

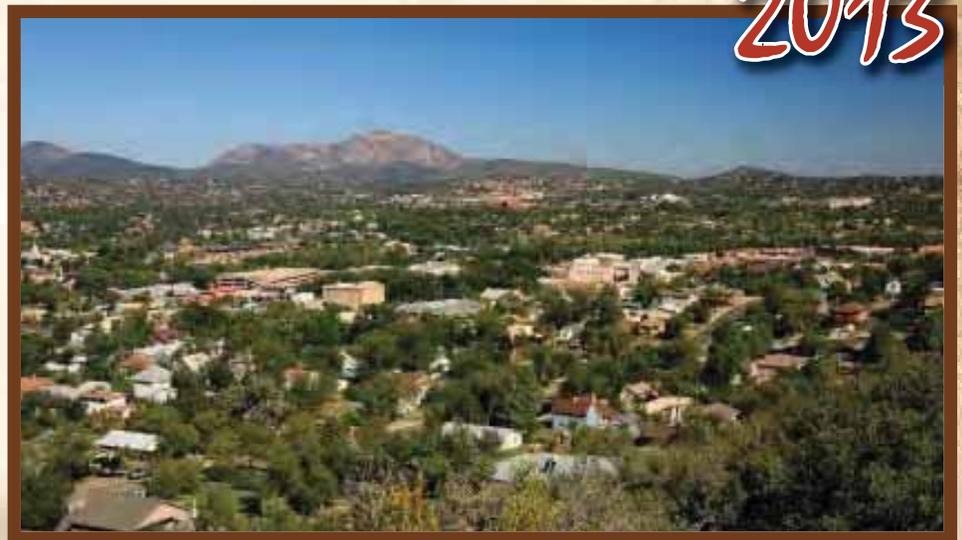
Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

1877



1864-2014
Prescott's
Sesquicentennial

2013



150 Years of Arizona History



CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by
Mark Woodfill
Budget and Finance Department
City of Prescott

CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
Table of Contents

For the year ended June 30, 2014

INTRODUCTORY SECTION

Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting	6
City of Prescott – Organization Chart	7
List of Elected Officials	8

FINANCIAL SECTION

Independent Auditor's Report	9-10
Management's Discussion and Analysis	11-22

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position	24
Statement of Activities	25

Fund Financial Statements	27
---------------------------	----

Governmental Funds:

Balance Sheet	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (with Reconciliation to Generally Accepted Accounting Principles)	
General Fund	31
Streets and Open Space Fund	32

Proprietary Funds:

Statement of Net Position	33
Statement of Revenues, Expenses, and Changes in Net Position	34
Statement of Cash Flows	35
	36-37

Fiduciary Funds:

Statement of Fiduciary Net Position	39
	40

Notes to the Financial Statements	41-62
-----------------------------------	-------

Combining and Individual Fund Statements and Schedules

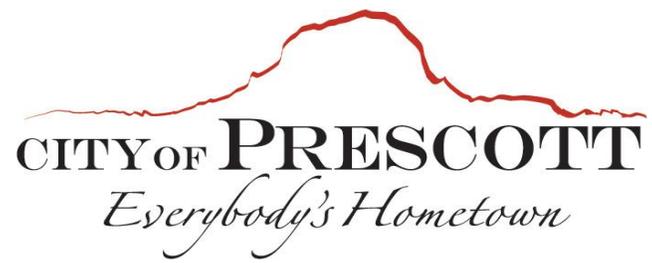
Combining Statements – Nonmajor Governmental funds	63
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Governmental Funds:	67
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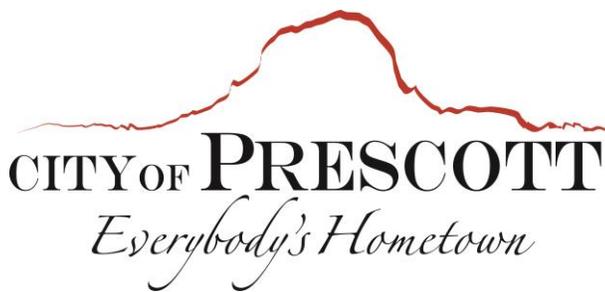
Special Revenue Funds	
Transient Lodging Tax	68
Grants	69
Miscellaneous Gift	70
Acker Trust	71

Capital Projects Funds	
Community Facilities Districts	72
Impact Fees	73
Debt Service Funds	
City of Prescott	74
Community Facilities Districts	75
Combining Statements – Nonmajor Proprietary funds	77
Combining Statement of Net Position	78
Combining Statement of Revenues, Expenses, and Changes in Net Position	79
Combining Statement of Cash Flows	80
Combining Statements – Internal Service Funds	81
Combining Statement of Net Position	82
Combining Statement of Revenues, Expenses and Changes in Net Position	83
Combining Statement of Cash Flows	84
Fiduciary Funds:	85
Statement of Changes in Fiduciary Net Position	86
Other Supplementary Information	87
Schedule of General Obligation Bonds Payable	88
Schedule of Bonds Payable to the City of Prescott's Municipal Property Corporation	89
Schedule of Special Assessment Bonds Payable	90
Schedule of Community Facilities Districts Bonds Payable	91
Schedule of Loans Payable	92
STATISTICAL SECTION	93
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	94
Changes in Net Position - Last Ten Fiscal Years	95-97
Governmental Activities Revenues and Changes in Net Position - Last Ten Fiscal Years	98
Business-type Activities Revenues and Changes in Net Position - Last Ten Fiscal Years	99
Total Primary Government Activities Revenues and Changes in Net Position – Last Ten Fiscal Years	100
Governmental Activities Program Revenues by Function/Program - Last Ten Fiscal Years	101
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	102
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	103
General Government Expenditures by Function - Last Ten Fiscal Years	104
General Government Revenues by Sources - Last Ten Fiscal Years	105
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	106
Property Tax Rates and Tax Levies - All Direct and Overlapping Governments - Last Ten Fiscal Years	107
Principal Property Taxpayers - Current Fiscal Year and Nine Years ago	108
Property Tax Levies and Collections - Last Ten Fiscal Years	109
Property Tax Information	110
Tax Revenues by Source - Last Ten Fiscal Years	111
Privilege Tax – Taxable Sales by Category - Last Ten Fiscal Years	112
Privilege Tax Overlapping Rates - Last Ten Fiscal Years	113
Debt Capacity:	
Ratios of Outstanding Debt by type - Last Ten Fiscal Years	114

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	115
Schedule of Water and Wastewater Revenue Bond Coverage - Last Ten Fiscal Years	116
Direct and Overlapping Debt – June 30, 2014	117
Legal Debt Margins – June 30, 2014	118
Legal Debt Margins - Last Ten Fiscal Years	119
Pledged-Revenue Coverage - Last Ten Fiscal Years	120
Demographic and Economic Statistics	
Population, Income and Unemployment – Last Ten Calendar Years	121
Principal Employers - Current Fiscal Year and Ten Years ago	122
Operating Information:	
City Employees by Function/Program - Last Ten Fiscal Years	123
Operating Indicators by Function/Program - Last Ten Fiscal Years	124
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	125



INTRODUCTORY SECTION



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

December 12, 2014

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, 2014. 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, 2014. 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, 2014 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 is the largest in Yavapai County and the base of county government operations. Located in the mountains of north central Arizona approximately 95 miles northwest of Phoenix (the State capitol) and 90 miles southwest of Flagstaff, the City borders the Prescott National Forest to the south and west. The average elevation is 5,400 feet. The local climate is mild, with average high temperatures ranging from fifty degrees to ninety degrees and the average precipitation recorded at 19.8 inches, most of which is rain. Prescott and the neighboring towns of Chino Valley, Prescott Valley and newly incorporated Dewey-Humboldt form what is known locally as the Quad-City area.

LOCAL ECONOMY

Although small in population, 40,590, the City is not dependent on any one company or industry for economic vitality. The region is diverse in nature and benefits from the following industries:

Education

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

Medical

Yavapai Regional Medical Center
Veteran's Administration Hospital

Manufacturing

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

Retail

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

Tourism

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

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

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

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

LONG-TERM FINANCIAL PLANNING

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

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

The Fiscal Year 2015 Budget totals \$170,212,239, which represents a 1.7% decrease from the prior year level, primarily attributable to fluctuation in capital projects in the City's enterprise funds. The \$79,534,495 Operating Budget primarily supports delivery of day to day core services, and is an increase of 4.2% over last year, which is related to increases in public safety pension cost and utility rate increases. The Capital Budget for Fiscal Year 2015 is \$90,677,744.

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

Financial Sustainability and Economic Vitality

Public Safety (Police and Fire)

- Collected and compiled data for the International City/County Management Association Comprehensive Analysis of Public Safety Services
- During FY 13/14, Police Department volunteers worked a total of 8,870 hours, including 7,060 hours by Citizens on Patrol volunteers
- The Records Section scanned and uploaded all reports through FY 2014 into its Records Management System, ADSi, assisting officers in identifying subjects they come in contact with and providing access to records while on patrol
- A total of \$60,013 in GOHS Grant funds were received for seatbelt enforcement, and to augment enforcement equipment and pay overtime costs allowing the Police Department to administer thirteen (13) DUI Taskforce details, two-week enforcement of "Click it or Ticket" National Campaign efforts, eight (8) Speed and Aggressive driver enforcement details, purchase of four (4) new speed measurement devices, and one (1) new Intoxilyzer machine for DUI investigation
- Patrol Officers responded to 39,806 incidents; 26,196 were initiated as calls for service, with the remaining 13,687 self-initiated by the officers
- Prescott Regional Communications Center (PRCC) handled 270,615 inbound and outbound calls, including 87,721 fire, police and EMS responses
- The PRCC coordinated dispatch and support for 38 visiting fire, 20 visiting police, and 6 visiting dispatchers who responded to calls in support of the City after the Yarnell Hill Fire tragedy
- Completed a remodel of the Property and Evidence Room, including larger shelving units, a properly vented drug storage room, a larger evidence freezer, and remodeled child interview room
- The Police Department provided class instruction to PHS, Tri-City Prep, local elementary schools, parent groups, ERAU and Prescott College including fire arms safety, medical marijuana, student safety, the effects of illegal drugs, "sexting" and harassment
- In partnership with PUSD and ERAU, Police provided suggestions for school security and safety concerns to assist with a grant for technology, and a grant for school safety, respectively
- The School Resource Officer supervised and improved the department's Youth Role Model Scholarship, leading a donation campaign this year to augment the Kiwanis donation, and enabling the department to award five (5) \$1,000.00 scholarships to Prescott High School seniors who participated and earned the awards (the most funds ever)
- Continued improvements to the wellness/fitness program to ensure firefighter health and safety including implementation of Firestrong Peer Support program
- Purchased and placed in service the mobile live fire multi-trainer system through Assistance to Firefighter Grant
- Fire personnel completed approximately 15,708 hours of training, including Basic and Advanced Life support, Technical Rescue, Hazardous Materials, Aircraft Rescue Fire Fighting (ARFF), Leadership, Fire Suppression, and multiple interagency preparedness drills
- Fire prevention personnel trained 1,533 students in fire and life safety, conducted 1,712 fire inspections, 23 fire investigations, and reviewed 873 new subdivision and building plans
- Wildland personnel completed 178 detailed home assessments, treated 114 homes and 143 acres of open space for defensible space, completed 556 chip jobs, resulting in 372 total acres of treatment within the Prescott Basin

Administrative Process Improvements

- Code Enforcement was transitioned from a reactive to proactive model and relocated to the Police Department, to include a newly created Chief Code Compliance Officer position
- Human Resources (HR) researched and met with vendors to prepare for purchase and implementation of a time and attendance system to assist payroll with reporting and payroll requirements associated with the Affordable Care Act mandates
- HR implemented an additional health insurance option for employees – a High Deductible plan with the option of a Health Savings Account - through Yavapai Combined Trust, and conducted educational sessions during open enrollment
- HR established monthly service with Applicant Pro, an online applicant tracking system, to provide availability of online application completion and notifications
- HR processed approximately 2,300 employment applications and assisted with over 70 managed recruitments
- Information Technology (IT) installed and activated a new 10 gigabit fiber optic back-bone for the main campus, which will reduce network infrastructure management overhead and provide the bandwidth (capacity) necessary for virtualization and high availability projects to move forward and reduce capital and support expenses by reducing complexity
- IT continued toward full implementation of virtualization, with the net result being reduced operational expense through more efficient utilization of processing resources and a reduction in power, cooling, and physical space needed for the City's data centers

City Court and City Clerk

- Implemented a Home Detention and Alcohol Monitoring Program for Justice Court
- Continued utilization of volunteers for Civil Traffic Hearing Officers (five fully trained and active) and City Council Chambers for hearings resulting in positive comments from police officers in terms of professionalism and efficient use of time
- Continued interceptions from 152 defendants' 2012 state tax refunds in 2013 that resulted in \$20,532.14 collected for City Court ordered restitution and fine payment through Arizona Tax Intercept Program
- Implemented an enterprise-wide agenda management and workflow software program to improve processes and online accessibility
- Conducted a Primary and General All-Mail Ballot Election with increased voter turnout for both, 49.9% in the Primary and 53.1% for the General

Fleet and Facility Improvements

- Secured \$4,368 in Arizona Public Service (APS) rebates for lighting retrofits in Fire Department facilities, resulting in a 34% savings on project costs and expected energy reductions of 50%
- Installed 20 interior LED light fixtures in the Granite Street Parking Garage capable of reducing electrical energy utilized by 40%
- Installed 500-gallon waste oil tank at fleet maintenance facility for increased capacity and for use in heating the facility, resulting in a savings on natural gas cost of 50%
- Reconfigured the Parking Garage entrance with new traffic diverters for safer ingress and egress
- Repaired garage door, walls, tin siding, and roof leaks in Barn B, replaced deteriorated asphalt in front of Mackin Building and assisted Prescott Frontier Days in procuring patio viewing deck construction at the Rodeo Grounds
- Maintained an average availability rate of 96% for City fleet of vehicles
- Ratio of scheduled hours available to number of hours billed through the work order system averaged 97%
- Provided preventative maintenance and safety inspections for Groom Creek Fire District with annual revenue of approximately \$15,000 via an IGA

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

DEBT ADMINISTRATION

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Prescott for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 32nd 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, 2013. 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, 2014.

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, 2014. 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 finance department. Each member has our appreciation for the assistance provided in the preparation of this document. We also recognize the efforts of other departments who provided data that helped to make the report more meaningful.

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

Respectfully submitted,

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

Mark Woodfill, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Prescott
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

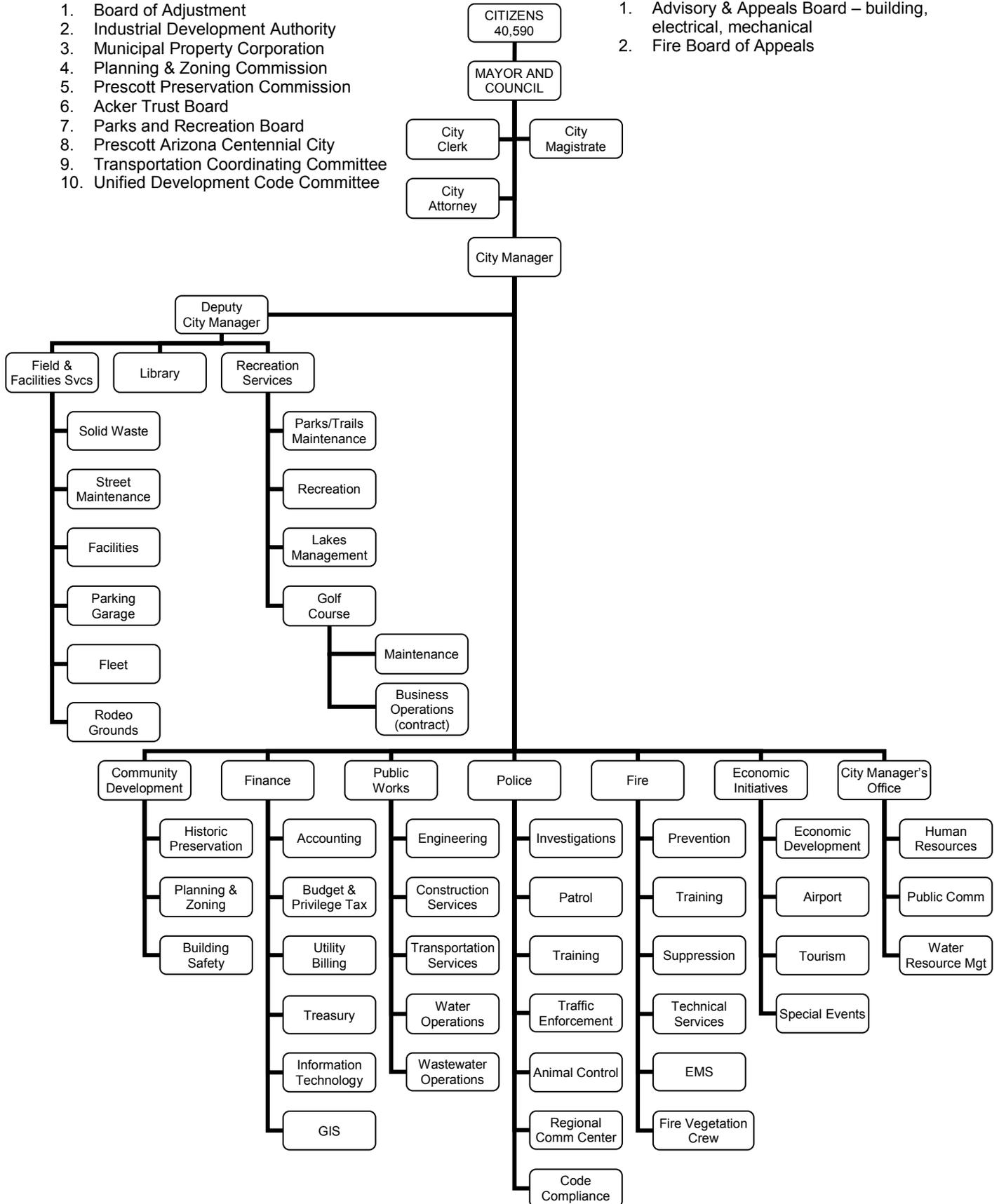
Executive Director/CEO

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. Prescott Arizona Centennial City
9. Transportation Coordinating Committee
10. Unified Development Code Committee

Boards of Appeal

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



CITY OF PRESCOTT, ARIZONA

June 30, 2014

ELECTED OFFICIALS

Marlin Kuykendall, Mayor

Council

Charlie Arnold

Greg Lazzell

Jim Lamerson

Jean Wilcox

Chris Kuknyo

Steve Blair

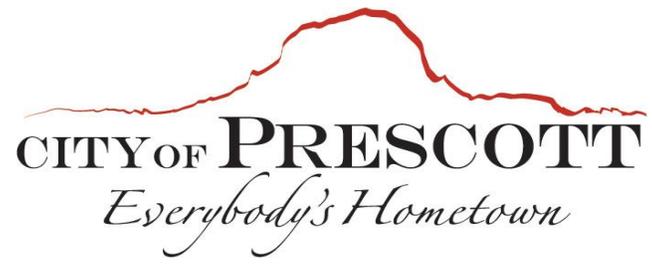
Appointed Officials

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



FINANCIAL SECTION



Independent Auditor's Report

To the City Council
City of 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, 2014, 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 of the City of Prescott, Arizona, as of June 30, 2014, and the respective changes in financial position and, where, applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue fund 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 on pages 12 through 23 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 12, 2014 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.



Phoenix, Arizona
December 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

The assets of the City of Prescott exceeded its liabilities at the close of the most recent fiscal year by \$533.9 million. Of this amount, \$68.6 million may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$5.5 million during the current fiscal year, this increase was due in part to increased revenue from water and wastewater user rates needed to fund capital improvements.

The City's governmental funds reported a combined ending fund balance \$52.4 million, an increase of \$9.7 million from the previous year. Approximately 33.5% of the combined ending fund balance or \$17.6 million, is unassigned and available for spending at the government's discretion. Unassigned fund balance represents approximately 61.5% of the general funds current year expenditures.

The City's long-term debt went up \$19.6 million during the current year related to financing for utility projects.

Overall, City program expenses had an increase of \$6.4 million or 7.8% related primarily to increased spending on road maintenance.

REPORT LAYOUT

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Position at June 30, 2014 and June 30, 2013 follows:

City of Prescott's Net Position

(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 53.0	\$ 43.8	\$ 48.7	\$ 41.8	\$ 101.7	\$ 85.6
Other assets	13.5	15.8	(1.2)	(1.5)	12.3	14.3
Capital assets	270.6	282.9	272.9	250.5	543.5	533.4
Total assets	<u>337.1</u>	<u>342.5</u>	<u>320.4</u>	<u>290.8</u>	<u>657.5</u>	<u>633.3</u>
Long-term liabilities	31.6	35.0	76.1	53.0	107.7	88.0
Other liabilities	6.3	6.2	9.6	10.6	15.9	16.8
Total liabilities	<u>37.9</u>	<u>41.2</u>	<u>85.7</u>	<u>63.6</u>	<u>123.6</u>	<u>104.8</u>
Net Position:						
Net investment in capital assets	241.5	250.6	195.6	196.2	437.1	446.8
Restricted for:						
Streets & Open Space	20.3	15.2	-	-	20.3	15.2
Capital projects	3.9	4.3	-	-	3.9	4.3
Transient occupancy tax	0.3	0.2	-	-	0.3	0.2
Landfill closure	-	-	-	2.1	-	2.1
Debt service	1.3	1.5	2.1	1.3	3.4	2.8
Grants and donations	0.8	0.8	-	-	0.8	0.8
Unrestricted	<u>31.0</u>	<u>28.6</u>	<u>37.0</u>	<u>27.6</u>	<u>68.0</u>	<u>56.2</u>
Total net position	<u>\$ 299.1</u>	<u>\$ 301.2</u>	<u>\$ 234.7</u>	<u>\$ 227.2</u>	<u>\$ 533.8</u>	<u>\$ 528.4</u>

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 \$2.1 million primarily due to increased road maintenance spending and current year depreciation on capital assets.

Business-type Activities

During the current fiscal year the balance of net position increased by \$7.5 million due in part to the increase in water and wastewater user rates to fund needed capital improvements.

There are restrictions on \$26.6 million of net position for governmental activities and an additional \$2.1 million in restricted net position of business-type activities. The restrictions represent legal or contractual obligations on how

the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects, unspent bond proceeds and the repayment of debt. Within the business-type activities are capital projects, bond proceeds and debt service reserves.

STATEMENT OF ACTIVITIES

A summary of the Statement of Activities for the year ended June 30, 2014 and June 30, 2013 follows:

City of Prescott's Changes in Net Position

(in millions)

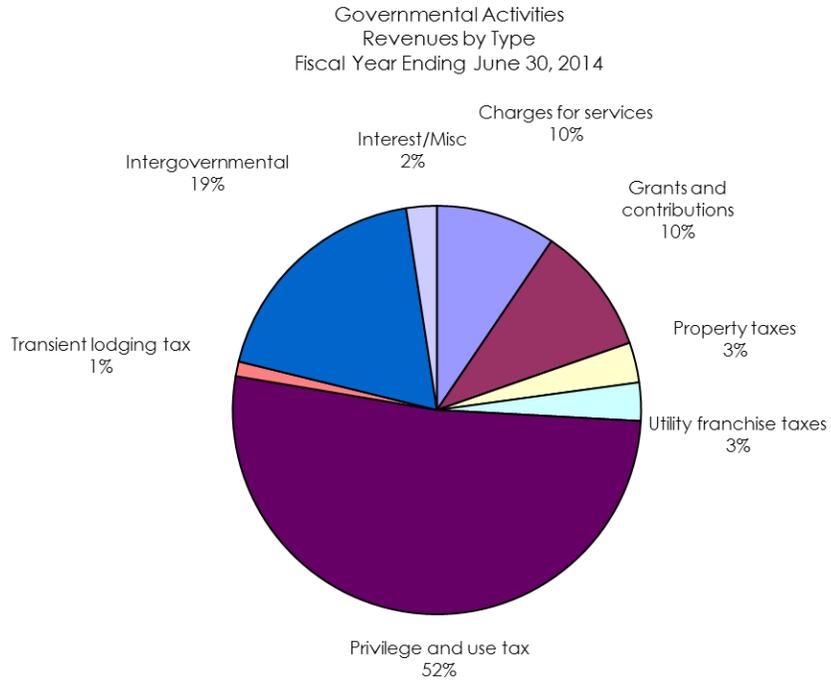
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services and other	\$ 5.1	\$ 4.8	\$ 35.3	\$ 34.5	\$ 40.4	\$ 39.3
Operating grants & contributions	1.9	2.0	-	-	1.9	2.0
Capital grants & contributions	3.6	3.1	3.9	13.8	7.5	16.9
Total program revenues	10.6	9.9	39.2	48.3	49.8	58.2
General revenues						
Taxes	31.7	31.6	-	-	31.7	31.6
Intergovernmental	10.0	9.5	-	-	10.0	9.5
Interest & investment income	0.9	0.4	0.6	0.1	1.5	0.5
Miscellaneous	0.4	0.8	0.6	0.3	1.0	1.1
Total general revenues	43.0	42.3	1.2	.4	44.2	42.7
Total revenues	53.6	52.2	40.4	48.7	94.0	100.9
Expenses						
General government	3.6	3.3	-	-	3.6	3.3
Community services	1.4	1.6	-	-	1.4	1.6
Culture and recreation	6.0	6.3	-	-	6.0	6.3
Police and court	13.7	13.0	-	-	13.7	13.0
Fire	8.5	7.9	-	-	8.5	7.9
Public works	20.7	15.6	-	-	20.7	15.6
Interest on long-term debt	1.5	1.6	-	-	1.5	1.6
Airport	-	-	2.2	2.1	2.2	2.1
Golf course	-	-	3.1	3.1	3.1	3.1
Solid waste/transfer station	-	-	6.5	7.4	6.5	7.4
Wastewater	-	-	9.4	8.2	9.4	8.2
Water	-	-	12.0	11.9	12.0	11.9
Total Expenses	55.4	49.3	33.2	32.7	88.6	82.0
Increase (decrease) before transfers	(1.8)	2.9	7.2	16.0	5.4	18.9
transfers	(0.4)	5.3	0.4	(5.3)	-	-
Change in net position	(2.2)	8.2	7.6	10.7	5.4	18.9
Beginning net position	301.3	293.1	227.2	216.5	528.5	509.6
Ending net position	\$ 299.1	\$ 301.3	\$ 234.8	\$ 227.2	\$ 533.9	\$ 528.5

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

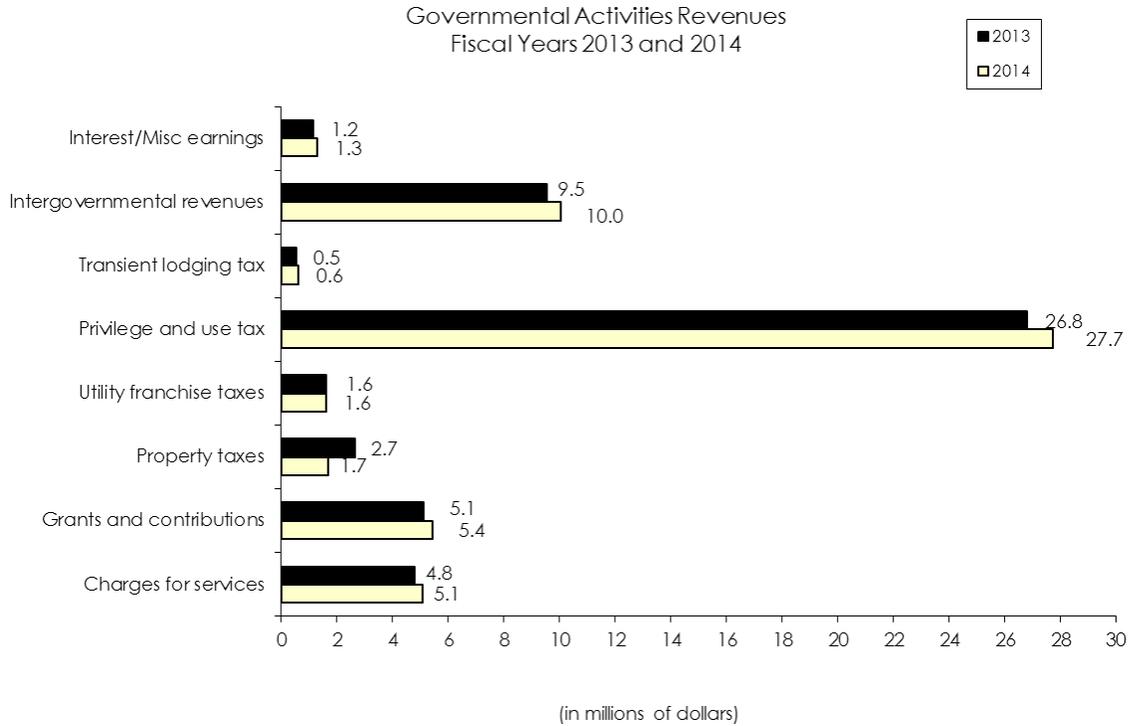
Governmental Activities

The cost of all governmental activities this year was \$55.4 million. Approximately \$5.1 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$5.5 million was subsidized by grants received from other governmental organizations or developers for both capital and operating activities, \$31.7 million was financed through general City taxes, \$11.3 million was financed through other governmental revenues, and \$1.8 million was financed through net position from prior years.

The following shows the breakdown of governmental activities revenue.



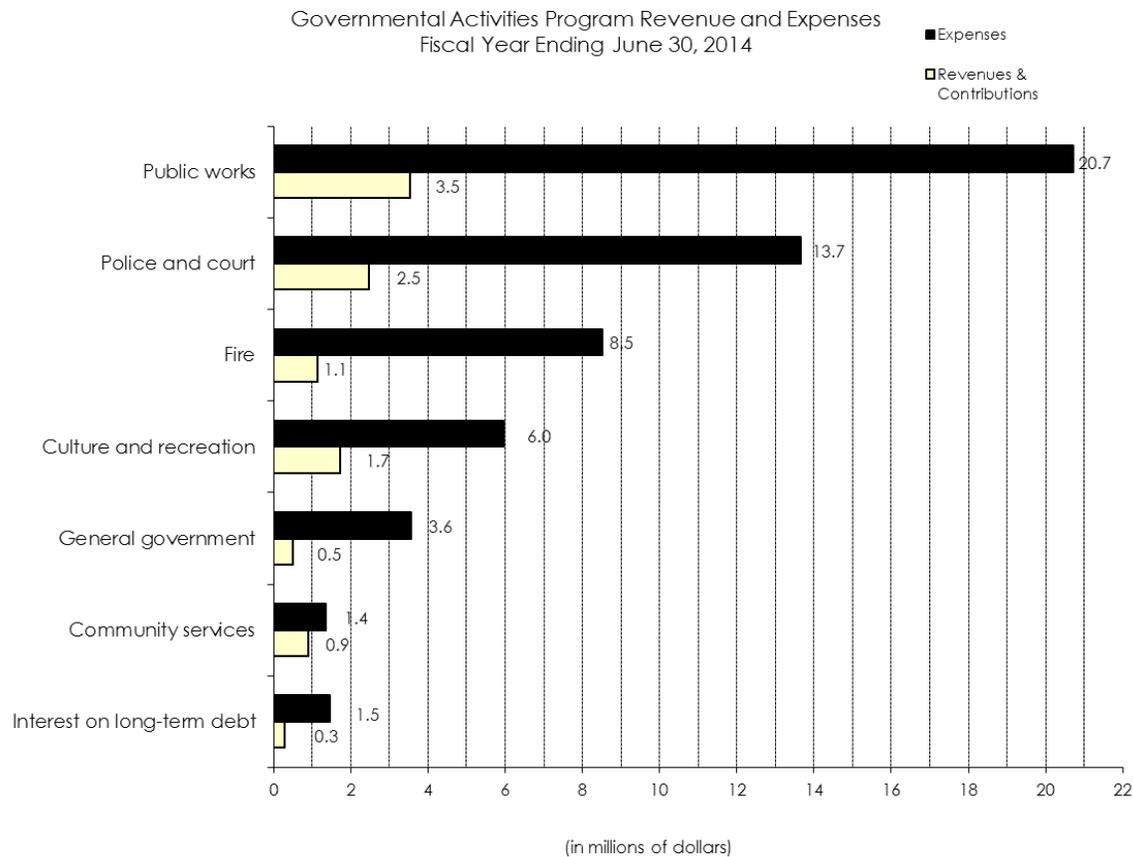
The graph below compares the governmental revenues from fiscal year 2014 to fiscal year 2013.



Total governmental activities revenues increased by \$1.3 million or 2.5% from the previous year. Key factors in this change include:

- Capital grants and contribution went up \$0.5 million or 16% due to increase grants.
- Intergovernmental revenues were up \$0.5 million or 5.3% due to increased state shared revenues from state wide increasing economic activity.
- Privilege and use tax increased by \$0.9 million or 3.4% due to increase retail activity in the City.

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



Governmental program expenses increased to \$55.2 million as compared to the prior year at \$49.4 million primarily from increased maintenance and repair expenses in public works compared to capital expenditures in the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52.4 million, an increase of \$9.7 million in comparison to the combined ending fund balances for the previous fiscal year.

Approximately \$17.6 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 \$56.2 million in the current fiscal year, an increase of 4.3% over the previous year total of \$53.9 million. In the current fiscal year, expenditures for

governmental functions totaled \$46.2 million, a decrease of 11.5% (\$6 million) under the previous fiscal year total of \$52.2 million.

Revenues for governmental functions exceeded expenditures by \$10.0 million or 21.7% in the current fiscal year. In the previous fiscal year, governmental functions revenues exceeded expenditures by approximately \$1.7 million or 3.3%. The increase in the current fiscal year reflects the improving economic conditions, one time revenues from the sale of property and reduced capital spending.

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 \$17.6 million, while the total fund balance was \$25.8 million. The unreserved and total balances for the General Fund at the end of the previous fiscal year were \$13.5 million and \$20.6 million, respectively. The city also has \$0 of its fund balance as assigned, \$1.9 million as committed, \$6.2 million as nonspendable, and \$0 as restricted.

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

- Taxes increased by \$0.8 million or 5.2% from the previous year mainly from improvement in the local economy provided an increase in privilege (sales) tax collections.
- Intergovernmental revenues increased by \$0.6 million or 4.8% from the previous year from improvement in the statewide economy.
- Miscellaneous revenues increased by \$0.9 million related to the sale of the land adjacent to the Gateway Mall this was an unbudgeted item which caused a \$2.0 million budget variance in miscellaneous revenue.
- Contingent expenditures in the current general government area did not happen during the fiscal year which resulted in a \$1.3 million budget variance.
- Significant turnover in personnel and postponement of projects resulted in a \$1.0 million budget variance in the police and court current expenditures.

Unassigned fund balance of \$17.6 million represents 61.5% percent of the total General Fund expenditures of \$28.6 million in the current fiscal year. In the previous fiscal year, the unassigned fund balance of \$13.5 million represented 48% percent of the total General Fund expenditures of \$28.2 million.

Overall, the General Fund's performance resulted in revenue over expenditures in the fiscal year of \$5.7 million. In the prior year, revenues exceeded expenditures by \$3.5 million. This was a result of improved local economy and the sale of land adjacent to the Gateway Mall.

The Streets and Open Space fund revenues exceeded expenditures by \$5.0 million during the year. In the prior year, expenditures exceeded revenues by \$2.0 million. This was the result of lower capital spending in the current year.

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

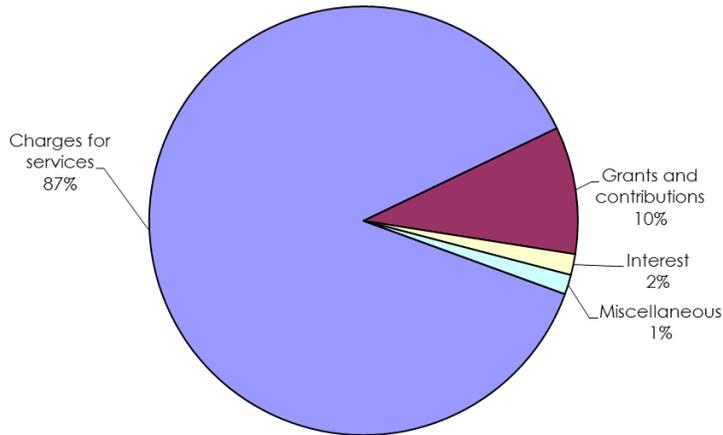
Business-type Activities

The cost of providing all business-type activities this year was \$33.2 million. Of this cost, \$35.3 million was paid by users, \$3.9 million was subsidized by contributions and grants received from other governmental organizations and developers for capital activities. Miscellaneous and investment earnings of \$1.2 million and a transfer in of \$0.4 million resulted in an overall increase in net position of \$7.6 million.

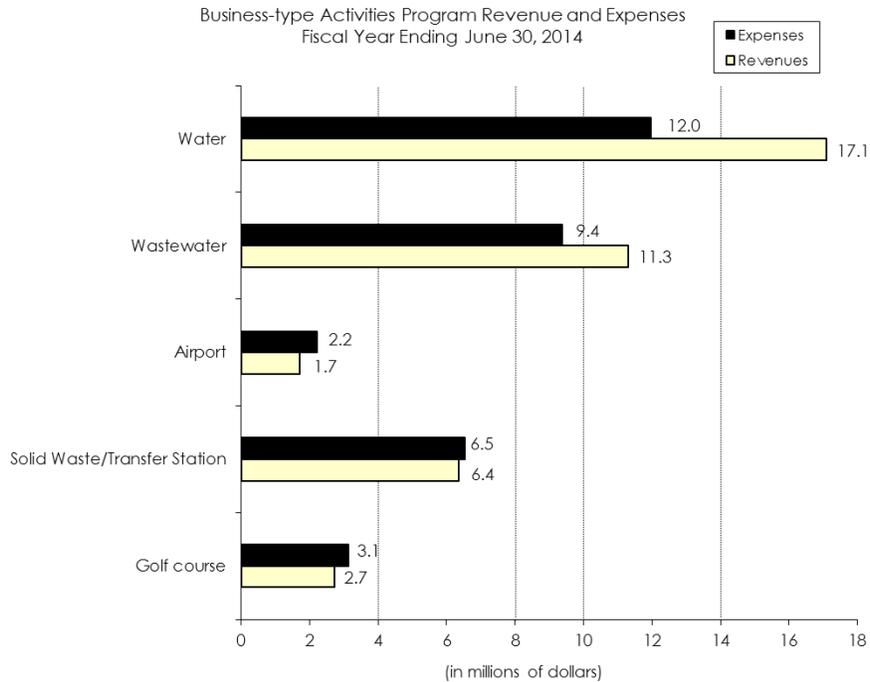
Business-type activities revenue decreased by \$8.2 million compared to the previous year due to decreased grant revenues for the current fiscal year compared to the previous fiscal year.

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

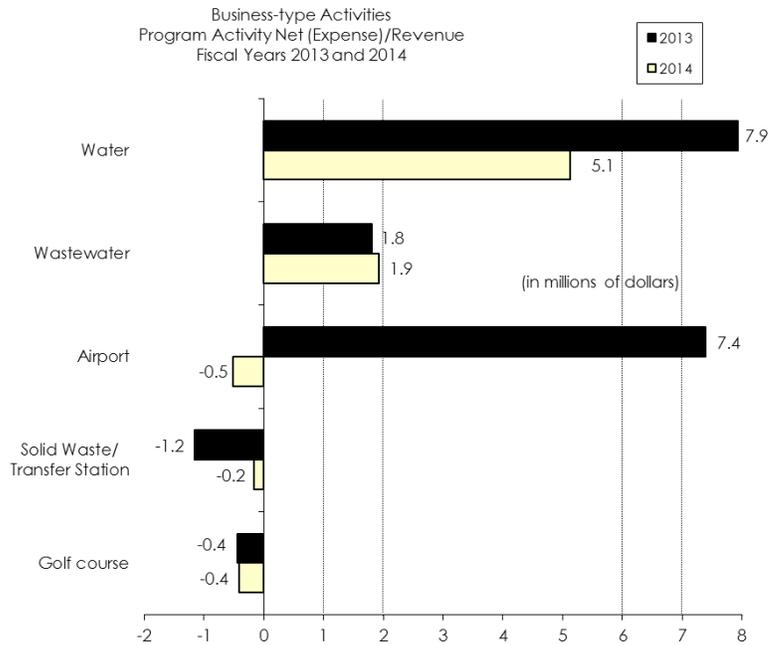
Business-type Activities Revenues by Type
Fiscal Year Ending June 30, 2014



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 year 2014 and 2013.



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 \$4.5 million to accumulate resources for needed capital improvements.
- There were significant capital and grant contributions in the Airport, Wastewater and Water funds of \$3.9 million.
- The solid waste fund had a significant operating expense in Fiscal Year 2013 related to the maintenance of a closed landfill.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014 the City had invested \$543.4 million in capital assets net of accumulated depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$10.1 million.

The following table reconciles the changes in capital assets.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Beginning Balance	\$ 282.9	\$ 279.9	\$ 250.5	\$ 226.3	\$ 533.4	\$ 506.2
Transfers	-	6.3	-	(6.3)	-	-
Increases	4.4	12.8	29.5	36.8	33.9	49.6
Decreases	(2.1)	(2.9)	-	(0.6)	(2.1)	(3.5)
Depreciation	(14.6)	(13.2)	(7.1)	(5.7)	(21.7)	(18.9)
Ending Balance	<u>\$ 270.6</u>	<u>\$ 282.9</u>	<u>\$ 272.9</u>	<u>\$ 250.5</u>	<u>\$ 543.5</u>	<u>\$ 533.4</u>

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

Debt Administration

As of year-end, the City had \$114.8 million in long-term debt outstanding compared to \$95.5 million last year.

	Outstanding Long-Term Debt at Year End					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 0.5	\$ 0.7	\$ -	\$ -	\$ 0.5	\$ 0.7
Municipal Property Corporation	26.5	27.8	11.5	11.9	38.0	39.7
Special Assessments	-	0.7	-	-	-	0.7
Community Facilities District	2.4	3.0	-	-	2.4	3.0
Loans WIFA	-	-	65.7	42.3	65.7	42.3
Lease Purchase	-	-	-	0.2	-	0.2
Claims Payable	1.3	1.8	-	-	1.3	1.8
Landfill post-closure costs	-	-	2.0	2.1	2.0	2.1
Compensated absences	3.9	4.1	1.0	0.9	4.9	5.0
Total	<u>\$ 34.6</u>	<u>\$ 38.1</u>	<u>\$ 80.2</u>	<u>\$ 57.4</u>	<u>\$ 114.8</u>	<u>\$ 95.5</u>

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 "Aa3" by Moody's Investor Services (Moody's), "AA-" by Standard & Poor's Ratings Services (S&P) and "AA" by Fitch Ratings (Fitch).

The City's excise tax bonds are rated by Moody's, S&P and Fitch who have assigned the underlying ratings of "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, 2014, the City is well within its debt limits, having \$101.5 million in borrowing capacity in the 20% category, and \$30.6 million in borrowing capacity in the 6% category. The City also has a \$1.4 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2014.

ECONOMIC FACTORS

Many financial issues are being faced by the City of Prescott in Fiscal Year 2015. The economic downturn that is being felt in many communities has affected many revenue sources that contribute to the operations of the City of Prescott. The impact of these revenues is reflected below.

The City's share of the State Income Tax is up 8.5% over Fiscal Year 2014 estimated endings. State Income Tax is based on tax collections that were received by the State of Arizona two years ago. This significant increase reflects the beginning of the slow recovery in the economic climate. This, along with a 4.6% increase projected in the City's share of the State Sales Tax and a 5.5% higher State Vehicle License Tax contribution, will affect how the City will maintain basic service levels in the general fund service areas.

Sales tax revenues are estimated to increase 0.70% in Fiscal Year 2015 when compared to Fiscal Year 2014 revised estimates. The Prescott economy has been showing signs of recovery in fiscal 2014. Housing inventory has been dropping and values have shown some signs of stabilizing. Permits for single-family homes increased in Fiscal Year 14 compared with 2013. New commercial permits are also up, the value of those permits increased over 2013 and 2014.

Our property tax revenue is \$1,645,938 (Primary \$1,570,938, Secondary \$75,000). Prescott's net assessed value for 2014 of \$522,426,906 represents 23.6% of Yavapai County's net assessed values.

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

NEXT YEAR'S BUDGETS AND RATES

The Fiscal Year 2015 Budget was formulated based on feedback from Mayor and Council through its goals, policies, and guidelines, input from various advisory committees, 2003 General Plan, community input (from individuals, neighborhood groups and service clubs), downtown groups, as well as corridor and area plans.

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

Stronger Local Economy and Expanded Tax Base

- More quality jobs with family wages
- More diverse economy which is less retail dependent
- Develop our airport as an “economic engine”
- Continue as the regional retail center
- Make land available for developing business/commercial sites

Better Mobility through Improved Roads and Transportation System

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

Managed Growth for a Balanced Community

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

Polished City – Beautiful and Clean

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

First Class Utility System

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

Alive Downtown

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

The fiscal year 2015 budget consists of two different components – the operating budget and the capital budget. The operating budget is \$79,534,495 representing a 4.2% increase from previous fiscal year. The operating budget is comprised of the costs to continue operations from year to year without any capital expenditures. It encompasses all the basic services provided to Prescott’s residents: police and fire protection, parks and recreation, library services, water, wastewater, solid waste collection including recycling, streets maintenance, planning and zoning, building inspection, economic development, and administrative services. The operating budget has been prepared without an increase in taxes.

The second component, the capital budget, is set at \$90,677,744 a 5.7% increase from previous fiscal year. It includes projects and new programs that are included in the five-year plan and considered affordable within current revenue sources or planned debt issuance. Capital budgets tend to rise and fall each year depending on the timing of projects – especially if a city, such as Prescott, is primarily on a “pay-as-you-go” program.

With a few modifications, the capital investments included in the fiscal year 2015 budget are part of the Five-year Capital Improvement Plan adopted during the budget process.

Water Fund

The major funding allocation in the Water Fund is \$3,178,890 for the design and construction of Corridor Water Infrastructure along State Route 69.

Other notable projects in the Water Fund include:

- \$2,652,000 for Small Water Main Replacements.
- \$2,600,000 for an A/P Well #4.
- \$2,500,000 for a New Zone 101 Pump Station.

Each year the City plans several ongoing capital projects such as replacement of undersized water service lines, the small reservoir maintenance program, meter replacement program, or fire hydrant upgrades along with miscellaneous equipment replacements. For Fiscal Year 2014-2015, the Water Fund has \$30.5 million budgeted for capital improvements.

Wastewater Fund

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

- Airport Phase 1 (\$6,652,180) is part of a multi-phased construction project for new improvements to upgrade the Airport Wastewater Treatment Plant to 3.75MG capacity.

Other notable projects include; Sundog Trunk Main Design and Construction project which is budgeted at \$2,670,286, and Fluoride Reduction which is budgeted at \$1,550,000. Like the Water Department, the Wastewater Department each year plans several ongoing capital projects such as recharge cell cleaning at the Wastewater Treatment Plant, lift station rehabilitation, manhole rehabilitation, etc. Equipment purchases are minimal in this fund with \$350,000 being budgeted for vehicle/equipment replacements.

Solid Waste/Transfer Station Fund

Several capital expenditures are planned in this fund for Fiscal Year 2014-2015. Replacement vehicles were budgeted at \$660,000. The most notable project is the Landfill Cap Repair project which is budgeted at \$1 million. This project will utilize the previously collected landfill closure surcharge in order to repair the landfill cap. Other projects that are necessary to maintain operations at the transfer station are; Transfer Station Floor Repairs at \$250,000, Paving at Sundog Ranch Rd. at \$228,270, and a Stand Alone Weigh Scale for \$150,000.

Airport Fund

Infrastructure projects totaling \$3.5 million are grant funded for Fiscal Year 2014-2015 with the City's share of these grants being \$245,000. In addition to the grant projects, the airport has budgeted for \$474,000 in various airport upgrades to continue to maintain the usability and appearance of its facilities.

This year, the cost of three fire engineers, required to be stationed at the airport to man the ARFF truck, have been allocated to the airport. In previous years, the Fire Department covered the cost of these employees.

Golf Course

There are no capital items budgeted in the Golf Course Fund in Fiscal Year 2014-2015. Additionally, changes in the overall operation occurred when the City contracted with Billy Casper Golf to run the restaurant, the courses, and the pro shop.

Streets and Open Space Fund

Street maintenance operations continue to be funded at a level of \$7.6 million. Maintenance operations include snow removal, striping (in-house and contractual), signage, signal maintenance, installation of new street lights including maintenance through Arizona Public Service, drainage improvements, trash and weed removal, crack sealing, pothole patching, unpaved road grading, and electricity for the street light system and traffic signals.

Included in the Fiscal Year 2014-2015 budget is \$1,000,000 for potential open space purchases, specifically Council has considered purchasing the Wirth Property. Also included is \$385,000 to obtain land from the Prescott National Forest at Goldwater Lake, and \$100,000 to obtain right-of-way for the Glassford Hill Summit Trail. Also in this fund is just over \$28 million in street projects; the largest of which is the Willow Creek Road Realignment project with \$6 million budgeted. Other large projects include; the Park Avenue Reconstruction project with a \$3.6 million budget, SR89 and Side Road Connector Roundabout project with a \$3 million budget. Another notable project is the Pavement Maintenance and Rehabilitation Program budget at \$7,418,732.

General Fund

These are the departments/division providing basic services (administration, city court, legal department, parks programs and maintenance, library services, building inspection, planning and zoning, code enforcement, economic development, police, fire, finance, etc.). All have been funded to provide quality service at the levels currently offered to Prescott residents. The biggest changes in this fund include separating Regional Communications out of the Police Budget.

Notable capital outlay in the General Fund for Fiscal Year 2014-2015 includes: The remodel at 215 N McCormick for the Fire Administration offices in the amount of \$437,277, Cardiac Heart (ECG) Monitors in the amount of \$300,000, a replacement Hazmat Vehicle in the amount of \$300,000 with Yavapai County funding \$300,000 as well, a Time and Attendance Software in the amount of \$210,000 and the planned pavement preservation project in the parking lot at Roughrider Park in the amount of \$80,000.

FUTURE ISSUES

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 overcome in their entirety by turnarounds in the national and state economies:

- Census-driven impacts to revenues collected and shared by the State
- Adequacy of funding sources to support both public safety and quality of life services
 - Dependence on local sales tax, and property tax constraints
 - Reduction and elimination of grants providing important supplemental funding of public safety programs
- New state laws that seek to "reform" transaction privilege tax further restrict revenue generation opportunities, and reduce available tax dollars for services
 - State collection of local sales tax beginning January 1, 2016, will delay receipt of revenue to the City, impact the ability to locally assure tax compliance and gain information about the state of the local economy
 - Legislation reduced construction sales tax by changing the point of taxation
 - The combined impacts of state collection and construction sales tax changes are projected to cause a \$300,000 annual loss to each of the General Fund and Streets and Open Space Fund
 - Legislative changes to the taxation of certain residential rentals, effective in Fiscal Year 14, have reduced tax revenue in this category to the City by approximately \$100,000 annually
- Local economic development and competition
- Shifting of financial costs from the State to municipalities
- Increases in employee insurance and retirement costs
- Increases in utility and fuel costs
- Compliance with more extensive, costly federal and state regulations
- Funding deferred replacement of vehicles and equipment, adequate maintenance of facilities, and personnel training

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

FINANCIAL CONTACT

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

City of Prescott
Finance Department
201 South Cortez
Prescott, Arizona 86303
928.777.1236
Or visit our website at: www.prescott-az.gov

BASIC FINANCIAL STATEMENTS

CITY OF PRESCOTT, ARIZONA

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 51,065,508	\$ 45,587,820	\$ 96,653,328
Receivables (net)	7,026,166	4,573,135	11,599,301
Internal balances	6,190,871	(6,190,871)	-
Inventories	297,008	383,907	680,915
Prepaid expense	27,500	-	27,500
Restricted cash and investments	1,900,427	3,143,766	5,044,193
Capital assets			
Land	71,909,371	30,194,876	102,104,247
Construction in progress	2,685,646	55,330,903	58,016,549
Other capital assets (net of accumulated depreciation)	195,993,594	187,327,831	383,321,425
Total assets	<u>337,096,091</u>	<u>320,351,367</u>	<u>657,447,458</u>
LIABILITIES			
Accounts payable	1,896,965	3,792,791	5,689,756
Accrued expenses	1,222,936	1,155,248	2,378,184
Deposits	56,412	437,719	494,131
Advanced revenues	108,000	60,409	168,409
Bonds and other debt due within one year	3,042,578	4,143,505	7,186,083
Bonds and other debt - long term	31,591,411	76,086,376	107,677,787
Total liabilities	<u>37,918,302</u>	<u>85,676,048</u>	<u>123,594,350</u>
NET POSITION			
Net investment in capital assets	241,519,430	195,599,396	437,118,826
Restricted for:			
Streets and open space privilege tax activities	20,257,048	-	20,257,048
Capital projects	3,895,013	-	3,895,013
Transient occupancy tax	319,216	-	319,216
Debt service	1,344,293	2,119,266	3,463,559
Grants and donations	813,796	-	813,796
Unrestricted	31,028,993	36,956,657	67,985,650
Total net position	<u>\$ 299,177,789</u>	<u>\$ 234,675,319</u>	<u>\$ 533,853,108</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, 2014

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	
Primary Government							
Governmental activities:							
General government	\$ 3,556,422	\$ 385,950	\$ 108,065	\$ -	\$ (3,062,407)	\$ -	\$ (3,062,407)
Community services	1,366,383	795,668	99,393	5,875	(465,447)	-	(465,447)
Culture and recreation	5,957,646	1,254,957	20,111	450,000	(4,232,578)	-	(4,232,578)
Police and court	13,652,419	1,808,570	604,406	46,924	(11,192,519)	-	(11,192,519)
Fire	8,515,633	491,900	459,409	177,900	(7,386,424)	-	(7,386,424)
Public works	20,720,875	340,834	314,195	2,880,937	(17,184,909)	-	(17,184,909)
Interest on long-term debt	1,469,883	-	275,825	-	(1,194,058)	-	(1,194,058)
Total governmental	55,239,261	5,077,879	1,881,404	3,561,636	(44,718,342)	-	(44,718,342)
Business-type activities:							
Airport	2,227,768	1,369,868	-	339,914	-	(517,986)	(517,986)
Golf course	3,139,242	2,723,743	-	-	-	(415,499)	(415,499)
Solid waste/transfer station	6,524,765	6,361,379	-	-	-	(163,386)	(163,386)
Wastewater	9,387,267	10,608,168	-	699,949	-	1,920,850	1,920,850
Water	11,967,526	14,248,524	-	2,842,259	-	5,123,257	5,123,257
Total business-type activities	33,246,568	35,311,682	-	3,882,122	-	5,947,236	5,947,236
Total primary government	\$ 88,485,829	\$ 40,389,561	\$ 1,881,404	\$ 7,443,758	(44,718,342)	5,947,236	(38,771,106)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,516,097	-	1,516,097
Property taxes, levied for debt service					182,477	-	182,477
Utility franchise taxes					1,621,289	-	1,621,289
City privilege and use tax, general purposes					14,102,837	-	14,102,837
City privilege tax, major street and open space program					13,613,846	-	13,613,846
Transient lodging tax					620,722	-	620,722
Intergovernmental revenues - unrestricted					10,039,455	-	10,039,455
Interest and investment income					902,171	639,606	1,541,777
Miscellaneous					393,379	599,186	992,565
Transfers					(365,117)	365,117	-
Total general revenues and transfers					42,627,156	1,603,909	44,231,065
Change in net position					(2,091,186)	7,551,145	5,459,959
Net position - beginning					301,268,975	227,124,174	528,393,149
Net position - ending					\$ 299,177,789	\$ 234,675,319	\$ 533,853,108

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



FUND FINANCIAL STATEMENTS

Major Governmental Funds

GENERAL FUND

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

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

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

SPECIAL REVENUE FUNDS

Streets and Open Space

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

CITY OF PRESCOTT, ARIZONA

Balance Sheet

Governmental Funds

June 30, 2014

	Major Funds			Total Governmental Funds
	General	Streets and Open Space	Nonmajor Governmental Funds	
ASSETS				
Cash and short-term investments	\$ 18,748,978	\$ 19,954,099	\$ 5,873,882	\$ 44,576,959
Restricted cash and investments	-	-	\$ 419,433	419,433
Accounts receivable (net)	2,159,255	1,388,569	77,120	3,624,944
Property taxes receivable	51,636	-	13,742	65,378
Special assessments receivable	-	-	2,400,800	2,400,800
Interfund receivables	6,231,261	-	-	6,231,261
Interest receivable	41,235	-	-	41,235
Intergovernmental receivable	389,078	270,232	234,499	893,809
Total assets	<u>\$ 27,621,443</u>	<u>\$ 21,612,900</u>	<u>\$ 9,019,476</u>	<u>\$ 58,253,819</u>
LIABILITIES				
Accounts payable	\$ 509,201	\$ 1,196,821	\$ 70,755	\$ 1,776,777
Accrued expenditures	1,062,555	59,370	24,990	1,146,915
Interfund payable	-	-	40,390	40,390
Deposits returnable	56,412	-	-	56,412
Advanced revenue	108,000	-	-	108,000
Total liabilities	<u>1,736,168</u>	<u>1,256,191</u>	<u>136,135</u>	<u>3,128,494</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	123,882	99,661	2,511,023	2,734,566
Total deferred inflows of resources	<u>123,882</u>	<u>99,661</u>	<u>2,511,023</u>	<u>2,734,566</u>
FUND BALANCES				
Nonspendable	6,248,852	-	-	6,248,852
Restricted	-	20,257,048	6,372,318	26,629,366
Committed	1,905,811	-	-	1,905,811
Unassigned	17,606,730	-	-	17,606,730
Total fund balances	<u>25,761,393</u>	<u>20,257,048</u>	<u>6,372,318</u>	<u>52,390,759</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,621,443</u>	<u>\$ 21,612,900</u>	<u>\$ 9,019,476</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	425,047,960
Less: accumulated depreciation:	(161,901,546)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Deferred grant revenue	\$ 93,907
Deferred special assessment revenue	2,400,800
Deferred property tax revenue	34,449
Deferred privilege tax revenue	205,410
	<u>2,734,566</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and leases payable	(25,708,896)
Compensated absences	(3,560,190)
	<u>(29,269,086)</u>
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.	10,175,136
Net position of governmental activities	<u>\$ 299,177,789</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014.

	<u>Major Funds</u>			<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u>	<u>Streets and</u> <u>Open Space</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	
Revenues				
Taxes	\$ 17,181,848	\$ 13,558,806	\$ 825,522	\$ 31,566,176
Intergovernmental revenues	12,081,962	3,168,233	1,441,147	16,691,342
Licenses and permits	603,339	-	566,042	1,169,381
Fines and forfeitures	584,260	-	-	584,260
Gifts and donations	-	-	114,493	114,493
Charges for services	1,026,158	233,585	-	1,259,743
Interest and investment income	360,033	234,180	307,958	902,171
Miscellaneous	2,401,129	308,896	1,203,102	3,913,127
Total revenues	<u>34,238,729</u>	<u>17,503,700</u>	<u>4,458,264</u>	<u>56,200,693</u>
Expenditures				
Current operating				
General government	1,707,245	-	594,154	2,301,399
Community services	1,215,171	-	105,524	1,320,695
Culture and recreation	4,897,495	-	108,856	5,006,351
Police and court	12,610,260	-	609,226	13,219,486
Fire	7,881,764	-	566,971	8,448,735
Public works	-	8,971,190	-	8,971,190
Capital outlay				
General government	61,486	-	-	61,486
Culture and recreation	6,202	16,738	971,213	994,153
Police and court	165,661	-	79,021	244,682
Fire	20,186	-	221,610	241,796
Public works	-	1,259,489	33,263	1,292,752
Debt service - principal	13,743	1,086,000	1,485,044	2,584,787
Debt service - interest	94	1,184,960	284,829	1,469,883
Total expenditures	<u>28,579,307</u>	<u>12,518,377</u>	<u>5,059,711</u>	<u>46,157,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,659,422</u>	<u>4,985,323</u>	<u>(601,447)</u>	<u>10,043,298</u>
Other Financing Sources (Uses)				
Transfers in	20,000	58,883	176,887	255,770
Transfers out	(542,004)	-	(78,883)	(620,887)
Total other financing sources (uses)	<u>(522,004)</u>	<u>58,883</u>	<u>98,004</u>	<u>(365,117)</u>
Net change in fund balances	5,137,418	5,044,206	(503,443)	9,678,181
Fund balance - beginning	20,623,975	15,212,842	6,875,761	42,712,578
Fund balance - ending	<u>\$ 25,761,393</u>	<u>\$ 20,257,048</u>	<u>\$ 6,372,318</u>	<u>\$ 52,390,759</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, 2014

Net change in fund balances - total governmental funds \$ 9,678,181

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

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

Expenditures for capital assets	\$ 2,783,594	
Less: current year depreciation	<u>13,912,381</u>	(11,128,787)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (1,571,754)

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

Property taxes	(18,399)	
Assessments receivable	(1,176,937)	
Privilege tax receivable	109,491	
Grant Revenues	<u>(29,902)</u>	(1,115,747)

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. 2,584,788

The net revenues of certain activities of internal service funds is reported with governmental activities. (568,032)

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. 30,165

Change in net position of governmental activities \$ (2,091,186)

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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
	Original	Final	Budget Basis	Positive (Negative)
Revenues				
Taxes	\$ 16,697,444	\$ 16,697,444	\$ 17,181,848	\$ 484,404
Intergovernmental revenues	12,126,171	12,126,171	12,081,962	(44,209)
Licenses and permits	442,800	442,800	603,339	160,539
Fines and forfeitures	558,850	558,850	584,260	25,410
Charges for services	770,161	770,161	1,026,158	255,997
Interest and investment income	133,250	133,250	360,033	226,783
Miscellaneous	423,708	423,708	2,401,129	1,977,421
Total revenues	<u>31,152,384</u>	<u>31,152,384</u>	<u>34,238,729</u>	<u>3,086,345</u>
Expenditures				
Current				
General government	2,967,851	2,987,851	1,707,245	1,280,606
Community services	1,308,807	1,308,807	1,215,171	93,636
Culture and recreation	5,367,545	5,367,545	4,897,495	470,050
Police and court	13,635,687	13,635,687	12,610,260	1,025,427
Fire	8,182,402	8,182,402	7,881,764	300,638
Total expenditures	<u>31,462,292</u>	<u>31,482,292</u>	<u>28,311,935</u>	<u>3,170,357</u>
Capital outlay				
General government	85,000	85,000	61,486	23,514
Culture and recreation	-	-	6,202	(6,202)
Police and court	141,183	141,183	165,661	(24,478)
Fire	94,435	94,435	20,186	74,249
Total capital outlay	<u>320,618</u>	<u>320,618</u>	<u>253,535</u>	<u>67,083</u>
Debt service				
Principal	13,744	13,744	13,743	1
Interest	94	94	94	-
Total debt service	<u>13,838</u>	<u>13,838</u>	<u>13,837</u>	<u>1</u>
Total expenditures	<u>31,796,748</u>	<u>31,816,748</u>	<u>28,579,307</u>	<u>3,237,441</u>
Excess of revenues over expenditures	<u>(644,364)</u>	<u>(664,364)</u>	<u>5,659,422</u>	<u>6,323,786</u>
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	20,000	-
Transfers out	(766,883)	(766,883)	(542,004)	224,879
Total other financing sources and uses	<u>(746,883)</u>	<u>(746,883)</u>	<u>(522,004)</u>	<u>224,879</u>
Net change in fund balances	<u>(1,391,247)</u>	<u>(1,411,247)</u>	<u>5,137,418</u>	<u>6,548,665</u>
Fund balance - beginning	20,623,975	20,623,975	20,623,975	-
Fund balance - ending	<u>\$ 19,232,728</u>	<u>\$ 19,212,728</u>	<u>\$ 25,761,393</u>	<u>\$ 6,548,665</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Streets and Open Space Fund
For the year ended June 30, 2014

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 13,153,000	\$ 13,153,000	\$ 13,558,806	\$ 405,806
Intergovernmental revenues	4,708,004	4,708,004	3,168,233	(1,539,771)
Charges for services	237,389	237,389	233,585	(3,804)
Interest and investment income	100,000	100,000	234,180	134,180
Miscellaneous	318,812	318,812	308,896	(9,916)
Total revenues	<u>18,517,205</u>	<u>18,517,205</u>	<u>17,503,700</u>	<u>(1,013,505)</u>
Expenditures				
Current				
Public works	11,081,122	11,081,122	8,971,190	2,109,932
Total current	<u>11,081,122</u>	<u>11,081,122</u>	<u>8,971,190</u>	<u>2,109,932</u>
Capital outlay				
Culture and recreation	500,000	500,000	16,738	483,262
Public works	10,649,215	10,649,215	1,259,489	9,389,726
Total capital outlay	<u>11,149,215</u>	<u>11,149,215</u>	<u>1,276,227</u>	<u>9,872,988</u>
Debt service				
Principal	1,086,000	1,086,000	1,086,000	-
Interest	1,181,091	1,181,091	1,184,960	(3,869)
Total debt service	<u>2,267,091</u>	<u>2,267,091</u>	<u>2,270,960</u>	<u>(3,869)</u>
Total expenditures	<u>24,497,428</u>	<u>24,497,428</u>	<u>12,518,377</u>	<u>11,979,051</u>
Excess (deficiency) of revenues over expenditures	<u>(5,980,223)</u>	<u>(5,980,223)</u>	<u>4,985,323</u>	<u>10,965,546</u>
Other Financing Sources (Uses)				
Transfers in	58,883	58,883	58,883	-
Total other financing sources and uses	<u>58,883</u>	<u>58,883</u>	<u>58,883</u>	<u>-</u>
Net change in fund balances	<u>(5,921,340)</u>	<u>(5,921,340)</u>	<u>5,044,206</u>	<u>10,965,546</u>
Fund balance - beginning	15,212,842	15,212,842	15,212,842	-
Fund balance - ending	<u>\$ 9,291,502</u>	<u>\$ 9,291,502</u>	<u>\$ 20,257,048</u>	<u>\$ 10,965,546</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, 2014

	Business-type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Totals	
	Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds		
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 35,886,960	\$ 3,378,332	\$ -	\$ 6,322,528	\$ -	\$ 45,587,820	\$ 6,488,549
Accounts receivable (net)	2,056,443	974,067	118,134	268,345	58,047	3,475,036	-
Grant receivable	-	-	1,098,099	-	-	1,098,099	-
Inventory at cost	340,121	-	-	-	43,786	383,907	297,008
Prepaid Expense	-	-	-	-	-	-	27,500
Total current assets	<u>38,283,524</u>	<u>4,352,399</u>	<u>1,216,233</u>	<u>6,590,873</u>	<u>101,833</u>	<u>50,544,862</u>	<u>6,813,057</u>
Noncurrent Assets							
Restricted cash and cash equivalents							
Restricted cash	191,379	1,932,532	-	1,019,855	-	3,143,766	1,480,994
Total restricted assets	<u>191,379</u>	<u>1,932,532</u>	<u>-</u>	<u>1,019,855</u>	<u>-</u>	<u>3,143,766</u>	<u>1,480,994</u>
Capital assets							
Land	25,954,961	1,020,242	1,143,261	112,858	1,963,554	30,194,876	13,191
Construction in process	15,080,534	40,028,102	222,267	-	-	55,330,903	-
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	134,010,363	84,781,022	46,235,121	950,138	5,650,170	271,626,814	49,023
Machinery and equipment	5,284,928	2,770,206	438,784	6,553,402	1,964,065	17,011,385	7,200,744
Less accumulated depreciation	(46,996,829)	(38,144,616)	(19,591,118)	(6,623,173)	(4,778,115)	(116,133,851)	(5,079,978)
Total capital assets (net of accumulated depreciation)	<u>135,612,394</u>	<u>96,215,785</u>	<u>33,011,797</u>	<u>2,519,081</u>	<u>5,494,553</u>	<u>272,853,610</u>	<u>7,442,198</u>
Total noncurrent assets	<u>135,803,773</u>	<u>98,148,317</u>	<u>33,011,797</u>	<u>3,538,936</u>	<u>5,494,553</u>	<u>275,997,376</u>	<u>8,923,192</u>
Total assets	<u>\$174,087,297</u>	<u>\$102,500,716</u>	<u>\$34,228,030</u>	<u>\$ 10,129,809</u>	<u>\$ 5,596,386</u>	<u>\$ 326,542,238</u>	<u>\$ 15,736,249</u>
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 2,087,594	\$ 1,305,135	\$ 23,967	\$ 256,188	\$ 119,907	\$ 3,792,791	\$ 120,188
Accrued expenses	437,506	647,186	12,113	40,873	17,570	1,155,248	76,021
Claims payable	-	-	-	-	-	-	352,806
Interfund payables	151,012	268,988	755,636	-	-	1,175,636	-
Deposits returnable	-	-	22,348	-	-	22,348	-
Customer water deposits	415,371	-	-	-	-	415,371	-
Advanced revenue - current	-	-	7,980	-	52,429	60,409	-
Compensated absences - current	47,505	98,922	19,643	-	-	166,070	173,749
Loans payable - current	1,115,977	2,467,040	-	-	-	3,583,017	-
Bonds - current	86,390	-	-	66,758	129,000	282,148	223,242
Landfill closure costs - current	-	-	-	112,270	-	112,270	-
Total current liabilities	<u>4,341,355</u>	<u>4,787,271</u>	<u>841,687</u>	<u>476,089</u>	<u>318,906</u>	<u>10,765,308</u>	<u>946,006</u>
Noncurrent Liabilities							
Claims payable	-	-	-	-	-	-	897,363
Compensated absences	396,986	137,056	41,557	168,454	40,034	784,087	161,268
Interfund payable	286,082	510,098	-	-	4,219,055	5,015,235	-
Loans payable	20,183,425	41,976,632	-	-	-	62,160,057	-
Bonds payable	10,170,113	-	-	1,063,524	-	11,233,637	3,556,476
Landfill closure/postclosure cost	-	-	-	1,908,595	-	1,908,595	-
Total noncurrent liabilities	<u>31,036,606</u>	<u>42,623,786</u>	<u>41,557</u>	<u>3,140,573</u>	<u>4,259,089</u>	<u>81,101,611</u>	<u>4,615,107</u>
Total liabilities	<u>35,377,961</u>	<u>47,411,057</u>	<u>883,244</u>	<u>3,616,662</u>	<u>4,577,995</u>	<u>91,866,919</u>	<u>5,561,113</u>
NET POSITION							
Net investment in capital assets	104,061,134	51,772,113	33,011,797	1,388,799	5,365,553	195,599,396	3,662,479
Restricted for debt service	186,734	1,932,532	-	-	-	2,119,266	-
Unrestricted	34,461,468	1,385,014	332,989	5,124,348	(4,347,162)	36,956,657	6,512,657
Total net position	<u>\$138,709,336</u>	<u>\$ 55,089,659</u>	<u>\$33,344,786</u>	<u>\$ 6,513,147</u>	<u>\$ 1,018,391</u>	<u>\$ 234,675,319</u>	<u>\$ 10,175,136</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Major Funds					Totals	
Water	Waste Water	Airport	Solid Waste/ Transfer Station	Nonmajor Funds			
Operating Revenues							
Water sales	\$ 12,625,252	\$ -	\$ -	\$ -	\$ -	\$ 12,625,252	\$ -
Water connection fees	214,022	-	-	-	-	214,022	-
Alternative water source fees	1,409,250	-	-	-	-	1,409,250	-
Wastewater service fees	-	9,968,403	-	-	-	9,968,403	-
Effluent sales	-	639,765	-	-	-	639,765	-
Golf course green fees	-	-	-	-	1,212,539	1,212,539	-
Restaurant sales	-	-	-	-	747,528	747,528	-
Golf course rentals	-	-	-	-	592,102	592,102	-
Golf pro-shop sales	-	-	-	-	171,574	171,574	-
Fuel sales and flowage fees	-	-	89,099	-	-	89,099	-
Tie down and hangar rentals	-	-	1,280,769	-	-	1,280,769	-
Refuse collection fees	-	-	-	4,918,616	-	4,918,616	-
Tipping fees	-	-	-	1,042,471	-	1,042,471	-
Recycling revenue	-	-	-	400,292	-	400,292	-
Charges for services	-	-	-	-	-	-	5,043,763
Other services	-	-	-	-	-	-	598,346
Miscellaneous	209,870	269,100	56,900	60,886	2,430	599,186	632
Total operating revenues	14,458,394	10,877,268	1,426,768	6,422,265	2,726,173	35,910,868	5,642,741
Operating Expenses							
Personnel services	2,838,053	2,397,300	536,204	1,526,196	1,429,888	8,727,641	2,198,287
Supplies	682,768	418,329	122,044	500,452	705,443	2,429,036	887,168
Other services and charges	4,429,106	3,207,635	569,981	3,753,739	721,685	12,682,146	2,331,568
Depreciation	2,838,786	2,310,975	997,011	692,017	274,685	7,113,474	731,384
Total operating expenses	10,788,713	8,334,239	2,225,240	6,472,404	3,131,701	30,952,297	6,148,407
Operating income (loss)	3,669,681	2,543,029	(798,472)	(50,139)	(405,528)	4,958,571	(505,666)
Non-Operating Revenues (Expenses)							
Interest and investment income	434,040	120,878	-	84,688	-	639,606	112,733
Interest expense	(1,178,813)	(1,053,028)	(2,528)	(52,361)	(7,541)	(2,294,271)	(175,099)
Total non-operating revenues (expenses)	(744,773)	(932,150)	(2,528)	32,327	(7,541)	(1,654,665)	(62,366)
Income (loss) before contributions and transfers	2,924,908	1,610,879	(801,000)	(17,812)	(413,069)	3,303,906	(568,032)
Grant contributions	-	-	339,914	-	-	339,914	-
Capital contributions	2,842,259	699,949	-	-	-	3,542,208	-
Transfers in	-	-	365,117	-	-	365,117	-
Change in net position	5,767,167	2,310,828	(95,969)	(17,812)	(413,069)	7,551,145	(568,032)
Total net position - beginning	132,942,169	52,778,831	33,440,755	6,530,959	1,431,460	227,124,174	10,743,168
Total net position - ending	\$ 138,709,336	\$ 55,089,659	\$ 33,344,786	\$ 6,513,147	\$ 1,018,391	\$ 234,675,319	\$ 10,175,136

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, 2014

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water	Waste- water	Airport	Solid Waste/ Transfer Station
Cash flows from operating activities:				
Cash received from customers	\$ 14,388,044	\$ 10,872,948	\$ 1,482,376	\$ 6,441,176
Cash payments to employees for services	(2,796,253)	(2,364,639)	(537,840)	(1,508,062)
Cash payments to suppliers for goods and services	(5,012,578)	(4,200,836)	(1,197,413)	(4,314,648)
Net cash provided by (used for) operating activities	<u>6,579,213</u>	<u>4,307,473</u>	<u>(252,877)</u>	<u>618,466</u>
Cash flows from noncapital financing activities:				
Receipts (payments) under interfund loan arrangement	-	-	(378,780)	-
Transfers in	-	-	365,117	-
Net cash provided by (used for) noncapital financing activity	<u>-</u>	<u>-</u>	<u>(13,663)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,795,549)	(24,113,693)	(15,213)	(521,821)
Contributed from capital grant	-	-	430,190	-
Contributed from customers	2,886,491	339,949	-	-
Interest paid on capital financing	(1,020,691)	(736,078)	(2,528)	(52,361)
Principal paid on capital financing	(11,648,768)	(2,650,109)	(145,909)	(64,456)
Proceeds from debt issues	15,595,298	21,549,504	-	-
Net cash provided by (used for) capital and related financing activities	<u>1,016,781</u>	<u>(5,610,427)</u>	<u>266,540</u>	<u>(638,638)</u>
Cash flows from investing activities:				
Interest on investments	434,040	120,878	-	84,688
Net cash provided by (used for) investing activities	<u>434,040</u>	<u>120,878</u>	<u>-</u>	<u>84,688</u>
Net increase (decrease) in cash and cash equivalents	8,030,034	(1,182,076)	-	64,516
Cash and cash equivalents at July 1	28,048,305	6,492,940	-	7,277,867
Cash and cash equivalents at June 30	<u>\$ 36,078,339</u>	<u>\$ 5,310,864</u>	<u>\$ -</u>	<u>\$ 7,342,383</u>
Reconciliation to statement of net position:				
Cash and cash equivalents at June 30, unrestricted	\$ 35,886,960	\$ 3,378,332	\$ -	\$ 6,322,528
Cash and cash equivalents at June 30, restricted	191,379	1,932,532	-	1,019,855
Total	<u>\$ 36,078,339</u>	<u>\$ 5,310,864</u>	<u>\$ -</u>	<u>\$ 7,342,383</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 3,669,681	\$ 2,543,029	\$ (798,472)	\$ (50,139)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,838,786	2,310,975	997,011	692,017
Changes in assets and liabilities:				
(Increase) decrease in prepaid expenses	-	-	-	-
Increase (decrease) in accounts payable	1,784	(577,186)	(505,389)	(60,457)
Increase (decrease) in compensated absences	33,515	28,936	(1,392)	11,552
(Increase) decrease in accounts receivable	(70,350)	(4,319)	55,609	18,911
(Increase) decrease in inventory	97,512	-	-	-
Increase (decrease) salary & benefits payable	8,285	6,038	(244)	6,582
Total adjustments	<u>2,909,532</u>	<u>1,764,444</u>	<u>545,595</u>	<u>668,605</u>
Net cash provided by operating activities	<u>\$ 6,579,213</u>	<u>\$ 4,307,473</u>	<u>\$ (252,877)</u>	<u>\$ 618,466</u>

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

Nonmajor Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,674,054	\$ 35,858,598	\$ 5,642,741
(1,479,768)	(8,686,562)	(2,302,859)
(1,335,507)	(16,060,982)	(3,874,003)
(141,221)	11,111,054	(534,121)
275,174	(103,606)	-
-	365,117	-
275,174	261,511	-
-	(29,446,276)	(1,108,463)
-	430,190	-
-	3,226,440	-
(7,541)	(1,819,199)	(175,099)
(126,412)	(14,635,654)	(215,544)
-	37,144,802	-
(133,953)	(5,099,697)	(1,499,106)
-	639,606	112,733
-	639,606	112,733
-	6,912,474	(1,920,494)
-	41,819,112	9,890,037
\$ -	\$ 48,731,586	\$ 7,969,543
\$ -	\$ 45,587,820	\$ 6,488,549
-	3,143,766	1,480,994
\$ -	\$ 48,731,586	\$ 7,969,543
\$ (405,528)	\$ 4,958,571	\$ (505,666)
274,685	7,113,474	731,384
-	-	(27,500)
83,640	(1,057,608)	(597,595)
(34,215)	38,396	(124,760)
(52,119)	(52,268)	-
7,981	105,493	(30,173)
(15,665)	4,996	20,189
264,307	6,152,483	(28,455)
\$ (141,221)	\$ 11,111,054	\$ (534,121)

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, 2014

	<u>Agency County Justice Court</u>
ASSETS	
Cash and short-term investments	\$ 132,490
Total assets	<u>\$ 132,490</u>
LIABILITIES	
Due to other governments	\$ 132,490
Total liabilities	<u>\$ 132,490</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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The 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 "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

F. Inventories

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

G. Restricted Assets

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

H. Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than 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.

M. Use of Estimates

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

N. Fund Balances

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

- Nonspendable Inventories represent fund balance amounts that are not in spendable form.
Interfund loan balances to other funds are not in a spendable form.
- Restricted Restricted by state statute is a portion of fund balance that is restricted for use on street construction and maintenance by legislation. Restricted by city ordinances is a portion of fund balance which restrict:
 - > 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 improvementsRestricted 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	Nonmajor		Total
		Streets and Open Space	Governmental Funds	
Nonspendable - internal loans	\$6,248,852	\$ -	\$ -	\$ 6,248,852
Restricted:				
Streets and open space activity	-	20,257,048	-	20,257,048
Debt Service	-	-	1,344,293	1,344,293
Capital expenditure	-	-	3,895,013	3,895,013
Donated/Grant Purposes	-	-	813,796	813,796
Transient lodging tax activity	-	-	319,216	319,216
Total Restricted	\$ -	\$20,257,048	\$ 6,372,318	\$26,629,366
Committed:				
Capital & economic dev.	1,905,811	-	-	1,905,811
Total Committed	\$1,905,811	\$ -	\$ -	\$ 1,905,811

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

- The City Council formally adopts the budget and legally allocates, or appropriates available monies for the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1 of each year. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings on the budget are held each year in accordance with legal requirements in order to obtain citizen comments.
- State law requires that on, or before, the third Monday in July of each fiscal year, the City Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget must also be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August.
- The level of control for each legally adopted annual budget is at the department level. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City Manager may transfer any unencumbered appropriation from one expenditure category to another within a department. Only the Council may transfer any unencumbered appropriation balance, or portion thereof, from one department to another.
- Formal budgetary integration is employed as a management control device through line item levels during the fiscal year for the general, special revenue, debt service, capital projects, enterprise and internal service funds. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) with the major differences being: 1) accrued compensated absences are not recognized as expenditures for budgetary purposes, 2) capital outlays for proprietary funds are treated as expenditures, 3) debt service principal payments are treated as expenditures for

proprietary funds, 4) capital grants in enterprise funds are budgeted as revenue, and 5) depreciation is not budgeted as an expenditure.

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

<u>To:</u>	<u>From:</u>	<u>Amount</u>
City of Prescott Debt Service Fund	Grants Fund	\$ 355,000
Impact Fee Capital Projects Fund	Grants Fund	180,000
City Clerk Department in General Fund	Grants Fund	20,000
Total appropriation transfers		<u>\$ 555,000</u>

B. Budget Basis of Accounting

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

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except for a portion of the Municipal Property Corporation and Community Facilities Districts Funds which have investments held separately by a trustee. The City also maintains petty cash for use in daily operations that totals \$15,886.

Deposits

At June 30, 2014, the carrying amount of the City's deposits was \$17,421,485 and the bank balance was \$18,001,200. 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 \$419,433 at June 30, 2014 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, 2014, 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 market value of investments less any FDIC coverage and requires a third-party custodian to verify collateral deposits prior to the City making payment for any investment requiring collateralization.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of 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, 2014 was 2.27.

Credit Risk

The City is authorized by city code, resolution and Trust Agreements to invest idle funds in obligations of the United States Government or its agencies, collateralized mortgage obligations and pass-through securities, federally insured certificates of deposit in eligible depositories, fully collateralized repurchase agreements, mutual funds consisting of the foregoing and the State Treasurer's Local Government Investment Pool (LGIP).

Investments in the LGIP are not rated by a nationally recognized statistical rating organization. The LGIP is overseen by the State of Arizona.

Concentration of Credit Risk

There are no limits on the amounts that the City may invest in any one issuer or institution. More than five percent (5%) of the City's investments are in mortgage securities backed by U.S. Government Agency, mutual funds investing in U.S. Government securities and the State Treasurer's Local Government Investment Pool. These investments represent 45.1%, 0.5% and 54.4% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2014 are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating Moody</u>	<u>Modified Duration</u>
State Treasurer's 7 Pool (LGIP-7)	\$ 5,685,309	Not Rated	0.05
State Treasurer's 700 Pool (LGIP-700)	40,186,885	Not Rated	2.18
U.S. Government Mutual Fund	424,078	Aaa	0.04
U.S. Agency Mortgage Backed Securities	38,096,368	Aaa	2.72
Total Fair Value	<u>\$ 84,392,640</u>		
Portfolio Modified Duration			2.27

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:

	<u>General</u>	<u>Streets and Open Space</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$2,986,778	\$1,389,135	\$ 116,365	\$ 4,492,278
Allowance	(827,523)	(566)	(39,245)	(867,334)
Accounts (net)	2,159,255	1,388,569	77,120	3,624,944
Interest	41,235	-	-	41,235
Property Taxes	51,636	-	13,742	65,378
Special Assessments	-	-	2,400,800	2,400,800
Intergovernmental	389,078	270,232	234,499	893,809
Total	<u>\$2,641,204</u>	<u>\$1,658,801</u>	<u>\$2,726,161</u>	<u>\$ 7,026,166</u>

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

	<u>Water</u>	<u>Waste- water</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 2,100,436	\$999,079	\$ 118,134	\$280,122	\$ 58,047	\$3,555,818
Allowance	(43,993)	(25,012)	-	(11,777)	-	(80,782)
Accounts (net)	2,056,443	974,067	118,134	268,345	58,047	3,475,036
Intergovernmental	-	-	1,098,099	-	-	1,098,099
Total	<u>\$ 2,056,443</u>	<u>\$974,067</u>	<u>\$1,216,233</u>	<u>\$268,345</u>	<u>\$ 58,047</u>	<u>\$4,573,135</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also 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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable General Fund	\$ 24,221	\$ -
Delinquent property taxes receivable Debt Service Fund	10,228	-
Delinquent privilege taxes receivable	205,410	
Special assessments not yet due (Debt Service Fund)	40,354	-
Community facilities districts assessments not yet due	2,360,446	-
Unearned rents and deposits General Fund	-	108,000
Grant drawdowns prior to meeting eligibility requirements	93,907	-
Total	<u>\$ 2,734,566</u>	<u>\$ 108,000</u>

C. Capital Assets

Capital assets activity for governmental activities for the year ended June 30, 2014 was as follows:

Description	Beginning				Ending
	Balance	Transfers	Increases	Decreases	Balance
Land	\$ 73,847,261	\$ -	\$ 55,632	\$ (1,993,522)	\$ 71,909,371
Construction in progress	2,948,819	(1,218,346)	955,173	-	2,685,646
Total non-depreciable	76,796,080	(1,218,346)	1,010,805	(1,993,522)	74,595,017
Buildings	36,853,987	(970,434)	1,197,896	-	37,081,449
Improvements other than buildings	36,726,984	2,174,426	457,454	(128,468)	39,230,396
Machinery and equipment	23,583,425	14,354	1,568,740	-	25,166,519
Infrastructure	261,292,420	-	204,332	-	261,496,752
Total depreciable	358,456,816	1,218,346	3,428,422	(128,468)	362,975,116
Accumulated depreciation					
Buildings	(12,236,151)	-	(883,778)	-	(13,119,929)
Improvements other than buildings	(10,985,023)	-	(864,547)	3,065	(11,846,505)
Machinery and equipment	(16,278,261)	-	(1,309,152)	-	(17,587,413)
Infrastructure	(112,841,389)	-	(11,586,286)	-	(124,427,675)
Total accumulated depreciation	(152,340,824)	-	(14,643,763)	3,065	(166,981,522)
Governmental activities capital assets net	<u>\$ 282,912,072</u>	<u>\$ -</u>	<u>\$ (10,204,536)</u>	<u>\$ (2,118,925)</u>	<u>\$ 270,588,611</u>

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

General government (including internal service funds)	\$ 1,489,218
Community services	33,241
Culture and recreation	909,121
Public safety - police	320,618
Public safety - fire	145,589
Public works	11,745,976
Total depreciation for governmental activities	<u>\$ 14,643,763</u>

Capital assets activity for business-type activities for the year ended June 30, 2014 was as follows:

Description	Beginning				Ending
	Balance	Transfer	Increases	Decreases	Balance
Land	\$ 29,575,089	\$ -	\$ 619,787	\$ -	\$ 30,194,876
Construction in progress	57,164,198	(26,981,505)	25,148,210	-	55,330,903
Total non-depreciable	86,739,287	(26,981,505)	25,767,997	-	85,525,779
Buildings	14,800,504	-	22,979	-	14,823,483
Improvements other than buildings	241,605,800	26,981,505	3,078,520	(39,011)	271,626,814
Machinery and equipment	16,395,596	-	615,789	-	17,011,385
Total depreciable	272,801,900	26,981,505	3,717,288	(39,011)	303,461,682
Accumulated depreciation					
Buildings	(9,240,711)	-	(610,374)	-	(9,851,085)
Improvements other than buildings	(87,207,696)	-	(5,701,958)	-	(92,909,654)
Machinery and equipment	(12,571,971)	-	(801,141)	-	(13,373,112)
Total accumulated depreciation	(109,020,378)	-	(7,113,473)	-	(116,133,851)
Business activities capital assets net	\$ 250,520,809	\$ -	\$ 22,371,812	\$ (39,011)	\$ 272,853,610

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

Water	\$ 2,838,786
Wastewater	2,310,975
Airport	997,011
Solid waste	692,017
Golf Course	274,685
Total depreciation for business-type activities	<u>\$ 7,113,474</u>

D. Interfund Receivables, Payables and Transfers

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

The composition of interfund balances as of June 30, 2014 is as follows:

Fund	Reason	Interfund Receivables	Interfund Payables
General fund		\$ 6,231,261	\$ -
Grants fund	Delayed grant reimbursements	-	40,390
Water enterprise fund	Structured 4.7% loan for projects	-	437,094
Wastewater enterprise fund	Structured 4.7% loan for projects	-	779,086
Airport enterprise fund	Delayed grant reimbursements	-	755,636
Nonmajor enterprise fund-Golf course	Cumulative operating deficits	-	4,219,055
Total		\$ 6,231,261	\$ 6,231,261

Transfers are used to fund capital projects, reallocate special revenue funds to operating divisions and to cover the City's share of grants. Transfers as of June 30, 2014 were as follows:

Transfer In	Transfers Out		Total Transfers In
	General Fund	Nonmajor Governmental	
Governmental			
General Fund	\$ -	\$ 20,000	\$ 20,000
Streets & Open Space	-	58,883	58,883
Nonmajor	176,887	-	176,887
Enterprise			
Airport	365,117	-	365,117
Total Transfers Out	<u>\$ 542,004</u>	<u>\$ 78,883</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 June 30, 2014 was as follows:

Purpose	Interest Rate	Amount
Governmental activities (2007 issue)	3.83%	\$ 520,000
		<u>\$ 520,000</u>

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

Year Ending	Principal	Interest
June 30,		
2015	\$ 165,000	\$ 20,800
2016	175,000	14,200
2017	180,000	7,200
	<u>\$ 520,000</u>	<u>\$ 42,200</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%	39,896
					<u>\$ 39,896</u>

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

Year Ending	June 30,	
	Principal	Interest
2015	\$ 5,044	\$ 1,017
2016	5,044	880
2017	5,044	742
2018	5,044	685
2017	5,044	530
2020-2022	14,676	665
<u>\$ 39,896</u>		<u>\$ 4,519</u>

Community Facilities District Bonds

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

- Hassayampa CFD, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July 2021. The balance of these bonds at June 30, 2014 was \$2,030,000.
- Hassayampa CFD Number 2, \$1,240,000 special assessment lien bonds issued on February 1, 2000, the bonds carry an interest rate of 7.5% with a final maturity in July 2024. The balance of these bonds at June 30, 2014 was \$405,000.

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

Year Ending	June 30,	
	Principal	Interest
2015	\$ 255,000	\$ 187,700
2016	275,000	168,013
2017	300,000	146,775
2018	320,000	123,612
2019	350,000	98,900
2020-2024	935,000	137,287
<u>\$ 2,435,000</u>		<u>\$ 862,287</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, 2014:

Pledged Revenues:	
City Privilege and Use Taxes	\$ 14,102,837
State-Shared Revenue	10,039,455
Franchise Taxes	1,621,289
Licenses and Permits	603,339
Fines and Forfeitures	584,260
Charges for Services	<u>1,026,158</u>
Total Pledged Revenues	<u>\$ 27,977,338</u>
Fiscal Year 2014 Debt Service	\$ 3,738,672
Debts Service Coverage	7

MPC Series 2004G Refunding:

On May 29, 2014 the City issued \$9.0 million in Municipal Property Corporation Bonds Series 2014 with an average interest rate of 3.64% to advance refund \$10.1 million of outstanding Municipal Property Corporation Bonds Series 2004 with an average interest rate of 4.62%. The net proceeds of \$10,104,646 (after payment of \$157,537 in underwriting fees and other issuance cost) plus the scheduled debt service payment due July 1, 2014 of \$557,425 were deposited in an irrevocable trust with an escrow agent to call all outstanding bonds on the July 1, 2014 call date. As a result, the 2004 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the City financial statements.

The advance refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt. The City completed the advance refunding to reduce its total debt service payments over the next 20 years by \$1,242,420 and to obtain an economic gain of \$1,140,891.

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) and acquire certain capital equipment for the City's golf course (\$495,000). The issue matures in twenty (20) years and was issued with an interest rate of 4.18% and a final maturity date in 2031.

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 Fund	Reason for Financing	Issue	Interest	
			Rate	Amount
Streets and	Road improvements	2010	5.53%	\$ 15,165,000
Open Space	Road improvements	2011	4.21%	7,549,000
Central Garage	Facility expansion	2007	4.35%	3,779,718
	Governmental Activities			26,493,718
Water	Big Chino Water Ranch	2014	3.64%	9,000,000
Solid Waste	Transfer station expansion	2007	4.35%	1,130,282
Golf Course	Equipment	2011	2.50%	129,000
	Business-type Activities			10,259,282
				<u>\$ 36,753,000</u>

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

Year Ending June 30,	Interest				
	Principal	Interest	Subsidy	Premium Amortization	Net Interest
2015	\$ 1,578,330	\$ 1,789,644	\$ (288,424)	\$ (86,390)	\$ 1,414,830
2016	1,451,000	1,727,589	(277,992)	(86,390)	1,363,207
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
2020-2024	11,182,000	6,109,618	(930,236)	(402,549)	4,776,833
2025-2029	12,635,000	3,104,411	(397,970)	(295,236)	2,411,205
2030-2034	4,628,670	611,367	-	(129,649)	481,718
	<u>\$ 36,753,000</u>	<u>\$ 18,125,507</u>	<u>\$(2,647,490)</u>	<u>\$(1,256,503)</u>	<u>\$14,221,514</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, 2014, the net revenues available for service of this debt were \$11,917,389. The principal and interest paid on this debt in fiscal year 2014 was \$5,104,415.

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

The balances of the City's WIFA loans at June 30, 2014 are as follows:

<u>WIFA #</u>	<u>Amount Authorized</u>	<u>Date of Auth.</u>	<u>Maturity Date</u>	<u>Final Amount Borrowed</u>	<u>Interest Rate</u>	<u>Project</u>	<u>Balance June 30</u>
Drinking Water Projects							
920125-08	\$ 9,854,000	8/24/2007	7/1/2027	\$ 9,854,000	3.640%	Water Main Imp	\$ 7,596,328
92A166-09	8,998,096	7/31/2009	7/1/2029	2,759,551	3.143%	Zone 39 Imp	2,177,841
920206-11	1,060,000	12/3/2010	7/1/2030	1,018,796	3.152%	Water Main Imp	901,842
920237-13	15,921,582	1/25/2013	7/1/2032	In Progress	2.800%	Water Main Imp	10,623,391
Total Drinking Water Projects							<u>21,299,402</u>
Clean Water Projects							
910097-08	4,703,000	8/24/2007	7/1/2027	4,703,000	3.868%	Sewer Mains Imp	3,644,469
910122-10	6,573,506	7/31/2009	7/1/2029	6,054,763	3.143%	Sewer Mains Imp	5,106,951
910147-11	2,070,000	12/3/2010	7/1/2030	1,574,593	3.152%	Sewer Mains Imp	1,357,195
910148-11	1,635,870	12/3/2010	7/1/2030	1,480,944	3.152%	Sundog WWTP Imp	1,295,383
910151-11	45,802,753	6/10/2011	7/1/2031	In Progress	2.950%	Airport WWTP	33,039,674
Total Clean Water Projects							<u>44,443,672</u>
Total							<u>\$65,743,074</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2015	\$ 3,003,018	\$ 1,936,802
2016	3,089,180	1,840,327
2017	3,185,655	1,740,806
2018	3,285,176	1,638,141
2019	3,387,837	1,532,236
2020-2024	18,596,331	5,951,622
2025-2029	20,651,855	2,792,556
2030-2033	10,544,022	347,682
	<u>\$ 65,743,074</u>	<u>\$ 17,780,172</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bond payable:					
General obligation	\$ 680,000	\$ -	\$ 160,000	\$ 520,000	\$ 165,000
Municipal Property Corporation	27,795,262	-	1,301,544	26,493,718	1,382,572
Special assessments	739,940	-	700,044	39,896	5,044
Community Facilities Districts	3,060,000	-	625,000	2,435,000	255,000
Total bonds payable	32,275,202	-	2,786,588	29,488,614	1,807,616
Lease purchase contracts	13,743	-	13,743	-	-
Claims payable	1,838,601	-	588,432	1,250,169	352,806
Compensated absences	4,053,582	204,448	362,824	3,895,206	882,156
Governmental activity long-term liabilities	<u>\$ 38,181,128</u>	<u>\$ 204,448</u>	<u>\$ 3,751,587</u>	<u>\$ 34,633,989</u>	<u>\$ 3,042,578</u>
Business-type Activities:					
Municipal Property Corporation					
bonds payable	\$ 11,858,738	\$ 9,000,000	\$ 10,599,456	\$ 10,259,282	\$ 195,758
MPC 2014 Unamortized Premium	-	1,264,182	7,679	1,256,503	86,390
Loans payable:					
WIFA	42,338,127	26,880,620	3,475,673	65,743,074	3,583,017
Lease purchase contracts	160,525	-	160,525	-	-
Landfill closure/postclosure costs	2,090,000	-	69,135	2,020,865	112,270
Compensated absences	910,011	120,312	80,166	950,157	166,070
Business-type activity long-term liabilities	<u>\$ 57,357,401</u>	<u>\$ 37,265,114</u>	<u>\$ 14,392,634</u>	<u>\$ 80,229,881</u>	<u>\$ 4,143,505</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, 2014, the City is well within its debt limits, having \$101.5 million in borrowing capacity in the 20% category, and \$30.6 million in borrowing capacity in the 6% category. The City also has a \$1.4 million margin available for Highway User Tax Bonds which represents 50% of the Highway User revenue received in fiscal year 2014.

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 \$1,250,169 for general self-insurance reported in the fund at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The following represents the changes in approximate aggregate liabilities for the City from June 30, 2012 to June 30, 2014:

Liability balance, June 30, 2012	\$ 2,235,992
Claims and changes in estimates	400,205
Claims payments	<u>(797,596)</u>
Liability balance, June 30, 2013	1,838,601
Claims and changes in estimates	(509,927)
Claims payments	<u>(78,505)</u>
Liability balance, June 30, 2014	<u>\$ 1,250,169</u>

Of the amount shown above, \$352,806 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, 2014, 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 all the state's AMAs, which is to ensure the sustainability of AMA groundwater supplies. The preliminary decision and order was subjected to an administrative hearing in 2009, and then subsequently challenged by various parties in litigation. All litigation regarding the November 2008 ADWR preliminary decision and order was cleared in September 2011, upholding the City's position, enabling issuance of the final ADWR determination of said allowable volume of imported water available to the communities from the Big Chino Sub-basin.

In February 2010, the City entered into an Agreement in Principle with Salt River Project and the Town of Prescott Valley for the purpose of mutually addressing 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

Plan Descriptions:

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

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

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

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

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

Funding Policy:

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

Cost-sharing plan - For the year ended June 30, 2014, active ASRS members were required to contribute at the actuarially determined rate of 11.54% (11.3% retirement and .24% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 11.54% (11.3% retirement and .24% long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2014, 2013 and 2012 were \$2,146,868, \$2,032,756 and \$1,998,995, respectively, which were equal to the required contributions.

Agent plans - For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 43.98% for police and 43.47% for fire. The health insurance premium portion of the contribution rates were actuarially set at 1.72% of covered payroll for police and 1.56% of covered payroll for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2014 were:

	PSPRS Total	PSPRS Pension	PSPRS Health Insurance
Contribution rates			
Police	43.98%	42.26%	1.72%
Fire	43.47%	41.91%	1.56%
Annual pension cost			
Police	\$ 1,776,934	1,707,440	69,494
Fire	1,374,230	1,324,913	49,317
Contributions made			
Police	\$ 1,776,934	\$ 1,707,440	\$ 69,494
Fire	1,374,230	1,324,913	49,317

A summary of actuarial methods and assumptions from the June 30, 2013 actuarial report and related information follows.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market 80%/120% market
Actuarial assumptions	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Payroll growth	4.50%
Cost-of-living adjustments	None

Trend Information

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

Fiscal Year Ended June30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police Pension			
2011	\$ 1,145,564	100%	\$ -
2012	1,365,428	100%	-
2013	1,629,354	100%	-
Police Health Insurance			
2011	\$ 64,624	100%	\$ -
2012	77,619	100%	-
2013	75,774	100%	-
Fire Pension			
2011	\$ 891,551	100%	\$ -
2012	972,047	100%	-
2013	1,106,048	100%	-
Fire Health Insurance			
2011	\$ 48,567	100%	\$ -
2012	52,757	100%	-
2013	54,037	100%	-

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

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/(Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
Police						
2011	\$ 13,991,337	\$ 34,725,766	40.3%	\$ 20,734,429	\$ 4,053,065	511.6%
2012	13,603,099	37,631,182	36.1%	24,028,083	4,265,174	563.4%
2013	12,955,492	38,307,661	33.8%	25,352,169	3,995,530	634.5%
Fire						
2011	\$ 19,864,483	\$ 36,064,123	55.1%	\$ 16,199,640	\$ 4,099,794	395.1%
2012	19,247,445	39,296,872	49.0%	20,049,427	3,636,198	551.4%
2013	19,144,554	44,966,549	42.6%	25,821,995	3,252,687	793.9%

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

Actuarial Accrued Liability

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded/(Overfunded) AAL as a Percentage of Covered Payroll (4)/(5)
Police						
2011	\$ -	\$ 1,037,588	0.0%	\$1,037,588	\$ 4,053,065	25.60%
2012	-	1,065,459	0.0%	1,065,459	4,265,174	24.98%
2013	-	1,010,269	0.0%	1,010,269	3,995,530	25.28%
Fire						
2011	\$ -	\$ 945,485	0.0%	\$ 945,485	\$ 4,099,794	23.06%
2012	-	850,856	0.0%	850,856	3,636,198	23.40%
2013	-	797,603	0.0%	797,603	3,252,687	24.52%

Annual Required Contribution

Valuation Date	Fiscal Year Ended	(1) Normal Cost	(2) Actuarial Accrued Liability	(3) Total (1)+(2)	(4) Dollar Amount
Police					
2011	2013	0.46%	1.37%	1.83%	\$ 81,774
2012	2014	0.39%	1.33%	1.72%	80,880
2013	2015	0.43%	1.45%	1.88%	82,029
Fire					
2011	2013	0.34%	1.24%	1.58%	\$ 71,416
2012	2014	0.32%	1.24%	1.56%	62,539
2013	2015	0.34%	1.41%	1.75%	62,160

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 \$2,020,865 reported in the solid waste enterprise fund as landfill closure and post-closure care liability at June 30, 2014, 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 \$7.8 million for various road projects, and \$7.0 million for various water and sewer infrastructure.

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, 2014

	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total Nonmajor Governmental Funds
	Transient	Grants	Miscellaneous:	Acker	Facilities	Impact	City of	Community	
	Lodging Tax		Gift Trust	Trust		Districts		Fees	
ASSETS									
Cash and short-term investments	\$ 274,369	\$ -	\$ 210,272	\$574,368	\$ 773,331	\$ 3,119,653	\$364,127	\$ 557,762	\$ 5,873,882
Restricted cash and investments	-	-	-	-	-	-	-	419,433	419,433
Accounts receivable (net)	75,050	-	-	-	-	2,070	-	-	77,120
Property taxes receivable	-	-	-	-	-	-	13,742	-	13,742
Special assessments receivable	-	-	-	-	-	-	40,354	2,360,446	2,400,800
Intergovernmental receivable	-	234,499	-	-	-	-	-	-	234,499
Total assets	<u>\$ 349,419</u>	<u>\$ 234,499</u>	<u>\$ 210,272</u>	<u>\$574,368</u>	<u>\$ 773,331</u>	<u>\$ 3,121,723</u>	<u>\$418,223</u>	<u>\$3,337,641</u>	<u>\$ 9,019,476</u>
LIABILITIES									
Accounts payable	\$ 22,275	\$ 32,259	\$ 15,637	\$ -	\$ -	\$ 41	\$ 543	\$ -	\$ 70,755
Accrued expenditures	1,840	23,150	-	-	-	-	-	-	24,990
Interfund payable	-	40,390	-	-	-	-	-	-	40,390
Total liabilities	<u>24,115</u>	<u>95,799</u>	<u>15,637</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>543</u>	<u>-</u>	<u>136,135</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	6,088	93,907	-	-	-	-	50,582	2,360,446	2,511,023
Total deferred inflows of resources	<u>6,088</u>	<u>93,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,582</u>	<u>2,360,446</u>	<u>2,511,023</u>
FUND BALANCES									
Restricted	319,216	44,793	194,635	574,368	773,331	3,121,682	367,098	977,195	6,372,318
Total fund balances	<u>319,216</u>	<u>44,793</u>	<u>194,635</u>	<u>574,368</u>	<u>773,331</u>	<u>3,121,682</u>	<u>367,098</u>	<u>977,195</u>	<u>6,372,318</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 349,419</u>	<u>\$ 234,499</u>	<u>\$ 210,272</u>	<u>\$574,368</u>	<u>\$ 773,331</u>	<u>\$ 3,121,723</u>	<u>\$418,223</u>	<u>\$3,337,641</u>	<u>\$ 9,019,476</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2014

Revenues	Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total
	Transient Lodging Tax	Grants	Miscellaneous		Community		Community		Other Governmental Funds
			Gift Trust	Acker Trust	Facilities Districts	Impact Fees	City of Prescott	Facilities Districts	
Taxes	\$ 621,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,210	\$ -	\$ 825,522
Intergovernmental revenues	-	1,441,147	-	-	-	-	-	-	1,441,147
Licenses and permits	-	-	-	-	-	566,042	-	-	566,042
Gifts and donations	-	-	114,493	-	-	-	-	-	114,493
Interest and investment income	2,996	1,854	-	7,552	-	43,796	32,598	219,162	307,958
Miscellaneous	1,380	-	-	-	-	24,359	700,044	477,319	1,203,102
Total revenues	625,688	1,443,001	114,493	7,552	-	634,197	936,852	696,481	4,458,264
Expenditures									
Current operating									
General government	474,369	108,020	-	-	-	-	-	11,765	594,154
Community services	-	99,098	6,426	-	-	-	-	-	105,524
Culture and recreation	38,602	-	61,304	8,950	-	-	-	-	108,856
Police and court	-	576,315	32,911	-	-	-	-	-	609,226
Fire	-	539,950	27,021	-	-	-	-	-	566,971
Capital outlay									
Culture and recreation	-	-	-	-	-	971,213	-	-	971,213
Police and court	-	67,131	-	-	-	11,890	-	-	79,021
Fire	-	196,500	13,220	-	-	11,890	-	-	221,610
Public works	-	22,505	-	-	-	10,758	-	-	33,263
Debt service - principal	-	-	-	-	-	-	860,044	625,000	1,485,044
Debt service - interest	-	-	-	-	-	-	54,548	230,281	284,829
Total expenditures	512,971	1,609,519	140,882	8,950	-	1,005,751	914,592	867,046	5,059,711
Excess (deficiency) of revenues over (under) expenditures	112,717	(166,518)	(26,389)	(1,398)	-	(371,554)	22,260	(170,565)	(601,447)
Other Financing Sources (Uses)									
Transfers in	-	176,887	-	-	-	-	-	-	176,887
Transfers out	(20,000)	-	-	-	-	(58,883)	-	-	(78,883)
Total other financing sources (uses)	(20,000)	176,887	-	-	-	(58,883)	-	-	98,004
Net change in fund balance	92,717	10,369	(26,389)	(1,398)	-	(430,437)	22,260	(170,565)	(503,443)
Fund balance - beginning	226,499	34,424	221,024	575,766	773,331	3,552,119	344,838	1,147,760	6,875,761
Fund balance - ending	\$ 319,216	\$ 44,793	\$ 194,635	\$ 574,368	\$ 773,331	\$ 3,121,682	\$ 367,098	\$ 977,195	\$ 6,372,318



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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Taxes - transient lodging tax	\$ 600,000	\$ 600,000	\$ 621,312	\$ 21,312
Investment income	1,500	1,500	2,996	1,496
Miscellaneous	-	-	1,380	1,380
Total revenues	<u>601,500</u>	<u>601,500</u>	<u>625,688</u>	<u>24,188</u>
Expenditures				
Current operating				
General Government	749,552	749,552	474,369	275,183
Culture and recreation	70,000	70,000	38,602	31,398
Total expenditures	<u>819,552</u>	<u>819,552</u>	<u>512,971</u>	<u>306,581</u>
Excess (deficiency) of revenues over expenditures	(218,052)	(218,052)	112,717	330,769
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	(238,052)	(238,052)	92,717	330,769
Fund balance - beginning	226,499	226,499	226,499	-
Fund balance - ending	<u>\$ (11,553)</u>	<u>\$ (11,553)</u>	<u>\$ 319,216</u>	<u>\$ 330,769</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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Intergovernmental revenues	\$ 5,276,163	\$ 5,276,163	\$ 1,441,147	\$ (3,835,016)
Interest and investment income	-	-	1,854	1,854
Miscellaneous	-	-	-	-
Total revenues	<u>5,276,163</u>	<u>5,276,163</u>	<u>1,443,001</u>	<u>(3,833,162)</u>
Expenditures				
Current				
General government		-	108,020	(108,020)
Community services	666,353	636,353	99,098	537,255
Culture and recreation	50,000	50,000	-	50,000
Police and court	1,471,549	1,471,549	576,315	895,234
Fire	2,041,510	1,486,510	539,950	946,560
Total current	<u>4,229,412</u>	<u>3,644,412</u>	<u>1,323,383</u>	<u>2,321,029</u>
Capital outlay				
Police and court	-	-	67,131	(67,131)
Fire	186,000	186,000	196,500	(10,500)
Public Works	1,237,182	1,267,182	22,505	1,244,677
Total capital outlay	<u>1,423,182</u>	<u>1,453,182</u>	<u>286,136</u>	<u>1,167,046</u>
Total expenditures	<u>5,652,594</u>	<u>5,097,594</u>	<u>1,609,519</u>	<u>3,488,075</u>
Excess (deficiency) of revenues over expenditures	<u>(376,431)</u>	<u>178,569</u>	<u>(166,518)</u>	<u>(345,087)</u>
Other Financing Sources (Uses)				
Transfers in	<u>376,431</u>	<u>376,431</u>	<u>176,887</u>	<u>(199,544)</u>
Total other financing sources (uses)	<u>376,431</u>	<u>376,431</u>	<u>176,887</u>	<u>(199,544)</u>
Net change in fund balances	-	555,000	10,369	(544,631)
Fund balance - beginning	34,424	34,424	34,424	-
Fund balance - ending	<u>\$ 34,424</u>	<u>\$ 589,424</u>	<u>\$ 44,793</u>	<u>\$ (544,631)</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Gifts and donations	\$ -	\$ -	\$ 114,493	\$ 114,493
Total revenues	-	-	114,493	114,493
Expenditures				
Current				
General government	276,204	276,204	-	276,204
Community services	-	-	6,426	(6,426)
Culture and recreation	9,579	9,579	61,304	(51,725)
Police and court	-	-	32,911	(32,911)
Fire	-	-	27,021	(27,021)
Total current	285,783	285,783	127,662	158,121
Capital outlay				
Fire	-	-	13,220	(13,220)
Total capital outlay	-	-	13,220	(13,220)
Total expenditures	285,783	285,783	140,882	144,901
Excess (deficiency) of revenues over expenditures	(285,783)	(285,783)	(26,389)	259,394
Fund balance - beginning	221,024	221,024	221,024	-
Fund balance - ending	\$ (64,759)	\$ (64,759)	\$ 194,635	\$ 259,394

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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Interest and investment income	\$ 6,000	\$ 6,000	\$ 7,552	\$ 1,552
Total revenues	6,000	6,000	7,552	1,552
Expenditures				
Culture and recreation	10,000	10,000	8,950	1,050
Total expenditures	10,000	10,000	8,950	1,050
Excess (deficiency) of revenues over expenditures	(4,000.00)	(4,000.00)	(1,398)	2,602
Fund balance - beginning	575,766	575,766	575,766	-
Fund balance - ending	\$ 571,766	\$ 571,766	\$ 574,368	\$ 2,602

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, 2014

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	773,000	773,000	-	773,000
Total expenditures	773,000	773,000	-	773,000
Excess (deficiency) of revenues over expenditures	(773,000)	(773,000)	-	773,000
Fund balance - beginning	773,331	773,331	773,331	-
Fund balance - ending	\$ 331	\$ 331	\$ 773,331	\$ 773,000

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Licenses and permits - impact fees	\$ 382,650	\$ 382,650	\$ 566,042	\$ 183,392
Interest and investment income	32,900	32,900	43,796	10,896
Miscellaneous	24,359	24,359	24,359	-
Total revenues	<u>439,909</u>	<u>439,909</u>	<u>634,197</u>	<u>194,288</u>
Expenditures				
Capital outlay				
Culture and recreation	800,000	980,000	971,213	8,787
Police and Court	29,167	29,167	11,890	17,277
Fire	29,167	29,167	11,890	17,277
Public Works	29,167	29,167	10,758	18,409
Total capital outlay	<u>887,501</u>	<u>1,067,501</u>	<u>1,005,751</u>	<u>61,750</u>
Total expenditures	<u>887,501</u>	<u>1,067,501</u>	<u>1,005,751</u>	<u>61,750</u>
Excess (deficiency) of revenues over expenditures	<u>(447,592)</u>	<u>(627,592)</u>	<u>(371,554)</u>	<u>256,038</u>
Other Financing Sources (Uses)				
Transfers out	<u>(58,883)</u>	<u>(58,883)</u>	<u>(58,883)</u>	<u>-</u>
Total other financing sources (uses)	<u>(58,883)</u>	<u>(58,883)</u>	<u>(58,883)</u>	<u>-</u>
Net change in fund balances	<u>(506,475)</u>	<u>(686,475)</u>	<u>(430,437)</u>	<u>256,038</u>
Fund balance - beginning	<u>3,552,119</u>	<u>3,552,119</u>	<u>3,552,119</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,045,644</u>	<u>\$ 2,865,644</u>	<u>\$ 3,121,682</u>	<u>\$ 256,038</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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)
Revenues				
Property tax revenue	\$ 187,200	\$ 187,200	\$ 204,210	\$ 17,010
Interest and investment income	39,490	39,490	32,598	(6,892)
Miscellaneous	350,044	350,044	700,044	350,000
Total revenues	<u>576,734</u>	<u>576,734</u>	<u>936,852</u>	<u>360,118</u>
Expenditures				
Debt service				
Principal	510,044	865,044	860,044	5,000
Interest	55,690	55,690	54,548	1,142
Total expenditures	<u>565,734</u>	<u>920,734</u>	<u>914,592</u>	<u>6,142</u>
Excess (deficiency) of revenues over expenditures	11,000	(344,000)	22,260	366,260
Fund balance - beginning	344,838	344,838	344,838	-
Fund balance - ending	<u>\$ 355,838</u>	<u>\$ 838</u>	<u>\$ 367,098</u>	<u>\$ 366,260</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, 2014

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
			Basis	(Negative)
Revenues				
Interest and investment income	\$ -	\$ -	\$ 219,162	\$ 219,162
Miscellaneous	1,046,075	1,046,075	477,319	(568,756)
Total revenues	<u>1,046,075</u>	<u>1,046,075</u>	<u>696,481</u>	<u>(349,594)</u>
Expenditures				
Current				
General government	60,000	60,000	11,765	48,235
Debt Service				
Principal	757,044	757,044	625,000	132,044
Interest	229,031	229,031	230,281	(1,250)
Total expenditures	<u>1,046,075</u>	<u>1,046,075</u>	<u>867,046</u>	<u>179,029</u>
Excess (deficiency) of revenues over expenditures	-	-	(170,565)	(170,565)
Fund balance - beginning	<u>1,147,760</u>	<u>1,147,760</u>	<u>1,147,760</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,147,760</u>	<u>\$ 1,147,760</u>	<u>\$ 977,195</u>	<u>\$ (170,565)</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, 2014

	<u>Golf Course</u>	<u>Totals</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable (net)	58,047	58,047
Inventory (at cost)	43,786	43,786
Total current assets	<u>101,833</u>	<u>101,833</u>
Noncurrent Assets		
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	1,964,065	1,964,065
Less accumulated depreciation	<u>(4,778,115)</u>	<u>(4,778,115)</u>
Total capital assets (net of accumulated depreciation)	<u>5,494,553</u>	<u>5,494,553</u>
Total assets	<u>5,596,386</u>	<u>5,596,386</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 119,907	\$ 119,907
Accrued expenses	17,570	17,570
Advanced revenue - current	52,429	52,429
Bonds payable - current	129,000	129,000
Total current liabilities	<u>318,906</u>	<u>318,906</u>
Noncurrent Liabilities		
Compensated absences	40,034	40,034
Interfund payable	4,219,055	4,219,055
Total noncurrent liabilities	<u>4,259,089</u>	<u>4,259,089</u>
Total liabilities	<u>4,577,995</u>	<u>4,577,995</u>
NET POSITION		
Net investment in capital assets	5,365,553	5,365,553
Unrestricted	<u>(4,347,162)</u>	<u>(4,347,162)</u>
Total net position	<u>\$ 1,018,391</u>	<u>\$ 1,018,391</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the year ended June 30, 2014

	Golf Course	Totals
Operating Revenues		
Golf course green fees	\$ 1,212,539	\$ 1,212,539
Restaurant sales	747,528	747,528
Golf course rentals	592,102	592,102
Golf pro-shop sales	171,574	171,574
Miscellaneous	2,430	2,430
Total operating revenues	<u>2,726,173</u>	<u>2,726,173</u>
Operating Expenses		
Personnel services	1,429,888	1,429,888
Supplies	705,443	705,443
Other services and charges	721,685	721,685
Depreciation	274,685	274,685
Total operating expenses	<u>3,131,701</u>	<u>3,131,701</u>
Operating income (loss)	<u>(405,528)</u>	<u>(405,528)</u>
Non-Operating Revenues (Expenses)		
Interest expense	(7,541)	(7,541)
Total non-operating Revenues (expenses)	<u>(7,541)</u>	<u>(7,541)</u>
Income (loss) before contributions and transfers	(413,069)	(413,069)
Transfers In	-	-
Change in net position	<u>(413,069)</u>	<u>(413,069)</u>
Total net position - beginning	1,431,460	1,431,460
Total net position - ending	<u>\$ 1,018,391</u>	<u>\$ 1,018,391</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2014

	<u>Golf Course</u>	<u>Totals</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,674,054	\$ 2,674,054
Cash payments to employees for services	(1,479,768)	(1,479,768)
Cash payments to suppliers for goods and services	(1,335,507)	(1,335,507)
Net cash provided by (used for) operating activities	<u>(141,221)</u>	<u>(141,221)</u>
Cash flows from noncapital financing activities:		
Receipt (payment) under interfund loan arrangement	275,174	275,174
Net cash provided by (used for) noncapital financing activity	<u>275,174</u>	<u>275,174</u>
Cash flows from capital and related financing activities:		
Interest paid on capital financing	(7,541)	(7,541)
Principal paid on capital financing	(126,412)	(126,412)
Net cash provided by (used for) capital and related financing activities	<u>(133,953)</u>	<u>(133,953)</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>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	<u>\$ (405,528)</u>	<u>\$ (405,528)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	274,685	274,685
Changes in assets and liabilities:		
Increase (decrease) in accounts payable	83,640	83,640
Increase (decrease) in compensated absences	(34,215)	(34,215)
(Increase) decrease in accounts receivable	(52,119)	(52,119)
(Increase) decrease in inventory	7,981	7,981
Increase (decrease) salary & benefits payable	(15,665)	(15,665)
Total adjustments	<u>264,307</u>	<u>264,307</u>
Net cash provided by operating activities	<u>\$ (141,221)</u>	<u>\$ (141,221)</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, 2014

ASSETS	Fleet	Risk	Engineering	Facilities	Totals
	<u>Maintenance</u>	<u>Management</u>	<u>Services</u>	<u>Maintenance</u>	
Current Assets					
Cash and cash equivalents	\$ 4,075,721	\$ 665,752	\$ 1,427,436	\$ 319,640	\$ 6,488,549
Inventory at cost	297,008	-	-	-	297,008
Prepaid Expense	-	27,500	-	-	27,500
Total current assets	<u>4,372,729</u>	<u>693,252</u>	<u>1,427,436</u>	<u>319,640</u>	<u>6,813,057</u>
Noncurrent Assets					
Restricted cash and cash equivalents					
Restricted cash	-	1,480,994	-	-	1,480,994
Total restricted assets	<u>-</u>	<u>1,480,994</u>	<u>-</u>	<u>-</u>	<u>1,480,994</u>
Capital Assets					
Land and construction in process	13,191	-	-	-	13,191
Buildings	5,259,218	-	-	-	5,259,218
Improvements other than buildings	12,473	-	36,550	-	49,023
Machinery and equipment	6,804,084	-	302,521	94,139	7,200,744
Total capital assets	<u>12,088,966</u>	<u>-</u>	<u>339,071</u>	<u>94,139</u>	<u>12,522,176</u>
Less accumulated depreciation	<u>(4,725,115)</u>	<u>-</u>	<u>(290,714)</u>	<u>(64,149)</u>	<u>(5,079,978)</u>
Net capital assets	<u>7,363,851</u>	<u>-</u>	<u>48,357</u>	<u>29,990</u>	<u>7,442,198</u>
Total assets	<u>11,736,580</u>	<u>2,174,246</u>	<u>1,475,793</u>	<u>349,630</u>	<u>15,736,249</u>
LIABILITIES					
Current Liabilities					
Accounts payable	53,568	13,912	3,369	49,339	120,188
Accrued expenses	12,555	-	53,980	9,486	76,021
Claims payable	-	352,806	-	-	352,806
Compensated absences - current	50,104	-	77,653	45,992	173,749
Bonds and assessments - current	223,242	-	-	-	223,242
Total current liabilities	<u>339,469</u>	<u>366,718</u>	<u>135,002</u>	<u>104,817</u>	<u>946,006</u>
Noncurrent Liabilities					
Claims payable	-	897,363	-	-	897,363
Compensated absences	30,665	-	122,433	8,170	161,268
Bonds and assessments payable	3,556,476	-	-	-	3,556,476
Total noncurrent liabilities	<u>3,587,141</u>	<u>897,363</u>	<u>122,433</u>	<u>8,170</u>	<u>4,615,107</u>
Total liabilities	<u>3,926,610</u>	<u>1,264,081</u>	<u>257,435</u>	<u>112,987</u>	<u>5,561,113</u>
NET POSITION					
Net investment in capital assets	3,584,132	-	48,357	29,990	3,662,479
Unrestricted	4,225,838	910,165	1,170,001	206,653	6,512,657
Total net position	<u>\$ 7,809,970</u>	<u>\$ 910,165</u>	<u>\$ 1,218,358</u>	<u>\$ 236,643</u>	<u>\$ 10,175,136</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2014

	<u>Fleet Maintenance</u>	<u>Risk Management</u>	<u>Engineering Services</u>	<u>Facilities Maintenance</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 2,004,588		\$ 1,856,095	\$ 1,183,080	\$ 5,043,763
Other services	-	598,346	-	-	598,346
Miscellaneous	-	-	-	632	632
Total operating revenues	<u>2,004,588</u>	<u>598,346</u>	<u>1,856,095</u>	<u>1,183,712</u>	<u>5,642,741</u>
Operating Expenses					
Personnel services	602,486	8,142	1,176,557	411,102	2,198,287
Supplies	747,088	1,171	35,867	103,042	887,168
Other services and charges	416,983	975,198	242,702	696,685	2,331,568
Depreciation	709,342	-	15,307	6,735	731,384
Total operating expenses	<u>2,475,899</u>	<u>984,511</u>	<u>1,470,433</u>	<u>1,217,564</u>	<u>6,148,407</u>
Operating income (loss)	<u>(471,311)</u>	<u>(386,165)</u>	<u>385,662</u>	<u>(33,852)</u>	<u>(505,666)</u>
Non-operating Revenues (Expenses)					
Interest and investment income	59,328	33,850	15,743	3,812	112,733
Debt service interest	(175,099)	-	-	-	(175,099)
Total non-operating revenues	<u>(115,771)</u>	<u>33,850</u>	<u>15,743</u>	<u>3,812</u>	<u>(62,366)</u>
Income (loss) before transfers	<u>(587,082)</u>	<u>(352,315)</u>	<u>401,405</u>	<u>(30,040)</u>	<u>(568,032)</u>
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net position	<u>(587,082)</u>	<u>(352,315)</u>	<u>401,405</u>	<u>(30,040)</u>	<u>(568,032)</u>
Total net position - beginning	8,397,052	1,262,480	816,953	266,683	10,743,168
Total net position - ending	<u>\$ 7,809,970</u>	<u>\$ 910,165</u>	<u>\$ 1,218,358</u>	<u>\$ 236,643</u>	<u>\$ 10,175,136</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2014

	Fleet Maintenance	Risk Management	Engineering Services	Facilities Maintenance	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 2,004,587	\$ 598,346	\$ 1,856,096	\$ 1,183,712	\$ 5,642,741
Cash payments to employees for services	(655,740)	(13,476)	(1,222,431)	(411,212)	(2,302,859)
Cash payments to suppliers for goods and services	(1,212,412)	(1,598,006)	(281,740)	(781,845)	(3,874,003)
Net cash provided by (used for) operating activities	<u>136,435</u>	<u>(1,013,136)</u>	<u>351,925</u>	<u>(9,345)</u>	<u>(534,121)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(1,093,989)	-	-	(14,474)	(1,108,463)
Interest paid on capital financing	(175,099)	-	-	-	(175,099)
Principal paid on capital financing	(215,544)	-	-	-	(215,544)
Net cash provided by (used for) capital and related financing activities	<u>(1,484,632)</u>	<u>-</u>	<u>-</u>	<u>(14,474)</u>	<u>(1,499,106)</u>
Cash Flows from Investing Activities:					
Interest on investments	59,328	33,850	15,743	3,812	112,733
Net cash provided by (used for) investing activities	<u>59,328</u>	<u>33,850</u>	<u>15,743</u>	<u>3,812</u>	<u>112,733</u>
Net increase (decrease) in cash and cash equivalents	(1,288,869)	(979,286)	367,668	(20,007)	(1,920,494)
Cash and cash equivalents - beginning	5,364,590	3,126,032	1,059,768	339,647	9,890,037
Cash and cash equivalents - ending	<u>\$ 4,075,721</u>	<u>\$ 2,146,746</u>	<u>\$ 1,427,436</u>	<u>\$ 319,640</u>	<u>\$ 7,969,543</u>
Reconciliation to statement of net position					
Cash and cash equivalents at June 30, unrestricted	\$ 4,075,721	\$ 665,752	\$ 1,427,436	\$ 319,640	\$ 6,488,549
Cash and cash equivalents at June 30, restricted	-	1,480,994	-	-	1,480,994
Total	<u>\$ 4,075,721</u>	<u>\$ 2,146,746</u>	<u>\$ 1,427,436</u>	<u>\$ 319,640</u>	<u>\$ 7,969,543</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:					
Operating income (loss)	\$ (471,311)	\$ (386,165)	\$ 385,662	\$ (33,852)	\$ (505,666)
Adjustments to reconcile operating income activities:					
Depreciation	709,342	-	15,307	6,735	731,384
Change in assets and liabilities:					
(Increase) decrease in prepaid expenses	-	(27,500)	-	-	(27,500)
Increase (decrease) in accounts payable	(18,169)	(594,137)	(3,170)	17,881	(597,595)
Increase (decrease) in compensated absences	(50,906)	-	(72,891)	(963)	(124,760)
(Increase) decrease in inventory	(30,173)	-	-	-	(30,173)
Increase (decrease) in salaries & benefits payable	(2,348)	(5,334)	27,017	854	20,189
Total adjustments	<u>607,746</u>	<u>(626,971)</u>	<u>(33,737)</u>	<u>24,507</u>	<u>(28,455)</u>
Net cash provided by (used for) operating activities	<u>\$ 136,435</u>	<u>\$ (1,013,136)</u>	<u>\$ 351,925</u>	<u>\$ (9,345)</u>	<u>\$ (534,121)</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, 2014

	Agency Funds			
	County Justice Court			
	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
ASSETS				
Cash and short-term investments	\$ 139,580	\$ 1,563,894	\$ 1,570,984	\$ 132,490
Total assets	<u>\$ 139,580</u>	<u>\$ 1,563,894</u>	<u>\$ 1,570,984</u>	<u>\$ 132,490</u>
LIABILITIES				
Due to other governments	\$ 139,580	\$ 1,563,894	\$ 1,570,984	\$ 132,490
Total liabilities	<u>\$ 139,580</u>	<u>\$ 1,563,894</u>	<u>\$ 1,570,984</u>	<u>\$ 132,490</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of General Obligation Bonds Payable
 June 30, 2014

	Municipal Facilities Bond Series 2007	
	<hr/>	
Interest rates		3.83%
Issue date		5/8/2007
Final maturity date		7/1/2017
Authorized	\$	1,510,000
Issued		1,510,000
Retired		990,000
Outstanding		520,000
Principal retirement:		
2015		165,000
2016		175,000
2017		180,000

CITY OF PRESCOTT, ARIZONA

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

June 30, 2014

	89A and Granite				Total Bonds Payable
	Central Garage & Transfer Station	Dells Parkway Taxable Revenue Bonds (1)	Williamson Valley Rd & Golf Course Equipment	Refunding MPC 2004-G Big Chino Ranch	
	Series 2007	Series 2010	Series 2011	Series 2014	
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	1,715,000	3,085,000	1,232,000	-	6,032,000
Outstanding	4,910,000	15,165,000	7,678,000	9,000,000	36,753,000
Principal retirement:					
2015	290,000	805,000	483,330	-	1,578,330
2016	300,000	825,000	326,000	-	1,451,000
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, 2014

	Imp. District #162	Imp. District #163	Imp. District #164	Total Imp. District
Interest rates	5.10%	4.60%	2- 3.082%	N/A
Issue date	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,485,840
Issued	1,920,000	2,470,000	95,840	4,485,840
Retired	1,920,000	2,470,000	55,944	4,445,944
Outstanding	-	-	39,896	39,896
Principal retirement:				
2015	-	-	5,044	5,044
2016	-	-	5,044	5,044
2017	-	-	5,044	5,044
2018	-	-	5,044	5,044
2019	-	-	5,044	5,044
2020	-	-	5,044	5,044
2021	-	-	5,044	5,044
2022	-	-	4,588	4,588

CITY OF PRESCOTT, ARIZONA
Schedule of Community Facilities Districts Bonds Payable
 June 30, 2014

	Hassayampa #1		Hassayampa #2		Total
	Community Facilities Bonds		Community Facilities Bonds		Community Facilities
	Series 1996		Series 2000		Bonds
Interest rates	7.75%		7.50%		N/A
Issue date	11/1/1996		2/1/2000		N/A
Final maturity date	7/1/2021		7/1/2024		N/A
Authorized	\$ 7,315,000	\$	1,240,000	\$	8,555,000
Issued	7,315,000		1,240,000		8,555,000
Retired	5,285,000		835,000		6,120,000
Outstanding	2,030,000		405,000		2,435,000
Principal retirement:					
2015	225,000		30,000		255,000
2016	245,000		30,000		275,000
2017	265,000		35,000		300,000
2018	285,000		35,000		320,000
2019	310,000		40,000		350,000
2020	335,000		40,000		375,000
2021	365,000		45,000		410,000
2022	-		50,000		50,000
2023	-		50,000		50,000
2024	-		50,000		50,000

CITY OF PRESCOTT, ARIZONA

Schedule of Loans Payable From Water Infrastructure Finance Authority

June 30, 2014

	Clean Water Loan	Drinking Water Loan	Drinking Water Loan	Drinking Water Loan	Drinking Water Loan	Total Payable				
	910097-08	910122-10	910147-11	910148-11	910151-11	920125-08	92A166-09	920206-11	920237-13	
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	34,872,025	9,854,000	6,759,551	1,018,796	13,185,020	79,502,692
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	In Progress	27,445,647
Retired	1,058,531	947,812	217,398	185,561	1,832,351	2,257,672	581,710	116,954	527,429	7,725,418
Forgivable Prin. (1)	-	-	-	-	-	-	4,000,000	-	2,034,200	6,034,200
Outstanding	3,644,469	5,106,951	1,357,195	1,295,383	33,039,674	7,596,328	2,177,841	901,842	10,623,391	65,743,074
Principal retirement:										
2015	201,057	250,525	63,267	65,793	1,417,458	425,644	107,225	40,912	431,137	3,003,018
2016	208,833	258,398	65,261	60,273	1,459,273	441,137	110,594	42,202	443,209	3,089,180
2017	216,910	266,518	67,318	62,173	1,502,321	457,195	114,070	43,532	455,618	3,185,655
2018	225,299	274,893	69,440	64,133	1,546,640	473,837	117,654	44,904	468,376	3,285,176
2019	234,012	283,531	71,629	66,154	1,592,266	491,084	121,352	46,319	481,490	3,387,837
2020	243,062	292,441	73,887	68,239	1,639,237	508,960	125,165	47,779	494,972	3,493,742
2021	252,463	301,631	76,216	70,390	1,687,595	527,486	129,098	49,285	508,831	3,602,995
2022	262,227	311,110	78,618	72,609	1,737,379	546,686	133,155	50,839	523,078	3,715,701
2023	272,369	320,887	81,096	74,897	1,788,632	566,586	137,340	52,441	537,725	3,831,973
2024	282,902	330,971	83,652	77,258	1,841,396	587,209	141,656	54,094	552,781	3,951,919
2025	293,844	341,371	86,289	79,693	1,895,718	608,584	146,107	55,799	568,259	4,075,664
2026	305,208	352,099	89,009	82,205	1,951,641	630,736	150,698	57,558	584,170	4,203,324
2027	317,012	363,164	91,814	84,796	2,009,215	653,695	155,434	59,372	600,527	4,335,029
2028	329,271	374,576	94,708	87,469	2,068,486	677,489	160,319	61,244	617,342	4,470,904
2029		386,347	97,693	90,226	2,129,507		165,357	63,174	634,627	3,566,931
2030		398,489	100,773	93,070	2,192,327		162,617	65,165	652,397	3,664,838
2031			66,525	96,005	2,257,001			67,223	670,664	3,157,418
2032					2,323,582				689,442	3,013,024
2033									708,746	708,746

(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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$177.9	\$184.8	\$203.7	\$257.6	\$266.1	\$256.8	\$252.0	\$244.2	\$250.6	\$241.5
Restricted	43.9	50.2	31.4	22.0	14.5	26.8	33.3	28.2	22.0	26.7
Unrestricted	8.9	11.6	33.3	18.9	21.3	18.2	11.8	20.7	28.6	31.0
Total governmental activities net position	<u>230.7</u>	<u>246.6</u>	<u>268.4</u>	<u>298.5</u>	<u>301.9</u>	<u>301.8</u>	<u>297.1</u>	<u>293.1</u>	<u>301.2</u>	<u>299.2</u>
Business-type activities										
Net investment in capital assets	129.6	148.8	162.0	170.1	179.7	180.2	181.2	186.6	196.2	195.6
Restricted	7.1	7.6	9.4	11.0	10.3	3.3	5.9	1.7	3.4	2.1
Unrestricted	15.4	14.2	10.6	12.0	8.4	20.6	21.6	28.1	27.6	37.0
Total business-type activities net position	<u>152.1</u>	<u>170.6</u>	<u>182.0</u>	<u>193.1</u>	<u>198.4</u>	<u>204.1</u>	<u>208.7</u>	<u>216.4</u>	<u>227.2</u>	<u>234.7</u>
Primary government										
Net investment in capital assets	307.5	333.6	365.7	427.7	445.8	437.0	433.2	430.8	446.8	437.1
Restricted	51.0	57.8	40.8	33.0	24.8	30.1	39.2	30.0	25.4	28.8
Unrestricted	24.3	25.8	43.9	30.9	29.7	38.8	33.4	48.8	56.2	68.0
Total primary government net position	<u>\$382.8</u>	<u>\$417.2</u>	<u>\$450.4</u>	<u>\$491.6</u>	<u>\$500.3</u>	<u>\$505.9</u>	<u>\$505.8</u>	<u>\$509.6</u>	<u>\$528.4</u>	<u>\$533.9</u>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table IIa

Statistical Section - Financial Trends

Changes in Net Position

Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 5,903,541	\$ 6,086,650	\$ 4,422,607	\$ 2,795,027	\$ 4,729,659	\$ 5,270,318	\$ 4,751,361	\$ 3,845,602	\$ 3,302,722	\$ 3,556,422
Community services	2,504,447	2,409,814	3,215,988	2,753,553	2,496,954	1,581,189	1,828,771	1,575,162	1,618,583	1,366,383
Culture and recreation	5,323,256	6,177,208	6,688,038	7,423,431	7,128,215	6,755,821	5,695,054	6,087,787	6,293,045	5,957,646
Public Safety										
Police and court	8,888,639	10,615,068	11,871,859	12,708,979	11,577,275	13,199,261	12,701,709	12,922,445	13,045,965	13,652,419
Fire	6,221,770	7,069,541	7,392,504	8,154,199	8,136,035	8,283,157	7,033,768	7,570,584	7,857,447	8,515,633
Total public safety	15,110,409	17,684,609	19,264,363	20,863,178	19,713,310	21,482,418	19,735,477	20,493,029	20,903,412	22,168,052
Public Works	10,964,098	14,483,522	16,078,254	16,900,857	17,504,910	17,159,687	20,078,009	20,201,958	15,627,648	20,720,875
Interest on long-term debt	1,161,057	1,087,363	1,003,567	1,195,481	1,055,002	945,490	1,516,480	1,801,417	1,612,868	1,469,883
Total governmental activities expenses	40,966,808	47,929,166	50,672,817	51,931,527	52,628,050	53,194,923	53,605,152	54,004,955	49,358,278	55,239,261
Business-type Activities:										
Airport	4,324,540	5,052,283	4,716,619	4,101,413	2,106,018	2,667,588	2,143,260	1,879,071	2,055,655	2,227,768
Golf course	1,971,548	2,629,179	3,219,774	3,539,999	3,027,055	3,177,877	3,118,481	3,015,435	3,060,199	3,139,242
Parking garage (1)	-	102,270	251,831	250,970	244,877	233,647	240,892	235,347	-	-
Solid waste/transfer station	8,490,009	8,637,308	9,063,406	9,253,640	8,432,884	8,565,248	8,183,227	8,364,648	7,415,304	6,524,765
Wastewater	5,801,765	6,100,960	6,363,510	7,415,592	7,070,036	7,240,349	7,268,274	7,618,029	8,231,034	9,387,267
Water	7,384,458	8,163,189	9,910,947	10,251,868	10,398,324	11,730,387	12,327,147	10,860,729	11,929,598	11,967,526
Total business-type activities expenses	27,972,320	30,685,189	33,526,087	34,813,482	31,279,194	33,615,096	33,281,281	31,973,259	32,691,790	33,246,568
Total primary government expenses	\$68,939,128	\$78,614,355	\$84,198,904	\$86,745,009	\$83,907,244	\$86,810,019	\$86,886,433	\$85,978,214	\$82,050,068	\$88,485,829

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenue										
Governmental Activities:										
Charges for services:										
General government (1)	\$ 1,709,487	\$ 1,704,995	\$ 373,184	\$ 424,522	\$ 287,233	\$ 275,792	\$ 399,268	\$ 364,375	\$ 388,673	\$ 385,950
Community services (1)	386,522	329,140	1,012,016	759,032	557,381	451,277	406,925	523,237	632,081	795,668
Culture and recreation	1,474,204	1,342,645	1,106,163	828,718	676,388	1,336,685	1,386,960	1,216,202	1,220,539	1,254,957
Public Safety										
Police and court	1,075,633	1,637,260	1,735,625	1,810,533	2,029,268	1,862,438	1,783,712	1,784,691	1,823,242	1,808,570
Fire	542,502	542,641	593,633	653,650	393,231	517,585	502,926	473,685	355,762	491,900
Total public safety	1,618,135	2,179,901	2,329,258	2,464,183	2,422,499	2,380,023	2,286,638	2,258,376	2,179,004	2,300,470
Public Works	680,346	750,987	451,537	314,725	270,456	343,168	305,655	343,828	362,466	340,834
Operating grants and contributions	4,841,655	4,536,312	5,110,022	5,320,140	4,680,179	5,419,640	2,958,436	2,511,253	2,025,251	1,881,404
Capital grants and contributions	2,761,682	13,509,535	10,003,889	12,437,202	2,009,069	1,788,843	4,429,608	3,067,646	3,095,090	3,561,636
Total governmental activities program revenues	13,472,031	24,353,515	20,386,069	22,548,522	10,903,205	11,995,428	12,173,490	10,284,917	9,903,104	10,520,919
Business-type Activities:										
Charges for services:										
Airport	3,834,834	4,472,618	4,127,668	3,350,194	1,312,884	1,270,370	1,372,979	1,305,057	1,341,487	1,369,868
Golf course	2,218,301	2,570,842	3,382,094	3,257,411	2,981,108	2,666,753	2,580,592	2,604,899	2,622,774	2,723,743
Parking garage (2)	-	64,632	58,527	58,072	48,063	52,731	39,331	42,973	0	0
Solid waste/transfer station	8,533,710	9,519,355	9,699,398	9,207,131	8,930,779	8,402,515	7,887,491	8,034,858	6,249,960	6,361,379
Wastewater	4,146,635	4,139,815	4,406,795	4,485,370	5,836,923	6,555,018	7,625,038	8,899,845	9,634,789	10,608,168
Water	8,667,426	9,472,952	9,439,229	12,371,505	11,833,103	11,206,436	12,525,849	13,658,884	14,630,537	14,248,524
Operating grants and contributions	-	-	-	-	-	195,055	48,852	0	0	0
Capital grants and contributions	15,913,794	11,398,193	11,426,649	11,443,754	3,995,467	7,637,797	2,231,217	4,285,113	13,753,449	3,882,122
Total business-type activities program revenues	43,314,700	41,638,407	42,540,360	44,173,437	34,938,327	37,986,675	34,311,349	38,831,629	48,232,996	39,193,804
Total primary government revenues	\$56,786,731	\$65,991,922	\$62,926,429	\$66,721,959	\$45,841,532	\$49,982,103	\$46,484,839	\$49,116,546	\$58,136,100	\$49,714,723
Net (Expense)/Revenue										
Governmental activities	\$ (27,494,777)	\$ (23,575,651)	\$ (30,286,748)	\$ (29,383,005)	\$ (41,724,845)	\$ (41,199,495)	\$ (41,431,662)	\$ (43,720,038)	\$ (39,455,174)	\$ (44,718,342)
Business-type activities	15,342,380	10,953,218	9,014,273	9,359,955	3,659,133	4,371,579	1,030,068	6,858,370	15,541,206	5,947,236
Total primary government net expense	\$ (12,152,397)	\$ (12,622,433)	\$ (21,272,475)	\$ (20,023,050)	\$ (38,065,712)	\$ (36,827,916)	\$ (40,401,594)	\$ (36,861,668)	\$ (23,913,968)	\$ (38,771,106)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental revenues and other changes in net position										
Governmental Activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 1,003,217	\$ 1,044,116	\$ 1,121,323	\$ 1,156,383	\$ 1,211,716	\$ 1,227,325	\$ 1,257,419	\$ 1,252,755	\$ 1,088,021	\$ 1,516,097
Property taxes, levied for debt service	1,688,385	1,690,354	1,708,876	1,909,468	1,935,447	1,627,818	1,552,902	1,568,599	1,573,489	182,477
Utility franchise taxes	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388	1,644,977	1,637,128	1,624,459	1,618,259	1,621,289
City privilege and use tax, general purposes	13,215,116	15,129,080	15,810,057	14,975,742	12,794,026	12,177,884	11,763,668	12,593,700	13,667,950	14,102,837
City privilege and use tax, major street and open space program	12,918,249	14,731,785	15,333,864	14,365,539	12,157,858	11,711,274	11,237,566	12,131,870	13,127,520	13,613,846
Transient lodging tax	359,928	417,001	437,770	529,488	558,806	462,709	509,488	554,396	526,893	620,722
Intergovernmental revenues - unrestricted	8,816,640	10,124,341	11,614,540	12,528,123	12,205,058	10,564,433	9,441,614	8,709,498	9,535,838	10,039,455
Interest and investment income	2,036,084	1,790,200	3,728,455	3,015,995	2,070,231	1,359,253	1,165,562	805,723	395,818	902,171
Gain (loss) on sale of property (1)	-	-	-	8,595,744	164,217	(1,152,911)	-	-	-	-
Miscellaneous	1,317,671	818,055	875,139	546,570	618,265	965,685	498,367	500,110	761,972	393,379
Transfers	(350,377)	(6,345,662)	(83,037)	300,237	(67,811)	388,326	(2,538,596)	(12,940)	5,310,563	(365,117)
Total governmental activities	42,240,803	40,768,577	52,035,059	59,487,172	45,215,201	40,976,773	36,525,118	39,728,170	47,606,323	42,627,156
Business-type Activities:										
Interest and investment income	715,632	676,194	1,691,475	1,846,596	1,296,043	992,399	559,838	551,910	50,812	639,606
Intergovernmental revenues - unrestricted	-	-	-	-	-	176,755	-	-	-	-
Gain (loss) on sale of property	-	-	-	(921,677)	-	(359)	-	-	-	-
Miscellaneous	1,022,528	839,545	636,048	732,782	598,764	566,141	513,120	342,380	336,231	599,186
Transfers	350,377	6,345,662	83,037	(300,237)	67,811	(388,326)	2,538,596	12,940	(5,310,563)	365,117
Total business-type activities	2,088,537	7,861,401	2,410,560	1,357,464	1,962,618	1,346,610	3,611,554	907,230	(4,923,520)	1,603,909
Total primary government	\$ 44,329,340	\$ 48,629,978	\$ 54,445,619	\$ 60,844,636	\$ 47,177,819	\$ 42,323,383	\$ 40,136,672	\$ 40,635,400	\$ 42,682,803	\$ 44,231,065
Change in net position										
Governmental activities	\$ 14,746,026	\$ 17,192,926	\$ 21,748,311	\$ 30,104,167	\$ 3,490,356	\$ (222,722)	\$ (4,906,544)	\$ (3,991,868)	\$ 8,151,149	\$ (2,091,186)
Business-type activities	17,430,917	18,814,619	11,424,833	10,717,419	5,621,751	5,718,189	4,641,622	7,765,600	10,617,686	7,551,145
Total primary government	\$ 32,176,943	\$ 36,007,545	\$ 33,173,144	\$ 40,821,586	\$ 9,112,107	\$ 5,495,467	\$ (264,922)	\$ 3,773,732	\$ 18,768,835	\$ 5,459,959

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			
2005	5,868,694	4,841,655	2,761,682	13,472,031	30,420,785	8,816,640	2,036,084	967,294	42,240,803	55,712,834	14,746,026	
2006	6,307,668	4,536,312	13,509,535	24,353,515	34,381,643	10,124,341	1,790,200	(5,527,607)	40,768,577	65,122,092	17,192,926	
2007	5,272,158	5,110,022	10,003,889	20,386,069	35,899,962	11,614,540	3,728,455	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)	

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section - Financial Trends

Business-type Activities Revenues and Change in Net Position

Last ten fiscal years

Business-type activities:

Fiscal Year	Program Revenues								General Revenues			Total Program and General Revenue	Total Net Revenue/Change in Net Position
	Charges for Services				Solid Waste/Transfer Station	Parking Garage (1)	Operating/Capital Grants and Contributions	Total	Interest	Intergovernmental, Transfers, Gains (losses) and Miscellaneous	Total		
	Water	Waste Water	Golf	Airport									
2005	8,667,426	4,146,635	2,218,301	3,834,834	8,533,710	-	15,913,794	43,314,700	715,632	1,022,528	1,738,160	45,052,860	17,430,917
2006	9,472,952	4,139,815	2,570,842	4,472,618	9,519,355	64,632	11,398,193	41,638,407	676,194	839,545	1,515,739	43,154,146	18,814,619
2007	9,439,229	4,406,795	3,382,094	4,127,668	9,699,398	58,527	11,426,649	42,540,360	1,691,475	636,048	2,327,523	44,867,883	11,424,833
2008	12,371,505	4,485,370	3,257,411	3,350,194	9,207,131	58,072	11,443,754	44,173,437	1,846,596	(489,132)	1,357,464	45,530,901	10,717,419
2009	11,833,103	5,836,923	2,981,108	1,312,884	8,930,779	48,063	3,995,467	34,938,327	1,296,043	666,575	1,962,618	36,900,945	5,621,751
2010	11,206,436	6,555,018	2,666,753	1,270,370	8,402,515	52,731	7,832,852	37,986,675	992,399	354,211	1,346,610	39,333,285	5,718,189
2011	12,525,849	7,625,038	2,580,592	1,372,979	7,887,491	39,331	2,280,069	34,311,349	559,838	2,538,596	3,098,434	37,409,783	4,641,622
2012	13,658,884	8,899,845	2,604,899	1,305,057	8,034,858	42,973	4,285,113	38,831,629	551,910	355,320	907,230	39,738,859	7,765,600
2013	14,634,126	9,634,789	2,622,774	1,339,987	5,956,031	-	13,753,449	47,941,156	50,812	408,190	459,002	48,400,158	10,617,686
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

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		
2005	\$ 33,269,600	\$ 4,841,655	\$ 18,675,476	\$ 56,786,731	\$ 30,420,785	\$ 8,816,640	\$ 2,751,716	\$ 1,989,822	\$ 43,978,963	\$ 100,765,694	\$ 32,176,943
2006	36,547,882	4,536,312	24,907,728	65,991,922	34,381,643	10,124,341	2,466,394	(4,688,062)	42,284,316	108,276,238	36,007,545
2007	36,385,869	5,110,022	21,430,538	62,926,429	35,899,962	11,614,540	5,419,930	1,428,150	54,362,582	117,289,011	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	5,419,640	9,621,695	49,982,103	28,851,987	10,564,433	2,351,652	555,311	42,323,383	92,305,486	5,495,467
2011	36,816,726	2,958,436	6,709,677	46,484,839	27,958,171	9,441,614	1,725,400	498,367	39,623,552	86,108,391	(264,922)
2012	39,252,534	2,511,253	7,352,759	49,116,546	29,725,779	8,709,498	1,357,633	842,490	40,635,400	89,751,946	3,773,732
2013	38,970,470	2,025,251	16,848,539	57,844,260	31,602,132	9,535,838	446,630	6,480,725	48,065,325	105,909,585	18,768,835
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

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
General government	\$1,716,487	\$1,724,058	\$397,959	\$507,384	\$619,226	\$528,659	\$552,880	\$485,293	\$399,395	\$494,015
Community services	607,916	885,113	2,230,826	1,054,549	650,134	470,216	830,706	659,123	837,679	900,936
Culture and recreation	2,748,219	2,653,076	1,865,462	1,062,952	677,148	1,360,533	1,456,329	1,244,045	1,275,717	1,725,068
Police and court	1,331,412	2,075,968	2,172,971	2,102,735	2,284,453	2,226,109	2,373,641	2,857,869	2,390,471	2,459,900
Fire	725,709	767,928	894,621	914,572	641,707	1,160,531	1,081,826	1,135,300	791,532	1,129,209
Public works	6,342,288	16,247,372	12,824,230	16,906,330	6,030,537	6,249,380	5,565,818	3,594,314	3,917,715	3,535,966
Total governmental activities program revenues	<u>\$13,472,031</u>	<u>\$24,353,515</u>	<u>\$20,386,069</u>	<u>\$22,548,522</u>	<u>\$10,903,205</u>	<u>\$11,995,428</u>	<u>\$11,861,200</u>	<u>\$9,975,944</u>	<u>\$9,612,509</u>	<u>\$10,245,094</u>

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA

Table VII

Statistical Section - Financial Trends

Changes in Fund Balances, Governmental Funds

Last ten fiscal years (in millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Excess of revenues over expenditures	\$ 5.2	\$ 5.6	\$ 5.6	\$ 2.4	\$ 0.9	\$ (2.5)	\$ (2.4)	\$ 0.6	\$ 3.5	\$ 5.7
Other Financing Sources (Uses)										
Debt proceeds	-	0.7	-	-	0.3	-	-	-	-	-
Transfers in	-	-	-	-	-	1.2	0.1	-	-	-
Transfers out	(3.5)	(4.4)	(6.5)	(2.0)	(1.5)	(0.3)	(0.1)	(0.2)	(0.5)	(0.5)
Total other financing sources (uses)	(3.5)	(3.7)	(6.5)	(2.0)	(1.2)	0.9	-	(0.2)	(0.5)	(0.5)
Net change in fund balance	1.7	1.9	(0.9)	0.4	(0.3)	(1.6)	(2.4)	0.4	3.0	5.2
Beginning fund balance (1)	8.3	10.0	12.7	11.7	12.1	21.2	19.6	17.2	17.6	20.6
Prior period adjustment	-	0.8	-	-	-	-	-	-	-	-
Beginning fund balance - as restated	8.3	10.8	12.7	11.7	12.1	21.2	19.6	17.2	17.6	20.6
Ending fund balance	10.0	12.7	11.8	12.1	11.8	19.6	17.2	17.6	20.6	25.8
Committed	-	-	-	-	-	8.4	1.7	1.1	0.4	1.9
Assigned	-	-	-	-	-	0.3	-	-	-	-
Unassigned	-	-	-	-	-	10.8	11.5	10.3	13.5	17.6
Restricted	3.2	2.1	1.4	1.8	4.3	-	-	-	-	-
Nonspendable	6.8	10.6	10.2	10.3	7.5	-	4.0	6.2	6.7	6.3
Total general fund balance	\$ 10.0	\$ 12.7	\$ 11.6	\$ 12.1	\$ 11.9	\$ 19.5	\$ 17.2	\$ 17.6	\$ 20.6	\$ 25.8
All Other Governmental Funds										
Excess (deficiency) of revenues over expenditures	\$ (3.9)	\$ 0.4	\$ (7.5)	\$ (12.8)	\$ (9.4)	\$ (4.9)	\$ (2.2)	\$ (4.3)	\$ (1.8)	\$ 4.4
Other Financing Sources (Uses)										
Bond issuances	-	-	1.5	-	-	18.3	8.4	-	-	-
Transfers in	3.8	6.8	8.4	3.4	3.0	1.1	1.5	0.4	0.5	0.2
Transfers out	(1.0)	(2.5)	(1.9)	(1.5)	(1.7)	(1.6)	(1.3)	(0.3)	(0.1)	(0.1)
Total other financing sources (uses)	2.8	4.3	8.0	1.9	1.3	17.8	8.6	0.1	0.4	0.1
Net change in fund balance	(1.1)	4.7	0.5	(10.9)	(8.1)	12.9	6.4	(4.2)	(1.4)	4.5
Beginning fund balance	32.3	31.3	36.0	36.5	25.6	8.2	21.3	27.7	23.5	22.1
Ending fund balance	31.3	36.0	36.5	25.6	17.5	21.1	27.7	23.5	22.1	26.6
Restricted	-	-	-	-	-	21.1	27.7	23.5	22.1	26.6
Reserved for dedicated purposes	0.5	0.5	0.5	1.8	4.2	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	29.2	34.1	33.3	21.5	11.4	-	-	-	-	-
Debt service funds	1.7	1.7	2.0	1.7	1.7	-	-	-	-	-
Capital projects funds	(0.1)	(0.3)	0.7	0.6	0.2	-	-	-	-	-
Total all other governmental funds fund balance	\$ 31.3	\$ 36.0	\$ 36.5	\$ 25.6	\$ 17.5	\$ 21.1	\$ 27.7	\$ 23.5	\$ 22.1	\$ 26.6
Total general and other governmental funds - fund balance	\$ 41.3	\$ 48.7	\$ 48.1	\$ 37.7	\$ 29.4	\$ 40.6	\$ 44.9	\$ 41.1	\$ 42.7	\$ 52.4

Source: City of Prescott finance department

These amounts are presented on the accrual basis of accounting.

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

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section - Financial Trends

Changes in Fund Balances of Governmental Funds

Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 30,433,859	\$ 34,401,134	\$ 35,899,318	\$ 34,475,231	\$ 30,205,330	\$ 28,859,997	\$ 27,982,207	\$ 29,741,852	\$ 31,515,279	\$ 31,566,176
Intergovernmental revenues	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795	19,891,545	16,935,187	15,454,325	16,257,955	16,691,342
Licenses and permits	3,661,079	3,892,462	1,537,880	1,142,050	810,813	1,090,967	916,094	865,204	993,421	1,169,381
Fines and forfeitures	907,993	1,480,324	1,534,587	1,719,170	1,967,588	646,737	620,248	624,584	628,414	584,260
Gifts and donations	91,205	102,716	51,284	59,882	170,124	65,517	141,516	297,616	85,338	114,493
Charges for services	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556	886,019	1,006,051	1,081,582	1,348,175	1,259,743
Interest and investment income	1,944,433	1,690,663	3,431,739	2,644,168	1,723,524	1,359,253	992,908	805,723	395,818	902,171
Miscellaneous and Grant Contributions	1,980,566	2,138,267	1,283,031	1,634,095	1,155,665	1,532,879	2,615,094	2,160,105	2,664,179	3,913,127
Total revenues	55,473,482	60,421,560	63,676,276	62,047,057	54,490,395	54,332,914	51,209,305	51,030,991	53,888,579	56,200,693
Expenditures										
General government	4,639,844	5,911,150	5,677,646	6,193,642	5,351,470	5,599,470	3,729,333	3,092,112	2,629,031	2,301,399
Community services	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629	1,532,576	1,541,414	1,528,052	1,594,073	1,320,695
Culture and recreation	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515	5,399,324	4,960,428	5,061,475	5,322,883	5,006,351
Police and court	8,516,869	10,336,021	11,672,399	12,533,337	12,578,003	12,627,274	12,155,729	12,787,448	12,844,109	13,219,486
Fire	5,817,037	6,413,599	7,091,353	7,931,941	7,874,563	7,891,239	7,344,850	7,331,239	7,670,051	8,448,735
Public works	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896	4,275,139	8,873,762	9,621,114	4,936,991	8,971,190
Capital outlay	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447	21,263,084	12,652,069	10,242,160	12,400,628	2,834,869
Debt service - principal	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953	2,060,069	3,061,623	3,313,492	3,201,637	2,584,787
Debt service - interest	1,160,334	1,084,915	1,000,152	959,565	840,589	1,057,525	1,516,480	1,801,417	1,612,868	1,469,883
Total expenditures	54,158,220	54,428,319	65,572,291	72,406,904	63,042,065	61,705,700	55,835,688	54,778,509	52,212,271	46,157,395
Excess of Revenues over (under) Expenditures	1,315,262	5,993,241	(1,896,015)	(10,359,847)	(8,551,670)	(7,372,786)	(4,626,383)	(3,747,518)	1,676,308	10,043,298
Other Financing Sources (Uses)										
Bond issuances			1,524,974	-	-	18,250,000	8,415,000	-	-	
Capital leases		734,000	-	-	250,000	-	-	-	-	
Transfers in	3,856,870	6,830,592	8,362,823	3,362,326	3,044,736	2,324,239	1,591,004	462,677	549,552	255,770
Transfers out	(4,537,747)	(6,935,525)	(8,431,257)	(3,558,529)	(3,112,547)	(1,935,913)	(1,383,133)	(475,617)	(621,512)	(620,887)
Total other financing sources (uses)	(680,877)	629,067	1,456,540	(196,203)	182,189	18,638,326	8,622,871	(12,940)	(71,960)	(365,117)
Net change in fund balances	\$ 634,385	\$ 6,622,308	\$ (439,475)	\$ (10,556,050)	\$ (8,369,481)	\$ 11,265,540	\$ 3,996,488	\$ (3,760,458)	\$ 1,604,348	\$ 9,678,181
Debt service as a percentage of noncapital expenditures	9.0%	8.7%	7.5%	8.4%	8.0%	7.2%	10.4%	11.5%	12.1%	9.4%

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			Public Works	Subtotal Current Expenditures	Capital Outlay	Debt Service		Total
				Police & Courts	Fire					Principal	Interest	
2005	4,639,844	2,314,246	4,735,603	8,516,869	5,817,037	3,145,141	\$ 29,168,740	22,109,095	1,720,051	1,160,334	\$ 54,158,220	
2006	5,911,150	2,190,852	5,607,706	10,336,021	6,413,599	3,650,496	34,109,824	17,074,369	2,159,211	1,084,915	54,428,319	
2007	5,677,646	2,641,295	6,038,931	11,672,399	7,091,353	3,986,169	37,107,793	25,464,042	2,000,304	1,000,152	65,572,291	
2008	6,193,642	2,926,188	6,257,768	12,533,337	7,931,941	3,606,011	39,448,887	29,327,591	2,670,861	959,565	72,406,904	
2009	5,351,470	2,685,629	6,065,515	12,578,003	7,874,563	3,371,896	37,927,076	21,813,447	2,460,953	840,589	63,042,065	
2010	5,599,470	1,532,576	5,399,324	12,627,274	7,891,239	4,275,139	37,325,022	21,263,084	2,060,069	1,057,525	61,705,700	
2011	3,729,333	1,541,414	4,960,428	12,155,729	7,344,850	8,873,762	38,605,516	12,652,069	3,061,623	1,516,480	55,835,688	
2012	3,092,112	1,528,052	5,061,475	12,787,448	7,331,239	9,621,114	39,421,440	10,242,160	3,313,492	1,801,417	54,778,509	
2013	2,629,031	1,594,073	5,322,883	12,844,109	7,670,051	4,936,991	34,997,138	12,400,628	3,201,637	1,612,868	52,212,271	
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	

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

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

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</u>	<u>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>
2005	P	-	409,982,059	35,587,093	\$ 445,569,152	25,723,206	\$ 419,845,946	9.1%	3,366,027,959	7.4160
	S	174,363,451	265,094,752	35,591,751	475,049,954	27,239,856	447,810,098	8.9%	3,548,266,877	1.3577
2006	P	-	454,345,973	37,455,760	491,801,733	24,805,656	466,996,077	11.2%	3,744,454,238	7.0503
	S	181,287,420	304,464,222	37,455,737	523,207,379	25,981,170	497,226,209	11.0%	3,974,902,455	1.2748
2007	P	-	506,912,059	36,305,122	543,217,181	25,815,170	517,402,011	10.8%	4,201,772,704	6.4839
	S	187,957,316	354,231,282	36,305,122	578,493,720	26,650,444	551,843,276	11.0%	4,476,798,800	1.1965
2008	P	-	571,868,029	39,738,218	611,606,247	28,490,607	583,115,640	12.7%	4,797,789,129	6.0288
	S	219,399,458	413,148,579	39,737,442	672,285,479	29,819,385	642,466,094	16.4%	5,300,660,392	1.0640
2009	P	-	654,867,092	39,672,670	694,539,762	33,730,647	660,809,115	13.3%	5,540,509,813	5.4988
	S	307,050,409	505,741,499	39,672,670	852,464,578	42,469,747	809,994,831	26.1%	6,859,468,102	0.7770
2010	P	-	726,770,248	38,896,067	765,666,315	36,429,750	729,236,565	10.4%	6,181,460,471	5.6295
	S	330,556,261	495,997,159	38,686,651	865,240,071	43,072,587	822,167,484	1.5%	6,962,286,690	0.9344
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	305,431,469	450,225,263	38,064,355	793,721,087	41,955,157	751,765,930	-8.6%	6,339,804,602	1.0590
2012	P	-	641,108,704	37,441,146	678,549,850	43,626,565	634,923,285	-11.9%	5,298,881,730	6.1085
	S	240,175,287	413,608,409	37,723,260	691,506,956	46,652,793	644,854,163	-14.2%	5,368,864,589	1.2506
2013	P	-	560,062,336	39,906,786	599,969,122	45,946,787	554,022,335	-12.7%	4,672,616,903	7.1144
	S	149,560,629	418,684,131	38,977,953	607,222,713	51,935,941	555,286,772	-13.9%	4,925,516,945	1.4466
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	146,629,611	376,445,995	37,178,071	560,253,677	50,018,760	510,234,917	-8.1%	4,572,668,652	1.1421

Source: Yavapai County assessor

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

Real estate and improvements are combined in the primary valuation.

CITY OF PRESCOTT, ARIZONA

Table XII

Statistical Section - Revenue Capacity

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

Last ten fiscal years

Fiscal Year		City of Prescott	High School & Elementary	Community College	Yavapai County	State of Arizona	Total
Tax Rates (per \$1,000 Assessed Valuation)							
2005	P	0.2383	3.4583	1.5626	2.1568	-	7.4160
	S	0.3763	0.2857	0.2888	0.4069	-	1.3577
2006	P	0.2245	3.1992	1.4900	2.1366	-	7.0503
	S	0.3413	0.2687	0.2614	0.4034	-	1.2748
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
Tax Levies							
2005	P	1,000,493	19,589,747	26,189,637	36,148,695	\$ -	82,928,572
	S	1,685,025	1,723,513	5,155,584	6,889,175	-	15,453,297
2006	P	1,048,406	20,179,874	27,980,856	40,122,659	-	89,331,795
	S	1,697,025	1,820,494	5,282,090	7,723,835	-	16,523,444
2007	P	1,128,971	22,288,632	30,414,662	35,184,002	-	89,016,267
	S	1,706,825	2,042,582	5,214,983	8,504,423	-	17,468,813
2008	P	1,160,983	23,746,861	33,094,152	37,775,306	-	95,777,302
	S	1,915,789	2,049,261	5,214,651	9,738,414	-	18,918,115
2009	P	1,214,192	25,284,657	35,424,260	40,429,914	-	102,353,023
	S	1,939,408	588,540	5,264,245	12,399,561	-	20,191,754
2010	P	1,235,701	28,074,489	36,833,381	52,869,817	-	119,013,388
	S	1,646,680	2,990,278	5,228,333	12,313,942	-	22,179,233
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
The portion of the 2013-14 levies paid by City of Prescott property owners is reflected below:							
Amount	P	\$ 1,518,465	\$ 16,932,392	\$ 8,823,996	\$ 11,475,698	\$ -	\$ 38,750,551
	S	\$ 187,200	2,143,390	1,168,355	2,825,671	-	6,324,616
Percent	P	100%	72.3%	22.8%	22.8%	-	34.1%
	S	100%	72.2%	22.3%	22.3%	-	28.2%

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

		2013/2014			2004/2005		
		Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation	Assessed Valuation	Rank	As a % of City's Total Secondary Assessed Valuation
<u>Taxpayer</u>	<u>Type of Business</u>						
Arizona Public Service	Electric utility	\$ 14,154,847	1	2.5%	\$ 10,073,188	1	2.2%
Unisource Energy Corporation	Gas utility	5,708,558	2	1.0%			
TWC II Prescott Mall LLC	Shopping center	5,012,237	3	0.9%	8,210,401	2	1.8%
Sturm Ruger	Manufacturing	4,344,979	4	0.8%	1,679,846	9	0.4%
Wal-Mart	Shopping Center	3,312,265	5	0.6%	2,866,247	5	0.6%
Cable One	Cable Utility	2,155,115	6	0.4%			
Qwest Corporation / US West	Telecommunications	1,914,074	7	0.3%	6,787,201	3	1.5%
Lowes	Retail	1,810,451	8	0.3%			
HGC OP-CO LLC	Golf Course	1,809,849	9	0.3%			
LFRV LLC (Las Fuentes)	Commercial rental	1,792,776	10	0.3%			
Tucson Electric Power Company	Gas utility				3,887,852	4	0.9%
Ponderosa Plaza	Shopping Center				1,948,371	8	0.4%
LFRV LLC	Retirement facilities				1,901,629	7	0.4%
West Gold Office Building	Commercial rental				2,124,244	6	0.5%
Reddington-Willow Creek	Shopping Center				1,850,870	10	0.4%
Total		<u>\$ 42,015,151</u>		<u>7.4%</u>	<u>\$ 41,329,849</u>		<u>9.1%</u>

Source: Yavapai County assessor's office

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

CITY OF PRESCOTT, ARIZONA

Table XIV

Statistical Section - Revenue Capacity

Property Tax Levies and Collections

Last ten fiscal years

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collections As Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent of Current Levy</u>
2005	2,692,936	2,625,544	97.5%	\$ 67,392	\$ 2,692,936	100.0%	-	0.0%
2006	2,730,617	2,681,168	98.2%	49,449	2,730,617	100.0%	-	0.0%
2007	2,829,552	2,779,196	98.2%	50,356	2,829,552	100.0%	-	0.0%
2008	3,060,145	2,984,844	97.5%	75,301	3,060,145	100.0%	-	0.0%
2009	3,142,012	3,053,820	97.2%	81,679	3,135,499	99.8%	6,513	0.2%
2010	2,873,003	2,783,920	96.9%	88,138	2,872,058	100.0%	945	0.0%
2011	2,814,320	2,731,911	97.1%	81,269	2,813,180	100.0%	1,140	0.0%
2012	2,839,228	2,768,468	97.5%	68,954	2,837,422	99.9%	1,806	0.1%
2013	2,680,831	2,593,963	96.8%	84,603	2,678,566	99.9%	2,265	0.1%
2014	1,705,665	1,652,907	96.9%	-	1,652,907	96.9%	52,758	3.1%

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

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>
2005	756 \$	30,420,785	2,691,602	13,215,116	12,918,249	1,235,890	359,928
2006	838	34,381,643	2,734,470	15,129,080	14,731,785	1,369,307	417,001
2007	853	35,899,962	2,830,199	15,810,057	15,333,864	1,488,072	437,770
2008	798	34,500,503	3,065,851	14,975,742	14,365,539	1,563,883	529,488
2009	698	30,225,241	3,147,163	12,794,026	12,157,858	1,567,388	558,806
2010	662	28,851,987	2,855,143	12,177,884	11,711,274	1,644,977	462,709
2011	702	27,958,171	2,810,321	11,763,668	11,237,566	1,637,128	509,488
2012	738	29,725,779	2,821,354	12,593,700	12,131,870	1,624,459	554,396
2013	779	31,602,132	2,661,510	13,667,950	13,127,520	1,618,259	526,893
2014	780	31,657,268	1,698,574	14,102,837	13,613,846	1,621,289	620,722

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section - Revenue Capacity

Privilege Tax - Taxable Sales by Category

Last ten fiscal years (in thousands of dollars)

Fiscal year	<i>Advertising</i>	<i>Construction</i>	<i>Job Printing Publishing</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>
2005	\$ 14,567	\$ 201,828	\$ 8,843	\$ 74,788	\$ 35,992	\$ 49,402	\$ 18,279	\$ 38,301	\$ 777,883	\$ 52,458	\$ 15,714	\$ 23,533	\$ 1,963	\$ 1,313,551	2%	28%
2006	22,359	224,132	8,708	85,369	35,841	52,739	20,883	43,331	884,079	55,709	24,727	23,850	1,783	1,483,509	2%	28%
2007	24,174	232,580	8,912	87,175	52,698	60,276	22,775	44,425	902,862	65,436	26,452	27,146	2,150	1,557,061	2%	27%
2008	22,164	194,250	7,333	85,531	41,970	63,746	26,256	46,664	858,798	72,091	33,010	27,158	2,211	1,481,181	2%	33%
2009	14,894	123,930	6,336	82,290	29,174	65,905	18,922	59,513	755,815	72,460	18,500	20,270	2,962	1,270,972	2%	35%
2010	11,934	84,957	5,371	82,302	26,949	60,565	16,540	51,181	699,443	68,393	23,527	23,467	2,114	1,156,743	2%	37%
2011	11,712	85,033	5,218	83,810	24,427	60,073	17,398	52,753	689,692	72,393	29,122	23,692	1,669	1,156,991	2%	38%
2012	14,293	96,741	5,257	90,623	21,326	60,932	18,917	55,111	739,549	74,535	29,009	23,272	1,282	1,230,846	2%	36%
2013	13,753	104,552	5,031	91,967	19,932	61,980	19,625	59,973	800,824	76,384	25,792	23,106	1,523	1,304,442	2%	36%
2014	13,374	119,285	5,364	95,809	21,608	53,453	21,608	63,998	833,256	74,829	31,170	21,785	2,115	1,357,664	2%	34%

Top 10 Taxpayers

FY 2014

- Arizona Public Service
- Costco
- Fry's Food & Drug
- Lamb Chevrolet, Inc
- Prescott Motors, Inc
- Safeway
- SCZ Automotive
- Tim's Auto Group
- Trader Joe
- Wal-Mart

Percent of Total Privilege Tax Collected: 34%

FY 2005

- Arizona Public Service
- Costco Wholesale
- Galpin Ford Inc.
- Lamb Chevrolet
- Sears Roebuck & Co.
- Fry's Food & Drug
- Tim's Buick Pontiac, GMC
- Unisource Energy
- York Motors
- Wal-Mart

Percent of Total Privilege Tax Collected: 28%

Source: City of Prescott Finance Department

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Prescott Privilege Tax General</u>	<u>Prescott Privilege Tax - Roads & Open Space (1)</u>	<u>Yavapai County Privilege Tax (3)</u>	<u>State of Arizona Privilege Tax (4)</u>	<u>Total Privilege Tax</u>	<u>Transient Lodging Tax (2)</u>
2005	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2006	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2007	1.00%	1.00%	0.75%	5.60%	8.35%	2.00%
2008	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2009	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2010	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2011	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2012	1.00%	1.00%	0.75%	6.60%	9.35%	3.00%
2013	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%
2014	1.00%	1.00%	0.75%	5.60%	8.35%	3.00%

Source: City of Prescott finance department

- (1) Voters approved an additional 1% privilege tax in 1995 for street improvements to sunset December 31, 2005. In May 2000, the voters expanded the use of funds to include open space acquisition while extending the sunset to December 31, 2015. In 2010, voters approved a .75% privilege tax for street improvements effective January 1, 2016 to sunset December 31, 2035.
- (2) Proceeds from this tax are used for the promotion of tourism and development of recreational facilities within the City. This rate was increased to 3% on January 1, 2008.
- (3) Yavapai County currently imposes a .50% excise tax and a .25% jail tax. The jail tax became effective in FY 2001 and the rate was .2% until 2003.
- (4) The State of Arizona tax rate increased to 6.60% effective June 1, 2010 and decreased to 5.60% effective June 1, 2013.

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section - Debt Capacity

Ratios of Outstanding Debt by type

Last ten fiscal years

Fiscal Year	Governmental Activities					Business-type Activities					Total Debt Per Capita	Adjusted Debt Per Capita (1)	Total Debt to Personal Income	Adjusted Total Debt to Personal Income
	General	Community	Lease	Municipal	Special	Municipal	General	Lease	Total					
	Obligation	Facilities	Purchase	Properties	Assessment	Properties	Obligation	Loans	Primary					
Bonds	District	Contracts	Corporation	Bonds	Corporation	Bonds	Payable (2)	Contracts	Government	Debt Per Capita	Capita (1)	Income	Income	
2005	\$ 10,395,000	\$ 6,270,000	\$ -	\$ -	\$ 3,398,392	\$ 21,355,000	\$ -	\$ -	\$ 3,640,013	\$ 45,058,405	1,120	880	0.88%	0.69%
2006	9,140,000	5,765,000	666,940	-	3,066,241	20,050,000	-	-	4,144,260	42,832,441	1,051	834	0.77%	0.61%
2007	9,335,000	5,560,000	528,787	5,099,925	2,724,090	20,230,075	-	-	3,436,504	46,914,381	1,115	918	0.80%	0.66%
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	1,150	982	0.90%	0.77%
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	1,108	956	0.76%	0.66%
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	1,599	1,461	1.30%	1.18%
2011	3,595,000	3,780,000	118,784	30,304,407	1,410,029	15,755,593	-	22,253,387	896,095	78,113,295	1,961	1,830	1.45%	1.35%
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	1,818	1,709	1.36%	1.28%
2013	680,000	3,060,000	13,744	27,795,262	739,940	11,858,738	-	42,338,127	160,526	86,646,337	2,135	2,041	1.61%	1.53%
2014	520,000	2,435,000	-	26,493,718	39,896	10,259,282	-	65,742,074	-	105,489,970	2,599	2,538	1.95%	1.90%

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>
2005	447,810,098	10,395,000	-	10,395,000	2.3%	258
2006	497,226,209	9,140,000	-	9,140,000	1.8%	224
2007	551,843,276	9,335,000	-	9,335,000	1.7%	222
2008	642,466,094	7,825,000	-	7,825,000	1.2%	181
2009	809,994,831	6,240,000	-	6,240,000	0.8%	144
2010	822,167,484	4,950,000	-	4,950,000	0.7%	114
2011	751,765,930	3,595,000	-	3,595,000	0.5%	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

Source: City of Prescott finance department

(1) Population information is shown on table XXVII.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XXI

Statistical Section - Debt Capacity

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	
2005	\$ 9,551,692	\$ 4,828,013	\$ 4,723,679	-	-	-	-
2006	10,056,936	4,831,387	5,225,549	-	-	-	-
2007	10,594,267	5,048,866	5,545,401	-	-	-	-
2008	13,911,896	5,137,731	8,774,165	-	100,733	100,733	87.10
2009	12,901,408	6,361,904	6,539,504	343,465	221,794	565,259	11.57
2010	11,967,862	8,574,731	3,393,131	355,967	348,732	704,699	4.82
2011	12,958,298	8,941,952	4,016,346	610,711	383,125	993,836	4.04
2012	14,104,588	7,347,256	6,757,332	608,645	388,017	996,662	6.78
2013	14,720,538	8,332,704	6,387,834	640,916	389,315	1,030,230	6.20
2014	14,892,434	7,949,927	6,942,507	1,081,743	624,371	1,706,114	4.07

Wastewater Revenue Bond (3)							
Fiscal Year	Operating Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2005	\$ 5,268,422	\$ 3,868,535	\$ 1,399,887	-	-	-	-
2006	5,765,023	4,154,036	1,610,987	-	-	-	-
2007	7,393,084	4,441,560	2,951,524	-	-	-	-
2008	7,679,110	5,426,081	2,253,029	-	95,614	95,614	23.56
2009	7,577,002	4,953,535	2,623,467	160,118	158,484	318,602	8.23
2010	6,878,860	4,829,673	2,049,187	166,311	298,286	464,597	4.41
2011	7,809,344	4,641,183	3,168,161	1,115,577	349,151	1,464,728	2.16
2012	9,099,534	4,912,764	4,186,770	543,538	384,842	928,379	4.51
2013	9,837,090	5,376,343	4,460,747	563,901	493,566	1,057,467	4.22
2014	10,998,146	6,023,264	4,974,882	2,393,930	1,004,371	3,398,301	1.46

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 in the notes to the financial statements

CITY OF PRESCOTT, ARIZONA

Table XXII

Statistical Section - Debt Capacity

Direct and Overlapping Debt

June 30, 2014

	Net Bonds Outstanding	Percentage Applicable to Prescott (1)	Amount Applicable to Prescott
<u>Direct Debt</u>			
General obligation bonds - payable from property taxes	\$ 520,000	100.0%	\$ 520,000
Municipal property corporation bonds - payable from sales tax	26,493,718	100.0%	26,493,718
Special assessment bonds - payable from assessed properties	2,474,896	100.0%	2,474,896
Lease purchase contracts - payable from general revenues	-	100.0%	-
Total direct debt			29,488,614
<u>Overlapping Debt</u>			
Yavapai County	22,933,567	22.4%	5,132,968
Yavapai Community College District	36,610,000	22.4%	8,194,014
Prescott Unified School District	6,775,000	72.2%	4,894,392
Total overlapping debt			18,221,374
Total direct & overlapping debt			\$ 47,709,988

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

<u>Taxing District</u>	Total Assessed Valuation	Valuation in Prescott	Percent in Prescott
Yavapai County	\$ 2,279,676,521	\$ 510,234,917	22.4%
Yavapai Community College District	2,279,676,521	510,234,917	22.4%
Prescott Unified School District	706,286,157	510,234,917	72.2%

Source: Yavapai County assessor's office and finance department

CITY OF PRESCOTT, ARIZONA

Table XXIII

Statistical Section - Debt Capacity

Legal Debt Margins

June 30, 2014

	<u>General Obligation Bonds</u>	
	<u>All Others</u>	<u>Water & Wastewater</u>
	<u>6% (1)</u>	<u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2013-14 secondary assessed valuation \$510,234,917)	\$ 30,614,095	\$ 102,046,983
<u>Outstanding Debt</u>		
Municipal facilities	-	520,000
Total outstanding debt	-	520,000
Total margin available	\$ 30,614,095	\$ 101,526,983

Total debt applicable to the limit as a percentage of the debt limit 0.0% 0.5%

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 2013-14	\$ 2,850,187
Percent of margin	50%
Highway user margin	1,425,094
Bond principal due FY 2013-14	-
Bond interest due FY 2013-14	-
Margin available	\$ 1,425,094

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)

Legal Debt Limitation or Margin	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Obligation Bonds 6% limit (1)	\$ 26,869	\$ 29,834	\$ 33,111	\$ 38,548	\$ 48,600	\$ 49,330	\$ 45,106	\$ 38,155	\$ 33,317	\$ 30,614
Outstanding debt subject to limit	1,315	1,010	690	0	-	-	-	-	-	-
Total margin available	<u>\$ 25,554</u>	<u>\$ 28,824</u>	<u>\$ 32,421</u>	<u>\$ 38,548</u>	<u>\$ 48,600</u>	<u>\$ 49,330</u>	<u>\$ 45,106</u>	<u>\$ 38,155</u>	<u>\$ 33,317</u>	<u>\$ 30,614</u>
Total debt applicable to the limit as a percentage of the debt limit	4.9%	3.4%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water & Wastewater 20% limit (2)	\$ 89,562	\$ 99,445	\$ 110,369	\$ 128,493	\$ 161,999	\$ 164,433	\$ 150,353	\$ 127,184	\$ 111,057	\$ 102,047
Outstanding debt subject to limit	9,080	8,130	8,645	7,825	6,240	4,950	3,595	2,170	680	520
Total margin available	<u>\$ 80,482</u>	<u>\$ 91,315</u>	<u>\$ 101,724</u>	<u>\$ 120,668</u>	<u>\$ 155,759</u>	<u>\$ 159,483</u>	<u>\$ 146,758</u>	<u>\$ 125,014</u>	<u>\$ 110,377</u>	<u>\$ 101,527</u>
Total debt applicable to the limit as a percentage of the debt limit	10.1%	8.2%	7.8%	6.1%	3.9%	3.0%	2.4%	1.7%	0.6%	0.5%
Highway User Margin 50% limit (3)	\$ 1,622	\$ 1,746	\$ 1,840	\$ 1,688	\$ 1,512	\$ 1,517	\$ 1,506	\$ 1,262	\$ 1,377	\$ 1,425
Bond principal due	-	-	-	-	-	-	-	-	-	-
Bond interest due	-	-	-	-	-	-	-	-	-	-
Margin available	<u>\$ 1,622</u>	<u>\$ 1,746</u>	<u>\$ 1,840</u>	<u>\$ 1,688</u>	<u>\$ 1,512</u>	<u>\$ 1,517</u>	<u>\$ 1,506</u>	<u>\$ 1,262</u>	<u>\$ 1,377</u>	<u>\$ 1,425</u>
Total debt service applicable to the margin as a percentage of the margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: City of Prescott finance department

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

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

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

CITY OF PRESCOTT, ARIZONA

Table 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	
2005	\$ 504,341	\$ 335,051	\$ 172,029	99%	\$ 977,151	\$ 190,000	\$ 498,512	142%	\$ 26,971,898	\$ 5,120,000	\$ 853,395	4.52
2006	479,501	332,151	155,627	98%	1,033,506	505,000	472,444	106%	30,970,484	1,305,000	910,278	13.98
2007	473,157	342,151	139,042	98%	894,108	205,000	444,825	138%	32,919,756	1,345,000	856,703	14.95
2008	437,256	322,151	122,907	98%	753,416	695,000	412,819	68%	33,099,544	1,600,000	1,123,841	12.15
2009	422,802	322,151	107,296	98%	701,049	370,000	375,425	94%	30,233,474	1,670,000	1,048,756	11.12
2010	417,287	332,151	91,394	99%	743,802	235,000	346,863	128%	26,076,159	1,535,000	1,321,901	9.13
2011	330,299	337,151	75,110	80%	393,203	480,000	322,569	49%	24,620,884	1,625,000	1,516,747	7.84
2012	389,109	330,044	58,995	100%	769,430	465,000	285,294	103%	24,823,957	4,661,000	2,136,432	3.65
2013	383,217	340,044	43,091	100%	720,756	255,000	255,775	141%	27,036,741	1,745,000	1,963,921	7.29
2014	726,614	700,044	26,489	100%	696,049	625,000	230,281	81%	27,977,338	1,801,000	1,937,672	7.48

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>	Personal Income <i>(thousands of dollars) (2)</i>	Per Capita Personal Income (2)	Annual Unemployment Rate (2)	School Enrollment (3)
2005	40,225	\$ 5,098,280	\$ 25,831	4.4%	5,242
2006	40,770	5,537,703	26,786	3.9%	5,476
2007	42,085	5,860,461	27,620	3.7%	5,688
2008	43,217	5,537,703	28,611	5.6%	5,766
2009	43,280	6,283,809	25,458	9.5%	5,766
2010	43,573	5,373,074	25,463	10.5%	5,652
2011	39,843	5,383,836	25,514	8.9%	5,229
2012	40,271	5,387,039	25,527	8.4%	5,095
2013	40,590	5,398,013	25,579	7.2%	4,961
2014	40,590	5,408,986	25,631	5.9%	4,917

(1) Source: Arizona Department of Economic Security

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

(3) Source: Arizona Department of Education.

The 2012 and 2013 personal income amounts were not available.

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

CITY OF PRESCOTT, ARIZONA

Table XXVII

Statistical Section

Demographic and Economic Statistics

Principal Employers

Current fiscal year and ten years ago

<u>Employer</u>	<u>Type of Business</u>	<u>2013/14</u>			<u>2004/05</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%	1,680	1	7.9%
Veteran's Administration Medical Center	Hospital	1,094	2	6.4%	625	5	3.0%
Yavapai Regional Medical Center	Hospital	1,083	3	6.3%	1,300	2	6.1%
Prescott Unified School District	Public Schools	770	4	4.5%	792	3	3.7%
Sturm Ruger	Manufacturing	579	5	3.4%			
City of Prescott	Government	508	6	3.0%	508	6	2.4%
Yavapai College	College	413	7	2.4%	400	8	1.9%
Embry-Riddle Aeronautical University	College	375	8	2.2%	475	7	2.2%
Yavapai Gaming Agency	Casino	294	9	1.7%			
Fann Contracting	Construction	171	10	1.0%	260	9	1.2%
Wal-Mart Stores	Retail				782	4	3.7%
West Yavapai Guidance Clinic	Clinic				240	10	1.1%
		<u>6,701</u>		<u>39.2%</u>	<u>7,062</u>		<u>33.4%</u>

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	35	33	36	34	34	37	38	38	37	37
Administrative Services	6	5	5	5	5	1	2	2	2	1
Budget and Finance	22	23	23	24	24	21	21	23	22	22
Community Development	27	27	30	34	33	16	16	14	13	13
Cultural & Recreation	65	76	60	59	57	48	43	42	42	42
Police	112	124	134	131	131	119	119	122	123	125
Fire	84	84	75	77	76	76	75	75	73	73
Central Garage	8	9	10	11	11	9	9	9	9	9
Self Insurance	2	2	2	2	3	3	3	3	2	0
Facilities Maintenance	7	5	6	8	10	6	5	6	6	6
Engineering	24	25	22	23	23	19	18	18	17	17
Water	35	36	40	41	41	39	40	41	41	42
Wastewater	29	30	32	33	33	35	35	35	35	35
Solid Waste	16	16	18	18	26	26	27	27	27	26
Transfer Station (1)	6	7	7	8	-	-	-	-	-	-
Airport	13	11	9	8	8	8	7	7	7	8
Golf Course	29	30	17	20	20	16	17	17	16	16
Streets	34	35	39	35	35	37	37	37	35	36
Total	551	575	565	571	570	516	512	515	506	508

Number of citizens per employee

73	71	75	76	76	84	78	78	80	80
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Source: City of Prescott finance department

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

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Community Development										
Building permits issued	2,034	2,185	2,237	1,735	1,329	1,416	1,093	1,613	1,575	2,028
Permit valuations (in millions)	198	189	133	74	44	70	35	61	79	97
Cultural & Recreation										
Library circulation (3)	962,922	697,584	713,700	758,787	852,882	845,385	693,268	702,286	805,113	807,246
Library visits (3)	477,768	246,594	420,776	477,785	507,858	546,548	520,794	508,422	493,091	480,753
Library resources available	156,790	169,784	142,564	150,267	159,151	148,908	165,612	178,032	172,682	158,772
New cards issued	8,550	4,091	7,424	7,422	7,613	7,272	4,649	4,872	4,531	5,020
Golf Rounds	81,213	86,307	79,678	78,361	70,558	64,314	61,867	59,605	55,652	61,868
Police (Calendar Year)										
Calls for service	36,671	34,711	32,943	30,649	29,422	30,500	29,190	29,300	26,801	26,132
Part 1 crimes (1)	2,088	1,796	1,549	1,390	1,408	1,440	1,456	1,410	1,291	1,256
Part 2 crimes (2)	3,856	3,896	3,429	3,234	3,806	4,100	4,831	3,830	3,495	3,474
Fire										
Calls for service	6,444	7,007	6,808	7,130	7,452	7,799	8,500	7,920	7,440	7,876
Inspections	1,856	1,620	2,374	2,621	1,803	1,925	1,709	1,577	1,231	1,712
Water										
Connections	19,205	19,806	20,468	21,870	22,271	22,184	22,153	22,409	22,628	22,765
Wastewater										
Connections	16,091	16,696	17,168	17,416	17,522	17,357	18,134	18,292	18,411	18,267
Solid Waste										
Residential accounts	15,098	16,974	16,467	16,547	16,670	17,159	21,319	20,503	17,217	17,500
Commercial accounts	1,613	1,532	1,414	1,187	1,060	920	910	888	911	1,594
Tons collected	34,916	34,986	35,564	35,453	35,550	31,837	29,792	30,971	31,671	62,000
Transfer Station										
Transactions per year	84,330	84,826	84,542	73,339	70,381	69,509	69,615	69,430	68,912	73,377
Tons per year	63,494	70,905	70,041	73,412	59,260	60,826	58,152	55,685	66,966	60,246
Airport (Calendar Year)										
Commercial aircraft landings	1,576	1,808	1,742	1,484	5,417	3,807	1,725	-	1,837	1,533
Passengers	10,363	8,397	9,203	10,571	11,694	7,836	5,222	-	5,146	5,200
FAA traffic count	237,990	236,317	227,351	242,311	240,443	231,668	265,093	-	257,062	270,699
Public Works										
Cold mix repairs(lbs)	109,040	129,013	140,155	97,649	115,705	90,215	88,773	43,153	98,822	235,831
Hot Mix repairs (tons)	8,378	2,050	1,156	1,800	643	1,730	2,806	1,430	2,763	1,300

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

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

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

Source: City of Prescott budget department and applicable departments.

CITY OF PRESCOTT, ARIZONA

Table XXX

Statistical Section - Operating Information

Capital Asset Statistics by Function/Program

Last ten fiscal years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Area square miles	39	39	40	40	41	41	41	41	41	42
Cultural and Recreation (1)										
Parks			17	21	21	21	21	21	21	21
Park acres			1,384	1,394	1,394	1,394	1,394	1,394	1,514	990
Miles of trails			55	33	36	36	36	45	52	52
Open space - public (acres)			160	195	278	278	278	765	823	1,200
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	505	509	516	531	536	537	542	538	515	517
Wastewater										
Miles of sanitary sewers	647	345 (2)	350	387	389	389	391	390	373	371
Solid Waste										
Collection trucks	15	14	15	15	16	16	16	19	17	18
Airport										
Total based aircraft	349	340	330	325	352	344	344	346	322	309
Golf Course										
Holes	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets (paved miles)	221	222	224	231	234	236	270	289	289	289

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

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

Source: City of Prescott departments.

