

CITY OF **PRESCOTT**
Everybody's Hometown



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

CITY OF PRESCOTT, ARIZONA





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COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by
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Budget and Finance Department
City of Prescott

CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
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For the year ended June 30, 2010

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INTRODUCTORY SECTION







CITY OF PRESCOTT
201 South Cortez
Prescott, Arizona 86303

November 4, 2010

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, 2010. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a broad framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech & Co., P.C. has issued an unqualified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2010. 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, 2010, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

REPORTING ENTITY

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

CITY OF PRESCOTT PROFILE

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

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

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

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

Although small in population, 43,573, the City is not dependent on any one company or industry for economic vitality. The region is diverse in nature and benefits from the following industries:

Education

Embry Riddle Aeronautical University
Yavapai College
Prescott College

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 lake and aquatic recreation sites
Various cultural and entertainment venues

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

ECONOMIC CONDITION

Our economy has shown modest improvement. The housing market remains depressed, but falling values and foreclosures show signs of leveling off. Home prices are all about affordability of mortgages and, should we get into a rising rate environment, we could see additional declines in housing prices. Demand for commercial real estate remains at very low levels, as reflected in elevated vacancy rates and subdued leasing activity for retail, office and industrial space.

Prescott's best barometer for the local economy is the privilege (sales) tax which is our largest source of revenue. These tax collections, which totaled \$23.9 million in FY 10, dropped by \$1.1 million compared to the prior year and were \$1.5 million (6%) less than budgeted. These receipts have shown that the decline is starting to level off with each passing month, but we have conservatively budgeted for flat growth in FY 11.

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

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

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

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

LONG-TERM FINANCIAL PLANNING

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

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

The Fiscal Year 2011 Budget represents a 15.4% decrease from last year's budget. This budget is an extension of the cost-containment efforts that in many cases yielded long-term, sustainable efficiencies rather than just temporary savings. The budget also focused on targeted reductions rather than indiscriminate, across-the-board cuts; a strategy that utilizes creative means of limiting personnel expenditures (no funding was provided for merit increases or cost of living adjustments).

This past year, the City had many accomplishments including:

Financial Sustainability

- Successful passage of the ¼ cent sales tax extension dedicated to building and rebuilding our streets.
- The new Munis financial accounting software has resulted in greater efficiencies including a new utility billing system.
- Took advantage of several federal stimulus programs which resulted in significant savings to the City. Forgiven principal and interest rebates will exceed \$10 million.
- The addition of Bed, Bath & Beyond to Prescott Gateway Mall.
- Facilitated the expansion of Cobham, PLC (formerly Global Wulfsberg), resulting in the addition of 50 jobs.

Road Improvements

- Thirty unpaved street segments were chip sealed and paved with recycled asphalt.
- Completed Copper Basin Road, a major arterial road.

Public Safety

- Activated the Incident Management System to successfully mitigate the "2010 Prescott Winter Storm" emergency using local Type III incident management resources.
- Secured approximately \$700,000 in various grants for wildland fire, special operations, suppression, and emergency management divisions.
- Conducted 4 disaster training programs for Police/Fire/Field operations personnel.

Quality of Life

- Library visitation was up 6%.
- The City's volunteer Park Ranger program was successfully launched in early FY10. This included the recruitment and training of 26 volunteer park rangers who perform four different patrols.
- The national organization Rails-to-Trails Conservancy inducted the City of Prescott's Peavine Trail to the National Rail-Trail Hall of Fame due to their scenic characteristics.

Environmental Protection

- Established a new Utility Smart Guide program. The goal is to educate the public in the importance of sewer backwater valves, fats, oils & grease and backflow assembly.
- Hosted a Sewer Smart workshop with area plumbers in order to reduce the amount of sewer back-ups.
- Replaced over 6,000 square feet of turf with low maintenance, low water usage landscaping saving potable water.

Utility Systems

The following wastewater projects are nearing completion:

- The following wastewater projects are nearing completion:
 - North Prescott Regional Force Main
 - Country Club Dr. Sewer replacement
 - Airport Zone North And South Loops
 - Zone 39 Phase I
 - Main Aubrey St. and Pioneer Pump Station
 - Zone 39 Phase II-
 - Main Country Club Dr.
 - Zone 39 Phase III Indian Hills Reservoir
 - 12" Main White Spar
- Abandoned over 1,000 feet of old 2-inch water mains which paralleled new larger mains to reduce system complexity and water loss.
- Crews cleaned 702,380 feet (133+ miles) of sewer main as part of the Preventive Maintenance Structured Cleaning Program.

Tourism

- The first Tourism Director position was created and filled.
- The Elks Opera House underwent a \$1.7 million restoration/renovation made possible by a donation from the Harold James Family Trust and The Elks Opera House Foundation.
- Assisted Epic Rides with the development of the Whiskey Off-Road event, which attracted over 1,000 registered participants.

Our community is in the midst of change and our organization is responding. Three years ago our focus was on managing growth. Now, the focus has shifted to preserving our quality of life. This comes with its share of challenges; some we can control and manage, while others result from mandates handed down by the state and federal governments. Going forward, we will continue to engage with our citizens, partner with our stakeholders and strategically invest in efforts to strengthen our community.

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, 2009. This was the 28th consecutive year that the government has achieved this prestigious award.

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

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

The City of Prescott received the Distinguished Budget Presentation Award from the GFOA for our conformity in the budget presentation for the fiscal year beginning July 1, 2009. 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, 2010.

Independent Audit

In accordance with the City Charter and Arizona law, the City's financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Heinfeld, Meech & Co., P.C. conducted the audit for fiscal year ending June 30, 2010. The audit opinion is located in the financial section of the report.

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

Acknowledgments

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

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

Respectfully submitted,



Mark Woodfill, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Prescott
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Prescott Organizational Chart

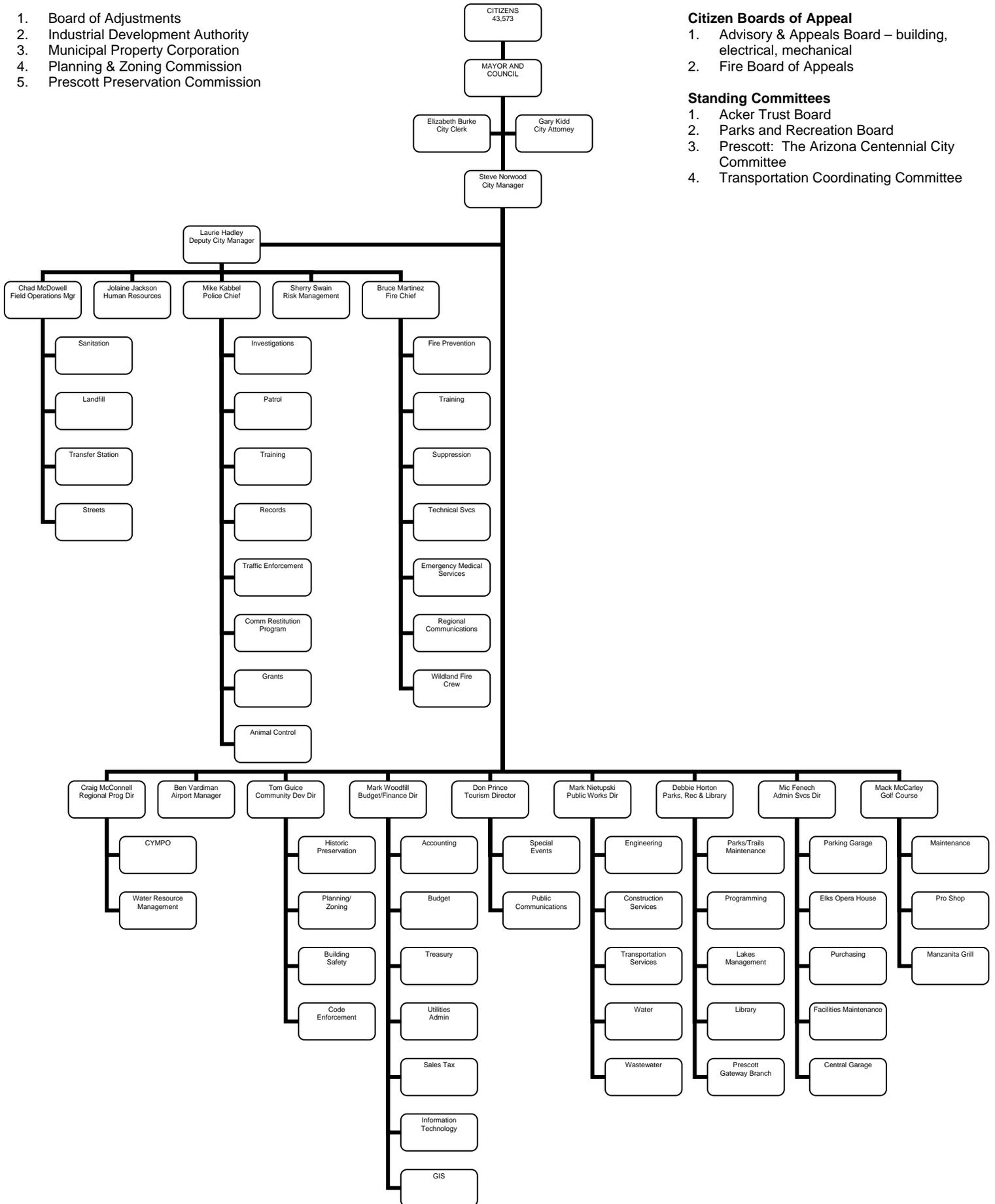
1. Board of Adjustments
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

Citizen Boards of Appeal

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

Standing Committees

1. Acker Trust Board
2. Parks and Recreation Board
3. Prescott: The Arizona Centennial City Committee
4. Transportation Coordinating Committee



CITY OF PRESCOTT, ARIZONA

June 30, 2010

ELECTED OFFICIALS

Marlin Kuykendall, Mayor

Council

Mary Ann Suttles

John Hanna Sr.

Jim Lamerson

Tammy Linn

Lora Lopas

Steve Blair

Appointed Officials

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

Mailing Address

201 South Cortez
Prescott, AZ 86303

www.prescott-az.gov

FINANCIAL SECTION







INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Streets and Open Space Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2010, on our consideration of the City of Prescott, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory 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 it.

Heinfeld, Meech & Co., P.C.

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

November 4, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal years 2010 and 2009 by \$505.9 million and \$500.4 million (net assets), respectively. The City's total net assets increased by \$5.5 million and \$8.8 million during fiscal years 2010 and 2009, respectively.

The fiscal year 2010 increase was achieved despite continued declines in privilege (sales) tax collections (\$1.1 million or 4.2%). Capital and operating grants and contributions increased by \$4.4 million or 40.8% as the City benefited from several federal stimulus packages despite developer contributions drying up as a result of the economic downturn. The \$9.4 million decrease to the "Invested in capital assets, net of related debt," results from the issuance of debt and reimbursement of expenditures related to the debt. Unrestricted inter-governmental revenues decreased by \$1.6 million during the year due to reduction in state shared revenues.

Overall City program expenses increased by \$2.9 million or 3.4%.

REPORT LAYOUT

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

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

Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2010 and June 30, 2009 follows:

	Net Assets at Year-end (in millions)					
	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Cash and investments	\$ 47.3	\$ 32.9	\$ 30.1	\$ 28.2	\$ 77.4	\$ 61.1
Other assets	15.2	17.4	0.2	(2.5)	15.4	14.9
Capital assets	286.7	282.0	215.8	209.5	502.5	491.5
Total assets	349.2	332.3	246.1	235.2	595.3	567.5
Other liabilities	11.6	7.1	6.9	4.6	18.5	11.7
Noncurrent liabilities	35.9	23.3	35.2	32.2	71.1	55.5
Total liabilities	47.5	30.4	42.1	36.8	89.6	67.2
Net assets:						
Invested in capital assets, net of debt	256.8	266.1	180.2	179.7	437.0	445.8
Restricted for:						
Capital projects	15.5	14.6	-	10.3	15.5	24.9
Impact fee projects	2.5	-	1.1	-	3.6	-
Transient occupancy tax	0.1	-	-	-	0.1	-
Landfill closure	-	-	1.2	-	1.2	-
Debt service	8.0	-	1.0	-	9.0	-
Expendable trust	0.6	-	-	-	0.6	-
Unrestricted	18.2	21.3	20.6	8.4	38.8	29.7
Total net assets	\$ 301.7	\$ 302.0	\$ 204.1	\$ 198.4	\$ 505.8	\$ 500.4

Governmental Activities

During fiscal year 2010 the balance of net assets decreased by \$0.2 million due to various capital improvement projects completions totaling \$18.3 million, and an increase in depreciation totaling \$13.9 million. The most notable additions include:

- Vehicle additions amounted to \$1.4 million which included three solid waste side loaders and seven police vehicles.
- \$15.6 million was spent on road improvements including the State Route 89A and Granite Dells Parkway intersection which comprised nearly 84% of the total road spending.
- \$850,000 was expended on open space acquisitions in the Granite Dells area.

Cash and investments increased by \$14.4 million which mainly reflects unspent bond proceeds from a Municipal Property Corporation bond issue during the year to fund the State Route 89A and Granite Dells Parkway intersection project.

Business-type Activities

During fiscal year 2010 the balance of net assets increased by \$5.7 million due in part to the following specific activities:

Water: \$11.1 million in improvements were added during the year. These include two American Recovery and Reinvestment Act (ARRA) water projects totaling \$6.2 million for improvements in the north and south airport zone (\$4.0 million) and the zone 39 project consisting of water lines, pumps and tanks in the southern part of the city.

Wastewater: \$1.5 million in improvements, which included several wastewater main replacement projects including the North Prescott Regional Force Main and several sewer rehabilitation projects, related to road construction projects.

\$6.5 million in depreciation expense offset a significant amount of the growth in net assets.

The City's overall financial position has improved slightly during the year as reflected in the increase in net assets above. Additionally, the unrestricted net assets of both the governmental and business-type activities, amount to \$18.2 million and \$20.6 million respectively.

There are restrictions on \$26.8 million of net assets for governmental activities and an additional \$3.3 million in restricted net assets of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects, 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, 2010 and June 30, 2009 follows:

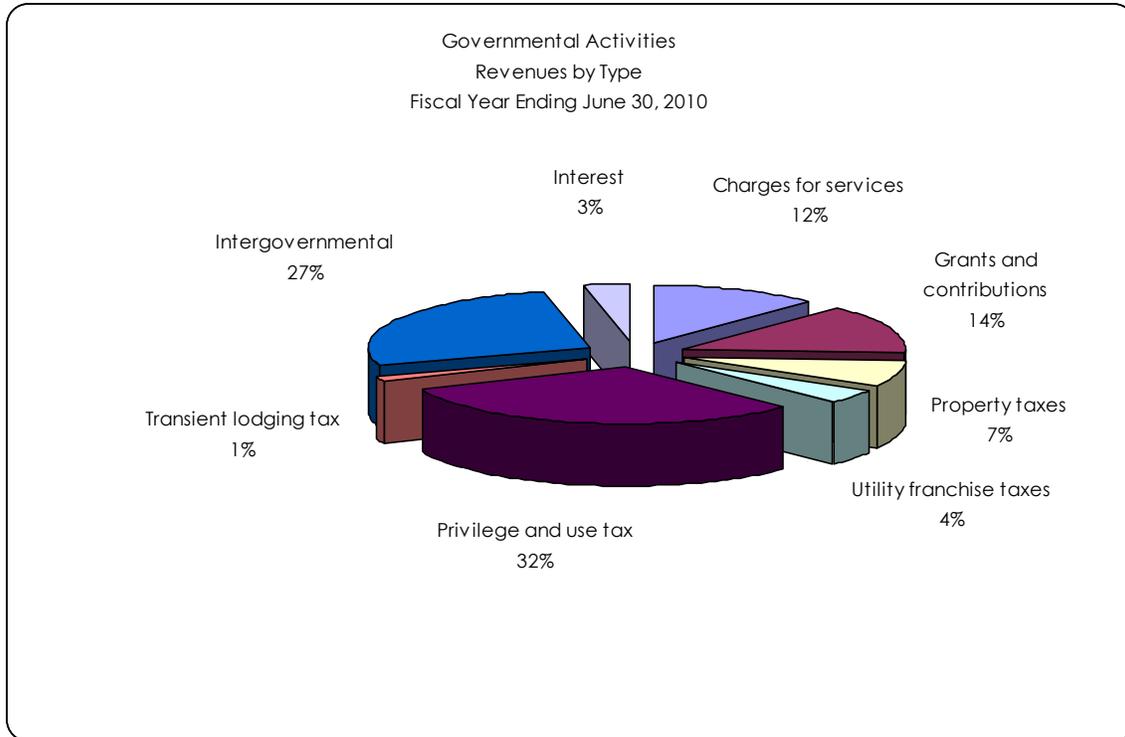
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue						
Charges for services	\$ 4.8	\$ 4.2	\$ 30.2	\$ 30.9	\$ 35.0	\$ 35.1
Operating grants and contributions	5.4	4.7	0.2	-	5.60	4.70
Capital grants and contributions	1.8	2.0	7.6	4.0	9.40	6.00
Total program revenues	<u>12.0</u>	<u>10.9</u>	<u>38.0</u>	<u>34.9</u>	<u>50.0</u>	<u>45.8</u>
General revenues						
Taxes	28.8	30.2	-	-	28.80	30.20
Intergovernmental	10.6	12.2	0.2	-	10.80	12.20
Interest and investment income	1.4	2.1	1.0	1.3	2.40	3.40
Gain (loss) on sale of property	(1.2)	0.2	-	-	(1.20)	0.20
Micellaneous	1.0	0.6	0.6	0.6	1.60	1.20
Total general revenues	<u>40.6</u>	<u>45.3</u>	<u>1.8</u>	<u>1.9</u>	<u>42.4</u>	<u>47.2</u>
Total revenues	<u>52.6</u>	<u>56.2</u>	<u>39.8</u>	<u>36.8</u>	<u>92.4</u>	<u>93.0</u>
Expenses						
General government	5.3	4.7	-	-	5.30	4.70
Community services	1.6	2.5	-	-	1.60	2.50
Culture and recreation	6.8	7.1	-	-	6.80	7.10
Police and court	13.2	11.6	-	-	13.20	11.60
Fire	8.3	8.1	-	-	8.30	8.10
Public works	17.2	17.5	-	-	17.20	17.50
Interest on long term debt	0.9	1.1	-	-	0.90	1.10
Water	-	-	11.7	10.4	11.70	10.40
Wastewater	-	-	7.2	7.1	7.20	7.10
Golf course	-	-	3.2	3.0	3.20	3.00
Airport	-	-	2.7	2.1	2.70	2.10
Solid waste / transfer station (1)	-	-	8.6	8.4	8.60	8.40
Parking garage	-	-	0.2	0.3	0.20	0.30
Total expenses	<u>53.3</u>	<u>52.6</u>	<u>33.6</u>	<u>31.3</u>	<u>86.9</u>	<u>83.9</u>
Increase (decrease) before transfers	<u>(0.7)</u>	<u>3.6</u>	<u>6.2</u>	<u>5.5</u>	<u>5.5</u>	<u>9.1</u>
Transfers	<u>0.4</u>	<u>(0.1)</u>	<u>(0.4)</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Rounding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(0.3)</u>	<u>3.5</u>	<u>5.8</u>	<u>5.6</u>	<u>5.5</u>	<u>9.1</u>
Beginning net assets	<u>301.9</u>	<u>298.5</u>	<u>198.4</u>	<u>192.8</u>	<u>500.3</u>	<u>491.3</u>
Ending net assets	<u>\$ 301.6</u>	<u>\$ 302.0</u>	<u>\$ 204.2</u>	<u>\$ 198.4</u>	<u>\$ 505.8</u>	<u>\$ 500.4</u>

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

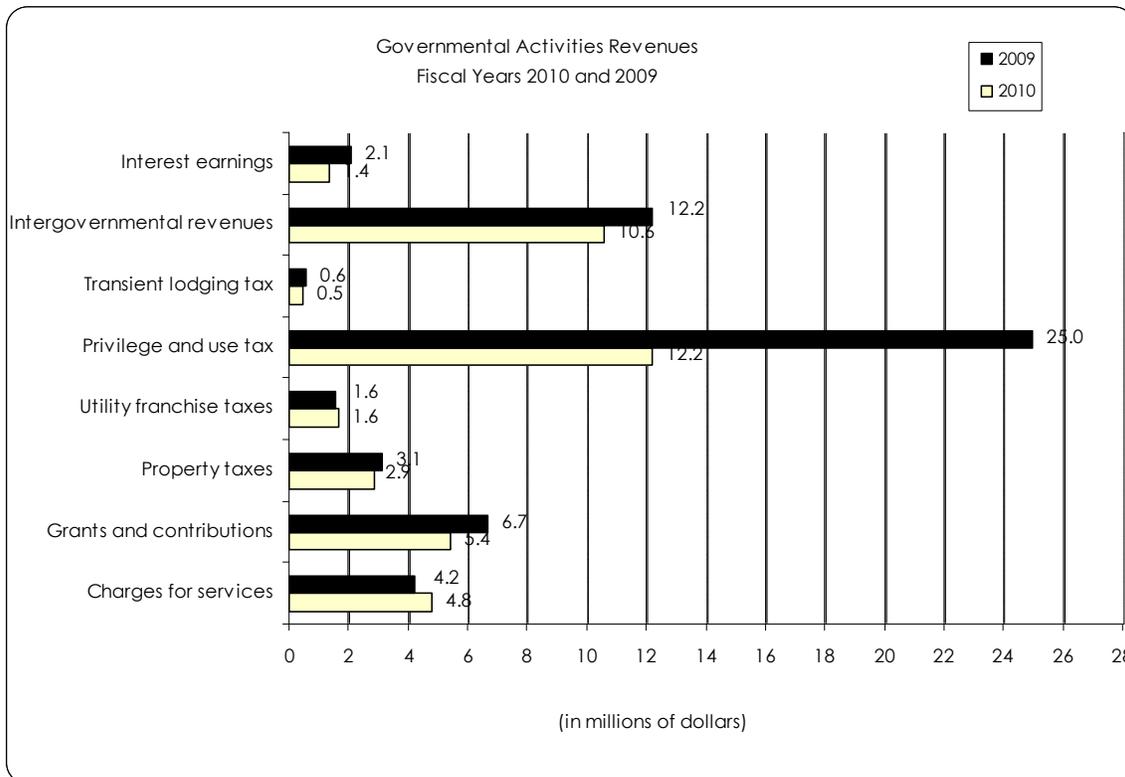
Governmental Activities

The cost of all governmental activities this year was \$53.3 million. \$4.8 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$7.2 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, and \$28.8 million was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest, amounted to \$11.9 million.

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



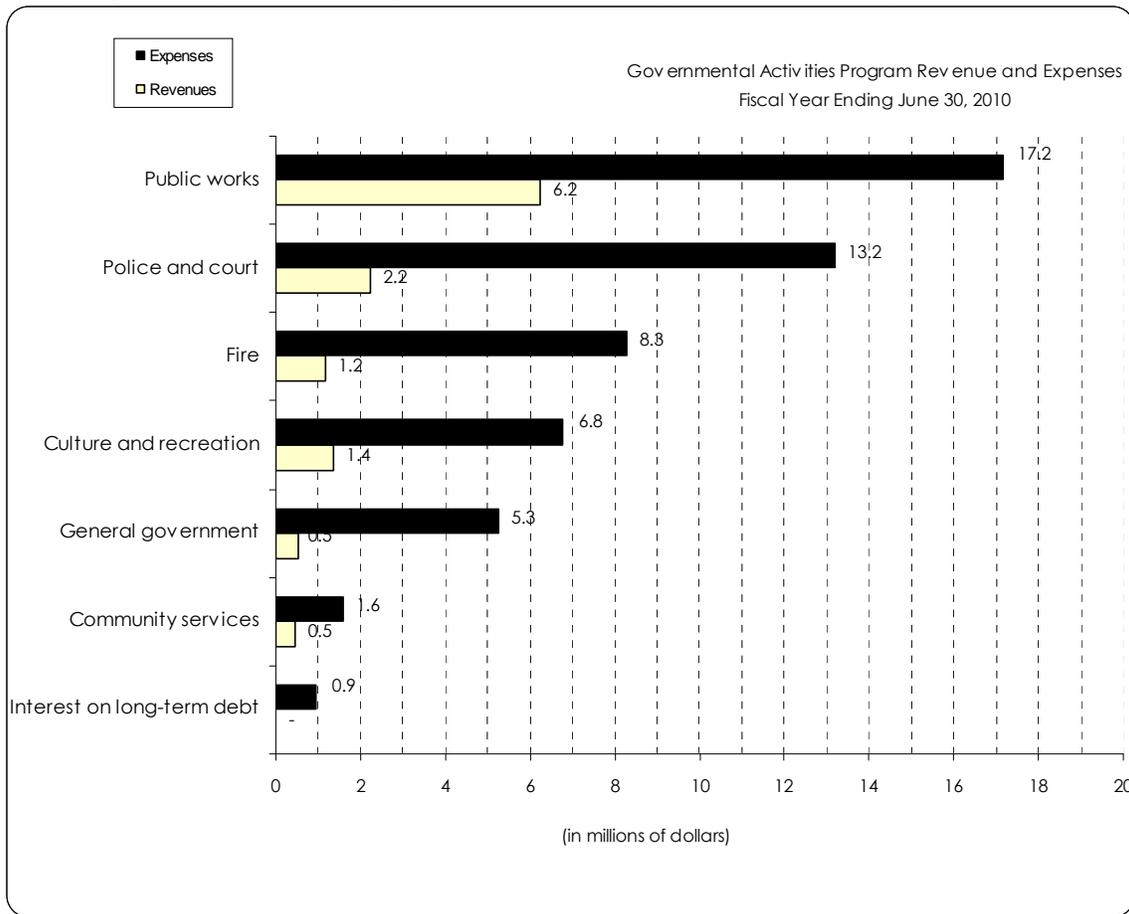
The graph below compares the governmental revenues from fiscal year 2010 to fiscal year 2009.



Total governmental activities revenues decreased by \$3.5 million or 6% from the previous year. Key factors in this change include:

- Privilege (sales) tax declined by nearly \$1.1 million or 4%.
- Grants and contributions increased by \$0.5 million or 7%. Developer road and right-of-way contributions that typically accompany new development in the City are down as is the entire construction industry. Building permit valuations increased to \$70 million in FY 2010; an increase of \$26 million, or 60% from the prior year but continue to be significantly below the \$157 million annual average the City enjoyed from FY 2000-2007.

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



Governmental program expenses increased slightly to \$53.2 as compared to the prior year at \$52.6 million. This indicates that the costs have been cut as much as possible to maintain existing service levels and that further cuts will likely reduce service levels.

There was one amendment to the budget after final adoption impacting governmental activities; this represents a transfer of budget appropriation, not funding. The police department transferred \$200,000 to the fire department and an additional \$40,000 to the city clerk department.

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 \$40.6 million, an increase of \$11.2 million in comparison to the combined ending fund balances for fiscal year 2009 of \$29.4 million.

Approximately \$10.8 million of the total for fiscal year 2010 represents unassigned fund balance. The City implemented Governmental Accounting Standards Board Statement (GASB) 54 during the year which impacted the presentation of fund balance components more accurately into five classifications: nonspendable, restricted, committed, assigned and unassigned; Note P in the summary of significant accounting policies addresses this change in greater detail. In fiscal year 2010, \$10.8 million of the total fund balance constituted 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 \$54.3 million in fiscal year 2010, a decrease of less than 1% under the previous year total of \$54.5 million. In fiscal year 2010, expenditures for governmental functions totaled \$61.7 million, a decrease of 2% (\$1.3 million) under the fiscal year 2009 total of \$63.0 million.

In the fiscal year ended June 30, 2010 expenditures for governmental functions exceeded revenues by \$7.3 million or (13%). In 2009, governmental functions expenditures exceeded revenues by approximately \$8.6 million (16%). The decrease in both years reflects declining or stagnant revenues and significant spending on previously delayed road projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$10.8 million, while the total fund balance was \$19.6 million. The unreserved and total balances for the General Fund at the end of fiscal year 2009 were \$7.6 million and \$11.8 million, respectively. The difference between the reporting for the two years is due to the city following GASB statement 54 as it relates to presentation of fund balance. There are now five categories for fund balance instead of the two as presented in the prior year. The city also has \$0.3 million of its fund balance as assigned, \$8.4 million as committed, and \$0.04 million as restricted.

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

- Taxes decreased by \$514,767 or 3% from the previous year mainly from the economy induced drop in privilege (sales) tax collections which were down \$411,917 or 3% from the conservative budget projection.
- Intergovernmental revenues increased by \$539,878 or 4.4% from the previous year.
- Charges for General Fund services were down \$0.5 million or 46% from the previous year as building activity has stalled.
- General Fund expenses increased by \$1.6 million or 5% from the prior year but were under budget by \$2.7 million or 8%.

Unassigned fund balance represents 32.7% percent of the total General Fund expenditures of \$33.0 million in fiscal year 2010. In fiscal year 2009, the unreserved fund balance represented 24% percent of the total General Fund expenditures of \$31.4 million.

Overall, the General Fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2010, of \$2.5 million. In the prior year revenues exceeded expenses by \$0.9 million.

The Streets and Open Space fund expenditures exceeded revenues by \$5.6 million during the year. The City issued a bond for a large capital streets project.

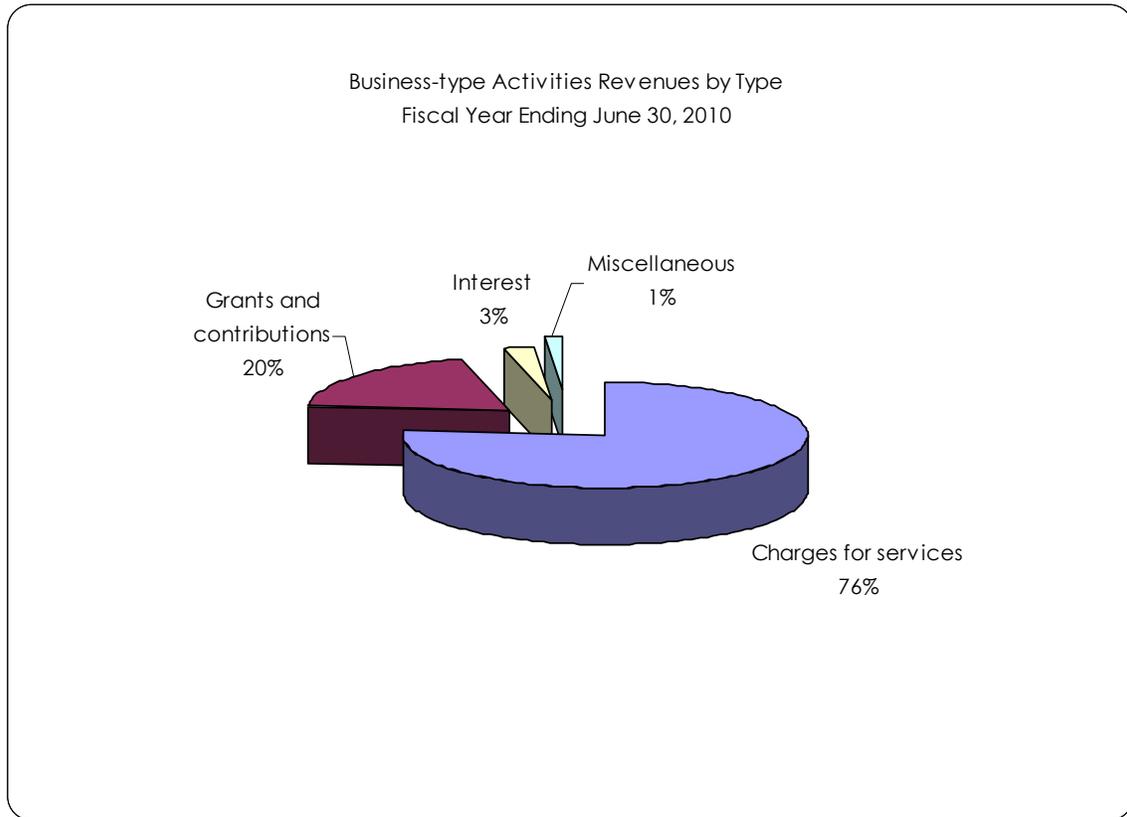
Other individual governmental funds had no unusual fluctuations which warrant explanation.

Business-type Activities

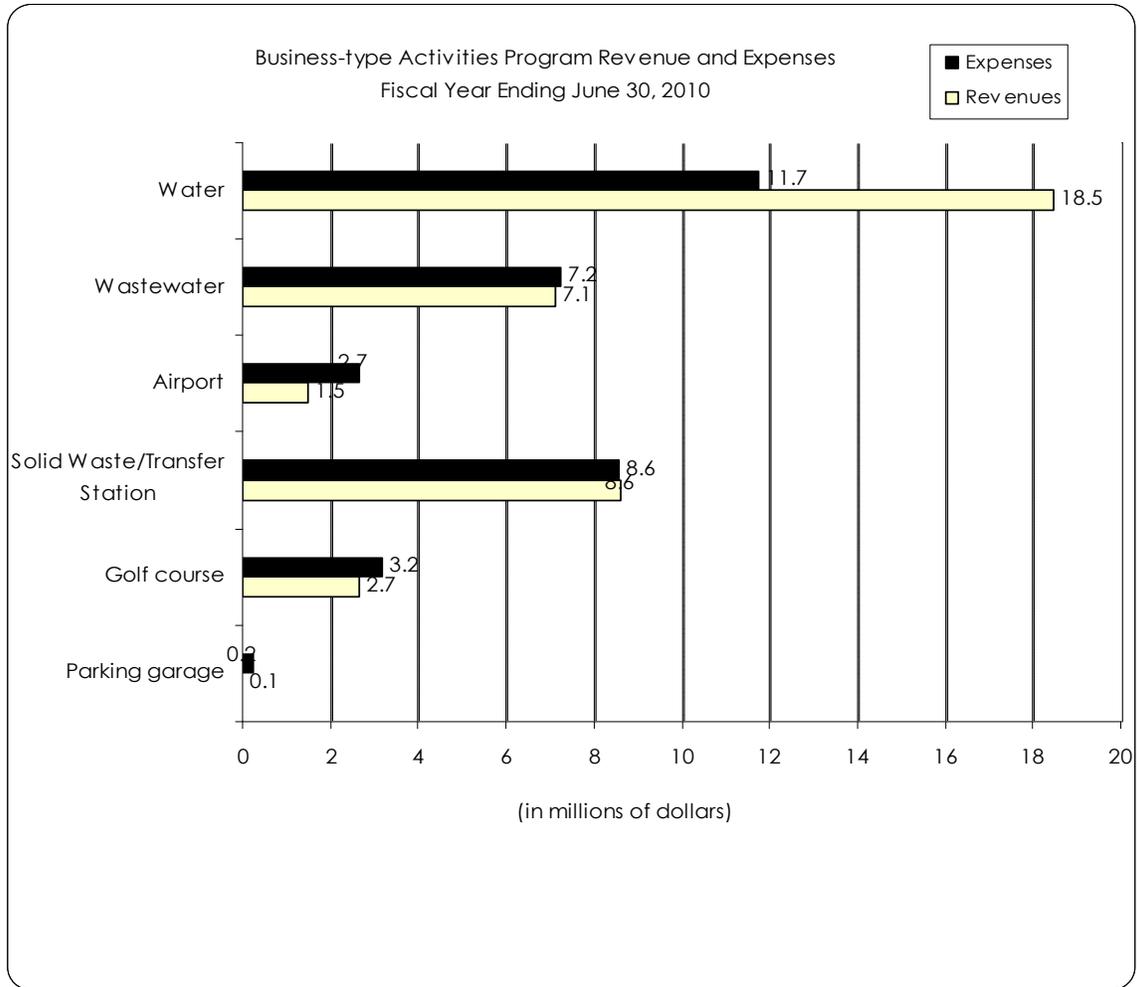
The cost of providing all business-type activities this year was \$33.6 million. Of this cost, \$30.2 million was paid by users, \$8.0 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities resulting in a net revenue of \$4.6 million. Investment earnings of \$1.0 million, miscellaneous income of \$0.6 million and a transfer out of \$0.4 million resulted in an overall increase in net assets of \$5.7 million.

Business-type activities revenue decreased by \$2.9 million compared to the previous year due to user charges decreasing. Developer contributions and grants were up \$3.8 million for fiscal year 2010 compared to fiscal year 2009; this resulted primarily from American Recovery and Reinvestment Act funding of \$6.2 million for water related projects.

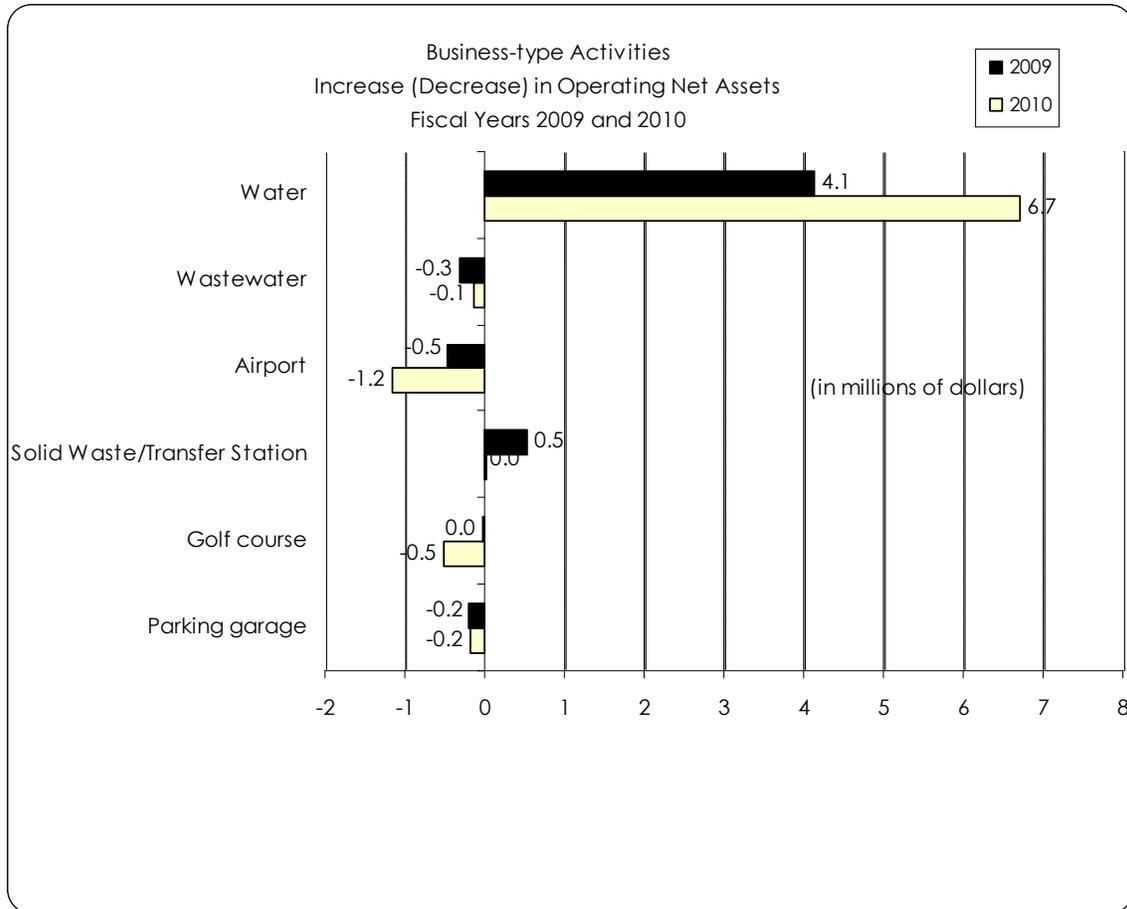
The chart below shows the breakdown of business-type activities revenue.



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



The chart on the following page compares the business-type activities increase (decrease) in net assets before transfers for fiscal year 2010 and 2009. Each business-type activity is managed to remain self-sufficient while providing for future capital requirements.



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

- Water sales actually declined by 7% when compared to the prior year. This occurred because of less building activity and increased conservation of water by our customers.
- The Wastewater Fund reflects expense exceeding revenue by \$0.1 million. A new rate structure is currently proposed and is expected to be adopted in early calendar year 2011.
- The airport decline in net assets results primarily from a drop in federal and state grant funding during the year and a 64% drop in fuel flowage fees which are tied to the economic conditions.
- The golf course registered another operating loss of \$0.5 million as rates were decreased in an effort to generate more rounds. This fund continues to generate negative cash flow as evidenced by the amount due to the General Fund which grew an additional \$0.7 million during the year and now exceeds \$2.9 million. The golf course debt service drops significantly in FY 2011 and the fund might be able to begin chipping away at this deficit at that time.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010 the City had invested \$502.5 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$11.1 million.

The following table reconciles the changes in capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Beginning Balance	\$ 282.0	\$ 274.7	\$ 209.4	\$ 198.9	\$ 491.4	\$ 473.6
Additions	30.4	32.6	25.3	38.7	55.7	71.3
Deduction	(10.1)	(13.5)	(12.0)	(23.7)	(22.1)	(37.2)
Depreciation	(15.6)	(11.8)	(6.9)	(4.5)	(22.5)	(16.3)
Ending Balance	\$ 286.7	\$ 282.0	\$ 215.8	\$ 209.4	\$ 502.5	\$ 491.4

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

Debt Administration

As of year-end, the City had \$76.9 million in debt outstanding compared to \$55.4 million last year.

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

	Governmental	Business	Total
	Activities	Activities	
Beginning Balance	\$ 23.2	\$ 32.2	\$ 55.4
Additions	18.8	14.3	33.1
Retirements	(2.7)	(8.9)	(11.6)
Ending Balance	\$ 39.3	\$ 37.6	\$ 76.9

In February 2010, series 2010 Municipal Property Corporation taxable revenue bonds (Qualified Build America Bonds) were issued in the amount of \$18,250,000 for Governmental Activities. 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. There were no principal payment during FY 2010 on this issue.

In July 2009, the City obtained \$3,591,880 in financing from Water Infrastructure Financing Authority (WIFA) for a Drinking Water project for Airport Water Mains. This loan included forgivable principal of \$2,155,128 which resulted from the American Recovery and Reinvestment Act of 2009. At June 30, 2010 \$2,025,720 of the forgivable principal amount had been applied against the loan balance by WIFA leaving a forgivable principal amount of \$129,408. At June 30, 2010 the City has drawn \$2,183,401 of the loan, leaving \$1,408,479 available for drawdown. The interest rate at June 30 on the outstanding balance of \$157,681 is 3.143%.

In July 2009, the City obtained \$8,998,096 in financing from WIFA for a Drinking Water project for Zone 39 Water Mains, Pump Station and Water Tank. This loan included forgivable principal of \$4,000,000 which resulted from the American Recovery and Reinvestment Act of 2009. At June 30, 2010 the entire forgivable principal amount had been applied against the loan balance by WIFA.

At June 30, 2010 the City has drawn \$5,474,011 of the loan, leaving \$3,524,085 available for drawdown. The interest rate at June 30 on the outstanding balance of \$1,474,011 is 3.143%.

In July 2009, the City obtained \$6,573,506 in financing from WIFA for several Clean Water projects which include: the North Regional Force Main and Copper Basin Road Collections systems and the Airport Wastewater Treatment Plant Centrifuge. At June 30, 2010 the City has drawn \$6,054,763 of the loan, leaving \$518,743 available for drawdown. The interest rate at June 30 on the outstanding balance of \$6,054,763 is 3.143%.

In September 2009, the City obtained \$1,386,334 in financing from WIFA for a Clean Water project that will fund the design of a wastewater treatment plant. At June 30, 2010 the City has drawn \$355,746 of the loan, leaving \$1,030,588 available for drawdown. The interest rate at June 30 on the outstanding balance of \$355,746 is 0.784%.

The drinking water loans are recorded in and paid out of revenues of the Water Fund while the Clean Water loans are recorded in and paid out of revenues of the Wastewater fund.

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

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

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

The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or wastewater services and recreational playground facilities may not exceed 20% of the City's secondary assessed valuation. Under the second test, a City may not issue general obligation debt for general municipal purposes in an amount that exceeds 6% of the City's secondary assessed valuation. At June 30, 2010 the City had remaining debt capacity of \$159.4 million under the 20% test and \$49.3 million under the 6% test. The City also has \$1.5 million available under highway user bond authority which is based on 50% of the prior year highway user revenue.

ECONOMIC FACTORS

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

The City's share of the State Income Tax is down 24.6% from FY 2009. State Income Tax is based on tax collections that were received by the State of Arizona two years ago. This significant decrease mirrors the decline in the economy. This, along with a 2.4% reduction projected in the City's share of the State Sales Tax and a 7.4% lower State Vehicle License Tax contribution, will affect the City's ability to maintain basic service levels in the general fund service areas.

Sales tax revenues are estimated to decrease 5.4% in FY 2011 when compared to FY 2010. The Prescott economy has been showing signs of recovery. Housing inventory has declined and values have shown signs of stabilizing. Permits valuations increased almost 59% in FY 2010 compared with FY 2009.

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

- The historic Burmeister Building on Gurley Street in downtown Prescott was completely renovated to accommodate several boutique stores and possibly a restaurant.

- The Embry-Riddle Technology Building will not be built on campus but in the Granite Dells Ranch mixed use subdivision. The City will build, own and operate the structure, as well as attract technology-related businesses as tenants.
- Bed Bath and Beyond filled the 30,000 square feet vacated by Linens ‘n’ Things at Prescott Gateway Mall.
- Cobham Avionics completed their consolidation resulting in 50 new high-tech jobs for Prescott.

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 2011 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.

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

Stronger Local Economy and Expanded Tax Base

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

Better Mobility through Improved Roads and Transportation System

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

Managed Growth for a Balanced Community

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

Polished City – Beautiful and Clean

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

First Class Utility System

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

Alive Downtown

- Cleaner downtown with improved infrastructure
- More commercial offices with people working downtown

- More activity venues for attracting residents and events
- More people living downtown
- More evening activities with businesses open beyond 5:30

The FY 2011 Budget consists of two different components – the operating budget and the capital budget. The operating budget is \$70,956,844 representing a 12.9% decrease from FY 2009-10. The operating budget is comprised of the costs to continue operations from year to year without any capital expenditures. It encompasses all the basic services provided to Prescott's residents: police and fire protection; parks, recreation, and library services; water; sewer; solid waste collection including recycling; streets maintenance; planning and zoning; building inspection; economic development; and administrative services. The operating budget has been prepared without an increase in taxes.

The second component, the capital budget, is set at \$81,974,861, a 17.5% decrease from FY 2009-10. It includes projects and new programs that are included in the five-year plan. Capital budgets tend to rise and fall each year depending on the timing of projects – especially if a city, such as Prescott, is primarily on a "pay-as-you-go" program.

The operational and capital components bring the total budget for FY 2010-11 to \$152,931,705.

With a few modifications, the capital investments included in the FY 2010-11 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 \$3.3 million for the design and replacement of the existing surface water recharge pipeline and related infrastructure referred to as the Surface Water Recharge Pipeline Replacement project.

Other notable projects in the Water Fund include:

- Funding for Airport Zone 12 New Reservoir in the amount of \$3.1 million. This project is to design and construct a new 3.25 million gallon water reservoir on the northern boundary of the Granite Dells Annexation area in the Airport service area.
- Allocation in the amount of \$2.3 million for the purchase of necessary land west of Prescott Lakes Parkway and north of State Route 69 from the State Land Department and construction of a new 1.25 million gallon tank for pressure zone 56.
- \$2.2 million for the Airport Zone 12 Tank Reservoir Transmission Piping project.

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

Wastewater Fund

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

- Airport Phase 1 (\$3.4 million) is part of a multi-phased construction project for new improvements to upgrade the Airport Wastewater Treatment Plant to 3.2MG capacity.
- Sundog Filter Replacement/ Denitrification (\$3.0 million) - Tertiary filters are at capacity and have partially failed requiring major system repairs as well as additional structural components to remain in service and provide for additional capacity.
- An allocation for Wastewater Mainline Replacement/Rehabilitation (\$1.9 million) to replace failing wastewater main lines identified through wastewater system investigations.

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

Solid Waste Fund

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

Airport Fund

Infrastructure projects totaling nearly \$3.2 million are grant funded for FY 2010-11 with the City's share of these grants being \$152,623.

Streets and Open Space Fund

Street maintenance operations continue to be funded at a level of \$4.7 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 FY 2010-11 budget is \$500,000 for potential open space purchases. An additional \$22.0 million for street projects; the largest is the Williamson Valley Road Widening (\$6.0 million). Other notable projects are the completion of the State Route 89A/Granite Dells Parkway project (\$4.0 million) and the Pavement Maintenance and Rehabilitation Program (\$3.2 million).

General Fund

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

Notable capital outlay in the General Fund for FY2010-11 includes: \$177,138 as a carryover for a financial reporting and the HR/Payroll software program system, and \$118,000 for a document management system.

FUTURE ISSUES

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

- Protection of our watershed and aquifer water quality
- Achieving a long-term sustainable water supply
- Enhancing and sustaining long-term Airport area economic investment and growth
- Establishing water and wastewater fees sufficient to pay for needed infrastructure repair and expansion
- Costs associated with bringing Police Department's Property and Evidence division up to required standards
- Ensuring a safe operating environment at the Airport in the face of declining revenues and increased levels of federal and state requirements.
- The rising costs of providing basic employee health care coverage and the implications of the National Healthcare Reform Bill.
- Continued decline in local revenue and state shared revenue affects all City operations.

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



CITY OF PRESCOTT, ARIZONA
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 47,290,745	\$ 30,137,059	\$ 77,427,804
Receivables (net)	11,725,077	2,929,172	14,654,249
Internal balances	3,270,346	(3,270,346)	-
Inventories	238,020	530,325	768,345
Capital assets			
Land	71,294,762	28,639,882	99,934,644
Construction in progress	21,508,745	22,543,186	44,051,931
Other capital assets (net of accumulated depreciation)	193,903,224	164,652,575	358,555,799
Total assets	349,230,919	246,161,853	595,392,772
LIABILITIES			
Accounts payable	2,351,302	2,423,334	4,774,636
Accrued expenses	2,093,125	831,640	2,924,765
Claims payable - current	1,203,000	-	1,203,000
Claims payable	1,117,625	-	1,117,625
Deposits	293,174	292,550	585,724
Unearned revenue	512,439	496,197	1,008,636
Compensated absences due within one year	2,110,830	346,201	2,457,031
Bonds and other debt due within one year	3,020,223	2,501,702	5,521,925
Bonds and other debt - long term	34,767,732	35,170,963	69,938,695
Total liabilities	47,469,450	42,062,587	89,532,037
NET ASSETS			
Invested in capital assets, net of related debt	256,782,594	180,202,664	436,985,258
Restricted for:			
Streets and open space privilege tax activities	15,522,255	-	15,522,255
Impact fee projects	2,475,896	1,091,072	3,566,968
Transient occupancy tax	122,533	-	122,533
Landfill closure	-	1,173,915	1,173,915
Debt service	8,047,220	1,018,805	9,066,025
Expendable trust	583,335	-	583,335
Unrestricted	18,227,636	20,612,810	38,840,446
Total net assets	\$ 301,761,469	\$ 204,099,266	\$ 505,860,735

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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Primary Government		
		Services, Fees, Fines, and Forfeitures	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
<i>Governmental activities:</i>							
General government	\$ 5,270,318	\$ 275,792	\$ 174,480	\$ 78,387	\$ (4,741,659)	\$ -	\$ (4,741,659)
Community services	1,581,189	451,277	18,939	-	(1,110,973)	-	(1,110,973)
Culture and recreation	6,755,821	1,336,685	23,848	-	(5,395,288)	-	(5,395,288)
Police and court	13,199,261	1,862,438	335,451	28,220	(10,973,152)	-	(10,973,152)
Fire	8,283,157	517,585	460,710	182,236	(7,122,626)	-	(7,122,626)
Public works	17,159,687	343,168	4,406,212	1,500,000	(10,910,307)	-	(10,910,307)
Interest on long-term debt	945,490	-	-	-	(945,490)	-	(945,490)
Total governmental	53,194,923	4,786,945	5,419,640	1,788,843	(41,199,495)	-	(41,199,495)
<i>Business-type activities:</i>							
Airport	2,667,588	1,270,370	158,322	50,295	-	(1,188,601)	(1,188,601)
Golf course	3,177,877	2,666,753	-	-	-	(511,124)	(511,124)
Parking garage	233,647	52,731	-	-	-	(180,916)	(180,916)
Solid waste/transfer station	8,565,248	8,402,515	-	-	-	(162,733)	(162,733)
Wastewater	7,240,349	6,555,018	-	438,867	-	(246,464)	(246,464)
Water	11,730,387	11,206,436	36,733	7,148,635	-	6,661,417	6,661,417
Total business-type activities	33,615,096	30,153,823	195,055	7,637,797	-	4,371,579	4,371,579
Total primary government	\$ 86,810,019	\$ 34,940,768	\$ 5,614,695	\$ 9,426,640	(41,199,495)	4,371,579	(36,827,916)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,227,325	-	1,227,325
Property taxes, levied for debt service	1,627,818	-	1,627,818
Utility franchise taxes	1,644,977	-	1,644,977
City privilege and use tax, general purposes	12,177,884	-	12,177,884
City privilege and use tax, major street and open space program	11,711,274	-	11,711,274
Transient lodging tax	462,709	-	462,709
Intergovernmental revenues - unrestricted	10,564,433	176,755	10,741,188
Interest and investment income	1,359,253	992,399	2,351,652
Gain (loss) on sale of property	(1,152,911)	(359)	(1,153,270)
Miscellaneous	965,685	566,141	1,531,826
Transfers	388,326	(388,326)	-
Total general revenues and transfers	40,976,773	1,346,610	42,323,383
Change in net assets	(222,722)	5,718,189	5,495,467
Net assets - beginning	301,984,191	198,381,077	500,365,268
Net assets - ending	\$ 301,761,469	\$ 204,099,266	\$ 505,860,735

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

GENERAL FUND

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

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

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

SPECIAL REVENUE FUNDS

Streets and Open Space

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

DEBT SERVICE FUNDS

Community Facilities Districts

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

CITY OF PRESCOTT, ARIZONA

Balance Sheet

Governmental Funds

June 30, 2010

	Major Funds				
	General	Streets and Open Space	Community Facilities Districts Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 14,935,023	\$ 11,794,853	\$ 932,098	\$ 4,138,989	\$ 31,800,963
Cash with fiscal agent	65,535	4,119,840	879,935	-	5,065,310
Accounts receivable (net)	3,332,751	1,019,749	-	63,923	4,416,423
Property taxes receivable	54,625	-	-	76,260	130,885
Special assessments receivable	-	-	4,116,432	1,740,785	5,857,217
Interfund receivables	3,786,983	-	-	-	3,786,983
Interest receivable	136,826	-	-	-	136,826
Intergovernmental receivable	362,452	307,261	-	514,013	1,183,726
Inventory	2,788	-	-	-	2,788
Total assets	<u>\$ 22,676,983</u>	<u>\$ 17,241,703</u>	<u>\$ 5,928,465</u>	<u>\$ 6,533,970</u>	<u>\$ 52,381,121</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 872,107	\$ 1,288,588	\$ -	\$ 85,017	\$ 2,245,712
Accrued expenditures	1,635,379	128,368	-	174,735	1,938,482
Claims payable	-	298,000	-	-	298,000
Interfund payable	-	-	-	516,638	516,638
Deposits returnable	293,174	-	-	-	293,174
Unearned revenue	252,000	4,489	-	255,949	512,438
Deferred revenue	44,151	-	4,116,433	1,798,660	5,959,244
Total liabilities	<u>3,096,811</u>	<u>1,719,445</u>	<u>4,116,433</u>	<u>2,830,999</u>	<u>11,763,688</u>
Fund Balance					
Fund balance:					
Nonspendable	2,787	-	-	-	2,787
Restricted	43,985	15,522,258	1,812,032	3,715,340	21,093,615
Committed	8,409,664	-	-	-	8,409,664
Assigned	302,078	-	-	-	302,078
Unassigned	10,821,658	-	-	(12,369)	10,809,289
Total fund balances	<u>19,580,172</u>	<u>15,522,258</u>	<u>1,812,032</u>	<u>3,702,971</u>	<u>40,617,433</u>
Total liabilities and fund balances	<u>\$ 22,676,983</u>	<u>\$ 17,241,703</u>	<u>\$ 5,928,465</u>	<u>\$ 6,533,970</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		385,365,826
Less Accumulated Depreciation:		(109,599,392)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred special assessment revenue	\$ 5,857,218	
Deferred property tax revenue	102,025	5,959,243
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	(29,455,893)	
Compensated absences	(5,026,609)	(34,482,502)
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.		13,900,861
Net assets of governmental activities		<u>\$ 301,761,469</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, 2010

	Major Funds				
	General	Streets and Open Space	Community Facilities Districts Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 15,050,186	\$ 11,711,274	\$ -	\$ 2,098,537	\$ 28,859,997
Intergovernmental revenues	12,744,936	5,908,655	-	1,237,954	19,891,545
Licenses and permits	381,558	-	-	709,409	1,090,967
Fines and forfeitures	646,737	-	-	-	646,737
Gifts and donations	-	-	-	65,517	65,517
Charges for services	660,570	225,449	-	-	886,019
Grant Contributions	-	12,000	-	-	12,000
Interest and investment income	610,269	154,920	349,455	244,609	1,359,253
Miscellaneous	375,465	400,581	394,346	350,487	1,520,879
Total revenues	<u>30,469,721</u>	<u>18,412,879</u>	<u>743,801</u>	<u>4,706,513</u>	<u>54,332,914</u>
Expenditures					
Current operating					
General government	5,065,784	-	15,702	517,984	5,599,470
Community services	1,504,754	-	-	27,822	1,532,576
Culture and recreation	5,258,204	-	-	141,120	5,399,324
Police and court	12,251,518	-	-	375,756	12,627,274
Fire	7,184,083	-	-	707,156	7,891,239
Public works	-	4,275,139	-	-	4,275,139
Capital outlay					
General government	707,787	851,440	-	164,547	1,723,774
Culture and recreation	203,045	-	-	57,006	260,051
Police and court	269,210	-	-	9,751	278,961
Fire	315,252	-	-	124,529	439,781
Public works	-	18,560,517	-	-	18,560,517
Debt service - principal	202,918	-	235,000	1,622,151	2,060,069
Debt service - interest	14,445	332,590	346,862	363,628	1,057,525
Total expenditures	<u>32,977,000</u>	<u>24,019,686</u>	<u>597,564</u>	<u>4,111,450</u>	<u>61,705,700</u>
Excess (deficiency) of revenues over expenditures	<u>(2,507,279)</u>	<u>(5,606,807)</u>	<u>146,237</u>	<u>595,063</u>	<u>(7,372,786)</u>
Other Financing Sources (Uses)					
Debt issuances	-	18,250,000	-	-	18,250,000
Transfers in	1,209,561	707,924	194,864	211,890	2,324,239
Transfers out	(327,704)	(638,586)	-	(969,623)	(1,935,913)
Total other financing sources (uses)	<u>881,857</u>	<u>18,319,338</u>	<u>194,864</u>	<u>(757,733)</u>	<u>18,638,326</u>
Net change in fund balances	(1,625,422)	12,712,531	341,101	(162,670)	11,265,540
Fund balance - beginning	21,205,594	2,809,727	1,470,931	3,865,641	29,351,893
Fund balance - ending	<u>\$ 19,580,172</u>	<u>\$ 15,522,258</u>	<u>\$ 1,812,032</u>	<u>\$ 3,702,971</u>	<u>\$ 40,617,433</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, 2010

Net change in fund balances - total governmental funds \$ 11,265,540

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	\$ 18,258,389	
Less: current year depreciation	12,971,333	5,287,056

In the Statement of Activities, the loss on the disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds. (1,152,911)

Donations of capital assets are not reflected on the governmental fund statements, but are shown in the statement of activities. 132,691

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

Property taxes	(8,010)	
Assessments receivable	(720,809)	(728,819)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however has any effect on net assets. This is the amount by which principal retirement exceeded debt proceeds in the current period. (16,189,932)

The net revenues of certain activities of internal service funds is reported with governmental activities. 1,729,019

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (565,366)

Change in net assets of governmental activities \$ (222,722)

CITY OF PRESCOTT, ARIZONA

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

General Fund

For the year ended June 30, 2010

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Taxes	\$ 15,462,103	\$ 15,462,103	\$ 15,050,186	\$ (411,917)
Intergovernmental revenues	13,080,205	13,080,205	12,744,936	(335,269)
Licenses and permits	446,806	446,806	381,558	(65,248)
Fines and forfeitures	534,000	534,000	646,737	112,737
Charges for services	622,220	622,220	660,570	38,350
Miscellaneous	253,624	253,624	375,465	121,841
Interest and investment income	510,000	510,000	610,269	100,269
Total revenues	<u>30,908,958</u>	<u>30,908,958</u>	<u>30,469,721</u>	<u>(439,237)</u>
Expenditures				
Current				
General government	6,299,056	6,339,056	5,065,784	1,273,272
Community services	1,638,460	1,638,460	1,504,754	133,706
Culture and recreation	5,377,628	5,377,628	5,258,204	119,424
Police and court	12,823,059	12,583,059	12,251,518	331,541
Fire	7,045,674	7,245,674	7,184,083	61,591
Total expenditures	<u>33,183,877</u>	<u>33,183,877</u>	<u>31,264,343</u>	<u>1,919,534</u>
Debt service				
Principal	202,918	202,918	202,918	-
Interest	14,445	14,445	14,445	-
Total debt service	<u>217,363</u>	<u>217,363</u>	<u>217,363</u>	<u>-</u>
Capital outlay				
General government	1,200,035	1,200,035	707,787	492,248
Culture and recreation	75,000	75,000	203,045	(128,045)
Police and court	900,000	900,000	269,210	630,790
Fire	150,000	150,000	315,252	(165,252)
Total capital outlay	<u>2,325,035</u>	<u>2,325,035</u>	<u>1,495,294</u>	<u>829,741</u>
Total expenditures	<u>35,726,275</u>	<u>35,726,275</u>	<u>32,977,000</u>	<u>2,749,275</u>
Excess of revenues over expenditures	<u>(4,817,317)</u>	<u>(4,817,317)</u>	<u>(2,507,279)</u>	<u>2,310,038</u>
Other Financing Sources (Uses)				
Transfers in	2,650,000	2,650,000	1,209,561	(1,440,439)
Transfers out	(4,427,592)	(4,427,592)	(327,704)	4,099,888
Total other financing sources and uses	<u>(1,777,592)</u>	<u>(1,777,592)</u>	<u>881,857</u>	<u>2,659,449</u>
Net change in fund balances	<u>(6,594,909)</u>	<u>(6,594,909)</u>	<u>(1,625,422)</u>	<u>4,969,487</u>
Fund balance - beginning	21,205,594	21,205,594	21,205,594	-
Fund balance - ending	<u>\$ 14,610,685</u>	<u>\$ 14,610,685</u>	<u>\$ 19,580,172</u>	<u>\$ 4,969,487</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, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,195,000	\$ 12,195,000	\$ 11,711,274	(483,726)
Intergovernmental revenues	6,570,648	6,570,648	5,908,655	(661,993)
Charges for services	231,721	231,721	225,449	(6,272)
Grant contributions	-	-	12,000	12,000
Capital contributions	-	-	-	-
Miscellaneous	480,000	480,000	400,581	(79,419)
Interest and investment income	121,000	121,000	154,920	33,920
Total revenues	<u>19,598,369</u>	<u>19,598,369</u>	<u>18,412,879</u>	<u>(1,185,490)</u>
Expenditures				
Current				
Public works	4,738,347	4,738,347	4,275,139	463,208
Total current	<u>4,738,347</u>	<u>4,738,347</u>	<u>4,275,139</u>	<u>463,208</u>
Debt service				
Principal	1,825,000	1,825,000	-	1,825,000
Interest	1,825,000	1,825,000	332,590	1,492,410
Total debt service	<u>3,650,000</u>	<u>3,650,000</u>	<u>332,590</u>	<u>3,317,410</u>
Capital outlay				
General government	3,391,397	3,391,397	851,440	2,539,957
Public works	21,492,049	21,492,049	18,560,517	2,931,532
Total capital outlay	<u>24,883,446</u>	<u>24,883,446</u>	<u>19,411,957</u>	<u>5,471,489</u>
Total expenditures	<u>33,271,793</u>	<u>33,271,793</u>	<u>24,019,686</u>	<u>9,252,107</u>
Excess (deficiency) of revenues over expenditures	<u>(13,673,424)</u>	<u>(13,673,424)</u>	<u>(5,606,807)</u>	<u>8,066,617</u>
Other Financing Sources (Uses)				
Debt issuance	-	-	18,250,000	18,250,000
Transfers in	497,795	497,795	707,924	210,129
Transfers out	(867,470)	(867,470)	(638,586)	228,884
Total other financing sources and uses	<u>(369,675)</u>	<u>(369,675)</u>	<u>18,319,338</u>	<u>18,689,013</u>
Net change in fund balances	<u>(14,043,099)</u>	<u>(14,043,099)</u>	<u>12,712,531</u>	<u>26,755,630</u>
Fund balance - beginning	2,809,727	2,809,727	2,809,727	-
Fund balance - ending	<u>\$ (11,233,372)</u>	<u>\$ (11,233,372)</u>	<u>\$ 15,522,258</u>	<u>\$ 26,755,630</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

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

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

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

- **Fleet Maintenance**
- **Risk Management**
- **Engineering services**
- **Facilities maintenance**

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2010

ASSETS	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Totals	
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
Current Assets							
Cash and cash equivalents	\$ 20,704,878	\$ 1,880,457	\$ -	\$ 5,886,661	\$ -	\$ 28,471,996	\$ 10,333,339
Accounts receivable (net)	1,469,531	669,219	119,874	435,577	4,959	2,699,160	-
Grant receivable	-	-	230,012	-	-	230,012	-
Inventory at cost	446,119	-	-	-	84,206	530,325	235,232
Total current assets	22,620,528	2,549,676	349,886	6,322,238	89,165	31,931,493	10,568,571
Noncurrent Assets							
Restricted cash and cash equivalents							
Cash with fiscal agent	211,177	375,647	-	137,449	-	724,273	91,134
Restricted Cash	-	-	-	689,551	-	689,551	-
Customer deposits	251,239	-	-	-	-	251,239	-
Landfill closure reserve	-	-	-	-	-	-	-
Total restricted assets	462,416	375,647	-	827,000	-	1,665,063	91,134
Capital Assets							
Land	24,994,864	435,901	1,143,261	102,302	1,963,554	28,639,882	13,191
Construction in process	18,238,484	3,969,091	335,611	-	-	22,543,186	-
Buildings	2,090,684	5,760,829	4,621,879	1,453,005	7,027,258	20,953,655	5,259,218
Improvements other than buildings	103,104,617	76,052,561	34,585,141	950,138	5,650,170	220,342,627	49,023
Machinery and equipment	4,733,644	1,782,359	438,784	3,119,581	1,860,368	11,934,736	9,268,525
Less accumulated depreciation	(36,307,249)	(28,913,108)	(15,641,350)	(3,250,081)	(4,466,655)	(88,578,443)	(3,649,660)
Total capital assets (net of accumulated depreciation)	116,855,044	59,087,633	25,483,326	2,374,945	12,034,695	215,835,643	10,940,297
Total noncurrent assets	117,317,460	59,463,280	25,483,326	3,201,945	12,034,695	217,500,706	11,031,431
Total assets	\$ 139,937,988	\$ 62,012,956	\$ 25,833,212	\$ 9,524,183	\$ 12,123,860	\$ 249,432,199	\$ 21,600,002
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 1,408,127	\$ 437,963	\$ 141,193	\$ 367,602	\$ 68,449	\$ 2,423,334	\$ 105,590
Accrued expenses	293,104	301,394	34,462	96,674	106,006	831,640	122,775
Claims payable	-	-	-	-	-	-	905,000
Interfund payables	-	-	295,791	-	16,010	311,801	-
Deposits returnable	-	-	1,372	-	-	1,372	-
Customer water deposits	291,178	-	-	-	-	291,178	-
Deferred revenue - current	-	360,000	18,994	-	73,490	452,484	-
Compensated absences - current	126,537	64,217	23,782	83,124	48,541	346,201	165,074
Loans payable - current	652,403	413,856	526,107	-	163,879	1,756,245	-
Bonds - current	399,046	220,954	-	56,399	-	676,399	188,601
Landfill closure costs - current	-	-	-	69,058	-	69,058	-
Total current liabilities	3,170,395	1,798,384	1,041,701	672,857	476,375	7,159,712	1,487,040
Noncurrent Liabilities							
Claims payable	-	-	-	-	-	-	1,117,625
Deferred revenue	43,713	-	-	-	-	43,713	-
Compensated absences	382,043	218,109	87,485	134,817	43,313	865,767	694,995
Loans payable	6,497,704	10,373,224	766,168	-	302,725	17,939,821	-
Bonds payable	12,052,476	1,892,524	-	1,315,518	-	15,260,518	4,399,482
Interfund payable	-	-	-	-	2,958,545	2,958,545	-
Landfill closure/postclosure cost	-	-	-	1,104,857	-	1,104,857	-
Total noncurrent liabilities	18,975,936	12,483,857	853,653	2,555,192	3,304,583	38,173,221	6,212,102
Total liabilities	22,146,331	14,282,241	1,895,354	3,228,049	3,780,958	45,332,933	7,699,142
NET ASSETS							
Invested in capital assets, net of related debt	97,253,415	46,187,077	24,191,053	1,003,028	11,568,091	180,202,664	6,352,214
Restricted for debt service	604,950	413,855	-	-	-	1,018,805	-
Restricted for impact fee projects	552,069	539,003	-	-	-	1,091,072	-
Restricted for landfill closure	-	-	-	1,173,915	-	1,173,915	-
Unrestricted	19,381,223	590,780	(253,195)	4,119,191	(3,225,189)	20,612,810	7,548,646
Total net assets	\$ 117,791,657	\$ 47,730,715	\$ 23,937,858	\$ 6,296,134	\$ 8,342,902	\$ 204,099,266	\$ 13,900,860

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

CITY OF PRESCOTT, ARIZONA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2010

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds			
Operating Revenues							
Water sales	\$ 9,971,066	\$ -	\$ -	\$ -	\$ -	\$ 9,971,066	\$ -
Water connection fees	133,034	-	-	-	-	133,034	-
Alternative water source fees	1,102,336	-	-	-	-	1,102,336	-
Wastewater service fees	-	5,982,505	-	-	-	5,982,505	-
Effluent sales	-	572,513	-	-	-	572,513	-
Golf course green fees	-	-	-	-	1,197,156	1,197,156	-
Restaurant sales	-	-	-	-	747,868	747,868	-
Golf course rentals	-	-	-	-	565,070	565,070	-
Golf pro-shop sales	-	-	-	-	156,659	156,659	-
Fuel sales and flowage fees	-	-	81,657	-	-	81,657	-
Tie down and hangar rentals	-	-	1,188,713	-	-	1,188,713	-
Refuse collection fees	-	-	-	5,303,874	-	5,303,874	-
Tipping fees	-	-	-	3,098,641	-	3,098,641	-
Charges for services	-	-	-	-	52,731	52,731	6,576,862
Other services	-	-	-	-	-	-	1,935,447
Miscellaneous	82,509	198,185	83,115	194,585	7,747	566,141	81
Total operating revenues	11,288,945	6,753,203	1,353,485	8,597,100	2,727,231	30,719,964	8,512,390
Operating Expenses							
Personnel services	2,850,369	2,363,432	585,539	1,708,137	1,494,941	9,002,418	2,855,909
Supplies	1,766,362	388,231	87,811	588,147	599,568	3,430,119	682,019
Other services and charges	3,958,000	2,078,010	664,822	5,775,826	706,471	13,183,129	1,883,578
Depreciation	2,332,565	1,998,589	1,263,352	431,280	493,617	6,519,403	973,065
Claims expense	-	-	-	-	-	-	546,460
Total operating expenses	10,907,296	6,828,262	2,601,524	8,503,390	3,294,597	32,135,069	6,941,031
Operating income (loss)	381,649	(75,059)	(1,248,039)	93,710	(567,366)	(1,415,105)	1,571,359
Non-Operating Revenues (Expenses)							
Interest and investment income	678,917	125,657	-	187,825	-	992,399	278,686
Interest expense	(823,091)	(412,087)	(66,064)	(61,858)	(116,927)	(1,480,027)	(206,862)
Net gain (loss) on disposal of assets	-	-	-	-	(359)	(359)	85,836
Total non-operating Revenues (expenses)	(144,174)	(286,430)	(66,064)	125,967	(117,286)	(487,987)	157,660
Income (loss) before contributions and transfers	237,475	(361,489)	(1,314,103)	219,677	(684,652)	(1,903,092)	1,729,019
Grant contributions	6,062,453	-	208,617	-	-	6,271,070	-
Capital contributions	1,299,670	438,867	-	-	-	1,738,537	-
Transfers in	-	-	153,692	-	10,122	163,814	-
Transfers out	(262,198)	(24,000)	(748)	(265,194)	-	(552,140)	-
Change in net assets	7,337,400	53,378	(952,542)	(45,517)	(674,530)	5,718,189	1,729,019
Total net assets - beginning	110,454,257	47,677,337	24,890,400	6,341,651	9,017,432	198,381,077	12,171,841
Total net assets - ending	\$ 117,791,657	\$ 47,730,715	\$ 23,937,858	\$ 6,296,134	\$ 8,342,902	\$ 204,099,266	\$ 13,900,860

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, 2010

	Business-type Activities -			Enterprise Funds
	Major Funds			
	Water	Waste Water	Airport	Solid Waste/ Transfer Station
Cash flows from operating activities:				
Cash received from customers	\$ 12,214,585	\$ 6,083,984	\$ 1,295,425	\$ 8,167,186
Other operating receipts	-	-	-	-
Cash payments to employees for services	(2,699,479)	(2,384,609)	(560,808)	(1,671,862)
Cash payments to suppliers for goods and services	(6,009,007)	(3,320,632)	(631,711)	(6,334,346)
Net cash provided by (used for) operating activities	3,506,099	378,743	102,906	160,978
Cash flows from noncapital financing activities:				
Receipts (payments) under interfund loan arrangement	-	(3,078,124)	190,610	-
Transfers in	-	-	153,692	-
Transfers out	(262,198)	(24,000)	(748)	(265,194)
Net cash provided by (used for) noncapital financing activity	(262,198)	(3,102,124)	343,554	(265,194)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(11,093,440)	(1,541,951)	(329,027)	-
Contributed from capital grant	6,071,520	-	113,677	-
Contributed from customers	1,299,670	438,867	-	-
Interest paid on capital financing	(813,848)	(320,934)	(66,064)	(61,858)
Principal paid on capital financing	(978,950)	(496,327)	(336,787)	(55,248)
Proceeds from debt issues	1,631,692	6,410,510	171,741	-
Proceeds/payments from sales of capital assets	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(3,883,356)	4,490,165	(446,460)	(117,106)
Cash flows from investing activities:				
Interest on investments	678,917	125,657	-	187,825
Net cash provided by (used for) investing activities	678,917	125,657	-	187,825
Net increase (decrease) in cash and cash equivalents	39,462	1,892,441	-	(33,497)
Cash and cash equivalents at July 1	21,127,832	363,663	-	6,747,158
Cash and cash equivalents at June 30	\$ 21,167,294	\$ 2,256,104	\$ -	\$ 6,713,661
Reconciliation to statement of net assets				
Cash and cash equivalents at June 30, unrestricted	\$ 20,704,878	\$ 1,880,457	\$ -	\$ 5,886,661
Cash and cash equivalents at June 30, restricted	462,416	375,647	-	827,000
Total	\$ 21,167,294	\$ 2,256,104	\$ -	\$ 6,713,661
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 381,649	\$ (75,059)	\$ (1,248,039)	\$ 93,710
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,332,565	1,998,589	1,263,352	431,280
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(199,111)	(851,083)	120,922	29,627
(Increase) decrease in bad debt	17,279	-	-	-
Increase (decrease) in compensated absences	171,050	(32,384)	15,424	25,412
(Increase) decrease in accounts receivable	908,361	(669,219)	(58,060)	(429,914)
Increase (decrease) in claims payable	-	-	-	-
(Increase) decrease in inventory	(85,534)	-	-	-
Increase (decrease) salary & benefits payable	(20,160)	7,899	9,307	10,863
Total adjustments	3,124,450	453,802	1,350,945	67,268
Net cash provided by operating activities	\$ 3,506,099	\$ 378,743	\$ 102,906	\$ 160,978

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

Nonmajor Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,743,121	\$ 30,504,301	\$ 8,512,390
-	-	581,411
(1,491,386)	(8,808,144)	(2,215,928)
(1,234,874)	(17,530,570)	(4,674,034)
16,861	4,165,587	2,203,839
699,802	(2,187,712)	-
10,122	163,814	-
-	(552,140)	-
709,924	(2,576,038)	-
-	(12,964,418)	(1,358,574)
-	6,185,197	-
-	1,738,537	-
(116,927)	(1,379,631)	(206,862)
(610,604)	(2,477,916)	(184,752)
-	8,213,943	-
(359)	(359)	85,836
(727,890)	(684,647)	(1,664,352)
-	992,399	278,686
-	992,399	278,686
(1,105)	1,897,301	818,173
1,105	28,239,758	9,606,300
\$ -	\$ 30,137,059	\$ 10,424,473
\$ -	\$ 28,471,996	\$ 10,333,339
-	1,665,063	91,134
\$ -	\$ 30,137,059	\$ 10,424,473
\$ (567,366)	\$ (1,415,105)	\$ 1,571,359
493,617	6,519,403	973,065
-	-	-
107,205	(792,440)	(985,313)
-	17,279	-
(750)	178,752	70,340
15,890	(232,942)	-
-	-	581,411
(36,040)	(121,574)	-
4,305	12,214	(7,023)
584,227	5,580,692	632,480
\$ 16,861	\$ 4,165,587	\$ 2,203,839

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



Fiduciary Funds

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

County Justice Court Agency

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

CITY OF PRESCOTT, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency County Justice Court
ASSETS	
Cash and short-term investments	\$ 132,064
Total assets	<u>132,064</u>
LIABILITIES	
Due to other governments	<u>132,064</u>
Total liabilities	<u>132,064</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, 2010

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.

During the year ended June 30, 2010, the City adopted early implementation of the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes criteria for classifying governmental fund balances into specifically defined classifications to make the nature and extent of the constraints placed on fund balance more transparent. The classifications are as follows: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

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

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

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

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

B. Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the changes in aggregate financial position resulting from activities of the fiscal period. These aggregated statements consist of the

Statement of Net Assets and the Statement of Activities. Fiduciary funds are not included in the government-wide financial statements.

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

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

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

C. Basis of Presentation - Fund Accounting

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

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

The City reports the following major governmental funds:

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

The streets and open space fund is used to account for the additional 1% privilege and use tax which is limited to street improvements and maintenance and/or open space acquisition. The funding source will sunset in December 2015. In 2010, voters approved a 0.75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035. The highway user fund was consolidated into the streets and open space fund this year.

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

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

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

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

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

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

The City reports four of its six enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, wastewater, airport, and solid waste/transfer station facilities. Furthermore, the City has two nonmajor funds, the golf course and parking garage. These funds are entirely or predominately self-supported through user charges to the customer.

Additionally, the City reports the following fund types:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

A deferred revenue liability arises in the governmental funds balance sheet when potential revenue does not meet either the *measurable* and *available* criteria for recognition in the current period. In the government-wide statement of net assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the

City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to incurring the qualifying expenditures.

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

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

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

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

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

E. Cash and Investments

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

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

F. Receivables and Payables

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

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

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

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

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

G. Inventories

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

Vacation Leave - All permanent full-time employees of the City are entitled to 12 days of vacation each year during the first three years of service increasing to 15 days for three to ten years of service, 18 days

for ten to fifteen years of service, and 20 days for fifteen or more years of service. Vacation can be carried over from year to year with a maximum of 25 days vacation time to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated (vested) vacation time. The total amount of vested vacation leave at June 30, 2010, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General government	\$ 1,170,065	\$ 501,161	\$ 1,671,226
Other	165,074	74,576	239,650
Total governmental	<u>1,335,139</u>	<u>575,737</u>	<u>1,910,876</u>
Business-type activities:			
Water	126,537	53,424	179,961
Wastewater	64,217	20,015	84,232
Golf course	48,541	21,858	70,399
Airport	23,782	11,835	35,617
Solid waste	83,124	35,862	118,986
Total business-type	<u>346,201</u>	<u>142,994</u>	<u>489,195</u>
Total vested	<u>\$ 1,681,340</u>	<u>\$ 718,731</u>	<u>\$ 2,400,071</u>

In determining the current portion, the assumption was made that each employee would take the annual allotted accrual during the next year (12 days each year during the first three years, etc.) or the amount of vacation accrual as of June 30, 2010, whichever is less.

Sick Leave - City employees accumulate sick leave with full pay at the rate of one working day for each month of paid service. Employees can have unlimited accrual of sick leave time. Upon termination, an employee will be paid for 1/3 of all sick leave accrued above the number of working hours in one month, not to exceed four months. However, when an employee retires they are paid 1/2 of all sick leave and are not subject to the one-month floor. The total amount of accrued sick pay benefits, using the vesting method described above, at June 30, 2010 is as follows:

	Accrued Liability 6/30/2009	Fiscal Year 2010 Change	Accrued Liability 6/30/2010
Governmental-type activities:			
General government	\$ 1,527,101	\$ 178,508	\$ 1,705,609
Other	255,245	14,077	269,322
Total governmental activities	<u>1,782,346</u>	<u>192,585</u>	<u>1,974,931</u>
Business-type activities:			
Water	96,581	50,815	147,396
Wastewater	90,132	(11,605)	78,527
Golf course	12,180	1,324	13,504
Airport	23,805	6,751	30,556
Solid waste/transfer station	50,881	8,422	59,303
Total business-type activities	<u>273,579</u>	<u>55,707</u>	<u>329,286</u>
Total accrued sick pay	<u>\$ 2,055,925</u>	<u>\$ 248,292</u>	<u>\$ 2,304,217</u>

The current portion of the sick leave above is estimated to be \$415,854.

Retirement Bonus - Employees with ten or more years of service with the City of Prescott that are eligible to retire under the Arizona State Retirement System or Public Safety Personnel Retirement System system

receive a three month salary appreciation bonus. The amount of retirement bonus benefits, using the vesting method described above, at June 30, 2010 is as follows:

	Accrued Liability 6/30/2009	Fiscal Year 2010 Change	Accrued Liability 6/30/2010
Governmental-type activities:			
General government	\$ 1,280,706	\$ 337,198	\$ 1,617,904
Other	330,203	20,894	351,097
Total governmental activities	1,610,909	358,092	1,969,001
Business-type activities:			
Water	103,449	77,773	181,222
Wastewater	124,664	(5,098)	119,566
Golf course	7,965	(14)	7,951
Airport	34,625	10,470	45,095
Solid waste/transfer station	39,231	421	39,652
Regional transfer station (1)	-	-	-
Total business-type activities	309,934	83,552	393,486
Total retirement bonus	\$ 1,920,843	\$ 441,644	\$ 2,362,487

The current portion of the retirement bonus above is estimated to be \$359,837.

K. Long-Term Debt

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

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

L. Fund Equity

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

M. Employee Pension Plans

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

N. Use of Estimates

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

O. Reclassification of Certain Amounts

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

P. 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.
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: > a portion of the privilege (sales) tax for road projects or open space acquisitions, > the transient tax to tourist promotion and recreational purposes > impact fees to growth related capital improvements Restricted by creditors through debt covenants. Restricted by grantors and contributors. Restricted interfund loan balances to other funds.
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 the 2011 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.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

- The City Council formally adopts the budget and legally allocates, or appropriates available monies for the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1 of each year. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings on the budget are held each year in accordance with legal requirements in order to obtain citizen comments.
- State law requires that on, or before, the third Monday in July of each fiscal year, the City Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures

may not be increased upon final adoption; however, they may be decreased. The tentative budget must also be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August.

- The level of control for each legally adopted annual budget is at the department level. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City Manager may transfer any unencumbered appropriation from one expenditure category to another within a department. Only the Council may transfer any unencumbered appropriation balance, or portion thereof, from one department to another.
- Formal budgetary integration is employed as a management control device through line item levels during the fiscal year for the general, special revenue, debt service, capital projects, enterprise and internal service funds. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) with the major differences being: 1) accrued compensated absences are not recognized as expenditures for budgetary purposes, 2) capital outlays for proprietary funds are treated as expenditures, 3) debt service principal payments are treated as expenditures for proprietary funds, 4) capital grants in enterprise funds are budgeted as revenue, and 5) depreciation is not budgeted as an expenditure.

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

To:	From:	Amount
Fire	Police	\$ 200,000
City Clerk	Police	40,000
Total appropriation transfers		<u>\$ 240,000</u>

B. Budget Basis of Accounting

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

C. Excess of Budgeted Expenditures over Budgeted Revenue

The Streets and Open Space Fund expenditures were budgeted to exceed revenues by \$13,673,424. The Fund ended up with a surplus of \$15,522,258 because the fund had bond proceeds of \$18,250,000 during the year and many budgeted projects were delayed.

D. Deficit net assets

The Engineering Service Fund had a deficit net asset balance of \$308,028 as of June 30, 2010. This fund recovers its cost through user charges to other departments within the City. The cost recovery calculations vary from one year to the next and are adjusted each year when the budget is prepared. We anticipate this fund to have a positive net asset balance during FY 2011. The Grants Fund had a net asset deficit of \$12,370 due to court grant deferrals. We anticipate this fund to have a positive net asset balance during FY 2011.

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 \$5,509.

Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$6,080,286 and the bank balance was \$7,376,155. The difference represents outstanding checks and other reconciling items. The carrying amount 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 \$879,935 at June 30, 2010.

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, 2010, 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, 2010 was 1.4, or slightly less than a one and a half years.

Credit Risk

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

Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five-percent (5%) of the City's investments are in collateralized mortgage obligations and the State Treasurer's Local Government Investment Pool. These investments represent 65% and 17% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2010 are summarized as follows (modified duration is in years):

Investment Type	Fair Value	Rating Moody / S&P	Modified Duration
State Treasurer's pool	\$ 13,129,712	Not Rated	0
U.S. Government Mutual Fund	13,739,990	Not Rated	0
U.S. agencies	49,804,722	Aaa / AAA	1.84
Total fair value	<u>\$ 76,674,424</u>		
Portfolio modified duration			1.4

B. Receivables and Deferred Revenue

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

	General	Streets	Community	Nonmajor	Total
		and Open Space	Facilities Districts Debt Service		
Receivables:					
Accounts (net)	\$ 3,332,751	\$ 1,019,749	\$ -	\$ 63,923	\$ 4,416,423
Interest	136,826	-	-	-	136,826
Property taxes	54,625	-	-	76,260	130,885
Special assessments	-	-	4,116,432	1,740,785	5,857,217
Intergovernmental	362,452	307,261	-	514,013	1,183,726
Total	<u>\$ 3,886,654</u>	<u>\$ 1,327,010</u>	<u>\$ 4,116,432</u>	<u>\$ 2,394,981</u>	<u>\$ 11,725,077</u>

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

	Water	Waste	Airport	Solid Waste	Nonmajor	Total
		Water		Transfer Station	Funds	
Accounts receivable	\$ 1,469,531	\$ 669,219	\$ 119,874	\$ 435,577	\$ 4,959	\$ 2,699,160
Intergovernmental	-	-	230,012	-	-	230,012
Total	<u>\$ 1,469,531</u>	<u>\$ 669,219</u>	<u>\$ 349,886</u>	<u>\$ 435,577</u>	<u>\$ 4,959</u>	<u>\$ 2,929,172</u>

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

	Unavailable	Unearned
Delinquent property taxes receivable General Fund	\$ 44,151	\$ -
Delinquent property taxes receivable City of Prescott Debt Service Fund	57,875	-
Streets and Open Space	-	\$ 4,489
Special assessments not yet due (Debt Service Fund)	1,740,785	-
Community Facilities Districts assessments not yet due	4,116,432	-
Unearned rents and deposits General Fund	-	252,000
Grant drawdowns prior to meeting eligibility requirements	-	255,949
Total	<u>\$ 5,959,243</u>	<u>\$ 512,438</u>

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in progress	\$ 87,265,211	\$ 16,195,126	\$ 10,656,830	\$ 92,803,507
Total non-depreciable	87,265,211	16,195,126	10,656,830	92,803,507
Buildings	30,039,501	646,986	-	30,686,487
Improvements other than buildings	32,901,998	171,989	-	33,073,987
Machinery and equipment	24,868,393	2,022,720	433,897	26,457,216
Infrastructure	207,926,958	11,369,667	2,362,039	216,934,586
Total depreciable	295,736,850	14,211,362	2,795,936	307,152,276
Accumulated depreciation				
Buildings	(8,299,983)	(763,327)	-	(9,063,310)
Improvements other than buildings	(8,141,461)	(956,903)	-	(9,098,364)
Machinery and equipment	(13,264,638)	(1,590,134)	(424,974)	(14,429,798)
Infrastructure	(71,273,458)	(10,634,034)	(1,249,912)	(80,657,580)
Total accumulated depreciation	(100,979,540)	(13,944,398)	(1,674,886)	(113,249,052)
Governmental activities				
capital assets, net	\$ 282,022,521	\$ 16,462,090	\$ 11,777,880	\$ 286,706,731

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

General government	\$ 1,565,954
Community services	38,531
Culture and recreation	1,065,575
Public safety - police	279,850
Public safety - fire	231,362
Public works	10,763,126
Total depreciation for governmental activities	<u>\$ 13,944,398</u>

Capital asset activity for business-type activities for the year ended June 30, 2010 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land and construction in process	\$ 53,673,051	\$ 9,801,425	\$ 12,291,408	\$ 51,183,068
Total non-depreciable	53,673,051	9,801,425	12,291,408	51,183,068
Buildings (1)	20,835,592	171,741	53,678	20,953,655
Improvements other than buildings	205,066,386	15,276,241	-	220,342,627
Machinery and equipment	12,224,167	60,097	349,528	11,934,736
Total depreciable	238,126,145	15,508,079	403,206	253,231,018
Accumulated depreciation				
Buildings	(7,272,804)	(771,965)	-	(8,044,769)
Improvements other than buildings	(65,934,287)	(5,270,550)	-	(71,204,837)
Machinery and equipment	(9,201,117)	(476,843)	(349,123)	(9,328,837)
Total accumulated depreciation	(82,408,208)	(6,519,358)	(349,123)	(88,578,443)
Business-type activities				
capital assets, net	\$ 209,390,988	\$ 18,790,146	\$ 12,345,491	\$ 215,835,643

(1) In FY 2009, \$53,678 of assets reflected in Airport buildings were actually in process.

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

Water	\$ 2,332,565
Wastewater	1,998,589
Golf course	335,301
Airport	1,263,352
Solid waste	431,280
Parking garage	158,316
Total depreciation for business-type activities	<u>\$ 6,519,403</u>

D. Interfund Receivables, Payables and Transfers

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

In 2004, the golf course (restaurant) borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant. The balance of this loan, \$3,974 will be paid off in full in 2011. Additionally, the golf course has overdrawn their share of pooled cash in the amount of \$2,958,545 resulting in a total interfund payable to the general fund of \$2,962,519.

In 2007, the impact fee fund borrowed \$595,000 from the capital improvement fund to complete the adult center. The balance at June 30, 2010 was \$426,462 and is being repaid as recreation impact fees are collected.

In 2010, the airport fund has overdrawn their share of pooled cash in the amount of \$295,791 because grant reimbursements have been delayed.

In 2010, the grants fund has overdrawn their share of pooled cash in the amount of \$90,176 because grant reimbursements have been delayed.

In 2010, the parking garage fund has overdrawn their share of pooled cash in the amount of \$12,036 which represents an operation deficit during the year.

The composition of interfund balances as of June 30, 2010 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 3,786,984	\$ -
Nonmajor fund - Impact fees	-	426,462
Nonmajor fund - grants	-	90,176
Airport fund	-	295,791
Nonmajor enterprise fund- Golf course	-	2,962,519
Nonmajor enterprise fund- Parking garage	-	12,036
Total	<u>\$ 3,786,984</u>	<u>\$ 3,786,984</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, 2010 were as follows:

Transfers Out		Transfers In	
From:		To:	
Major governmental		Major governmental	
General fund	\$ 327,704	General	\$ 1,209,561
Streets & open space	638,586	Streets & open space	707,924
Total Major Governmental	<u>966,290</u>	CFD Debt Service	194,864
		Total Major Governmental	<u>2,112,349</u>
Nonmajor governmental	969,623		
Enterprise		Nonmajor governmental	211,890
Water	262,198	Enterprise	
Wastewater	24,000	Airport	153,692
Solid Waste	265,194	Non major	10,122
Airport	748	Total enterprise	<u>163,814</u>
Total enterprise	<u>552,140</u>		
Total	<u>\$ 2,488,053</u>	Total	<u>\$ 2,488,053</u>

E. Leases

Capital Leases

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

	Capital Equipment
Business-type activities	
Water	\$ 3,722,487
Golf course	2,628,563
Airport	4,291,535
Less accumulated amortization	<u>(2,935,061)</u>
	7,707,524
Governmental activities	961,957
Less accumulated amortization	<u>(188,534)</u>
	<u>\$ 8,480,947</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, 2010:

Year Ending June 30,	Amount
2011	\$ 772,962
2012	742,749
2013	448,412
2014	<u>176,993</u>
Total minimum lease payments	2,141,116
Less: amounts representing interest	<u>(144,268)</u>
Present value of net minimum lease payments at June 30, 2010	<u>\$ 1,996,848</u>

F. Long-Term Debt

General Obligation Bonds

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

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

The balance outstanding at June 30, 2010 was as follows:

Purpose	Interest rate	Amount
Governmental activities (1998 issue)	4.34%	\$ 3,825,000
Governmental activities (2007 issue)	various	<u>1,125,000</u>
		<u>\$ 4,950,000</u>

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

Year Ending		
June 30,	Principal	Interest
2011	\$ 1,355,000	\$ 215,910
2012	1,425,000	156,850
2013	1,490,000	93,475
2014	160,000	27,200
2015	165,000	20,800
2016-2017	355,000	21,400
Total	<u>\$ 4,950,000</u>	<u>\$ 535,635</u>

Special Assessment Bonds and Notes

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

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

Issue	District	Issue	Installment	Matures	Rate	6/30/2010
2001	161	\$ 124,096	12,107	7/1/2010	7.00%	\$ 12,107
2001	162	1,920,000	130,000	9/1/2015	5.10%	800,000
2001	163	2,470,000	175,000	2/1/2016	4.60%	875,000
2004	164	95,840	5,044	1/1/2022	2.54%	60,530
						<u>\$ 1,747,637</u>

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

Year Ending		
June 30,	Principal	Interest
2011	\$ 337,150	\$ 75,180
2012	330,044	59,065
2013	340,044	43,173
2014	350,045	26,570
2015	355,044	9,586
2016-2020	25,221	3,650
2021-2022	10,089	388
Total	<u>\$ 1,747,637</u>	<u>\$ 217,612</u>

Community Facilities District Bonds:

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

- Hassayampa CFD Number 1, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July, 2021. The balance of these bonds at June 30, 2010 was \$3,685,000.
- 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, 2010 was \$575,000.

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

Year Ending	Principal	Interest
June 30,		
2011	\$ 250,000	\$ 328,712
2012	265,000	309,400
2013	290,000	288,925
2014	310,000	266,525
2015	335,000	242,575
2016-2020	2,110,000	781,825
2021-2024	700,000	80,313
Total	<u>\$ 4,260,000</u>	<u>\$ 2,298,275</u>

Municipal Property Corporation Bonds:

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

The MPC issues its own bonds. Under various agreements, the City makes lease payments, which approximate the amount of debt service payable by the corporation.

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

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

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

For fiscal year 2009-10 pledged revenues collected were \$23,767,485. The principal and interest paid on this debt in fiscal year 2009-10 was \$2,856,900 (12% of pledged revenues collected).

The MPC has the following outstanding bonds:

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

In December 2004, series 2004G bonds were issued in the amount of \$16,875,000. \$12,525,000 of this amount was issued to acquire the City's portion of the Big Chino Water Ranch, this portion of the issue matures in thirty (30) years and was issued with an interest rate of 4.62% and a final maturity date in 2034. The remaining portion, \$4,350,000 represents refunding bonds issued to refund a 1993 issue. This portion of the issue 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 a 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. The subsidy is reflected as a miscellaneous revenue in the Streets and Open Space Fund. In FY 10, the City received subsidy payments totalling \$115,374.

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

Serviced by:		Payment	Interest	Balance
Fund	Reason for Financing	Period	Rate	6/30/2010
Streets and Open Space	Road improvements	Semi-annual	5.53%	\$ 18,250,000
Water	Water tanks	Semi-annual	4.69%	1,186,522
	Big Chino Water Ranch	Semi-annual	4.62%	11,265,000
				<u>12,451,522</u>
Wastewater	Airport WWTP upgrade	Semi-annual	4.69%	2,113,478
Solid waste	Transfer station expansion	Semi-annual	4.35%	1,371,992
Central garage	Facility expansion	Semi-annual	4.35%	4,588,008
	Total MPC Debt			<u><u>\$ 38,775,000</u></u>

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

Year Ending				Net
June 30,	Principal	Interest	Subsidy	Interest
2011	\$ 1,625,000	\$ 1,829,037	\$ (312,290)	\$ 1,516,747
2012	1,675,000	1,783,922	(308,974)	1,474,948
2013	1,715,000	1,731,660	(303,812)	1,427,848
2014	1,775,000	1,674,599	(297,226)	1,377,373
2015	1,835,000	1,607,756	(288,424)	1,319,332
2016-2020	9,200,000	6,811,715	(1,251,738)	5,559,977
2021-2025	9,450,000	4,620,854	(837,062)	3,783,792
2026-2030	8,650,000	1,988,294	(270,267)	1,718,027
2031-2034	2,850,000	365,000	-	365,000
Total	<u>\$38,775,000</u>	<u>\$ 22,412,837</u>	<u>\$ (3,869,793)</u>	<u>\$ 18,543,044</u>

Water Infrastructure Finance Authority of Arizona Loans:

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

During 2008, the City obtained \$9,854,000 in financing from WIFA for several Drinking Water projects which include: the Willow Creek Transmission Line Relocation and Upgrade, Water Meter Changeout Program, Recharge Intake Pipeline Replacement, Airport Recharge Facility Recovery Wells and Water improvements to Gail Gardner Way and Iron Springs Road. The WIFA subsidy for these projects is 80%. At June 30, 2010 the City has drawn on \$6,056,366 of the loan, leaving \$3,797,634 available for drawdown. The interest rate at June 30 on the outstanding balance of \$5,356,935 is 3.64%.

During 2008, the City also obtained \$4,703,000 in financing from WIFA for several Clean Water projects which include: Sewer projects for Gail Gardner Way, Iron Springs Road, Copper Basin Road, Ruth and Demerse and Gurley Street (Arizona to Bradshaw). The WIFA subsidy for these projects is 85%. The interest rate at June 30 on the outstanding balance of \$4,376,570 is 3.868%.

In July 2009, the City obtained \$3,591,880 in financing from WIFA for a Drinking Water project for Airport Water Mains. This loan included forgivable principal of \$2,155,128 which resulted from the American Recovery and Reinvestment Act of 2009. At June 30, 2010 \$2,025,720 of the forgivable principal amount had been applied against the loan balance by WIFA leaving a forgivable principal amount of \$129,408. At June 30, 2010 the City has drawn on \$2,183,401 of the loan, leaving \$1,408,479 available for drawdown of which \$1,279,071 represents the non forgivable portion. The interest rate at June 30 on the outstanding balance of \$157,681 is 3.143%.

In July 2009, the City obtained \$8,998,096 in financing from WIFA for a Drinking Water project for Zone 39 Water Mains, Pump Station and Water Tank. This loan included forgivable principal of \$4,000,000 which resulted from the American Recovery and Reinvestment Act of 2009. At June 30, 2010 the entire forgivable principal amount had been applied against the loan balance by WIFA. At June 30, 2010 the City has drawn on \$5,474,011 of the loan, leaving \$3,524,085 available for drawdown. The interest rate at June 30 on the outstanding balance of \$1,474,011 is 3.143%.

In July 2009, the City obtained \$6,573,506 in financing from WIFA for several Clean Water projects which include: the North Regional Force Main and Copper Basin Road Collections systems and the Airport Wastewater Treatment Plant Centrifuge. At June 30, 2010 the City has drawn on \$6,054,763 of the loan, leaving \$518,743 available for drawdown. The interest rate at June 30 on the outstanding balance of \$6,054,763 is 3.143%.

In September 2009, the City obtained \$1,386,334 in financing from WIFA for a Clean Water project that will fund the design of a wastewater treatment plant. At June 30, 2010 the City has drawn on \$355,746 of the loan, leaving \$1,030,588 available for drawdown. The interest rate at June 30 on the outstanding balance of \$355,746 is .784%.

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, 2010, the net revenues available for service of this debt were \$5,442,318. The principal and interest paid on this debt in fiscal year 2009-10 was \$1,479,889 (27.2% of net revenues).

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

Annual debt service requirements to maturity for WIFA Drinking Water loans, including \$8,600,790 of future nonforegivable WIFA drawdowns, are as follows:

Year Ending June 30,	Principal	Interest
2011	\$604,950	\$514,595
2012	625,796	493,028
2013	647,364	470,713
2014	669,679	447,625
2015	692,767	423,737
2016-2020	3,839,142	1,730,368
2021-2025	4,548,921	995,974
2026-2030	3,960,798	202,630
Total	<u>\$15,589,417</u>	<u>\$5,278,670</u>

Annual debt service requirements to maturity for WIFA Clean Water loans, including \$1,549,331 of future WIFA drawdowns available, are as follows:

Year Ending June 30,	Principal	Interest
2011	\$413,855	\$372,468
2012	428,113	357,713
2013	1,829,201	331,575
2014	461,136	315,658
2015	473,936	299,306
2016-2020	2,626,656	1,230,570
2021-2025	3,113,073	727,126
2026-2030	2,990,440	169,808
Total	<u>\$12,336,410</u>	<u>\$3,804,224</u>

Other Loans

During FY 2010, the Airport Fund acquired a double-wide modular building located on land leased by the airport for \$171,741 and entered into a promissory note with the seller for the same amount which will be due prior to April 13, 2011.

Changes in Long-Term Liabilities

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

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 6,240,000	\$ -	\$ (1,290,000)	\$ 4,950,000	\$ 1,355,000
Municipal Properties Corporation	4,772,835	18,250,000	(184,752)	22,838,083	948,601
Special assessment	2,079,788	-	(332,151)	1,747,637	337,150
Community Facilities Districts	4,495,000	-	(235,000)	4,260,000	250,000
Total bonds payable	<u>17,587,623</u>	<u>18,250,000</u>	<u>(2,041,903)</u>	<u>33,795,720</u>	<u>2,890,751</u>
Lease purchase contracts	451,174		(202,918)	248,256	129,472
Compensated absences	5,219,104	1,161,857	(526,153)	5,854,808	2,110,830
Governmental activity long-term liabilities	<u>\$ 23,257,901</u>	<u>\$ 19,411,857</u>	<u>\$ (2,770,974)</u>	<u>\$ 39,898,784</u>	<u>\$ 5,131,053</u>
Business-type Activities:					
Bonds payable:					
Municipal Properties Corporation	\$ 17,287,165	\$ -	\$ (1,350,248)	\$ 15,936,917	\$ 676,399
Loans payable:					
WIFA (1)	10,255,783	14,067,921	(6,677,406)	17,775,706	1,018,805
Other	-	171,741	-	171,741	171,741
Lease purchase contracts	2,354,008	-	(605,393)	1,748,615	565,697
Landfill closure/postclosure costs	1,237,819	-	(63,904)	1,173,915	69,054
Compensated absences	1,033,216	349,273	(170,521)	1,211,968	346,201
Business-type activity long-term liabilities	<u>\$ 32,167,991</u>	<u>\$ 14,588,935</u>	<u>\$ (8,867,472)</u>	<u>\$ 38,018,862</u>	<u>\$ 2,847,897</u>

(1) The WIFA loans payable retirements include \$6,155,128 in forgivable principal resulting from the American Recovery and Reinvestment Act of 2009.

Details of other obligations other than bonds (contracts, loans payable, and compensated absences payable) as of June 30, 2010 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type	Balance 6/30/2010
<u>Governmental-type Activities</u>					
General Fund	Payroll/HR and VOIP phone sys.	Monthly	3.95%	Lease/purchase	\$ 80,082
	Financial Reporting system	Monthly	4.09%	Lease/purchase	168,174
	Compensated absences			Payable	5,854,808
	Total Governmental-type				<u>6,103,064</u>
<u>Business-type Activities</u>					
Water Fund	WIFA Loan Payable	Semi-annual	3.64%	Loan	6,988,626
	Financial Reporting system	Monthly	4.09%	Lease/purchase	161,480
	Compensated absences			Payable	508,579
					<u>7,658,685</u>
Wastewater Fund	WIFA Loan Payable	Semi-annual	3.87%	Loan	10,787,079
	Compensated absences			Payable	282,326
					<u>11,069,405</u>
Golf Course Fund	Golf mowing equipment	Monthly	5.77%	Lease/purchase	66,561
	Golf bev. cart and ball picker	Monthly	4.09%	Lease/purchase	16,884
	Golf carts	Monthly	4.09%	Lease/purchase	383,157
	Compensated absences			Payable	91,854
					<u>558,456</u>
Airport Fund	T-hangars	Quarterly	6.35%	Lease/purchase	65,919
	T-hangars	Quarterly	4.99%	Lease/purchase	223,255
	T-hangars and taxilane	Monthly	4.84%	Lease/purchase	741,916
	Hangar design	Monthly	4.84%	Lease/purchase	89,443
	Compensated absences			Payable	111,268
	Modular Terminal Building			Other Loans	171,742
					<u>1,403,543</u>
Solid Waste Fund	Landfill closure/postclosure costs			Payable	1,173,915
	Compensated absences			Payable	217,941
					<u>1,391,856</u>
	Total Business-type				<u>22,081,945</u>
	Total other obligations				<u>\$ 28,185,009</u>

Due to restrictions by state statute, funds for lease/purchase agreements are appropriated on a year-by-year basis. The agreements are written as a series of renewable one-year contracts beginning July 1 and ending June 30 of each fiscal year. The City, when initially entering into these contracts, has every intention of honoring the full term of the agreement. Thus, this amount represents the recognition of the total remaining contracted liability in compliance with generally accepted accounting principles, while not actually being a legal obligation at June 30, 2010. The lease/purchases of the City are generally received from a third party financing company and are secured by liens on the items purchased.

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$810,020 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

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

Annual Debt Service Requirements to maturity
June 30, 2010
(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,355	\$ 216	\$ 337	\$ 75	\$ 250	\$ 329
2012	1,425	157	330	59	265	309
2013	1,490	94	340	43	290	289
2014	160	27	350	27	310	267
2015	165	21	355	10	335	242
2016-2020	355	21	25	4	2,110	782
2021-2025	-	-	11	-	700	80
Total	<u>\$ 4,950</u>	<u>\$ 536</u>	<u>\$ 1,748</u>	<u>\$ 218</u>	<u>\$ 4,260</u>	<u>\$ 2,298</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,625	\$ 1,829	\$ 4,240	\$ 965	\$ 7,807	\$ 3,414
2012	1,675	1,784	2,026	894	5,721	3,203
2013	1,715	1,731	3,176	823	7,011	2,980
2014	1,775	1,675	1,577	766	4,172	2,762
2015	1,835	1,608	1,439	723	4,129	2,604
2016-2020	9,200	6,812	7,824	2,961	19,514	10,580
2021-2025	9,450	4,621	5,692	1,723	15,853	6,424
2026-2030	8,650	1,988	1,150	372	9,800	2,360
2031-2035	2,850	365	-	-	2,850	365
Total	<u>\$ 38,775</u>	<u>\$ 22,413</u>	<u>\$ 27,124</u>	<u>\$ 9,227</u>	<u>\$ 76,857</u>	<u>\$ 34,692</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, 2010, the City is well within its debt limits, having \$159.5 million in borrowing capacity in the 20% category, and \$49.3 million in borrowing capacity in the 6% category. The City also has a \$1.5 million

margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2010.

G. Risk Management

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

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

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

Claims Liabilities

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

Unpaid Claims Liabilities

The claims liability of \$2,022,625 for general self-insurance reported in the fund at June 30, 2010 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, 2008 to June 30, 2010:

	General Self-Insurance
Liability balance, June 30, 2008	\$ 2,546,685
Claims and changes in estimates	57,933
Claims payments	(292,634)
Liability balance, June 30, 2009	2,311,984
Claims and changes in estimates	531,964
Claims payments	(821,323)
Liability balance, June 30, 2010	<u>\$ 2,022,625</u>

Of the amount shown above, \$905,000 is due within one year and classified as a current liability.

The streets and open space fund had an outstanding claim at year-end related to the construction of Demerse road. The City has accrued a liability of \$298,000 related to this claim.

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, 2010, which could have a significant effect on the financial position of the City have been provided for in the accounts.

I. Contingent Liabilities

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

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

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

J. Intergovernmental Agreements

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

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

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

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

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

The City is awaiting resolution of the litigation, which remained active at the end of FY 2010, to enable issuance of a final determination by ADWR regarding the allowable volume of imported water available to the communities from the Big Chino Sub-basin. Development of the well field, transmission pipelines, pump stations, reservoirs and other required infrastructure were previously estimated to cost \$133 million. Funding for construction of the pipeline to convey water from the Big Chino Sub-basin into the Prescott

AMA is not contained in the City's FY 11-16 Capital Improvement Program. The target year for delivery of the water will be determined by future demand for additional water supplies driven by new development, and the Prescott AMA mandate to reach safe-yield by 2025.

K. Retirement and Pension Plans

Plan Descriptions:

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

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

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

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

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

Funding Policy:

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

Cost-sharing plan - For the year ended June 30, 2010, active ASRS members were required to contribute at the actuarially determined rate of 9.40% (9.00% retirement and .40% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 9.40% (8.34% for retirement, .66% for health insurance premium and 0.4% for long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2010, 2009 and 2008 were \$1,851,131, \$1,929,521 and \$2,007,649, respectively, which were equal to the required contributions for the years, as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total
2010	\$ 1,642,386	\$ 129,973	\$ 78,772	\$ 1,851,131
2009	1,631,415	196,015	102,091	1,929,521
2008	1,683,497	219,587	104,565	2,007,649

Agent plans - For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 27.68% for police and 26.39% for fire. The health insurance premium portion of the contribution rates were actuarially set at .54% of covered payroll for police and .45% of covered payroll for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2010 were:

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	27.68%	27.14%	0.54%
Fire	26.39%	25.94%	0.45%
Annual pension cost			
Police	\$ 1,140,604	\$ 1,118,352	\$ 22,252
Fire	\$ 1,042,857	\$ 1,025,074	\$ 17,783
Contributions made			
Police	\$ 1,140,604	\$ 1,118,352	\$ 22,252
Fire	\$ 1,042,857	\$ 1,025,074	\$ 17,783

A summary of actuarial methods and assumptions from the June 30, 2009 actuarial report (the date of the most recent actuarial valuation) and related information follow.

Actuarial valuation date	06/30/09
Actuarial cost method	Projected unit credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market
Actuarial assumptions	
Investment rate of return	8.50%
Projected salary increases	5.5% - 8.5%
Payroll Growth	5.5%
Cost-of-living adjustments	None

Trend Information:

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

Fiscal Year Ended June 30.	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension			
2007	\$ 852,298	100%	\$ 0
2008	983,494	100%	0
2009	1,118,352	100%	0
Police Health Insurance			
2007	\$16,216	100%	0
2008	22,931	100%	0
2009	22,252	100%	0

Fire Pension

2007	\$ 690,476	100%	\$ 0
2008	909,547	100%	0
2009	1,025,074	100%	0

Fire Health Insurance

2007	\$ 13,860	100%	0
2008	18,070	100%	0
2009	17,783	100%	0

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

Valuation Date <u>June 30,</u>	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/ (Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
Police						
2003	\$13,421,537	\$17,507,107	76.7 %	\$ 4,085,570	\$ 3,224,009	126.7%
2004	13,166,987	18,892,985	69.7	5,725,998	2,985,970	191.8
2005	13,093,401	22,338,111	58.6	9,244,710	3,256,530	283.9
2006	13,235,811	25,407,296	52.1	12,171,485	3,923,713	310.2
2007	12,680,522	27,409,378	46.3	14,728,856	4,294,056	343.0
2008	12,812,487	27,027,889	47.4	14,215,402	4,296,379	330.9
2009	13,831,966	29,115,046	47.5	15,283,080	4,220,965	362.1
Fire						
2003	\$18,500,014	\$ 19,967,900	92.6%	\$ 1,467,886	\$ 2,727,989	53.8%
2004	18,403,108	22,002,449	83.6	3,599,341	2,922,346	123.2
2005	18,547,038	24,917,704	74.4	6,370,666	3,165,228	201.3
2006	18,334,323	27,586,727	66.5	9,252,404	3,474,512	266.3
2007	18,277,316	30,982,052	59.0	12,704,736	3,709,276	342.5
2008	17,937,835	30,883,588	58.1	12,945,753	4,320,143	299.7
2009	18,741,981	31,054,176	60.4	12,312,195	4,080,036	301.8

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

Actuarial Accrued Liability

Valuation Date <u>June 30,</u>	(1) Valuation Value of <u>Assets</u>	(2) Actuarial Accrued Liability <u>(AAL)</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded AAL <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>Payroll</u>	(6) Unfunded/ (Overfunded) AAL as a Percentage of Covered Payroll <u>(4)/(5)</u>
Police						
2006	\$ -	\$ 979,168	- %	\$ 979,168	\$ 3,923,713	24.96%
2007	-	1,051,252	-	1,015,252	4,294,056	24.48
2008	-	923,699	-	923,699	4,296,379	21.50
2009	-	835,891	-	835,891	4,220,965	19.80
Fire						
2006	\$ -	\$ 894,902	- %	\$ 894,902	\$ 3,474,512	25.76%
2007	-	902,019	-	902,019	3,709,276	24.32
2008	-	900,425	-	900,425	4,320,143	20.84
2009	-	731,571	-	731,571	4,080,036	17.93

Annual Required Contribution

Valuation Date <u>June 30,</u>	Fiscal Year Ended <u>June 30,</u>	(1) Normal Cost <u>Cost</u>	(2) Actuarial Accrued Liability <u>Liability</u>	(3) Total <u>(1)+(2)</u>	(4) Dollar Amount
Police					
2006	2008	.43%	1.15%	1.58%	\$ 67,883
2007	2009	.63	1.15	1.78	76,476
2008	2010	.54	1.04	1.58	67,883
2009	2011	.64	.97	1.61	75,638
Fire					
2006	2008	.44%	1.19%	1.63%	\$ 70,418
2007	2009	.54	1.15	1.69	73,010
2008	2010	.45	1.01	1.46	63,074
2009	2011	.53	.87	1.40	63,577

The Health Insurance Subsidy payments reported for fiscal year 2009 were \$54,738 for the Police plan and \$36,207 for the Fire plan.

L. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations required the City to place a final cover on its Sundog Ranch Road landfill site when it stopped accepting waste in 1999; additionally, the City is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City stopped receiving waste at its landfill and received a small landfill exemption from the EPA in fiscal year 1998 and started installing the final cover in fiscal year 1999. The final phase of the landfill closure was completed during the year. The \$1,173,918 reported in the solid waste enterprise fund as landfill closure and postclosure care liability at June 30, 2010, represents the total amount of estimated cost of closure and postclosure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

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

M. Commitments and Future Obligations

The City has entered into several agreements whereby it will reimburse businesses for development fees or the construction costs of certain public infrastructure improvements. The City became liable for the reimbursements when construction was complete. The funding source for the reimbursements will come from new tax revenues generated by the businesses. The City's maximum liability under these agreements is \$3.0 million.

The City also has remaining construction commitments totaling \$3.3 million for various road projects and \$5.8 million for various water and sewer infrastructure at June 30, 2010.

COMBINING STATEMENTS

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Transient Lodging Tax Fund

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

Impact Fees Fund

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

Grants Fund

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

Miscellaneous Gift Trust Fund

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

DEBT SERVICE FUNDS

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

City of Prescott

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

CAPITAL PROJECTS FUNDS

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

Community Facilities Districts Fund

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

PERMANENT FUND

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

Acker Trust Fund

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

CITY OF PRESCOTT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	City of Prescott	Community Facilities Districts	Acker Trust	
ASSETS								
Cash and short-term investments	\$ 87,415	\$ -	\$ 2,948,182	\$ 218,066	\$ 301,991	\$ -	\$ 583,335	\$ 4,138,989
Accounts receivable (net)	61,971	-	1,952	-	-	-	-	63,923
Property taxes receivable	-	-	-	-	76,260	-	-	76,260
Special assessments receivable	-	-	-	-	1,740,785	-	-	1,740,785
Intergovernmental receivable	-	514,013	-	-	-	-	-	514,013
Total assets	<u>\$ 149,386</u>	<u>\$ 514,013</u>	<u>\$ 2,950,134</u>	<u>\$ 218,066</u>	<u>\$ 2,119,036</u>	<u>\$ -</u>	<u>\$ 583,335</u>	<u>\$ 6,533,970</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 19,078	\$ 13,568	\$ 47,509	\$ 4,581	\$ 281	\$ -	\$ -	\$ 85,017
Accrued expenditures	7,775	166,689	268	-	-	-	-	174,732
Interfund payable	-	90,176	426,462	-	-	-	-	516,638
Unearned revenue	-	255,949	-	-	-	-	-	255,949
Deferred revenue	-	-	-	-	1,798,660	-	-	1,798,660
Total liabilities	<u>26,853</u>	<u>526,382</u>	<u>474,239</u>	<u>4,581</u>	<u>1,798,941</u>	<u>-</u>	<u>-</u>	<u>2,830,996</u>
Fund Balances								
Fund balance:								
Restricted	122,533	-	2,475,895	213,485	320,095	-	583,335	3,715,343
Unassigned	-	(12,369)	-	-	-	-	-	(12,369)
Total fund balances	<u>122,533</u>	<u>(12,369)</u>	<u>2,475,895</u>	<u>213,485</u>	<u>320,095</u>	<u>-</u>	<u>583,335</u>	<u>3,702,974</u>
Total liabilities and fund balances	<u>\$ 149,386</u>	<u>\$ 514,013</u>	<u>\$ 2,950,134</u>	<u>\$ 218,066</u>	<u>\$ 2,119,036</u>	<u>\$ -</u>	<u>\$ 583,335</u>	<u>\$ 6,533,970</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2010

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds	Permanent Fund	Total
	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous	City of Prescott	Community Facilities Districts	Acker Trust	Other Governmental Funds
				Gift Trust				
Revenues								
Taxes	\$ 462,709	\$ -	\$ -	\$ -	\$ 1,635,828	\$ -	\$ -	\$ 2,098,537
Intergovernmental revenues	-	1,237,954	-	-	-	-	-	1,237,954
Licenses and permits	40,957	-	668,452	-	-	-	-	709,409
Gifts and donations	-	-	-	65,517	-	-	-	65,517
Interest and investment income	782	-	106,679	-	119,442	-	17,706	244,609
Miscellaneous	1,308	63	22,623	-	326,493	-	-	350,487
Total revenues	505,756	1,238,017	797,754	65,517	2,081,763	-	17,706	4,706,513
Expenditures								
Current operating								
General government	388,120	118,467	-	11,397	-	-	-	517,984
Community services	-	22,723	-	5,099	-	-	-	27,822
Culture and recreation	99,767	19,219	-	12,769	-	-	9,365	141,120
Police and court	-	337,108	-	38,648	-	-	-	375,756
Fire	-	704,375	-	2,781	-	-	-	707,156
Public works	-	-	-	-	-	-	-	-
Capital outlay								
General government	-	136,488	28,059	-	-	-	-	164,547
Culture and recreation	-	12	56,994	-	-	-	-	57,006
Police and court	-	9,751	-	-	-	-	-	9,751
Fire	-	124,529	-	-	-	-	-	124,529
Debt service - principal	-	-	-	-	1,622,151	-	-	1,622,151
Debt service - interest	-	-	-	-	363,628	-	-	363,628
Total expenditures	487,887	1,472,672	85,053	70,694	1,985,779	-	9,365	4,111,450
Excess (deficiency) of revenues over (under) expenditures	17,869	(234,655)	712,701	(5,177)	95,984	-	8,341	595,063
Other Financing Sources (Uses)								
Transfers in	-	211,890	-	-	-	-	-	211,890
Transfers out	-	-	(774,759)	-	-	(194,864)	-	(969,623)
Total other financing sources (uses)	-	211,890	(774,759)	-	-	(194,864)	-	(757,733)
Net change in fund balance	17,869	(22,765)	(62,058)	(5,177)	95,984	(194,864)	8,341	(162,670)
Fund balance - beginning	104,664	10,395	2,537,953	218,659	224,111	194,864	574,994	3,865,640
Fund balance - ending	\$ 122,533	\$ (12,370)	\$ 2,475,895	\$ 213,482	\$ 320,095	\$ -	\$ 583,335	\$ 3,702,970



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

GOVERNMENTAL FUNDS

Special Revenue Funds

- Transient lodging tax
- Impact fees
- Grants
- Miscellaneous gift trust

Debt Service Funds

- City of Prescott
- Community Facilities Districts

Capital Projects Funds

- Community Facilities Districts

Permanent Fund

- Acker trust

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - transient lodging tax	\$ 491,817	\$ 491,817	\$ 462,709	\$ (29,108)
Licenses and permits	38,000	38,000	40,957	2,957
Micellaneous	100	100	2,090	1,990
Total revenues	<u>529,917</u>	<u>529,917</u>	<u>505,756</u>	<u>(24,161)</u>
Expenditures				
Current operating				
General Government	488,393	488,393	388,120	100,273
Culture and recreation	106,000	106,000	99,767	6,233
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>594,393</u>	<u>594,393</u>	<u>487,887</u>	<u>106,506</u>
Excess (deficiency) of revenues over expenditures	(64,476)	(64,476)	17,869	82,345
Fund balance - beginning	104,664	104,664	104,664	-
Fund balance - ending	<u>\$ 40,188</u>	<u>\$ 40,188</u>	<u>\$ 122,533</u>	<u>\$ 82,345</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 6,099,112	\$ 6,099,112	\$ 1,237,954	\$ (4,861,158)
Gifts and donations	60,000	60,000	-	(60,000)
Miscellaneous	-	-	63	63
Total revenues	<u>6,159,112</u>	<u>6,159,112</u>	<u>1,238,017</u>	<u>(4,921,095)</u>
Expenditures				
Current				
General government	209,773	209,773	118,467	91,306
Community services	132,000	132,000	22,723	109,277
Culture and recreation	848,429	848,429	19,219	829,210
Police and Court	761,059	761,059	337,108	423,951
Fire	1,780,000	1,780,000	704,375	1,075,625
Total current	<u>3,731,261</u>	<u>3,731,261</u>	<u>1,201,892</u>	<u>2,529,369</u>
Capital outlay				
General government	514,704	514,704	136,488	378,216
Culture and recreation	1,132,040	1,132,040	12	1,132,028
Police and Court	284,057	284,057	9,751	274,306
Fire	9,294,248	9,294,248	124,529	9,169,719
Total capital outlay	<u>11,225,049</u>	<u>11,225,049</u>	<u>270,780</u>	<u>10,954,269</u>
Total expenditures	<u>14,956,310</u>	<u>14,956,310</u>	<u>1,472,672</u>	<u>13,483,638</u>
Excess (deficiency) of revenues over expenditures	<u>(8,797,198)</u>	<u>(8,797,198)</u>	<u>(234,655)</u>	<u>8,562,543</u>
Other Financing Sources (Uses)				
Transfers in	1,472,748	1,472,748	211,890	(1,260,858)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,472,748</u>	<u>1,472,748</u>	<u>211,890</u>	<u>(1,260,858)</u>
Net change in fund balances	<u>(7,324,450)</u>	<u>(7,324,450)</u>	<u>(22,765)</u>	<u>7,301,685</u>
Fund balance - beginning	10,395	10,395	10,395	-
Fund balance - ending	<u>\$ (7,314,055)</u>	<u>\$ (7,314,055)</u>	<u>\$ (12,370)</u>	<u>\$ 7,301,685</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2010

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Licenses and permits - impact fees	\$ 322,700	\$ 322,700	\$ 668,452	\$ 345,752
Miscellaneous	22,220	22,220	22,623	403
Interest and investment income	75,600	75,600	106,679	31,079
Total revenues	<u>420,520</u>	<u>420,520</u>	<u>797,754</u>	<u>377,234</u>
Expenditures				
Current				
Culture and recreation	91,700	91,700	-	91,700
Capital outlay				
General government	-	-	28,059	(28,059)
Culture and recreation	100,000	100,000	56,994	43,006
Total capital outlay	<u>100,000</u>	<u>100,000</u>	<u>85,053</u>	<u>14,947</u>
Total expenditures	<u>191,700</u>	<u>191,700</u>	<u>85,053</u>	<u>106,647</u>
Excess (deficiency) of revenues over expenditures	<u>228,820</u>	<u>228,820</u>	<u>712,701</u>	<u>483,881</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(234,362)	(234,362)	(774,759)	(540,397)
Total other financing sources (uses)	<u>(234,362)</u>	<u>(234,362)</u>	<u>(774,759)</u>	<u>(540,397)</u>
Net change in fund balances	<u>(5,542)</u>	<u>(5,542)</u>	<u>(62,058)</u>	<u>(56,516)</u>
Fund balance - beginning	2,537,954	2,537,954	2,537,954	-
Fund balance - ending	<u>\$ 2,532,412</u>	<u>\$ 2,532,412</u>	<u>\$ 2,475,896</u>	<u>\$ (56,516)</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, 2010

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ -	\$ -
Gifts and donations	-	-	65,517	65,517
Total revenues	<u>-</u>	<u>-</u>	<u>65,517</u>	<u>65,517</u>
Expenditures				
Current				
General government	-	-	11,397	(11,397)
Community services	-	-	5,099	(5,099)
Culture and recreation	60,318	60,318	12,769	47,549
Police and court	-	-	38,648	(38,648)
Fire	-	-	2,781	(2,781)
Total current	<u>60,318</u>	<u>60,318</u>	<u>70,694</u>	<u>(10,376)</u>
Capital outlay				
Culture and recreation	14,682	14,682	-	14,682
Total capital outlay	<u>14,682</u>	<u>14,682</u>	<u>-</u>	<u>14,682</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>70,694</u>	<u>4,306</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(5,177)</u>	<u>69,823</u>
Net change in fund balances	<u>(75,000)</u>	<u>(75,000)</u>	<u>(5,177)</u>	<u>69,823</u>
Fund balance - beginning	218,659	218,659	218,659	-
Fund balance - ending	<u>\$ 143,659</u>	<u>\$ 143,659</u>	<u>\$ 213,482</u>	<u>\$ 69,823</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, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax revenue	\$ 1,646,680	\$ 1,646,680	\$ 1,635,828	\$ (10,852)
Miscellaneous	332,151	332,151	326,493	(5,658)
Interest and investment income	121,464	121,464	119,442	(2,022)
Total revenues	<u>2,100,295</u>	<u>2,100,295</u>	<u>2,081,763</u>	<u>(18,532)</u>
Expenditures				
Debt service				
Principal	1,622,151	1,622,151	1,622,151	-
Interest	364,689	364,689	363,628	1,061
Total expenditures	<u>1,986,840</u>	<u>1,986,840</u>	<u>1,985,779</u>	<u>1,061</u>
Excess (deficiency) of revenues over expenditures	113,455	113,455	95,984	(17,471)
Fund balance - beginning	224,111	224,111	224,111	-
Fund balance - ending	<u>\$ 337,566</u>	<u>\$ 337,566</u>	<u>\$ 320,095</u>	<u>\$ (17,471)</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, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 1,041,863	\$ 1,041,863	\$ 394,346	\$ (647,517)
Interest and investment income	-	-	349,455	349,455
Total revenues	<u>1,041,863</u>	<u>1,041,863</u>	<u>743,801</u>	<u>(298,062)</u>
Expenditures				
Current				
General government	60,000	60,000	15,702	44,298
Debt Service				
Principal	635,000	635,000	235,000	400,000
Interest	346,863	346,863	346,862	1
Total expenditures	<u>1,041,863</u>	<u>1,041,863</u>	<u>597,564</u>	<u>444,299</u>
Excess (deficiency) of revenues over expenditures	-	-	146,237	146,237
Other Financing Sources (Uses)				
Transfers in	-	-	194,864	194,864
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>194,864</u>	<u>194,864</u>
Net change in fund balances	-	-	341,101	341,101
Fund balance - beginning	<u>1,470,931</u>	<u>1,470,931</u>	<u>1,470,931</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,470,931</u>	<u>\$ 1,470,931</u>	<u>\$ 1,812,032</u>	<u>\$ 341,101</u>

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, 2010

	Budget		Actual	Variance With
	Original	Final	Budget Basis	Final Budget Positive (Negative)
Revenues				
Total revenues	-	-	-	-
Expenditures				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers out	-	-	(194,864)	(194,864)
Total other financing sources (uses)	-	-	(194,864)	(194,864)
Net change in fund balances	-	-	(194,864)	(194,864)
Fund balance - beginning	194,864	194,864	194,864	-
Fund balance - ending	\$ 194,864	\$ 194,864	\$ -	\$ (194,864)

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2010

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 25,000	\$ 25,000	\$ 17,706	\$ (7,294)
Real estate sales	-	-	-	-
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>17,706</u>	<u>(7,294)</u>
Expenditures				
Culture and recreation	<u>25,000</u>	<u>25,000</u>	<u>9,365</u>	<u>15,635</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>9,365</u>	<u>15,635</u>
Excess (deficiency) of revenues over expenditures	-	-	8,341	8,341
Fund balance - beginning	<u>574,994</u>	<u>574,994</u>	<u>574,994</u>	-
Fund balance - ending	<u>\$ 574,994</u>	<u>\$ 574,994</u>	<u>\$ 583,335</u>	<u>\$ 8,341</u>



COMBINING STATEMENTS Nonmajor Proprietary Funds

ENTERPRISE FUNDS

Parking garage

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

Golf course

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

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2010

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net)	3,154	1,805	4,959
Inventory (at cost)	84,206	-	84,206
Total current assets	<u>87,360</u>	<u>1,805</u>	<u>89,165</u>
Noncurrent Assets			
Capital Assets			
Land and construction in process	1,963,554	-	1,963,554
Buildings	694,879	6,332,379	7,027,258
Improvements other than buildings	5,650,170	-	5,650,170
Machinery and equipment	1,860,368	-	1,860,368
Less accumulated depreciation	<u>(3,833,417)</u>	<u>(633,238)</u>	<u>(4,466,655)</u>
Total capital assets (net of accumulated depreciation)	<u>6,335,554</u>	<u>5,699,141</u>	<u>12,034,695</u>
Total noncurrent assets	<u>6,335,554</u>	<u>5,699,141</u>	<u>12,034,695</u>
Total assets	<u>6,422,914</u>	<u>5,700,946</u>	<u>12,123,860</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 67,879	\$ 570	\$ 68,449
Accrued expenses	104,605	1,401	106,006
Interfund payable	3,974	12,036	16,010
Deferred revenue - current	73,490	-	73,490
Compensated absences - current	48,541	-	48,541
Loans payable - current	163,879	-	163,879
Advance customer payments	-	-	-
Bonds payable - current	-	-	-
Total current liabilities	<u>462,368</u>	<u>14,007</u>	<u>476,375</u>
Noncurrent Liabilities			
Compensated absences	43,313	-	43,313
Loans payable	302,725	-	302,725
Interfund payable	2,958,545	-	2,958,545
Total noncurrent liabilities	<u>3,304,583</u>	<u>-</u>	<u>3,304,583</u>
Total liabilities	<u>3,766,951</u>	<u>14,007</u>	<u>3,780,958</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,868,950	5,699,141	11,568,091
Restricted for debt service	-	-	-
Unrestricted	<u>(3,212,987)</u>	<u>(12,202)</u>	<u>(3,225,189)</u>
Total net assets	<u>\$ 2,655,963</u>	<u>\$ 5,686,939</u>	<u>\$ 8,342,902</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the year ended June 30, 2010

	Golf Course	Parking Garage	Totals
Operating Revenues			
Golf course green fees	\$ 1,197,156	\$ -	\$ 1,197,156
Restaurant sales	747,868	-	747,868
Golf course rentals	565,070	-	565,070
Golf pro-shop sales	156,659	-	156,659
Other services	-	52,731	52,731
Miscellaneous	7,747	-	7,747
Total operating revenues	<u>2,674,500</u>	<u>52,731</u>	<u>2,727,231</u>
Operating Expenses			
Personnel services	1,479,674	15,267	1,494,941
Supplies	595,128	4,440	599,568
Other services and charges	650,847	55,624	706,471
Depreciation	335,301	158,316	493,617
Total operating expenses	<u>3,060,950</u>	<u>233,647</u>	<u>3,294,597</u>
Operating income (loss)	<u>(386,450)</u>	<u>(180,916)</u>	<u>(567,366)</u>
Non-Operating Revenues (Expenses)			
Interest and investment income	-	-	-
Interest expense	(116,927)	-	(116,927)
Net gain (loss) on disposal of assets	(359)	-	(359)
Total non-operating Revenues (expenses)	<u>(117,286)</u>	<u>-</u>	<u>(117,286)</u>
Income (loss) before contributions and transfers	(503,736)	(180,916)	(684,652)
Transfers In	-	10,122	10,122
Change in net assets	<u>(503,736)</u>	<u>(170,794)</u>	<u>(674,530)</u>
Total net assets - beginning	3,159,699	5,857,733	9,017,432
Total net assets - ending	<u>\$ 2,655,963</u>	<u>\$ 5,686,939</u>	<u>\$ 8,342,902</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2010

	<u>Golf Course</u>	<u>Parking Garage</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 2,692,195	\$ 50,926	\$ 2,743,121
Cash payments to employees for services	(1,476,692)	(14,694)	(1,491,386)
Cash payments to suppliers for goods and services	(1,175,379)	(59,495)	(1,234,874)
Net cash provided by (used for) operating activities	<u>40,124</u>	<u>(23,263)</u>	<u>16,861</u>
Cash flows from noncapital financing activities:			
Repayments under interfund loan arrangement	687,766	12,036	699,802
Transfers in	-	10,122	10,122
Net cash provided by (used for) noncapital financing activity	<u>687,766</u>	<u>22,158</u>	<u>709,924</u>
Cash flows from capital and related financing activities:			
Interest paid on capital financing	(116,927)	-	(116,927)
Principal paid on capital financing	(610,604)	-	(610,604)
Proceeds/payments from sales of capital assets	(359)	-	(359)
Net cash provided by (used for) capital and related financing activities	<u>(727,890)</u>	<u>-</u>	<u>(727,890)</u>
Net increase (decrease) in cash and cash equivalents	-	(1,105)	(1,105)
Cash and cash equivalents at July 1	-	1,105	1,105
Cash and cash equivalents at June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	<u>\$ (386,450)</u>	<u>\$ (180,916)</u>	<u>\$ (567,366)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	335,301	158,316	493,617
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	106,636	569	107,205
Increase (decrease) in compensated absences	(750)	-	(750)
(Increase) decrease in accounts receivable	17,695	(1,805)	15,890
(Increase) decrease in inventory	(36,040)	-	(36,040)
Increase (decrease) salary & benefits payable	3,733	572	4,305
Total adjustments	<u>426,575</u>	<u>157,652</u>	<u>584,227</u>
Net cash provided by operating activities	<u>\$ 40,125</u>	<u>\$ (23,264)</u>	<u>\$ 16,861</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.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

ASSETS	Fleet Maintenance	Risk Management	Engineering Services	Facilities Maintenance	Totals
Current Assets					
Cash and cash equivalents	\$ 6,781,135	\$ 3,002,705	\$ 283,977	\$ 265,522	\$ 10,333,339
Inventory at cost	235,232	-	-	-	235,232
Total current assets	7,016,367	3,002,705	283,977	265,522	10,568,571
Noncurrent Assets					
Restricted cash and cash equivalents					
Cash with fiscal agent	91,134	-	-	-	91,134
Total restricted assets	91,134	-	-	-	91,134
Capital Assets					
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	8,915,914	-	302,521	50,090	9,268,525
Total capital assets	14,200,796	-	339,071	50,090	14,589,957
Less accumulated depreciation	(3,397,165)	-	(220,763)	(31,732)	(3,649,660)
Net capital assets	10,803,631	-	118,308	18,358	10,940,297
Total assets	17,911,132	3,002,705	402,285	283,880	21,600,002
LIABILITIES					
Current Liabilities					
Accounts payable	38,820	33,881	2,508	30,381	105,590
Accrued expenses	31,554	-	74,000	17,221	122,775
Claims payable	-	905,000	-	-	905,000
Compensated absences - current	31,871	-	120,012	13,191	165,074
Bonds and assessments - current	188,601	-	-	-	188,601
Total current liabilities	290,846	938,881	196,520	60,793	1,487,040
Noncurrent Liabilities					
Claims payable	-	1,117,625	-	-	1,117,625
Compensated absences	127,482	-	513,794	53,719	694,995
Bonds and assessments payable	4,399,482	-	-	-	4,399,482
Total noncurrent liabilities	4,526,964	1,117,625	513,794	53,719	6,212,102
Total liabilities	4,817,810	2,056,506	710,314	114,512	7,699,142
Net Assets					
Invested in capital assets, net of related debt	6,215,548	-	118,308	18,358	6,352,214
Restricted for debt service	-	-	-	-	-
Unrestricted	6,877,774	946,199	(426,337)	151,010	7,548,646
Total net assets	\$ 13,093,322	\$ 946,199	\$ (308,029)	\$ 169,368	\$ 13,900,860

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2010

	Fleet <u>Maintenance</u>	Risk <u>Management</u>	Engineering <u>Services</u>	Facilities <u>Maintenance</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,644,476	\$ -	\$ 1,943,593	\$ 988,793	\$ 6,576,862
Other services	-	1,935,447	-	-	1,935,447
Miscellaneous	-	-	56	25	81
Total operating revenues	<u>3,644,476</u>	<u>1,935,447</u>	<u>1,943,649</u>	<u>988,818</u>	<u>8,512,390</u>
Operating Expenses					
Personnel services	629,404	275,367	1,545,522	405,616	2,855,909
Supplies	570,328	3,492	30,700	77,499	682,019
Other services and charges	276,990	806,674	268,689	531,225	1,883,578
Claims expense	-	546,460	-	-	546,460
Depreciation	949,922	-	19,922	3,221	973,065
Total operating expenses	<u>2,426,644</u>	<u>1,631,993</u>	<u>1,864,833</u>	<u>1,017,561</u>	<u>6,941,031</u>
Operating income (loss)	<u>1,217,832</u>	<u>303,454</u>	<u>78,816</u>	<u>(28,743)</u>	<u>1,571,359</u>
Non-operating Revenues (Expenses)					
Interest and investment income	190,575	79,873	2,361	5,877	278,686
Net gain (loss) on disposal of assets	85,836	-	-	-	85,836
Debt service interest	(206,862)	-	-	-	(206,862)
Total non-operating revenues	<u>69,549</u>	<u>79,873</u>	<u>2,361</u>	<u>5,877</u>	<u>157,660</u>
Change in net assets	1,287,381	383,327	81,177	(22,866)	1,729,019
Total net assets - beginning	11,805,941	562,872	(389,206)	192,234	12,171,841
Total net assets - ending	<u>\$ 13,093,322</u>	<u>\$ 946,199</u>	<u>\$ (308,029)</u>	<u>\$ 169,368</u>	<u>\$ 13,900,860</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	<u>Fleet</u> <u>Maintenance</u>	<u>Risk</u> <u>Management</u>	<u>Engineering</u> <u>Services</u>	<u>Facilities</u> <u>Maintenance</u>	<u>Total</u>
Cash Flows from Operating Activities:					
Cash received from customers	\$ 3,644,476	\$ 1,935,447	\$ 1,943,649	\$ 988,818	\$ 8,512,390
Cash payments to suppliers for goods and services	(809,580)	(2,410,813)	(875,093)	(578,548)	(4,674,034)
Cash payments to employees for services	(638,999)	(286,743)	(900,253)	(389,933)	(2,215,928)
Other operating receipts	-	581,411	-	-	581,411
Net cash provided by (used for) operating activities	<u>2,195,897</u>	<u>(180,698)</u>	<u>168,303</u>	<u>20,337</u>	<u>2,203,839</u>
Cash Flows from Capital and Related Financing Activities:					
Financing Activities:					
Acquisition and construction of capital assets	(1,358,574)	-	-	-	(1,358,574)
Principal paid on capital financing	(184,752)	-	-	-	(184,752)
Interest paid on capital financing	(206,862)	-	-	-	(206,862)
Proceeds from sales of capital assets	85,836	-	-	-	85,836
Net cash provided by (used for) capital and related financing activities	<u>(1,664,352)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,664,352)</u>
Cash Flows from Investing Activities:					
Interest on investments	190,575	79,873	2,361	5,877	278,686
Net cash provided by (used for) investing activities	<u>190,575</u>	<u>79,873</u>	<u>2,361</u>	<u>5,877</u>	<u>278,686</u>
Net increase (decrease) in cash and cash equivalents	722,120	(100,825)	170,664	26,214	818,173
Cash and cash equivalents - beginning	6,150,149	3,103,530	113,313	239,308	9,606,300
Cash and cash equivalents - ending	<u>\$ 6,872,269</u>	<u>\$ 3,002,705</u>	<u>\$ 283,977</u>	<u>\$ 265,522</u>	<u>\$ 10,424,473</u>
Reconciliation to statement of net assets					
Cash and cash equivalents at June 30, unrestricted	\$ 6,781,135	\$ 3,002,705	\$ 283,977	\$ 265,522	\$ 10,333,339
Cash and cash equivalents at June 30, restricted	91,134	-	-	-	91,134
Total	<u>\$ 6,872,269</u>	<u>\$ 3,002,705</u>	<u>\$ 283,977</u>	<u>\$ 265,522</u>	<u>\$ 10,424,473</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:					
Operating income (loss)	\$ 1,217,832	\$ 303,454	\$ 78,816	\$ (28,743)	\$ 1,571,359
Adjustments to reconcile operating income activities:					
Depreciation	949,922	-	19,922	3,221	973,065
Change in assets and liabilities:					
Increase (decrease) in claims payable	-	581,411	-	-	581,411
Increase (decrease) in accounts payable	37,738	(1,054,187)	960	30,176	(985,313)
Increase (decrease) in compensated absences	(12,311)	-	64,903	17,748	70,340
Increase (decrease) in salaries & benefits payable	2,716	(11,376)	3,702	(2,065)	(7,023)
Total adjustments	<u>978,065</u>	<u>(484,152)</u>	<u>89,487</u>	<u>49,080</u>	<u>632,480</u>
Net cash provided by (used for) operating activities	<u>\$ 2,195,897</u>	<u>\$ (180,698)</u>	<u>\$ 168,303</u>	<u>\$ 20,337</u>	<u>\$ 2,203,839</u>

Fiduciary Funds

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

County Justice Court Agency

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

CITY OF PRESCOTT, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

	Agency Funds			
	County Justice Court			
	Balance			Balance
	July 1, 2009	Additions	Deductions	June 30, 2010
ASSETS				
Cash and short-term investments	\$ 133,946	\$ 1,585,605	\$ 1,587,487	\$ 132,064
Total assets	<u>\$ 133,946</u>	<u>\$ 1,585,605</u>	<u>\$ 1,587,487</u>	<u>\$ 132,064</u>
LIABILITIES				
Due to other governments	\$ 133,946	\$ 1,585,605	\$ 1,587,487	\$ 132,064
Total liabilities	<u>\$ 133,946</u>	<u>\$ 1,585,605</u>	<u>\$ 1,587,487</u>	<u>\$ 132,064</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of General Obligation Bonds Payable
June 30, 2010

	Refunding & Municipal Facilities Bond <u>Series 1998</u>	Municipal Facilities Bond <u>Series 2007</u>	Total General Obligation Bonds
Interest rates	4.34%	various	N/A
Issue date	12/1/1998	5/8/2007	N/A
Final maturity date	7/1/2013	7/1/2017	N/A
Authorized	\$ 15,895,000	\$ 1,510,000	\$ 17,405,000
Issued	15,895,000	1,510,000	17,405,000
Retired	12,070,000	385,000	12,455,000
Outstanding	3,825,000	1,125,000	4,950,000
Principal retirement:			
2011	1,215,000	140,000	1,355,000
2012	1,275,000	150,000	1,425,000
2013	1,335,000	155,000	1,490,000
2014	-	160,000	160,000
2015	-	165,000	165,000
2016	-	175,000	175,000
2017	-	180,000	180,000

CITY OF PRESCOTT, ARIZONA

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

June 30, 2010

	Water, Sewer & Golf Course Imp. Refunding Bond	Water & Sewer Improvement Bond	Big Chino Ranch	Central Garage & Transfer Station	89A and Granite Dells Parkway Taxable Revenue Bonds (1)	Total Bonds Payable
	Series 2004-G	Series 1998-F	Series 2004-G	Series 2007	Series 2010	
Interest rates	2.92%	4.69%	4.62%	4.35% avg.	1.27% - 6.245%	N/A
Issue date	12/29/2004	12/1/1998	12/29/2004	5/8/2007	2/18/2010	N/A
Final maturity	7/1/2010	7/1/2018	7/1/2034	7/1/2027	7/1/2029	N/A
Authorized	\$ 4,350,000	\$ 6,160,000	\$ 12,525,000	\$ 6,625,000	\$ 18,250,000	\$ 47,910,000
Issued	4,350,000	6,160,000	12,525,000	6,625,000	18,250,000	47,910,000
Retired	4,350,000	2,860,000	1,260,000	665,000	-	9,135,000
Outstanding	-	3,300,000	11,265,000	5,960,000	18,250,000	38,775,000
Principal retirement:						
2011	-	345,000	275,000	245,000	760,000	1,625,000
2012	-	365,000	285,000	260,000	765,000	1,675,000
2013	-	380,000	295,000	265,000	775,000	1,715,000
2014	-	400,000	310,000	280,000	785,000	1,775,000
2015	-	420,000	320,000	290,000	805,000	1,835,000
2016	-	440,000	335,000	300,000	825,000	1,900,000
2017	-	465,000	345,000	310,000	845,000	1,965,000
2018	-	485,000	360,000	325,000	870,000	2,040,000
2019	-	-	375,000	340,000	900,000	1,615,000
2020	-	-	395,000	355,000	930,000	1,680,000
2021	-	-	415,000	370,000	960,000	1,745,000
2022	-	-	430,000	390,000	990,000	1,810,000
2023	-	-	450,000	410,000	1,025,000	1,885,000
2024	-	-	470,000	430,000	1,065,000	1,965,000
2025	-	-	495,000	450,000	1,100,000	2,045,000
2026	-	-	515,000	460,000	1,140,000	2,115,000
2027	-	-	545,000	480,000	1,190,000	2,215,000
2028	-	-	570,000	-	1,235,000.00	1,805,000
2029	-	-	600,000	-	1,285,000.00	1,885,000
2030	-	-	630,000	-	-	630,000
2031	-	-	660,000	-	-	660,000
2032	-	-	695,000	-	-	695,000
2033	-	-	730,000	-	-	730,000
2034	-	-	765,000	-	-	765,000

(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 totalling \$3,985,167 over the term of the bonds reducing the City's interest obligation from \$11,386,190 to \$7,401,024 over the term of the issue. In FY 10, \$115,374 in subsidy payments were received.

CITY OF PRESCOTT, ARIZONA
Schedule of Special Assessment Bonds Payable
June 30, 2010

	<u>Imp. District #161</u>	<u>Imp. District #162</u>	<u>Imp. District #163</u>	<u>Imp. District #164</u>	<u>Total Imp. District</u>
Interest rates	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,609,936
Issued	124,096	1,920,000	2,470,000	95,840	4,609,936
Retired	111,989	1,120,000	1,595,000	35,310	2,862,299
Outstanding	12,107	800,000	875,000	60,530	1,747,637
Principal retirement:					
2011	12,107	145,000	175,000	5,044	337,151
2012	-	150,000	175,000	5,044	330,044
2013	-	160,000	175,000	5,044	340,044
2014	-	170,000	175,000	5,044	350,044
2015	-	175,000	175,000	5,045	355,045
2016	-	-	-	5,044	5,044
2017	-	-	-	5,044	5,044
2018	-	-	-	5,044	5,044
2019	-	-	-	5,044	5,044
2020	-	-	-	5,044	5,044
2021	-	-	-	5,044	5,044
2022	-	-	-	5,045	5,045

CITY OF PRESCOTT, ARIZONA
Schedule of Community Facilities Districts Bonds Payable
June 30, 2010

	Hassayampa #1 Community Facilities Bonds Series 1996	Hassayampa #2 Community Facilities Bonds Series 2000	Total Community Facilities Bonds
Interest rates	7.75%	7.50%	N/A
Issue date	11/1/1996	2/1/2000	N/A
Final maturity date	7/1/2021	7/1/2024	N/A
Authorized	\$ 7,315,000	\$ 1,240,000	\$ 8,555,000
Issued	7,315,000	1,240,000	8,555,000
Retired	3,630,000	665,000	4,295,000
Outstanding	3,685,000	575,000	4,260,000
Principal retirement:			
2011	225,000	25,000	250,000
2012	240,000	25,000	265,000
2013	260,000	30,000	290,000
2014	280,000	30,000	310,000
2015	300,000	35,000	335,000
2016	325,000	35,000	360,000
2017	350,000	40,000	390,000
2018	380,000	40,000	420,000
2019	410,000	45,000	455,000
2020	440,000	45,000	485,000
2021	475,000	50,000	525,000
2022	-	55,000	55,000
2023	-	60,000	60,000
2024	-	60,000	60,000

CITY OF PRESCOTT, ARIZONA
Schedule of Loans Payable
June 30, 2010

	Water Infrastructure Finance Authority 2007 Drinking Water Loan 920125-08	Water Infrastructure Finance Authority 2008 Clean Water Loan 910097-08	Water Infrastructure Finance Authority 2009 Clean Water Loan 710073-10	Water Infrastructure Finance Authority 2009 Clean Water Loan 910122-10	Water Infrastructure Finance Authority 2009 Drinking Water ARRA Water Loan 92A154-10	Water Infrastructure Finance Authority 2009 Drinking Water ARRA Water Loan 92A166-09	Total Loans Payable
Interest rates	3.64%	3.868%	0.784%	3.143%	3.143%	3.143%	N/A
Issue date	8/24/2007	8/24/2007	9/25/2009	7/31/2009	7/31/2009	7/31/2009	N/A
Final maturity date	7/1/2027	7/1/2027	7/1/2012	7/1/2029	7/1/2029	7/1/2029	N/A
Authorized	\$ 9,854,000	\$ 4,703,000	\$ 1,386,334	\$ 6,573,506	\$ 3,591,880	\$ 8,998,096	35,106,816
Issued (1)	6,056,366	4,702,999	355,746	6,054,763	2,183,401	5,474,011	24,827,286
Retired	699,431	160,118	-	-	2,025,720	4,000,000	6,885,269
ARRA Forgivable Principal (2)	-	-	-	-	2,025,720	4,000,000	6,025,720
Future drawdowns	3,797,634	-	1,030,588	518,743	1,408,479	3,524,085	10,279,529
Outstanding	5,356,935	4,376,570	1,386,334	6,573,506	1,436,752	4,998,096	24,128,193
Principal retirement:							
2011	368,924	172,742	-	241,112	52,699	183,327	1,018,804
2012	382,353	179,424	-	248,689	54,355	189,088	1,053,909
2013	396,270	186,363	1,386,334	256,504	56,063	195,030	2,476,565
2014	410,695	196,571	-	264,565	57,825	201,159	1,130,815
2015	425,644	201,057	-	272,879	59,642	207,480	1,166,702
2016	441,137	208,833	-	281,454	61,517	214,001	1,206,941
2017	457,195	216,909	-	290,299	63,450	220,725	1,248,578
2018	473,836	225,300	-	299,421	65,444	227,662	1,291,663
2019	491,084	234,012	-	308,831	67,500	234,816	1,336,243
2020	508,960	243,062	-	318,536	69,621	242,195	1,382,374
2021	527,486	252,463	-	328,546	71,809	249,806	1,430,110
2022	473,351	262,227	-	338,870	74,066	257,656	1,406,170
2023	-	272,369	-	349,519	76,393	265,753	964,035
2024	-	282,902	-	360,503	78,794	274,104	996,303
2025	-	293,844	-	371,831	81,270	282,718	1,029,664
2026	-	305,208	-	383,516	83,824	291,603	1,064,151
2027	-	317,012	-	395,568	86,458	300,766	1,099,805
2028	-	326,272	-	407,999	89,175	310,218	1,133,664
2029	-	-	-	420,820	91,977	319,966	832,764
2030	-	-	-	434,045	94,868	330,021	858,934

(1) The outstanding principal portion of the debt service requirements reflect future drawdowns amounting to \$10,279,529

(2) The American Recovery and Reinvestment Act of 2009 provided funding on two loans payable. At June 30, 2010 the full amount (\$4,000,000) of the forgivable principal had been applied against the loan balance on Loan 92A166-10 by the Water Infrastructure Authority of Arizona.

STATISTICAL SECTION





STATISTICAL SECTION

Statistical section information is presented for five categories - financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

Financial trends information is intended to assist users in understanding and assessing how the City's financial position has changed over time.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the City's ability to generate its own-source revenues.

Debt capacity information is intended to assist users in understanding and assessing the City's debt burden and its ability to issue additional debt.

Demographic and economic information is intended:

- ◆ to assist users in understanding the socioeconomic environment within which the City operates and
- ◆ to provide information that facilitates comparisons of financial statement information over time and among governments.

Operating information is intended to provide contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition.

CITY OF PRESCOTT, ARIZONA

Table I

Statistical Section - Financial Trends

Net Assets by Component

Last nine fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities									
Invested in capital assets, net of related debt	\$150.0	\$151.8	\$163.0	\$177.9	\$184.8	\$203.7	\$257.6	\$266.1	\$256.8
Restricted	36.4	43.7	45.4	43.9	50.2	31.4	22.0	14.5	26.8
Unrestricted	5.3	6.5	7.7	8.9	11.6	33.3	18.9	21.3	18.2
Total governmental activities net assets	<u>191.7</u>	<u>202.0</u>	<u>216.1</u>	<u>230.7</u>	<u>246.1</u>	<u>268.4</u>	<u>298.5</u>	<u>301.9</u>	<u>301.8</u>
Business-type activities									
Invested in capital assets, net of related debt	102.2	110.0	115.9	129.6	148.8	162.0	170.1	179.7	180.2
Restricted	8.0	4.9	4.5	7.1	7.6	9.4	11.0	10.3	3.3
Unrestricted	11.7	11.8	14.2	15.4	14.2	10.6	12.0	8.4	20.6
Total business-type activities net assets	<u>121.9</u>	<u>126.7</u>	<u>134.6</u>	<u>152.1</u>	<u>170.6</u>	<u>182.0</u>	<u>193.1</u>	<u>198.4</u>	<u>204.1</u>
Primary government									
Invested in capital assets, net of related debt	252.2	261.8	278.9	307.5	333.6	365.7	427.7	445.8	437.0
Restricted	44.4	48.6	49.9	51.0	57.8	40.8	33.0	24.8	30.1
Unrestricted	17.0	18.3	21.9	24.3	25.8	43.9	30.9	29.7	38.8
Total primary government net assets	<u>\$313.6</u>	<u>\$328.7</u>	<u>\$350.7</u>	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>	<u>\$491.6</u>	<u>\$500.3</u>	<u>\$505.9</u>

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table IIa

Statistical Section - Financial Trends

Changes in Net Assets

Last nine fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses									
Governmental Activities:									
General government	\$ 4,518,316	\$ 3,798,901	\$ 5,552,612	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607	\$ 2,795,027	\$ 4,729,659	\$ 5,270,318
Community services	1,984,672	2,083,451	2,147,067	2,504,447	2,409,814	3,215,988	2,753,553	2,496,954	1,581,189
Culture and recreation	4,414,069	4,724,473	5,412,480	5,323,256	6,177,208	6,688,038	7,423,431	7,128,215	6,755,821
Public Safety									
Police and court	-	7,774,898	8,154,036	8,888,639	10,615,068	11,871,859	12,708,979	11,577,275	13,199,261
Fire	-	5,410,325	5,883,210	6,221,770	7,069,541	7,392,504	8,154,199	8,136,035	8,283,157
Total public safety (1)	<u>11,897,746</u>	<u>13,185,223</u>	<u>14,037,246</u>	<u>15,110,409</u>	<u>17,684,609</u>	<u>19,264,363</u>	<u>20,863,178</u>	<u>19,713,310</u>	<u>21,482,418</u>
Public Works	9,152,996	10,859,477	11,131,614	10,964,098	14,483,522	16,078,254	16,900,857	17,504,910	17,159,687
Interest on long-term debt	1,468,910	1,359,238	1,263,727	1,161,057	1,087,363	1,003,567	1,195,481	1,055,002	945,490
Total governmental activities expenses	<u>33,436,709</u>	<u>36,010,763</u>	<u>39,544,746</u>	<u>40,966,808</u>	<u>47,929,166</u>	<u>50,672,817</u>	<u>51,931,527</u>	<u>52,628,050</u>	<u>53,194,923</u>
Business-type Activities:									
Water	6,132,824	6,634,008	6,958,715	7,384,458	8,163,189	9,910,947	10,251,868	10,398,324	11,730,387
Wastewater	4,586,322	4,754,234	4,660,494	5,801,765	6,100,960	6,363,510	7,415,592	7,070,036	7,240,349
Golf course	2,118,559	2,031,656	2,147,973	1,971,548	2,629,179	3,219,774	3,539,999	3,027,055	3,177,877
Airport	3,332,768	3,649,511	3,619,357	4,324,540	5,052,283	4,716,619	4,101,413	2,106,018	2,667,588
Solid waste (2)	4,741,566	3,526,496	3,888,569	4,792,152	4,931,475	4,970,215	5,223,966	8,432,884	8,565,248
Transfer station (2)	2,749,348	3,152,264	3,503,582	3,697,857	3,705,833	4,093,191	4,029,674	-	-
Total solid waste/transfer station (2)	<u>7,490,914</u>	<u>6,678,760</u>	<u>7,392,151</u>	<u>8,490,009</u>	<u>8,637,308</u>	<u>9,063,406</u>	<u>9,253,640</u>	<u>8,432,884</u>	<u>8,565,248</u>
Parking garage	-	660	400	-	102,270	251,831	250,970	244,877	233,647
Total business-type activities expenses	<u>23,661,387</u>	<u>23,748,829</u>	<u>24,779,090</u>	<u>27,972,320</u>	<u>30,685,189</u>	<u>33,526,087</u>	<u>34,813,482</u>	<u>31,279,194</u>	<u>33,615,096</u>
Total primary government expenses	<u>\$57,098,096</u>	<u>\$59,759,592</u>	<u>\$64,323,836</u>	<u>\$68,939,128</u>	<u>\$78,614,355</u>	<u>\$84,198,904</u>	<u>\$86,745,009</u>	<u>\$83,907,244</u>	<u>\$86,810,019</u>

Source: City of Prescott finance department

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

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

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Program Revenue									
Governmental Activities:									
Charges for services:									
General government (3)	\$ 1,065,663	\$ 1,365,986	\$ 1,328,746	\$ 1,709,487	\$ 1,704,995	\$ 373,184	\$ 424,522	\$ 287,233	\$ 275,792
Community services (3)	300,514	303,604	316,299	386,522	329,140	1,012,016	759,032	557,381	451,277
Culture and recreation	1,136,251	1,501,425	1,219,762	1,474,204	1,342,645	1,106,163	828,718	676,388	1,336,685
Public Safety									
Police and court	-	677,483	873,926	1,075,633	1,637,260	1,735,625	1,810,533	2,029,268	1,862,438
Fire	-	669,730	746,516	542,502	542,641	593,633	653,650	393,231	517,585
Total public safety (1)	<u>630,012</u>	<u>1,347,213</u>	<u>1,620,442</u>	<u>1,618,135</u>	<u>2,179,901</u>	<u>2,329,258</u>	<u>2,464,183</u>	<u>2,422,499</u>	<u>2,380,023</u>
Public Works	512,842	601,140	618,700	680,346	750,987	451,537	314,725	270,456	343,168
Operating grants and contributions	7,081,311	3,960,189	4,879,585	4,841,655	4,536,312	5,110,022	5,320,140	4,680,179	5,419,640
Capital grants and contributions	905,334	2,575,571	6,296,262	2,761,682	13,509,535	10,003,889	12,437,202	2,009,069	1,788,843
Total governmental activities program revenues	<u>11,631,927</u>	<u>11,655,128</u>	<u>16,279,796</u>	<u>13,472,031</u>	<u>24,353,515</u>	<u>20,386,069</u>	<u>22,548,522</u>	<u>10,903,205</u>	<u>11,995,428</u>
Business-type Activities:									
Charges for services:									
Water	6,578,870	6,991,854	7,133,069	8,667,426	9,472,952	9,439,229	12,371,505	11,833,103	11,206,436
Wastewater	3,805,400	3,908,024	3,894,327	4,146,635	4,139,815	4,406,795	4,485,370	5,836,923	6,555,018
Golf course	2,423,769	2,149,134	2,162,487	2,218,301	2,570,842	3,382,094	3,257,411	2,981,108	2,666,753
Airport	2,819,818	2,997,688	3,226,483	3,834,834	4,472,618	4,127,668	3,350,194	1,312,884	1,270,370
Solid waste (4)	3,970,025	4,142,580	4,394,885	4,764,901	5,301,908	5,651,499	5,725,438	8,930,779	8,402,515
Transfer station (4)	2,772,425	3,131,601	3,430,790	3,768,809	4,217,447	4,047,899	3,481,693	-	-
Total solid waste/transfer station (4)	<u>6,742,450</u>	<u>7,274,181</u>	<u>7,825,675</u>	<u>8,533,710</u>	<u>9,519,355</u>	<u>9,699,398</u>	<u>9,207,131</u>	<u>8,930,779</u>	<u>8,402,515</u>
Parking garage (2)	-	-	-	-	64,632	58,527	58,072	48,063	52,731
Operating grants and contributions	-	-	-	-	-	-	-	-	195,055
Capital grants and contributions	5,815,099	4,116,293	7,731,228	15,913,794	11,398,193	11,426,649	11,443,754	3,995,467	7,637,797
Total business-type activities program revenues	<u>28,185,406</u>	<u>27,437,174</u>	<u>31,973,269</u>	<u>43,314,700</u>	<u>41,638,407</u>	<u>42,540,360</u>	<u>44,173,437</u>	<u>34,938,327</u>	<u>37,986,675</u>
Total primary government revenues	<u>\$39,817,333</u>	<u>\$39,092,302</u>	<u>\$48,253,065</u>	<u>\$56,786,731</u>	<u>\$65,991,922</u>	<u>\$62,926,429</u>	<u>\$66,721,959</u>	<u>\$45,841,532</u>	<u>\$49,982,103</u>
Net (Expense)/Revenue									
Governmental activities	\$ (21,804,782)	\$ (24,355,635)	\$ (23,264,950)	\$ (27,494,777)	\$ (23,575,651)	\$ (30,286,748)	\$ (29,383,005)	\$ (41,724,845)	\$ (41,199,495)
Business-type activities	4,524,019	3,688,345	7,194,179	15,342,380	10,953,218	9,014,273	9,359,955	3,659,133	4,371,579
Total primary government net expense	<u>\$ (17,280,763)</u>	<u>\$ (20,667,290)</u>	<u>\$ (16,070,771)</u>	<u>\$ (12,152,397)</u>	<u>\$ (12,622,433)</u>	<u>\$ (21,272,475)</u>	<u>\$ (20,023,050)</u>	<u>\$ (38,065,712)</u>	<u>\$ (36,827,916)</u>

Source: City of Prescott finance department

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

(2) Parking garage opened in fiscal year 2006.

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

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

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental revenues and other changes in net assets									
Governmental Activities:									
Taxes:									
Property taxes, levied for general purposes	\$ 825,330	\$ 826,858	\$ 898,810	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323	\$ 1,156,383	\$ 1,211,716	\$ 1,227,325
Property taxes, levied for debt service	1,680,005	1,680,721	1,676,385	1,688,385	1,690,354	1,708,876	1,909,468	1,935,447	1,627,818
Utility franchise taxes	1,008,081	1,020,608	1,147,098	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388	1,644,977
City privilege and use tax, general purposes	9,615,252	10,126,355	11,835,113	13,215,116	15,129,080	15,810,057	14,975,742	12,794,026	12,177,884
City privilege and use tax, major street and open space program	9,270,390	9,872,177	11,517,650	12,918,249	14,731,785	15,333,864	14,365,539	12,157,858	11,711,274
Transient lodging tax	307,300	301,900	326,387	359,928	417,001	437,770	529,488	558,806	462,709
Intergovernmental revenues - unrestricted	8,746,519	8,840,065	8,416,354	8,816,640	10,124,341	11,614,540	12,528,123	12,205,058	10,564,433
Interest and investment income	1,936,527	1,425,352	935,209	2,036,084	1,790,200	3,728,455	3,015,995	2,070,231	1,359,253
Gain (loss) on sale of property (1)	-	-	-	-	-	-	8,595,744	164,217	(1,152,911)
Miscellaneous	1,578,550	595,506	636,217	1,317,671	818,055	875,139	546,570	618,265	965,685
Transfers	(106,471)	(54,356)	(25,072)	(350,377)	(6,345,662)	(83,037)	300,237	(67,811)	388,326
Total governmental activities	<u>34,861,483</u>	<u>34,635,186</u>	<u>37,364,151</u>	<u>42,240,803</u>	<u>40,768,577</u>	<u>52,035,059</u>	<u>59,487,172</u>	<u>45,215,201</u>	<u>40,976,773</u>
Business-type Activities:									
Interest and investment income	633,461	436,335	103,650	715,632	676,194	1,691,475	1,846,596	1,296,043	992,399
Intergovernmental revenues - unrestricted	-	-	-	-	-	-	-	-	176,755
Gain (loss) on sale of property	-	-	-	-	-	-	(921,677)	-	(359)
Miscellaneous	684,847	607,466	597,869	1,022,528	839,545	636,048	732,782	598,764	566,141
Transfers	106,471	54,356	25,072	350,377	6,345,662	83,037	(300,237)	67,811	(388,326)
Total business-type activities	<u>1,424,779</u>	<u>1,098,157</u>	<u>726,591</u>	<u>2,088,537</u>	<u>7,861,401</u>	<u>2,410,560</u>	<u>1,357,464</u>	<u>1,962,618</u>	<u>1,346,610</u>
Total primary government	<u>\$36,286,262</u>	<u>\$35,733,343</u>	<u>\$38,090,742</u>	<u>\$44,329,340</u>	<u>\$48,629,978</u>	<u>\$54,445,619</u>	<u>\$60,844,636</u>	<u>\$47,177,819</u>	<u>\$42,323,383</u>
Change in net assets									
Governmental activities	\$ 13,056,701	\$ 10,279,551	\$ 14,099,201	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311	\$ 30,104,167	\$ 3,490,356	\$ (222,722)
Business-type activities	5,948,798	4,786,502	7,920,770	17,430,917	18,814,619	11,424,833	10,717,419	5,621,751	5,718,189
Total primary government	<u>\$ 19,005,499</u>	<u>\$ 15,066,053</u>	<u>\$ 22,019,971</u>	<u>\$ 32,176,943</u>	<u>\$ 36,007,545</u>	<u>\$ 33,173,144</u>	<u>\$ 40,821,586</u>	<u>\$ 9,112,107</u>	<u>\$ 5,495,467</u>

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Assets

Last nine fiscal years

Fiscal Year	Governmental activities:											
	Program Revenues				General Revenues						Total	Total Net
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest and Investment Income	Transfers, Gains(losses) and Miscellaneous	Total	Program and General Revenue	Revenue/Change in Net Assets	
2002	\$ 3,645,282	\$ 7,081,311	\$ 905,334	\$ 11,631,927	\$ 22,706,358	\$ 8,746,519	\$ 1,936,527	\$ 1,578,550	\$ 34,967,954	\$ 46,599,881	\$ 13,056,701	
2003	5,119,368	3,960,189	2,575,571	11,655,128	23,828,619	8,840,065	1,425,352	595,506	34,689,542	46,344,670	10,279,551	
2004	5,103,949	4,879,585	6,296,262	16,279,796	27,401,443	8,416,354	935,209	636,217	37,389,223	53,669,019	14,099,201	
2005	5,868,694	4,841,655	2,761,682	13,472,031	30,420,785	8,816,640	2,036,084	1,317,671	42,591,180	56,063,211	14,746,026	
2006	6,307,668	4,536,312	13,509,535	24,353,515	34,381,643	10,124,341	1,790,200	818,055	47,114,239	71,467,754	17,192,926	
2007	5,272,158	5,110,022	10,003,889	20,386,069	35,899,962	11,614,540	3,728,455	875,139	52,118,096	72,504,165	21,748,311	
2008	4,791,180	5,320,140	12,437,202	22,548,522	34,500,503	12,528,123	3,015,997	9,442,551	59,487,174	82,035,696	30,104,167	
2009	4,213,957	4,680,179	2,009,069	10,903,205	30,225,241	12,205,058	2,070,231	714,671	45,215,201	56,118,406	3,490,356	
2010	4,786,945	5,419,640	1,788,843	11,995,428	28,851,987	10,564,433	1,360,706	199,647	40,976,773	52,972,201	(222,722)	

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section - Financial Trends

Business-type Activities Revenues and Change in Net Assets

Last nine fiscal years

Business-type activities:															
Program Revenues										General Revenues					
Charges for Services															
<u>Fiscal Year</u>	<u>Water</u>	<u>Waste Water</u>	<u>Golf</u>	<u>Airport</u>	<u>Solid Waste (1)</u>	<u>Transfer Station (1)</u>	<u>Total Solid Waste/ Transfer Station (1)</u>	<u>Parking Garage</u>	<u>Operating/ Capital Grants and Contributions</u>	<u>Total</u>	<u>Interest</u>	<u>Intergovernmental, Transfers, Gains (losses) and Miscellaneous</u>	<u>Total</u>	<u>Total Program and General Revenue</u>	<u>Total Net Revenue/ Change in Net Assets</u>
2002	\$ 6,578,870	\$ 3,805,400	\$ 2,423,769	\$ 2,819,818	\$ 3,970,025	\$ 2,772,425	\$ 6,742,450	\$ -	\$ 5,815,099	\$ 28,185,406	\$ 633,461	\$ 684,847	\$ 1,318,308	\$ 29,503,714	\$ 5,948,798
2003	6,991,854	3,908,024	2,149,134	2,997,688	4,142,580	3,131,601	7,274,181	-	4,116,293	27,437,174	436,335	607,466	1,043,801	28,480,975	4,786,502
2004	7,133,069	3,894,327	2,162,487	3,226,483	4,394,885	3,430,790	7,825,675	-	7,731,228	31,973,269	103,650	597,869	701,519	32,674,788	7,920,770
2005	8,667,426	4,146,635	2,218,301	3,834,834	4,764,901	3,768,809	8,533,710	-	15,913,794	43,314,700	715,632	1,022,528	1,738,160	45,052,860	17,430,917
2006	9,472,952	4,139,815	2,570,842	4,472,618	5,301,908	4,217,447	9,519,355	64,632	11,398,193	41,638,407	676,194	839,545	1,515,739	43,154,146	18,814,619
2007	9,439,229	4,406,795	3,382,094	4,127,668	5,651,499	4,047,899	9,699,398	58,527	11,426,649	42,540,360	1,691,475	636,048	2,327,523	44,867,883	11,424,833
2008	12,371,505	4,485,370	3,257,411	3,350,194	5,725,438	3,481,693	9,207,131	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419
2009	11,833,103	5,836,923	2,981,108	1,312,884	8,930,779	-	8,930,779	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751
2010	11,206,436	6,555,018	2,666,753	1,270,370	8,402,515	-	8,402,515	52,731	7,832,852	37,986,675	992,399	354,211	1,346,610	39,333,285	5,718,189

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

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table V

Statistical Section - Financial Trends

Total Primary Government Activities Revenues and Change in Net Assets

Last nine fiscal years

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

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table VI

Statistical Section - Financial Trends

Governmental Activities Program Revenues by Function/Program

Last nine fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities									
General government	\$1,065,663	\$1,365,986	\$1,328,746	\$1,716,487	\$1,724,058	\$397,959	\$507,384	\$619,226	\$528,659
Community services	846,264	960,756	410,900	607,916	885,113	2,230,826	1,054,549	650,134	470,216
Culture and recreation	1,177,637	1,515,797	2,352,876	2,748,219	2,653,076	1,865,462	1,062,952	677,148	1,360,533
Police and court	1,555,080	1,438,315	1,607,611	1,331,412	2,075,968	2,172,971	2,102,735	2,284,453	2,226,109
Fire (1)	-	851,011	1,074,515	725,709	767,928	894,621	914,572	641,707	1,160,531
Public works	6,987,283	5,523,263	9,505,148	6,342,288	16,247,372	12,824,230	16,906,330	6,030,537	6,249,380
Total governmental activities program revenues	<u>\$11,631,927</u>	<u>\$11,655,128</u>	<u>\$16,279,796</u>	<u>\$13,472,031</u>	<u>\$24,353,515</u>	<u>\$20,386,069</u>	<u>\$22,548,522</u>	<u>\$10,903,205</u>	<u>\$11,995,428</u>

Source: City of Prescott finance department

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

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

Fluctuations in program revenues result primarily from grant revenues which vary from year to year.

CITY OF PRESCOTT, ARIZONA

Table VII

Statistical Section - Financial Trends

Changes in Fund Balances, Governmental Funds

Last nine fiscal years (in millions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund									
Excess of revenues over expenditures	\$3.3	\$3.6	\$3.6	\$5.2	\$5.6	\$5.6	\$2.4	\$0.9	(\$2.5)
Other Financing Sources (Uses)									
Debt proceeds	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.3	0.0
Transfers in	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
Transfers out	(2.4)	(0.7)	(3.1)	(3.5)	(4.4)	(6.5)	(2.0)	(1.5)	(0.3)
Total other financing sources (uses)	<u>(2.3)</u>	<u>(0.7)</u>	<u>(3.1)</u>	<u>(3.5)</u>	<u>(3.7)</u>	<u>(6.5)</u>	<u>(2.0)</u>	<u>(1.2)</u>	<u>0.9</u>
Net change in fund balance	<u>1.0</u>	<u>2.9</u>	<u>0.5</u>	<u>1.7</u>	<u>1.9</u>	<u>(0.9)</u>	<u>0.4</u>	<u>(0.3)</u>	<u>(1.6)</u>
Beginning fund balance (1)	3.9	4.9	7.8	8.3	10.0	12.7	11.7	12.1	21.2
Prior period adjustment	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Beginning fund balance - as restated	<u>3.9</u>	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.8</u>	<u>12.7</u>	<u>11.7</u>	<u>12.1</u>	<u>21.2</u>
Ending fund balance	<u>4.9</u>	<u>7.8</u>	<u>8.3</u>	<u>10.0</u>	<u>12.7</u>	<u>11.8</u>	<u>12.1</u>	<u>11.8</u>	<u>19.6</u>
Committed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.4
Assigned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Unassigned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8
Reserved	0.7	3.2	2.8	3.2	2.1	1.4	1.8	4.3	0.0
Unreserved	4.2	4.6	5.5	6.8	10.6	10.2	10.3	7.5	0.0
Total general fund balance	<u>\$4.9</u>	<u>\$7.8</u>	<u>\$8.3</u>	<u>\$10.0</u>	<u>\$12.7</u>	<u>\$11.6</u>	<u>\$12.1</u>	<u>\$11.9</u>	<u>\$19.5</u>
All Other Governmental Funds									
Excess (deficiency) of revenues over expenditures	(\$1.7)	\$4.8	(\$0.3)	(\$3.9)	\$0.4	(\$7.5)	(\$12.8)	(\$9.4)	(\$4.9)
Other Financing Sources (Uses)									
Bond issuances	-	-	-	-	-	1.5	0.0	0.0	18.3
Transfers in	2.8	1.8	3.9	3.8	6.8	8.4	3.4	3.0	1.1
Transfers out	(0.7)	(1.1)	(1.0)	(1.0)	(2.5)	(1.9)	(1.5)	(1.7)	(1.6)
Total other financing sources (uses)	<u>2.1</u>	<u>0.7</u>	<u>2.9</u>	<u>2.8</u>	<u>4.3</u>	<u>8.0</u>	<u>1.9</u>	<u>1.3</u>	<u>17.8</u>
Net change in fund balance	<u>0.4</u>	<u>5.5</u>	<u>2.6</u>	<u>(1.1)</u>	<u>4.7</u>	<u>0.5</u>	<u>(10.9)</u>	<u>(8.1)</u>	<u>12.9</u>
Beginning fund balance	23.8	24.2	29.7	32.3	31.3	36.0	36.5	25.6	8.2
Ending fund balance	<u>24.2</u>	<u>29.7</u>	<u>32.3</u>	<u>31.3</u>	<u>36.0</u>	<u>36.5</u>	<u>25.6</u>	<u>17.5</u>	<u>21.1</u>
Restricted	0.0 #	0.0 #	0.0 #	0.0 #	0.0 #	0.0 #	0.0 #	0.0 #	21.1
Reserved for dedicated purposes	0.6	0.5	0.5	0.5	0.5	0.5	1.8	4.2	0.0
Unreserved, reported in:									
Special revenue funds	20.1	26.2	29.3	29.2	34.1	33.3	21.5	11.4	0.0
Debt service funds	1.3	1.4	1.4	1.7	1.7	2.0	1.7	1.7	0.0
Capital projects funds	2.2	1.6	1.1	(0.1)	(0.3)	0.7	0.6	0.2	0.0
Total all other governmental funds fund balance	<u>\$24.2</u>	<u>\$29.7</u>	<u>\$32.3</u>	<u>\$31.3</u>	<u>\$36.0</u>	<u>\$36.5</u>	<u>\$25.6</u>	<u>\$17.5</u>	<u>\$21.1</u>
Total general and other governmental funds - fund balance	<u>\$29.1</u>	<u>\$37.5</u>	<u>\$40.6</u>	<u>\$41.3</u>	<u>\$48.7</u>	<u>\$48.1</u>	<u>\$37.7</u>	<u>\$29.4</u>	<u>\$40.6</u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

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

The City implemented GASB 54 for the fiscal year ended June 30, 2010. Prior statements have not been restated to comply with the new requirements, therefore ten years of data is not presented.

(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 nine fiscal years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues									
Taxes	\$ 22,706,358	\$ 23,845,928	\$27,418,458	\$30,433,859	\$34,401,134	\$35,899,318	\$34,475,231	\$30,205,330	\$28,859,997
Intergovernmental revenues	16,326,996	13,514,966	14,104,448	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795	19,891,545
Licenses and permits	2,387,963	3,170,195	2,615,347	3,661,079	3,892,462	1,537,880	1,142,050	810,813	1,090,967
Charges for services	858,072	1,436,338	1,761,234	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556	886,019
Fines and forfeitures	399,247	512,835	727,368	907,993	1,480,324	1,534,587	1,719,170	1,967,588	646,737
Gifts and donations	122,981	38,857	233,426	91,205	102,716	51,284	59,882	170,124	65,517
Interest and investment income	1,830,934	1,383,229	925,387	1,944,433	1,690,663	3,431,739	2,644,168	1,723,524	1,359,253
Miscellaneous and Grant Contributions	1,455,569	1,167,515	1,273,092	1,980,566	2,138,267	1,283,031	1,634,095	1,155,665	1,532,879
Total revenues	<u>46,088,120</u>	<u>45,069,863</u>	<u>49,058,760</u>	<u>55,473,482</u>	<u>60,421,560</u>	<u>63,676,276</u>	<u>62,047,057</u>	<u>54,490,395</u>	<u>54,332,914</u>
Expenditures									
General government	\$ 3,507,893	\$ 3,112,805	3,664,500	4,639,844	5,911,150	5,677,646	6,193,642	5,351,470	5,599,470
Community services	1,737,515	1,921,862	2,152,142	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629	1,532,576
Culture and recreation	3,880,000	4,152,052	4,125,700	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515	5,399,324
Police and court	11,044,795	7,328,394	7,873,737	8,516,869	10,336,021	11,672,399	12,533,337	12,578,003	12,627,274
Fire		5,098,237	5,358,362	5,817,037	6,413,599	7,091,353	7,931,941	7,874,563	7,891,239
Public works	2,247,948	2,691,222	2,934,571	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896	4,275,139
Capital outlay	18,965,560	9,193,799	16,399,864	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447	21,263,084
Debt service - principal	1,653,723	1,843,153	1,952,003	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953	2,060,069
Debt service - interest	1,467,968	1,358,938	1,263,420	1,160,334	1,084,915	1,000,152	959,565	840,589	1,057,525
Total expenditures	<u>44,505,402</u>	<u>36,700,462</u>	<u>45,724,299</u>	<u>54,158,220</u>	<u>54,428,319</u>	<u>65,572,291</u>	<u>72,406,904</u>	<u>63,042,065</u>	<u>61,705,700</u>
Excess of Revenues over (under) Expenditures	1,582,718	8,369,401	3,334,461	1,315,262	5,993,241	(1,896,015)	(10,359,847)	(8,551,670)	(7,372,786)
Other Financing Sources (Uses)									
Bond issuances						1,524,974	-	-	18,250,000
Capital leases					734,000	-	-	250,000	-
Transfers in	2,927,174	1,763,447	3,933,148	3,856,870	6,830,592	8,362,823	3,362,326	3,044,736	2,324,239
Transfers out	(3,033,645)	(1,817,802)	(4,095,060)	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)	(3,112,547)	(1,935,913)
Total other financing sources (uses)	<u>(106,471)</u>	<u>(54,355)</u>	<u>(161,912)</u>	<u>(680,877)</u>	<u>629,067</u>	<u>1,456,540</u>	<u>(196,203)</u>	<u>182,189</u>	<u>18,638,326</u>
Net change in fund balances	<u>1,476,247</u>	<u>8,315,046</u>	<u>3,172,549</u>	<u>634,385</u>	<u>6,622,308</u>	<u>(439,475)</u>	<u>(10,556,050)</u>	<u>(8,369,481)</u>	<u>11,265,540</u>
Debt service as a percentage of noncapital expenditures	12.2%	11.6%	11.0%	9.0%	8.7%	6.8%	9.5%	7.1%	5.5%

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table IX

Statistical Section - Financial Trends

General Government Expenditures by Function

Last ten fiscal years (1)

Fiscal Year	General Government	Community Services	Culture and Recreation	Public Safety		Public Works	Subtotal Current Expenditures	Capital Outlay	Debt Service Principal	Debt Service Interest	Total	Debt Service as a percentage of noncapital expenditures
				Police & Courts	Fire							
2001	\$ 3,289,431	\$ 1,345,762	\$ 3,391,994	\$ 9,855,935	\$ -	\$ 2,081,956	\$ 19,965,078	\$ 31,695,096	\$ 53,863	\$ -	\$ 51,714,037	n/a
2002	3,507,893	1,737,515	3,880,000	11,044,795	-	2,247,948	22,418,151	18,965,560	1,653,723	1,467,968	44,505,402	12.2%
2003	3,112,805	1,921,862	4,152,052	7,328,394	5,098,237	2,691,222	24,304,572	9,193,799	1,843,153	1,358,938	36,700,462	11.6%
2004	3,664,500	2,152,142	4,125,700	7,873,737	5,358,362	2,934,571	26,109,012	16,399,864	1,952,003	1,263,420	45,724,299	11.0%
2005	4,639,844	2,314,246	4,735,603	8,516,869	5,817,037	3,145,141	29,168,740	22,109,095	1,720,051	1,160,334	54,158,220	9.0%
2006	5,911,150	2,190,852	5,607,706	10,336,021	6,413,599	3,650,496	34,109,824	17,074,369	2,159,211	1,084,915	54,428,319	8.7%
2007	5,677,646	2,641,295	6,038,931	11,672,399	7,091,353	3,986,169	37,107,793	25,464,042	2,000,304	1,000,152	65,572,291	6.8%
2008	6,193,642	2,926,188	6,257,768	12,533,337	7,931,941	3,606,011	39,448,887	29,327,591	2,670,861	959,565	72,406,904	9.5%
2009	5,351,470	2,685,629	6,065,515	12,578,003	7,874,563	3,371,896	37,927,076	21,813,447	2,460,953	840,589	63,042,065	7.1%
2010	5,599,470	1,532,576	5,399,324	12,627,274	7,891,239	4,275,139	37,325,022	21,263,084	2,060,069	1,057,525	61,705,700	5.5%

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table X

Statistical Section - Financial Trends

General Government Revenues by Sources

Last ten fiscal years (1)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter-governmental Revenues</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Gifts and Donations</u>	<u>Interest Income</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 19,220,526	\$ 14,967,912	\$ 1,561,537	\$ 733,362	\$ 362,102	\$ -	\$ 2,078,477	\$ 741,371	\$ 39,665,287
2002	22,706,358	16,326,996	2,387,963	858,072	399,247	122,981	1,830,934	1,455,569	46,088,120
2003	23,845,928	13,514,966	3,170,195	1,436,338	512,835	38,857	1,383,229	1,167,515	45,069,863
2004	27,418,458	14,104,448	2,615,347	1,761,234	727,368	233,426	925,387	1,273,092	49,058,760
2005	30,433,859	15,154,725	3,661,079	1,299,622	907,993	91,205	1,944,433	1,980,566	55,473,482
2006	34,401,134	15,381,132	3,892,462	1,334,862	1,480,324	102,716	1,690,663	2,138,267	60,421,560
2007	35,899,318	17,738,746	1,537,880	2,199,691	1,534,587	51,284	3,431,739	1,283,031	63,676,276
2008	34,475,231	18,442,502	1,142,050	1,929,959	1,719,170	59,882	2,644,168	1,634,095	62,047,057
2009	30,205,330	17,021,795	810,813	1,435,556	1,967,588	170,124	1,723,524	1,155,665	54,490,395
2010	28,859,997	19,891,545	1,090,967	886,019	646,737	65,517	1,359,253	1,532,879	54,332,914

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table XI

Statistical Section - Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property

Last ten fiscal years

Fiscal Year		Real		Personal		Gross	Less	Net Assessed	Percent	Estimated	Total Direct
		Estate	Improvements	Property	Utilities						
2001	P	\$ -	\$ 270,767,262	\$ 15,084,880	\$ 18,406,551	\$ 304,258,693	\$ 22,070,164	\$ 282,188,529	20.9%	\$ 2,274,048,212	\$7.8270
	S	124,002,003	164,506,274	15,051,055	18,437,147	321,996,479	24,843,875	297,152,604	14.6%	2,401,274,248	1.4810
2002	P	-	298,523,370	16,568,026	20,270,308	335,361,704	23,276,557	312,085,147	10.6%	2,512,369,029	7.5298
	S	128,101,429	185,985,911	16,559,405	20,270,308	350,917,053	25,009,576	325,907,477	9.7%	2,621,445,412	1.7228
2003	P	-	325,807,051	16,215,575	22,171,331	364,193,957	23,875,505	340,318,452	9.0%	2,740,841,490	7.5540
	S	131,615,879	209,475,582	16,230,175	22,171,331	379,492,967	25,227,311	354,265,656	8.7%	2,847,617,642	1.6541
2004	P	-	369,580,785	15,003,540	24,730,430	409,314,755	24,574,660	384,740,095	13.1%	3,059,452,688	7.6004
	S	159,328,874	239,175,556	15,003,540	24,730,430	438,238,400	26,873,584	411,364,816	16.1%	3,232,742,974	1.4420
2005	P	-	409,982,059	14,665,909	20,921,184	445,569,152	25,723,206	419,845,946	9.1%	3,366,027,959	7.4160
	S	174,363,451	265,094,752	14,670,567	20,921,184	475,049,954	27,239,856	447,810,098	8.9%	3,548,266,877	0.9915
2006	P	-	454,345,973	16,408,454	21,047,306	491,801,733	24,805,656	466,996,077	11.2%	3,744,454,238	7.0503
	S	181,287,420	304,464,222	16,408,431	21,047,306	523,207,379	25,981,170	497,226,209	11.0%	3,974,902,455	0.7977
2007	P	-	506,912,059	13,598,953	22,706,169	543,217,181	25,815,170	517,402,011	10.8%	4,201,772,704	6.4839
	S	187,957,316	354,231,282	13,598,953	22,706,169	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	-	571,868,029	16,970,497	22,767,721	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	219,399,458	413,148,579	16,969,721	22,767,721	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640
2009	P	-	654,867,092	16,367,533	23,305,137	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	307,050,409	505,741,499	16,367,533	23,305,137	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770
2010	P	-	726,770,248	16,276,082	22,619,985	765,666,315	36,429,750	729,236,565	10.4%	6,181,460,471	5.6295
	S	330,556,261	495,997,159	16,643,501	22,043,150	865,240,071	43,072,587	822,167,484	1.5%	6,962,286,690	0.9344

Source: Yavapai County assessor

Under Arizona law, there are two primary valuation bases: Primary (P) and Secondary (S). The primary (limited) assessed valuation is used when levying for maintenance and operation of cities, counties, school districts, community college districts, and the state. The secondary (full cash) assessed valuation is used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

Real estate and improvements are combined in the primary valuation.

CITY OF PRESCOTT, ARIZONA

Table XII

Statistical Section - Revenue Capacity

Property Tax Rates and Tax Levies - All Direct and Overlapping Governments

Last ten fiscal years

Fiscal Year		City of	High School	Community	Yavapai	State of	Total
		Prescott	& Elementary	College	County	Arizona	
Tax Rates (per \$1,000 Assessed Valuation)							
2001	P	\$ 0.2906	\$ 3.8751	\$ 1.5330	\$ 2.1283	\$ -	\$ 7.8270
	S	0.5592	0.3989	0.0875	0.4354	-	1.4810
2002	P	0.2627	3.6306	1.5325	2.1040	-	7.5298
	S	0.5121	0.3658	0.4163	0.4286	-	1.7228
2003	P	0.2522	3.6222	1.5835	2.0961	-	7.5540
	S	0.4707	0.3583	0.3954	0.4297	-	1.6541
2004	P	0.2415	3.6392	1.5672	2.1525	-	7.6004
	S	0.4072	0.2935	0.3106	0.4307	-	1.4420
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.4160
	S	0.3763	0.2857	0.2888	0.4069	-	0.9915
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.0503
	S	0.3413	0.2687	0.2614	0.4034	-	0.7977
2007	P	0.2182	3.1797	1.4308	1.6552	-	6.4839
	S	0.3093	0.2709	0.2265	0.3898	-	1.1965
2008	P	0.1991	2.9608	1.3397	1.5292	-	6.0288
	S	0.2982	0.2262	0.1828	0.3568	-	1.0640
2009	P	0.1839	2.7477	1.1989	1.3683	-	5.4988
	S	0.2396	0.0504	0.1405	0.3465	-	0.7770
2010	P	0.1695	2.7202	1.1250	1.6148	-	5.6295
	S	0.2002	0.2496	0.1367	0.3479	-	0.9344
Tax Levies							
2001	P	\$ 820,000	\$ 15,065,840	\$ 18,109,635	\$ 25,141,805	\$ -	\$ 59,137,280
	S	1,661,716	1,670,688	1,091,840	5,059,091	-	9,483,335
2002	P	820,000	15,596,853	19,630,398	26,951,447	-	62,998,698
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	14,310,793
2003	P	858,120	16,979,781	21,980,482	29,096,384	-	68,914,767
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	15,017,086
2004	P	929,147	18,984,254	23,771,406	32,649,944	-	76,334,751
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	14,792,880
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	-	82,928,572
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	15,453,297
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	89,331,795
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	16,523,444
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,016,267
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	17,468,813
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	95,777,302
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	18,918,115
2009	P	1,214,192	25,284,657	35,424,260	40,429,914	-	102,353,023
	S	1,939,408	588,540	5,264,245	12,399,561	-	20,191,754
2010	P	1,235,701	28,074,489	36,833,381	52,869,817	-	119,013,388
	S	1,646,680	2,990,278	5,228,333	12,313,942	-	22,179,233

The portion of the 2009-10 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 1,235,701	\$ 19,836,865	\$ 8,203,911	\$ 11,775,712	\$ -	\$ 41,052,189
	S	1,646,680	2,051,734	1,123,827	2,646,874	-	7,469,115
Percent	P	100%	70.7%	22.3%	22.3%	-	34.5%
	S	100%	68.6%	21.5%	21.5%	-	33.7%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section - Revenue Capacity

Principal Property Taxpayers

Current fiscal year and nine years ago

Taxpayer	Type of Business	2009/2010			2000/2001		
		Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation	Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation
Arizona Public Service	Electric utility	\$ 13,169,789	1	1.6%	\$ 8,789,747	1	3.0%
TWC II Prescott Mall LLC	Shopping center	8,883,966	2	1.1%			
Qwest Corporation / US West	Telecommunications	4,814,047	3	0.6%	5,236,161	3	1.8%
Unisource Energy Corporation	Gas utility	4,649,705	4	0.6%	6,091,578	2	2.5%
First American Title	Title	3,279,895	5	0.4%			
Bonanza LLC - Ponderosa Plaza	Shopping center	3,176,489	6	0.4%	1,266,044	6	0.4%
Wal-Mart	Shopping Center	3,123,904	7	0.4%			
Lowes	Retail	2,658,469	8	0.3%			
LFRV LLC (Las Fuentes)	Commercial rental	2,527,254	9	0.3%	1,723,251	4	0.6%
Wal-Mart 5303	Shopping center	2,123,813	10	0.3%			
Costco	Shopping center				1,537,670	5	0.5%
Prescottonian Motel	Motel				1,108,951	7	0.4%
Smiths Management Corporation	Grocery Store				968,651	8	0.3%
Sturm Ruger	Manufacturing				867,516	9	0.3%
Prescott Lakes Apartments	Apartments				731,492	10	0.3%
Total		<u>\$ 48,407,331</u>		<u>6.0%</u>	<u>\$ 28,321,061</u>		<u>10.0%</u>

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA
Table XIV
Statistical Section - Revenue Capacity
Property Tax Levies and Collections
 Last ten fiscal years

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent of Current Levy</u>
2001	\$ 2,481,716	\$ 2,445,577	98.5%	\$ 19,762	\$ 2,465,339	99.3%	\$ 150,214	6.1%
2002	2,489,115	2,428,916	97.6%	39,658	2,468,574	99.2%	170,755	6.9%
2003	2,525,735	2,402,338	95.1%	79,912	2,482,250	98.3%	193,699	7.7%
2004	2,604,022	2,580,873	99.1%	48,567	2,629,440	101.0%	145,337	5.6%
2005	2,685,518	2,677,274	99.7%	34,941	2,712,215	101.0%	118,640	4.4%
2006	2,745,431	2,725,807	99.3%	33,699	2,759,506	100.5%	104,565	3.8%
2007	2,835,796	2,815,931	99.3%	29,790	2,845,721	100.3%	94,640	3.3%
2008	3,076,772	2,984,844	97.0%	34,633	3,052,109	99.2%	119,303	3.9%
2009	3,153,600	3,053,820	96.8%	73,432	3,126,766	99.1%	146,137	4.6%
2010	2,874,005	2,783,920	96.9%	81,860	2,889,256	100.5%	130,886	4.6%

Source: Yavapai County treasurer's office

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

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

Penalties are not recorded in the above collection figures.

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

CITY OF PRESCOTT, ARIZONA

Table XV

Statistical Section - Revenue Capacity

Property Tax Information

Tax Rate Limitation

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

Assessments

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

Taxes Due

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

Payable

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

Tax Sales

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

Tax Deed

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

Redemption

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

CITY OF PRESCOTT, ARIZONA

Table XVI

Statistical Section - Revenue Capacity

Tax Revenues by Source

Last ten fiscal years

<u>Fiscal Year</u>	<u>Total Tax Per Capita</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Privilege and Use Taxes</u>	<u>Additional 1% Privilege Tax (1)</u>	<u>Franchise Taxes</u>	<u>Transient Lodging Tax (2)</u>
2001	\$615	\$ 20,865,681	\$ 2,462,504	\$ 8,705,838	\$ 8,445,405	\$ 960,603	\$ 291,331
2002	634	22,706,358	2,505,335	9,615,252	9,270,390	1,008,081	307,300
2003	656	23,845,928	2,524,888	10,126,355	9,872,177	1,020,608	301,900
2004	718	27,418,458	2,592,210	11,835,113	11,517,650	1,147,098	326,387
2005	757	30,433,859	2,704,676	13,215,116	12,918,249	1,235,890	359,928
2006	838	34,401,134	2,753,961	15,129,080	14,731,785	1,369,307	417,001
2007	853	35,899,318	2,829,555	15,810,057	15,333,864	1,488,072	437,770
2008	798	34,475,231	3,040,579	14,975,742	14,365,539	1,563,883	529,488
2009	698	30,205,330	3,127,252	12,794,026	12,157,858	1,567,388	558,806
2010	662	28,851,987	2,855,143	12,177,884	11,711,274	1,644,977	462,709

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Revenue Capacity

Privilege Tax - Taxable Sales by Category

Last ten fiscal years

Fiscal Year	Advertising	Construction	Job Printing / Publishing	Restaurant/ Bar	Tangible Personal Property Rental	Commercial Rental	Hotel/Motel	Residential Rental	Retail Sales	Utilities	Use Tax	Telecomm-unications	All Other	Total	Tax Rate	Top 10
																as percentage to
																Total
2001	\$ 13,465,166	\$ 131,703,938	\$ 6,612,190	\$ 52,815,766	\$ 28,006,360	\$ 32,070,282	\$ 14,394,967	\$ 38,081,262	\$ 448,998,486	\$ 39,768,569	\$ 17,807,155	\$ 26,048,915	\$ 3,804,337	\$ 853,577,393	2%	28%
2002	12,237,100	154,402,441	6,764,351	56,303,885	24,077,467	34,253,720	16,563,049	38,942,371	494,527,213	48,422,933	20,386,454	26,429,037	3,849,699	937,159,720	2%	24%
2003	14,444,259	141,186,830	7,438,727	62,093,778	22,061,526	42,408,952	15,683,291	39,221,879	549,834,655	44,767,119	18,071,940	28,039,632	3,418,191	988,670,779	2%	28%
2004	13,740,912	169,412,480	7,618,704	65,403,109	30,335,624	45,870,400	16,445,838	37,610,402	654,152,112	48,284,468	19,422,526	27,506,668	3,090,919	1,138,894,162	2%	29%
2005	14,567,073	201,828,143	8,843,398	74,788,248	35,991,623	49,401,932	18,278,681	38,301,020	777,882,791	52,458,473	15,713,744	23,533,219	1,963,135	1,313,551,480	2%	28%
2006	22,358,843	224,131,586	8,708,128	85,368,532	35,840,586	52,738,709	20,883,397	43,331,009	884,078,937	55,709,089	24,726,686	23,849,987	1,783,042	1,483,508,531	2%	28%
2007	24,174,349	232,579,811	8,911,997	87,175,103	52,697,671	60,276,104	22,775,211	44,424,674	902,862,281	65,436,261	26,451,666	27,145,780	2,150,225	1,557,061,133	2%	27%
2008	22,163,783	194,250,262	7,333,280	85,530,663	41,970,077	63,745,816	26,255,519	46,664,324	858,797,685	72,090,642	33,010,468	27,157,722	2,211,238	1,481,181,479	2%	33%
2009	14,893,931	123,929,760	6,336,403	82,289,841	29,173,895	65,905,274	18,921,985	59,512,905	755,814,899	72,460,223	18,500,131	20,270,288	2,962,452	1,270,971,987	2%	35%
2010	11,933,974	90,467,207	5,370,590	82,301,876	26,949,067	60,565,361	16,540,145	51,180,835	706,122,844	68,393,076	23,527,244	23,466,558	2,114,288	1,168,933,065	2%	37%

Top 10 Taxpayers

FY 2010		FY 2001	
Arizona Public Service		Albertson's Food Stores	
Best Buy		Arizona Public Service	
Costco		Costco Wholesale	
Fry's Food & Drug		Galpin Ford Incorporated	
Lamb Chevrolet		Lamb Chevrolet	
Lowe's		Safeway Stores, Inc.	
Safeway		Sears Roebuck and Co.	
Tim's Buick Pontiac Toyota		Smith's Food & Drug	
UNS Gas, Inc.		Tim's Buick-Pontiac	
Wal-Mart		York Motor Car Co, Inc	
Percent of Total Privilege Tax Collected	37%	Percent of Total Privilege Tax Collected:	28%

Source: City of Prescott Finance Department

(1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015. In 2010 voters approved a .75% privilege tax for streets to begin January 1, 2016 to sunset December 31, 2035.

CITY OF PRESCOTT, ARIZONA

Table XVIII

Statistical Section - Revenue Capacity

Privilege Tax Overlapping Rates

Last ten fiscal years

<u>Fiscal Year</u>	<u>Prescott Privilege Tax General</u>	<u>Prescott Privilege Tax - Roads & Open Space (1)</u>	<u>Yavapai County Privilege Tax (3)</u>	<u>State of Arizona Privilege Tax (4)</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
2001	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2002	1.00%	1.00%	0.70%	5.60%	8.30%	2.00%
2003	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2004	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2006	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2010	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%

Source: City of Prescott finance department

(1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015. In 2010, voters approved a .75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities				Business-type Activities						Total Debt Per Capita	Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General Obligation Bonds	Community Facilities District Bonds	Lease Purchase Contracts	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Loans Payable (2)	Landfill Closure Cost	Lease Purchase Contracts	Total Primary Government				
2001	\$ 14,840,000	\$ 7,550,000	\$ 144,418	\$ 4,602,063	\$ 13,530,000	\$ -	\$ -	\$ 469,008	\$ 4,047,226	\$ 45,182,715	\$ 1,331	\$ 973	1.26%	0.92%
2002	13,815,000	7,280,000	99,898	4,287,860	15,245,000	-	-	1,200,000	4,784,488	46,712,246	1,304	981	1.26%	0.95%
2003	12,730,000	6,889,000	51,852	3,967,753	10,500,000	-	-	1,191,364	4,186,452	39,516,421	1,086	788	1.01%	0.73%
2004	11,590,000	6,460,000	-	3,733,442	9,600,000	-	-	1,183,396	3,589,083	36,155,921	947	680	0.82%	0.59%
2005	10,395,000	6,270,000	-	3,398,392	21,355,000	-	-	1,178,442	3,640,013	46,236,847	1,149	909	1.04%	0.83%
2006	9,140,000	5,765,000	666,940	3,066,241	20,050,000	-	-	1,337,800	4,144,260	44,170,241	1,076	861	1.00%	0.80%
2007	9,335,000	5,560,000	528,787	2,724,090	25,330,000	-	-	1,324,670	3,436,504	48,239,051	1,146	949	1.09%	0.90%
2008	7,825,000	4,865,000	385,076	2,401,941	23,730,000	-	8,249,461	1,295,271	2,253,982	51,005,731	1,180	1,012	0.92%	0.79%
2009	6,240,000	4,495,000	451,174	2,079,788	22,060,000	-	10,255,783	1,237,819	2,354,008	49,173,572	1,136	984	0.84%	0.73%
2010	4,950,000	4,260,000	248,256	1,747,637	38,775,000	-	17,947,447	1,173,915	1,748,615	70,850,870	1,626	1,488	1.28%	1.17%

Source: City of Prescott finance department

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

Population information can be found on Table XXVII. 2009 and 2010 percentage columns are based on 2007 personal income amounts. The 2009 and 2010 personal income amounts were not available.

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

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

CITY OF PRESCOTT, ARIZONA

Table XX

Statistical Section - Debt Capacity

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita (1)</u>
2001	\$ 297,152,604	\$ 14,840,000	\$ -	\$ 14,840,000	5.0%	\$437
2002	325,907,477	13,815,000	-	13,815,000	4.2%	386
2003	354,265,656	12,730,000	-	12,730,000	3.6%	350
2004	411,364,816	11,590,000	-	11,590,000	2.8%	304
2005	447,810,098	10,395,000	-	10,395,000	2.3%	258
2006	497,226,209	9,140,000	-	9,140,000	1.8%	223
2007	551,843,276	9,335,000	-	9,335,000	1.7%	222
2008	642,466,094	7,825,000	-	7,825,000	1.2%	181
2009	809,994,831	6,240,000	-	6,240,000	0.8%	144
2010	822,167,484	4,950,000	-	4,950,000	0.6%	114

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>
2001	\$ 960,000	\$ 701,715	\$ 1,661,715	\$ 51,714,037	\$ 51,714,037	3.2%
2002	1,025,000	644,115	1,726,715	44,505,402	44,505,402	3.9%
2003	1,085,000	582,615	1,667,615	36,700,462	36,700,462	4.5%
2004	1,140,000	534,875	1,674,875	45,724,299	45,724,299	3.7%
2005	1,195,000	489,275	1,684,275	54,158,220	54,158,220	3.1%
2006	1,255,000	441,475	1,696,475	54,428,319	54,428,319	3.1%
2007	1,315,000	391,275	1,706,275	65,572,291	65,572,291	2.6%
2008	1,510,000	404,276	1,914,276	72,406,904	72,406,904	2.6%
2009	1,585,000	337,285	1,922,285	63,042,065	63,042,065	3.0%
2010	1,290,000	270,975	1,560,975	61,705,700	61,705,700	2.5%

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table XXII

Statistical Section - Debt Capacity

Schedule of Water and Wastewater Revenue Bond Coverage

Last ten fiscal years

<u>Fiscal Year</u>	<u>Operating Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
2001	\$ 10,461,178	\$ 6,171,567	\$ 4,289,611
2002	10,909,306	7,057,951	3,851,355
2003	14,510,866	11,388,242	3,122,624
2004	17,341,679	11,619,209	5,722,470
2005	27,905,262	13,186,223	14,719,039
2006	23,481,340	14,264,149	9,217,191
2007	24,792,698	16,274,457	8,518,241
2008	28,075,001	17,667,460	10,407,541
2009	21,282,148	17,468,360	3,813,788
2010	18,846,722	13,404,404	5,442,318

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, 2010

	<u>Net Bonds Outstanding</u>	<u>Percentage Applicable to Prescott (1)</u>	<u>Amount Applicable to Prescott</u>
<u>Direct Debt</u>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 4,950,000	100.0%	\$ 4,950,000
Total direct debt			<u>4,950,000</u>
<u>Overlapping Debt</u>			
Yavapai Community College District	47,310,000	22.3%	10,537,372
Prescott Unified School District	26,935,000	70.7%	19,031,725
Total overlapping debt			<u>29,569,097</u>
Total direct & overlapping debt			<u>\$ 34,519,097</u>

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

	<u>Total Assessed Valuation</u>	<u>Valuation in Prescott</u>	<u>Percent in Prescott</u>
<u>Taxing District</u>			
Yavapai Community College District	\$ 3,274,078,347	\$ 729,236,565	22.3%
Prescott Unified School District	1,032,065,504	729,236,565	70.7%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA
Table XXIV
Statistical Section - Debt Capacity
Legal Debt Margins
June 30, 2010

	<u>General Obligation Bonds</u>	
	<u>All Others</u> <u>6% (1)</u>	<u>Water & Wastewater</u> <u>20% (2)</u>
<u>Legal Debt Limitation</u> (2009-10 secondary assessed valuation \$822,167,484)	\$ 49,330,049	\$ 164,433,497
<u>Outstanding Debt</u>		
Municipal facilities & refunding bond series 1998	-	4,950,000
Total outstanding debt	-	4,950,000
Total margin available	\$ 49,330,049	\$ 159,483,497
Total debt applicable to the limit as a percentage of the debt limit	0.0%	3.0%

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 2009-10	\$ 3,034,115
Percent of margin	50%
Highway user margin	1,517,058
Bond principal due FY 2009-2010	-
Bond interest due FY 2009-2010	-
Margin available	\$ 1,517,058

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

CITY OF PRESCOTT, ARIZONA

Table XXV

Statistical Section - Debt Capacity

Legal Debt Margins

Last ten fiscal years (in thousands of dollars)

<u>Legal Debt Limitation or Margin</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Obligation Bonds 6% limit (1)	\$ 17,829	\$ 19,554	\$ 21,256	\$ 24,682	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548	\$ 48,600	\$ 49,330
Outstanding debt subject to limit	2,405	2,155	1,885	1,605	1,315	1,010	690	0	-	-
Total margin available	<u>\$ 15,424</u>	<u>\$ 17,399</u>	<u>\$ 19,371</u>	<u>\$ 23,077</u>	<u>\$ 25,554</u>	<u>\$ 28,824</u>	<u>\$ 32,421</u>	<u>\$ 38,548</u>	<u>\$ 48,600</u>	<u>\$ 49,330</u>
Total debt applicable to the limit as a percentage of the debt limit	13.5%	11.0%	8.9%	6.5%	4.9%	3.4%	2.1%	0.0%	0.0%	0.0%
Water & Wastewater 20% limit (2)	\$ 59,431	\$ 65,181	\$ 70,853	\$ 82,273	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493	\$ 161,999	\$ 164,433
Outstanding debt subject to limit	12,435	11,660	10,845	9,985	9,080	8,130	8,645	7,825	6,240	4,950
Total margin available	<u>\$ 46,996</u>	<u>\$ 53,521</u>	<u>\$ 60,008</u>	<u>\$ 72,288</u>	<u>\$ 80,482</u>	<u>\$ 91,315</u>	<u>\$ 101,724</u>	<u>\$ 120,668</u>	<u>\$ 155,759</u>	<u>\$ 159,483</u>
Total debt applicable to the limit as a percentage of the debt limit	20.9%	17.9%	15.3%	12.1%	10.1%	8.2%	7.8%	6.1%	3.9%	3.0%
Highway User Margin 50% limit (3)	\$ 1,519	\$ 1,397	\$ 1,433	\$ 1,595	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688	\$ 1,512	\$ 1,517
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<u>\$ 1,519</u>	<u>\$ 1,397</u>	<u>\$ 1,433</u>	<u>\$ 1,595</u>	<u>\$ 1,622</u>	<u>\$ 1,746</u>	<u>\$ 1,840</u>	<u>\$ 1,688</u>	<u>\$ 1,512</u>	<u>\$ 1,517</u>
Total debt service applicable to the margin as a percentage of the margin	n/a	n/a	n/a	n/a						

Source: City of Prescott finance department

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXVI

Statistical Section - Debt Capacity

Pledged-Revenue Coverage

Last ten fiscal years

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

Source: City of Prescott finance department

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

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXVII

Statistical Section

Demographic and Economic Statistics

Population, Income and Unemployment

Last ten calendar years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Annual Unemployment Rate (2)</u>	<u>School Enrollment (3)</u>
2001	33,938	\$ 3,701,821	\$ 21,359	4.2%	5,049
2002	35,815	3,853,070	21,590	5.3%	5,031
2003	36,375	4,049,851	22,071	5.1%	5,000
2004	38,180	4,524,850	23,858	4.6%	5,113
2005	40,225	5,098,280	25,831	4.4%	5,242
2006	42,085	5,567,857	26,989	3.9%	5,558
2007	43,217	5,860,461	27,620	3.7%	5,688
2008	43,280	5,537,703	28,611	5.2%	5,763
2009	43,280		29,399	8.5%	5,776
2010	43,573 (4)				5,652

(1) Source: Arizona Department of Economic Security

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

(3) Source: Arizona Department of Education.

(4) Based on information available in September 2010.

The 2009 and 2010 personal income amounts were not available.

The 2010 per capita personal income amount was not available.

CITY OF PRESCOTT, ARIZONA
Table XXVIII
Statistical Section
Demographic and Economic Statistics
Principal Employers
Current fiscal year and nine years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2009/10</u>			<u>2000/01</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>As a % of City's Total Employment</u>
Yavapai County	Government	1,505	1	8.8%	1,213	1	8.4%
Yavapai Regional Medical Center	Hospital	1,491	2	8.7%	730	3	5.1%
Veteran's Administration Medical Center	Hospital	823	3	4.8%	550	5	3.8%
Prescott Unified School District	Public Schools	754	4	4.4%	573	4	4.0%
City of Prescott	Government	504	5	3.0%	385	6	2.7%
Yavapai College	College	420	6	2.5%	282	9	2.0%
Embry-Riddle Aeronautical University	College	390	7	2.3%	300	8	2.1%
Yavapai Gaming Agency	Casino	309	8	1.8%			
Wal-Mart Stores	Retail	302	9	1.8%			
West Yavapai Guidance Clinic	Clinic	271	10	1.6%	182	10	1.3%
State of Arizona	Government				330	7	2.3%
Sturm Ruger	Manufacturing				1176	2	8.2%
		<u>6,769</u>		<u>39.6%</u>	<u>5,721</u>		<u>39.8%</u>

The 2009/10 total City employment was 17,085 based on Arizona Department of Economic Security information for January 2010.
The 2000/2001 total City employment was 14,392 based on Arizona Department of Economic Security information for 2001.

CITY OF PRESCOTT, ARIZONA

Table XXIX

Statistical Section - Operating Information

City Employees by Function/Program

Last ten fiscal years

Function/ Program	<i>Full-time Equivalent Employees at June 30</i>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	28	29	31	31	35	33	36	36	36	37
Administrative Services (1)	12	12	6	6	6	5	5	5	1	2
Budget and Finance (1)	11	11	24	23	22	23	23	23	23	22
Community Development	21	23	23	27	27	27	30	34	22	16
Cultural & Recreation	45	47	65	66	65	76	60	60	47	43
Police	99	100	103	108	112	124	134	130	120	88
Fire	63	63	63	64	84	84	75	78	75	105
Central Garage	7	7	7	7	8	9	10	11	9	9
Self Insurance	2	2	3	3	2	2	2	2	3	3
Facilities Maintenance	3	3	0	0	7	5	6	6	6	6
Engineering	19	20	25	23	24	25	22	23	19	19
Water	40	40	36	35	35	36	40	41	39	39
Wastewater	27	27	27	27	29	30	32	33	35	35
Solid Waste	13	13	13	15	16	16	18	18	26	27
Transfer Station (2)	5	5	5	6	6	7	7	8	-	-
Airport	11	12	12	13	13	11	9	9	8	7
Golf Course	15	14	28	28	29	30	17	21	16	18
Streets	28	29	30	34	34	35	39	42	33	36
Total	426	449	457	501	516	551	565	580	518	512
Number of citizens per employee	76	78	73	74	73	71	75	75	84	85

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XXX

Statistical Section - Operating Information

Operating Indicators by Function/Program

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Community Development										
Building permits issued	1,679	2,027	1,948	1,927	2,034	2,185	2,237	1,735	1,329	1,416
Permit valuations (in millions)	116	161	186	166	198	189	133	74	44	70
Cultural & Recreation										
Library circulation (3)	832,829	886,398	913,474	943,107	962,922	697,584	713,700	758,787	852,882	845,385
Library visits (3)	387,699	408,448	400,000	473,993	477,768	246,594	420,776	477,785	507,858	546,548
Library resources available	160,145	147,175	149,130	161,545	156,790	169,784	142,564	150,267	159,151	148,908
New cards issued	4,943	5,362	7,212	8,288	8,550	4,091	7,424	7,422	7,613	7,272
Golf Rounds	86,289	90,916	79,719	78,786	81,213	86,307	79,678	78,361	70,558	64,314
Police (Calendar Year)										
Calls for service	33,283	35,226	35,159	36,284	36,671	34,711	32,943	30,649	29,422	-
Part 1 crimes (1)	1,939	2,132	2,386	2,080	2,088	1,796	1,549	1,390	1,408	-
Part 2 crimes (2)	3,439	3,760	3,683	3,521	3,856	3,896	3,429	3,234	3,806	-
Fire										
Calls for service	5,343	5,744	6,136	6,001	6,444	7,007	6,808	7,130	7,452	7,799
Inspections	1,680	1,200	851	1,450	1,856	1,620	2,374	2,621	1,803	1,925
Water										
Connections	16,629	17,222	19,062	19,760	19,205	19,806	20,468	21,870	22,271	22,184
Wastewater										
Connections	13,467	14,180	14,948	15,478	16,091	16,696	17,168	17,416	17,522	17,580
Solid Waste										
Residential accounts	13,625	13,655	14,066	14,346	15,098	16,974	16,467	16,547	16,670	17,159
Commercial accounts	1,350	1,380	1,501	1,581	1,613	1,532	1,414	1,187	1,060	920
Tons collected	33,237	32,569	32,629	33,876	34,916	34,986	35,564	35,453	35,550	31,837
Transfer Station										
Transactions per year	60,854	68,957	73,935	78,228	84,330	84,826	84,542	73,339	70,381	69,509
Tons per year	51,456	51,903	57,069	60,413	63,494	70,905	70,041	73,412	59,260	60,826
Airport (Calendar Year)										
Commercial aircraft landings	1,618	1,324	1,586	1,697	1,576	1,808	1,742	1,484	5,417	-
Passengers	8,708	9,168	10,827	15,600	10,363	8,397	9,203	10,571	11,694	-
FAA traffic count	325,491	338,208	298,789	272,855	237,990	236,317	227,351	242,311	240,443	-
Public Works										
Cold mix repairs(lbs)	180,980	89,140	155,460	323,640	109,040	129,013	140,155	97,649	115,705	90,215
Hot Mix repairs (tons)	757	465	1,376	1,727	8,378	2,050	1,156	1,800	643	1,730

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

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

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

CITY OF PRESCOTT, ARIZONA

Table XXXI

Statistical Section - Operating Information

Capital Asset Statistics by Function/Program

Last ten fiscal years

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Area square miles	38	39	39	39	39	39	40	40	41	41
Cultural and Recreation (3)										
Parks							17	21	21	21
Park acres							1,384	1,394	1,394	1,394
Miles of trails							55	33	36	36
Open space - public (acres)							160	195	278	278
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	472	472	482	496	505	509	516	531	536	537
Wastewater										
Miles of sanitary sewers	615	622	635	647	647	345 (2)	350	387	389	389
Solid Waste										
Collection trucks	12	12	12	15	15	14	15	15	16	16
Airport										
Total based aircraft	343	347	364	338	349	340	330	325	352	344
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles) (1)	430	205	215	221	221	222	224	231	234	236

(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.