

*Everybody's  
Hometown*

# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2016

First Sun at Watson Lake  
photo by Ben Olsen



**CITY OF PRESCOTT, ARIZONA**

**COMPREHENSIVE**

**ANNUAL**

**FINANCIAL**

**REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Prepared by  
Accounting Services Division  
Finance Department  
City of Prescott

**CITY OF PRESCOTT, ARIZONA**  
**Comprehensive Annual Financial Report**  
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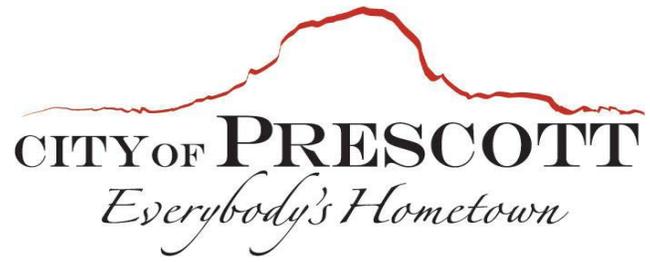
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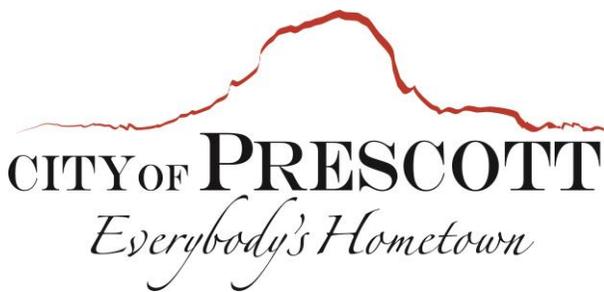
CITY OF PRESCOTT

*Everybody's Hometown*



## **INTRODUCTORY SECTION**





MARK WOODFILL  
FINANCE DIRECTOR  
mark.woodfill@prescott-az.gov  
928 777-1222

December 9, 2016

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, 2016. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a broad framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP has issued an unmodified opinion on the City of Prescott, Arizona's financial statements for the year ended June 30, 2016. 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, 2016, 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 a myriad of 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 of Prescott was founded in 1863 and incorporated in 1883. Prescott was founded in 1863 and incorporated in 1883. During the late 1800s, Prescott twice served as the territorial capital, and the Governor's Mansion is now preserved at the Sharlot Hall Museum.

The current municipal boundaries of Prescott encompass an area approximately 47.2 square miles with a population of 39,843 as of the 2010 census. 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.

The council-manager form of government was adopted in 1958. The Mayor is elected on a nonpartisan ballot to represent the entire City for a two-year term. The six members of Council are elected at large for four year terms on a nonpartisan ballot. Three of the six positions and the Mayor's position are up for reelection at the same time.

Under the provisions of the City Charter, the Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Clerk, and City Magistrate. The City Manager is responsible for carrying out its established policies and administering operations.

A staff of 498 full-time equivalent City employees working within fifteen City departments provides a full range of municipal services. The municipal government provides police, fire, library recreation, parks, trails, golf, wastewater, water, street improvements and maintenance, solid waste, municipal airport, planning and building, economic development, and general administration services.

The annual budget serves as the foundation for the City's financial planning and control. Mayor and City Council set the City's long-term strategic direction and the goals that guide the departments in their budget preparation. A proposed balanced budget is presented to the City Council for review and discussion in mid spring with the final adoption in June. The fiscal year begins on July 1<sup>st</sup>. Legal control over the budget derives from State statutes and City Charter which prohibit the City from exceeding its adopted budget on the fund and department level.

The residents of Prescott approved a Home Rule exemption to the State of Arizona's expenditure limitation requirement. The City can determine the budget level as long as the City can identify resources to cover expenditures. The budget appropriated by the City Council consists of all planned expenditures and the resources to cover them.

### **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, debt policies, investment policies and financial policies (debt, investment, and budget policies) into its decision-making process.

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

Budget guidelines integrate and link overarching strategic goals of the City Council with funding and resources, in order to deliver work programs and other items that support achievement of the goals. These goals are as follow:

1. Stronger Local Economy and Expanded Tax Base
2. Better Mobility through Improved Roads and Transportation System
3. Managed Growth for a Balanced Community
4. Polished City – Beautiful and Clean
5. First Class Utility System
6. Alive Downtown

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the basic financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

#### Local Economy

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

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

of the state. Prescott's main tourist markets are the Phoenix and Tucson metro areas, California, Canada and Germany.

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

Education

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

Health Care

Yavapai Regional Medical Center  
Veteran's Administration Hospital

Manufacturing

Pure Wafer  
Sturm Ruger and Company  
Zila Pharmaceuticals  
Cobham Avionics

Retail

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

Tourism

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

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

The fiscal year 2016 represented economic improvement as represented by the following:

- Sales tax revenues increased 6.2% from fiscal year 2015
- 316 single family permits were issued in fiscal year 2016 compared to 233 in fiscal year 2015
- Total building permit valuation was \$109.8 million compared to \$76.6 million in fiscal year 2015
- Bed tax collections, representing tourism activity, increased 9.6% from fiscal year 2015

Reserves

The City Council's budget policy is to have an unreserved fund balance equal to at least 20% of operating revenues in the general fund: 10% to be used for the cash flow need due to timing differences between receipts and disbursements during the fiscal year, and 10% to only be used upon approval of the City Council to cover unanticipated expenditures or revenue shortfalls. The actual ending unassigned fund balance for June 30, 2016 is \$26.0 million or 87% of operating revenues. Other funds have sufficient fund balances to meet operating requirements and infrastructure improvements to the benefit of its residents.

Major Initiatives:

- The State of Arizona enacted a new law during the spring 2013 legislative session mandating that the Department of Revenue (DOR) would be responsible for all privilege tax licensing, collection, and auditing in the state. This is expected to occur January 1, 2017. The City is unable to estimate the potential impact of the change at this time.
- Implementation of Market Competitive Pay Plan occurring in fiscal year 2017 and maintaining merit adjustments in future years is expected to increase operating costs estimated at \$750,000 annually, \$450,000 in the General Fund
- Public Safety Software System upgrade for the regional communication center to enhance the public safety response through new generation dispatching techniques and enable operational efficiencies through increased automation and data integration, estimated at \$1 million in the General Fund
- Long-deferred electrical improvements to the Rodeo Grounds expected to cost \$1.4 million (General Fund)
- Centralization of wastewater treatment to the Airport Facility to respond to growth is expected to cost nearly \$30 million over the next five years.
- Significant street improvements are planned, including \$27 million in fiscal year 2017. The major capacity (widening) projects on existing arterial streets have been completed; the focus now is on pavement management (preventive maintenance, rehabilitation, and reconstruction)

Future Challenges:

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

- Census-driven impacts to revenues collected and shared by the State of Arizona
- Adequacy of funding sources to support and maintain both public safety and quality of life services
  - Dependence on local sales tax, and property tax constraints
  - Reduction and elimination of grants providing important supplemental funding of public safety programs
  - Increasing pension costs, which may be mitigated through an adjustment to the Transaction Privilege Tax, if approved by the voters in the future
- New state laws that seek to “reform” transaction privilege tax further restrict revenue generation opportunities, and reduce available tax dollars for services
- Shifting of financial costs from the State to municipalities
- Local economic development and competition
- Funding deferred replacement of vehicles and equipment, adequate maintenance of facilities, and personnel training

These items will require comprehensive, continuous scrutiny and new approaches to assure that mandated responsibilities are successfully met.

## **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, 2015. This was the 34<sup>th</sup> consecutive year that the City has achieved this prestigious award.

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

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

The City of Prescott received the Distinguished Budget Presentation Award from the GFOA for our conformity in the budget presentation for the fiscal year beginning July 1, 2015. 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, 2016.

## **INDEPENDENT AUDIT**

In accordance with the City Charter and Arizona law, the City’s financial records are subject to an annual audit by an independent certified public accountant. The audit is conducted in accordance with generally accepted auditing standards. The auditor determines whether the City followed generally accepted accounting and reporting principles. Eide Bailly, LLP conducted the audit for fiscal year ending June 30, 2016. 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.

## **ACKNOWLEDGMENT**

The preparation of the Comprehensive Annual Financial Report was a collaborative undertaking of the Budget and 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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Prescott  
Arizona**

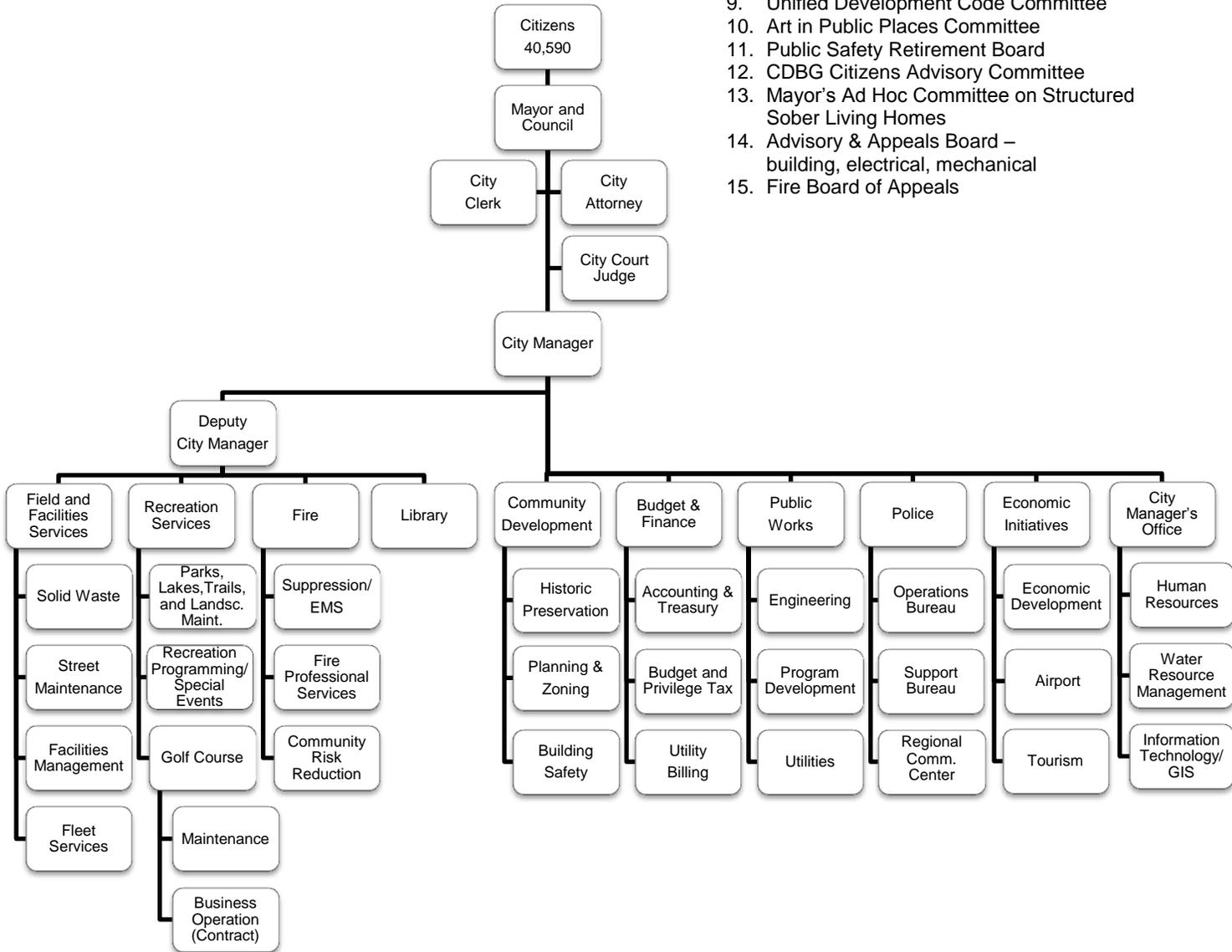
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**Boards, Commissions and Committees**

1. Board of Adjustment
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission
6. Acker Trust Board
7. Parks and Recreation Board
8. Library Advisory Board
9. Unified Development Code Committee
10. Art in Public Places Committee
11. Public Safety Retirement Board
12. CDBG Citizens Advisory Committee
13. Mayor's Ad Hoc Committee on Structured Sober Living Homes
14. Advisory & Appeals Board – building, electrical, mechanical
15. Fire Board of Appeals



# CITY OF PRESCOTT, ARIZONA

*June 30, 2016*

## ELECTED OFFICIALS

**Harry Oberg, Mayor**

### Council

**Billie Orr**

**Greg Lazzell**

**Jean Wilcox**

**Jim Lamerson**

**Steve Sischka**

**Steve Blair**

### Appointed Officials

Craig McConnell	City Manager
Jon Paladini	City Attorney
Dana DeLong	City Clerk
Arthur Markham	City Magistrate

### Mailing Address

201 South Cortez  
Prescott, AZ 86303

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





## **FINANCIAL SECTION**





## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund and major special revenue funds of the City, as of June 30, 2016, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of net pension liability for the Arizona State Retirement System, schedule of changes in the City's net pension liability and related ratios for the Public Safety Personnel Retirement System, and schedule of City pension contributions for the Arizona State Retirement System and the Arizona Public Safety Personnel Retirement System on pages 12 through 21 and 71 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining and individual nonmajor fund financial statements for governmental, proprietary, and fiduciary funds, the respective budgetary comparison for the nonmajor governmental funds, the schedules of bonds and loans payable and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements for governmental, proprietary, and fiduciary funds, the respective budgetary comparison for the nonmajor governmental funds, the schedules of bonds and loans payable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual nonmajor fund financial statements for governmental, proprietary, and fiduciary funds, the respective budgetary comparison for the nonmajor governmental funds, the schedules of bonds and loans payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

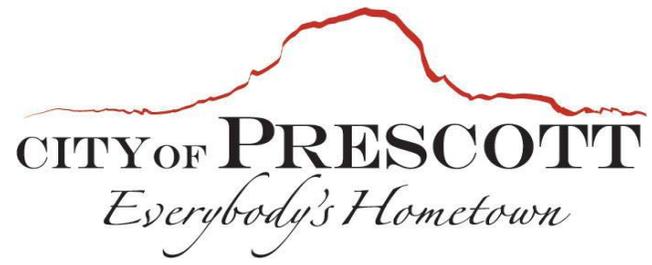
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona  
December 9, 2016



## 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 and deferred outflows of resources of the City of Prescott exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$450.3 million. With the implementation of Governmental Accounting Standard Board (GASB) statement 68, and recording net pension liability on the government wide statements, the net position of the City went down \$94.6 million from fiscal years 2014 to 2015. Now in the second year after the initial implementation, the net position of the City went up \$11.0 million. With this new standard of recording of pension liabilities, the unrestricted net position of the City at year end is a negative \$9.1 million.

The City's governmental funds reported a combined ending fund balance \$62.0 million, an increase of \$7.7 million from the previous year. Approximately 42.0% of the combined ending fund balance or \$26.1 million is unassigned and available for spending at the government's discretion. Unassigned fund balance represents approximately 86.4% of the general funds current year expenditures, compared to 66.2% for the previous fiscal year.

The City's net pension liability increased by \$4.8 million and other long-term debt decreased by \$6.4 million, for a net decrease of \$1.5 million related to scheduled retirements.

Overall, City program expenses had a decrease of \$3.7 million or 3.6% related to normal fluctuations in operating cost.

### REPORT LAYOUT

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

- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors impacting the City.
- **Basic Financial Statements.** Includes Statement of Net Position, Statement of Activities, Fund financial statements and the Notes to the Financial Statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City. The City's component units, the Hassayampa Communities Facilities Districts #1 and #2 (CFD's) are included within the governmental activities and the Municipal Property Corporation (MPC) is included within the business-type activities.
  - The Statement of Net Position presents the resources available for future operations. This statement provides a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference or net position provides a measure of the City's financial strength, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's privilege tax or property tax base or the condition of roads, parks and libraries to accurately assess the overall health of the City. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
  - The Statement of Activities presents the gross and net costs of City programs and the extent to which such programs rely on general tax and other revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
  - Fund financial statements present separately the major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are reported in a separate column and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General Fund and the Streets and Open Space Special Revenue Fund.

- The Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- The Required Supplementary Information is based upon the City's adoption of GASB Statement 68 and includes schedules related to the City pension obligations.
- **Other Supplementary Information.** Users wanting additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or the Supplementary Information-Budgetary Comparison sections of the report. Components within this section include:
  - Combining Statements - Major funds are included in the Basic Financial Statements, whereas non-major funds are presented here.
  - Budgetary Comparisons - Budgetary information for all governmental funds, except those presented within the Basic Financial Statements, are presented here.
  - Other Financial Schedules complete the Financial Section of the report.
- **Statistical Section.** Information is presented for five categories – financial trends, revenue capacity, debt capacity, demographic and economic, and operating.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Position at June 30, 2016 and June 30, 2015 follows:

### City of Prescott's Net Position

(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 62.8	\$ 54.6	\$ 58.1	\$ 54.6	\$ 120.9	\$ 109.2
Other assets	13.6	12.3	0.3	(1.0)	13.9	11.3
Capital assets	250.2	260.9	281.7	277.4	531.9	538.3
Total assets	326.6	327.8	340.1	331.0	666.7	658.8
Deferred outflows	17.5	16.2	1.2	1.3	18.7	17.5
Total assets and deferred outflows	344.1	344.0	341.3	332.3	685.4	676.3
Long-term liabilities	27.4	30.2	79.1	82.7	106.5	112.9
Net pension liability	95.2	90.7	10.8	10.5	106.0	101.2
Other liabilities	9.5	6.7	8.7	9.6	18.2	16.3
Total liabilities	132.1	127.6	98.6	102.8	230.7	230.4
Deferred inflows	3.4	4.9	1.0	1.7	4.4	6.6
Total liabilities and deferred inflows	135.5	132.5	99.6	104.5	235.1	237.0
Net Position:						
Net investment in capital assets	224.6	233.6	200.8	192.7	425.4	426.3
Restricted for:						
Streets & Open Space	23.5	19.9	-	-	23.5	19.9
Capital projects	3.9	3.8	-	-	3.9	3.8
Transient occupancy tax	0.4	0.4	-	-	0.4	0.4
Debt service	1.1	1.4	4.2	4.1	5.3	5.5
Grants and donations	1.0	0.9	-	-	1.0	0.9
Unrestricted	(45.9)	(48.5)	36.7	31.0	(9.2)	(17.5)
Total net position as restated	\$ 208.6	\$ 211.5	\$ 241.7	\$ 227.8	\$ 450.3	\$ 439.3

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

## Governmental Activities

During the current fiscal year the balance of net position decreased by \$2.9 million from normal operations.

## Business-type Activities

During the current fiscal year the balance of net position increased by \$13.9 million primarily due to increased airport grants and additional revenue from utility rate increases.

There are restrictions on \$29.9 million of net position for governmental activities and an additional \$4.2 million in restricted net position of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation projects, impact fee capital projects, and the repayment of debt. Within the business-type activities are debt service reserves.

## STATEMENT OF ACTIVITIES

A summary of the Statement of Activities for the year ended June 30, 2016 and June 30, 2015 follows:

### City of Prescott's Changes in Net Position (in millions)

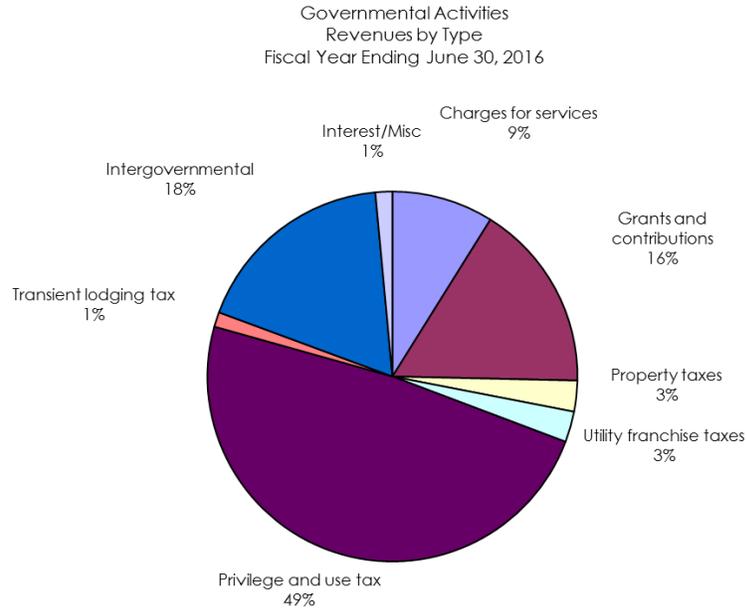
	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services and other	\$ 5.5	\$ 5.2	\$ 39.3	\$ 37.1	\$ 44.8	\$ 42.3
Operating grants & contributions	2.3	1.5	-	-	2.3	1.5
Capital grants & contributions	7.9	3.9	7.2	2.2	15.1	6.1
Total program revenues	15.7	10.6	46.5	39.3	62.2	49.9
<b>General revenues</b>						
Taxes	34.2	32.2	-	-	34.2	32.2
Intergovernmental	11.1	10.8	-	-	11.1	10.8
Interest & investment income	0.9	0.7	0.7	0.4	1.6	1.1
Miscellaneous	0.1	0.1	0.2	0.1	0.3	0.2
Total general revenues	46.3	43.8	0.9	0.5	47.2	44.3
Total revenues	62.0	54.4	47.4	39.8	109.4	94.2
<b>Expenses</b>						
General government	3.2	3.8	-	-	3.2	3.8
Community services	1.2	1.4	-	-	1.2	1.4
Culture and recreation	6.2	6.4	-	-	6.2	6.4
Police and court	16.1	17.6	-	-	16.1	17.6
Fire	11.3	11.9	-	-	11.3	11.9
Public works	25.8	25.2	-	-	25.8	25.2
Interest on long-term debt	1.3	1.4	-	-	1.3	1.4
Airport	-	-	3.5	2.9	3.5	2.9
Golf course	-	-	3.3	3.3	3.3	3.3
Solid waste/transfer station	-	-	6.7	7.6	6.7	7.6
Wastewater	-	-	9.3	9.6	9.3	9.6
Water	-	-	11.7	12.6	11.7	12.6
Total Expenses	65.1	67.7	34.5	36.0	99.6	103.7
<b>Increase (decrease) before transfers</b>	(3.1)	(13.3)	12.9	3.8	9.8	(9.5)
Transfers	(0.8)	(0.1)	0.8	0.1	-	-
<b>Change in net position</b>	(3.9)	(13.4)	13.7	3.9	9.8	(9.5)
Beginning net position - restated	212.5	224.9	227.9	223.9	440.4	448.8
<b>Ending net position</b>	\$ 208.6	\$ 211.5	\$ 241.6	\$ 227.8	\$ 450.2	\$ 439.3

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

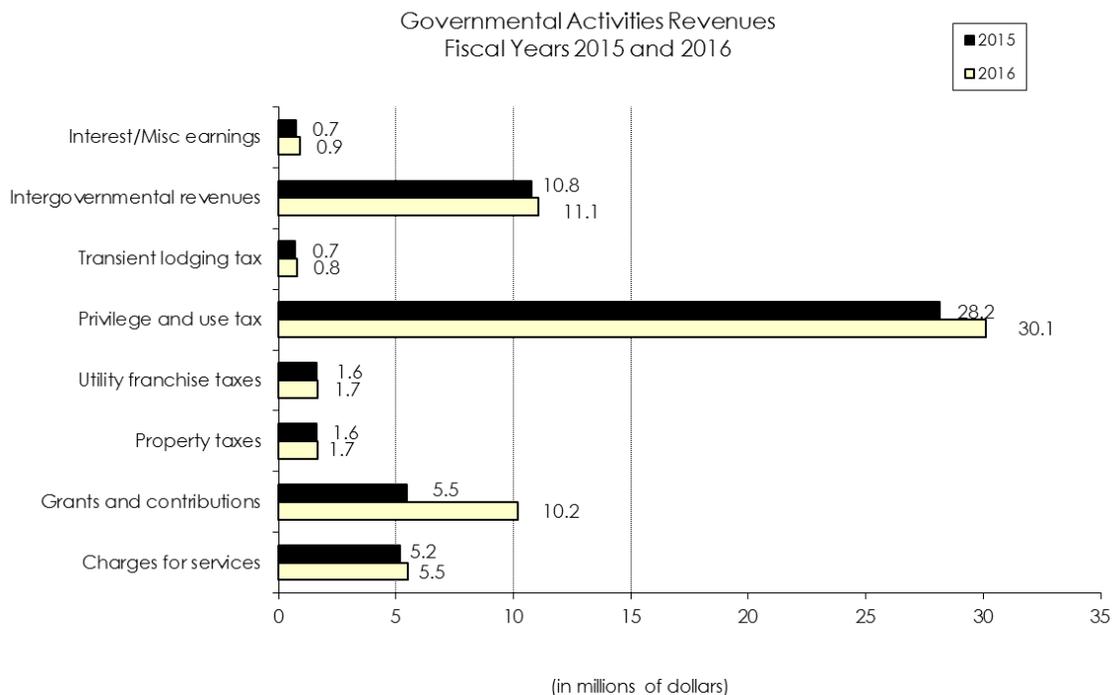
## Governmental Activities

The cost of all governmental activities this year was \$65.1 million. Approximately \$5.5 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$10.2 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, \$34.2 million was financed through general City taxes, \$11.1 million was financed through other governmental revenues, and \$3.9 million was financed through net position from prior years.

The following shows the breakdown of governmental activities revenue.



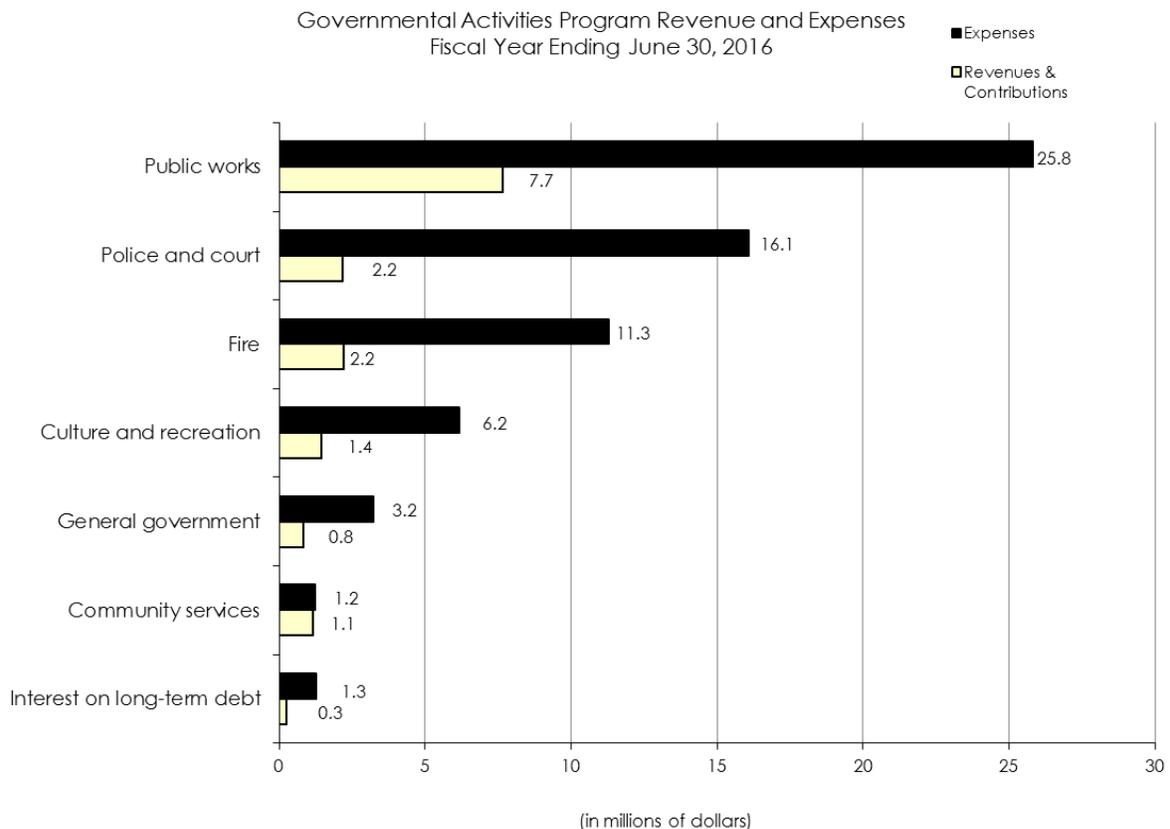
The graph below compares the governmental revenues from fiscal year 2016 to fiscal year 2015.



Total governmental activities revenues increased by \$7.6 million or 14.0% from the previous year. Key factors in this change include:

- Capital grants and contributions were up \$4.0 million or 102.6% due to increased partnering with capital projects and successful grant awards for capital projects.
- Privilege and use tax increased by \$2.0 million or 1.6% due to increase retail activity in the City.
- Intergovernmental revenues were up \$0.3 million due to increased state shared revenues from state wide increasing economic activity.
- Operating grants and contributions were up by \$0.8 million with state contributions towards City pension liabilities.
- Charges for services increased mainly with elevated community development activity and increased recreation fees. Interest income also increased by \$0.2 million.

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



Governmental program expenses decreased to \$65.1 million as compared to the prior year at \$67.7 million. The decrease of \$2.6 million is a combination of factors including expenditure reductions and a decrease in the current year pension expense.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$62.0 million, an increase of \$7.7 million in comparison to the combined ending fund balances for the previous fiscal year.

Approximately \$26.1 million of the total for the current fiscal year represents unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is not available for new spending because

it has already been committed, assigned, restricted or is designated nonspendable for specific purposes; examples are impact fees and trust accounts.

Revenues for governmental functions overall totaled approximately \$60.1 million in the current fiscal year, an increase of 10.6% compared to the previous year total of \$54.3 million. In the current fiscal year, expenditures for governmental functions totaled \$51.6 million, a decrease of 1.2% (\$0.6 million) over the previous fiscal year total of \$52.2 million.

Revenues for governmental functions exceeded expenditures by \$8.5 million or 14.1% in the current fiscal year. In the previous fiscal year, governmental functions revenues exceeded expenditures by approximately \$2.0 million or 3.8%. The increase in the current fiscal year reflects positive growth in both nonrecurring revenues related to partnering on capital projects and grants as well as recurring revenues in taxes and charges for services.

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 \$26.1 million, while the total fund balance was \$32.1 million. The unassigned and total balances for the General Fund at the end of the previous fiscal year were \$20.6 million and \$28.0 million, respectively. The City also has \$0 of its fund balance as assigned, \$0.9 million as committed, \$5.2 million as non-spendable, and \$0 as restricted.

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

- Taxes increased by \$0.9 million or 5.3% from the previous year mainly from improvement in the local economy provided an increase in privilege (sales) tax collections. The budget variance of \$1.5 million was the result of economic activity being better than projected.
- Intergovernmental revenues increased by \$0.3 million or 2.6% from the previous year as a result of increased state shared revenues from statewide economic activity.
- Charges for services increased by \$0.2 million related to increases in community development and recreation service fee collections.
- Current general government expenditures were below budget because of contingent expenditures which did not happen during the fiscal year which resulted in a \$0.4 million budget variance.
- Current culture and recreation expenditures were below budget from turnover in personnel and reduced operating costs resulting in a \$0.3 million budget variance.
- Current police and court expenditures were \$1.9 million below budget from turnover in personnel and implementation of expenditure reductions.
- Current fire expenditures were \$0.4 million below budget from turnover in personnel and less spending on supplies and services. The variance in capital outlay for fire is a result of receiving grant funds for a planned capital project.

Unassigned fund balance of \$26.1 million represents 86.4% percent of the total General Fund expenditures of \$30.2 million in the current fiscal year. In the previous fiscal year, the unassigned fund balance of \$20.6 million represented by 66.2% percent of the total General Fund expenditures of \$31.1 million.

Overall, the General Fund's performance resulted in revenue over expenditures in the fiscal year of \$5.0 million. In the prior year, revenues exceeded expenditures by \$2.4 million. This was a result of revenue growth combined with expenditure reductions.

The Streets fund revenues exceeded expenditures by \$3.6 million during the year. In the prior year, expenditures exceeded revenues by \$0.5 million. This was the result of increased intergovernmental partnering on capital projects and increased tax collections with raised economic activity.

The following factors represent the reasons behind significant changes in the streets fund and significant budgetary variances:

- Taxes increased by \$0.9 million or 6.2% from the previous year. The \$3.2 million budget variance in the additional voter approved dedicated transaction privilege tax is a result of an August 2015 ballot. The existing 1% tax for streets and open space was expected to sunset and be replaced by a ¾% tax for streets only. The August 2015 vote restored the 1% tax for streets only.
- The \$10.8 million variance in capital outlay is a result of budgeted expenditures for in progress capital projects which were not completed in the fiscal year. Culture and recreation relates to appropriation available for open space acquisition.

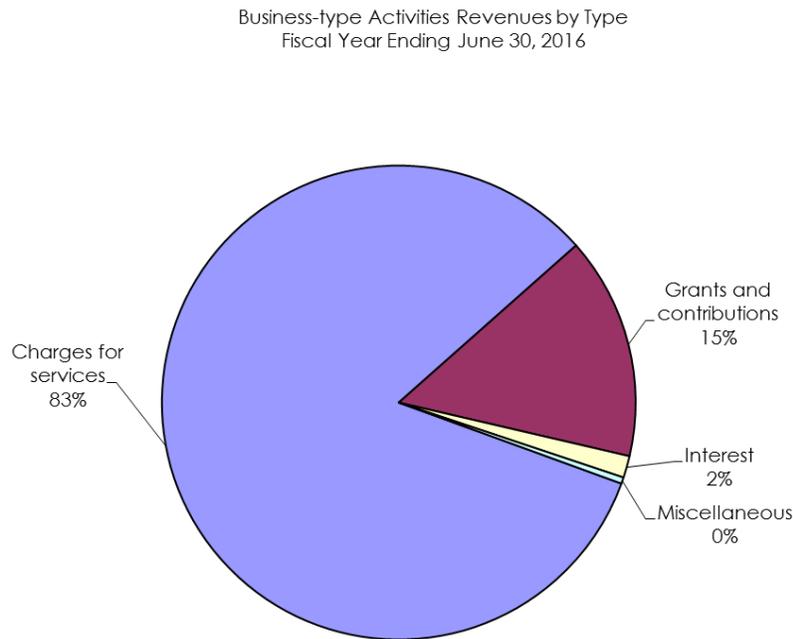
Other individual governmental funds had no unusual fluctuations which warrant explanation.

**Business-type Activities**

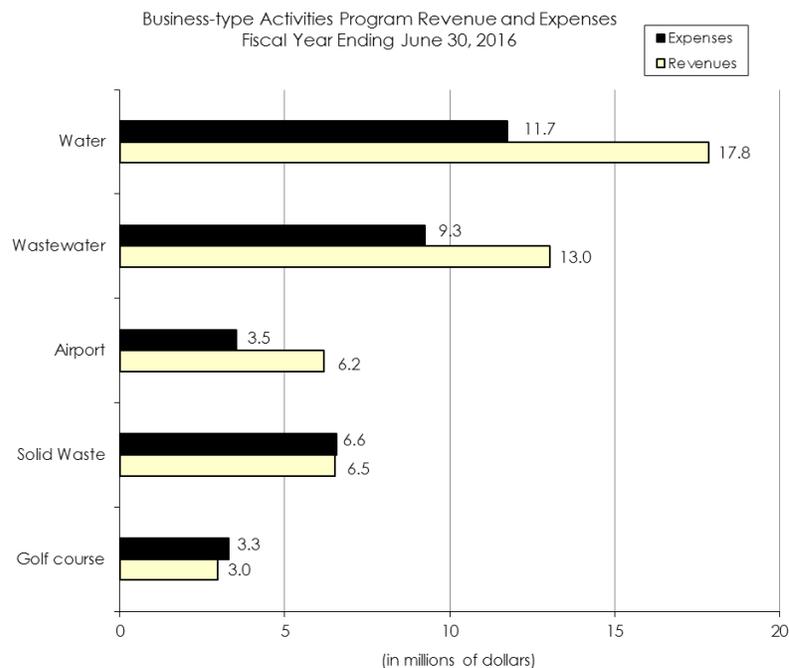
The cost of all business-type activities this year was \$34.8 million and net position increased by \$13.8 million. The \$48.6 million in revenues was provided by: \$39.9 million paid by users, \$7.2 million subsidized by contributions and grants received from other governmental organizations and developers for capital activities, miscellaneous and investment earnings of \$0.7 million, and a transfer in of \$0.8 million.

Business-type activities revenue increased by \$8 million compared to the previous year due to increased grant revenues and rate increases for services provided for the current fiscal year compared to the previous fiscal year.

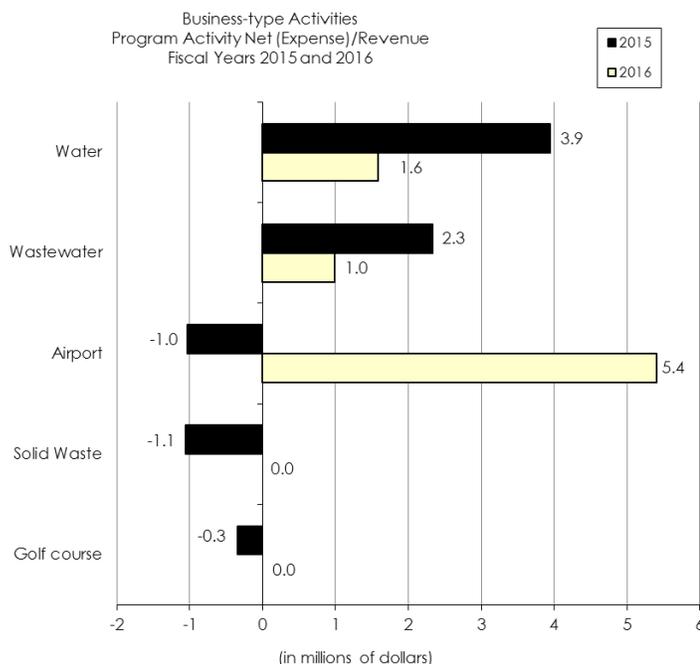
The chart below shows the breakdown of business-type activities revenue.



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



The chart below compares the business-type activities increase (decrease) in net position before transfers for fiscal years 2016 and 2015.



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

- The Water fund and Wastewater fund revenue exceeded expenses by \$5.5 million and \$4.4 million respectively, to accumulate resources for needed capital improvements.
- There were significant capital and grant contributions in the Airport, Wastewater and Water funds of \$7.2 million.
- The Solid Waste fund had a significant operating expense of \$1.1 million in fiscal year 2015 related to the maintenance of a closed landfill which contributed to its negative impact to net position of \$1.1 million. In fiscal year 2016, the net impact to net position is slightly positive.
- The Airport fund had a positive \$2.7 million impact on the net position caused by significant grant contributions for capital projects. Without these grants, the airport had a loss of \$2.0 million as revenues are not being sufficient to cover expenses, which include \$1.3 million of depreciation.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2016, the City had invested \$531.9 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net decrease of \$6.4 million.

The following table reconciles the changes in capital assets.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Beginning Balance	\$ 260.9	\$ 270.6	\$ 277.4	\$ 272.9	538.3	\$ 543.5
Transfers	-	-	-	-	-	-
Increases	7.2	6.8	12.3	12.6	19.5	19.4
Decreases	-	-	-	(0.1)	-	(0.1)
Depreciation	(17.9)	(16.5)	(8.0)	(8.0)	(25.9)	(24.5)
Ending Balance	\$ 250.2	\$ 260.9	\$ 281.7	\$ 277.4	\$ 531.9	\$ 538.3

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

The City increased its assets by \$19.5 million in capital expenses. Major capital asset events during the fiscal year include the following:

- The Airport Wastewater Treatment Facility was completed early in fiscal year 2016, a \$42 million dollar project spanning several years.
- \$4.6 million of improvements on the Willow Creek Road Realignment project to address traffic congestion and alternate routes on State Route 89. This project is in progress, with a total expected cost of \$5.8 million and Yavapai County will contribute significant funds through partnering.
- \$3.2 million for airport improvements such as taxiway lighting for runways, upgrade airport emergency generator, and the airfield electrical vault relocation.
- \$1.4 million for a critical airport infrastructure project, reconstruction of the aircraft parking g apron used by the US Forest Service.
- \$2.8 million in mainline replacements for water and wastewater, to replace and upgrade aging infrastructure.
- \$1.1 million spent on the Airport Zone 101 Pump Station, still in progress. The new pump station will develop flow capacity and pressures need to serve future development in the Airport area and the new developments Granite Dells Estates and Granite Dells Ranch.

### **Debt Administration**

As of year-end, the City had \$114.1 million in long-term debt outstanding compared to \$120.0 million last year.

	Outstanding Long-Term Debt at Year End					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 0.2	\$ 0.4	\$ -	\$ -	\$ 0.2	\$ 0.4
Municipal Property Corporation	23.7	25.1	11.0	11.2	34.7	36.3
Community Facilities District	1.7	2.2	-	-	1.7	2.2
Loans WIFA	-	-	69.5	72.7	69.5	72.7
Claims Payable	1.4	1.8	-	-	1.4	1.8
Landfill post-closure costs	-	-	2.0	2.0	2.0	2.0
Compensated absences	3.6	3.7	1.0	0.9	4.6	4.6
<b>Total</b>	<b>\$ 30.6</b>	<b>\$ 33.2</b>	<b>\$ 83.5</b>	<b>\$ 86.8</b>	<b>\$ 114.1</b>	<b>\$ 120.0</b>

See Section 1J, 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 "Aa2" 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 "Aa3", "AA" and "AA", respectively.

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, lighting, parks, open space and recreational purposes may not exceed 20% of a City's net secondary assessed valuation. Outstanding general obligation bonded debt for other general municipal purposes may not exceed 6% of a City's net secondary assessed valuation. As of June 30, 2016, the City is well within its debt limits, having \$109.5 million in borrowing capacity in the 20% category, and \$32.9 million in borrowing capacity in the 6% category. The City also has a \$1.6 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2016.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City remains on solid financial ground and its long-term financial plan remains one of conservative fiscal growth as the economy continues to improve. Economic activity in the City has increased, but continued State Legislature restrictions on the City's tax base and increased regional competition have limited the impact. Following is the projected changes in the tax revenues.

The projected fiscal year 2017 City's share of the State Income Tax is up 6.9% over Fiscal Year 2016 actuals. State Income Tax is based on tax collections that were received by the State of Arizona two years ago, showing a recovery in the economic climate. This, along with a 4.8% increase projected in the City's share of the State Sales Tax and a

0.5% lower State Vehicle License Tax contribution, will affect how the City will maintain basic service levels in the general fund service areas. All of these revenues collected and shared by the State are Census-driven. If Prescott does not experience growth at the same rate as other communities in Yavapai County, the City's proportional share of revenue may decrease.

Sales tax revenues are estimated to increase by 7.7% in fiscal year 2017 when compared to fiscal year 2016 estimates. The Prescott economy is showing signs of recovery in fiscal 2016. Housing inventory has been dropping and market values have been increasing. Permits for single-family homes increased in fiscal year 2016 compared with 2015. New commercial permits are also up, the value of those permits increased over 2016 and 2015. Even with the increase in local economic activity these revenues are projected to be flat based on changes the State Legislature has made to the City's tax base reducing the activities that the City is able to tax.

The City's property tax revenue for Fiscal Year 2017 is projected at \$1,725,903 (Primary \$1,684,903, Secondary \$41,000). Prescott's net assessed value for 2016 of \$570,573,334 represents 24.3% of Yavapai County's net assessed values.

The economic factors are taken into consideration when projecting revenues for balancing expenditures for available resources. The Fiscal Year 2017 Budget totals \$167,288,761, which represents a 12.7% increase from the prior year level, primarily attributable to fluctuation in capital projects in the City's enterprise funds. The \$91,382,735 Operating Budget primarily supports delivery of day to day core services, and is an increase of 7.7% over last year, which is related to increases in public safety pension cost, adjustments in personnel compensation with the market compensation plan, and other modifications necessary to continue to provide City Services at equal or better levels.

The Capital Budget for Fiscal Year 2017 is \$75,906,026 a 19.4% increase from fiscal year 2016. Capital expenditures are non-routine, one time expenditures for purchase or projects with a value over \$5,000 and estimated useful life over one year, mainly infrastructure improvements for utility and streets projects in the Five-Year Capital Improvement Plan. Capital budgets tend to rise and fall each year depending on the timing of projects – especially as Prescott is primarily on a “pay-as-you-go” program.

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

## **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  
928.777.1236  
Or visit our website at: [www.prescott-az.gov](http://www.prescott-az.gov)

## **BASIC FINANCIAL STATEMENTS**

**CITY OF PRESCOTT, ARIZONA**

**Statement of Net Position**

June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and investments	\$ 60,989,058	\$ 53,766,715	\$ 114,755,773
Receivables (net)	8,038,365	5,034,717	13,073,082
Internal balances	5,201,669	(5,201,669)	-
Inventories	331,265	456,815	788,080
Restricted cash and investments	1,844,507	4,311,797	6,156,304
Capital assets			
Land	72,958,066	30,210,372	103,168,438
Construction in progress	6,150,306	26,566,179	32,716,485
Other capital assets (net of accumulated depreciation)	171,098,863	224,951,834	396,050,697
Total assets	<u>326,612,099</u>	<u>340,096,760</u>	<u>666,708,859</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	17,451,437	1,206,072	18,657,509
Total assets and deferred outflows of resources	<u>344,063,536</u>	<u>341,302,832</u>	<u>685,366,368</u>
<b>LIABILITIES</b>			
Accounts payable	3,989,344	2,384,847	6,374,191
Accrued expenses	1,155,500	1,355,551	2,511,051
Deposits	1,008,891	501,064	1,509,955
Advanced revenues	36,000	69,351	105,351
Bonds and other debt due within one year	3,286,630	4,353,154	7,639,784
Bonds and other debt - long term	27,379,462	79,137,589	106,517,051
Net pension liability	95,220,567	10,783,035	106,003,602
Total liabilities	<u>132,076,394</u>	<u>98,584,591</u>	<u>230,660,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	3,360,095	1,010,349	4,370,444
Total liabilities and deferred inflows of resources	<u>135,436,489</u>	<u>99,594,940</u>	<u>235,031,429</u>
<b>NET POSITION</b>			
Net investment in capital assets	224,598,223	200,792,470	425,390,693
Restricted for:			
Streets and open space privilege tax activities	23,537,782	-	23,537,782
Capital projects	3,861,326	-	3,861,326
Transient occupancy tax	408,685	-	408,685
Debt service	1,118,732	4,176,661	5,295,393
Grants and donations	967,481	-	967,481
Unrestricted	(45,865,182)	36,738,761	(9,126,421)
Total net position	<u>\$ 208,627,047</u>	<u>\$ 241,707,892</u>	<u>\$ 450,334,939</u>

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

**CITY OF PRESCOTT, ARIZONA**

**Statement of Activities**

For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fees, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
<b>Governmental activities:</b>							
General government	\$ 3,240,569	\$ 735,720	\$ 103,000	\$ -	\$ (2,401,849)	\$ -	\$ (2,401,849)
Community services	1,236,820	995,517	143,220	-	(98,083)	-	(98,083)
Culture and recreation	6,153,765	1,261,550	90,821	77,022	(4,724,372)	-	(4,724,372)
Police and court	16,073,185	1,715,026	396,353	68,390	(13,893,416)	-	(13,893,416)
Fire	11,272,081	494,525	1,299,933	407,700	(9,069,923)	-	(9,069,923)
Public works	25,819,639	299,689	24,795	7,329,975	(18,165,180)	-	(18,165,180)
Interest on long-term debt	1,272,222	-	259,088	-	(1,013,134)	-	(1,013,134)
Total governmental	65,068,281	5,502,027	2,317,210	7,883,087	(49,365,957)	-	(49,365,957)
<b>Business-type activities:</b>							
Airport	3,541,616	1,507,454	44,409	4,636,184	-	2,646,431	2,646,431
Golf course	3,309,236	2,974,233	-	-	-	(335,003)	(335,003)
Solid waste	6,581,629	6,526,367	-	-	-	(55,262)	(55,262)
Wastewater	9,258,176	12,033,828	-	990,637	-	3,766,289	3,766,289
Water	11,744,868	16,256,300	-	1,587,825	-	6,099,257	6,099,257
Total business-type activities	34,435,525	39,298,182	44,409	7,214,646	-	12,121,712	12,121,712
Total primary government	\$ 99,503,806	\$ 44,800,209	\$ 2,361,619	\$ 15,097,733	(49,365,957)	12,121,712	(37,244,245)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					1,591,445	-	1,591,445
Property taxes, levied for debt service					74,227	-	74,227
Utility franchise taxes					1,670,671	-	1,670,671
City privilege and use tax, general purposes					15,312,068	2,428	15,314,496
City privilege tax, major street and open space program					14,787,422	-	14,787,422
Transient lodging tax					797,442	-	797,442
Intergovernmental revenues - unrestricted					11,073,408	-	11,073,408
Interest and investment income					863,901	712,155	1,576,056
Miscellaneous					53,486	206,701	260,187
Transfers					(769,711)	769,711	-
Total general revenues and transfers					45,454,359	1,690,995	47,145,354
Change in net position					(3,911,598)	13,812,707	9,901,109
Net position - beginning (restated)					212,538,645	227,895,185	440,433,830
Net position - ending					\$ 208,627,047	\$ 241,707,892	\$ 450,334,939

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 highway user revenues and the 1% privilege tax which is limited to street improvements and maintenance and/or open space acquisition. This 1% tax will sunset in December 2015. The voters extended the 1% tax for street improvements and maintenance only from January 2016 to December 2035.

**CITY OF PRESCOTT, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2016

	<u>Major Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Streets Fund</u>		
<b>ASSETS</b>				
Cash and short-term investments	\$ 27,005,444	\$ 23,165,918	\$ 5,821,984	\$ 55,993,346
Restricted cash and investments	-	-	343,157	343,157
Accounts receivable (net)	2,384,653	1,592,471	111,226	4,088,350
Property taxes receivable	52,444	-	7,693	60,137
Special assessments receivable	-	-	1,595,547	1,595,547
Interfund receivables	5,201,669	-	-	5,201,669
Interest receivable	29,257	-	-	29,257
Intergovernmental receivable	423,964	1,624,523	213,462	2,261,949
Total assets	<u>\$ 35,097,431</u>	<u>\$ 26,382,912</u>	<u>\$ 8,093,069</u>	<u>\$ 69,573,412</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,069,370	\$ 2,603,254	\$ 73,340	\$ 3,745,964
Accrued expenditures	953,378	97,081	16,977	1,067,436
Deposits returnable	888,891	120,000	-	1,008,891
Advanced revenue	36,000	-	-	36,000
Total liabilities	<u>2,947,639</u>	<u>2,820,335</u>	<u>90,317</u>	<u>5,858,291</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	23,456	24,795	1,646,528	1,694,779
Total deferred inflows of resource:	<u>23,456</u>	<u>24,795</u>	<u>1,646,528</u>	<u>1,694,779</u>
<b>FUND BALANCES</b>				
Nonspendable	5,201,669	-	-	5,201,669
Restricted	-	23,537,782	6,356,224	29,894,006
Committed	853,431	-	-	853,431
Unassigned	26,071,236	-	-	26,071,236
Total fund balances	<u>32,126,336</u>	<u>23,537,782</u>	<u>6,356,224</u>	<u>62,020,342</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,097,431</u>	<u>\$ 26,382,912</u>	<u>\$ 8,093,069</u>	<u>\$ 69,573,412</u>

**CITY OF PRESCOTT, ARIZONA**  
**Reconciliation of the Balance Sheet to**  
**Statement of Net Position**  
June 30, 2016

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Fund balances - total governmental funds \$ 62,020,342

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:

Capital assets	\$ 438,048,086	
Less: accumulated depreciation:	<u>(194,401,428)</u>	243,646,658

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

Unavailable grant revenue	69,531	
Deferred special assessment revenue	1,595,547	
Deferred property tax revenue	<u>29,701</u>	1,694,779

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

Bonds and leases payable	(22,283,478)	
Compensated absences	(3,343,848)	
Net pension liability	<u>(91,948,572)</u>	(117,575,898)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows relating to pensions	17,150,359	
Deferred inflows relating to pensions	<u>(3,012,798)</u>	14,137,561

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 position.

4,703,605

Net position of governmental activities	<u><u>\$ 208,627,047</u></u>
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**CITY OF PRESCOTT, ARIZONA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the year ended June 30, 2016

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<u>General</u>	<u>Streets Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Revenues</b>				
Taxes	\$ 18,574,117	\$ 14,787,422	\$ 873,674	\$ 34,235,213
Intergovernmental revenues	11,641,801	6,292,665	1,252,861	19,187,327
Licenses and permits	691,461	-	79,978	771,439
Fines and forfeitures	411,391	-	-	411,391
Gifts and donations	-	-	153,676	153,676
Charges for services	3,406,540	296,089	-	3,702,629
Interest and investment income	409,194	241,715	212,992	863,901
Miscellaneous	45,603	300,857	403,955	750,415
Total revenues	<u>35,180,107</u>	<u>21,918,748</u>	<u>2,977,136</u>	<u>60,075,991</u>
<b>Expenditures</b>				
Current operating				
General government	1,670,439	-	867,268	2,537,707
Community services	1,076,225	-	142,500	1,218,725
Culture and recreation	5,224,999	19,762	109,746	5,354,507
Police and court	13,088,389	-	471,454	13,559,843
Fire	8,836,114	-	144,189	8,980,303
Public works	-	10,728,885	-	10,728,885
Capital outlay				
General government	32,595	-	-	32,595
Culture and recreation	953	-	126,989	127,942
Police and court	-	-	6,529	6,529
Fire	229,646	-	448,469	678,115
Public works	-	5,271,513	-	5,271,513
Debt service - principal	-	1,151,000	690,044	1,841,044
Debt service - interest	-	1,098,868	173,354	1,272,222
Total expenditures	<u>30,159,360</u>	<u>18,270,028</u>	<u>3,180,542</u>	<u>51,609,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,020,747</u>	<u>3,648,720</u>	<u>(203,406)</u>	<u>8,466,061</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	51,996	132	147,866	199,994
Transfers out	(922,761)	(1,812)	(45,132)	(969,705)
Total other financing sources (uses)	<u>(870,765)</u>	<u>(1,680)</u>	<u>102,734</u>	<u>(769,711)</u>
Net change in fund balances	4,149,982	3,647,040	(100,672)	7,696,350
Fund balance - beginning	27,976,354	19,890,742	6,456,896	54,323,992
Fund balance - ending	<u>\$ 32,126,336</u>	<u>\$ 23,537,782</u>	<u>\$ 6,356,224</u>	<u>\$ 62,020,342</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, 2016

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Net change in fund balances - total governmental funds \$ 7,696,350

*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 depreciation exceeded capital outlays in the current period.

Expenditures for capital assets	\$ 6,116,694	
Less: current year depreciation	<u>(17,069,553)</u>	(10,952,859)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 1,071,010

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

Property taxes	(1,389)	
Assessments receivable	(378,453)	
Privilege tax receivable	(549)	
Grant Revenues	<u>12,842</u>	(367,549)

City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities

City pension contributions	5,459,661	
State contributions	1,146,640	
Pension Expense	<u>(9,155,111)</u>	(2,548,810)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period. 1,841,044

The net expenses of certain activities of internal service funds is reported with governmental activities. (755,178)

Some expenses and transfers reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 104,394

Change in net position of governmental activities \$ (3,911,598)

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

**CITY OF PRESCOTT, ARIZONA**

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

**General Fund**

For the year ended June 30, 2016

	<b>Budget</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
	<b>Budget</b>	<b>Basis</b>	<b>Positive</b>	<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 17,046,518	\$ 17,046,518	\$ 18,574,117	\$ 1,527,599
Intergovernmental revenues	11,531,832	11,531,832	11,641,801	109,969
Licenses and permits	495,600	495,600	691,461	195,861
Fines and forfeitures	492,400	492,400	411,391	(81,009)
Charges for services	3,101,587	3,101,587	3,406,540	304,953
Interest and investment income	193,300	193,300	409,194	215,894
Miscellaneous	36,000	36,000	45,603	9,603
Total revenues	<u>32,897,237</u>	<u>32,897,237</u>	<u>35,180,107</u>	<u>2,282,870</u>
<b>Expenditures</b>				
Current				
General government	2,046,551	2,046,551	1,670,439	376,112
Community services	1,118,073	1,118,073	1,076,225	41,848
Culture and recreation	5,548,331	5,548,331	5,224,999	323,332
Police and court	15,046,646	15,046,646	13,088,389	1,958,257
Fire	9,273,340	9,273,340	8,836,114	437,226
Total expenditures	<u>33,032,941</u>	<u>33,032,941</u>	<u>29,896,166</u>	<u>3,136,775</u>
Capital outlay				
General government	19,524	19,524	32,595	(13,071)
Culture and recreation	20,000	20,000	953	19,047
Police and court	10,000	10,000	-	10,000
Fire	860,000	860,000	229,646	630,354
Total capital outlay	<u>909,524</u>	<u>909,524</u>	<u>263,194</u>	<u>646,330</u>
Total expenditures	<u>33,942,465</u>	<u>33,942,465</u>	<u>30,159,360</u>	<u>3,783,105</u>
Excess of revenues over expenditures	<u>(1,045,228)</u>	<u>(1,045,228)</u>	<u>5,020,747</u>	<u>6,065,975</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issue	1,000,000	1,000,000	-	(1,000,000)
Transfers in	67,334	67,334	51,996	(15,338)
Transfers out	(1,251,523)	(1,251,523)	(922,761)	328,762
Total other financing sources and uses	<u>(184,189)</u>	<u>(184,189)</u>	<u>(870,765)</u>	<u>(686,576)</u>
Net change in fund balances	<u>(1,229,417)</u>	<u>(1,229,417)</u>	<u>4,149,982</u>	<u>5,379,399</u>
Fund balance - beginning	27,976,354	27,976,354	27,976,354	-
Fund balance - ending	<u>\$ 26,746,937</u>	<u>\$ 26,746,937</u>	<u>\$ 32,126,336</u>	<u>\$ 5,379,399</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 Fund**

For the year ended June 30, 2016

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 11,567,500	\$ 11,567,500	\$ 14,787,422	\$ 3,219,922
Intergovernmental revenues	5,394,582	5,394,582	6,292,665	898,083
Charges for services	363,800	363,800	296,089	(67,711)
Interest and investment income	150,000	150,000	241,715	91,715
Miscellaneous	287,992	287,992	300,857	12,865
Total revenues	<u>17,763,874</u>	<u>17,763,874</u>	<u>21,918,748</u>	<u>4,154,874</u>
<b>Expenditures</b>				
Current				
Culture and recreation	38,776	38,776	19,762	19,014
Public works	13,722,071	13,722,071	10,728,885	2,993,186
Total current	<u>13,760,847</u>	<u>13,760,847</u>	<u>10,748,647</u>	<u>3,012,200</u>
Capital outlay				
Culture and recreation	730,000	730,000	-	730,000
Public works	15,440,800	15,440,800	5,271,513	10,169,287
Total capital outlay	<u>16,170,800</u>	<u>16,170,800</u>	<u>5,271,513</u>	<u>10,899,287</u>
Debt service				
Principal	1,151,000	1,151,000	1,151,000	-
Interest	1,094,999	1,094,999	1,098,868	(3,869)
Total debt service	<u>2,245,999</u>	<u>2,245,999</u>	<u>2,249,868</u>	<u>(3,869)</u>
Total expenditures	<u>32,177,646</u>	<u>32,177,646</u>	<u>18,270,028</u>	<u>13,907,618</u>
Excess (deficiency) of revenues over expenditures	<u>(14,413,772)</u>	<u>(14,413,772)</u>	<u>3,648,720</u>	<u>18,062,492</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,465	9,465	132	(9,333)
Transfers out	(5,784)	(5,784)	(1,812)	3,972
Total other financing sources and uses	<u>3,681</u>	<u>3,681</u>	<u>(1,680)</u>	<u>(5,361)</u>
Net change in fund balances	<u>(14,410,091)</u>	<u>(14,410,091)</u>	<u>3,647,040</u>	<u>18,057,131</u>
Fund balance - beginning	19,890,742	19,890,742	19,890,742	-
Fund balance - ending	<u>\$ 5,480,651</u>	<u>\$ 5,480,651</u>	<u>\$ 23,537,782</u>	<u>\$ 18,057,131</u>

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



## **FUND FINANCIAL STATEMENTS**

### **Proprietary Funds**

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

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

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

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds						
	Water	Waste Water	Airport	Solid Waste	Nonmajor Funds	Totals	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 39,091,328	\$ 9,169,762	\$ -	\$5,505,625	\$ -	\$ 53,766,715	\$ 4,995,712
Accounts receivable (net)	2,382,589	1,078,957	153,166	322,315	57,168	3,994,195	-
Interest receivable	-	-	-	-	-	-	3,125
Grant receivable	-	-	1,040,522	-	-	1,040,522	-
Inventory at cost	405,847	-	-	-	50,968	456,815	331,265
Total current assets	41,879,764	10,248,719	1,193,688	5,827,940	108,136	59,258,247	5,330,102
<b>Noncurrent Assets</b>							
Restricted cash and cash equivalents	931,502	3,245,229	-	135,066	-	4,311,797	1,501,350
Capital assets							
Land	25,968,857	1,021,842	1,143,261	112,858	1,963,554	30,210,372	13,191
Construction in process	19,943,124	890,324	5,717,019	15,712	-	26,566,179	-
Buildings	2,278,437	5,760,829	4,563,482	1,525,856	694,879	14,823,483	5,259,218
Improvements other than buildings	141,155,038	129,217,191	46,146,814	958,546	5,650,170	323,127,759	49,023
Machinery and equipment	5,359,426	3,312,712	438,654	7,071,233	1,951,645	18,133,670	7,870,776
Less accumulated depreciation	(54,008,437)	(42,944,424)	(21,986,429)	(6,904,836)	(5,288,952)	(131,133,078)	(6,631,629)
Total noncurrent assets	141,627,947	100,503,703	36,022,801	2,914,435	4,971,296	286,040,182	8,061,929
Total assets	183,507,711	110,752,422	37,216,489	8,742,375	5,079,432	345,298,429	13,392,031
<b>Deferred Outflows of Resources</b>							
Deferred outflows related to pensions	274,876	271,021	419,328	169,713	71,134	1,206,072	301,077
Total assets and deferred outflows of resources	183,782,587	111,023,443	37,635,817	8,912,088	5,150,566	346,504,501	13,693,108
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	1,413,917	301,530	380,216	159,158	130,026	2,384,847	243,380
Accrued expenses	426,926	814,832	36,053	54,952	22,788	1,355,551	88,064
Claims payable	-	-	-	-	-	-	268,805
Interfund payables	127,879	228,301	356,952	-	-	713,132	-
Deposits returnable	-	-	22,798	-	-	22,798	-
Customer water deposits	478,266	-	-	-	-	478,266	-
Compensated absences	86,507	120,449	19,921	36,451	10,004	273,332	127,632
Loans payable	1,187,781	2,612,257	-	-	-	3,800,038	-
Bonds payable	86,390	-	-	71,362	-	157,752	238,638
Landfill closure costs	-	-	-	122,032	-	122,032	-
Advanced revenue	-	-	4,433	-	64,918	69,351	-
Total current liabilities	3,807,666	4,077,369	820,373	443,955	227,736	9,377,099	966,519
<b>Noncurrent Liabilities</b>							
Claims payable	-	-	-	-	-	-	1,142,271
Interfund payable	-	-	-	-	4,488,537	4,488,537	-
Compensated absences	269,720	159,480	115,815	98,948	41,199	685,162	174,522
Loans payable	20,580,894	45,120,618	-	-	-	65,701,512	-
Bonds payable	9,997,332	-	-	923,102	-	10,920,434	3,086,898
Landfill closure/postclosure cost	-	-	-	1,830,481	-	1,830,481	-
Pension liability	2,987,250	2,945,352	2,233,001	1,844,378	773,054	10,783,035	3,271,995
Total noncurrent liabilities	33,835,196	48,225,450	2,348,816	4,696,909	5,302,790	94,409,161	7,675,686
Total liabilities	37,642,862	52,302,819	3,169,189	5,140,864	5,530,526	103,786,260	8,642,205
<b>Deferred Inflows of Resources</b>							
Deferred inflows related to pensions	317,074	312,627	102,827	195,767	82,054	1,010,349	347,298
Total liabilities and deferred inflows of resources	37,959,936	52,615,446	3,272,016	5,336,631	5,612,580	104,796,609	8,989,503
<b>NET POSITION</b>							
Net investment in capital assets	108,716,168	49,297,299	36,022,801	1,784,906	4,971,296	200,792,470	3,235,044
Restricted for debt service	931,432	3,245,229	-	-	-	4,176,661	-
Unrestricted	36,175,051	5,865,469	(1,659,000)	1,790,551	(5,433,310)	36,738,761	1,468,561
Total net position	\$145,822,651	\$ 58,407,997	\$34,363,801	\$3,575,457	\$ (462,014)	\$ 241,707,892	\$ 4,703,605

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the year ended June 30, 2016

	Business-type Activities					Totals	Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds				Nonmajor Funds		
Water	Waste Water	Airport	Solid Waste				
<b>Operating Revenues</b>							
Water sales	\$ 12,989,334	\$ -	\$ -	\$ -	\$ -	\$ 12,989,334	\$ -
Water connection fees	205,171	-	-	-	-	205,171	-
Alternative water source fees	1,716,850	-	-	-	-	1,716,850	-
Aquifer protection fee	248,400	-	-	-	-	248,400	-
Water agreement partnering	982,041	-	-	-	-	982,041	-
Wastewater service fees	-	11,318,136	-	-	-	11,318,136	-
Effluent sales	-	647,445	-	-	-	647,445	-
Fuel sales and flowage fees	-	-	110,452	-	-	110,452	-
Tie down and hangar rentals	-	-	1,368,442	-	-	1,368,442	-
Refuse collection fees	-	-	-	5,038,808	-	5,038,808	-
Tipping fees	-	-	-	1,229,591	-	1,229,591	-
Recycling revenue	-	-	-	238,663	-	238,663	-
Golf course green fees	-	-	-	-	1,170,186	1,170,186	-
Restaurant sales	-	-	-	-	923,858	923,858	-
Golf course rentals	-	-	-	-	645,738	645,738	-
Golf pro-shop sales	-	-	-	-	234,451	234,451	-
Charges for services	-	-	-	-	-	-	5,872,060
Other services	-	-	-	-	-	-	953,373
Miscellaneous	110,830	176,620	94,455	41,737	12,823	436,465	-
Total operating revenues	16,252,626	12,142,201	1,573,349	6,548,799	2,987,056	39,504,031	6,825,433
<b>Operating Expenses</b>							
Personnel services	2,177,630	2,402,033	1,288,760	1,594,863	1,440,967	8,904,253	3,165,381
Supplies	684,513	347,589	133,031	387,254	759,497	2,311,884	1,187,648
Other services and charges	4,302,855	2,495,950	854,059	4,131,483	848,930	12,633,277	2,262,399
Depreciation	3,550,666	2,537,557	1,265,764	420,598	249,855	8,024,440	858,417
Total operating expenses	10,715,664	7,783,129	3,541,614	6,534,198	3,299,249	31,873,854	7,473,845
Operating income (loss)	5,536,962	4,359,072	(1,968,265)	14,601	(312,193)	7,630,177	(648,412)
<b>Non-Operating Revenues (Expenses)</b>							
Debt service interest	(1,029,206)	(1,475,047)	-	(47,430)	(9,986)	(2,561,669)	(158,612)
Interest and investment income	446,755	201,332	-	64,068	-	712,155	63,853
Net gain (loss) on disposal of assets	4,207	-	-	43,550	-	47,757	(12,009)
Total non-operating revenues (expenses)	(578,244)	(1,273,715)	-	60,188	(9,986)	(1,801,757)	(106,768)
Income (loss) before contributions and transfers	4,958,718	3,085,357	(1,968,265)	74,789	(322,179)	5,828,420	(755,180)
Grant contributions	-	-	4,636,184	-	-	4,636,184	-
Capital contributions	1,587,825	990,567	-	-	-	2,578,392	-
Transfers in	-	-	774,895	-	-	774,895	-
Transfers out	(2,114)	(1,761)	-	(1,309)	-	(5,184)	-
Change in net position	6,544,429	4,074,163	3,442,814	73,480	(322,179)	13,812,707	(755,180)
Total net position - beginning (restated)	139,278,222	54,333,834	30,920,987	3,501,977	(139,835)	227,895,185	5,458,785
Total net position - ending	\$ 145,822,651	\$ 58,407,997	\$ 34,363,801	\$ 3,575,457	\$ (462,014)	\$ 241,707,892	\$ 4,703,605

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

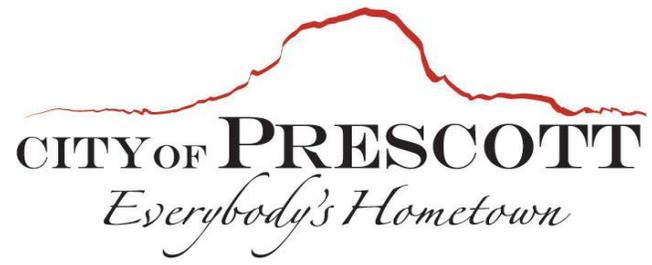
**CITY OF PRESCOTT, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the year ended June 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Major Funds</b>			
	<b>Water</b>	<b>Waste- water</b>	<b>Airport</b>	<b>Solid Waste</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 15,745,943	\$ 11,996,905	\$ 1,523,592	\$ 6,498,303
Cash payments to employees for services	(2,514,126)	(2,451,981)	(962,874)	(1,662,084)
Cash payments to suppliers for goods and services	(5,719,563)	(2,900,306)	(954,859)	(4,646,718)
Net cash provided by (used for) operating activities	<u>7,512,254</u>	<u>6,644,618</u>	<u>(394,141)</u>	<u>189,501</u>
<b>Cash flows from noncapital financing activities:</b>				
Receipts (payments) under interfund loan arrangement	-	-	356,952	-
Transfers in	-	-	774,895	-
Transfers out	(2,114)	(1,761)	-	(1,309)
Net cash provided by (used for) noncapital financing activity	<u>(2,114)</u>	<u>(1,761)</u>	<u>1,131,847</u>	<u>(1,309)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(5,423,829)	(1,953,300)	(4,797,844)	(437,667)
Contributed from capital grant	-	-	4,017,687	-
Contributed from customers	1,587,825	990,567	-	-
Interest paid on capital financing	(1,117,897)	(1,500,320)	-	(47,430)
Principal paid on capital financing	(1,309,514)	(2,816,609)	-	(69,060)
Proceeds from debt issues	448,588	62,723	-	-
Proceeds from sales of capital assets	4,207	-	-	43,550
Net cash provided by (used for) capital and related financing activities	<u>(5,810,620)</u>	<u>(5,216,939)</u>	<u>(780,157)</u>	<u>(510,607)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	446,755	201,332	-	64,068
Net cash provided by (used for) investing activities	<u>446,755</u>	<u>201,332</u>	<u>-</u>	<u>64,068</u>
Net increase (decrease) in cash and cash equivalents	2,146,275	1,627,250	(42,451)	(258,347)
Cash and cash equivalents at July 1	37,876,555	10,787,741	42,451	5,899,038
Cash and cash equivalents at June 30	<u>\$ 40,022,830</u>	<u>\$ 12,414,991</u>	<u>\$ -</u>	<u>\$ 5,640,691</u>
<b>Reconciliation to statement of net position:</b>				
Cash and cash equivalents at June 30, unrestricted	\$ 39,091,328	\$ 9,169,762	\$ -	\$ 5,505,625
Cash and cash equivalents at June 30, restricted	931,502	3,245,229	-	135,066
Total	<u>\$ 40,022,830</u>	<u>\$ 12,414,991</u>	<u>\$ -</u>	<u>\$ 5,640,691</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 5,536,962	\$ 4,359,072	\$ (1,968,265)	\$ 14,601
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	3,550,666	2,537,557	1,265,764	420,598
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(809,411)	(66,175)	30,250	(127,981)
Increase (decrease) in compensated absences	(36,326)	13,770	64,276	(9,661)
(Increase) decrease in accounts receivable	(506,684)	(139,178)	(47,776)	(50,496)
(Increase) decrease in inventory	77,110	-	-	-
Increase (decrease) salary & benefits payable	(300,063)	(60,428)	261,610	(57,560)
Total adjustments	<u>1,975,292</u>	<u>2,285,546</u>	<u>1,574,124</u>	<u>174,900</u>
Net cash provided by operating activities	<u>\$ 7,512,254</u>	<u>\$ 6,644,618</u>	<u>\$ (394,141)</u>	<u>\$ 189,501</u>

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

<b>Nonmajor Funds</b>	<b>Totals</b>	<b>Governmental Activities- Internal Service Funds</b>
\$ 2,942,818	\$ 38,707,561	\$ 6,824,886
(1,450,382)	(9,041,447)	(2,783,010)
(1,654,198)	(15,875,644)	(3,785,741)
<u>(161,762)</u>	<u>13,790,470</u>	<u>256,135</u>
171,748	528,700	-
-	774,895	-
-	(5,184)	-
<u>171,748</u>	<u>1,298,411</u>	<u>-</u>
-	(12,612,640)	(56,048)
-	4,017,687	-
-	2,578,392	-
(9,986)	(2,675,633)	(158,612)
-	(4,195,183)	(230,940)
-	511,311	-
-	47,757	11,880
<u>(9,986)</u>	<u>(12,328,309)</u>	<u>(433,720)</u>
-	712,155	63,836
-	712,155	63,836
-	3,472,727	(113,749)
-	54,605,785	6,610,811
<u>\$ -</u>	<u>\$ 58,078,512</u>	<u>\$ 6,497,062</u>
\$ -	\$ 53,766,715	\$ 4,995,712
-	4,311,797	1,501,350
<u>\$ -</u>	<u>\$ 58,078,512</u>	<u>\$ 6,497,062</u>
\$ (312,193)	\$ 7,630,177	\$ (648,412)
249,855	8,024,440	858,417
(37,397)	(1,010,714)	(334,162)
14,377	46,436	44,444
(44,238)	(788,372)	3,716
(8,373)	68,737	(5,797)
(23,793)	(180,234)	337,929
<u>150,431</u>	<u>6,160,293</u>	<u>904,547</u>
<u>\$ (161,762)</u>	<u>\$ 13,790,470</u>	<u>\$ 256,135</u>

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



## **Fiduciary Funds**

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

### **County Justice Court Agency**

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

**CITY OF PRESCOTT, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2016

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	<u>Agency County Justice Court</u>
<b>ASSETS</b>	
Cash and short-term investments	\$ 50,004
Total assets	<u>\$ 50,004</u>
<b>LIABILITIES</b>	
Due to other governments	\$ 50,004
Total liabilities	<u>\$ 50,004</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, 2016

#### **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 adopted by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

For the current year end, the City implemented the provisions of GASB Statement No. 72, Fair Value Measurement and Application; GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and 68; and GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

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

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

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component

units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Streets and Open Space special revenue fund is used to account for street improvements and maintenance and/or open space acquisition. The sources of funding are revenues from the States Highway User Revenue Fund and the additional 1.0% privilege tax which the voters passed and are limited to road construction and maintenance and/or open space acquisition. The additional privilege tax will sunset in December 2015 and in 2015, voters approved a 1.0% privilege tax for street maintenance and improvements effective January 1, 2016 to sunset December 31, 2035.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

which have delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent.

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

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

**F. Inventories**

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

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

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

**I. Compensated Absences**

The City's personnel ordinance provides full-time employees with paid time off (PTO). All permanent full-time employees of the City are entitled to 14 days of PTO each year during the first three years of service increasing to 17 days for three to ten years of service, 20 days for ten to fifteen years of service, and 22 days for fifteen or more years of service. PTO can be carried over from year to year with a maximum of 25 days PTO to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated PTO.

## **J. Long-Term Debt**

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

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

## **K. Deferred Outflows/Inflows of Resources**

In addition to assets, the government-wide financial statements and the proprietary fund financial statements include a section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for this category, which arises only under the modified accrual basis of accounting, unavailable revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available.

## **L. 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.

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **M. Fund Balances**

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

Nonspendable	Inventories represent fund balance amounts that are not in spendable form.  Interfund loan balances to other funds are not in a spendable form.
Restricted	Restricted by state statute is a portion of fund balance that is restricted for use on street construction and maintenance by legislation. Restricted by city ordinances is a portion of fund balance which restrict:  > a portion of the privilege (sales) tax to 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.

- 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. This same level of formal action by the City Council is needed to rescind the commitments. The City, by resolution, has committed fund balances for compensated absences and capital improvement projects.
- Assigned             Assigned for Subsequent year's expenditures is the portion of fund balance that has been approved by formal action of the City Council for appropriation in future budget. A modification to this amount requires action by the City Council; however this approval lapses at year end.
- Unassigned          Fund balance that has not been reported in any other classification.

At year-end fund balance had the following restriction:

	General	Streets and Open Space	Nonmajor Governmental Funds	Total
Nonspendable - internal loans	\$5,201,669	\$ -	\$ -	\$ 5,201,669
Restricted:				
Streets and open space activity	-	23,537,782	-	23,537,782
Debt Service	-	-	1,118,732	1,118,732
Capital expenditure	-	-	3,861,326	3,861,326
Donated/Grant Purposes	-	-	967,481	967,481
Transient lodging tax activity	-	-	408,685	408,685
Total Restricted	\$ -	\$23,537,782	\$ 6,356,224	\$29,894,006
Committed:				
Capital & economic dev.	853,431	-	-	853,431
Total Committed	\$ 853,431	\$ -	\$ -	\$ 853,431

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 no amendments to the budget after final adoption.

## **B. Budget Basis of Accounting**

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

## **3. DETAILED NOTES ON ALL FUNDS**

### **A. Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds except for a portion of the Municipal Property Corporation and Community Facilities Districts Funds which have investments held separately by a trustee. The City also maintains petty cash for use in daily operations that totals \$12,196.

### **Deposits**

At June 30, 2016, the carrying amount of the City's deposits was \$37,822,248 and the bank balance was \$38,236,472. The difference represents outstanding checks, deposits in transit and other reconciling items. The Hassayampa Community Facilities Districts had cash held by fiscal agents amounting to \$343,157 at June 30, 2016, which is invested in a US Government Mutual Fund.

### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2016, 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 101% of the fair 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 ten years or less. The portfolio is managed to achieve a two-year dollar weighted maturity, the maximum dollar weighted average maturity authorized by the investment policy is three years. As reflected below, the modified duration of the City's investment portfolio on June 30, 2016, was 1.45.

## Credit Risk

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

## Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five percent (5%) of the City's investments are in mortgage securities backed by U.S. Government Agency, U.S Treasury Notes, mutual funds investing in U.S. Government securities and the State Treasurer's Local Government Investment Pool. These investments represent 29.2%, 1.8%, 0.4% and 68.6% respectively, of the City's total investments.

## Investments

The City's investments at June 30, 2015, categorized within the fair value hierarchy established by generally accepted accounting principles are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u> <u>Moody</u>	<u>Modified</u> <u>Duration</u>
<b>External investment pools measured at fair value</b>			
State Treasurer's 7 Pool (LGIP-7)	\$ 15,698,914	Not Rated	0.19
State Treasurer's 700 Pool (LGIP-700)	41,293,557	Not Rated	1.69
U.S. Government Mutual Fund	347,802	Aaa	0.04
Total investments measured at fair value	<u>\$ 57,340,273</u>	Aaa	0.04
<b>Fair valued measured at significant other observable inputs (Level 2)</b>			
U.S. Treasury Note	\$ 1,501,350	Aaa	1.17
U.S. Agency Mortgage Backed Securities	24,286,014	Aaa	1.90
Total investments by fair value level 2	<u>\$ 25,787,364</u>		
Total Fair Value	<u>\$ 83,127,637</u>		
Portfolio Modified Duration			1.48

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. The State Board of investment provides oversight for the State Treasurer's Investment pools. Other investments are categorized by method of fair value measurement into three levels; level 1 – quoted prices in active markets for identical assets, level 2 – significant other observable inputs, and level 3 – significant unobservable inputs. All of the City's investments fall in level 2 and are valued using market quotes from the safekeeping agent.

**B. Receivables, Advanced Revenue and Deferred Inflows of Resources**

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 Fund	Nonmajor Funds	Internal Service Funds	Total
Receivables:					
Accounts	\$2,799,030	\$2,008,384	\$ 155,432	\$ -	\$ 4,962,846
Allowance	(414,377)	(415,913)	(44,206)	-	(874,496)
Accounts (net)	2,384,653	1,592,471	111,226	-	4,088,350
Property Taxes	52,444	-	7,693	-	60,137
Special Assessments	-	-	1,595,547	-	1,595,547
Interest	29,257	-	-	3,125	32,382
Intergovernmental	423,964	1,624,523	213,462	-	2,261,949
Total	<u>\$2,890,318</u>	<u>\$3,216,994</u>	<u>\$1,927,928</u>	<u>\$3,125</u>	<u>\$ 8,038,365</u>

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

	Water	Waste- water	Airport	Solid Waste	Nonmajor Funds	Total
Receivables:						
Accounts	\$ 2,499,744	\$1,155,354	\$ 153,166	\$355,173	\$ 57,168	\$4,220,605
Allowance	(117,155)	(76,397)	-	(32,858)	-	(226,410)
Accounts (net)	2,382,589	1,078,957	153,166	322,315	57,168	3,994,195
Intergovernmental	-	-	1,040,522	-	-	1,040,522
Total	<u>\$ 2,382,589</u>	<u>\$1,078,957</u>	<u>\$1,193,688</u>	<u>\$322,315</u>	<u>\$ 57,168</u>	<u>\$5,034,717</u>

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

	Unavailable	Unearned
Delinquent property taxes receivable General Fund	\$ 23,456	\$ -
Delinquent property taxes receivable Debt Service Fund	6,245	-
Special assessments not yet due Debt Service Fund	30,265	-
Community facilities districts assessments not yet due	1,565,282	-
Advanced rents and deposits General Fund	-	36,000
Grant drawdowns prior to meeting eligibility requirements	69,531	-
Total	<u>\$ 1,694,779</u>	<u>\$ 36,000</u>

### C. Capital Assets

Capital assets activity for governmental activities for the year ended June 30, 2016, was as follows:

Description	Beginning				Ending Balance
	Balance	Transfers	Increases	Decreases	
Land	\$ 71,918,289	\$ -	\$ 1,039,777	\$ -	\$ 72,958,066
Construction in progress	6,142,510	(5,121,728)	5,129,524	-	6,150,306
Total non-depreciable	<u>78,060,799</u>	<u>(5,121,728)</u>	<u>6,169,301</u>	<u>-</u>	<u>79,108,372</u>
Buildings	37,081,449	-	-	-	37,081,449
Improvements other than buildings	40,969,951	246,657	37,612	-	41,254,220
Machinery and equipment	26,699,491	133,729	1,048,052	(497,611)	27,383,661
Infrastructure	261,671,248	4,741,342	-	-	266,412,590
Total depreciable	<u>366,422,139</u>	<u>5,121,728</u>	<u>1,085,664</u>	<u>(497,611)</u>	<u>372,131,920</u>
Accumulated depreciation					
Buildings	(14,022,674)	-	(903,095)	-	(14,925,769)
Improvements other than buildings	(12,992,273)	-	(1,149,804)	-	(14,142,077)
Machinery and equipment	(19,116,067)	-	(1,478,045)	462,506	(20,131,606)
Infrastructure	(137,436,579)	-	(14,397,026)	-	(151,833,605)
Total accumulated depreciation	<u>(183,567,593)</u>	<u>-</u>	<u>(17,927,970)</u>	<u>462,506</u>	<u>(201,033,057)</u>
Governmental activities capital assets net	<u>\$ 260,915,345</u>	<u>\$ -</u>	<u>\$ (10,673,005)</u>	<u>\$ (35,105)</u>	<u>\$ 250,207,235</u>

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

General government (including internal service funds)	\$	1,717,608
Community services		32,349
Culture and recreation		950,738
Public safety - police		523,096
Public safety - fire		166,042
Public works		14,538,137
Total depreciation for governmental activities	<u>\$</u>	<u>17,927,970</u>

Capital assets activity for business-type activities for the year ended June 30, 2016, was as follows:

Description	Beginning				Ending Balance
	Balance	Transfer	Increases	Decreases	
Land	\$ 30,204,085	\$ -	\$ 6,287	\$ -	\$ 30,210,372
Construction in progress	63,366,205	(45,379,793)	8,579,767	-	26,566,179
Total non-depreciable	<u>93,570,290</u>	<u>(45,379,793)</u>	<u>8,586,054</u>	<u>-</u>	<u>56,776,551</u>
Buildings	14,823,483	-	-	-	14,823,483
Improvements other than buildings	274,902,437	45,379,793	2,845,529	-	323,127,759
Machinery and equipment	17,621,061	-	922,517	(409,908)	18,133,670
Total depreciable	<u>307,346,981</u>	<u>45,379,793</u>	<u>3,768,046</u>	<u>(409,908)</u>	<u>356,084,912</u>
Accumulated depreciation					
Buildings	(10,182,600)	-	(331,516)	-	(10,514,116)
Improvements other than buildings	(99,751,390)	-	(6,895,635)	-	(106,647,025)
Machinery and equipment	(13,560,963)	-	(797,289)	386,315	(13,971,937)
Total accumulated depreciation	<u>(123,494,953)</u>	<u>-</u>	<u>(8,024,440)</u>	<u>386,315</u>	<u>(131,133,078)</u>
Business activities capital assets net	<u>\$ 277,422,318</u>	<u>\$ -</u>	<u>\$ 4,329,660</u>	<u>\$ (23,593)</u>	<u>\$ 281,728,385</u>

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

Water	\$	3,550,666
Wastewater		2,537,557
Airport		1,265,764
Solid waste		420,598
Golf Course		249,855
Total depreciation for business-type activities	\$	<u>8,024,440</u>

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

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

The composition of interfund balances at year-end is as follows:

Fund	Reason	Interfund Receivables	Interfund Payables
General fund		\$ 5,201,669	\$ -
Airport fund	Delayed grant reimbursements	-	356,952
Water enterprise fund	Structured 4.7% loan for projects	-	127,879
Wastewater enterprise fund	Structured 4.7% loan for projects	-	228,301
Nonmajor enterprise fund-Golf course	Cumulative operating deficits	-	4,488,537
Total		<u>\$ 5,201,669</u>	<u>\$ 5,201,669</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 year-end were as follows:

Transfer Out	Transfers In				Total Transfers Out
	General Fund	Streets & Open Space	Nonmajor Governmental	Enterprise - Airport	
Governmental					
General Fund	\$ -	\$ -	\$ 147,866	\$ 774,895	\$ 922,761
Streets & Open Space	1,812	-	-	-	1,812
Nonmajor	45,000	132	-	-	45,132
Enterprise					
Water	2,114	-	-	-	2,114
Wastewater	1,761	-	-	-	1,761
Solid Waste	1,309	-	-	-	1,309
Total Transfers In	<u>\$ 51,996</u>	<u>\$ 132</u>	<u>\$ 147,866</u>	<u>\$ 774,895</u>	

**E. Capital Leases**

The City is not involved in any capital leases.

**F. Long-Term Debt**

**General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the City, and are repaid through the City's levying of property taxes. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In May 2007 an additional \$1,510,000 in general obligation bonds were issued. The bonds mature in July 2017. The bonds were issued to make the final phase improvements to Willow and Watson Lakes. The City has no remaining authorized but unissued general obligation bond authority.

The balance outstanding at year-end was as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities (2007 issue)	3.83%	\$ 180,000
		<u>\$ 180,000</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2017	180,000	7,200
	<u>\$ 180,000</u>	<u>\$ 7,200</u>

### Special Assessment Bonds and Notes

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

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

<u>Issue</u>	<u>District</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2004	164	95,840	1/1/2022	2.54%	29,808
					<u>\$ 29,808</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2017	\$ 5,044	\$ 742
2018	5,044	685
2019	5,044	530
2020	5,044	375
2021	5,044	219
2022	4,588	71
	<u>\$ 29,808</u>	<u>\$ 2,622</u>

### Community Facilities District Bonds

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

- Hassayampa CFD, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July 2021. The balance of these bonds at year-end, was \$1,405,000.

- 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 year-end, was \$265,000.

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

Year Ending	Principal	Interest
June 30,		
2017	\$ 265,000	\$ 128,763
2018	280,000	108,287
2019	310,000	86,650
2020	330,000	62,700
2021	365,000	37,200
2022-2024	120,000	18,000
	<u>\$ 1,670,000</u>	<u>\$ 441,600</u>

### **Municipal Property Corporation Bonds**

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

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

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

Following are the pledged revenues compared to debt service for fiscal year ending June 30, 2016:

Pledged Revenues:	
City Privilege and Use Taxes	\$ 15,312,068
State-Shared Revenue	11,073,408
Franchise Taxes	1,670,671
Licenses and Permits	691,461
Fines and Forfeitures	411,391
Charges for Services	3,406,540
Total Pledged Revenues	<u>\$ 32,565,539</u>
Fiscal Year 2016 Debt Service	\$ 3,178,589
Debts Service Coverage	10

The MPC has the following outstanding bonds:

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

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

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

In May 2014, series 2014 bonds were issued in the face amount of \$9,000,000 at a premium of \$1,256,503. Proceeds of the bonds were used to refund the series 2004G which were used to acquire the City's portion of the Big Chino Water Ranch. The issue matures in twenty (20) years and was issued with an interest rate of 3.64% and a final maturity date in 2034.

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

Serviced by		Interest		
Fund	Reason for Financing	Issue	Rate	Amount
Streets	Road improvements	2010	5.53%	\$ 13,535,000
Streets	Road improvements	2011	4.21%	6,868,670
Central Garage	Facility expansion	2007	4.35%	3,325,536
	Governmental Activities			23,729,206
Water	Big Chino Water Ranch	2014	3.64%	9,000,000
Solid Waste	Transfer station expansion	2007	4.35%	994,464
	Business-type Activities			9,994,464
				<u>\$ 33,723,670</u>

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

Year Ending	Interest				
	Principal	Interest	Subsidy	Premium Amortization	Net Interest
June 30, 2017	\$ 1,495,000	\$ 1,666,070	\$ (265,298)	\$ (86,390)	\$ 1,314,382
2018	1,789,000	1,599,335	(251,146)	(86,390)	1,261,799
2019	1,994,000	1,517,473	(236,424)	(83,509)	1,197,540
2020	2,065,000	1,432,934	(220,878)	(90,437)	1,121,619
2021	2,146,000	1,332,515	(204,490)	(85,696)	1,042,329
2022-2026	12,096,000	4,982,435	(738,580)	(354,309)	3,889,546
2027-2031	9,943,670	1,854,512	(164,258)	(243,451)	1,446,803
2032-2034	2,195,000	223,000	-	(53,540)	169,460
	<u>\$ 33,723,670</u>	<u>\$ 14,608,274</u>	<u>\$(2,081,074)</u>	<u>\$(1,083,722)</u>	<u>\$ 11,443,478</u>

### Water Infrastructure Finance Authority of Arizona Loans

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

The drinking water loans are recorded in and paid out of revenues of Water Fund while the Clean Water loans are recorded in and paid out of revenues of Wastewater Fund. The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds. For the fiscal year ended June 30, 2016, the debt service of these loans were \$5,809,296 and the net revenues available for debt service were \$16,636,402 providing a debt coverage ratio of 286% which is above the 120% debt covenant.

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

The balances of the City's WIFA loans at year-end, are as follows:

WIFA #	Amount Authorized	Date of Auth.	Maturity Date	Final Amount Borrowed	Interest Rate	Project	Balance June 30
<b>Drinking Water Projects</b>							
920125-08	\$ 9,854,000	8/24/2007	7/1/2027	\$ 9,854,000	3.640%	Water Main Imp	\$ 6,729,547
92A166-09	8,998,096	7/31/2009	7/1/2029	2,759,551	3.143%	Zone 39 Imp	1,960,022
920206-11	1,060,000	12/3/2010	7/1/2030	1,018,796	3.152%	Water Main Imp	818,728
920237-13	15,921,582	1/25/2013	7/1/2032	15,921,582	2.800%	Water Main Imp	12,260,378
<b>Total Drinking Water Projects</b>							<b>21,768,675</b>
<b>Clean Water Projects</b>							
910097-08	4,703,000	8/24/2007	7/1/2027	4,703,000	3.868%	Sewer Mains Imp	3,234,592
910122-10	6,573,506	7/31/2009	7/1/2029	6,054,763	3.143%	Sewer Mains Imp	4,598,028
910147-11	2,070,000	12/3/2010	7/1/2030	1,574,593	3.152%	Sewer Mains Imp	1,228,667
910148-11	1,635,870	12/3/2010	7/1/2030	1,480,944	3.152%	Sundog WWTP Imp	1,169,316
910151-11	45,802,753	6/10/2011	7/1/2031	In Progress	2.950%	Airport WWTP	37,502,272
<b>Total Clean Water Projects</b>							<b>47,732,875</b>
<b>Total</b>							<b>\$69,501,550</b>

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

Year Ending	Principal	Interest
June 30,		
2017	\$ 3,668,565	\$ 2,013,564
2018	3,782,155	1,896,419
2019	3,899,298	1,775,611
2020	4,020,108	1,651,020
2021	4,144,697	1,522,529
2022-2026	22,733,275	5,539,888
2027-2031	22,606,129	1,925,286
2032-2033	4,647,323	24,957
	<b>\$ 69,501,550</b>	<b>\$ 16,349,274</b>

## Changes in Long-Term Liabilities

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

	Beginning Balance	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bond payable:					
General obligation	\$ 355,000	\$ -	\$ 175,000	\$ 180,000	\$ 180,000
Municipal Property Corporation	25,111,146	-	1,381,940	23,729,206	1,423,638
Special assessments	34,852	-	5,044	29,808	5,044
Community Facilities Districts	2,180,000	-	510,000	1,670,000	265,000
Total bonds payable	27,680,998	-	2,071,984	25,609,014	1,873,682
Claims payable	1,782,329	-	371,253	1,411,076	268,805
Compensated absences	3,705,953	182,069	242,020	3,646,002	1,144,143
Governmental activity long-term liabilities	<u>\$ 33,169,280</u>	<u>\$ 182,069</u>	<u>\$ 2,685,257</u>	<u>\$ 30,666,092</u>	<u>\$ 3,286,630</u>
<b>Business-type Activities:</b>					
Municipal Property Corporation					
bonds payable	\$ 10,063,524	\$ -	\$ 69,060	\$ 9,994,464	\$ 71,362
MPC 2014 Unamortized Premium	1,170,113	-	86,391	1,083,722	86,390
Loans payable:					
WIFA	72,676,362	511,312	3,686,124	69,501,550	3,800,038
Landfill closure/postclosure costs	1,953,803	-	1,290	1,952,513	122,032
Compensated absences	906,899	115,100	63,505	958,494	273,332
Business-type activity long-term liabilities	<u>\$ 86,770,701</u>	<u>\$ 626,412</u>	<u>\$ 3,906,370</u>	<u>\$ 83,490,743</u>	<u>\$ 4,353,154</u>

## Compensated Absences

Compensated absences are liquidated in the General fund, Streets & Open Space fund, Enterprise funds and Internal Service funds depending where the employees are assigned.

## 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, 2016, the City is well within its debt limits, having \$109.5 million in borrowing capacity in the 20% category, and \$32.9 million in borrowing capacity in the 6% category. The City also has a \$1.6 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2016.

## G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City became a member of the Arizona Municipal Risk Retention Pool for property liability and workers' compensation insurance effective June 1, 2013. Prior to joining the pool the City's risk management activities were recorded in the general self-insurance fund.

The purpose of the fund is to administer the City's property liability and workers' compensation insurance programs and claims from before the City joined the pool on a cost reimbursement basis. This fund accounts for the risk financing activities of the City but does not constitute a transfer of risk from the City.

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

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

**Claims Liabilities**

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

**Unpaid Claims Liabilities**

The claims liability of \$1,782,329 for general self-insurance reported in the fund at June 30, 2015, is based on the requirements of GASB 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, 2013 to June 30, 2015:

Liability balance, June 30, 2014	\$ 1,250,169
Claims and changes in estimates	665,842
Claims payments	<u>(133,682)</u>
Liability balance, June 30, 2015	1,782,329
Claims and changes in estimates	(534,593)
Claims payments	<u>163,340</u>
Liability balance, June 30, 2016	<u>\$ 1,411,076</u>

Of the amount shown above, \$268,805 is due within one year and classified as a current liability.

**H. Litigation**

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

In management's opinion, all other claims or litigation pending at June 30, 2015, which could have a significant effect on the financial position of the City have been provided for in the accounts.

**I. Contingent Liabilities**

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

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

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

## **J. Intergovernmental Agreements**

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

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

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

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

In February 2010, the City entered into an Agreement in Principle with Salt River Project and the Town of Prescott Valley for the purpose of mutually addressing topics associated with the withdrawal and importation of water from the Big Chino Sub-basin. This document contemplated several more detailed ("comprehensive") future agreements addressing groundwater modeling, monitoring, and measures for mitigating effects of groundwater pumping, if any, pursuant to ARS § 45-555(E); settlement of litigation among the parties; and mutual recognition of water rights. A technical amendment to ARS § 45-555(E) was subsequently passed by the Arizona Legislature and signed into law, consistent with the Agreement in Principle, providing certain clarifications and specifying a base importation quantity of 8,068 af/yr. In October 2012, the parties to the Agreement in Principle approved Comprehensive Agreement No. 1 (CA1) which focused on monitoring and modeling needs in the Big Chino Sub-basin, and affirmed each party's water claims for "water arising from the Prescott AMA". This CA1 outlines a ten-year cooperative effort during which hydrogeologic monitoring will commence and a groundwater flow model specific to the sub-basin will be developed. The costs are being shared among the parties and the overall cost is expected to be near \$5.5 million (City of Prescott share \$1.9 million).

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

## **K. Retirement and Pension Plans**

The City contributes to the three plans described below. The plans are component units of the State of Arizona. At June 30, 2016, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net pension liabilities	\$ 95,220,567	\$ 10,783,035	\$ 106,003,602
Deferred outflows of resources	17,451,437	1,206,072	18,657,509
Deferred inflows of resources	3,360,095	1,010,349	4,370,444
Pension expense	9,687,747	482,008	10,169,755

The City reported accrued expenses and employee benefits of \$237,312 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the City reported \$6,606,301 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

### Arizona State Retirement System

Plan Description – City employees, not covered by the other pension plans described below, participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at [www.azasrs.gov](http://www.azasrs.gov).

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial membership date</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service (years) and age required to receive benefit	Sum of years and age equals 80 10 years and age 62 5 years and age 50* Any years and age 65	30 years and age 55 25 years and age 60 10 years and age 62 5 years and age 50* Any years and age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months Of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
*With actuarially reduced benefits		

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47% (11.35% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.47% (10.85% for retirement, 0.50% for health insurance premium benefit, and 0.12% for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36% (9.30% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would

typically be filled by an employee who contributes to the ASRS. The City's contributions to the pension plan for the year ended June 30, 2016, were \$2,009,434. The City's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<b>Year ended June 30</b>	<b>Health Benefit Supplement Fund</b>	<b>Long-term Disability Fund</b>
2016	\$ 92,322	\$ 22,144
2015	107,689	22,010
2014	110,484	43,934

During fiscal year 2016, the City paid for ASRS pension and OPEB contributions as follows: 47.9% from the General Fund, 37.9% from major funds, and 14.2% from other funds.

Pension Liability – At June 30, 2016, the City reported a liability of \$31,043,760 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on accrued retirement contributions for employers that were members of the ASRS as of June 30, 2015. The City's proportion measured as of June 30, 2015, was 0.199300%, which was a decrease of 0.005738% from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$1,374,787. At June 30, 2016, and the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 847,117	\$ -
Changes of assumptions	-	-
Difference between expected and actual experience	-	1,626,724
Difference between projected and actual investment earnings	-	994,884
Changes in proportion and differences between City contributions and proportionate share of contributions	-	673,451
City contributions subsequent to the measurement date	2,009,422	-
<b>Total</b>	<b>\$ 2,856,539</b>	<b>\$ 3,295,059</b>

The \$2,009,422 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year ending June 30</b>	
2017	\$ (969,634)
2018	(1,417,720)
2019	(778,769)
2020	718,181

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Investment rate of return	8%

Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, as of June 30, 2015 (see the Asset Allocation Targets chart in the Investment Section of the CAFR), are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Expected Arithmetic Real Rate of Return</b>
Equity	58%	6.79%	3.94%
Fixed income	25%	3.70%	0.93%
Commodities	2%	3.93%	0.08%
Real estate	10%	4.25%	0.43%
Multi-asset class	5%	3.41%	0.17%
<b>Total</b>	<b>100%</b>		<b>5.54%</b>
Inflation			3.25%
Expected arithmetic nominal return			<b>8.79%</b>

Actual returns may be lower due to volatility of returns. The long-term expected rate of return of 8.79% differs from the 8% utilized to discount the net pension liability.

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
City's proportionate share of the net pension liability	\$ 40,677,934	\$ 31,043,760	\$ 24,441,193

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

**Public Safety Personnel Retirement System**

Plan Descriptions – City’s police employees and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years and age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired members pension benefit	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increases effects on the plan. PSPRS also provides temporary disability benefits of 50% of the member’s compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	61	62
Inactive employees entitled to but not yet receiving benefits	17	15
Active employees	62	51
Total	<u>140</u>	<u>128</u>

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<b>PSPRS Police</b>	<b>PSPRS Fire</b>
Active members		
Pension	11.65%	11.65%
City		
Pension	54.31%	63.44%
Health insurance premium benefit	0.81%	0.00%
City Total	55.12%	63.44%

In addition, the City was required by statute to contribute at the actuarially determined rate of 28.62% for the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	<b>PSPRS Police</b>	<b>PSPRS Fire</b>
Penion contributions made	\$ 2,147,229	\$ 3,347,860
Health Insurance premium benefit		
OPEB contributions made	30,235	-

During fiscal year 2015, the City paid for PSPRS pension and OPEB contributions as follows: 97.5% from the General Fund, 1.9% from major funds, and 0.6% from other funds.

Pension Liability – At June 30, 2016, the City reported the following net pension liabilities:

	<b>Net Pension Liability</b>
PSPRS Police	\$ 36,152,348
PSPRS Fire	38,807,494

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
<b>Total</b>	<b>100%</b>	

Pension Discount Rates – The PSPRS Police and PSPRS Fire used a discount rate of 7.85% to measure the total pension liabilities. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability

<b>PSPRS Police</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2015	\$ 46,640,460	\$ 11,806,287	\$ 34,834,173
Changes for the year:			
Service cost	760,856	-	760,856
Interest on the total pension liability	3,574,096	-	3,574,096
Differences between expected and actual experience in the measurement of the pension liability	(245,221)	-	(245,221)
Changes of assumptions	-	-	-
Contributions-employer	-	2,003,868	(2,003,868)
Contributions-employee	-	488,411	(488,411)
Net investment income	-	425,319	(425,319)
Benefit payments, including refunds of employee contributions	(2,982,010)	(2,982,010)	-
Pension plan administrative expense	-	(10,753)	10,753
Other changes	-	(135,289)	135,289
Net changes	1,107,721	(210,454)	1,318,175
Balance at June 30, 2016	\$ 47,748,181	\$ 11,595,833	\$ 36,152,348

**PSPRS Fire**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2015	\$ 52,497,781	\$ 16,492,780	\$ 36,005,001
Changes for the year:			
Service cost	679,818	-	679,818
Interest on the total pension liability	4,004,260	-	4,004,260
Changes of Benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	2,459,470	-	2,459,470
Changes of assumptions	-	-	-
Contributions-employer	-	3,083,074	(3,083,074)
Contributions-employee	-	463,343	(463,343)
Net investment income	-	619,579	(619,579)
Benefit payments, including refunds of employee contributions	(3,656,019)	(3,656,019)	-
Pension plan administrative expense	-	(16,431)	16,431
Other changes	-	191,490	(191,490)
Net changes	3,487,529	685,036	2,802,493
Balance at June 30, 2016	\$ 55,985,310	\$ 17,177,816	\$ 38,807,494

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate – The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>1% Decrease (6.85%)</b>	<b>Current Discount Rate (7.85%)</b>	<b>1% Increase (8.85%)</b>
PSPRS Police	\$ 41,757,337	\$ 36,152,348	\$ 31,484,487
PSPRS Fire	45,352,319	38,807,494	33,360,906
City's net pension liability	\$ 87,109,656	\$ 74,959,842	\$ 64,845,393

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2016, the City recognized \$4,268,978 for PSPRS Police and \$4,525,990 for PSPRS Fire in pension expense.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS Police</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 105,454	\$ 193,253
Changes of assumptions or other inputs	3,502,106	-
Net difference between projected and actual earnings on pension plan investments	381,216	361,963
City contributions subsequent to the measurement date	2,147,197	-
<b>Total</b>	<b>\$ 6,135,973</b>	<b>\$ 555,216</b>

<b>PSPRS Fire</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,440,012	\$ -
Changes of assumptions or other inputs	3,290,578	-
Net difference between projected and actual earnings on pension plan investments	542,138	520,169
City contributions subsequent to the measurement date	3,392,269	-
<b>Total</b>	<b>\$ 9,664,997</b>	<b>\$ 520,169</b>

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30</b>	<b>PSPRS Police</b>	<b>PSPRS Fire</b>
2017	\$ 1,176,570	\$ 1,717,226
2018	1,176,570	1,717,226
2019	1,022,465	1,717,224
2020	57,955	600,883
2021	-	-
<b>Total</b>	<b>\$ 3,433,560</b>	<b>\$ 5,752,559</b>

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial

value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements, are as follows:

<b>PSPRS-OPEB Contribution Requirements</b>	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

Agent Plan OPEB Trend Information – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

<b>Year ending June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>PSPRS Police</b>			
2016	\$ 30,235	100%	\$ 30,235
2015	75,467	100%	75,467
2014	66,926	100%	66,926
<b>PSPRS Fire</b>			
2016	-	100%	-
2015	93,168	100%	93,168
2014	54,252	100%	54,252

Agent Plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

	<b>PSPRS Police</b>	<b>PSPRS Fire</b>
Actuarial value of assets (a)	\$ 787,989	\$ 1,178,991
Actuarial accrued liability (b)	1,030,068	884,914
Unfunded actuarial accrued liability (excess) (b)-(a)	242,079	(294,077)
Funded ratio (a)/(b)	76.5%	133.2%
Annual covered payroll (c)	3,868,068	3,486,702
Unfunded actuarial accrued liability as a percentage of covered payroll (b)-(a)/(c)	6.3%	0.0%

The actuarial methods and assumptions used are the same for all PSPRS plans health insurance premium benefit plans (unless noted), and the most recent valuation date are as follows:

<b>PSPRS-OPEB Contribution Requirements</b>	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued

	liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

#### L. Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations required the City to place a final cover on its Sundog Ranch Road landfill site when it stopped accepting waste in 1999; additionally, the City is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City stopped receiving waste at its landfill and received a small landfill exemption from the EPA in fiscal year 1998 and started installing the final cover in fiscal year 1999. The \$1,952,514 reported in the solid waste enterprise fund as landfill closure and post-closure care liability at June 30, 2016, represents the total amount of estimated cost of closure and post-closure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

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

#### M. Commitments and Future Obligations

The City has remaining construction commitments totaling \$4.6 million for various road projects, and \$3.3 million for various water and sewer infrastructure.

#### N. Prior Period Adjustment

There were two contributions made directly to the City's Public Safety Personnel Retirement System – Fire which were omitted from the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The State of Arizona contributed \$1 million to help offset the cost of the line of duty death benefits paid for the wildland fire fighters lost battling the state managed Yarnell fire. The State of Arizona also provides for a fire insurance premium tax paid direct to the pension which was \$149,937 in fiscal year 2015. The omission of these contributions under stated revenues, deferred outflows related to pensions, and expenses.

Net position as of July 1, 2015, has been restated to record these contributions.

	<u>Government Wide</u>		<b>Airport Enterprise Fund</b>
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	
Net Position as previously reported at June 30, 2015	\$ 211,464,057	\$ 227,853,567	\$ 30,879,369
State contributions	1,107,061	42,876	42,876
Health insurance expense	(32,473)	(1,258)	(1,258)
Net position as restated, July 1, 2015	<u>\$ 212,538,645</u>	<u>\$ 227,895,185</u>	<u>\$ 30,920,987</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PRESCOTT, ARIZONA**

**Required Supplementary Information**

**Schedule of Proportionate Share of the Net Pension Liability Cost-Sharing Pension Plan**

Last ten fiscal years

**Arizona State Retirement System**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a % of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>
2007	2006	0.000000%	\$ -	\$ -	0.00%	0.00%
2008	2007	0.000000%	-	-	0.00%	0.00%
2009	2008	0.000000%	-	-	0.00%	0.00%
2010	2009	0.000000%	-	-	0.00%	0.00%
2011	2010	0.000000%	-	-	0.00%	0.00%
2012	2011	0.000000%	-	-	0.00%	0.00%
2013	2012	0.000000%	-	-	0.00%	0.00%
2014	2013	0.000000%	-	-	0.00%	0.00%
2015	2014	0.205038%	30,338,617	18,620,421	162.93%	69.49%
2016	2015	0.199300%	31,043,760	18,471,570	168.06%	68.35%

Information for Fiscal Year 2007 through 2014 is not available

**CITY OF PRESCOTT, ARIZONA**

**Required Supplementary Information**

**Schedule of Net Pension Liability and Related Ratios Agent Pension Plan (Prescott Police Dept.)**

Last ten fiscal years (in thousands of dollars)

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Measurement Date</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Total Pension Liability</b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 761,809	\$ 760,856
Interest on the total pension liability	-	-	-	-	-	-	-	-	2,931,991	3,574,096
Benefit changes	-	-	-	-	-	-	-	-	1,200,389	-
Difference between expected and actual experience	-	-	-	-	-	-	-	-	178,760	(245,221)
Assumption changes	-	-	-	-	-	-	-	-	5,936,576	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	(2,676,726)	(2,982,010)
<b>Net change in total pension liability</b>	-	-	-	-	-	-	-	-	8,332,799	1,107,721
<b>Total pension liability - beginning</b>	-	-	-	-	-	-	-	-	38,307,661	46,640,460
<b>Total pension liability - ending</b>	<u>\$ -</u>	<u>\$ 46,640,460</u>	<u>\$ 47,748,181</u>							
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,699,361	\$ 2,003,868
Employee contributions	-	-	-	-	-	-	-	-	410,728	488,411
Pension plan net investment income	-	-	-	-	-	-	-	-	1,463,603	425,319
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	(2,676,726)	(2,982,010)
Pension plan administrative expense	-	-	-	-	-	-	-	-	-	(10,753)
Other	-	-	-	-	-	-	-	-	(667,282)	(135,289)
<b>Net change in plan fiduciary net position</b>	-	-	-	-	-	-	-	-	229,684	(210,454)
<b>Plan fiduciary net position - beginning</b>	-	-	-	-	-	-	-	-	11,576,603	11,806,287
<b>Plan fiduciary net position - ending</b>	<u>\$ -</u>	<u>\$ 11,806,287</u>	<u>\$ 11,595,833</u>							
<b>Net pension liability</b>	-	-	-	-	-	-	-	-	34,834,173	36,152,348
<b>Plan fiduciary net position as a percentage of total pension liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.31%	24.29%
<b>Covered valuation payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,031,432	\$ 3,868,068
<b>Net pension liability as a percentage of covered valuation payroll</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	864.06%	934.64%

Information for Fiscal Year 2007 through 2014 is not available

**CITY OF PRESCOTT, ARIZONA**

**Required Supplementary Information**

**Schedule of Net Pension Liability and Related Ratios Agent Pension Plan (Prescott Fire Dept.)**

Last ten fiscal years (in thousands of dollars)

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Measurement Date</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Total Pension Liability</b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625,416	\$ 679,818
Interest on the total pension liability	-	-	-	-	-	-	-	-	3,407,472	4,004,260
Benefit changes	-	-	-	-	-	-	-	-	970,471	-
Difference between expected and actual experience	-	-	-	-	-	-	-	-	812,892	2,459,470
Assumption changes	-	-	-	-	-	-	-	-	5,458,928	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	(3,743,947)	(3,656,019)
<b>Net change in total pension liability</b>	-	-	-	-	-	-	-	-	7,531,232	3,487,529
<b>Total pension liability - beginning</b>	-	-	-	-	-	-	-	-	44,966,549	52,497,781
<b>Total pension liability - ending</b>	<u>\$ -</u>	<u>\$ 52,497,781</u>	<u>\$ 55,985,310</u>							
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,474,478	\$ 3,083,074
Employee contributions	-	-	-	-	-	-	-	-	462,684	463,343
Pension plan net investment income	-	-	-	-	-	-	-	-	2,103,311	619,579
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	(3,743,947)	(3,656,019)
Pension plan administrative expense	-	-	-	-	-	-	-	-	-	(16,431)
Other	-	-	-	-	-	-	-	-	(913,990)	191,490
<b>Net change in plan fiduciary net position</b>	-	-	-	-	-	-	-	-	(617,464)	685,036
<b>Plan fiduciary net position - beginning</b>	-	-	-	-	-	-	-	-	17,110,244	16,492,780
<b>Plan fiduciary net position - ending</b>	<u>\$ -</u>	<u>\$ 16,492,780</u>	<u>\$ 17,177,816</u>							
<b>Net pension liability</b>	-	-	-	-	-	-	-	-	36,005,001	38,807,494
<b>Plan fiduciary net position as a percentage of total pension liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.42%	30.68%
<b>Covered valuation payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,581,595	\$ 3,486,702
<b>Net pension liability as a percentage of covered valuation payroll</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1005.28%	1113.01%

Information for Fiscal Year 2007 through 2014 is not available

**CITY OF PRESCOTT, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions Arizona State Retirement System**

Last ten fiscal years

<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contributions Made</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2007	\$ -	\$ -	\$ -	\$ -	0.00%
2008	-	-	-	-	0.00%
2009	-	-	-	-	0.00%
2010	-	-	-	-	0.00%
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	1,992,385	1,992,385	-	18,620,421	10.70%
2015	2,011,554	2,011,554	-	18,471,570	10.89%
2016	2,009,422	2,009,422	-	18,520,018	10.85%

Information for Fiscal Year 2007 through 2013 is not available

**CITY OF PRESCOTT, ARIZONA**

**Required Supplementary Information**

**Schedule of Pension Contributions Public Safety Personnel Retirement System (Prescott Police Dept.)**

Last ten fiscal years

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<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contributions Made</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2007	\$ -	\$ -	\$ -	\$ -	0.00%
2008	-	-	-	-	0.00%
2009	-	-	-	-	0.00%
2010	-	-	-	-	0.00%
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	1,699,361	1,699,361	-	4,031,432	42.26%
2015	2,003,868	2,003,868	-	3,868,068	48.39%
2016	2,147,197	2,147,197	-	4,070,981	54.31%

Information for Fiscal Year 2007 through 2013 is not available

**CITY OF PRESCOTT, ARIZONA**

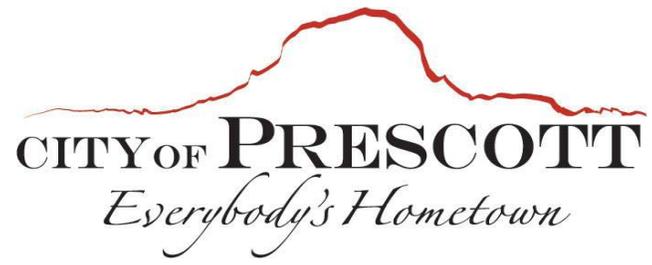
**Required Supplementary Information**

**Schedule of Pension Contributions Pubic Safety Personnel Retirement System (Prescott Fire Dept.)**

Last ten fiscal years

<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contributions Made</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2007	\$ -	\$ -	\$ -	\$ -	0.00%
2008	-	-	-	-	0.00%
2009	-	-	-	-	0.00%
2010	-	-	-	-	0.00%
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	1,474,478	1,474,478	-	3,581,595	41.91%
2015	2,019,149	3,083,074	(1,063,925)	3,486,702	57.91%
2016	2,338,795	3,392,269	(1,053,474)	3,686,625	63.44%

Information for Fiscal Year 2007 through 2013 is not available



# **COMBINING STATEMENTS**

## **Nonmajor Governmental Funds**

### **SPECIAL REVENUE FUNDS**

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

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

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

#### **Grants Fund**

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

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

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

#### **Acker Trust Fund**

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

### **CAPITAL PROJECT FUNDS**

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

#### **Impact Fees Fund**

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

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

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

### **DEBT SERVICE FUNDS**

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

#### **City of Prescott**

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

#### **Community Facilities Districts**

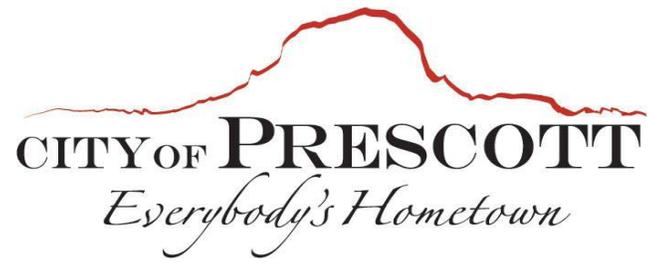
This fund is used to account for the special assessments and the principal and interest expenditures of the debt issued by the districts. Although these bonds are not obligations of the City, generally accepted accounting principles indicate that the bonds be disclosed herein.

**CITY OF PRESCOTT, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2016

	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total Nonmajor Governmental Funds
	Transient	Miscellaneous	Acker	Community Facilities Districts	Impact Fees	City of Prescott	Community Facilities Districts		
	Lodging Tax	Grants	Gift Trust					Trust	
<b>ASSETS</b>									
Cash and short-term investments	\$ 333,416	\$ 56,890	\$ 234,937	\$ 569,142	\$ 783,864	\$ 3,075,371	\$ 148,341	\$ 620,023	\$ 5,821,984
Restricted cash and investments	-	-	-	-	-	-	-	343,157	343,157
Accounts receivable (net)	102,924	-	-	-	-	2,133	-	6,169	111,226
Property taxes receivable	-	-	-	-	-	-	7,693	-	7,693
Special assessments receivable	-	-	-	-	-	-	30,265	1,565,282	1,595,547
Intergovernmental receivable	-	213,462	-	-	-	-	-	-	213,462
Total assets	<u>\$ 436,340</u>	<u>\$ 270,352</u>	<u>\$ 234,937</u>	<u>\$ 569,142</u>	<u>\$ 783,864</u>	<u>\$ 3,077,504</u>	<u>\$ 186,299</u>	<u>\$ 2,534,631</u>	<u>\$ 8,093,069</u>
<b>LIABILITIES</b>									
Accounts payable	\$ 20,647	\$ 45,647	\$ 6,598	\$ -	\$ -	\$ 42	\$ 406	\$ -	\$ 73,340
Accrued expenditures	7,008	9,969	-	-	-	-	-	-	16,977
Interfund payable	-	-	-	-	-	-	-	-	-
Total liabilities	<u>27,655</u>	<u>55,616</u>	<u>6,598</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>406</u>	<u>-</u>	<u>90,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue	-	44,736	-	-	-	-	36,510	1,565,282	1,646,528
Total deferred inflows of resources	<u>-</u>	<u>44,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,510</u>	<u>1,565,282</u>	<u>1,646,528</u>
<b>FUND BALANCES</b>									
Restricted	408,685	170,000	228,339	569,142	783,864	3,077,462	149,383	969,349	6,356,224
Total fund balances	<u>408,685</u>	<u>170,000</u>	<u>228,339</u>	<u>569,142</u>	<u>783,864</u>	<u>3,077,462</u>	<u>149,383</u>	<u>969,349</u>	<u>6,356,224</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 436,340</u>	<u>\$ 270,352</u>	<u>\$ 234,937</u>	<u>\$ 569,142</u>	<u>\$ 783,864</u>	<u>\$ 3,077,504</u>	<u>\$ 186,299</u>	<u>\$ 2,534,631</u>	<u>\$ 8,093,069</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the year ended June 30, 2016

Revenues	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total Nonmajor Governmental Funds
	Transient Lodging Tax	Miscellaneous Grants	Miscellaneous Gift Trust	Miscellaneous Acker Trust	Community Facilities Districts	Community Impact Fees	City of Prescott	Community Facilities Districts	
	Taxes	\$ 797,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,683	
Intergovernmental revenues	-	1,252,861	-	-	-	-	-	-	1,252,861
Licenses and permits	79,978	-	-	-	-	-	-	-	79,978
Gifts and donations	-	-	153,676	-	-	-	-	-	153,676
Interest and investment income	4,064	2,270	-	6,279	8,570	33,718	3,397	154,694	212,992
Miscellaneous	-	-	-	-	-	25,089	5,044	373,822	403,955
Total revenues	882,033	1,255,131	153,676	6,279	8,570	58,807	84,124	528,516	2,977,136
<b>Expenditures</b>									
Current operating									
General government	752,262	103,000	-	-	-	-	-	12,006	867,268
Community services	-	134,936	7,564	-	-	-	-	-	142,500
Culture and recreation	51,672	-	40,310	7,800	-	9,964	-	-	109,746
Police and court	-	425,278	46,176	-	-	-	-	-	471,454
Fire	-	140,261	3,928	-	-	-	-	-	144,189
Capital outlay									
General government	-	-	-	-	-	-	-	-	-
Culture and recreation	8,129	118,860	-	-	-	-	-	-	126,989
Police and court	-	6,529	-	-	-	-	-	-	6,529
Fire	-	448,469	-	-	-	-	-	-	448,469
Debt service - principal	-	-	-	-	-	-	180,044	510,000	690,044
Debt service - interest	-	-	-	-	-	-	15,504	157,850	173,354
Total expenditures	812,063	1,377,333	97,978	7,800	-	9,964	195,548	679,856	3,180,542
Excess (deficiency) of revenues over (under) expenditures	69,970	(122,202)	55,698	(1,521)	8,570	48,843	(111,424)	(151,340)	(203,406)
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	147,866	-	-	-	-	-	-	147,866
Transfers out	(45,000)	-	-	-	-	(132)	-	-	(45,132)
Total other financing sources (uses)	(45,000)	147,866	-	-	-	(132)	-	-	102,734
Net change in fund balance	24,970	25,664	55,698	(1,521)	8,570	48,711	(111,424)	(151,340)	(100,672)
Fund balance - beginning	383,715	144,336	172,641	570,663	775,294	3,028,751	260,807	1,120,689	6,456,896
Fund balance - ending	\$ 408,685	\$ 170,000	\$ 228,339	\$ 569,142	\$ 783,864	\$ 3,077,462	\$ 149,383	\$ 969,349	\$ 6,356,224



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

## GOVERNMENTAL FUNDS

### ***Special Revenue Funds***

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

### ***Capital Project Funds***

- Community Facilities Districts
- Impact fees

### ***Debt Service Funds***

- City of Prescott
- Community Facilities Districts

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2016

	<b>Budget</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts Budget Basis</b>	<b>Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes - transient lodging tax	\$ 680,000	\$ 680,000	\$ 797,991	\$ 117,991
Licenses and permits	70,000	70,000	79,978	9,978
Investment income	2,000	2,000	4,064	2,064
Miscellaneous	-	-	-	-
Total revenues	<u>752,000</u>	<u>752,000</u>	<u>882,033</u>	<u>130,033</u>
<b>Expenditures</b>				
Current operating				
General Government	815,493	815,493	752,262	63,231
Culture and recreation	82,000	82,000	51,672	30,328
Capital outlay				
Culture and recreation	-	-	8,129	(8,129)
Total expenditures	<u>897,493</u>	<u>897,493</u>	<u>812,063</u>	<u>85,430</u>
Excess (deficiency) of revenues over expenditures	(145,493)	(145,493)	69,970	215,463
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances	(190,493)	(190,493)	24,970	215,463
Fund balance - beginning	383,715	383,715	383,715	-
Fund balance - ending	<u>\$ 193,222</u>	<u>\$ 193,222</u>	<u>\$ 408,685</u>	<u>\$ 215,463</u>

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2016

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental revenues	\$ 4,535,038	\$ 4,535,038	\$ 1,252,861	\$ (3,282,177)
Interest and investment income	1,500	1,500	2,270	770
Total revenues	4,536,538	4,536,538	1,255,131	(3,281,407)
<b>Expenditures</b>				
Current				
General government	250,000	250,000	103,000	147,000
Community services	748,795	748,795	134,936	613,859
Culture and recreation	555,000	555,000	-	555,000
Police and court	1,711,750	1,711,750	425,278	1,286,472
Fire	1,404,520	1,404,520	140,261	1,264,259
Public Works	33,710	33,710	-	33,710
Total current	4,703,775	4,703,775	803,475	3,900,300
Capital outlay				
Culture and recreation	144,000	144,000	118,860	25,140
Police and court	-	-	6,529	(6,529)
Fire	-	-	448,469	(448,469)
Total capital outlay	144,000	144,000	573,858	(429,858)
Total expenditures	4,847,775	4,847,775	1,377,333	3,470,442
Excess (deficiency) of revenues over expenditures	(311,237)	(311,237)	(122,202)	189,035
<b>Other Financing Sources (Uses)</b>				
Transfers in	280,737	280,737	147,866	(132,871)
Transfers out	-	-	-	-
Total other financing sources (uses)	280,737	280,737	147,866	(132,871)
Net change in fund balances	(30,500)	(30,500)	25,664	56,164
Fund balance - beginning	144,336	144,336	144,336	-
Fund balance - ending	\$ 113,836	\$ 113,836	\$ 170,000	\$ 56,164

**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, 2016

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Gifts and donations	\$ -	\$ -	\$ 153,676	\$ 153,676
Total revenues	-	-	153,676	153,676
<b>Expenditures</b>				
Current				
General government	8,952	8,952	-	8,952
Community services	250	250	7,564	(7,314)
Culture and recreation	125,572	125,572	40,310	85,262
Police and court	60,723	60,723	46,176	14,547
Fire	39,890	39,890	3,928	35,962
Total current	235,387	235,387	97,978	137,409
Capital outlay				
Fire	-	-	-	-
Total capital outlay	-	-	-	-
Total expenditures	235,387	235,387	97,978	137,409
Excess (deficiency) of revenues over expenditures	(235,387)	(235,387)	55,698	291,085
Fund balance - beginning	172,641	172,641	172,641	-
Fund balance - ending	\$ (62,746)	\$ (62,746)	\$ 228,339	\$ 291,085

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2016

	<b>Budget</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
			<b>Budget</b>	<b>Positive</b>
			<b>Basis</b>	<b>(Negative)</b>
<b>Revenues</b>				
Interest and investment income	\$ 7,000	\$ 7,000	\$ 6,279	\$ (721)
Total revenues	7,000	7,000	6,279	(721)
<b>Expenditures</b>				
Culture and recreation	10,000	10,000	7,800	2,200
Total expenditures	10,000	10,000	7,800	2,200
Excess (deficiency) of revenues over expenditures	(3,000)	(3,000)	(1,521)	1,479
Fund balance - beginning	570,663	570,663	570,663	-
Fund balance - ending	\$ 567,663	\$ 567,663	\$ 569,142	\$ 1,479

**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, 2016

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 8,570	\$ 8,570
Total revenues	-	-	8,570	8,570
<b>Expenditures</b>				
Capital outlay	776,000	776,000	-	776,000
Total expenditures	776,000	776,000	-	776,000
Excess (deficiency) of revenues over expenditures	(776,000)	(776,000)	8,570	784,570
Fund balance - beginning	775,294	775,294	775,294	-
Fund balance - ending	\$ (706)	\$ (706)	\$ 783,864	\$ 784,570

**CITY OF PRESCOTT, ARIZONA**

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

For the year ended June 30, 2016

	<b>Budget</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b> <b>Budget</b> <b>Basis</b>	<b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
<b>Revenues</b>				
Licenses and permits - impact fees	\$ -	\$ -	\$ -	\$ -
Interest and investment income	20,500	20,500	33,718	13,218
Miscellaneous	24,359	24,359	25,089	730
Total revenues	<u>44,859</u>	<u>44,859</u>	<u>58,807</u>	<u>13,948</u>
<b>Expenditures</b>				
Current operating				
Culture and recreation	10,000	10,000	9,964	36
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,964</u>	<u>36</u>
Excess (deficiency) of revenues over expenditures	<u>34,859</u>	<u>34,859</u>	<u>48,843</u>	<u>13,984</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(9,465)</u>	<u>(9,465)</u>	<u>(132)</u>	<u>9,333</u>
Total other financing sources (uses)	<u>(9,465)</u>	<u>(9,465)</u>	<u>(132)</u>	<u>9,333</u>
Net change in fund balances	25,394	25,394	48,711	23,317
Fund balance - beginning	3,028,751	3,028,751	3,028,751	-
Fund balance - ending	<u>\$ 3,054,145</u>	<u>\$ 3,054,145</u>	<u>\$ 3,077,462</u>	<u>\$ 23,317</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, 2016

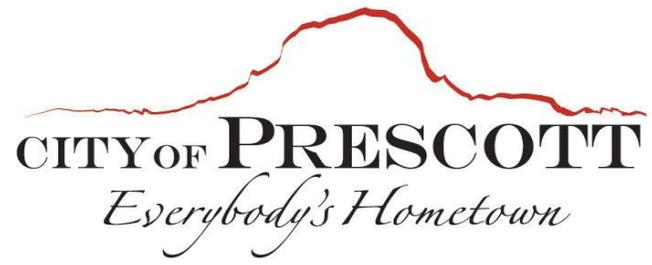
	<b>Budget</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts Budget Basis</b>	<b>Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property tax revenue	\$ 75,000	\$ 75,000	\$ 75,683	\$ 683
Interest and investment income	1,880	1,880	3,397	1,517
Miscellaneous	5,045	5,045	5,044	(1)
Total revenues	<u>81,925</u>	<u>81,925</u>	<u>84,124</u>	<u>2,199</u>
<b>Expenditures</b>				
Debt service				
Principal	180,045	180,045	180,044	1
Interest	16,080	16,080	15,504	576
Total expenditures	<u>196,125</u>	<u>196,125</u>	<u>195,548</u>	<u>577</u>
Excess (deficiency) of revenues over expenditures	(114,200)	(114,200)	(111,424)	2,776
Fund balance - beginning	260,807	260,807	260,807	-
Fund balance - ending	<u>\$ 146,607</u>	<u>\$ 146,607</u>	<u>\$ 149,383</u>	<u>\$ 2,776</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, 2016

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest and investment income	\$ -	\$ -	\$ 154,694	\$ 154,694
Miscellaneous	1,305,000	1,305,000	373,822	(931,178)
Total revenues	<u>1,305,000</u>	<u>1,305,000</u>	<u>528,516</u>	<u>(776,484)</u>
<b>Expenditures</b>				
Current				
General government	60,000	60,000	12,006	47,994
Debt Service				
Principal	1,087,150	1,087,150	510,000	577,150
Interest	157,850	157,850	157,850	-
Total expenditures	<u>1,305,000</u>	<u>1,305,000</u>	<u>679,856</u>	<u>625,144</u>
Excess (deficiency) of revenues over expenditures	-	-	(151,340)	(151,340)
Fund balance - beginning	<u>1,120,689</u>	<u>1,120,689</u>	<u>1,120,689</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,120,689</u>	<u>\$ 1,120,689</u>	<u>\$ 969,349</u>	<u>\$ (151,340)</u>



## **COMBINING STATEMENTS**

### **Nonmajor Proprietary Funds**

#### **ENTERPRISE FUNDS**

##### **Golf course**

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

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
June 30, 2016

	<u>Golf Course</u>	<u>Totals</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable (net)	57,168	57,168
Inventory (at cost)	50,968	50,968
Total current assets	<u>108,136</u>	<u>108,136</u>
<b>Noncurrent Assets</b>		
Capital Assets		
Land and construction in process	1,963,554	1,963,554
Buildings	694,879	694,879
Improvements other than buildings	5,650,170	5,650,170
Machinery and equipment	1,951,645	1,951,645
Less accumulated depreciation	(5,288,952)	(5,288,952)
Total noncurrent assets	<u>4,971,296</u>	<u>4,971,296</u>
Total assets	<u>5,079,432</u>	<u>5,079,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	71,134	71,134
Total assets and deferred outflows of resources	<u>5,150,566</u>	<u>5,150,566</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	130,026	130,026
Accrued expenses	22,788	22,788
Compensated absences	10,004	10,004
Advanced revenue	64,918	64,918
Total current liabilities	<u>227,736</u>	<u>227,736</u>
<b>Noncurrent Liabilities</b>		
Interfund payable	4,488,537	4,488,537
Compensated absences	41,199	41,199
Pension liability	773,054	773,054
Total noncurrent liabilities	<u>5,302,790</u>	<u>5,302,790</u>
Total liabilities	<u>5,530,526</u>	<u>5,530,526</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	82,054	82,054
Total deferred inflows of resources	<u>82,054</u>	<u>82,054</u>
Total liabilities and deferred inflows of resources	<u>5,612,580</u>	<u>5,612,580</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,971,296	4,971,296
Unrestricted	(5,433,310)	(5,433,310)
Total net position	<u>\$ (462,014)</u>	<u>\$ (462,014)</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
For the year ended June 30, 2016

	<u>Golf Course</u>	<u>Totals</u>
<b>Operating Revenues</b>		
Golf course green fees	\$ 1,170,186	\$ 1,170,186
Restaurant sales	923,858	923,858
Golf course rentals	645,738	645,738
Golf pro-shop sales	234,451	234,451
Miscellaneous	12,823	12,823
Total operating revenues	<u>2,987,056</u>	<u>2,987,056</u>
<b>Operating Expenses</b>		
Personnel services	1,440,967	1,440,967
Supplies	759,497	759,497
Other services and charges	848,930	848,930
Depreciation	249,855	249,855
Total operating expenses	<u>3,299,249</u>	<u>3,299,249</u>
Operating income (loss)	<u>(312,193)</u>	<u>(312,193)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest expense	(9,986)	(9,986)
Total non-operating Revenues (expenses)	<u>(9,986)</u>	<u>(9,986)</u>
Income (loss) before contributions and transfers	(322,179)	(322,179)
Transfers In	-	-
Change in net position	<u>(322,179)</u>	<u>(322,179)</u>
Total net position - beginning	(139,835)	(139,835)
Total net position - ending	<u>\$ (462,014)</u>	<u>\$ (462,014)</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
For the year ended June 30, 2016

	<u>Golf Course</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 2,942,818	\$ 2,942,818
Cash payments to employees for services	(1,450,382)	(1,450,382)
Cash payments to suppliers for goods and services	(1,654,198)	(1,654,198)
Net cash provided by (used for) operating activities	<u>(161,762)</u>	<u>(161,762)</u>
<b>Cash flows from noncapital financing activities:</b>		
Receipt (payment) under interfund loan arrangement	171,748	171,748
Transfers in	-	-
Net cash provided by (used for) noncapital financing activity	<u>171,748</u>	<u>171,748</u>
<b>Cash flows from capital and related financing activities:</b>		
Interest paid on capital financing	(9,986)	(9,986)
Principal paid on capital financing	-	-
Net cash provided by (used for) capital and related financing activities	<u>(9,986)</u>	<u>(9,986)</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at July 1	-	-
Cash and cash equivalents at June 30	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>		
Operating income (loss)	\$ (312,193)	\$ (312,193)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	249,855	249,855
Changes in assets and liabilities:		
Increase (decrease) in accounts payable	(37,397)	(37,397)
Increase (decrease) in compensated absences	14,377	14,377
(Increase) decrease in accounts receivable	(44,238)	(44,238)
(Increase) decrease in inventory	(8,373)	(8,373)
Increase (decrease) salary & benefits payable	(23,793)	(23,793)
Total adjustments	<u>150,431</u>	<u>150,431</u>
Net cash provided by operating activities	<u>\$ (161,762)</u>	<u>\$ (161,762)</u>

## **COMBINING STATEMENTS**

### **Internal Service Funds**

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

#### **Fleet Maintenance**

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

#### **Risk Management**

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

#### **Engineering Services**

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

#### **Facilities Maintenance**

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

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
June 30, 2016

<b>ASSETS</b>	<b>Fleet Maintenance</b>	<b>Risk Management</b>	<b>Engineering Services</b>	<b>Facilities Maintenance</b>	<b>Totals</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 2,988,565	\$ 222,769	\$ 1,290,595	\$ 493,783	\$ 4,995,712
Interest receivable	-	3,125	-	-	3,125
Inventory at cost	331,265	-	-	-	331,265
Total current assets	<u>3,319,830</u>	<u>225,894</u>	<u>1,290,595</u>	<u>493,783</u>	<u>5,330,102</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	1,501,350	-	-	1,501,350
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	7,449,407	-	304,056	117,313	7,870,776
Less accumulated depreciation	(6,260,087)	-	(289,744)	(81,798)	(6,631,629)
Total noncurrent assets	<u>6,474,202</u>	<u>1,501,350</u>	<u>50,862</u>	<u>35,515</u>	<u>8,061,929</u>
Total assets	<u>9,794,032</u>	<u>1,727,244</u>	<u>1,341,457</u>	<u>529,298</u>	<u>13,392,031</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	65,479	-	189,535	46,063	301,077
Total assets and deferred outflows of resources	<u>9,859,511</u>	<u>1,727,244</u>	<u>1,530,992</u>	<u>575,361</u>	<u>13,693,108</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	75,296	76,833	30,100	61,151	243,380
Accrued expenses	22,348	-	49,940	15,776	88,064
Claims payable	-	268,805	-	-	268,805
Compensated absences	-	-	51,965	75,667	127,632
Bonds and assessments	238,638	-	-	-	238,638
Total current liabilities	<u>336,282</u>	<u>345,638</u>	<u>132,005</u>	<u>152,594</u>	<u>966,519</u>
<b>Noncurrent Liabilities</b>					
Claims payable	-	1,142,271	-	-	1,142,271
Compensated absences	48,219	-	121,393	4,910	174,522
Bonds and assessments payable	3,086,898	-	-	-	3,086,898
Pension liability	711,606	-	2,059,798	500,591	3,271,995
Total noncurrent liabilities	<u>3,846,723</u>	<u>1,142,271</u>	<u>2,181,191</u>	<u>505,501</u>	<u>7,675,686</u>
Total liabilities	<u>4,183,005</u>	<u>1,487,909</u>	<u>2,313,196</u>	<u>658,095</u>	<u>8,642,205</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	75,532	-	218,632	53,134	347,298
Total liabilities and deferred inflows of resources	<u>4,258,537</u>	<u>1,487,909</u>	<u>2,531,828</u>	<u>711,229</u>	<u>8,989,503</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,148,667	-	50,861	35,516	3,235,044
Unrestricted	2,452,307	239,335	(1,051,697)	(171,384)	1,468,561
Total net position	<u>\$ 5,600,974</u>	<u>\$ 239,335</u>	<u>\$(1,000,836)</u>	<u>\$ (135,868)</u>	<u>\$ 4,703,605</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
For the year ended June 30, 2016

	<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>
<b>Operating Revenues</b>					
Charges for services	\$ 2,413,864	\$ -	\$ 1,911,393	\$ 1,546,803	\$ 5,872,060
Other services	-	953,373	-	-	953,373
Total operating revenues	<u>2,413,864</u>	<u>953,373</u>	<u>1,911,393</u>	<u>1,546,803</u>	<u>6,825,433</u>
<b>Operating Expenses</b>					
Personnel services	679,324	-	2,022,263	463,794	3,165,381
Supplies	1,020,035	-	27,609	140,004	1,187,648
Other services and charges	504,296	684,942	301,707	771,454	2,262,399
Depreciation	838,675	-	11,081	8,661	858,417
Total operating expenses	<u>3,042,330</u>	<u>684,942</u>	<u>2,362,660</u>	<u>1,383,913</u>	<u>7,473,845</u>
Operating income (loss)	<u>(628,466)</u>	<u>268,431</u>	<u>(451,267)</u>	<u>162,890</u>	<u>(648,412)</u>
<b>Non-operating Revenues (Expenses)</b>					
Debt service interest	(158,612)	-	-	-	(158,612)
Interest and investment income	33,262	13,469	13,291	3,831	63,853
Net gain (loss) on disposal of assets	(12,009)	-	-	-	(12,009)
Total non-operating revenues	<u>(137,359)</u>	<u>13,469</u>	<u>13,291</u>	<u>3,831</u>	<u>(106,768)</u>
Income (loss) before transfers	<u>(765,825)</u>	<u>281,900</u>	<u>(437,976)</u>	<u>166,721</u>	<u>(755,180)</u>
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net position	<u>(765,825)</u>	<u>281,900</u>	<u>(437,976)</u>	<u>166,721</u>	<u>(755,180)</u>
Total net position - beginning	6,366,799	(42,565)	(562,860)	(302,589)	5,458,785
Total net position - ending	<u>\$ 5,600,974</u>	<u>\$ 239,335</u>	<u>\$ (1,000,836)</u>	<u>\$ (135,868)</u>	<u>\$ 4,703,605</u>

**CITY OF PRESCOTT, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the year ended June 30, 2016

	<u>Fleet</u>	<u>Risk</u>	<u>Engineering</u>	<u>Facilities</u>	<u>Total</u>
	<u>Maintenance</u>	<u>Management</u>	<u>Services</u>	<u>Maintenance</u>	
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 2,413,317	\$ 953,373	\$ 1,911,393	\$ 1,546,803	\$ 6,824,886
Cash payments to employees for services	(625,784)	-	(1,725,274)	(431,952)	(2,783,010)
Cash payments to suppliers for goods and services	(1,589,981)	(979,832)	(302,678)	(913,250)	(3,785,741)
Net cash provided by (used for) operating activities	<u>197,552</u>	<u>(26,459)</u>	<u>(116,559)</u>	<u>201,601</u>	<u>256,135</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(19,719)	-	(26,555)	(9,774)	(56,048)
Interest paid on capital financing	(158,612)	-	-	-	(158,612)
Principal paid on capital financing	(230,940)	-	-	-	(230,940)
Proceeds from sales of capital assets	11,880	-	-	-	11,880
Net cash provided by (used for) capital and related financing activities	<u>(397,391)</u>	<u>-</u>	<u>(26,555)</u>	<u>(9,774)</u>	<u>(433,720)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	33,262	13,452	13,291	3,831	63,836
Net cash provided by (used for) investing activities	<u>33,262</u>	<u>13,452</u>	<u>13,291</u>	<u>3,831</u>	<u>63,836</u>
Net increase (decrease) in cash and cash equivalents	(166,577)	(13,007)	(129,823)	195,658	(113,749)
Cash and cash equivalents - beginning	3,155,142	1,737,126	1,420,418	298,125	6,610,811
Cash and cash equivalents - ending	<u>\$ 2,988,565</u>	<u>\$ 1,724,119</u>	<u>\$ 1,290,595</u>	<u>\$ 493,783</u>	<u>\$ 6,497,062</u>
<b>Reconciliation to statement of net position</b>					
Cash and cash equivalents at June 30, unrestricted	\$ 2,988,565	\$ 222,769	\$ 1,290,595	\$ 493,783	\$ 4,995,712
Cash and cash equivalents at June 30, restricted	-	1,501,350	-	-	1,501,350
Total	<u>\$ 2,988,565</u>	<u>\$ 1,724,119</u>	<u>\$ 1,290,595</u>	<u>\$ 493,783</u>	<u>\$ 6,497,062</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b>					
Operating income (loss)	\$ (628,466)	\$ 268,431	\$ (451,267)	\$ 162,890	\$ (648,412)
Adjustments to reconcile operating income activities:					
Depreciation	838,675	-	11,081	8,661	858,417
Change in assets and liabilities:					
Increase (decrease) in accounts payable	(64,117)	(294,890)	26,638	(1,793)	(334,162)
Increase (decrease) in compensated absences	15,147	-	28,669	628	44,444
(Increase) decrease in customer receivable	3,716	-	-	-	3,716
(Increase) decrease in inventory	(5,797)	-	-	-	(5,797)
Increase (decrease) in salaries & benefits payable	38,394	-	268,320	31,215	337,929
Total adjustments	<u>826,018</u>	<u>(294,890)</u>	<u>334,708</u>	<u>38,711</u>	<u>904,547</u>
Net cash provided by (used for) operating activities	<u>\$ 197,552</u>	<u>\$ (26,459)</u>	<u>\$ (116,559)</u>	<u>\$ 201,601</u>	<u>\$ 256,135</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 Position**  
**Fiduciary Funds**  
For the year ended June 30, 2016

	<b>Agency Funds</b>			
	<b>County Justice Court</b>			
	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b>ASSETS</b>				
Cash and short-term investments	\$ 156,496	\$ 106,093	\$ 212,585	\$ 50,004
Total assets	<u>\$ 156,496</u>	<u>\$ 106,093</u>	<u>\$ 212,585</u>	<u>\$ 50,004</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 156,496	\$ 106,093	\$ 212,585	\$ 50,004
Total liabilities	<u>\$ 156,496</u>	<u>\$ 106,093</u>	<u>\$ 212,585</u>	<u>\$ 50,004</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of General Obligation Bonds Payable**  
June 30, 2016

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	<b>Municipal Facilities Bond Series 2007</b>
Interest rates	3.83%
Issue date	5/8/2007
Final maturity date	7/1/2017
Authorized	\$ 1,510,000
Issued	1,510,000
Retired	1,330,000
Outstanding	180,000
Principal retirement:	
2017	180,000

**CITY OF PRESCOTT, ARIZONA**

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

June 30, 2016

	<b>Central Garage &amp; Transfer Station</b>	<b>89A and Granite Dells Parkway Taxable Revenue Bonds (1)</b>	<b>Williamson Valley Rd</b>	<b>Refunding MPC 2004-G Big Chino Ranch</b>	<b>Total Bonds Payable</b>
	<b>Series 2007</b>	<b>Series 2010</b>	<b>Series 2011</b>	<b>Series 2014</b>	
Interest rates	4.35%	3.63%	4.18%	3.85%	N/A
Issue date	5/8/2007	2/18/2010	5/12/2011	5/29/2014	N/A
Final maturity	7/1/2027	7/1/2029	7/1/2031	7/1/2034	N/A
Authorized	\$ 6,625,000	\$ 18,250,000	\$ 8,910,000	\$ 9,000,000	\$ 42,785,000
Issued	6,625,000	18,250,000	8,910,000	9,000,000	42,785,000
Retired	2,305,000	4,715,000	2,041,330	-	9,061,330
Outstanding	4,320,000	13,535,000	6,868,670	9,000,000	33,723,670
Principal retirement:					
2017	310,000	845,000	340,000	-	1,495,000
2018	325,000	870,000	354,000	240,000	1,789,000
2019	340,000	900,000	369,000	385,000	1,994,000
2020	355,000	930,000	385,000	395,000	2,065,000
2021	370,000	960,000	401,000	415,000	2,146,000
2022	390,000	990,000	418,000	430,000	2,228,000
2023	410,000	1,025,000	435,000	450,000	2,320,000
2024	430,000	1,065,000	453,000	475,000	2,423,000
2025	450,000	1,100,000	473,000	500,000	2,523,000
2026	460,000	1,140,000	492,000	510,000	2,602,000
2027	480,000	1,190,000	513,000	545,000	2,728,000
2028	-	1,235,000	535,000	570,000	2,340,000
2029	-	1,285,000	557,000	600,000	2,442,000
2030	-	-	580,000	630,000	1,210,000
2031	-	-	563,670	660,000	1,223,670
2032	-	-	-	695,000	695,000
2033	-	-	-	735,000	735,000
2034	-	-	-	765,000	765,000

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

**CITY OF PRESCOTT, ARIZONA**  
**Schedule of Special Assessment Bonds Payable**  
 June 30, 2016

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	<b>Imp. District #164</b>
Interest rates	2- 3.082%
Issue date	10/1/2003
Final maturity date	1/1/2022
Authorized	\$ 95,840
Issued	95,840
Retired	66,032
Outstanding	29,808
Principal retirement:	
2017	5,044
2018	5,044
2019	5,044
2020	5,044
2021	5,044
2022	4,588

**CITY OF PRESCOTT, ARIZONA**

**Schedule of Community Facilities Districts Bonds Payable**

June 30, 2016

	<b>Hassayampa #1</b>		<b>Hassayampa #2</b>		<b>Total</b>
	<b>Community Facilities Bonds</b>		<b>Community Facilities Bonds</b>		<b>Community Facilities</b>
	<b>Series 1996</b>		<b>Series 2000</b>		<b>Bonds</b>
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	5,910,000		975,000		6,885,000
Outstanding	1,405,000		265,000		1,670,000
Principal retirement:					
2017	240,000		25,000		265,000
2018	255,000		25,000		280,000
2019	280,000		30,000		310,000
2020	300,000		30,000		330,000
2021	330,000		35,000		365,000
2022	-		40,000		40,000
2023	-		40,000		40,000
2024	-		40,000		40,000

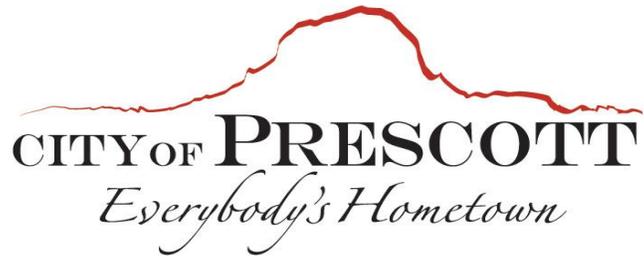
**CITY OF PRESCOTT, ARIZONA**

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

June 30, 2016

	<u>Clean Water Loan 910097-08</u>	<u>Clean Water Loan 910122-10</u>	<u>Clean Water Loan 910147-11</u>	<u>Clean Water Loan 910148-11</u>	<u>Clean Water Loan 910151-11</u>	<u>Drinking Water Loan 920125-08</u>	<u>Drinking Water Loan 92A166-09</u>	<u>Drinking Water Loan 920206-11</u>	<u>Drinking Water Loan 920237-13</u>	<u>Total Payable</u>
Interest rates	3.868%	3.143%	3.152%	3.152%	2.950%	3.64%	3.143%	3.152%	2.800%	N/A
Issue date	8/24/2007	7/31/2009	12/3/2010	12/3/2010	6/10/2011	8/24/2007	7/31/2009	12/3/2010	1/25/2013	N/A
Final maturity date	7/1/2027	7/1/2029	7/1/2030	7/1/2030	7/1/2031	7/1/2027	7/1/2029	7/1/2030	7/1/2032	N/A
Authorized	\$ 4,703,000	\$ 6,573,506	\$ 2,070,000	\$ 1,635,870	\$ 45,802,753	\$ 9,854,000	\$ 8,998,096	\$ 1,060,000	\$ 15,921,582	\$ 96,618,807
Issued to date	4,703,000	6,054,763	1,574,593	1,480,944	43,100,357	9,854,000	6,759,551	1,018,796	15,472,993	90,018,997
Final amount issued	4,703,000	6,054,763	1,574,593	1,480,944	In Progress	9,854,000	2,759,551	1,018,796	15,921,582	43,367,229
Retired	1,468,408	1,456,735	345,926	311,628	5,598,085	3,124,453	799,529	200,068	1,178,415	14,483,247
Forgivable Prin. (1)	-	-	-	-	-	-	4,000,000	-	2,034,200	6,034,200
Outstanding	3,234,592	4,598,028	1,228,667	1,169,316	37,502,272	6,729,547	1,960,022	818,728	12,260,378	69,501,550
Principal retirement:										
2017	216,904	266,518	67,318	62,173	1,867,870	457,195	114,070	43,532	572,985	3,668,565
2018	225,294	274,893	69,440	64,133	1,922,972	473,837	117,654	44,904	589,028	3,782,155
2019	234,008	283,531	71,629	66,154	1,979,700	491,084	121,352	46,319	605,521	3,899,298
2020	243,060	292,441	73,887	68,239	2,038,101	508,960	125,165	47,779	622,476	4,020,108
2021	252,461	301,631	76,216	70,390	2,098,225	527,486	129,098	49,285	639,905	4,144,697
2022	262,227	311,110	78,618	72,609	2,160,123	546,686	133,155	50,839	657,822	4,273,189
2023	272,370	320,887	81,096	74,897	2,223,846	566,586	137,340	52,441	676,241	4,405,704
2024	282,905	330,971	83,652	77,258	2,289,450	587,209	141,656	54,094	695,176	4,542,371
2025	293,848	341,371	86,289	79,693	2,356,989	608,584	146,107	55,799	714,641	4,683,321
2026	305,214	352,099	89,009	82,205	2,426,520	630,736	150,698	57,558	734,651	4,828,690
2027	317,019	363,164	91,814	84,796	2,498,102	653,695	155,434	59,372	755,221	4,978,617
2028	329,282	374,576	94,708	87,469	2,571,796	677,489	160,319	61,244	776,368	5,133,251
2029		386,347	97,693	90,226	2,647,664		165,357	63,174	798,106	4,248,567
2030		398,489	100,773	93,070	2,725,770		162,617	65,165	820,453	4,366,337
2031			66,525	96,004	2,806,180			67,223	843,425	3,879,357
2032					2,888,964				867,041	3,756,005
2033									891,318	891,318

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



## **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 Position by Component**

Last ten fiscal years (in millions of dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$203.7	\$257.6	\$266.1	\$256.8	\$252.0	\$244.2	\$250.6	\$241.5	\$233.2	\$224.6
Restricted	31.4	22.0	14.5	26.8	33.3	28.2	22.0	26.7	26.4	29.8
Unrestricted (1)	33.3	18.9	21.3	18.2	11.8	20.7	28.6	31.0	(48.1)	(45.8)
Total governmental activities net position	<u>\$268.4</u>	<u>\$298.5</u>	<u>\$301.9</u>	<u>\$301.8</u>	<u>\$297.1</u>	<u>\$293.1</u>	<u>\$301.2</u>	<u>\$299.2</u>	<u>\$211.5</u>	<u>\$208.6</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$162.0	\$170.1	\$179.7	\$180.2	\$181.2	\$186.6	\$196.2	\$195.6	\$192.7	\$200.8
Restricted	9.4	11.0	10.3	3.3	5.9	1.7	3.4	2.1	4.1	4.2
Unrestricted	10.6	12.0	8.4	20.6	21.6	28.1	27.6	37.0	31.0	36.7
Total business-type activities net position	<u>\$182.0</u>	<u>\$193.1</u>	<u>\$198.4</u>	<u>\$204.1</u>	<u>\$208.7</u>	<u>\$216.4</u>	<u>\$227.2</u>	<u>\$234.7</u>	<u>\$227.9</u>	<u>\$241.7</u>
<b>Primary government</b>										
Net investment in capital assets	\$365.7	\$427.7	\$445.8	\$437.0	\$433.2	\$430.8	\$446.8	\$437.1	\$425.9	\$425.4
Restricted	40.8	33.0	24.8	30.1	39.2	30.0	25.5	28.8	30.5	34.0
Unrestricted	43.9	30.9	29.7	38.8	33.4	48.8	56.2	68.0	(17.1)	(9.1)
Total primary government net position	<u>\$450.4</u>	<u>\$491.6</u>	<u>\$500.3</u>	<u>\$505.9</u>	<u>\$505.8</u>	<u>\$509.6</u>	<u>\$528.5</u>	<u>\$533.9</u>	<u>\$439.3</u>	<u>\$450.3</u>

Source: City of Prescott finance department

(1) The pension liability was recorded in FY15 with the implementation of GASB 68 causing a negative unrestricted net position.

CITY OF PRESCOTT, ARIZONA

Table IIa

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 4,422,607	\$ 2,795,027	\$ 4,729,659	\$ 5,270,318	\$ 4,751,361	\$ 3,845,602	\$ 3,302,722	\$ 3,556,422	\$ 3,743,815	\$ 3,240,569
Community services	3,215,988	2,753,553	2,496,954	1,581,189	1,828,771	1,575,162	1,618,583	1,366,383	1,360,733	1,236,820
Culture and recreation	6,688,038	7,423,431	7,128,215	6,755,821	5,695,054	6,087,787	6,293,045	5,957,646	6,392,706	6,153,765
Public Safety										
Police and court	11,871,859	12,708,979	11,577,275	13,199,261	12,701,709	12,922,445	13,045,965	13,652,419	17,587,983	16,073,185
Fire	7,392,504	8,154,199	8,136,035	8,283,157	7,033,768	7,570,584	7,857,447	8,515,633	11,880,437	11,272,081
Total public safety	19,264,363	20,863,178	19,713,310	21,482,418	19,735,477	20,493,029	20,903,412	22,168,052	29,468,420	27,345,266
Public Works	16,078,254	16,900,857	17,504,910	17,159,687	20,078,009	20,201,958	15,627,648	20,720,875	25,225,409	25,819,639
Interest on long-term debt	1,003,567	1,195,481	1,055,002	945,490	1,516,480	1,801,417	1,612,868	1,469,883	1,353,344	1,272,222
<b>Total governmental activities expenses</b>	<b>50,672,817</b>	<b>51,931,527</b>	<b>52,628,050</b>	<b>53,194,923</b>	<b>53,605,152</b>	<b>54,004,955</b>	<b>49,358,278</b>	<b>55,239,261</b>	<b>67,544,427</b>	<b>65,068,281</b>
<b>Business-type Activities:</b>										
Airport	4,716,619	4,101,413	2,106,018	2,667,588	2,143,260	1,879,071	2,055,655	2,227,768	2,876,479	3,541,616
Golf course	3,219,774	3,539,999	3,027,055	3,177,877	3,118,481	3,015,435	3,060,199	3,139,242	3,308,425	3,309,236
Parking garage (1)	251,831	250,970	244,877	233,647	240,892	235,347	-	-	-	-
Solid waste	9,063,406	9,253,640	8,432,884	8,565,248	8,183,227	8,364,648	7,415,304	6,524,765	7,627,325	6,581,629
Wastewater	6,363,510	7,415,592	7,070,036	7,240,349	7,268,274	7,618,029	8,231,034	9,387,267	9,638,754	9,258,176
Water	9,910,947	10,251,868	10,398,324	11,730,387	12,327,147	10,860,729	11,929,598	11,967,526	12,564,523	11,744,868
<b>Total business-type activities expenses</b>	<b>33,526,087</b>	<b>34,813,482</b>	<b>31,279,194</b>	<b>33,615,096</b>	<b>33,281,281</b>	<b>31,973,259</b>	<b>32,691,790</b>	<b>33,246,568</b>	<b>36,015,506</b>	<b>34,435,525</b>
<b>Total primary government expenses</b>	<b>\$84,198,904</b>	<b>\$86,745,009</b>	<b>\$83,907,244</b>	<b>\$86,810,019</b>	<b>\$86,886,433</b>	<b>\$85,978,214</b>	<b>\$82,050,068</b>	<b>\$88,485,829</b>	<b>\$103,559,933</b>	<b>\$99,503,806</b>

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table IIb

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenue</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government (1)	\$ 373,184	\$ 424,522	\$ 287,233	\$ 275,792	\$ 399,268	\$ 364,375	\$ 388,673	\$ 385,950	\$ 837,786	\$ 735,720
Community services (1)	1,012,016	759,032	557,381	451,277	406,925	523,237	632,081	795,668	786,856	995,517
Culture and recreation	1,106,163	828,718	676,388	1,336,685	1,386,960	1,216,202	1,220,539	1,254,957	1,096,025	1,261,550
Public Safety										
Police and court	1,735,625	1,810,533	2,029,268	1,862,438	1,783,712	1,784,691	1,823,242	1,808,570	1,725,069	1,715,026
Fire	593,633	653,650	393,231	517,585	502,926	473,685	355,762	491,900	417,389	494,525
Total public safety	2,329,258	2,464,183	2,422,499	2,380,023	2,286,638	2,258,376	2,179,004	2,300,470	2,142,458	2,209,551
Public Works	451,537	314,725	270,456	343,168	305,655	343,828	362,466	340,834	305,230	299,689
Operating grants and contributions	5,110,022	5,320,140	4,680,179	5,419,640	2,958,436	2,511,253	2,025,251	1,881,404	1,543,348	2,317,210
Capital grants and contributions	10,003,889	12,437,202	2,009,069	1,788,843	4,429,608	3,067,646	3,095,090	3,561,636	3,923,280	7,883,087
<b>Total governmental activities program revenues</b>	<b>20,386,069</b>	<b>22,548,522</b>	<b>10,903,205</b>	<b>11,995,428</b>	<b>12,173,490</b>	<b>10,284,917</b>	<b>9,903,104</b>	<b>10,520,919</b>	<b>10,634,983</b>	<b>15,702,324</b>
<b>Business-type Activities:</b>										
Charges for services:										
Airport	4,127,668	3,350,194	1,312,884	1,270,370	1,372,979	1,305,057	1,341,487	1,369,868	1,447,951	1,507,454
Golf course	3,382,094	3,257,411	2,981,108	2,666,753	2,580,592	2,604,899	2,622,774	2,723,743	2,959,473	2,974,233
Parking garage (2)	58,527	58,072	48,063	52,731	39,331	42,973	-	-	-	-
Solid waste	9,699,398	9,207,131	8,930,779	8,402,515	7,887,491	8,034,858	6,249,960	6,361,379	6,464,166	6,526,367
Wastewater	4,406,795	4,485,370	5,836,923	6,555,018	7,625,038	8,899,845	9,634,789	10,608,168	11,160,984	12,033,828
Water	9,439,229	12,371,505	11,833,103	11,206,436	12,525,849	13,658,884	14,630,537	14,248,524	15,024,817	16,256,300
Operating grants and contributions	-	-	-	195,055	48,852	-	-	-	15,820	44,409
Capital grants and contributions	11,426,649	11,443,754	3,995,467	7,637,797	2,231,217	4,285,113	13,753,449	3,882,122	2,201,105	7,214,646
<b>Total business-type activities program revenues</b>	<b>42,540,360</b>	<b>44,173,437</b>	<b>34,938,327</b>	<b>37,986,675</b>	<b>34,311,349</b>	<b>38,831,629</b>	<b>48,232,996</b>	<b>39,193,804</b>	<b>39,274,316</b>	<b>46,557,237</b>
<b>Total primary government revenues</b>	<b>\$62,926,429</b>	<b>\$66,721,959</b>	<b>\$45,841,532</b>	<b>\$49,982,103</b>	<b>\$46,484,839</b>	<b>\$49,116,546</b>	<b>\$58,136,100</b>	<b>\$49,714,723</b>	<b>\$49,909,299</b>	<b>\$62,259,561</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (30,286,748)	\$ (29,383,005)	\$ (41,724,845)	\$ (41,199,495)	\$ (41,431,662)	\$ (43,720,038)	\$ (39,455,174)	\$ (44,718,342)	\$ (56,909,444)	\$ (49,365,957)
Business-type activities	9,014,273	9,359,955	3,659,133	4,371,579	1,030,068	6,858,370	15,541,206	5,947,236	3,258,810	12,121,712
<b>Total primary government net expense</b>	<b>\$ (21,272,475)</b>	<b>\$ (20,023,050)</b>	<b>\$ (38,065,712)</b>	<b>\$ (36,827,916)</b>	<b>\$ (40,401,594)</b>	<b>\$ (36,861,668)</b>	<b>\$ (23,913,968)</b>	<b>\$ (38,771,106)</b>	<b>\$ (53,650,634)</b>	<b>\$ (37,244,245)</b>

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table IIc

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental revenues and other changes in net position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Property taxes, levied for general purposes	\$ 1,121,323	\$ 1,156,383	\$ 1,211,716	\$ 1,227,325	\$ 1,257,419	\$ 1,252,755	\$ 1,088,021	\$ 1,516,097	\$ 1,565,326	\$ 1,591,445
Property taxes, levied for debt service	1,708,876	1,909,468	1,935,447	1,627,818	1,552,902	1,568,599	1,573,489	182,477	73,978	74,227
Utility franchise taxes	1,488,072	1,563,883	1,567,388	1,644,977	1,637,128	1,624,459	1,618,259	1,621,289	1,632,304	1,670,671
City privilege and use tax, general purposes	15,810,057	14,975,742	12,794,026	12,177,884	11,763,668	12,593,700	13,667,950	14,102,837	14,340,554	15,312,068
City privilege and use tax, major street and open space program	15,333,864	14,365,539	12,157,858	11,711,274	11,237,566	12,131,870	13,127,520	13,613,846	13,823,070	14,787,422
Transient lodging tax	437,770	529,488	558,806	462,709	509,488	554,396	526,893	620,722	719,268	797,442
Intergovernmental revenues - unrestricted	11,614,540	12,528,123	12,205,058	10,564,433	9,441,614	8,709,498	9,535,838	10,039,455	10,783,223	11,073,408
Interest and investment income	3,728,455	3,015,995	2,070,231	1,359,253	1,165,562	805,723	395,818	902,171	670,586	863,901
Gain (loss) on sale of property (1)	-	8,595,744	164,217	(1,152,911)	-	-	-	-	-	-
Miscellaneous	875,139	546,570	618,265	965,685	498,367	500,110	761,972	393,379	53,322	53,486
Transfers	(83,037)	300,237	(67,811)	388,326	(2,538,596)	(12,940)	5,310,563	(365,117)	(148,129)	(769,711)
<b>Total governmental activities</b>	<b>52,035,059</b>	<b>59,487,172</b>	<b>45,215,201</b>	<b>40,976,773</b>	<b>36,525,118</b>	<b>39,728,170</b>	<b>47,606,323</b>	<b>42,627,156</b>	<b>43,513,502</b>	<b>45,454,359</b>
<b>Business-type Activities:</b>										
Taxes city privilege aviation fuel tax	-	-	-	-	-	-	-	-	-	2,428
Interest and investment income	1,691,475	1,846,596	1,296,043	992,399	559,838	551,910	50,812	639,606	449,479	712,155
Intergovernmental revenues - unrestricted	-	-	-	176,755	-	-	-	-	-	-
Gain (loss) on sale of property	-	(921,677)	-	(359)	-	-	-	-	-	-
Miscellaneous	636,048	732,782	598,764	566,141	513,120	342,380	336,231	599,186	131,763	206,701
Transfers	83,037	(300,237)	67,811	(388,326)	2,538,596	12,940	(5,310,563)	365,117	148,129	769,711
<b>Total business-type activities</b>	<b>2,410,560</b>	<b>1,357,464</b>	<b>1,962,618</b>	<b>1,346,610</b>	<b>3,611,554</b>	<b>907,230</b>	<b>(4,923,520)</b>	<b>1,603,909</b>	<b>729,371</b>	<b>1,690,995</b>
<b>Total primary government</b>	<b>\$ 54,445,619</b>	<b>\$ 60,844,636</b>	<b>\$ 47,177,819</b>	<b>\$ 42,323,383</b>	<b>\$ 40,136,672</b>	<b>\$ 40,635,400</b>	<b>\$ 42,682,803</b>	<b>\$ 44,231,065</b>	<b>\$ 44,242,873</b>	<b>\$ 47,145,354</b>
<b>Change in net position</b>										
Governmental activities	\$ 21,748,311	\$ 30,104,167	\$ 3,490,356	\$ (222,722)	\$ (4,906,544)	\$ (3,991,868)	\$ 8,151,149	\$ (2,091,186)	\$ (13,395,942)	\$ (3,911,598)
Business-type activities	11,424,833	10,717,419	5,621,751	5,718,189	4,641,622	7,765,600	10,617,686	7,551,145	3,988,181	13,812,707
<b>Total primary government</b>	<b>\$ 33,173,144</b>	<b>\$ 40,821,586</b>	<b>\$ 9,112,107</b>	<b>\$ 5,495,467</b>	<b>\$ (264,922)</b>	<b>\$ 3,773,732</b>	<b>\$ 18,768,835</b>	<b>\$ 5,459,959</b>	<b>\$ (9,407,761)</b>	<b>\$ 9,901,109</b>

Source: City of Prescott finance department

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

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section - Financial Trends

Governmental Activities Revenues and Change in Net Position

Last ten fiscal years

Fiscal Year	Governmental activities:											
	Program Revenues				General Revenues						Total Program & General Revenue	Total Net Revenue/Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Taxes	Intergovernmental	Interest & Investment Income	Transfers, Gain(loss) & Miscellaneous	Total			
2007	\$ 5,272,158	\$ 5,110,022	\$ 10,003,889	\$ 20,386,069	\$ 35,899,962	\$ 11,614,540	\$ 3,728,455	\$ 792,102	\$ 52,035,059	\$ 72,421,128	\$ 21,748,311	
2008	4,791,180	5,320,140	12,437,202	22,548,522	34,500,503	12,528,123	3,015,995	9,442,551	59,487,172	82,035,694	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	1,359,253	201,100	40,976,773	52,972,201	(222,722)	
2011	4,785,446	2,958,436	4,429,608	12,173,490	27,958,171	9,441,614	1,165,562	(2,040,229)	36,525,118	48,698,608	(4,906,544)	
2012	4,706,018	2,511,253	3,067,646	10,284,917	29,725,779	8,709,498	805,723	487,170	39,728,170	50,013,087	(3,991,868)	
2013	4,782,763	2,025,251	3,095,090	9,903,104	31,602,132	9,535,838	395,818	6,072,535	47,606,323	57,509,427	8,151,149	
2014	5,077,879	1,881,404	3,561,636	10,520,919	31,657,268	10,039,455	902,171	28,262	42,627,156	53,148,075	(2,091,186)	
2015	5,168,355	1,543,348	3,923,280	10,634,983	32,154,500	10,783,223	670,586	(94,807)	43,513,502	54,148,485	(13,395,942)	
2016	5,502,027	2,317,210	7,883,087	15,702,324	34,233,275	11,073,408	863,901	(716,225)	45,454,359	61,156,683	(3,911,598)	

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section - Financial Trends

Business-type Activities Revenues and Change in Net Position

Last ten fiscal years

Business-type activities:													
	Program Revenues								General Revenues				
	Charges for Services								Intergovernmental, Transfers, Gains (losses) and Miscellaneous			Total Program and General Revenue	Total Net Revenue/ Change in Net Position
Fiscal Year	Water	Waste Water	Golf	Airport	Solid Waste	Parking Garage (1)	Operating/ Capital Grants and Contributions	Total	Interest	Miscellaneous	Total	Total	Total
2007	\$ 9,439,229	\$ 4,406,795	\$ 3,382,094	\$ 4,127,668	\$ 9,699,398	\$ 58,527	\$ 11,426,649	\$ 42,540,360	\$ 1,691,475	\$ 719,085	\$ 2,410,560	\$ 44,950,920	\$ 11,424,833
2008	12,371,505	4,485,370	3,257,411	3,350,194	9,207,131	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419
2009	11,833,103	5,836,923	2,981,108	1,312,884	8,930,779	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751
2010	11,206,436	6,555,018	2,666,753	1,270,370	8,402,515	52,731	7,832,852	37,986,675	992,399	354,211	1,346,610	39,333,285	5,718,189
2011	12,525,849	7,625,038	2,580,592	1,372,979	7,887,491	39,331	2,280,069	34,311,349	559,838	3,051,716	3,611,554	37,922,903	4,641,622
2012	13,658,884	8,899,845	2,604,899	1,305,057	8,034,858	42,973	4,285,113	38,831,629	551,910	355,320	907,230	39,738,859	7,765,600
2013	14,630,537	9,634,789	2,622,774	1,341,487	6,249,960	-	13,753,449	48,232,996	50,812	(4,974,332)	(4,923,520)	43,309,476	10,617,686
2014	14,248,524	10,608,168	2,723,743	1,369,868	6,361,379	-	3,882,122	39,193,804	639,606	964,303	1,603,909	40,797,713	7,551,145
2015	15,024,817	11,160,984	2,959,473	1,447,951	6,464,166	-	2,216,925	39,274,316	449,479	279,892	729,371	40,003,687	3,988,181
2016	16,256,300	12,033,828	2,974,233	1,507,454	6,526,367	-	7,259,055	46,557,237	712,155	978,840	1,690,995	48,248,232	13,812,707

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

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

CITY OF PRESCOTT, ARIZONA

Table V

Statistical Section - Financial Trends

Total Primary Government Activities Revenues and Change in Net Position

Last ten fiscal years

Fiscal Year	Primary government activities:										
	Program Revenues				General Revenues					Total Program and General Revenue	Total Net Revenue/ Change in Net Position
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	Taxes	Intergovernmental	Interest	Transfers, Gains(loss) & Miscellaneous	Total		
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	9,621,695	50,177,158	28,851,987	10,564,433	2,351,652	555,311	42,323,383	92,500,541	5,495,467
2011	36,816,726	3,007,288	6,709,677	46,533,691	27,958,171	9,441,614	1,725,400	1,011,487	40,136,672	86,670,363	(264,922)
2012	39,252,534	2,511,253	7,352,759	49,116,546	29,725,779	8,709,498	1,357,633	842,490	40,635,400	89,751,946	3,773,732
2013	39,262,310	2,025,251	16,848,539	58,136,100	31,602,132	9,535,838	446,630	1,098,203	42,682,803	100,818,903	18,768,835
2014	40,389,561	1,881,404	7,443,758	49,714,723	31,657,268	10,039,455	1,541,777	992,565	44,231,065	93,945,788	5,459,959
2015	42,225,746	1,559,168	6,140,205	49,925,119	32,154,500	10,783,223	1,120,065	185,085	44,242,873	94,167,992	(9,407,761)
2016	44,800,209	2,361,619	15,097,733	62,259,561	34,235,703	11,073,408	1,576,056	262,615	47,147,782	109,407,343	9,901,109

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

**CITY OF PRESCOTT, ARIZONA**

**Table VI**

**Statistical Section - Financial Trends**

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

Last ten fiscal years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities</b>										
General government	\$397,959	\$507,384	\$619,226	\$528,659	\$552,880	\$485,293	\$399,395	\$494,015	\$908,974	\$838,720
Community services	2,230,826	1,054,549	650,134	470,216	830,706	659,123	837,679	900,936	993,712	1,138,737
Culture and recreation	1,865,462	1,062,952	677,148	1,360,533	1,456,329	1,244,045	1,275,717	1,725,068	1,756,748	1,429,393
Police and court	2,172,971	2,102,735	2,284,453	2,226,109	2,373,641	2,857,869	2,390,471	2,459,900	2,410,241	2,179,769
Fire	894,621	914,572	641,707	1,160,531	1,081,826	1,135,300	791,532	1,129,209	714,296	2,202,158
Public works	12,824,230	16,906,330	6,030,537	6,249,380	5,565,818	3,594,314	3,917,715	3,535,966	3,583,642	7,654,459
Total governmental activities program revenues	<u>\$20,386,069</u>	<u>\$22,548,522</u>	<u>\$10,903,205</u>	<u>\$11,995,428</u>	<u>\$11,861,200</u>	<u>\$9,975,944</u>	<u>\$9,612,509</u>	<u>\$10,245,094</u>	<u>\$10,367,613</u>	<u>\$15,443,236</u>

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

**CITY OF PRESCOTT, ARIZONA**

**Table VII**

**Statistical Section - Financial Trends**

**Changes in Fund Balances, Governmental Funds**

Last ten fiscal years (in millions of dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Fund</b>										
Excess of revenues over expenditures	\$ 5.6	\$ 2.4	\$ 0.9	\$ (2.5)	\$ (2.4)	\$ 0.6	\$ 3.5	\$ 5.7	\$ 2.4	\$ 5.0
Other Financing Sources (Uses)										
Debt proceeds	-	-	0.3	-	-	-	-	-	-	-
Transfers in	-	-	-	1.2	0.1	-	-	-	0.1	0.1
Transfers out	(6.5)	(2.0)	(1.5)	(0.3)	(0.1)	(0.2)	(0.5)	(0.5)	(0.3)	(0.9)
Total other financing sources (uses)	(6.5)	(2.0)	(1.2)	0.9	-	(0.2)	(0.5)	(0.5)	(0.2)	(0.8)
Net change in fund balance	(0.9)	0.4	(0.3)	(1.6)	(2.4)	0.4	3.0	5.2	2.2	4.2
Beginning fund balance (1)	12.7	11.7	12.1	21.2	19.6	17.2	17.6	20.6	25.8	28.0
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Beginning fund balance - as restated	12.7	11.7	12.1	21.2	19.6	17.2	17.6	20.6	25.8	28.0
Ending fund balance	<u>11.8</u>	<u>12.1</u>	<u>11.8</u>	<u>19.6</u>	<u>17.2</u>	<u>17.6</u>	<u>20.6</u>	<u>25.8</u>	<u>28.0</u>	<u>32.2</u>
Committed	-	-	0.2	8.4	1.7	1.1	0.4	1.9	2.3	0.9
Assigned	-	-	-	0.3	-	-	-	-	-	-
Unassigned	10.4	10.3	7.5	10.8	11.5	10.3	13.5	17.6	20.6	26.1
Nonspendable	1.4	1.8	4.0	-	4.0	6.2	6.7	6.3	5.1	5.2
Total general fund balance	<u>\$ 11.8</u>	<u>\$ 12.1</u>	<u>\$ 11.8</u>	<u>\$ 19.5</u>	<u>\$ 17.2</u>	<u>\$ 17.6</u>	<u>\$ 20.6</u>	<u>\$ 25.8</u>	<u>\$ 28.0</u>	<u>\$ 32.2</u>
<b>All Other Governmental Funds</b>										
Excess (deficiency) of revenues over expenditures	\$ (7.5)	\$ (12.8)	\$ (9.4)	\$ (4.9)	\$ (2.2)	\$ (4.3)	\$ (1.8)	\$ 4.4	\$ (0.3)	\$ 3.5
Other Financing Sources (Uses)										
Bond issuances	1.5	-	-	18.3	8.4	-	-	-	-	-
Transfers in	8.4	3.4	3.0	1.1	1.5	0.4	0.5	0.2	0.2	0.2
Transfers out	(1.9)	(1.5)	(1.7)	(1.6)	(1.3)	(0.3)	(0.1)	(0.1)	(0.2)	(0.2)
Total other financing sources (uses)	8.0	1.9	1.3	17.8	8.6	0.1	0.4	0.1	-	-
Net change in fund balance	0.5	(10.9)	(8.1)	12.9	6.4	(4.2)	(1.4)	4.5	(0.3)	3.5
Beginning fund balance	36.0	36.5	25.6	8.2	21.3	27.7	23.5	22.1	26.6	26.3
Ending fund balance	<u>\$ 36.5</u>	<u>\$ 25.6</u>	<u>\$ 17.5</u>	<u>\$ 21.1</u>	<u>\$ 27.7</u>	<u>\$ 23.5</u>	<u>\$ 22.1</u>	<u>\$ 26.6</u>	<u>\$ 26.3</u>	<u>\$ 29.8</u>
Restricted	<u>\$ 36.5</u>	<u>\$ 25.6</u>	<u>\$ 17.5</u>	<u>\$ 21.1</u>	<u>\$ 27.7</u>	<u>\$ 23.5</u>	<u>\$ 22.1</u>	<u>\$ 26.6</u>	<u>\$ 26.3</u>	<u>\$ 29.8</u>
<b>Total all other governmental funds fund balance</b>	<u>\$ 36.5</u>	<u>\$ 25.6</u>	<u>\$ 17.5</u>	<u>\$ 21.1</u>	<u>\$ 27.7</u>	<u>\$ 23.5</u>	<u>\$ 22.1</u>	<u>\$ 26.6</u>	<u>\$ 26.3</u>	<u>\$ 29.8</u>
<b>Total general and other governmental funds - fund balance</b>	<u>\$ 48.3</u>	<u>\$ 37.7</u>	<u>\$ 29.3</u>	<u>\$ 40.6</u>	<u>\$ 44.9</u>	<u>\$ 41.1</u>	<u>\$ 42.7</u>	<u>\$ 52.4</u>	<u>\$ 54.3</u>	<u>\$ 62.0</u>

Source: City of Prescott finance department

(1) The Capital Improvement Fund was merged into the General Fund in FY 2010.

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last ten fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 35,899,318	\$ 34,475,231	\$ 30,205,330	\$ 28,859,997	\$ 27,982,207	\$ 29,741,852	\$ 31,515,279	\$ 31,566,176	\$ 32,362,718	\$ 34,235,213
Intergovernmental revenues	17,738,746	18,442,502	17,021,795	19,891,545	16,935,187	15,454,325	16,257,955	16,691,342	15,820,961	19,187,327
Licenses and permits	1,537,880	1,142,050	810,813	1,090,967	916,094	865,204	993,421	1,169,381	606,539	771,439
Fines and forfeitures	1,534,587	1,719,170	1,967,588	646,737	620,248	624,584	628,414	584,260	424,800	411,391
Gifts and donations	51,284	59,882	170,124	65,517	141,516	297,616	85,338	114,493	93,193	153,676
Charges for services	2,199,691	1,929,959	1,435,556	886,019	1,006,051	1,081,582	1,348,175	1,259,743	3,479,290	3,702,629
Interest and investment income	3,431,739	2,644,168	1,723,524	1,359,253	992,908	805,723	395,818	902,171	670,588	863,901
Miscellaneous and Grant Contributions	1,283,031	1,634,095	1,155,665	1,532,879	2,615,094	2,160,105	2,664,179	3,913,127	875,077	750,415
<b>Total revenues</b>	<b>63,676,276</b>	<b>62,047,057</b>	<b>54,490,395</b>	<b>54,332,914</b>	<b>51,209,305</b>	<b>51,030,991</b>	<b>53,888,579</b>	<b>56,200,693</b>	<b>54,333,166</b>	<b>60,075,991</b>
<b>Expenditures</b>										
General government	5,677,646	6,193,642	5,351,470	5,599,470	3,729,333	3,092,112	2,629,031	2,301,399	2,758,328	2,537,707
Community services	2,641,295	2,926,188	2,685,629	1,532,576	1,541,414	1,528,052	1,594,073	1,320,695	1,319,296	1,218,725
Culture and recreation	6,038,931	6,257,768	6,065,515	5,399,324	4,960,428	5,061,475	5,322,883	5,006,351	5,242,979	5,354,507
Police and court	11,672,399	12,533,337	12,578,003	12,627,274	12,155,729	12,787,448	12,844,109	13,219,486	13,881,084	13,559,843
Fire	7,091,353	7,931,941	7,874,563	7,891,239	7,344,850	7,331,239	7,670,051	8,448,735	9,211,365	8,980,303
Public works	3,986,169	3,606,011	3,371,896	4,275,139	8,873,762	9,621,114	4,936,991	8,971,190	11,492,463	10,728,885
Capital outlay	25,464,042	29,327,591	21,813,447	21,263,084	12,652,069	10,242,160	12,400,628	2,834,869	5,408,570	6,116,694
Debt service - principal	2,000,304	2,670,861	2,460,953	2,060,069	3,061,623	3,313,492	3,201,637	2,584,787	1,584,374	1,841,044
Debt service - interest	1,000,152	959,565	840,589	1,057,525	1,516,480	1,801,417	1,612,868	1,469,883	1,353,344	1,272,222
<b>Total expenditures</b>	<b>65,572,291</b>	<b>72,406,904</b>	<b>63,042,065</b>	<b>61,705,700</b>	<b>55,835,688</b>	<b>54,778,509</b>	<b>52,212,271</b>	<b>46,157,395</b>	<b>52,251,803</b>	<b>51,609,930</b>
Excess of Revenues over (under) Expenditures	(1,896,015)	(10,359,847)	(8,551,670)	(7,372,786)	(4,626,383)	(3,747,518)	1,676,308	10,043,298	2,081,363	8,466,061
<b>Other Financing Sources (Uses)</b>										
Bond issuances	1,524,974	-	-	18,250,000	8,415,000	-	-	-	-	-
Capital leases	-	-	250,000	-	-	-	-	-	-	-
Transfers in	8,362,823	3,362,326	3,044,736	2,324,239	1,591,004	462,677	549,552	255,770	314,624	199,994
Transfers out	(8,431,257)	(3,558,529)	(3,112,547)	(1,935,913)	(1,383,133)	(475,617)	(621,512)	(620,887)	(462,754)	(969,705)
Total other financing sources (uses)	1,456,540	(196,203)	182,189	18,638,326	8,622,871	(12,940)	(71,960)	(365,117)	(148,130)	(769,711)
Net change in fund balances	\$ (439,475)	\$ (10,556,050)	\$ (8,369,481)	\$ 11,265,540	\$ 3,996,488	\$ (3,760,458)	\$ 1,604,348	\$ 9,678,181	\$ 1,933,233	\$ 7,696,350
Debt service as a percentage of noncapital expenditures	7.5%	8.4%	8.0%	7.2%	10.4%	11.5%	12.1%	9.4%	6.3%	6.8%

Source: City of Prescott finance department

**CITY OF PRESCOTT, ARIZONA**

**Table IX**

**Statistical Section - Financial Trends**

**General Government Expenditures by Function**

Last ten fiscal years

Fiscal Year	General Government	Community Services	Culture & Recreation	Public Safety			Subtotal Current Expenditures	Capital Outlay	Debt Service		Total
				Police & Courts	Fire	Public Works			Principal	Interest	
2007	\$ 5,677,646	\$ 2,641,295	\$ 6,038,931	\$ 11,672,399	\$ 7,091,353	\$ 3,986,169	\$ 37,107,793	\$ 25,464,042	\$ 2,000,304	\$ 1,000,152	\$ 65,572,291
2008	6,193,642	2,926,188	6,257,768	12,533,337	7,931,941	3,606,011	39,448,887	29,327,591	2,670,861	959,565	72,406,904
2009	5,351,470	2,685,629	6,065,515	12,578,003	7,874,563	3,371,896	37,927,076	21,813,447	2,460,953	840,589	63,042,065
2010	5,599,470	1,532,576	5,399,324	12,627,274	7,891,239	4,275,139	37,325,022	21,263,084	2,060,069	1,057,525	61,705,700
2011	3,729,333	1,541,414	4,960,428	12,155,729	7,344,850	8,873,762	38,605,516	12,652,069	3,061,623	1,516,480	55,835,688
2012	3,092,112	1,528,052	5,061,475	12,787,448	7,331,239	9,621,114	39,421,440	10,242,160	3,313,492	1,801,417	54,778,509
2013	2,629,031	1,594,073	5,322,883	12,844,109	7,670,051	4,936,991	34,997,138	12,400,628	3,201,637	1,612,868	52,212,271
2014	2,301,399	1,320,695	5,006,351	13,219,486	8,448,735	8,971,190	39,267,856	2,834,869	2,584,787	1,469,883	46,157,395
2015	2,758,328	1,319,296	5,242,979	13,881,084	9,211,365	11,492,463	43,905,515	5,408,570	1,584,374	1,353,344	52,251,803
2016	2,537,707	1,218,725	5,354,507	13,559,843	8,980,303	10,728,885	42,379,970	6,116,694	1,841,044	1,272,222	51,609,930

Source: City of Prescott finance department

**CITY OF PRESCOTT, ARIZONA**

**Table X**

**Statistical Section - Financial Trends**

**General Government Revenues by Sources**

Last ten fiscal years

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Inter-Governmental Revenues</b>	<b>Licenses &amp; Permits</b>	<b>Fines &amp; Forfeitures</b>	<b>Gifts &amp; Donations</b>	<b>Charges for Services</b>	<b>Interest Income</b>	<b>Miscellaneous</b>	<b>Total</b>
2007	\$ 35,899,318	\$ 17,738,746	\$ 1,537,880	\$ 1,534,587	\$ 51,284	\$ 2,199,691	\$ 3,431,739	\$ 1,283,031	\$ 63,676,276
2008	34,475,231	18,442,502	1,142,050	1,719,170	59,882	1,929,959	2,644,168	1,634,095	62,047,057
2009	30,205,330	17,021,795	810,813	1,967,588	170,124	1,435,556	1,723,524	1,155,665	54,490,395
2010	28,859,997	19,891,545	1,090,967	646,737	65,517	886,019	1,359,253	1,532,879	54,332,914
2011	27,982,207	16,935,187	916,094	620,248	141,516	1,006,051	992,908	2,615,094	51,209,305
2012	29,741,852	15,454,325	865,204	624,584	297,616	1,081,582	805,723	2,160,105	51,030,991
2013	31,515,279	16,257,955	993,421	628,414	85,338	1,348,175	395,818	2,664,179	53,888,579
2014	31,566,176	16,691,342	1,169,381	584,260	114,493	1,259,743	902,171	3,913,127	56,200,693
2015	32,362,718	15,820,961	606,539	424,800	93,193	3,479,290	670,588	875,077	54,333,166
2016	34,235,213	19,187,327	771,439	411,391	153,676	3,702,629	863,901	750,415	60,075,991

Source: City of Prescott finance department

**CITY OF PRESCOTT, ARIZONA**

**Table XI**

**Statistical Section - Revenue Capacity**

**Assessed and Estimated Actual Value of Taxable Property**

Last ten fiscal years

<u>Fiscal Year</u>		<u>Real Estate &amp; Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Less Exemptions</u>	<u>Net Assessed Valuation</u>	<u>Percent of Increase</u>	<u>Estimated Actual Value</u>	<u>Total Direct Tax Rate</u>
2007	P	\$ 506,912,059	\$ 36,305,122	\$ 543,217,181	\$ 25,815,170	\$ 517,402,011	10.8%	\$ 4,201,772,704	6.4839
	S	542,188,598	36,305,122	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	571,868,029	39,738,218	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	632,548,037	39,737,442	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640
2009	P	654,867,092	39,672,670	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	812,791,908	39,672,670	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770
2010	P	726,770,248	38,896,067	765,666,315	36,429,750	729,236,565	10.4%	6,181,460,471	5.6295
	S	826,553,420	38,686,651	865,240,071	43,072,587	822,167,484	1.5%	6,962,286,690	0.9344
2011	P	720,781,610	37,696,936	758,478,546	37,708,006	720,770,540	-1.2%	6,127,994,926	5.4297
	S	755,656,732	38,064,355	793,721,087	41,955,157	751,765,930	-8.6%	6,339,804,602	1.0590
2012	P	641,108,704	37,441,146	678,549,850	43,626,565	634,923,285	-11.9%	5,298,881,730	6.1085
	S	653,783,696	37,723,260	691,506,956	46,652,793	644,854,163	-14.2%	5,368,864,589	1.2506
2013	P	560,062,336	39,906,786	599,969,122	45,946,787	554,022,335	-12.7%	4,672,616,903	7.1144
	S	568,244,760	38,977,953	607,222,713	51,935,941	555,286,772	-13.9%	4,925,516,945	1.4466
2014	P	518,019,290	37,064,260	555,083,550	46,214,465	508,869,085	-8.2%	4,542,708,029	7.9406
	S	523,075,606	37,178,071	560,253,677	50,018,760	510,234,917	-8.1%	4,572,668,652	1.1421
2015	P	533,952,444	39,863,378	573,815,822	48,350,767	525,465,055	3.3%	4,720,147,444	7.7488
	S	541,552,897	39,870,455	581,423,352	51,452,091	529,971,261	3.9%	4,774,300,198	1.1036
2016	P/S	570,870,158	37,914,559	608,784,717	60,153,166	548,631,551	4.4%	5,067,161,148	8.4122

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. In 2016, Primary assessed valuation and Secondary assessed valuation base are the same amount.

Real estate and improvements are combined in the 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

<b>Fiscal Year</b>		<b>City of Prescott</b>	<b>High School &amp; Elementary</b>	<b>Community College</b>	<b>Yavapai County</b>	<b>State of Arizona</b>	<b>Total</b>
<b>Tax Rates (per \$1,000 Assessed Valuation)</b>							
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
2011	P	0.1737	2.3426	1.2046	1.7088	-	5.4297
	S	0.2093	0.2939	0.1563	0.3995	-	1.0590
2012	P	0.1978	2.6269	1.4274	1.8564	-	6.1085
	S	0.2455	0.3283	0.1901	0.4867	-	1.2506
2013	P	0.1978	3.1298	1.6725	2.1143	-	7.1144
	S	0.2854	0.3839	0.2150	0.5623	-	1.4466
2014	P	0.2984	3.3750	1.8241	2.4431	-	7.9406
	S	0.0367	0.4174	0.2227	0.4653	-	1.1421
2015	P	0.3007	3.1206	1.8606	2.4669	-	7.7488
	S	0.0142	0.4027	0.2231	0.4636	-	1.1036
2016	P	0.2910	2.7901	1.8721	2.4371	-	7.3903
	S	0.0137	0.3175	0.2180	0.4727	-	1.0219
<b>Tax Levies</b>							
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
2011	P	1,251,978	24,171,890	38,397,561	54,469,023	-	118,290,452
	S	1,573,160	3,176,332	5,235,677	12,745,719	-	22,730,888
2012	P	1,255,878	23,434,254	38,714,700	50,348,871	-	113,753,703
	S	1,583,350	2,966,960	5,234,100	12,658,691	-	22,443,101
2013	P	1,095,856	24,008,259	40,231,600	50,858,931	-	116,194,646
	S	1,584,975	2,950,404	5,192,500	12,518,091	-	22,245,970
2014	P	1,518,465	23,769,172	40,725,900	54,546,321	-	120,559,858
	S	187,200	2,948,387	5,077,500	6,405,677	-	14,618,764
2015	P	1,570,938	22,588,207	41,253,800	54,698,964	-	120,111,909
	S	75,000	2,943,517	5,059,400	9,805,220	-	17,883,137
2016	P	1,596,518	21,233,457	42,667,700	55,545,979	-	121,043,654
	S	75,000	2,416,241	4,967,900	10,171,183	-	17,630,324
The portion of the 2015-16 levies paid by City of Prescott property owners is reflected below:							
Amount	P	\$ 1,596,518	\$ 18,015,703	\$ 10,077,025	\$ 13,496,685	\$ -	\$ 43,185,931
	S	75,000	2,213,215	1,228,583	1,549,957	-	5,066,755
Percent	P	100%	75.8%	24.7%	24.7%	-	35.8%
	S	100%	75.1%	24.2%	24.2%	-	34.7%

Source: Yavapai County Board of Supervisors

**CITY OF PRESCOTT, ARIZONA**

**Table XIII**

**Statistical Section - Revenue Capacity**

**Principal Property Taxpayers**

Current fiscal year and ten years ago

Taxpayer	Type of Business	2015/2016		As a % of City's Total Secondary		2006/2007		As a % of City's Total Secondary	
		Assessed Valuation	Rank	Assessed Valuation	Assessed Valuation	Rank	Assessed Valuation	Assessed Valuation	
Arizona Public Service	Electric utility	\$ 12,666,713	1	2.3%	\$ 12,349,201	1	2.2%		
Sturm Ruger	Manufacturing	7,910,038	2	1.4%					
Unisource Energy Corporation	Gas utility	6,176,471	3	1.1%	3,874,158	5	0.7%		
T Prescott AZ LLC	Shopping Center	3,666,912	4	0.7%					
LFRV LLC (Las Fuentes)	Commercial rental	1,975,270	5	0.4%	2,213,707	6	0.4%		
Wal-Mart	Shopping Center	1,858,669	6	0.3%	5,124,805	4	0.9%		
Qwest Corporation / US West	Telecommunications	1,852,965	7	0.3%	6,052,696	3	1.1%		
Lowes	Retail	1,675,651	8	0.3%					
SRZ Yuma LLC	Gas utility	1,670,967	9	0.3%					
Wal-Mart Stores Inc. 5303	Shopping Center	1,593,547	10	0.3%					
TWC II Prescott Mall LLC	Shopping Center				9,889,174	2	1.8%		
Costco	Shopping Center				1,938,160	9	0.4%		
Willow Creek Corner LLC	Shopping Center				2,017,025	8	0.4%		
1000 Morse LTD UI (Willow Creek Plz)	Shopping Center				1,650,678	10	0.3%		
Lamb Trust	Automobile Dealer				2,349,053	7	0.4%		
Total		<u>\$ 41,047,203</u>		<u>7.4%</u>	<u>\$ 47,458,657</u>		<u>8.6%</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>
2007	\$ 2,829,552	\$ 2,779,196	98.2%	\$ 50,356	\$ 2,829,552	100.0%	\$ -	0.0%
2008	3,060,145	2,984,844	97.5%	75,301	3,060,145	100.0%	-	0.0%
2009	3,142,012	3,053,820	97.2%	88,192	3,142,012	100.0%	-	0.0%
2010	2,873,003	2,783,920	96.9%	89,083	2,873,003	100.0%	-	0.0%
2011	2,814,320	2,731,911	97.1%	76,338	2,808,249	99.8%	6,071	0.2%
2012	2,839,228	2,768,468	97.5%	69,727	2,838,195	100.0%	1,033	0.0%
2013	2,680,831	2,593,963	96.8%	85,292	2,679,255	99.9%	1,576	0.1%
2014	1,705,665	1,652,907	96.9%	50,884	1,703,791	99.9%	1,874	0.1%
2015	1,645,938	1,597,136	97.0%	48,114	1,645,250	100.0%	688	0.0%
2016	1,671,518	1,621,911	97.0%	-	1,621,911	97.0%	49,607	3.0%

Source: Yavapai County treasurer's office

Penalties are not recorded in the above collection figures.

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

## CITY OF PRESCOTT, ARIZONA

### Table XV

### Statistical Section - Revenue Capacity

### Property Tax Information

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#### **Tax Rate Limitation**

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

#### **Assessments**

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

#### **Taxes Due**

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

#### **Payable**

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

#### **Tax Sales**

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

#### **Tax Deed**

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

#### **Redemption**

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

**CITY OF PRESCOTT, ARIZONA**

**Table XVI**

**Statistical Section - Revenue Capacity**

**Tax Revenues by Source**

Last ten fiscal years

<u>Fiscal Year</u>	<u>Total Tax Per Capita</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Privilege and Use Taxes</u>	<u>Additional 1% Privilege Tax (1)</u>	<u>Franchise Taxes</u>	<u>Transient Lodging Tax (2)</u>
2007	\$ 904	\$ 35,899,962	\$ 2,830,199	\$ 15,810,057	\$ 15,333,864	\$ 1,488,072	\$ 437,770
2008	855	34,500,503	3,065,851	14,975,742	14,365,539	1,563,883	529,488
2009	755	30,225,241	3,147,163	12,794,026	12,157,858	1,567,388	558,806
2010	723	28,851,987	2,855,143	12,177,884	11,711,274	1,644,977	462,709
2011	703	27,958,171	2,810,321	11,763,668	11,237,566	1,637,128	509,488
2012	746	29,741,853	2,837,428	12,593,700	12,131,870	1,624,459	554,396
2013	791	31,515,278	2,670,576	13,623,329	13,082,899	1,618,259	520,215
2014	800	31,926,176	1,716,973	14,407,796	13,558,806	1,621,289	621,312
2015	799	32,362,719	1,642,663	14,440,215	13,922,730	1,632,304	724,807
2016	845	34,237,092	1,667,061	15,314,496	14,787,422	1,670,671	797,442

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 2015, voters approved a 1.0% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.

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

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Revenue Capacity

Privilege Tax - Taxable Sales by Category

Last ten fiscal years (in thousands of dollars)

Fiscal year	<i>Advertising</i>	<i>Construction</i>	<i>Restaurant/Bar</i>	<i>Tangible Per. Prop. Rental</i>	<i>Commercial Rental</i>	<i>Hotel/Motel</i>	<i>Residential Rental</i>	<i>Retail Sales</i>	<i>Utilities</i>	<i>Use Tax</i>	<i>Telecommunication</i>	<i>All Other</i>	<i>Total</i>	<i>Tax Rate</i>	<i>Top 10 as % of Total</i>
2007	\$ 24,174	\$ 232,580	\$ 87,175	\$ 52,698	\$ 60,276	\$ 22,775	\$ 44,425	\$ 902,862	\$ 65,436	\$ 26,452	\$ 27,146	\$ 11,062	\$ 1,557,061	2%	27%
2008	22,164	194,250	85,531	41,970	63,746	26,256	46,664	858,798	72,091	33,010	27,158	9,545	1,481,181	2%	33%
2009	14,894	123,930	82,290	29,174	65,905	18,922	59,513	755,815	72,460	18,500	20,270	9,299	1,270,972	2%	35%
2010	11,934	84,957	82,302	26,949	60,565	16,540	51,181	699,443	68,393	23,527	23,467	7,485	1,156,743	2%	37%
2011	11,712	85,033	83,810	24,427	60,073	17,398	52,753	689,692	72,393	29,122	23,692	6,886	1,156,991	2%	38%
2012	14,293	96,741	90,623	21,326	60,932	18,917	55,111	739,549	74,535	29,009	23,272	6,538	1,230,846	2%	36%
2013	13,753	104,552	91,967	19,932	61,980	19,625	59,973	800,824	76,384	25,792	23,106	6,554	1,304,442	2%	36%
2014	13,374	119,285	95,809	21,608	53,453	21,608	63,998	833,256	74,829	31,170	21,785	7,479	1,357,654	2%	34%
2015	13,913	115,849	102,891	25,127	53,702	24,729	68,352	853,946	76,907	25,519	21,123	9,498	1,391,557	2%	31%
2016	12,150	113,863	109,257	26,097	53,736	27,352	73,062	906,798	79,062	27,861	23,693	11,357	1,464,288	2%	37%

**Top 10 Taxpayers**

<u>FY 2016</u>	<u>FY 2007</u>
Arizona Public Service	Arizona Public Service
Costco	Best Buy Stores
Fry's Food & Drug	Costco Wholesale
Lamb Auto Sales	Fry's Food & Drug
Lowe's	Lamb Chevrolet
Prescott Honda	Tim's Buick Pontiac, GMC
Safeway	UNS Gas, Inc.
Tim's Auto Group	Sears
Wal-Mart	Wal-Mart
York Dodge Chrysler Jeep Ram	York Car Company
<b>Percent of Total Privilege Tax Collected: 37%</b>	<b>Percent of Total Privilege Tax Collected: 27%</b>

Source: City of Prescott Finance Department

**CITY OF PRESCOTT, ARIZONA**  
**Table XVIII**  
**Statistical Section - Revenue Capacity**  
**Privilege Tax Overlapping Rates**

Last ten fiscal years

<u>Fiscal Year</u>	<u>Prescott Privilege Tax General</u>	<u>Prescott Privilege Tax - Roads &amp; Open Space (1)</u>	<u>Yavapai County Privilege Tax (3)</u>	<u>State of Arizona Privilege Tax (4)</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2010	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2011	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2012	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2013	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2014	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2015	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2016	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%

Source: City of Prescott finance department

- (1) Voters approved an additional 1.0% 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 2015, voters approved a 1.0% 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.
- (4) The State of Arizona tax rate increased to 6.60% effective June 1, 2010 and decreased to 5.60% effective June 1, 2013.

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity  
 Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities					Business-type Activities					Total Debt Per Capita	Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General Obligation Bonds	Community Facilities District Bonds (1)	Lease Purchase Contracts	Municipal Properties Corporation Bonds	Special Assessment Bonds	Municipal Properties Corporation Bonds	General Obligation Bonds	Loans Payable (2)	Lease Purchase Contracts	Total Primary Government				
2007	\$ 9,335,000	\$ 5,560,000	\$ 528,787	\$ 5,099,925	\$ 2,724,090	\$ 20,230,075	\$ -	\$ -	\$ 3,436,504	\$ 46,914,381	\$ 1,182	\$ 973	0.77%	0.64%
2008	7,825,000	4,865,000	385,076	4,949,814	2,401,941	18,780,186	-	8,249,461	2,253,982	49,710,460	1,231	1,051	0.75%	0.64%
2009	6,240,000	4,495,000	451,174	4,772,760	2,079,788	17,287,240	-	10,255,783	2,354,008	47,935,753	1,197	1,033	0.73%	0.63%
2010	4,950,000	4,260,000	248,256	22,838,008	1,747,637	15,936,992	-	17,947,447	1,748,615	69,676,955	1,745	1,594	1.11%	1.01%
2011	3,595,000	3,780,000	118,784	30,304,407	1,410,029	15,755,593	-	22,253,387	896,095	78,113,295	1,964	1,834	1.25%	1.17%
2012	2,170,000	3,315,000	67,336	29,062,259	1,079,984	12,336,741	-	24,652,814	535,115	73,219,249	1,836	1,726	1.13%	1.06%
2013	680,000	3,060,000	13,744	27,795,262	739,940	11,858,738	-	42,338,127	160,526	86,646,337	2,173	2,078	1.27%	1.22%
2014	520,000	2,435,000	-	26,493,718	39,896	10,259,282	-	65,742,074	-	105,489,970	2,645	2,583	1.51%	1.47%
2015	355,000	2,180,000	-	25,111,146	34,852	10,063,524	-	72,676,362	-	110,420,884	2,725	2,670	1.54%	1.51%
2016	180,000	1,670,000	-	23,729,206	29,808	9,994,464	-	69,501,551	-	105,105,029	2,594	2,552	1.47%	1.44%

Source: City of Prescott finance department

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

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

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

**CITY OF PRESCOTT, ARIZONA**

**Table XX**

**Statistical Section - Debt Capacity**

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Less Debt Payable from Enterprise Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita (1)</u>
2007	\$ 551,843,276	\$ 9,335,000	\$ -	\$ 9,335,000	1.7%	235
2008	642,466,094	7,825,000	-	7,825,000	1.2%	194
2009	809,994,831	6,240,000	-	6,240,000	0.8%	156
2010	822,167,484	4,950,000	-	4,950,000	0.6%	124
2011	751,765,930	3,595,000	-	3,595,000	0.6%	90
2012	644,854,163	2,170,000	-	2,170,000	0.3%	54
2013	555,286,772	680,000	-	680,000	0.1%	17
2014	510,234,917	520,000	-	520,000	0.1%	13
2015	529,971,261	355,000	-	355,000	0.1%	9
2016	548,631,551	180,000	-	180,000	0.0%	4

Source: City of Prescott finance department

(1) Population information is shown on table XVI.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XXI

Statistical Section - Debt Capacity

Schedule of Water and Wastewater Revenue Bond Coverage

Last ten fiscal years

Water Revenue Bond (3)							
Fiscal Year	Operating Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2007	\$ 10,594,267	\$ 5,048,866	\$ 5,545,401	\$ -	\$ -	\$ -	0.00%
2008	13,911,896	5,137,731	8,774,165	-	100,733	100,733	0.00%
2009	12,901,408	6,361,904	6,539,504	343,465	221,794	565,259	1156.90%
2010	11,967,862	8,574,731	3,393,131	355,967	348,732	704,699	481.50%
2011	12,958,298	8,941,952	4,016,346	610,711	383,125	993,836	404.13%
2012	14,104,588	7,347,256	6,757,332	608,645	388,017	996,662	678.00%
2013	14,720,538	8,332,704	6,387,834	640,916	389,315	1,030,230	620.04%
2014	14,892,434	7,949,927	6,942,507	1,081,743	624,371	1,706,114	406.92%
2015	15,340,901	7,998,715	7,342,186	1,115,977	666,128	1,782,106	412.00%
2016	16,699,381	7,164,998	9,534,383	1,151,311	672,100	1,823,411	522.89%

Wastewater Revenue Bond (3)							
Fiscal Year	Operating Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2007	\$ 7,393,084	\$ 4,441,560	\$ 2,951,524	\$ -	\$ -	\$ -	0.00%
2008	7,679,110	5,426,081	2,253,029	-	95,614	95,614	0.00%
2009	7,577,002	4,953,535	2,623,467	160,118	158,484	318,602	823.43%
2010	6,878,860	4,829,673	2,049,187	166,311	298,286	464,597	441.07%
2011	7,809,344	4,641,183	3,168,161	1,115,577	349,151	1,464,728	216.30%
2012	9,099,534	4,912,764	4,186,770	543,538	384,842	928,379	450.98%
2013	9,837,090	5,376,343	4,460,747	563,901	493,566	1,057,467	421.83%
2014	10,998,146	6,023,264	4,974,882	2,393,930	1,004,371	3,398,301	146.39%
2015	11,287,878	5,649,504	5,638,374	2,467,040	1,440,510	3,907,550	144.29%
2016	12,343,533	5,245,572	7,097,961	2,534,812	1,451,073	3,985,885	178.08%

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.

(3) The Water Infrastructure Finance Authority of Arizona Loans (WIFA) - details can be found

**CITY OF PRESCOTT, ARIZONA**

**Table XXII**

**Statistical Section - Debt Capacity**

**Direct and Overlapping Debt**

June 30, 2016

	<b>Net Bonds Outstanding</b>	<b>Percentage Applicable to Prescott (1)</b>	<b>Amount Applicable to Prescott</b>
<b><u>Direct Debt</u></b>			
General obligation bonds - payable from property taxes	\$ 180,000	100.0%	\$ 180,000
Municipal property corporation bonds - payable from sales tax	23,729,206	100.0%	23,729,206
Special assessment bonds - payable from assessed properties	1,699,808	100.0%	1,699,808
Lease purchase contracts - payable from general revenues	-	100.0%	-
Total direct debt			25,609,014
<b><u>Overlapping Debt</u></b>			
Yavapai County	-	24.1%	-
Yavapai Community College District	43,365,000	24.1%	10,438,566
Prescott Unified School District	2,020,000	72.1%	1,456,235
Total overlapping debt			11,894,801
Total direct & overlapping debt			\$ 37,503,815

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

<b><u>Taxing District</u></b>	<b>Total Assessed Valuation</b>	<b>Valuation in Prescott</b>	<b>Percent in Prescott</b>
Yavapai County	\$ 2,279,183,448	\$ 548,631,551	24.1%
Yavapai Community College District	2,279,183,448	548,631,551	24.1%
Prescott Unified School District	761,027,868	548,631,551	72.1%

Source: Yavapai County assessor's office and finance department

**CITY OF PRESCOTT, ARIZONA**  
**Table XXIII**  
**Statistical Section - Debt Capacity**  
**Legal Debt Margins**  
June 30, 2016

	<u>General Obligation Bonds</u>	
	<u>All Others</u>	<u>Water &amp; Wastewater</u>
	<u>6% (1)</u>	<u>20% (2)</u>
<b><u>Legal Debt Limitation</u></b>		
(2015-16 secondary assessed valuation \$548,631,551)	\$ 32,917,893	\$ 109,726,310
<b><u>Outstanding Debt</u></b>		
Municipal facilities	-	180,000
Total outstanding debt	-	180,000
Total margin available	\$ 32,917,893	\$ 109,546,310
Total debt applicable to the limit as a percentage of the debt limit	0.0%	0.2%

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 2015-16	\$ 3,236,992
Percent of margin	50%
Highway user margin	1,618,496
Bond principal due FY 2015-16	-
Bond interest due FY 2015-16	-
Margin available	\$ 1,618,496

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

**CITY OF PRESCOTT, ARIZONA**

**Table XXIV**

**Statistical Section - Debt Capacity**

**Legal Debt Margins**

Last ten fiscal years (in thousands of dollars)

<b>Legal Debt Limitation or Margin</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>General Obligation Bonds 6% limit (1)</b>	\$ 33,111	\$ 38,548	\$ 48,600	\$ 49,330	\$ 45,106	\$ 38,155	\$ 33,317	\$ 30,614	\$ 31,798	\$ 32,918
Outstanding debt subject to limit	690	0	-	-	-	-	-	-	-	-
Total margin available	<u>\$ 32,421</u>	<u>\$ 38,548</u>	<u>\$ 48,600</u>	<u>\$ 49,330</u>	<u>\$ 45,106</u>	<u>\$ 38,155</u>	<u>\$ 33,317</u>	<u>\$ 30,614</u>	<u>\$ 31,798</u>	<u>\$ 32,918</u>
Total debt applicable to the limit as a percentage of the debt limit	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Water &amp; Wastewater 20% limit (2)</b>	\$ 110,369	\$ 128,493	\$ 161,999	\$ 164,433	\$ 150,353	\$ 127,184	\$ 111,057	\$ 102,047	\$ 105,994	\$ 109,726
Outstanding debt subject to limit	8,645	7,825	6,240	4,950	3,595	2,170	680	520	355	180
Total margin available	<u>\$ 101,724</u>	<u>\$ 120,668</u>	<u>\$ 155,759</u>	<u>\$ 159,483</u>	<u>\$ 146,758</u>	<u>\$ 125,014</u>	<u>\$ 110,377</u>	<u>\$ 101,527</u>	<u>\$ 105,639</u>	<u>\$ 109,546</u>
Total debt applicable to the limit as a percentage of the debt limit	7.8%	6.1%	3.9%	3.0%	2.4%	1.7%	0.6%	0.5%	0.3%	0.2%
<b>Highway User Margin 50% limit (3)</b>	\$ 1,840	\$ 1,688	\$ 1,512	\$ 1,517	\$ 1,506	\$ 1,262	\$ 1,377	\$ 1,425	\$ 1,551	\$ 1,618
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<u>\$ 1,840</u>	<u>\$ 1,688</u>	<u>\$ 1,512</u>	<u>\$ 1,517</u>	<u>\$ 1,506</u>	<u>\$ 1,262</u>	<u>\$ 1,377</u>	<u>\$ 1,425</u>	<u>\$ 1,551</u>	<u>\$ 1,618</u>
Total debt service applicable to the margin as a percentage of the margin	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 XXV**

**Statistical Section - Debt Capacity**

**Pledged-Revenue Coverage**

Last ten fiscal years

Fiscal Year	Special Assessment Bonds				Community Facilities District Bonds				Municipal Property Corporation Bonds			
	Special Assessments Collected	Debt Service		Coverage	CFD Assessments Collected	Debt Service		Coverage	Excise Tax Collected	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2007	\$ 473,157	\$ 342,151	\$ 139,042	0.98	\$ 894,108	\$ 205,000	\$ 444,825	1.38	\$ 32,919,756	\$ 1,345,000	\$ 856,703	14.95
2008	437,256	322,151	122,907	0.98	753,416	695,000	412,819	0.68	33,099,544	1,600,000	1,123,841	12.15
2009	422,802	322,151	107,296	0.98	701,049	370,000	375,425	0.94	30,233,474	1,670,000	1,048,756	11.12
2010	417,287	332,151	91,394	0.99	743,802	235,000	346,863	1.28	26,076,159	1,535,000	1,321,901	9.13
2011	330,299	337,151	75,110	0.80	393,203	480,000	322,569	0.49	24,620,884	1,625,000	1,516,747	7.84
2012	389,109	330,044	58,995	1.00	769,430	465,000	285,294	1.03	24,823,957	4,661,000	2,136,432	3.65
2013	383,217	340,044	43,091	1.00	720,756	255,000	255,775	1.41	27,036,741	1,745,000	1,963,921	7.29
2014	726,614	700,044	26,489	1.00	696,049	625,000	230,281	0.81	27,977,338	1,801,000	1,937,672	7.48
2015	6,142	5,044	1,017	1.01	595,152	255,000	187,700	1.34	31,006,811	1,578,330	1,789,649	9.21
2016	5,524	5,044	880	0.93	519,454	510,000	157,850	0.78	28,467,538	1,451,000	1,727,589	8.96

Source: City of Prescott finance department

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

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

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

**CITY OF PRESCOTT, ARIZONA**

**Table XXVI**

**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 (3)</u>	<u>School Enrollment (4)</u>
2006	39,699	\$ 6,058,552	\$ 29,687	4.0%	5,688
2007	40,371	6,602,162	31,624	3.7%	5,766
2008	40,041	6,602,128	31,258	6.2%	5,766
2009	39,932	6,272,906	29,705	10.5%	5,652
2010	39,771	6,245,478	29,721	10.7%	5,229
2011	39,873	6,498,204	30,817	9.9%	5,095
2012	39,865	6,800,376	31,997	8.7%	4,961
2013	39,888	6,992,574	32,503	7.7%	4,917
2014	40,520	7,172,392	32,774	6.3%	4,454
2015	40,513			5.6%	5,055

(1) Source: Office of Employment & Population Statistics, Arizona Department of Administration

(2) Income Statistics are shown for the Prescott Metropolitan Statistical Area (MSA).

Latest Data available is for 2014. Source: Bureau of Economic Analysis, US Department of Commerce

(3) For the Prescott Metropolitan Statistical Area (MSA). Source: Arizona Office of Employment and Population Statistics

(4) Enrollment for Prescott Unified School District as of Oct 1 of each year. Excludes Charter Schools

Source: Arizona Department of Education

**CITY OF PRESCOTT, ARIZONA**

**Table XXVII**

**Statistical Section**

**Demographic and Economic Statistics**

**Principal Employers**

Current fiscal year data available and nine years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2013/14</u>			<u>2005/06</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	1,414	1	8.3%	1,739	1	10.4%
Veteran's Administration Medical Center	Hospital	1,094	2	6.4%	682	5	4.1%
Yavapai Regional Medical Center	Hospital	1,083	3	6.3%	1,599	2	9.6%
Prescott Unified School District	Public Schools	770	4	4.5%	808	3	4.8%
Wal-Mart Stores	Retail	585	5	3.4%	775	4	4.6%
Sturm Ruger	Manufacturing	579	6	3.4%			
City of Prescott	Government	508	7	3.0%	510	6	3.1%
Yavapai College	College	413	8	2.4%	410	8	2.5%
Embry-Riddle Aeronautical University	College	375	9	2.2%	383	9	2.3%
Yavapai Gaming Agency	Casino	294	10	1.7%			
West Yavapai Guidance Clinic	Clinic				240	10	1.4%
State of Arizona	Government				440	7	2.6%
		<u>7,115</u>		<u>41.6%</u>	<u>7,586</u>		45.4%

Latest data available is for 2013/2014.

The 2013/2014 total City employment was 17,085 based on U.S. Census Bureau County Business Patterns information for 2014.

The 2005/2006 total City employment was 16,693 based on U.S. Census Bureau County Business Patterns information for 2006.

CITY OF PRESCOTT, ARIZONA

Table XXVIII

Statistical Section - Operating Information

City Employees by Function/Program

Last ten fiscal years

Function/ Program	Full-time Equivalent Employees at June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government (3)	36	34	34	37	38	38	37	37	39	52
Administrative Services	5	5	5	1	2	2	2	1	1	2
Budget and Finance (3)	23	24	24	21	21	23	22	22	22	10
Community Development	30	34	33	16	16	14	13	13	11	11
Cultural & Recreation	60	59	57	48	43	42	42	42	42	42
Police	134	131	131	119	119	122	123	125	95	91
Regional Communications (2)	-	-	-	-	-	-	-	-	33	30
Fire	75	77	76	76	75	75	73	73	68	65
Central Garage	10	11	11	9	9	9	9	9	9	9
Self Insurance	2	2	3	3	3	3	2	0	0	0
Facilities Maintenance	6	8	10	6	5	6	6	6	6	6
Engineering	22	23	23	19	18	18	17	17	17	24
Water	40	41	41	39	40	41	41	42	43	38
Wastewater	32	33	33	35	35	35	35	35	37	37
Solid Waste	18	18	26	26	27	27	27	26	28	27
Transfer Station (1)	7	8	-	-	-	-	-	-	-	-
Airport	9	8	8	8	7	7	7	8	11	11
Golf Course	17	20	20	16	17	17	16	16	9	9
Streets	39	35	35	37	37	37	35	36	36	37
<b>Total</b>	<b>565</b>	<b>571</b>	<b>570</b>	<b>516</b>	<b>512</b>	<b>515</b>	<b>506</b>	<b>508</b>	<b>506</b>	<b>501</b>
Number of citizens per employee	70	71	70	77	78	77	79	79	80	81

Source: City of Prescott finance department

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

(2) In 2015, Regional Communications was split out from Police

(3) In 2016, Information Technology was split out from Budget and Finance and combined with General Government.

**CITY OF PRESCOTT, ARIZONA**

**Table XXIX**

**Statistical Section - Operating Information**

**Operating Indicators by Function/Program**

Last ten fiscal years (unless noted otherwise)

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Community Development</b>										
Building permits issued	2,237	1,735	1,329	1,416	1,093	1,613	1,575	2,028	1,843	2,010
Permit valuations (in millions)	133	74	44	70	35	61	79	97	107	166
<b>Cultural &amp; Recreation</b>										
Library circulation	713,700	758,787	852,882	845,385	693,268	702,286	805,113	807,246	759,675	772,629
Library visits	420,776	477,785	507,858	546,548	520,794	508,422	493,091	480,753	442,904	428,948
Library resources available	142,564	150,267	159,151	148,908	165,612	178,032	172,682	158,772	174,319	168,606
New cards issued	7,424	7,422	7,613	7,272	4,649	4,872	4,531	5,020	5,014	4,667
Golf Rounds	79,678	78,361	70,558	64,314	61,867	59,605	55,652	61,868	69,290	69,741
<b>Police (Calendar Year)</b>										
Calls for service	32,943	30,649	29,422	30,500	29,190	29,300	26,801	26,132	25,617	24,979
Part 1 crimes (1)	1,549	1,390	1,408	1,440	1,456	1,410	1,291	1,256	1,289	1,235
Part 2 crimes (2)	3,429	3,234	3,806	4,100	4,831	3,830	3,495	3,474	3,293	3,420
<b>Fire</b>										
Calls for service	6,808	7,130	7,452	7,799	8,500	7,920	7,440	7,876	8,014	8,014
Inspections	2,374	2,621	1,803	1,925	1,709	1,577	1,231	1,712	1,098	1,098
<b>Water</b>										
Connections	20,468	21,870	22,271	22,184	22,153	22,409	22,628	22,765	23,440	23,465
<b>Wastewater</b>										
Connections	17,168	17,416	17,522	17,357	18,134	18,292	18,411	18,267	18,783	19,000
<b>Solid Waste</b>										
Residential accounts	16,467	16,547	16,670	17,159	21,319	20,503	17,217	17,500	17,815	18,086
Commercial accounts	1,414	1,187	1,060	920	910	888	911	1,594	1,421	1,544
Tons collected	35,564	35,453	35,550	31,837	29,792	30,971	31,671	62,000	61,979	62,729
<b>Transfer Station</b>										
Transactions per year	84,542	73,339	70,381	69,509	69,615	69,430	68,912	73,377	73,577	79,183
Tons per year	70,041	73,412	59,260	60,826	58,152	55,685	66,966	60,246	61,959	64,389
<b>Airport</b>										
Commercial aircraft landings	1,742	1,484	5,417	3,807	1,725	4,062	1,837	1,533	1,094	1,968
Passengers	9,203	10,571	11,694	7,836	5,222	5,147	5,146	5,200	4,394	3,302
FAA traffic count	227,351	242,311	240,443	231,668	265,093	275,820	257,062	270,699	277,540	291,170
<b>Public Works</b>										
Cold mix repairs (lbs)	140,155	97,649	115,705	90,215	88,773	43,153	98,822	235,831	136,000	176,874
Hot Mix repairs (tons)	1,156	1,800	643	1,730	2,806	1,430	2,763	1,300	2,040	1,302

(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

Source: City of Prescott budget department and applicable departments.

**CITY OF PRESCOTT, ARIZONA**

**Table XXX**

**Statistical Section - Operating Information**

**Capital Asset Statistics by Function/Program**

Last ten fiscal years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Government</b>										
Area square miles	40	40	41	41	41	41	41	42	42	42
<b>Cultural and Recreation</b>										
Parks	17	21	21	21	21	21	21	21	21	21
Park acres	1,384	1,394	1,394	1,394	1,394	1,394	1,514	990	990	990
Miles of trails	55	33	36	36	36	45	52	52	68	76
Open space - private (acres)	350									
Open space - public (acres)	160	195	278	278	278	765	823	1,200	1,200	1,200
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Water</b>										
Miles of water mains	516	531	536	537	542	538	515	517	517	526
<b>Wastewater</b>										
Miles of sanitary sewers	350	387	389	389	391	390	373	371	371	375
<b>Solid Waste</b>										
Collection trucks	15	15	16	16	16	19	17	18	16	18
<b>Airport</b>										
Total based aircraft	330	325	352	344	344	346	322	309	292	292
<b>Golf Course</b>										
Holes	36	36	36	36	36	36	36	36	36	36
<b>Public Works</b>										
Streets (paved miles)	224	231	234	236	270	289	289	289	294	302

Source: City of Prescott departments.

