Funds

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

### **County Justice Court Agency**

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

CITY OF PRESCOTT, ARIZONA  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

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	Agency County Justice Court
<b>ASSETS</b>	
Cash and short-term investments	\$ 139,580
Total assets	<u>\$ 139,580</u>
<b>LIABILITIES</b>	
Due to other governments	\$ 139,580
Total liabilities	<u>\$ 139,580</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, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

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

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

The Hassayampa Community Facilities District #1 and #2 were formed by petition to the City Council in 1996 and 2000. The districts' purposes are to improve public infrastructure in a specified land area. As special purpose districts and separate political subdivisions under the Arizona Constitution, the districts can levy assessments and issue bonds independently of the City. Property owners in the designated area are levied an assessment for the costs of operating the Districts. The City Council serves as the board of directors. The City has no liability for the district's debt. For financial reporting purposes, the districts transactions are combined together and included as if they were part of the City's operations. The activities of the districts are reflected in the capital projects and debt service funds.

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

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset with program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

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

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

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

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

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

The City reports the following major governmental funds:

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

The Streets and Open Space special revenue fund is used to account for street improvements and maintenance and/or open space acquisition. The sources of funding are revenues from the States Highway User Revenue Fund and the additional 1% privilege tax which the voters passed and are limited to road construction and maintenance and/or open space acquisition. The additional privilege tax will sunset in December 2015 and in 2010, voters approved a 0.75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

Capital project funds are used to account for financial resources that are restricted to expenditures for capital outlays.

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

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

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

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

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

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

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

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

#### **D. Cash and Investments**

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

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

#### **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/due 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/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

**F. Inventories**

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

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

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

**I. Compensated Absences**

The City's personnel ordinance provides full-time employees with paid time off (PTO). All permanent full-time employees of the City are entitled to 14 days of PTO each year during the first three years of service increasing to 17 days for three to ten years of service, 20 days for ten to fifteen years of service, and 22 days for fifteen or more years of service. PTO can be carried over from year to year with a maximum of 25 days PTO 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 PTO.

**J. Long-Term Debt**

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

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

#### **K. Employee Pension Plans**

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

#### **L. Use of Estimates**

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

#### **M. Reclassification of Certain Amounts**

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

#### **N. Fund Balances**

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

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

At year-end fund balance had the following restriction:

	General	Nonmajor		Total
		Streets and Open Space	Governmental Funds	
Nonspendable - internal loans	\$6,743,937	\$ -	\$ -	\$ 6,743,937
Restricted:				
Streets and open space activity	-	15,212,842	-	15,212,842
Debt Service	-	-	1,492,598	1,492,598
Capital expenditure	-	-	4,325,450	4,325,450
Donated/Grant Purposes	-	-	831,214	831,214
Transient lodging tax activity	-	-	226,499	226,499
Total Restricted	\$ -	\$ 15,212,842	\$ 6,875,761	\$ 22,088,603
Committed:				
Capital & economic dev.	359,106	-	-	359,106
Peavine Trail	31,072	-	-	31,072
Total Committed	\$ 390,178	\$ -	\$ -	\$ 390,178

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

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

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

absences are not recognized as expenditures for budgetary purposes, 2) capital outlays for proprietary funds are treated as expenditures, 3) debt service principal payments are treated as expenditures for proprietary funds, 4) capital grants in enterprise funds are budgeted as revenue, and 5) depreciation is not budgeted as an expenditure.

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

<u>To:</u>	<u>From:</u>	<u>Amount</u>
Airport Enterprise Fund	Grants Fund	\$1,500,000
Legal Department in General Fund	Risk Management Internal Service Fund	100,000
Total appropriation transfers		<u>\$1,600,000</u>

**B. Budget Basis of Accounting**

The City of Prescott's budget is adopted on a basis other than generally accepted accounting principles. The results of operations which provide a meaningful comparison of actual results with the budget are presented in the fund financial statements - statement of revenues, expenditures and changes in fund balances - budget and actual – for the general fund and major special revenue funds.

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds except for a portion of the Municipal Property Corporation and Community Facilities Districts Funds which have investments held separately by a trustee. The City also maintains petty cash for use in daily operations that totals \$11,486.

**Deposits**

At June 30, 2013, the carrying amount of the City's deposits was \$7,978,733 and the bank balance was \$9,680,923. The difference represents outstanding checks, deposits in transit and other reconciling items. \$9,496,823 of the bank balance is also shown in the US Government Mutual Fund Account due to an overnight sweep agreement. The Hassayampa Community Facilities Districts had cash held by fiscal agents amounting to \$540,194 at June 30, 2013 which is invested in a US Government Mutual Fund.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2013, 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, 2013 was 2.08.

**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.

### Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five percent (5%) of the City's investments are in mortgage securities backed by U.S. Government Agency, mutual funds investing in U.S. Government securities and the State Treasurer's Local Government Investment Pool. These investments represent 37%, 12% and 52% respectively, of the City's total investments.

### Investments

The City's investments at June 30, 2013 are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating Moody</u>	<u>Modified Duration</u>
State Treasurer's 7 Pool (LGIP-7)	\$ 1,676,610	Not Rated	0.04
State Treasurer's 700 Pool (LGIP-700)	43,583,758	Not Rated	2.12
U.S. Government Mutual Fund	10,037,017	Aaa	0.14
U.S. Agency Mortgage Backed Securities	31,972,171	Aaa	2.73
Total Fair Value	<u>\$ 87,269,556</u>		
Portfolio Modified Duration			2.08

### B. Receivables and Deferred Revenue

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

	<u>General</u>	<u>Streets and Open Space</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$ 3,339,091	\$ 1,439,289	\$ 116,252	\$ 4,894,632
Allowance	(709,243)	(587)	(38,712)	(748,542)
Accounts (net)	2,629,848	1,438,702	77,540	4,146,090
Interest	32,647	-	-	32,647
Property Taxes	39,704	-	59,224	98,928
Special Assessments	-	-	3,577,737	3,577,737
Intergovernmental	457,570	267,407	250,457	975,434
Total	<u>\$ 3,159,769</u>	<u>\$ 1,706,109</u>	<u>\$ 3,964,958</u>	<u>\$ 8,830,836</u>

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

	<u>Water</u>	<u>Waste- water</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 2,081,157	\$ 996,203	\$ 150,012	\$ 299,934	\$ 5,928	\$ 3,533,234
Allowance	(50,831)	(26,455)	-	(12,678)	-	(89,964)
Accounts (net)	2,030,326	969,748	150,012	287,256	5,928	3,443,270
Intergovernmental	-	-	1,212,105	-	-	1,212,105
Total	<u>\$ 2,030,326</u>	<u>\$ 969,748</u>	<u>\$ 1,362,117</u>	<u>\$ 287,256</u>	<u>\$ 5,928</u>	<u>\$ 4,655,375</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	\$ 20,887	\$ -
Delinquent property taxes receivable Debt Service Fund	31,961	-
Delinquent privilege taxes receivable	95,919	
Special assessments not yet due (Debt Service Fund)	740,398	-
Community facilities districts assessments not yet due	2,837,339	-
Unearned rents and deposits General Fund	-	144,000
Grant drawdowns prior to meeting eligibility requirements	123,810	-
Total	<u>\$3,850,314</u>	<u>\$ 144,000</u>

### C. Capital Assets

Capital assets activity for governmental activities for the year ended June 30, 2013 was as follows:

Description	Beginning				Ending
	Balance	Transfers	Increases	Decreases	Balance
Land and construction in progress	\$ 83,249,664	\$ -	\$ 14,354	\$ 6,467,938	\$ 76,796,080
Total non-depreciable	<u>83,249,664</u>	<u>-</u>	<u>14,354</u>	<u>6,467,938</u>	<u>76,796,080</u>
Buildings	31,225,388	6,332,379	-	703,780	36,853,987
Improvements other than buildings	34,149,697	-	3,579,993	1,002,706	36,726,984
Machinery and equipment	24,204,812	-	577,298	1,198,685	23,583,425
Infrastructure	246,244,518	-	15,047,902	-	261,292,420
Total depreciable	<u>335,824,415</u>	<u>6,332,379</u>	<u>19,205,193</u>	<u>2,905,171</u>	<u>358,456,816</u>
Accumulated depreciation					
Buildings	(10,559,471)	(949,856)	(882,073)	(155,249)	(12,236,151)
Improvements other than buildings	(10,943,783)	-	(838,627)	(797,387)	(10,985,023)
Machinery and equipment	(15,708,161)	-	(1,357,130)	(787,030)	(16,278,261)
Infrastructure	(101,925,777)	-	(10,915,612)	-	(112,841,389)
Total accumulated depreciation	<u>(139,137,192)</u>	<u>(949,856)</u>	<u>(13,993,442)</u>	<u>(1,739,666)</u>	<u>(152,340,824)</u>
Governmental activities capital assets net	<u>\$ 279,936,887</u>	<u>\$ 5,382,523</u>	<u>\$ 5,226,105</u>	<u>\$ 7,633,443</u>	<u>\$ 282,912,072</u>

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

General government (including internal service funds)	\$ 1,469,900
Community services	38,509
Culture and recreation	909,982
Public safety - police	298,557
Public safety - fire	207,509
Public works	11,068,985
Total depreciation for governmental activities	<u>\$ 13,993,442</u>

Capital assets activity for business-type activities for the year ended June 30, 2013 was as follows:

Description	Beginning				Ending
	Balance	Transfer	Increases	Decreases	Balance
Land and construction in progress	\$ 53,830,330	\$ -	\$ 32,908,957	\$ -	\$ 86,739,287
Total non-depreciable	53,830,330	-	32,908,957	-	86,739,287
Buildings	21,083,011	(6,332,379)	49,872	-	14,800,504
Improvements other than buildings	238,114,404	-	3,615,290	123,894	241,605,800
Machinery and equipment	16,601,214	-	243,300	448,918	16,395,596
Total depreciable	275,798,629	(6,332,379)	3,908,462	572,812	272,801,900
Accumulated depreciation					
Buildings	(9,579,207)	949,856	(611,360)	-	(9,240,711)
Improvements other than buildings	(81,724,035)	-	(5,483,661)	-	(87,207,696)
Machinery and equipment	(12,024,669)	-	(816,819)	(269,517)	(12,571,971)
Total accumulated depreciation	(103,327,911)	949,856	(6,911,840)	(269,517)	(109,020,378)
Business activities capital assets net	\$ 226,301,048	\$ (5,382,523)	\$ 29,905,579	\$ 303,295	\$ 250,520,809

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

Water	\$	2,664,554
Wastewater		2,301,029
Airport		979,888
Solid waste		686,417
Golf Course		279,952
Total depreciation for business-type activities	\$	<u>6,911,840</u>

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

Interfund receivables and payable are also recorded when funds overdraw their share of pooled cash. As of the end of the fiscal year the general fund has established the following receivables for the indicated reason:

The composition of interfund balances as of June 30, 2013 is as follows:

Fund	Reason	Interfund Receivables	Interfund Payables
General fund		\$ 6,743,937	\$ -
Grants fund	Delayed grant reimbursements	-	49,460
Water enterprise fund	Structured loan for projects	-	580,915
Wastewater enterprise fund	Structured loan for projects	-	1,035,265
Airport enterprise fund	Delayed grant reimbursements	-	1,134,416
Nonmajor enterprise fund-Golf course	Cumulative operating deficits	-	3,943,881
Total		<u>\$ 6,743,937</u>	<u>\$ 6,743,937</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, 2013 were as follows:

Transfer In	Transfers Out		Total Transfers In
	General Fund	Nonmajor Governmental	
Governmental			
General Fund		\$ 37,293	\$ 37,293
Streets & Open Space		56,480	56,480
Nonmajor	451,753	4,026	455,779
Enterprise			
Parking Garage	53,907		53,907
Airport	18,052		18,052
Total Transfers Out	<u>\$ 523,712</u>	<u>\$ 97,799</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	\$ 244,273
Golf course	25,682
Airport	3,186,406
Less accumulated amortization	<u>(998,868)</u>
	2,457,493
Governmental activities	226,521
Less accumulated amortization	<u>(26,099)</u>
	<u>\$ 2,657,915</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, 2013:

	Business-type Activity	Governmental Activity	Total
Year Ending June 30			
2014	160,526	13,744	174,270
Total minimum lease payments	160,526	13,744	174,270
less: amounts representing interest	(2,629)	(94)	(2,723)
Present value at June 30, 2013	<u>\$ 157,897</u>	<u>\$ 13,650</u>	<u>\$ 171,547</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. In May 2007 an additional \$1,510,000 in general obligation bonds were issued. The bonds mature in July 2017. The bonds were issued to make the final phase improvements to Willow and Watson Lakes. The City has no remaining authorized but unissued general obligation bond authority.

The balance outstanding at June 30, 2013 was as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities (2007 issue)	3.83%	\$ 680,000
		<u>\$ 680,000</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2014	\$ 160,000	\$ 27,200
2015	165,000	20,800
2016	175,000	14,200
2017	180,000	7,200
	<u>\$ 680,000</u>	<u>\$ 69,400</u>

**Special Assessment Bonds and Notes**

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

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

<u>Issue</u>	<u>District</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2001	162	1,920,000	1/1/2015	5.10%	\$ 345,000
2001	163	2,470,000	1/1/2015	4.60%	350,000
2004	164	95,840	1/1/2022	2.54%	44,940
					<u>\$ 739,940</u>

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

Year Ending June 30,	Principal	Interest
2014	\$ 350,044	\$ 26,489
2015	355,044	9,504
2016	5,044	880
2017	5,044	742
2018	5,044	685
2019-2022	19,720	1,195
	<u>\$ 739,940</u>	<u>\$ 39,495</u>

### Community Facilities District Bonds

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

- Hassayampa CFD, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July 2021. The balance of these bonds at June 30, 2013 was \$2,630,000.
- 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, 2013 was \$430,000.

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

Year Ending June 30,	Principal	Interest
2014	\$ 275,000	\$ 236,075
2015	295,000	214,825
2016	320,000	192,038
2017	345,000	167,312
2018	370,000	140,662
2019-2023	1,405,000	259,175
2024	50,000	3,750
	<u>\$ 3,060,000</u>	<u>\$ 1,213,837</u>

### Municipal Property Corporation Bonds

The Municipal Property Corporation (MPC) is a non-profit corporation created by the City to finance construction or acquisition of municipal buildings and improvements on land owned by the City.

The MPC issues its own bonds. Under various agreements, the City makes lease payments, which approximate the amount of debt service payable by the corporation. The City has collateralized the contracts payable to the MPC with a first lien pledge of all excise taxes and state shared revenues.

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

Following are the pledged revenues compared to debt service for fiscal year ending June 30, 2013:

Pledged Revenues:		
City Privilege and Use Taxes	\$	13,623,329
State-Shared Revenue		9,656,615
Franchise Taxes		1,618,259
Licenses and Permits		505,592
Charges for Services		1,080,688
Fines and Forfeitures		628,414
Total Pledged Revenues	\$	<u>27,112,897</u>
Fiscal Year 2012 Debt Service	\$	3,708,921
Debts Service Coverage		7

The MPC has the following outstanding bonds:

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

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

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

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

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

Served by		Interest		
Fund	Reason for Financing	Issue	Rate	Amount
Streets and	Road improvements	2010	5.53%	\$ 15,950,000
Open Space	Road improvements	2011	4.21%	7,850,000
Central Garage	Facility expansion	2007	4.35%	<u>3,995,262</u>
	Governmental Activities			<u>27,795,262</u>
Water	Big Chino Water Ranch	2004G	4.62%	10,410,000
Solid Waste	Transfer station expansion	2007	4.35%	1,194,738
Golf Course	Equipment	2011	2.50%	<u>254,000</u>
	Business-type Activities			<u>11,858,738</u>
				<u>\$ 39,654,000</u>

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

Year Ending June 30,	Interest			
	Principal	Interest	Subsidy	Net
2014	\$ 1,801,000	\$ 1,907,276	\$ (297,226)	\$ 1,610,050
2015	1,857,000	1,841,384	(288,424)	1,552,960
2016	1,786,000	1,770,617	(277,992)	1,492,625
2017	1,840,000	1,695,698	(265,298)	1,430,400
2018	1,909,000	1,615,162	(251,146)	1,364,016
2019-2023	10,743,000	6,655,782	(1,017,952)	5,637,830
2024-2028	12,611,000	3,777,110	(518,592)	3,258,518
2029-2033	6,342,000	932,636	(28,086)	904,550
2034	765,000	38,250	-	38,250
	<u>\$ 39,654,000</u>	<u>\$ 20,233,915</u>	<u>\$(2,944,716)</u>	<u>\$ 17,289,199</u>

### Water Infrastructure Finance Authority of Arizona Loans

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

The drinking water loans are recorded in and paid out of revenues of Water Fund while the Clean Water loans are recorded in and paid out of revenues of Wastewater Fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds. For the fiscal year ended June 30, 2013, the net revenues available for service of this debt were \$10,494,453. The principal and interest paid on this debt in fiscal year 2013 was \$1,870,159.

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

The balances of the City's WIFA loans at June 30, 2013 are as follows:

WIFA #	Amount Authorized	Date of Auth.	Maturity Date	Final Amount Borrowed	Interest Rate	Project	Balance June 30
Drinking Water Projects							
920125-08	\$ 9,854,000	8/24/2007	7/1/2027	\$ 9,854,000	3.640%	Water Main Imp	\$ 8,007,024
92A166-09	8,998,096	7/31/2009	7/1/2029	2,759,551	3.143%	Zone 39 Imp	2,281,800
920206-11	1,060,000	12/3/2010	7/1/2030	1,018,796	3.152%	Water Main Imp	941,500
920237-13	15,921,582	1/25/2013	7/1/2032	In Progress	2.800%	Water Main Imp	5,819,704
Total Drinking Water Projects							<u>17,050,028</u>
Clean Water Projects							
910097-08	4,703,000	8/24/2007	7/1/2027	4,703,000	3.868%	Sewer Mains Imp	3,838,041
910122-10	6,573,506	7/31/2009	7/1/2029	6,054,763	3.143%	Sewer Mains Imp	5,349,842
910147-11	2,070,000	12/3/2010	7/1/2030	1,574,593	3.152%	Sewer Mains Imp	1,418,530
910148-11	1,635,870	12/3/2010	7/1/2030	In Progress	3.152%	Sundog WWTP Imp	1,275,191
910151-11	45,802,753	6/10/2011	7/1/2031	In Progress	2.950%	Airport WWTP	13,406,495
Total Clean Water Projects							<u>25,288,099</u>
Total							<u>\$42,338,127</u>

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

Year Ending	Principal	Interest
June 30,		
2014	\$ 1,863,187	\$ 1,292,574
2015	1,923,409	1,230,377
2016	1,985,601	1,166,150
2017	2,049,829	1,099,815
2018	2,116,160	1,031,309
2019-2023	11,654,350	4,047,752
2024-2028	13,670,947	1,964,855
2029-2033	7,074,644	309,222
	<u>\$ 42,338,127</u>	<u>\$ 12,142,054</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
<b>Governmental Activities:</b>					
Bond payable:					
General obligation	\$ 2,170,000	\$ -	\$ 1,490,000	\$ 680,000	\$ 160,000
Municipal Property Corporation	29,062,259	-	1,266,997	27,795,262	1,086,000
Special assessments	1,079,984	-	340,044	739,940	350,044
Community Facilities Districts	3,315,000	-	255,000	3,060,000	275,000
Total bonds payable	35,627,243	-	3,352,041	32,275,202	1,871,044
Lease purchase contracts	67,336	-	53,593	13,743	13,743
Claims payable	2,235,992	592,863	990,254	1,838,601	272,666
Compensated absences	4,288,957	261,866	497,241	4,053,582	977,537
Governmental activity long-term liabilities	<u>\$ 42,219,528</u>	<u>\$ 854,729</u>	<u>\$ 4,893,129</u>	<u>\$ 38,181,128</u>	<u>\$ 3,134,990</u>
<b>Business-type Activities:</b>					
Municipal Property Corporation bonds payable	\$ 12,336,741	\$ -	\$ 478,003	\$ 11,858,738	\$ 499,456
Loans payable:					
WIFA	24,652,814	18,890,129	1,204,816	42,338,127	3,475,673
Lease purchase contracts	535,115	-	374,590	160,525	160,526
Landfill closure/postclosure costs	1,141,319	948,681	-	2,090,000	110,000
Compensated absences	881,182	59,366	30,537	910,011	89,900
Business-type activity long-term liabilities	<u>\$ 39,547,171</u>	<u>\$ 19,898,176</u>	<u>\$ 2,087,946</u>	<u>\$ 57,357,401</u>	<u>\$ 4,335,555</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, 2013, the City is well within its debt limits, having \$110.4 million in borrowing capacity in the 20% category, and \$33.3 million in borrowing capacity in the 6% category. The City also has a \$1.4 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2013.

## 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 became a member of the Arizona Municipal Risk Retention Pool for property liability and workers' compensation insurance effective June 1, 2013. Prior to joining the pool the City's risk management activities were recorded in the general self-Insurance fund. The purpose of the fund is to administer the City's property liability and workers' compensation insurance programs and claims from before the City joined the pool on a cost reimbursement basis prior. 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 \$1,838,601 for general self-insurance reported in the fund at June 30, 2013 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, 2011 to June 30, 2013:

Liability balance, June 30, 2011	\$ 2,630,805
Claims and changes in estimates	595,441
Claims payments	<u>(990,254)</u>
Liability balance, June 30, 2012	2,235,992
Claims and changes in estimates	400,205
Claims payments	<u>(797,596)</u>
Liability balance, June 30, 2013	<u>\$ 1,838,601</u>

Of the amount shown above, \$272,666 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, 2013, 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**

In late 2004 the City acquired 4,500 deeded acres, and a leasehold interest in 2,000 acres of state land associated with the JWK Ranch. The property was later renamed the Big Chino Water Ranch (BCWR). 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).

An intergovernmental agreement dated December 2004 with the Town of Prescott Valley set forth the cost share for the development of groundwater located in the Big Chino Sub-basin beneath the BCWR for municipal supply purposes. The agreement provides the City with 54.1% and the Town of Prescott Valley with 45.9% of groundwater planned to be imported via this project.

Starting in 2005 the planning and engineering necessary for production and conveyance of the water began with four major tasks: 1) an assessment of the property; 2) well field development and Ranch Management Plan; 3) design and construction of transmission pipeline with associated storage and pumping infrastructure; and 4) installation of groundwater monitoring wells. In 2008, during the economic downturn, further work on the tasks was put on indefinite hold.

On October 12, 2007, the City's Application for Modification of Designation of Assured Water Supply was submitted to the Arizona Department of Water Resources (ADWR). The application requested that ADWR permanently reserve for Prescott a total of 14,000 acre-feet per year (af/yr) of groundwater in the Big Chino Sub-basin pursuant to statutory rights granted to Prescott in 1991 in Arizona Revised Statutes, Title 45 § 555. Prescott also sought ADWR confirmation of current legal availability to the City of 9,571 af/yr of groundwater from the Big Chino Sub-basin for assured water supply purposes. In November 2008, ADWR issued a preliminary decision and order finding that the City's application satisfied all of the requirements for a Designation of Assured Water Supply. More specifically, ADWR determined that the City has the right to withdraw 8,068 af/yr of groundwater from the Big Chino Sub-basin and transport it for use within the Prescott AMA. ADWR's preliminary decision and order further confirmed that the groundwater to be transported from the Big Chino Sub-basin is physically, continuously and legally available for at least 100 years, and is consistent with the long-term water management goals of all the state's AMAs, which is to ensure the sustainability of AMA groundwater supplies. The preliminary decision and order was subjected to an administrative hearing in 2009, and then subsequently challenged by various parties in litigation. All litigation regarding the November 2008 ADWR preliminary decision and order was cleared in September 2011, upholding the City's position, enabling issuance of the final ADWR determination of said allowable volume of imported water available to the communities from the Big Chino Sub-basin.

In February 2010 the City entered into an Agreement in Principle with Salt River Project and the Town of Prescott Valley for the purpose of mutually addressing issues associated with the withdrawal and importation of water from the Big Chino Sub-basin. This document contemplated several more detailed ("comprehensive") future agreements addressing groundwater modeling, monitoring, and measures for mitigating effects of groundwater pumping, if any, pursuant to ARS § 45-555(E); settlement of litigation among the parties; and mutual recognition of water rights. A technical amendment to ARS § 45-555(E) was subsequently passed by the legislature and signed into law, consistent with the Agreement in Principle, providing certain clarifications and specifying a base importation quantity of 8,068 af/yr. In October 2012 the parties to the Agreement in Principle approved Comprehensive Agreement No. 1 (CA1) which focused on monitoring and modeling needs in the Big

Chino sub-basin and affirmed each party's water claims for "water arising from the Prescott AMA". This CA1 outlines a ten-year cooperative effort during which hydrogeologic monitoring will commence and a groundwater flow model specific to the sub-basin will be developed. The costs are being shared among the parties and the overall all cost is expected to be near \$5.5 million (City of Prescott share \$1.9 million)

A target year for delivery of the water will be determined by future demand for additional water supplies driven by new development, and the Prescott AMA mandate to reach safe-yield by 2025.

**K. Retirement and Pension Plans**

**Plan Descriptions:**

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

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

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

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

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

**Funding Policy:**

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

Cost-sharing plan - For the year ended June 30, 2013, active ASRS members were required to contribute at the actuarially determined rate of 11.14% (10.9% retirement and .24% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 11.14% (10.9% retirement and .24% long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2013, 2012 and 2011 were \$2,032,756, \$1,998,995 and \$1,876,507, respectively, which were equal to the required contributions.

Agent plans - For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 41.18% for police and 33.92% for fire. The health insurance premium portion of the contribution rates were actuarially set at 1.83% of covered payroll for police and 1.58% of covered payroll for fire.

**Annual Pension Cost:**

The City's pension cost for the two agent plans for the year ended June 30, 2013 were:

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	41.18%	39.35%	1.83%
Fire	33.92%	32.34%	1.58%
Annual pension cost			
Police	\$ 1,705,128	1,629,354	75,774
Fire	1,160,085	1,106,048	54,037
Contributions made			
Police	\$ 1,705,128	\$ 1,629,354	\$ 75,774
Fire	1,160,085	1,106,048	54,037

A summary of actuarial methods and assumptions from the June 30, 2011 actuarial report and related information follows.

Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market
Actuarial assumptions	
Investment rate of return	8.25%
Projected salary increases	5.0%-8.0%
Payroll growth	5.00%
Cost-of-living adjustments	None
Inflation rate	3% to 4%

## Trend Information

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

Fiscal Year Ended June30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension			
2009	\$ 1,118,352	100%	\$ -
2010	1,145,564	100%	-
2011	1,365,428	100%	-
Police Health Insurance			
2009	\$ 22,252	100%	\$ -
2010	64,624	100%	-
2011	77,619	100%	-
Fire Pension			
2009	\$ 1,025,074	100%	\$ -
2010	891,551	100%	-
2011	972,047	100%	-
Fire Health Insurance			
2009	\$ 17,783	100%	\$ -
2010	48,567	100%	-
2011	52,757	100%	-

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

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/(Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
<b>Police</b>						
2003	\$ 13,421,537	\$ 17,507,107	76.7%	\$ 4,085,570	\$ 3,224,009	126.7%
2004	13,166,987	18,892,985	69.7%	5,725,998	2,958,970	193.5%
2005	13,093,401	22,338,111	58.6%	9,244,710	3,256,530	283.9%
2006	13,235,811	25,407,296	52.1%	12,171,485	3,923,713	310.2%
2007	12,680,522	27,409,378	46.3%	14,728,856	4,294,056	343.0%
2008	12,812,487	27,027,889	47.4%	14,215,402	4,296,379	330.9%
2009	13,831,966	29,115,046	47.5%	15,283,080	4,220,965	362.1%
2010	14,304,965	31,301,514	45.7%	16,996,549	3,979,459	427.1%
2011	13,991,337	34,725,766	40.3%	20,734,429	4,053,065	511.6%
<b>Fire</b>						
2003	\$ 18,500,014	\$ 19,967,900	92.6%	\$ 1,467,886	\$ 2,727,989	53.8%
2004	18,403,108	22,002,449	83.6%	3,599,341	2,922,346	123.2%
2005	18,547,038	24,917,704	74.4%	6,370,666	3,165,228	201.3%
2006	18,334,323	27,586,727	66.5%	9,252,404	3,474,512	266.3%
2007	18,277,316	30,982,052	59.0%	12,704,736	3,709,276	342.5%
2008	17,937,835	30,883,588	58.1%	12,945,753	4,320,143	299.7%
2009	18,741,981	31,054,176	60.4%	12,312,195	4,080,036	301.8%
2010	19,118,127	32,796,075	58.3%	13,677,948	4,001,892	341.8%
2011	19,864,483	36,064,123	55.1%	16,199,640	4,099,794	395.1%

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

#### Actuarial Accrued Liability

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/(Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
<b>Police</b>						
2006	\$ -	\$ 979,168	0.0%	\$ 979,168	\$ 3,923,713	24.96%
2007	-	1,051,252	0.0%	1,051,252	4,294,056	24.48%
2008	-	923,699	0.0%	923,699	4,296,379	21.50%
2009	-	835,891	0.0%	835,891	4,220,965	19.80%
2010	-	937,625	0.0%	937,625	3,979,459	23.56%
2011	-	1,037,588	0.0%	1,037,588	4,053,065	25.60%
<b>Fire</b>						
2006	\$ -	\$ 894,902	0.0%	\$ 894,902	\$ 3,474,512	25.76%
2007	-	902,019	0.0%	902,019	3,709,276	24.32%
2008	-	900,425	0.0%	900,425	4,320,143	20.84%
2009	-	731,571	0.0%	731,571	4,080,036	17.93%
2010	-	793,901	0.0%	793,901	4,001,892	19.84%
2011	-	945,485	0.0%	945,485	4,099,794	23.06%

**Annual Required Contribution**

Valuation Date	Fiscal Year Ended	(1) Normal Cost	(2)	(3)	(4) Dollar Amount
			Actuarial Liability	Total	
June 30,	June 30,	Cost	Liability	(1)+(2)	
<b>Police</b>					
2006	2008	0.43%	1.15%	1.58%	\$ 67,883
2007	2009	0.63%	1.15%	1.78%	76,476
2008	2010	0.54%	1.04%	1.58%	67,883
2009	2011	0.64%	0.97%	1.61%	75,638
2010	2012	0.67%	1.19%	1.86%	82,384
2011	2013	0.46%	1.37%	1.83%	81,774
<b>Fire</b>					
2006	2008	0.44%	1.19%	1.63%	\$ 70,418
2007	2009	0.54%	1.15%	1.69%	73,010
2008	2010	0.45%	1.01%	1.46%	63,074
2009	2011	0.53%	0.87%	1.40%	63,577
2010	2012	0.53%	1.00%	1.53%	68,149
2011	2013	0.34%	1.24%	1.58%	71,416

**L. Landfill Closure and Post-closure 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 \$2,090,000 reported in the solid waste enterprise fund as landfill closure and post-closure care liability at June 30, 2013, represents the total amount of estimated cost of closure and post-closure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

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

**M. Commitments and Future Obligations**

The City has remaining construction commitments totaling \$2.8 million for various road projects, \$32.1 million for various water and sewer infrastructure, and \$1.0 million for two new fire trucks at year-end.

**N. Implementation of New GASB Statements**

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City adopted GASBS No. 62 in fiscal year 2013. The adoption of GASBS No. 62 does not have any impact on the City's financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The requirements of this Statement are effective for financial statements for periods beginning after

December 15, 2011. The City adopted GASBS No. 63 in fiscal year 2013. The adoption of GASBS No. 63 has impacted the presentation of the City's financial statements.

In March 2012, the GASB issued Statement No. 65, Items previously reported as assets and liabilities. GASBS No. 65 provides reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, and other related disclosures. In addition, the reporting of such items should be limited to those instances identified by the Governmental Accounting Standards Board. Statement No. 65 also changes the determination of the major fund calculations and limits the use of the term deferred in financial statement presentation. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the City elected to early implement it in fiscal year 2013. The adoption of GASBS No. 65 has not impacted the presentation of the City's financial statements.

# **COMBINING STATEMENTS**

## **Nonmajor Governmental Funds**

### **SPECIAL REVENUE FUNDS**

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

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

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

#### **Grants Fund**

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

#### **Miscellaneous Gift Trust Fund**

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

#### **Acker Trust Fund**

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

### **CAPITAL PROJECT FUNDS**

Capital project funds are established to record financial resources that are restricted to expenditure for capital outlays.

#### **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.

#### **Community Facilities Districts Fund**

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

### **DEBT SERVICE FUNDS**

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

#### **City of Prescott**

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

#### **Community Facilities Districts**

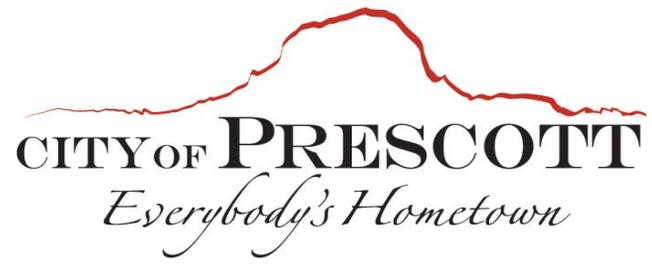
This fund is used to account for the special assessments and the principal and interest expenditures of the debt issued by the districts. Although these bonds are not obligations of the City, generally accepted accounting principles indicate that the bonds be disclosed herein.

**CITY OF PRESCOTT, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total
	Transient Lodging Tax	Grants	Miscellaneous Gift Trust	Acker Trust	Community Facilities Districts	Impact Fees	City of Prescott	Community Facilities Districts	Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and short-term investments	\$ 173,929	\$ -	\$ 228,524	\$ 575,766	\$ 773,331	\$3,580,456	\$ 318,186	\$ 607,566	\$ 6,257,758
Restricted cash and investments	-	-	-	-	-	-	-	540,194	540,194
Accounts receivable (net)	75,470	-	-	-	-	2,070	-	-	77,540
Property taxes receivable	-	-	-	-	-	-	59,224	-	59,224
Special assessments receivable	-	-	-	-	-	-	740,398	2,837,339	3,577,737
Intergovernmental receivable	-	250,457	-	-	-	-	-	-	250,457
Total assets	<u>\$ 249,399</u>	<u>\$ 250,457</u>	<u>\$ 228,524</u>	<u>\$ 575,766</u>	<u>\$ 773,331</u>	<u>\$3,582,526</u>	<u>\$1,117,808</u>	<u>\$3,985,099</u>	<u>\$ 10,762,910</u>
<b>LIABILITIES</b>									
Accounts payable	\$ 16,107	\$ 25,953	\$ 7,500	\$ -	\$ -	\$ 30,407	\$ 611	\$ -	\$ 80,578
Accrued expenditures	115	20,662	-	-	-	-	-	-	20,777
Interfund payable	-	49,460	-	-	-	-	-	-	49,460
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>16,222</u>	<u>96,075</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>30,407</u>	<u>611</u>	<u>-</u>	<u>150,815</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred revenue	6,678	119,958	-	-	-	-	772,359	2,837,339	3,736,334
Total deferred inflows of resources	<u>6,678</u>	<u>119,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,359</u>	<u>2,837,339</u>	<u>3,736,334</u>
<b>FUND BALANCES</b>									
Restricted	226,499	34,424	221,024	575,766	773,331	3,552,119	344,838	1,147,760	6,875,761
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>226,499</u>	<u>34,424</u>	<u>221,024</u>	<u>575,766</u>	<u>773,331</u>	<u>3,552,119</u>	<u>344,838</u>	<u>1,147,760</u>	<u>6,875,761</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 249,399</u>	<u>\$ 250,457</u>	<u>\$ 228,524</u>	<u>\$ 575,766</u>	<u>\$ 773,331</u>	<u>\$3,582,526</u>	<u>\$1,117,808</u>	<u>\$3,985,099</u>	<u>\$ 10,762,910</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the year ended June 30, 2013

Revenues	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total
	Transient Lodging Tax	Miscellaneous		Acker Trust	Community		City of Prescott	Community Facilities Districts	Other Governmental Funds
		Grants	Gift Trust		Facilities Districts	Impact Fees			
Taxes	\$ 520,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,577,260	\$ -	\$ 2,097,475
Intergovernmental revenues	-	1,507,712	-	-	-	-	-	-	1,507,712
Licenses and permits	-	-	-	-	-	487,829	-	-	487,829
Gifts and donations	-	-	85,338	-	-	-	-	-	85,338
Interest and investment income	269	289	-	723	-	4,564	44,286	267,050	317,181
Miscellaneous	-	-	-	-	-	24,322	340,044	457,856	822,222
<b>Total revenues</b>	<b>520,484</b>	<b>1,508,001</b>	<b>85,338</b>	<b>723</b>	<b>-</b>	<b>516,715</b>	<b>1,961,590</b>	<b>724,906</b>	<b>5,317,757</b>
<b>Expenditures</b>									
Current operating									
General government	446,768	-	437	-	-	-	-	11,280	458,485
Community services	-	284,092	7,116	-	-	-	-	-	291,208
Culture and recreation	43,794	27,730	32,810	9,542	-	-	-	-	113,876
Police and court	-	469,526	34,246	-	-	8,641	-	-	512,413
Fire	-	598,484	1,485	-	-	8,641	-	-	608,610
Public works	-	-	-	-	-	7,818	-	-	7,818
Capital outlay									-
General government	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	70,885	-	-	70,885
Police and court	-	271,888	-	-	-	-	-	-	271,888
Fire	-	-	-	-	-	-	-	-	-
Public works	-	322,873	-	-	-	-	-	-	322,873
Debt service - principal	-	-	-	-	-	-	1,830,044	255,000	2,085,044
Debt service - interest	-	-	-	-	-	-	137,682	255,775	393,457
<b>Total expenditures</b>	<b>490,562</b>	<b>1,974,593</b>	<b>76,094</b>	<b>9,542</b>	<b>-</b>	<b>95,985</b>	<b>1,967,726</b>	<b>522,055</b>	<b>5,136,557</b>
Excess (deficiency) of revenues over (under) expenditures	29,922	(466,592)	9,244	(8,819)	-	420,730	(6,136)	202,851	181,200
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	451,753	4,026	-	-	-	-	-	455,779
Transfers out	(18,000)	(23,320)	-	-	-	(56,480)	-	-	(97,800)
<b>Total other financing sources (uses)</b>	<b>(18,000)</b>	<b>428,433</b>	<b>4,026</b>	<b>-</b>	<b>-</b>	<b>(56,480)</b>	<b>-</b>	<b>-</b>	<b>357,979</b>
Net change in fund balance	11,922	(38,159)	13,270	(8,819)	-	364,250	(6,136)	202,851	539,179
Fund balance - beginning	214,577	72,583	207,754	584,585	773,331	3,187,869	350,974	944,909	6,336,582
<b>Fund balance - ending</b>	<b>\$ 226,499</b>	<b>\$ 34,424</b>	<b>\$ 221,024</b>	<b>\$ 575,766</b>	<b>\$ 773,331</b>	<b>\$ 3,552,119</b>	<b>\$ 344,838</b>	<b>\$ 1,147,760</b>	<b>\$ 6,875,761</b>



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

## GOVERNMENTAL FUNDS

### *Special Revenue Funds*

- Transient lodging tax
- Grants
- Miscellaneous gift trust
- Acker trust

### *Capital Project Funds*

- Community Facilities Districts
- Impact fees

### *Debt Service Funds*

- City of Prescott
- Community Facilities Districts

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2013

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes - transient lodging tax	\$ 557,684	\$ 557,684	\$ 520,215	\$ (37,469)
Investment income	1,500	1,500	269	(1,231)
Miscellaneous	-	-	-	-
Total revenues	<u>559,184</u>	<u>559,184</u>	<u>520,484</u>	<u>(38,700)</u>
<b>Expenditures</b>				
Current operating				
General Government	571,905	571,905	446,768	125,137
Culture and recreation	40,000	40,000	43,794	(3,794)
Capital outlay	-	-	-	-
Total expenditures	<u>611,905</u>	<u>611,905</u>	<u>490,562</u>	<u>121,343</u>
Excess (deficiency) of revenues over expenditures	(52,721)	(52,721)	29,922	82,643
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(18,000)	2,000
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(18,000)</u>	<u>2,000</u>
Net change in fund balances	(72,721)	(72,721)	11,922	84,643
Fund balance - beginning	214,577	214,577	214,577	-
Fund balance - ending	<u>\$ 141,856</u>	<u>\$ 141,856</u>	<u>\$ 226,499</u>	<u>\$ 84,643</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2013

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental revenues	\$ 4,280,572	\$ 4,280,572	\$ 1,507,712	\$ (2,772,860)
Interest and investment income	-	-	289	289
Miscellaneous	-	-	-	-
Total revenues	<u>4,280,572</u>	<u>4,280,572</u>	<u>1,508,001</u>	<u>(2,772,571)</u>
<b>Expenditures</b>				
Current				
Community services	618,517	618,517	284,092	334,425
Culture and recreation	97,500	97,500	27,730	69,770
Police and court	1,221,865	1,221,865	469,526	752,339
Fire	1,110,839	610,839	598,484	12,355
Total current	<u>3,048,721</u>	<u>2,548,721</u>	<u>1,379,832</u>	<u>1,168,889</u>
Capital outlay				
Community services	144,857	144,857	-	144,857
Police and court	411,300	411,300	271,888	139,412
Fire	1,030,000	30,000	-	30,000
Public Works	-	-	322,873	(322,873)
Total capital outlay	<u>1,586,157</u>	<u>586,157</u>	<u>594,761</u>	<u>(8,604)</u>
Total expenditures	<u>4,634,878</u>	<u>3,134,878</u>	<u>1,974,593</u>	<u>1,160,285</u>
Excess (deficiency) of revenues over expenditures	<u>(354,306)</u>	<u>1,145,694</u>	<u>(466,592)</u>	<u>(1,612,286)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	353,760	353,760	451,753	97,993
Transfers out	-	-	(23,320)	(23,320)
Total other financing sources (uses)	<u>353,760</u>	<u>353,760</u>	<u>428,433</u>	<u>74,673</u>
Net change in fund balances	<u>(546)</u>	<u>1,499,454</u>	<u>(38,159)</u>	<u>(1,537,613)</u>
Fund balance - beginning	72,583	72,583	72,583	-
Fund balance - ending	<u>\$ 72,037</u>	<u>\$ 1,572,037</u>	<u>\$ 34,424</u>	<u>\$ (1,537,613)</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, 2013

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Gifts and donations	\$ -	\$ -	\$ 85,338	\$ 85,338
Total revenues	-	-	85,338	85,338
<b>Expenditures</b>				
Current				
General government	196,643	196,643	437	196,206
Community services	-	-	7,116	(7,116)
Culture and recreation	8,904	8,904	32,810	(23,906)
Police and court	-	-	34,246	(34,246)
Fire	-	-	1,485	(1,485)
Total current	205,547	205,547	76,094	129,453
Capital outlay				
Fire	-	-	-	-
Total capital outlay	-	-	-	-
Total expenditures	205,547	205,547	76,094	129,453
Excess (deficiency) of revenues over expenditures	(205,547)	(205,547)	9,244	214,791
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	4,026	4,026
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	4,026	4,026
Net change in fund balances	(205,547)	(205,547)	13,270	218,817
Fund balance - beginning	207,754	207,754	207,754	-
Fund balance - ending	\$ 2,207	\$ 2,207	\$ 221,024	\$ 218,817

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2013

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ 10,000	\$ 10,000	\$ 723	\$ (9,277)
Total revenues	10,000	10,000	723	(9,277)
<b>Expenditures</b>				
Culture and recreation	9,750	9,750	9,542	208
Total expenditures	9,750	9,750	9,542	208
Excess (deficiency) of revenues over expenditures	250.00	250.00	(8,819)	(9,069)
Fund balance - beginning	584,585	584,585	584,585	-
Fund balance - ending	\$ 584,835	\$ 584,835	\$ 575,766	\$ (9,069)

**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, 2013

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures</b>				
Capital outlay	773,000	773,000	-	773,000
Total expenditures	773,000	773,000	-	773,000
Excess (deficiency) of revenues over expenditures	(773,000)	(773,000)	-	773,000
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(773,000)	(773,000)	-	773,000
Fund balance - beginning	773,331	773,331	773,331	-
Fund balance - ending	\$ 331	\$ 331	\$ 773,331	\$ 773,000

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2013

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Licenses and permits - impact fees	\$ 306,120	\$ 306,120	\$ 487,829	\$ 181,709
Interest and investment income	36,700	36,700	4,564	(32,136)
Miscellaneous	24,358	24,358	24,322	(36)
Total revenues	<u>367,178</u>	<u>367,178</u>	<u>516,715</u>	<u>149,537</u>
<b>Expenditures</b>				
Capital outlay				
Culture and recreation	1,423,475	1,423,475	70,885	1,352,590
Police and Court	3,875	3,875	-	3,875
Fire	-	-	-	-
Public Works	-	-	-	-
Total capital outlay	<u>1,427,350</u>	<u>1,427,350</u>	<u>70,885</u>	<u>1,356,465</u>
Total expenditures	<u>1,427,350</u>	<u>1,427,350</u>	<u>70,885</u>	<u>1,356,465</u>
Excess (deficiency) of revenues over expenditures	<u>(1,060,172)</u>	<u>(1,060,172)</u>	<u>445,830</u>	<u>1,506,002</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(56,480)	(56,480)	(56,480)	-
Total other financing sources (uses)	<u>(56,480)</u>	<u>(56,480)</u>	<u>(56,480)</u>	<u>-</u>
Net change in fund balances	<u>(1,116,652)</u>	<u>(1,116,652)</u>	<u>389,350</u>	<u>1,506,002</u>
Fund balance - beginning	<u>3,187,869</u>	<u>3,187,869</u>	<u>3,187,869</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,071,217</u>	<u>\$ 2,071,217</u>	<u>\$ 3,577,219</u>	<u>\$ 1,506,002</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 City of Prescott Debt Service Fund

For the year ended June 30, 2013

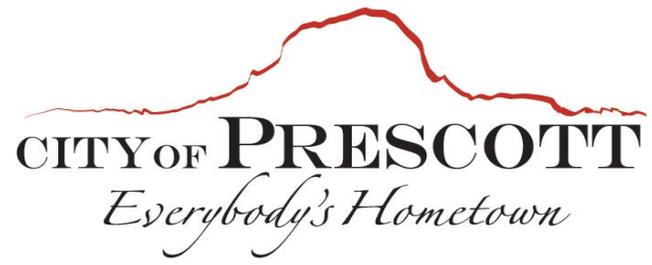
	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax revenue	\$ 1,584,975	\$ 1,584,975	\$ 1,577,260	\$ (7,715)
Interest and investment income	52,591	52,591	44,286	(8,305)
Miscellaneous	1,340,044	1,340,044	340,044	(1,000,000)
Total revenues	<u>2,977,610</u>	<u>2,977,610</u>	<u>1,961,590</u>	<u>(1,016,020)</u>
<b>Expenditures</b>				
Debt service				
Principal	2,830,044	2,830,044	1,830,044	1,000,000
Interest	139,566	139,566	137,682	1,884
Total expenditures	<u>2,969,610</u>	<u>2,969,610</u>	<u>1,967,726</u>	<u>1,001,884</u>
Excess (deficiency) of revenues over expenditures	8,000	8,000	(6,136)	(14,136)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,000	8,000	(6,136)	(14,136)
Fund balance - beginning	350,974	350,974	350,974	-
Fund balance - ending	<u>\$ 358,974</u>	<u>\$ 358,974</u>	<u>\$ 344,838</u>	<u>\$ (14,136)</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, 2013

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 267,050	\$ 267,050
Miscellaneous	1,007,438	1,007,438	457,856	(549,582)
Total revenues	<u>1,007,438</u>	<u>1,007,438</u>	<u>724,906</u>	<u>(282,532)</u>
<b>Expenditures</b>				
Current				
General government	30,000	30,000	11,280	18,720
Debt Service				
Principal	705,000	705,000	255,000	450,000
Interest	272,438	272,438	255,775	16,663
Total expenditures	<u>1,007,438</u>	<u>1,007,438</u>	<u>522,055</u>	<u>485,383</u>
Excess (deficiency) of revenues over expenditures	-	-	202,851	202,851
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	202,851	202,851
Fund balance - beginning	944,909	944,909	944,909	-
Fund balance - ending	<u>\$ 944,909</u>	<u>\$ 944,909</u>	<u>\$ 1,147,760</u>	<u>\$ 202,851</u>



## COMBINING STATEMENTS Nonmajor Proprietary Funds

### ENTERPRISE FUNDS

#### **Golf course**

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

#### **Parking garage**

This fund accounts for the activity related to the operation of the parking garage. Council moved this operation into the General fund in the current fiscal year.

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
June 30, 2013

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net)	5,928	-	5,928
Inventory (at cost)	51,767	-	51,767
Total current assets	<u>57,695</u>	<u>-</u>	<u>57,695</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land and construction in process	1,963,554	-	1,963,554
Buildings	694,879	-	694,879
Improvements other than buildings	5,650,170	-	5,650,170
Machinery and equipment	1,964,065	-	1,964,065
Less accumulated depreciation	(4,503,430)	-	(4,503,430)
Total capital assets (net of accumulated depreciation)	<u>5,769,238</u>	<u>-</u>	<u>5,769,238</u>
Total assets	<u>5,826,933</u>	<u>-</u>	<u>5,826,933</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 43,383	\$ -	\$ 43,383
Accrued expenses	33,235	-	33,235
Deferred revenue - current	45,314	-	45,314
Compensated absences - current	-	-	-
Loans payable - current	1,412	-	1,412
Bonds payable - current	125,000	-	125,000
Total current liabilities	<u>248,344</u>	<u>-</u>	<u>248,344</u>
<b>Noncurrent Liabilities</b>			
Compensated absences	74,248	-	74,248
Loans payable	-	-	-
Bond payable	129,000	-	129,000
Interfund payable	3,943,881	-	3,943,881
Total noncurrent liabilities	<u>4,147,129</u>	<u>-</u>	<u>4,147,129</u>
Total liabilities	<u>4,395,473</u>	<u>-</u>	<u>4,395,473</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,513,826	-	5,513,826
Unrestricted	(4,082,366)	-	(4,082,366)
Total net position	<u>\$ 1,431,460</u>	<u>\$ -</u>	<u>\$ 1,431,460</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
For the year ended June 30, 2013

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Golf course green fees	\$ 1,109,627	\$ -	\$ 1,109,627
Restaurant sales	762,895	-	762,895
Golf course rentals	587,286	-	587,286
Golf pro-shop sales	162,966	-	162,966
Other services	-	-	-
Miscellaneous	18,567	-	18,567
Total operating revenues	<u>2,641,341</u>	<u>-</u>	<u>2,641,341</u>
<b>Operating Expenses</b>			
Personnel services	1,394,249	-	1,394,249
Supplies	680,431	-	680,431
Other services and charges	692,181	-	692,181
Depreciation	279,952	-	279,952
Total operating expenses	<u>3,046,813</u>	<u>-</u>	<u>3,046,813</u>
Operating income (loss)	<u>(405,472)</u>	<u>-</u>	<u>(405,472)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest and investment income	-	-	-
Interest expense	(13,386)	-	(13,386)
Other non-operating expense	-	(5,382,522)	(5,382,522)
Net gain (loss) on disposal of assets	-	-	-
Total non-operating			
Revenues (expenses)	<u>(13,386)</u>	<u>(5,382,522)</u>	<u>(5,395,908)</u>
Income (loss) before contributions and transfers	(418,858)	(5,382,522)	(5,801,380)
Transfers In	-	53,907	53,907
Change in net position	<u>(418,858)</u>	<u>(5,328,615)</u>	<u>(5,747,473)</u>
Total net position - beginning	1,850,318	5,328,615	7,178,933
Total net position - ending	<u>\$ 1,431,460</u>	<u>\$ -</u>	<u>\$ 1,431,460</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
For the year ended June 30, 2013

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 2,641,532	\$ 720	\$ 2,642,252
Cash payments to employees for services	(1,401,153)	(254)	(1,401,407)
Cash payments to suppliers for goods and services	(1,379,459)	(1,594)	(1,381,053)
Net cash provided by (used for) operating activities	<u>(139,080)</u>	<u>(1,128)</u>	<u>(140,208)</u>
<b>Cash flows from noncapital financing activities:</b>			
Receipt (payment) under interfund loan arrangement	279,974	(52,779)	227,195
Transfers in	-	53,907	53,907
Net cash provided by (used for) noncapital financing activity	<u>279,974</u>	<u>1,128</u>	<u>281,102</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital equipment	-	-	-
Interest paid on capital financing	(13,386)	-	(13,386)
Principal paid on capital financing	(127,508)	-	(127,508)
Net cash provided by (used for) capital and related financing activities	<u>(140,894)</u>	<u>-</u>	<u>(140,894)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at July 1	-	-	-
Cash and cash equivalents at June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
Operating income (loss)	<u>\$ (405,472)</u>	<u>\$ -</u>	<u>\$ (405,472)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	279,952	-	279,952
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	(13,750)	(1,594)	(15,344)
Increase (decrease) in compensated absences	(10,323)	-	(10,323)
(Increase) decrease in accounts receivable	191	720	911
(Increase) decrease in inventory	6,903	-	6,903
Increase (decrease) salary & benefits payable	3,419	(254)	3,165
Total adjustments	<u>266,392</u>	<u>(1,128)</u>	<u>265,264</u>
Net cash provided by operating activities	<u>\$ (139,080)</u>	<u>\$ (1,128)</u>	<u>\$ (140,208)</u>

## **COMBINING STATEMENTS**

### **Internal Service Funds**

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

#### **Fleet Maintenance**

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

#### **Risk Management**

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

#### **Engineering Services**

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

#### **Facilities Maintenance**

To provide maintenance and custodial service to all City owned facilities. Revenue to this fund is derived from charges to participating City departments.

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
June 30, 2013

<b>ASSETS</b>	<b>Fleet</b>	<b>Risk</b>	<b>Engineering</b>	<b>Facilities</b>	<b>Totals</b>
	<u><b>Maintenance</b></u>	<u><b>Management</b></u>	<u><b>Services</b></u>	<u><b>Maintenance</b></u>	
<b>Current Assets</b>					
Cash and cash equivalents	\$ 5,364,590	\$ 1,666,721	\$ 1,059,768	\$ 339,647	\$ 8,430,726
Accounts receivable (net)	-	-	-	-	-
Inventory at cost	266,835	-	-	-	266,835
Total current assets	<u>5,631,425</u>	<u>1,666,721</u>	<u>1,059,768</u>	<u>339,647</u>	<u>8,697,561</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents					
Restricted cash	-	1,459,311	-	-	1,459,311
Total restricted assets	<u>-</u>	<u>1,459,311</u>	<u>-</u>	<u>-</u>	<u>1,459,311</u>
<b>Capital Assets</b>					
Land and construction in process	13,191	-	-	-	13,191
Construction in process	14,354	-	-	-	14,354
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	5,695,740	-	302,521	79,665	6,077,926
Total capital assets	<u>10,994,976</u>	<u>-</u>	<u>339,071</u>	<u>79,665</u>	<u>11,413,712</u>
Less accumulated depreciation	<u>(4,015,773)</u>	<u>-</u>	<u>(275,406)</u>	<u>(57,414)</u>	<u>(4,348,593)</u>
Net capital assets	<u>6,979,203</u>	<u>-</u>	<u>63,665</u>	<u>22,251</u>	<u>7,065,119</u>
Total assets	<u>12,610,628</u>	<u>3,126,032</u>	<u>1,123,433</u>	<u>361,898</u>	<u>17,221,991</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	71,736	21,502	6,540	31,457	131,235
Accrued expenses	14,903	-	26,963	8,632	50,498
Claims payable	-	272,666	-	-	272,666
Compensated absences - current	55,919	-	152,277	35,437	243,633
Bonds and assessments - current	215,544	-	-	-	215,544
Total current liabilities	<u>358,102</u>	<u>294,168</u>	<u>185,780</u>	<u>75,526</u>	<u>913,576</u>
<b>Noncurrent Liabilities</b>					
Claims payable	-	1,565,935	-	-	1,565,935
Compensated absences	75,756	3,449	120,700	19,689	219,594
Bonds and assessments payable	3,779,718	-	-	-	3,779,718
Total noncurrent liabilities	<u>3,855,474</u>	<u>1,569,384</u>	<u>120,700</u>	<u>19,689</u>	<u>5,565,247</u>
Total liabilities	<u>4,213,576</u>	<u>1,863,552</u>	<u>306,480</u>	<u>95,215</u>	<u>6,478,823</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,983,941	-	63,665	22,251	3,069,857
Unrestricted	5,413,111	1,262,480	753,288	244,432	7,673,311
Total net position	<u>\$ 8,397,052</u>	<u>\$ 1,262,480</u>	<u>\$ 816,953</u>	<u>\$ 266,683</u>	<u>\$ 10,743,168</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
For the year ended June 30, 2013

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
<b>Operating Revenues</b>					
Charges for services	\$ 1,948,838		\$ 1,975,569	\$ 1,116,648	\$ 5,041,055
Other services	-	2,242,922	-	-	2,242,922
Miscellaneous	-	-	5	-	5
Total operating revenues	<u>1,948,838</u>	<u>2,242,922</u>	<u>1,975,574</u>	<u>1,116,648</u>	<u>7,283,982</u>
<b>Operating Expenses</b>					
Personnel services	601,209	131,514	1,279,063	395,289	2,407,075
Supplies	736,879	1,920	31,370	78,143	848,312
Other services and charges	436,152	1,175,093	241,596	617,155	2,469,996
Claims expense	-	400,205	-	-	400,205
Depreciation	695,881	-	16,080	6,178	718,139
Total operating expenses	<u>2,470,121</u>	<u>1,708,732</u>	<u>1,568,109</u>	<u>1,096,765</u>	<u>6,843,727</u>
Operating income (loss)	<u>(521,283)</u>	<u>534,190</u>	<u>407,465</u>	<u>19,883</u>	<u>440,255</u>
<b>Non-operating Revenues (Expenses)</b>					
Interest and investment income	6,800	891	903	518	9,112
Net gain (loss) on disposal of assets	28,675	-	-	-	28,675
Debt service interest	(182,494)	-	-	-	(182,494)
Total non-operating revenues	<u>(147,019)</u>	<u>891</u>	<u>903</u>	<u>518</u>	<u>(144,707)</u>
Income (loss) before transfers	<u>(668,302)</u>	<u>535,081</u>	<u>408,368</u>	<u>20,401</u>	<u>295,548</u>
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net position	<u>(668,302)</u>	<u>535,081</u>	<u>408,368</u>	<u>20,401</u>	<u>295,548</u>
Total net position - beginning	<u>9,065,354</u>	<u>727,399</u>	<u>408,585</u>	<u>246,282</u>	<u>10,447,620</u>
Total net position - ending	<u>\$ 8,397,052</u>	<u>\$ 1,262,480</u>	<u>\$ 816,953</u>	<u>\$ 266,683</u>	<u>\$ 10,743,168</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the year ended June 30, 2013

	Fleet Maintenance	Risk Management	Engineering Services	Facilities Maintenance	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 1,948,838	\$ 2,242,922	\$ 1,975,574	\$ 1,116,648	\$ 7,283,982
Cash payments to employees for services	(590,234)	(148,582)	(1,259,365)	(394,264)	(2,392,445)
Cash payments to suppliers for goods and services	(1,389,748)	(1,974,234)	(270,676)	(672,211)	(4,306,869)
Net cash provided by (used for) operating activities	(31,144)	120,106	445,533	50,173	584,668
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(24,349)	-	-	-	(24,349)
Interest paid on capital financing	(182,494)	-	-	-	(182,494)
Principal paid on capital financing	(203,997)	-	-	-	(203,997)
Proceeds from sales of capital assets	74,216	-	-	-	74,216
Net cash provided by (used for) capital and related financing activities	(336,624)	-	-	-	(336,624)
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	6,800	891	903	518	9,112
Net cash provided by (used for) investing activities	6,800	891	903	518	9,112
Net increase (decrease) in cash and cash equivalents	(360,968)	120,997	446,436	50,691	257,156
Cash and cash equivalents - beginning	5,725,558	3,005,035	613,332	288,956	9,632,881
Cash and cash equivalents - ending	\$ 5,364,590	\$ 3,126,032	\$ 1,059,768	\$ 339,647	\$ 9,890,037
<b>Reconciliation to statement of net position</b>					
Cash and cash equivalents at June 30, unrestricted	\$ 5,364,590	\$ 1,666,721	\$ 1,059,768	\$ 339,647	\$ 8,430,726
Cash and cash equivalents at June 30, restricted	-	1,459,311	-	-	1,459,311
Total	\$ 5,364,590	\$ 3,126,032	\$ 1,059,768	\$ 339,647	\$ 9,890,037
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b>					
Operating income (loss)	\$ (521,283)	\$ 534,190	\$ 407,465	\$ 19,883	\$ 440,255
Adjustments to reconcile operating income activities:					
Depreciation	695,881	-	16,080	6,178	718,139
Change in assets and liabilities:					
Increase (decrease) in accounts payable	(203,583)	(397,015)	2,290	23,086	(575,222)
Increase (decrease) in compensated absences	8,244	-	17,187	(458)	24,973
(Increase) decrease in customer receivable	-	-	-	-	-
Increase (decrease) in claims payable	-	-	-	-	-
(Increase) decrease in inventory	(13,134)	-	-	-	(13,134)
Increase (decrease) in salaries & benefits payable	2,731	(17,069)	2,511	1,484	(10,343)
Total adjustments	490,139	(414,084)	38,068	30,290	144,413
Net cash provided by (used for) operating activities	\$ (31,144)	\$ 120,106	\$ 445,533	\$ 50,173	\$ 584,668

## 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 Position**  
**Fiduciary Funds**  
For the year ended June 30, 2013

	<b>Agency Funds</b>			
	<b>County Justice Court</b>			
	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2013</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 141,223	\$ 1,587,461	\$ 1,589,104	\$ 139,580
Total assets	<u>\$ 141,223</u>	<u>\$ 1,587,461</u>	<u>\$ 1,589,104</u>	<u>\$ 139,580</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 141,223	\$ 1,587,461	\$ 1,589,104	\$ 139,580
Total liabilities	<u>\$ 141,223</u>	<u>\$ 1,587,461</u>	<u>\$ 1,589,104</u>	<u>\$ 139,580</u>

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of General Obligation Bonds Payable**  
June 30, 2013

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	<b>Municipal Facilities Bond Series 2007</b>	
Interest rates		3.83%
Issue date		5/8/2007
Final maturity date		7/1/2017
Authorized	\$	1,510,000
Issued		1,510,000
Retired		830,000
Outstanding		680,000
Principal retirement:		
2014		160,000
2015		165,000
2016		175,000
2017		180,000

**CITY OF PRESCOTT, ARIZONA**

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

June 30, 2013

	Big Chino Ranch	Central Garage & Transfer Station	89A and Granite Dells Parkway Taxable Revenue Bonds (1)	Williamson Valley Rd & Golf Course Equipment	Total Bonds Payable
	Series 2004-G	Series 2007	Series 2010	Series 2011	
Interest rates	4.62%	4.35% avg.	1.27% - 6.245%	4.18%	N/A
Issue date	12/29/2004	5/8/2007	2/18/2010	5/12/2011	N/A
Final maturity	7/1/2034	7/1/2027	7/1/2029	7/1/2031	N/A
Authorized	\$ 12,525,000	\$ 6,625,000	\$ 18,250,000	\$ 8,910,000	\$ 46,310,000
Issued	12,525,000	6,625,000	18,250,000	8,910,000	46,310,000
Retired	2,115,000	1,435,000	2,300,000	806,000	6,656,000
Outstanding	10,410,000	5,190,000	15,950,000	8,104,000	39,654,000
Principal retirement:					
2014	310,000	280,000	785,000	426,000	1,801,000
2015	320,000	290,000	805,000	442,000	1,857,000
2016	335,000	300,000	825,000	326,000	1,786,000
2017	345,000	310,000	845,000	340,000	1,840,000
2018	360,000	325,000	870,000	354,000	1,909,000
2019	375,000	340,000	900,000	369,000	1,984,000
2020	395,000	355,000	930,000	385,000	2,065,000
2021	415,000	370,000	960,000	401,000	2,146,000
2022	430,000	390,000	990,000	418,000	2,228,000
2023	450,000	410,000	1,025,000	435,000	2,320,000
2024	470,000	430,000	1,065,000	453,000	2,418,000
2025	495,000	450,000	1,100,000	473,000	2,518,000
2026	515,000	460,000	1,140,000	492,000	2,607,000
2027	545,000	480,000	1,190,000	513,000	2,728,000
2028	570,000	-	1,235,000	535,000	2,340,000
2029	600,000	-	1,285,000	557,000	2,442,000
2030	630,000	-	-	580,000	1,210,000
2031	660,000	-	-	605,000	1,265,000
2032	695,000	-	-	-	695,000
2033	730,000	-	-	-	730,000
2034	765,000	-	-	-	765,000

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

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Special Assessment Bonds Payable**  
June 30, 2013

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	Imp. District <u>#162</u>	Imp. District <u>#163</u>	Imp. District <u>#164</u>	Total Imp. <u>District</u>
Interest rates	5.10%	4.60%	2- 3.082%	N/A
Issue date	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,485,840
Issued	1,920,000	2,470,000	95,840	4,485,840
Retired	1,575,000	2,120,000	50,899	3,745,899
Outstanding	345,000	350,000	44,941	739,941
Principal retirement:				
2014	170,000	175,000	5,044	350,044
2015	175,000	175,000	5,045	355,045
2016	-	-	5,044	5,044
2017	-	-	5,044	5,044
2018	-	-	5,044	5,044
2019	-	-	5,044	5,044
2020	-	-	5,044	5,044
2021	-	-	5,044	5,044
2022	-	-	4,588	4,588

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Community Facilities Districts Bonds Payable**  
June 30, 2013

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	Hassayampa #1 Community Facilities Bonds <u>Series 1996</u>	Hassayampa #2 Community Facilities Bonds <u>Series 2000</u>	Total Community Facilities <u>Bonds</u>
Interest rates	7.75%	7.50%	N/A
Issue date	11/1/1996	2/1/2000	N/A
Final maturity date	7/1/2021	7/1/2024	N/A
Authorized	\$ 7,315,000	\$ 1,240,000	\$ 8,555,000
Issued	7,315,000	1,240,000	8,555,000
Retired	4,685,000	810,000	5,495,000
Outstanding	2,630,000	430,000	3,060,000
Principal retirement:			
2014	250,000	25,000	275,000
2015	265,000	30,000	295,000
2016	290,000	30,000	320,000
2017	310,000	35,000	345,000
2018	335,000	35,000	370,000
2019	365,000	40,000	405,000
2020	390,000	40,000	430,000
2021	425,000	45,000	470,000
2022	-	50,000	50,000
2023	-	50,000	50,000
2024	-	50,000	50,000

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Loans Payable From Water Infrastructure Finance Authority**

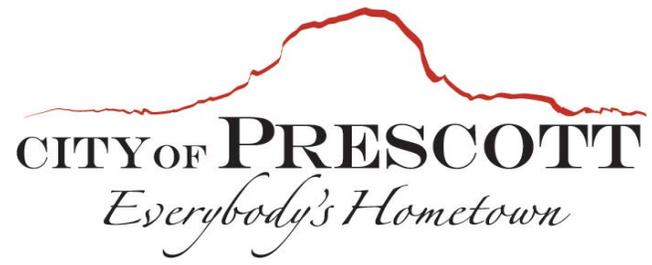
June 30, 2013

	Clean Water Loan <u>910097-08</u>	Clean Water Loan <u>910122-10</u>	Clean Water Loan <u>910147-11</u>	Clean Water Loan <u>910148-11</u>	Clean Water Loan <u>910151-11</u>	Drinking Water Loan <u>920125-08</u>	Drinking Water Loan <u>92A166-09</u>	Drinking Water Loan <u>920206-11</u>	Drinking Water Loan <u>920237-13</u>	Total  <u>Payable</u>
Interest rates	3.868%	3.143%	3.152%	3.152%	2.950%	3.64%	3.143%	3.152%	2.800%	N/A
Issue date	8/24/2007	7/31/2009	12/3/2010	12/3/2010	6/10/2011	8/24/2007	7/31/2009	12/3/2010	1/25/2013	N/A
Final maturity date	7/1/2027	7/1/2029	7/1/2030	7/1/2030	7/1/2031	7/1/2027	7/1/2029	7/1/2030	7/1/2032	N/A
Authorized	\$ 4,703,000	\$ 6,573,506	\$ 2,070,000	\$ 1,635,870	\$ 45,802,753	\$ 9,854,000	\$ 8,998,096	\$ 1,060,000	\$ 15,921,582	\$ 96,618,807
Issued to date	4,703,000	6,054,763	1,574,593	1,396,971	13,406,495	9,854,000	6,759,551	1,018,796	7,853,904	52,622,073
Final amount issued	4,703,000	6,054,763	1,574,593	In Progress	In Progress	9,854,000	2,759,551	1,018,796	In Progress	25,964,703
Retired	864,959	704,921	156,063	121,780	-	1,846,976	477,751	77,296	-	4,249,746
Forgivable Prin. (1)	-	-	-	-	-	-	4,000,000	-	2,034,200	6,034,200
Outstanding	3,838,041	5,349,842	1,418,530	1,275,191	13,406,495	8,007,024	2,281,800	941,500	5,819,704	42,338,127
Principal retirement:										
2014	193,571	242,892	61,334	53,719	536,330	410,695	103,958	39,662	221,026	1,863,187
2015	201,057	250,525	63,267	55,412	552,152	425,644	107,225	40,912	227,215	1,923,409
2016	208,833	258,398	65,261	57,159	568,440	441,137	110,594	42,202	233,577	1,985,601
2017	216,910	266,518	67,318	58,960	585,209	457,195	114,070	43,532	240,117	2,049,829
2018	225,299	274,893	69,440	60,819	602,473	473,837	117,654	44,904	246,841	2,116,160
2019	234,012	283,531	71,629	62,736	620,246	491,084	121,352	46,319	253,752	2,184,661
2020	243,062	292,441	73,887	64,713	638,543	508,960	125,165	47,779	260,857	2,255,407
2021	252,463	301,631	76,216	66,753	657,380	527,486	129,098	49,285	268,161	2,328,473
2022	262,227	311,110	78,618	68,857	676,773	546,686	133,155	50,839	275,670	2,403,935
2023	272,369	320,887	81,096	71,028	696,738	566,586	137,340	52,441	283,389	2,481,874
2024	282,902	330,971	83,652	73,266	717,291	587,209	141,656	54,094	291,323	2,562,364
2025	293,844	341,371	86,289	75,576	738,452	608,584	146,107	55,799	299,480	2,645,502
2026	305,208	352,099	89,009	77,958	760,236	630,736	150,698	57,558	307,866	2,731,368
2027	317,012	363,164	91,814	80,415	782,663	653,695	155,434	59,372	316,486	2,820,055
2028	329,272	374,576	94,708	82,950	805,751	677,490	160,319	61,244	325,348	2,911,658
2029		386,347	97,693	85,564	829,521		165,357	63,174	334,457	1,962,113
2030		398,488	100,773	88,261	853,992		162,618	65,165	343,822	2,013,119
2031			66,526	91,045	879,185			67,219	353,449	1,457,424
2032					905,120				363,346	1,268,466
2033									373,522	373,522

(1) WIFA has given the City forgivable principal on two of our current outstanding loans.



## STATISTICAL SECTION



CITY OF PRESCOTT

*Everybody's Hometown*

## 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 Position by Component**

Last ten fiscal years (in millions of dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$163.0	\$177.9	\$184.8	\$203.7	\$257.6	\$266.1	\$256.8	\$252.0	\$244.2	\$250.6
Restricted	45.4	43.9	50.2	31.4	22.0	14.5	26.8	33.3	28.2	22.0
Unrestricted	7.7	8.9	11.6	33.3	18.9	21.3	18.2	11.8	20.7	28.6
Total governmental activities net position	<u>216.1</u>	<u>230.7</u>	<u>246.1</u>	<u>268.4</u>	<u>298.5</u>	<u>301.9</u>	<u>301.8</u>	<u>297.1</u>	<u>293.1</u>	<u>301.2</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	115.9	129.6	148.8	162.0	170.1	179.7	180.2	181.2	186.6	196.2
Restricted	4.5	7.1	7.6	9.4	11.0	10.3	3.3	5.9	1.7	3.4
Unrestricted	14.2	15.4	14.2	10.6	12.0	8.4	20.6	21.6	28.1	27.6
Total business-type activities net position	<u>134.6</u>	<u>152.1</u>	<u>170.6</u>	<u>182.0</u>	<u>193.1</u>	<u>198.4</u>	<u>204.1</u>	<u>208.7</u>	<u>216.4</u>	<u>227.2</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	278.9	307.5	333.6	365.7	427.7	445.8	437.0	433.2	430.8	446.8
Restricted	49.9	51.0	57.8	40.8	33.0	24.8	30.1	39.2	29.9	25.4
Unrestricted	21.9	24.3	25.8	43.9	30.9	29.7	38.8	33.4	48.8	56.2
Total primary government net position	<u>\$350.7</u>	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>	<u>\$491.6</u>	<u>\$500.3</u>	<u>\$505.9</u>	<u>\$505.8</u>	<u>\$509.5</u>	<u>\$528.4</u>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table IIa

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 5,552,612	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607	\$ 2,795,027	\$ 4,729,659	\$ 5,270,318	\$ 4,751,361	\$ 3,845,602	\$ 3,302,722
Community services	2,147,067	2,504,447	2,409,814	3,215,988	2,753,553	2,496,954	1,581,189	1,828,771	1,575,162	1,618,583
Culture and recreation	5,412,480	5,323,256	6,177,208	6,688,038	7,423,431	7,128,215	6,755,821	5,695,054	6,087,787	6,293,045
Public Safety										
Police and court	8,154,036	8,888,639	10,615,068	11,871,859	12,708,979	11,577,275	13,199,261	12,701,709	12,922,445	13,045,965
Fire	5,883,210	6,221,770	7,069,541	7,392,504	8,154,199	8,136,035	8,283,157	7,033,768	7,570,584	7,857,447
Total public safety	14,037,246	15,110,409	17,684,609	19,264,363	20,863,178	19,713,310	21,482,418	19,735,477	20,493,029	20,903,412
Public Works	11,131,614	10,964,098	14,483,522	16,078,254	16,900,857	17,504,910	17,159,687	20,078,009	20,201,958	15,627,648
Interest on long-term debt	1,263,727	1,161,057	1,087,363	1,003,567	1,195,481	1,055,002	945,490	1,516,480	1,801,417	1,612,868
<b>Total governmental activities expenses</b>	<b>39,544,746</b>	<b>40,966,808</b>	<b>47,929,166</b>	<b>50,672,817</b>	<b>51,931,527</b>	<b>52,628,050</b>	<b>53,194,923</b>	<b>53,605,152</b>	<b>54,004,955</b>	<b>49,358,278</b>
<b>Business-type Activities:</b>										
Airport	3,619,357	4,324,540	5,052,283	4,716,619	4,101,413	2,106,018	2,667,588	2,143,260	1,879,071	2,055,655
Golf course	2,147,973	1,971,548	2,629,179	3,219,774	3,539,999	3,027,055	3,177,877	3,118,481	3,015,435	3,060,199
Parking garage (1)	400	-	102,270	251,831	250,970	244,877	233,647	240,892	235,347	-
Solid waste/transfer station	7,392,151	8,490,009	8,637,308	9,063,406	9,253,640	8,432,884	8,565,248	8,183,227	8,364,648	7,415,304
Wastewater	4,660,494	5,801,765	6,100,960	6,363,510	7,415,592	7,070,036	7,240,349	7,268,274	7,618,029	8,231,034
Water	6,958,715	7,384,458	8,163,189	9,910,947	10,251,868	10,398,324	11,730,387	12,327,147	10,860,729	11,929,598
<b>Total business-type activities expenses</b>	<b>24,779,090</b>	<b>27,972,320</b>	<b>30,685,189</b>	<b>33,526,087</b>	<b>34,813,482</b>	<b>31,279,194</b>	<b>33,615,096</b>	<b>33,281,281</b>	<b>31,973,259</b>	<b>32,691,790</b>
<b>Total primary government expenses</b>	<b>\$64,323,836</b>	<b>\$68,939,128</b>	<b>\$78,614,355</b>	<b>\$84,198,904</b>	<b>\$86,745,009</b>	<b>\$83,907,244</b>	<b>\$86,810,019</b>	<b>\$86,886,433</b>	<b>\$85,978,214</b>	<b>\$82,050,068</b>

Source: City of Prescott finance department

(1) Parking garage opened in fiscal year 2006 and merged into the general fund in fiscal year 2013.

CITY OF PRESCOTT, ARIZONA

Table IIb

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenue</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government (1)	\$ 1,328,746	\$ 1,709,487	\$ 1,704,995	\$ 373,184	\$ 424,522	\$ 287,233	\$ 275,792	\$ 399,268	\$ 364,375	\$ 388,673
Community services (1)	316,299	386,522	329,140	1,012,016	759,032	557,381	451,277	406,925	523,237	632,081
Culture and recreation	1,219,762	1,474,204	1,342,645	1,106,163	828,718	676,388	1,336,685	1,386,960	1,216,202	1,220,539
Public Safety										
Police and court	873,926	1,075,633	1,637,260	1,735,625	1,810,533	2,029,268	1,862,438	1,783,712	1,784,691	1,823,242
Fire	746,516	542,502	542,641	593,633	653,650	393,231	517,585	502,926	473,685	355,762
Total public safety	1,620,442	1,618,135	2,179,901	2,329,258	2,464,183	2,422,499	2,380,023	2,286,638	2,258,376	2,179,004
Public Works	618,700	680,346	750,987	451,537	314,725	270,456	343,168	305,655	343,828	362,466
Operating grants and contributions	4,879,585	4,841,655	4,536,312	5,110,022	5,320,140	4,680,179	5,419,640	2,958,436	2,511,253	2,025,251
Capital grants and contributions	6,296,262	2,761,682	13,509,535	10,003,889	12,437,202	2,009,069	1,788,843	4,429,608	3,067,646	3,095,090
<b>Total governmental activities program revenues</b>	<b>16,279,796</b>	<b>13,472,031</b>	<b>24,353,515</b>	<b>20,386,069</b>	<b>22,548,522</b>	<b>10,903,205</b>	<b>11,995,428</b>	<b>12,173,490</b>	<b>10,284,917</b>	<b>9,903,104</b>
<b>Business-type Activities:</b>										
Charges for services:										
Airport	3,226,483	3,834,834	4,472,618	4,127,668	3,350,194	1,312,884	1,270,370	1,372,979	1,305,057	1,341,487
Golf course	2,162,487	2,218,301	2,570,842	3,382,094	3,257,411	2,981,108	2,666,753	2,580,592	2,604,899	2,622,774
Parking garage (2)	-	-	64,632	58,527	58,072	48,063	52,731	39,331	42,973	0
Solid waste/transfer station	7,825,675	8,533,710	9,519,355	9,699,398	9,207,131	8,930,779	8,402,515	7,887,491	8,034,858	6,249,960
Wastewater	3,894,327	4,146,635	4,139,815	4,406,795	4,485,370	5,836,923	6,555,018	7,625,038	8,899,845	9,634,789
Water	7,133,069	8,667,426	9,472,952	9,439,229	12,371,505	11,833,103	11,206,436	12,525,849	13,658,884	14,630,537
Operating grants and contributions	-	-	-	-	-	-	195,055	48,852	0	0
Capital grants and contributions	7,731,228	15,913,794	11,398,193	11,426,649	11,443,754	3,995,467	7,637,797	2,231,217	4,285,113	13,753,449
<b>Total business-type activities program revenues</b>	<b>31,973,269</b>	<b>43,314,700</b>	<b>41,638,407</b>	<b>42,540,360</b>	<b>44,173,437</b>	<b>34,938,327</b>	<b>37,986,675</b>	<b>34,311,349</b>	<b>38,831,629</b>	<b>48,232,996</b>
<b>Total primary government revenues</b>	<b>\$48,253,065</b>	<b>\$56,786,731</b>	<b>\$65,991,922</b>	<b>\$62,926,429</b>	<b>\$66,721,959</b>	<b>\$45,841,532</b>	<b>\$49,982,103</b>	<b>\$46,484,839</b>	<b>\$49,116,546</b>	<b>\$58,136,100</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (23,264,950)	\$ (27,494,777)	\$ (23,575,651)	\$ (30,286,748)	\$ (29,383,005)	\$ (41,724,845)	\$ (41,199,495)	\$ (41,431,662)	\$ (43,720,038)	\$ (39,455,174)
Business-type activities	7,194,179	15,342,380	10,953,218	9,014,273	9,359,955	3,659,133	4,371,579	1,030,068	6,858,370	15,541,206
<b>Total primary government net expense</b>	<b>\$ (16,070,771)</b>	<b>\$ (12,152,397)</b>	<b>\$ (12,622,433)</b>	<b>\$ (21,272,475)</b>	<b>\$ (20,023,050)</b>	<b>\$ (38,065,712)</b>	<b>\$ (36,827,916)</b>	<b>\$ (40,401,594)</b>	<b>\$ (36,861,668)</b>	<b>\$ (23,913,968)</b>

Source: City of Prescott finance department

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

(2) Parking garage opened in fiscal year 2006 and merged into the general fund in fiscal year 2013.

CITY OF PRESCOTT, ARIZONA

Table IIc

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental revenues and other changes in net position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Property taxes, levied for general purposes	\$ 898,810	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323	\$ 1,156,383	\$ 1,211,716	\$ 1,227,325	\$ 1,257,419	\$ 1,252,755	\$ 1,088,021
Property taxes, levied for debt service	1,676,385	1,688,385	1,690,354	1,708,876	1,909,468	1,935,447	1,627,818	1,552,902	1,568,599	1,573,489
Utility franchise taxes	1,147,098	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388	1,644,977	1,637,128	1,624,459	1,618,259
City privilege and use tax, general purposes	11,835,113	13,215,116	15,129,080	15,810,057	14,975,742	12,794,026	12,177,884	11,763,668	12,593,700	13,667,950
City privilege and use tax, major street and open space program	11,517,650	12,918,249	14,731,785	15,333,864	14,365,539	12,157,858	11,711,274	11,237,566	12,131,870	13,127,520
Transient lodging tax	326,387	359,928	417,001	437,770	529,488	558,806	462,709	509,488	554,396	526,893
Intergovernmental revenues - unrestricted	8,416,354	8,816,640	10,124,341	11,614,540	12,528,123	12,205,058	10,564,433	9,441,614	8,709,498	9,535,838
Interest and investment income	935,209	2,036,084	1,790,200	3,728,455	3,015,995	2,070,231	1,359,253	1,165,562	805,723	395,818
Gain (loss) on sale of property (1)	-	-	-	-	8,595,744	164,217	(1,152,911)	-	-	-
Miscellaneous	636,217	1,317,671	818,055	875,139	546,570	618,265	965,685	498,367	500,110	761,972
Transfers	(25,072)	(350,377)	(6,345,662)	(83,037)	300,237	(67,811)	388,326	(2,538,596)	(12,940)	5,310,563
<b>Total governmental activities</b>	<b>37,364,151</b>	<b>42,240,803</b>	<b>40,768,577</b>	<b>52,035,059</b>	<b>59,487,172</b>	<b>45,215,201</b>	<b>40,976,773</b>	<b>36,525,118</b>	<b>39,728,170</b>	<b>47,606,323</b>
<b>Business-type Activities:</b>										
Interest and investment income	103,650	715,632	676,194	1,691,475	1,846,596	1,296,043	992,399	559,838	551,910	50,812
Intergovernmental revenues - unrestricted	-	-	-	-	-	-	176,755	-	-	-
Gain (loss) on sale of property	-	-	-	-	(921,677)	-	(359)	-	-	-
Miscellaneous	597,869	1,022,528	839,545	636,048	732,782	598,764	566,141	513,120	342,380	336,231
Transfers	25,072	350,377	6,345,662	83,037	(300,237)	67,811	(388,326)	2,538,596	12,940	(5,310,563)
<b>Total business-type activities</b>	<b>726,591</b>	<b>2,088,537</b>	<b>7,861,401</b>	<b>2,410,560</b>	<b>1,357,464</b>	<b>1,962,618</b>	<b>1,346,610</b>	<b>3,611,554</b>	<b>907,230</b>	<b>(4,923,520)</b>
<b>Total primary government</b>	<b>\$ 38,090,742</b>	<b>\$ 44,329,340</b>	<b>\$ 48,629,978</b>	<b>\$ 54,445,619</b>	<b>\$ 60,844,636</b>	<b>\$ 47,177,819</b>	<b>\$ 42,323,383</b>	<b>\$ 40,136,672</b>	<b>\$ 40,635,400</b>	<b>\$ 42,682,803</b>
<b>Change in net position</b>										
Governmental activities	\$ 14,099,201	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311	\$ 30,104,167	\$ 3,490,356	\$ (222,722)	\$ (4,906,544)	\$ (3,991,868)	\$ 8,151,149
Business-type activities	7,920,770	17,430,917	18,814,619	11,424,833	10,717,419	5,621,751	5,718,189	4,641,622	7,765,600	10,617,686
<b>Total primary government</b>	<b>\$ 22,019,971</b>	<b>\$ 32,176,943</b>	<b>\$ 36,007,545</b>	<b>\$ 33,173,144</b>	<b>\$ 40,821,586</b>	<b>\$ 9,112,107</b>	<b>\$ 5,495,467</b>	<b>\$ (264,922)</b>	<b>\$ 3,773,732</b>	<b>\$ 18,768,835</b>

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Position

Last ten fiscal years

Fiscal Year	Governmental activities:											
	Program Revenues				General Revenues						Total Program & General Revenue	Total Net Revenue/Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest & Investment Income	Transfers, Gain(loss) & Miscellaneous	Total			
2004	\$ 5,103,949	\$ 4,879,585	\$ 6,296,262	\$ 16,279,796	\$ 27,401,443	\$ 8,416,354	\$ 935,209	\$ 636,217	\$ 37,389,223	\$ 53,669,019	\$ 14,099,201	
2005	5,868,694	4,841,655	2,761,682	13,472,031	30,420,785	8,816,640	2,036,084	1,317,671	42,591,180	56,063,211	14,746,026	
2006	6,307,668	4,536,312	13,509,535	24,353,515	34,381,643	10,124,341	1,790,200	818,055	47,114,239	71,467,754	17,192,926	
2007	5,272,158	5,110,022	10,003,889	20,386,069	35,899,962	11,614,540	3,728,455	875,139	52,118,096	72,504,165	21,748,311	
2008	4,791,180	5,320,140	12,437,202	22,548,522	34,500,503	12,528,123	3,015,997	9,442,551	59,487,174	82,035,696	30,104,167	
2009	4,213,957	4,680,179	2,009,069	10,903,205	30,225,241	12,205,058	2,070,231	714,671	45,215,201	56,118,406	3,490,356	
2010	4,786,945	5,419,640	1,788,843	11,995,428	28,851,987	10,564,433	1,360,706	199,647	40,976,773	52,972,201	(222,722)	
2011	4,785,446	2,958,436	4,429,608	12,173,490	27,958,171	9,441,614	1,165,562	(2,040,229)	36,525,118	48,698,608	(4,906,544)	
2012	4,706,018	2,511,253	3,067,646	10,284,917	29,725,779	8,709,498	805,723	487,170	39,728,170	50,013,087	(3,991,868)	
2013	4,782,763	2,025,251	3,095,090	9,903,104	31,602,132	9,535,838	395,818	6,072,535	47,606,323	57,509,427	8,151,149	

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section - Financial Trends

Business-type Activities Revenues and Change in Net Position

Last ten fiscal years

Business-type activities:													
Fiscal Year	Program Revenues								General Revenues			Total Program and General Revenue	Total Net Revenue/ Change in Net Position
	Charges for Services				Solid Waste/ Transfer Station	Parking Garage (1)	Operating/ Capital Grants and Contributions	Total	Interest	Intergovernmental, Transfers, Gains (losses) and Miscellaneous	Total		
	Water	Waste Water	Golf	Airport									
2004	\$ 7,133,069	\$ 3,894,327	\$ 2,162,487	\$ 3,226,483	\$ 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	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	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	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	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	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751
2010	11,206,436	6,555,018	2,666,753	1,270,370	8,402,515	52,731	7,832,852	37,986,675	992,399	354,211	1,346,610	39,333,285	5,718,189
2011	12,525,849	7,625,038	2,580,592	1,372,979	7,887,491	39,331	2,280,069	34,311,349	559,838	2,538,596	3,098,434	37,409,783	4,641,622
2012	13,658,884	8,899,845	2,604,899	1,305,057	8,034,858	42,973	4,285,113	38,831,629	551,910	355,320	907,230	39,738,859	7,765,600
2013	14,634,126	9,634,789	2,622,774	1,339,987	5,956,031	-	13,753,449	47,941,156	50,812	408,190	459,002	48,400,158	10,617,686

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

(1) The Parking Garage was merged into the general fund in FY 2013.

CITY OF PRESCOTT, ARIZONA

Table V

Statistical Section - Financial Trends

Total Primary Government Activities Revenues and Change in Net Position

Last ten fiscal years

Fiscal Year	Primary government activities:										
	Program Revenues				General Revenues					Total Program and General Revenue	Total Net Revenue/ Change in Net Position
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	Taxes	Intergovernmental	Interest	Transfers, Gains(loss) & Miscellaneous	Total		
2004	\$ 29,345,990	\$ 4,879,585	\$ 14,027,490	\$ 48,253,065	\$ 27,401,443	\$ 8,416,354	\$ 1,038,859	\$ 1,234,086	\$ 38,090,742	\$ 86,343,807	\$ 22,019,971
2005	33,269,600	4,841,655	18,675,476	56,786,731	30,420,785	8,816,640	2,751,716	2,340,199	44,329,340	101,116,071	32,176,943
2006	36,547,882	4,536,312	24,907,728	65,991,922	34,381,643	10,124,341	2,466,394	1,657,600	48,629,978	114,621,900	36,007,545
2007	36,385,869	5,110,022	21,430,538	62,926,429	35,899,962	11,614,540	5,419,930	1,511,187	54,445,619	117,372,048	33,173,144
2008	37,520,863	5,320,140	23,880,956	66,721,959	34,500,503	12,528,123	4,862,591	8,953,419	60,844,636	127,566,595	40,821,586
2009	35,156,817	4,680,179	6,004,536	45,841,532	30,225,241	12,205,058	3,366,274	1,381,246	47,177,819	93,019,351	9,112,107
2010	34,940,768	5,614,695	9,426,640	49,982,103	28,851,987	10,741,188	2,353,105	377,103	42,323,383	92,305,486	5,495,467
2011	36,816,726	3,007,288	6,660,825	46,484,839	27,958,171	9,441,614	1,725,400	1,011,487	40,136,672	86,621,511	(264,922)
2012	39,252,534	2,511,253	7,352,759	49,116,546	29,725,779	8,709,498	1,357,633	842,490	40,635,400	89,751,946	3,773,732
2013	38,970,470	2,025,251	16,848,539	57,844,260	31,602,132	9,535,838	446,630	6,480,725	48,065,325	105,909,585	18,768,835

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table VI

Statistical Section - Financial Trends

Governmental Activities Program Revenues by Function/Program

Last ten fiscal years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
General government	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959	\$507,384	\$619,226	\$528,659	\$552,880	\$485,293	\$399,395
Community services	410,900	607,916	885,113	2,230,826	1,054,549	650,134	470,216	830,706	659,123	837,679
Culture and recreation	2,352,876	2,748,219	2,653,076	1,865,462	1,062,952	677,148	1,360,533	1,456,329	1,244,045	1,275,717
Police and court	1,607,611	1,331,412	2,075,968	2,172,971	2,102,735	2,284,453	2,226,109	2,373,641	2,857,869	2,390,471
Fire	1,074,515	725,709	767,928	894,621	914,572	641,707	1,160,531	1,081,826	1,135,300	791,532
Public works	9,505,148	6,342,288	16,247,372	12,824,230	16,906,330	6,030,537	6,249,380	5,565,818	3,594,314	3,917,715
Total governmental activities program revenues	<u>\$16,279,796</u>	<u>\$13,472,031</u>	<u>\$24,353,515</u>	<u>\$20,386,069</u>	<u>\$22,548,522</u>	<u>\$10,903,205</u>	<u>\$11,995,428</u>	<u>\$11,861,200</u>	<u>\$9,975,944</u>	<u>\$9,612,509</u>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table VII

Statistical Section - Financial Trends

Changes in Fund Balances, Governmental Funds

Last ten fiscal years (in millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Excess of revenues over expenditures	\$ 3.6	\$ 5.2	\$ 5.6	\$ 5.6	\$ 2.4	\$ 0.9	\$ (2.5)	\$ (2.4)	\$ 0.6	\$ 3.5
Other Financing Sources (Uses)										
Debt proceeds	-	-	0.7	-	-	0.3	-	-	-	-
Transfers in	-	-	-	-	-	-	1.2	0.1	-	-
Transfers out	(3.1)	(3.5)	(4.4)	(6.5)	(2.0)	(1.5)	(0.3)	(0.1)	(0.2)	(0.5)
Total other financing sources (uses)	(3.1)	(3.5)	(3.7)	(6.5)	(2.0)	(1.2)	0.9	-	(0.2)	(0.5)
Net change in fund balance	0.5	1.7	1.9	(0.9)	0.4	(0.3)	(1.6)	(2.4)	0.4	3.0
Beginning fund balance (1)	7.8	8.3	10.0	12.7	11.7	12.1	21.2	19.6	17.2	17.6
Prior period adjustment	-	-	0.8	-	-	-	-	-	-	-
Beginning fund balance - as restated	7.8	8.3	10.8	12.7	11.7	12.1	21.2	19.6	17.2	17.6
Ending fund balance	8.3	10.0	12.7	11.8	12.1	11.8	19.6	17.2	17.6	20.6
Committed										
Assigned	-	-	-	-	-	-	8.4	1.7	1.1	0.4
Unassigned										
Restricted	-	-	-	-	-	-	0.3	-	-	-
Nonspendable	-	-	-	-	-	-	10.8	11.5	10.3	13.5
Total general fund balance	\$ 8.3	\$ 10.0	\$ 12.7	\$ 11.6	\$ 12.1	\$ 11.9	\$ 19.5	\$ 17.2	\$ 17.6	\$ 20.6
<b>All Other Governmental Funds</b>										
Excess (deficiency) of revenues over expenditures	\$ (0.3)	\$ (3.9)	\$ 0.4	\$ (7.5)	\$ (12.8)	\$ (9.4)	\$ (4.9)	\$ (2.2)	\$ (4.3)	\$ (1.8)
Other Financing Sources (Uses)										
Bond issuances	-	-	-	1.5	-	-	18.3	8.4	-	-
Transfers in	3.9	3.8	6.8	8.4	3.4	3.0	1.1	1.5	0.4	0.5
Transfers out	(1.0)	(1.0)	(2.5)	(1.9)	(1.5)	(1.7)	(1.6)	(1.3)	(0.3)	(0.1)
Total other financing sources (uses)	2.9	2.8	4.3	8.0	1.9	1.3	17.8	8.6	0.1	0.4
Net change in fund balance	2.6	(1.1)	4.7	0.5	(10.9)	(8.1)	12.9	6.4	(4.2)	(1.4)
Beginning fund balance	29.7	32.3	31.3	36.0	36.5	25.6	8.2	21.3	27.7	23.5
Ending fund balance	32.3	31.3	36.0	36.5	25.6	17.5	21.1	27.7	23.5	22.1
Restricted										
Reserved for dedicated purposes	-	-	-	-	-	-	21.1	27.7	23.5	22.1
Unreserved, reported in:										
Special revenue funds	0.5	0.5	0.5	0.5	1.8	4.2	-	-	-	-
Debt service funds	29.3	29.2	34.1	33.3	21.5	11.4	-	-	-	-
Capital projects funds	1.4	1.7	1.7	2.0	1.7	1.7	-	-	-	-
Total all other governmental funds fund balance	\$ 32.3	\$ 31.3	\$ 36.0	\$ 36.5	\$ 25.6	\$ 17.5	\$ 21.1	\$ 27.7	\$ 23.5	\$ 22.1
<b>Total general and other governmental funds - fund balance</b>	<b>\$ 40.6</b>	<b>\$ 41.3</b>	<b>\$ 48.7</b>	<b>\$ 48.1</b>	<b>\$ 37.7</b>	<b>\$ 29.4</b>	<b>\$ 40.6</b>	<b>\$ 44.9</b>	<b>\$ 41.1</b>	<b>\$ 42.7</b>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

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

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last ten fiscal years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 27,418,458	\$ 30,433,859	\$ 34,401,134	\$ 35,899,318	\$ 34,475,231	\$ 30,205,330	\$ 28,859,997	\$ 27,982,207	\$ 29,741,852	\$ 31,515,279
Intergovernmental revenues	14,104,448	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795	19,891,545	16,935,187	15,454,325	16,257,955
Licenses and permits	2,615,347	3,661,079	3,892,462	1,537,880	1,142,050	810,813	1,090,967	916,094	865,204	993,421
Fines and forfeitures	727,368	907,993	1,480,324	1,534,587	1,719,170	1,967,588	646,737	620,248	624,584	628,414
Gifts and donations	233,426	91,205	102,716	51,284	59,882	170,124	65,517	141,516	297,616	85,338
Charges for services	1,761,234	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556	886,019	1,006,051	1,081,582	1,348,175
Interest and investment income	925,387	1,944,433	1,690,663	3,431,739	2,644,168	1,723,524	1,359,253	992,908	805,723	395,818
Miscellaneous and Grant Contributions	1,273,092	1,980,566	2,138,267	1,283,031	1,634,095	1,155,665	1,532,879	2,615,094	2,160,105	2,664,179
<b>Total revenues</b>	<b>49,058,760</b>	<b>55,473,482</b>	<b>60,421,560</b>	<b>63,676,276</b>	<b>62,047,057</b>	<b>54,490,395</b>	<b>54,332,914</b>	<b>51,209,305</b>	<b>51,030,991</b>	<b>53,888,579</b>
<b>Expenditures</b>										
General government	3,664,500	4,639,844	5,911,150	5,677,646	6,193,642	5,351,470	5,599,470	3,729,333	3,092,112	2,629,031
Community services	2,152,142	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629	1,532,576	1,541,414	1,528,052	1,594,073
Culture and recreation	4,125,700	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515	5,399,324	4,960,428	5,061,475	5,322,883
Police and court	7,873,737	8,516,869	10,336,021	11,672,399	12,533,337	12,578,003	12,627,274	12,155,729	12,787,448	12,844,109
Fire	5,358,362	5,817,037	6,413,599	7,091,353	7,931,941	7,874,563	7,891,239	7,344,850	7,331,239	7,670,051
Public works	2,934,571	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896	4,275,139	8,873,762	9,621,114	4,936,991
Capital outlay	16,399,864	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447	21,263,084	12,652,069	10,242,160	12,400,628
Debt service - principal	1,952,003	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953	2,060,069	3,061,623	3,313,492	3,201,637
Debt service - interest	1,263,420	1,160,334	1,084,915	1,000,152	959,565	840,589	1,057,525	1,516,480	1,801,417	1,612,868
<b>Total expenditures</b>	<b>45,724,299</b>	<b>54,158,220</b>	<b>54,428,319</b>	<b>65,572,291</b>	<b>72,406,904</b>	<b>63,042,065</b>	<b>61,705,700</b>	<b>55,835,688</b>	<b>54,778,509</b>	<b>52,212,271</b>
Excess of Revenues over (under)										
Expenditures	3,334,461	1,315,262	5,993,241	(1,896,015)	(10,359,847)	(8,551,670)	(7,372,786)	(4,626,383)	(3,747,518)	1,676,308
<b>Other Financing Sources (Uses)</b>										
Bond issuances				1,524,974	-	-	18,250,000	8,415,000	-	-
Capital leases			734,000	-	-	250,000	-	-	-	-
Transfers in	3,933,148	3,856,870	6,830,592	8,362,823	3,362,326	3,044,736	2,324,239	1,591,004	462,677	549,552
Transfers out	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)	(3,112,547)	(1,935,913)	(1,383,133)	(475,617)	(621,512)
Total other financing sources (uses)	(161,912)	(680,877)	629,067	1,456,540	(196,203)	182,189	18,638,326	8,622,871	(12,940)	(71,960)
Net change in fund balances	\$ 3,172,549	\$ 634,385	\$ 6,622,308	\$ (439,475)	\$ (10,556,050)	\$ (8,369,481)	\$ 11,265,540	\$ 3,996,488	\$ (3,760,458)	\$ 1,604,348
Debt service as a percentage of noncapital expenditures	11.0%	9.0%	8.7%	7.5%	8.4%	8.0%	7.2%	10.4%	11.5%	12.1%

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Financial Trends

General Government Expenditures by Function

Last ten fiscal years

Fiscal Year	General Government	Community Services	Culture & Recreation	Public Safety			Subtotal Current Expenditures	Capital Outlay	Debt Service		Total
				Police & Courts	Fire	Public Works			Principal	Interest	
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
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
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
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
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
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
2010	5,599,470	1,532,576	5,399,324	12,627,274	7,891,239	4,275,139	37,325,022	21,263,084	2,060,069	1,057,525	61,705,700
2011	3,729,333	1,541,414	4,960,428	12,155,729	7,344,850	8,873,762	38,605,516	12,652,069	3,061,623	1,516,480	55,835,688
2012	3,092,112	1,528,052	5,061,475	12,787,448	7,331,239	9,621,114	39,421,440	10,242,160	3,313,492	1,801,417	54,778,509
2013	2,629,031	1,594,073	5,322,883	12,844,109	7,670,051	4,936,991	34,997,138	12,400,628	3,201,637	1,612,868	52,212,271

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table X

Statistical Section - Financial Trends

General Government Revenues by Sources

Last ten fiscal years

Fiscal Year	Taxes	Inter-Governmental Revenues	Licenses & Permits	Fines & Forfeitures	Gifts & Donations	Charges for Services	Interest Income	Miscellaneous	Total
2004	\$ 27,418,458	\$ 14,104,448	\$ 2,615,347	\$ 727,368	\$ 233,426	\$ 1,761,234	\$ 925,387	\$ 1,273,092	\$ 49,058,760
2005	30,433,859	15,154,725	3,661,079	907,993	91,205	1,299,622	1,944,433	1,980,566	55,473,482
2006	34,401,134	15,381,132	3,892,462	1,480,324	102,716	1,334,862	1,690,663	2,138,267	60,421,560
2007	35,899,318	17,738,746	1,537,880	1,534,587	51,284	2,199,691	3,431,739	1,283,031	63,676,276
2008	34,475,231	18,442,502	1,142,050	1,719,170	59,882	1,929,959	2,644,168	1,634,095	62,047,057
2009	30,205,330	17,021,795	810,813	1,967,588	170,124	1,435,556	1,723,524	1,155,665	54,490,395
2010	28,859,997	19,891,545	1,090,967	646,737	65,517	886,019	1,359,253	1,532,879	54,332,914
2011	27,982,207	16,935,187	916,094	620,248	141,516	1,006,051	992,908	2,615,094	51,209,305
2012	29,741,852	15,454,325	865,204	624,584	297,616	1,081,582	805,723	2,160,105	51,030,991
2013	31,515,279	16,257,955	993,421	628,414	85,338	1,348,175	395,818	2,664,179	53,888,579

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table XI

Statistical Section - Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property

Last ten fiscal years

Fiscal Year		Real Estate	Improvements	Personal Property	Gross Valuations	Less Exemptions	Net Assessed Valuation	Percent of Increase	Estimated Actual Value	Total Direct Tax Rate
2004	P	\$ -	\$ 369,580,785	\$ 39,733,970	\$ 409,314,755	\$ 24,574,660	\$ 384,740,095	13.1%	\$ 3,059,452,688	7.6004
	S	159,328,874	239,175,556	39,733,970	438,238,400	26,873,584	411,364,816	16.1%	3,232,742,974	1.4420
2005	P	-	409,982,059	35,587,093	445,569,152	25,723,206	419,845,946	9.1%	3,366,027,959	7.4160
	S	174,363,451	265,094,752	35,591,751	475,049,954	27,239,856	447,810,098	8.9%	3,548,266,877	0.9915
2006	P	-	454,345,973	37,455,760	491,801,733	24,805,656	466,996,077	11.2%	3,744,454,238	7.0503
	S	181,287,420	304,464,222	37,455,737	523,207,379	25,981,170	497,226,209	11.0%	3,974,902,455	0.7977
2007	P	-	506,912,059	36,305,122	543,217,181	25,815,170	517,402,011	10.8%	4,201,772,704	6.4839
	S	187,957,316	354,231,282	36,305,122	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	-	571,868,029	39,738,218	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	219,399,458	413,148,579	39,737,442	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640
2009	P	-	654,867,092	39,672,670	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	307,050,409	505,741,499	39,672,670	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770
2010	P	-	726,770,248	38,896,067	765,666,315	36,429,750	729,236,565	10.4%	6,181,460,471	5.4988
	S	330,556,261	495,997,159	38,686,651	865,240,071	43,072,587	822,167,484	1.5%	6,962,286,690	0.7770
2011	P	-	720,781,610	37,696,936	758,478,546	37,708,006	720,770,540	-1.2%	6,127,994,926	5.4297
	S	305,431,469	450,225,263	38,064,355	793,721,087	41,955,157	751,765,930	-8.6%	6,339,804,602	1.0590
2012	P	-	641,108,704	37,441,146	678,549,850	43,626,565	634,923,285	-11.9%	5,298,881,730	6.1085
	S	240,175,287	413,608,409	37,723,260	691,506,956	46,652,793	644,854,163	-14.2%	5,368,864,589	1.2506
2013	P	-	560,062,336	39,906,786	599,969,122	45,946,787	554,022,335	-12.7%	4,672,616,903	7.1144
	S	149,560,629	418,684,131	38,977,953	607,222,713	51,935,941	555,286,772	-13.9%	4,925,516,945	1.4466

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	
<b>Tax Rates (per \$1,000 Assessed Valuation)</b>							
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.5540
	S	0.4072	0.2935	0.3106	0.4307	-	1.6541
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.6004
	S	0.3763	0.2857	0.2888	0.4069	-	1.4420
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.4160
	S	0.3413	0.2687	0.2614	0.4034	-	0.9915
2007	P	0.2182	3.1797	1.4308	1.6552	-	7.0503
	S	0.3093	0.2709	0.2265	0.3898	-	0.7977
2008	P	0.1991	2.9608	1.3397	1.5292	-	6.4839
	S	0.2982	0.2262	0.1828	0.3568	-	1.1965
2009	P	0.1839	2.7477	1.1989	1.3683	-	6.0288
	S	0.2396	0.0504	0.1405	0.3465	-	1.0640
2010	P	0.1695	2.7202	1.1250	1.6148	-	5.4988
	S	0.2002	0.2496	0.1367	0.3479	-	0.7770
2011	P	0.1737	2.3426	1.2046	1.7088	-	5.4297
	S	0.2093	0.2939	0.1563	0.3995	-	1.0590
2012	P	0.1978	2.6269	1.4274	1.8564	-	6.1085
	S	0.2455	0.3283	0.1901	0.4867	-	1.2506
2013	P	0.1978	3.1298	1.6725	2.1143	-	7.1144
	S	0.2854	0.3839	0.2150	0.5623	-	1.4466
<b>Tax Levies</b>							
2004	P	\$ 929,147	\$ 18,984,254	\$ 23,771,406	\$ 32,649,944	\$ -	\$ 68,914,767
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	15,017,086
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	76,334,751
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	14,792,880
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	82,928,572
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	15,453,297
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,331,795
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	16,523,444
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	89,016,267
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	17,468,813
2009	P	1,214,192	25,284,657	35,424,260	40,429,914	-	95,777,302
	S	1,939,408	588,540	5,264,245	12,399,561	-	18,918,115
2010	P	1,235,701	28,074,489	36,833,381	52,869,817	-	102,353,023
	S	1,646,680	2,990,278	5,228,333	12,313,942	-	20,191,754
2011	P	1,251,978	24,171,890	38,397,561	54,469,023	-	118,290,452
	S	1,573,160	3,176,332	5,235,677	12,745,719	-	22,730,888
2012	P	1,255,878	23,434,254	38,714,700	50,348,871	-	113,753,703
	S	1,583,350	2,966,960	5,234,100	12,658,691	-	22,443,101
2013	P	1,095,856	24,008,259	40,231,600	50,858,931	-	116,194,646
	S	1,584,975	2,950,404	5,192,500	12,518,091	-	22,245,970

The portion of the 2012-13 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,095,856	\$ 17,457,939	\$ 9,528,274	\$ 13,516,373	\$ -	\$ 41,598,442
	S	\$ 1,584,975	2,294,701	1,272,409	3,097,550	-	8,249,635
Percent	P	100%	72.2%	24.8%	24.8%	-	35.2%
	S	100%	72.2%	24.3%	24.3%	-	36.3%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section - Revenue Capacity

Principal Property Taxpayers

Current fiscal year and ten years ago

Taxpayer	Type of Business	2011/2012		As a % of		2003/2004		As a % of	
		Assessed Valuation	Rank	Assessed Valuation	Rank	Assessed Valuation	Rank	Assessed Valuation	Rank
Arizona Public Service	Electric utility	\$ 12,883,708	1	2.0%		\$ 9,261,470	2	2.3%	
TWC II Prescott Mall LLC	Shopping center	5,897,740	2	0.9%		9,641,505	1	2.3%	
Unisource Energy Corporation	Gas utility	4,995,904	3	0.8%				0.0%	
Qwest Corporation / US West	Telecommunications	3,397,200	4	0.5%		7,222,319	3	1.8%	
Sturm Ruger	Manufacturing	2,726,480	5	0.4%					
LFRV LLC (Las Fuentes)	Commercial rental	2,455,615	6	0.4%				0.0%	
Cable One	Cable Utility	2,347,685	7	0.4%					
Bonanza LLC - Ponderosa Plaza	Shopping center	1,939,378	8	0.3%				0.0%	
Wal-Mart	Shopping Center	1,873,532	9	0.3%		2,866,247	5	0.7%	
Lowes	Retail	1,675,158	10	0.3%					
Tucson Electric Power Company	Gas utility					4,234,687	4	1.0%	
Costco	Retail					1,919,171	8	0.5%	
LFRV LLC	Retirement facilities					1,862,903	9	0.5%	
West Gold Office Building	Commercial rental					2,164,250	7	0.5%	
Dillard Store Services, Inc.	Retail					1,306,912	10	0.3%	
Hassayampa Village Community LLC						2,608,128	6	0.6%	
Total		<u>\$ 40,192,400</u>		<u>6.3%</u>		<u>\$ 43,087,592</u>		<u>10.5%</u>	

Source: Yavapai County assessor's office

Yavapai County was unable to update for the current Fiscal Year.

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>
2004	\$ 2,603,994	\$ 2,522,356	96.9%	\$ 81,638	\$ 2,603,994	100.0%	-	0.0%
2005	2,692,936	2,625,544	97.5%	67,392	2,692,936	100.0%	-	0.0%
2006	2,730,617	2,681,168	98.2%	49,449	2,730,617	100.0%	-	0.0%
2007	2,829,552	2,779,196	98.2%	50,356	2,829,552	100.0%	-	0.0%
2008	3,060,145	2,984,844	97.5%	70,669	3,055,513	99.8%	4,632	0.2%
2009	3,142,012	3,053,820	97.2%	86,098	3,139,918	99.9%	2,094	0.1%
2010	2,873,003	2,783,920	96.9%	87,707	2,871,627	100.0%	1,376	0.0%
2011	2,814,320	2,731,911	97.1%	80,670	2,812,581	99.9%	1,739	0.1%
2012	2,839,228	2,768,468	97.5%	68,511	2,836,979	99.9%	2,249	0.1%
2013	2,680,831	2,593,963	96.8%	-	2,593,963	96.8%	86,868	3.2%

Source: Yavapai County treasurer's office

Penalties are not recorded in the above collection figures.

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

## CITY OF PRESCOTT, ARIZONA

### Table XV

### Statistical Section - Revenue Capacity

### Property Tax Information

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#### Tax Rate Limitation

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

#### Assessments

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

#### Taxes Due

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

#### Payable

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

#### Tax Sales

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

#### Tax Deed

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

#### Redemption

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

CITY OF PRESCOTT, ARIZONA

Table XVI

Statistical Section - Revenue Capacity

Tax Revenues by Source

Last ten fiscal years

<u>Fiscal Year</u>	<u>Total Tax Per Capita</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Privilege and Use Taxes</u>	<u>Additional 1% Privilege Tax (1)</u>	<u>Franchise Taxes</u>	<u>Transient Lodging Tax (2)</u>
2004	718 \$	27,418,458 \$	2,592,210 \$	11,835,113 \$	11,517,650 \$	1,147,098 \$	326,387
2005	757	30,433,859	2,704,676	13,215,116	12,918,249	1,235,890	359,928
2006	838	34,401,134	2,753,961	15,129,080	14,731,785	1,369,307	417,001
2007	853	35,899,318	2,829,555	15,810,057	15,333,864	1,488,072	437,770
2008	798	34,475,231	3,040,579	14,975,742	14,365,539	1,563,883	529,488
2009	698	30,205,330	3,127,252	12,794,026	12,157,858	1,567,388	558,806
2010	724	28,851,987	2,855,143	12,177,884	11,711,274	1,644,977	462,709
2011	702	27,958,171	2,810,321	11,763,668	11,237,566	1,637,128	509,488
2012	707	28,157,180	1,252,755	12,593,700	12,131,870	1,624,459	554,396
2013	754	30,028,643	1,088,021	13,667,950	13,127,520	1,618,259	526,893

Source: City of Prescott finance department

(1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015. In 2010, voters approved a 0.75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

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

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Revenue Capacity

Privilege Tax - Taxable Sales by Category

Last ten fiscal years (in thousands of dollars)

<b>Fiscal year</b>	<b>Advertising</b>	<b>Construction</b>	<b>Job Printing Publishing</b>	<b>Restaurant/Bar</b>	<b>Tangible Per. Prop Rental</b>	<b>Commercial Rental</b>	<b>Hotel/Motel</b>	<b>Residential Rental</b>	<b>Retail Sales</b>	<b>Utilities</b>	<b>Use Tax</b>	<b>Telecommunication</b>	<b>All Other</b>	<b>Total</b>	<b>Tax Rate</b>	<b>Top 10 as % of Total</b>
2004	\$ 13,741	\$ 169,412	\$ 7,619	\$ 65,403	\$ 30,336	\$ 45,870	\$ 16,446	\$ 37,610	\$ 654,152	\$ 48,284	\$ 19,423	\$ 27,507	\$ 3,091	\$ 1,138,894	2%	29%
2005	14,567	201,828	8,843	74,788	35,992	49,402	18,279	38,301	777,883	52,458	15,714	23,533	1,963	1,313,551	2%	28%
2006	22,359	224,132	8,708	85,369	35,841	52,739	20,883	43,331	884,079	55,709	24,727	23,850	1,783	1,483,509	2%	28%
2007	24,174	232,580	8,912	87,175	52,698	60,276	22,775	44,425	902,862	65,436	26,452	27,146	2,150	1,557,061	2%	27%
2008	22,164	194,250	7,333	85,531	41,970	63,746	26,256	46,664	858,798	72,091	33,010	27,158	2,211	1,481,181	2%	33%
2009	14,894	123,930	6,336	82,290	29,174	65,905	18,922	59,513	755,815	72,460	18,500	20,270	2,962	1,270,972	2%	35%
2010	11,934	84,957	5,371	82,302	26,949	60,565	16,540	51,181	699,443	68,393	23,527	23,467	2,114	1,156,743	2%	37%
2011	11,712	85,033	5,218	83,810	24,427	60,073	17,398	52,753	689,692	72,393	29,122	23,692	1,669	1,156,991	2%	38%
2012	14,293	96,741	5,257	90,623	21,326	60,932	18,917	55,111	739,549	74,535	29,009	23,272	1,282	1,230,846	2%	36%
2013	13,753	104,552	5,031	91,967	19,932	61,980	19,625	59,973	800,824	76,384	25,792	23,106	1,523	1,304,442	2%	36%

**Top 10 Taxpayers**

<b>FY 2013</b>	<b>FY 2004</b>
Arizona Public Service	Arizona Public Service
Best Buy	Costco Wholesale
Costco	Galpin Ford Inc.
Fry's Food & Drug	Lamb Chevrolet
Lamb Chevrolet	Safeway Stores Inc.
Lowe's	Sears Roebuck & Co.
Safeway	Smith's Food & Drug
Tim's Buick Pontiac Toyota	Tim's Buick Pontiac
UNS Gas, Inc.	Wal-Mart
Wal-Mart	York Car Company
<b>Percent of Total Privilege Tax Collected: 36%</b>	<b>Percent of Total Privilege Tax Collected: 29%</b>

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 &amp; Open Space (1)</u>	<u>Yavapai County Privilege Tax (3)</u>	<u>State of Arizona Privilege Tax (4)</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
2004	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2006	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2010	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2011	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2012	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2013	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. In 2010, voters approved a .75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.
- (2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City. This rate was increased to 3% on January 1, 2008.
- (3) Yavapai County currently imposes a .50% excise tax and a .25% jail tax. The jail tax became effective in FY 2001 and the rate was .2% until 2003.
- (4) The State of Arizona tax rate increased to 6.60% effective June 1, 2010 and decreased to 5.60% effective June 1, 2013.

CITY OF PRESCOTT, ARIZONA  
 Table XIX  
 Statistical Section - Debt Capacity  
 Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities					Business-type Activities					Total Debt Per Capita	Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General Obligation Bonds	Community Facilities District Bonds (1)	Lease Purchase Contracts	Municipal Properties Corporation Bonds	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Loans Payable (2)	Lease Purchase Contracts	Total Primary Government				
2004	\$ 11,590,000	\$ 6,460,000	\$ -	\$ -	\$ 3,733,442	\$ 9,600,000	\$ -	\$ -	\$ 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	-	-	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	-	-	4,144,260	44,170,241	1,076	861	1.00%	0.80%
2007	9,335,000	5,560,000	528,787	5,099,925	2,724,090	20,230,075	-	-	3,436,504	48,239,051	1,146	949	1.09%	0.90%
2008	7,825,000	4,865,000	385,076	4,949,814	2,401,941	18,780,186	-	8,249,461	2,253,982	51,005,731	1,180	1,012	0.92%	0.79%
2009	6,240,000	4,495,000	451,174	4,772,760	2,079,788	17,287,240	-	10,255,783	2,354,008	49,173,572	1,136	984	0.84%	0.73%
2010	4,950,000	4,260,000	248,256	22,838,008	1,747,637	15,936,992	-	17,947,447	1,748,615	70,850,870	1,778	1,627	1.13%	1.03%
2011	3,595,000	3,780,000	118,784	30,304,407	1,410,029	15,755,593	-	22,253,387	896,095	78,113,295	1,961	1,830	1.24%	1.16%
2012	2,170,000	3,315,000	67,336	29,062,259	1,079,984	12,336,741	-	24,652,814	535,115	73,219,249	1,838	1,727	1.17%	1.10%
2013	680,000	3,060,000	13,744	27,795,262	739,940	11,858,738	-	42,338,127	160,526	86,646,337	2,175	2,079	1.39%	1.33%

Source: City of Prescott finance department

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XX

Statistical Section - Debt Capacity

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita (1)</u>
2004	411,364,816	11,590,000	-	11,590,000	2.8%	304
2005	447,810,098	10,395,000	-	10,395,000	2.3%	258
2006	497,226,209	9,140,000	-	9,140,000	1.8%	223
2007	551,843,276	9,335,000	-	9,335,000	1.7%	222
2008	642,466,094	7,825,000	-	7,825,000	1.2%	181
2009	809,994,831	6,240,000	-	6,240,000	0.8%	144
2010	822,167,484	4,950,000	-	4,950,000	0.7%	124
2011	751,765,930	3,595,000	-	3,595,000	0.5%	90
2012	635,918,352	2,170,000	-	2,170,000	0.3%	54
2013	555,286,772	680,000	-	680,000	0.1%	17

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>
2004	1,140,000	534,875	1,674,875	45,724,299	45,724,299	3.7%
2005	1,195,000	489,275	1,684,275	54,158,220	54,158,220	3.1%
2006	1,255,000	441,475	1,696,475	54,428,319	54,428,319	3.1%
2007	1,315,000	391,275	1,706,275	65,572,291	65,572,291	2.6%
2008	1,510,000	404,276	1,914,276	72,406,904	72,406,904	2.6%
2009	1,585,000	337,285	1,922,285	63,042,065	63,042,065	3.0%
2010	1,290,000	270,975	1,560,975	61,705,700	61,705,700	2.5%
2011	1,355,000	215,910	1,570,910	55,835,688	55,835,688	2.8%
2012	1,425,000	156,850	1,581,850	54,778,509	54,778,509	2.9%
2013	1,490,000	93,475	1,583,475	52,212,271	52,212,271	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

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<u>Fiscal Year</u>	<u>Operating Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
2004	\$ 17,341,679	\$ 11,619,209	\$ 5,722,470
2005	27,905,262	13,186,223	14,719,039
2006	23,481,340	14,264,149	9,217,191
2007	24,792,698	16,274,457	8,518,241
2008	28,075,001	17,667,460	10,407,541
2009	21,282,148	17,468,360	3,813,788
2010	18,846,722	13,404,404	5,442,318
2011	20,767,642	13,583,135	7,184,507
2012	23,204,122	17,060,336	6,143,786
2013	24,557,628	18,674,630	5,882,998

Source: City of Prescott finance department

(1) Total revenue including interest income.

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

CITY OF PRESCOTT, ARIZONA  
**Table XXIII**  
**Statistical Section - Debt Capacity**  
**Direct and Overlapping Debt**  
June 30, 2013

	<u>Net Bonds Outstanding</u>	<u>Percentage Applicable to Prescott (1)</u>	<u>Amount Applicable to Prescott</u>
<b><u>Direct Debt</u></b>			
General obligation bonds - payable from property taxes	\$ 680,000	100.0%	\$ 680,000
Municipal property corporation bonds - payable from sales tax	27,795,262	100.0%	27,795,262
Special assessment bonds - payable from assessed properties	3,799,940	100.0%	3,799,940
Lease purchase contracts - payable from general revenues	13,743	100.0%	13,743
Total direct debt			<u>32,288,945</u>
<b><u>Overlapping Debt</u></b>			
Yavapai County	22,933,567	23.0%	5,273,552
Yavapai Community College District	36,610,000	23.0%	8,418,435
Prescott Unified School District	6,775,000	72.2%	4,894,514
Total overlapping debt			<u>18,586,501</u>
Total direct & overlapping debt			<u>\$ 50,875,446</u>

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

<b><u>Taxing District</u></b>	<b><u>Total Assessed Valuation</u></b>	<b><u>Valuation in Prescott</u></b>	<b><u>Percent in Prescott</u></b>
Yavapai County	\$ 2,414,825,073	\$ 555,286,772	23.0%
Yavapai Community College District	2,414,825,073	555,286,772	23.0%
Prescott Unified School District	768,629,475	555,286,772	72.2%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA

Table XXIV

Statistical Section - Debt Capacity

Legal Debt Margins

June 30, 2013

	General Obligation Bonds	
	All Others 6% (1)	Water & Wastewater 20% (2)
<b>Legal Debt Limitation</b>		
(2012-13 secondary assessed valuation \$555,286,772)	\$ 33,317,206	\$ 111,057,354
<b>Outstanding Debt</b>		
Municipal facilities	-	680,000
Total outstanding debt	-	680,000
Total margin available	\$ 33,317,206	\$ 110,377,354
Total debt applicable to the limit as a percentage of the debt limit	0.0%	0.6%

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 2012-13	\$ 2,753,686
Percent of margin	50%
Highway user margin	1,376,843
Bond principal due FY 2012-13	-
Bond interest due FY 2012-13	-
Margin available	\$ 1,376,843

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)

Legal Debt Limitation or Margin	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Obligation Bonds 6% limit (1)</b>	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548	\$ 48,600	\$ 49,330	\$ 45,106	\$ 38,155	\$ 33,317
Outstanding debt subject to limit	1,605	1,315	1,010	690	0	-	-	-	-	-
Total margin available	<u>\$ 23,077</u>	<u>\$ 25,554</u>	<u>\$ 28,824</u>	<u>\$ 32,421</u>	<u>\$ 38,548</u>	<u>\$ 48,600</u>	<u>\$ 49,330</u>	<u>\$ 45,106</u>	<u>\$ 38,155</u>	<u>\$ 33,317</u>
Total debt applicable to the limit as a percentage of the debt limit	6.5%	4.9%	3.4%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Water &amp; Wastewater 20% limit (2)</b>	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493	\$ 161,999	\$ 164,433	\$ 150,353	\$ 127,184	\$ 111,057
Outstanding debt subject to limit	9,985	9,080	8,130	8,645	7,825	6,240	4,950	3,595	2,170	680
Total margin available	<u>\$ 72,288</u>	<u>\$ 80,482</u>	<u>\$ 91,315</u>	<u>\$ 101,724</u>	<u>\$ 120,668</u>	<u>\$ 155,759</u>	<u>\$ 159,483</u>	<u>\$ 146,758</u>	<u>\$ 125,014</u>	<u>\$ 110,377</u>
Total debt applicable to the limit as a percentage of the debt limit	12.1%	10.1%	8.2%	7.8%	6.1%	3.9%	3.0%	2.4%	1.7%	0.6%
<b>Highway User Margin 50% limit (3)</b>	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688	\$ 1,512	\$ 1,517	\$ 1,506	\$ 1,262	\$ 1,377
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<u>\$ 1,595</u>	<u>\$ 1,622</u>	<u>\$ 1,746</u>	<u>\$ 1,840</u>	<u>\$ 1,688</u>	<u>\$ 1,512</u>	<u>\$ 1,517</u>	<u>\$ 1,506</u>	<u>\$ 1,262</u>	<u>\$ 1,377</u>
Total debt service applicable to the margin as a percentage of the margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: City of Prescott finance department

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXVI

Statistical Section - Debt Capacity

Pledged-Revenue Coverage

Last ten fiscal years

Fiscal Year	Special Assessment Bonds				Community Facilities District Bonds				Municipal Property Corporation Bonds			
	Special Assessments Collected	Debt Service		Coverage	CFD Assessments Collected	Debt Service		Coverage	Excise Tax Collected	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2004	\$ 511,743	\$ 330,151	\$ 187,855	99%	\$ 893,919	\$ 430,000	\$ 536,218	93%	\$ 24,499,861	\$ 900,000	\$ 505,833	1743%
2005	504,341	335,051	172,029	99%	977,151	190,000	498,512	142%	27,369,255	5,120,000	853,395	458%
2006	479,501	332,151	155,627	98%	1,033,506	505,000	472,444	106%	31,230,172	1,305,000	910,278	458%
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,631,993	1,345,000	856,703	1410%
2008	437,256	322,151	122,907	98%	753,416	695,000	412,819	68%	30,905,164	1,600,000	1,123,841	1482%
2009	422,802	322,151	107,296	98%	701,049	370,000	375,425	94%	26,519,272	1,670,000	1,048,756	1135%
2010	417,287	332,151	91,394	99%	743,802	235,000	346,863	128%	25,534,135	1,535,000	1,321,901	894%
2011	330,299	337,151	75,110	80%	393,203	480,000	322,569	49%	24,638,362	1,625,000	1,516,747	784%
2012	389,109	330,044	58,995	100%	769,430	465,000	285,294	103%	26,350,029	4,661,000	2,136,432	388%
2013	383,217	340,044	43,091	100%	720,756	255,000	255,775	141%	28,413,729	1,745,000	1,963,921	766%

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.

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>	Personal Income <i>(thousands of dollars) (2)</i>	Per Capita Personal Income (2)	Annual Unemployment Rate (2)	School Enrollment (3)
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	40,770	5,567,857	26,989	3.9%	5,558
2007	42,085	5,860,461	27,620	3.7%	5,688
2008	43,217	5,537,703	28,611	5.2%	5,763
2009	43,280	6,283,809	29,134	8.5%	5,776
2010	43,573	6,015,150	28,488	10.4%	5,652
2011	39,843	6,248,490	29,490	9.8%	5,652
2012	39,843			7.4%	5,055
2013	39,843			7.4%	

(1) Source: Arizona Department of Economic Security

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

(3) Source: Arizona Department of Education.

The 2012 and 2013 personal income amounts were not available.

The 2012 and 2013 per capita personal income amounts were not available.

CITY OF PRESCOTT, ARIZONA

Table XXVIII

Statistical Section

Demographic and Economic Statistics

Principal Employers

Current fiscal year and ten years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2012/13</u>			<u>2003/04</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	1,692	1	9.9%	1,232	1	8.6%
Yavapai Regional Medical Center	Hospital	1,083	2	6.3%	756	3	5.3%
Veteran's Administration Medical Center	Hospital	1,094	3	6.4%	565	5	3.9%
Prescott Unified School District	Public Schools	770	4	4.5%	605	4	4.2%
City of Prescott	Government	506	5	3.0%	511	6	3.6%
Sturm Ruger	Manufacturing	607	6	3.6%	1176	2	8.2%
Yavapai College	College	413	7	2.4%	315	9	2.2%
Embry-Riddle Aeronautical University	College	375	8	2.2%	320	8	2.2%
Yavapai Gaming Agency	Casino	223	9	1.3%	325	7	2.3%
Fann Contracting	Construction	254	10	1.5%	182	10	1.3%
		<u>7,017</u>		<u>41.1%</u>	<u>5,987</u>		<u>41.6%</u>

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government	31	35	33	36	34	34	37	38	38	37
Administrative Services	6	6	5	5	5	5	1	2	2	2
Budget and Finance	23	22	23	23	24	24	21	21	23	22
Community Development	27	27	27	30	34	33	16	16	14	13
Cultural & Recreation	66	65	76	60	59	57	48	43	42	42
Police	108	112	124	134	131	131	119	119	122	123
Fire	64	84	84	75	77	76	76	75	75	73
Central Garage	7	8	9	10	11	11	9	9	9	9
Self Insurance	3	2	2	2	2	3	3	3	3	2
Facilities Maintenance	0	7	5	6	8	10	6	5	6	6
Engineering	23	24	25	22	23	23	19	18	18	17
Water	35	35	36	40	41	41	39	40	41	41
Wastewater	27	29	30	32	33	33	35	35	35	35
Solid Waste	15	16	16	18	18	26	26	27	27	27
Transfer Station (1)	6	6	7	7	8	-	-	-	0	0
Airport	13	13	11	9	8	8	8	7	7	7
Golf Course	28	29	30	17	20	20	16	17	17	16
Streets	34	34	35	39	35	35	37	37	37	35
<b>Total</b>	<b>516</b>	<b>551</b>	<b>575</b>	<b>565</b>	<b>571</b>	<b>570</b>	<b>516</b>	<b>512</b>	<b>515</b>	<b>506</b>
Number of citizens per employee	74	73	71	75	76	76	84	78	77	79

Source: City of Prescott finance department

(1) 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Community Development</b>										
Building permits issued	1,927	2,034	2,185	2,237	1,735	1,329	1,416	1,093	1,613	1,575
Permit valuations (in millions)	166	198	189	133	74	44	70	35	61	79
<b>Cultural &amp; Recreation</b>										
Library circulation (3)	943,107	962,922	697,584	713,700	758,787	852,882	845,385	693,268	702,286	805,113
Library visits (3)	473,993	477,768	246,594	420,776	477,785	507,858	546,548	520,794	508,422	493,091
Library resources available	161,545	156,790	169,784	142,564	150,267	159,151	148,908	165,612	178,032	172,682
New cards issued	8,288	8,550	4,091	7,424	7,422	7,613	7,272	4,649	4,872	4,531
Golf Rounds	78,786	81,213	86,307	79,678	78,361	70,558	64,314	61,867	59,605	55,652
<b>Police (Calendar Year)</b>										
Calls for service	36,284	36,671	34,711	32,943	30,649	29,422	30,500	29,190	29,300	26,801
Part 1 crimes (1)	2,080	2,088	1,796	1,549	1,390	1,408	1,440	1,456	1,410	1,291
Part 2 crimes (2)	3,521	3,856	3,896	3,429	3,234	3,806	4,100	4,831	3,830	3,495
<b>Fire</b>										
Calls for service	6,001	6,444	7,007	6,808	7,130	7,452	7,799	8,500	7,920	7,440
Inspections	1,450	1,856	1,620	2,374	2,621	1,803	1,925	1,709	1,577	1,231
<b>Water</b>										
Connections	19,760	19,205	19,806	20,468	21,870	22,271	22,184	22,153	22,409	22,628
<b>Wastewater</b>										
Connections	15,478	16,091	16,696	17,168	17,416	17,522	17,357	18,134	18,292	18,411
<b>Solid Waste</b>										
Residential accounts	14,346	15,098	16,974	16,467	16,547	16,670	17,159	21,319	20,503	17,217
Commercial accounts	1,581	1,613	1,532	1,414	1,187	1,060	920	910	888	911
Tons collected	33,876	34,916	34,986	35,564	35,453	35,550	31,837	29,792	30,971	31,671
<b>Transfer Station</b>										
Transactions per year	78,228	84,330	84,826	84,542	73,339	70,381	69,509	69,615	69,430	68,912
Tons per year	60,413	63,494	70,905	70,041	73,412	59,260	60,826	58,152	55,685	66,966
<b>Airport (Calendar Year)</b>										
Commercial aircraft landings	1,697	1,576	1,808	1,742	1,484	5,417	3,807	1,725	-	1,837
Passengers	15,600	10,363	8,397	9,203	10,571	11,694	7,836	5,222	-	5,146
FAA traffic count	272,855	237,990	236,317	227,351	242,311	240,443	231,668	265,093	-	257,062
<b>Public Works</b>										
Cold mix repairs(lbs)	323,640	109,040	129,013	140,155	97,649	115,705	90,215	88,773	43,153	98,822
Hot Mix repairs (tons)	1,727	8,378	2,050	1,156	1,800	643	1,730	2,806	1,430	2,763

(1) Part 1 Homicide, forcible rape, robbery, aggravated assault, burglary, larceny/theft, auto theft & arson

(2) Part 2 Simple assault, narcotics, forgery/fraud/embezzlement, vandalism & DUI

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

Source: City of Prescott budget department and applicable departments.

CITY OF PRESCOTT, ARIZONA

Table XXXI

Statistical Section - Operating Information

Capital Asset Statistics by Function/Program

Last ten fiscal years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Government</b>										
Area square miles	39	39	39	40	40	41	41	41	41	41
<b>Cultural and Recreation (3)</b>										
Parks				17	21	21	21	21	21	21
Park acres				1,384	1,394	1,394	1,394	1,394	1,394	1,514
Miles of trails				55	33	36	36	36	45	52
Open space - public (acres)				160	195	278	278	278	765	823
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Water</b>										
Miles of water mains	496	505	509	516	531	536	537	542	538	515
<b>Wastewater</b>										
Miles of sanitary sewers	647	647	345 (2)	350	387	389	389	391	390	373
<b>Solid Waste</b>										
Collection trucks	15	15	14	15	15	16	16	16	19	17
<b>Airport</b>										
Total based aircraft	338	349	340	330	325	352	344	344	346	322
<b>Golf Course</b>										
Holes	36	36	36	36	36	36	36	36	36	36
<b>Public Works</b>										
Streets (paved miles) (1)	221	221	222	224	231	234	236	270	289	289

(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.