



CITY OF PRESCOTT, ARIZONA

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Prepared by the Budget and Finance Department
of the City of Prescott

CITY OF PRESCOTT, ARIZONA
Comprehensive Annual Financial Report
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For the year ended June 30, 2004

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INTRODUCTORY SECTION





CITY OF PRESCOTT

201 South Cortez
Prescott, Arizona 86303

November 24, 2004

To the Honorable Mayor, City Council and Citizens of the City of Prescott:

The Comprehensive Annual Financial Report of the City of Prescott, Arizona (the City) for the fiscal year ended June 30, 2004 is hereby submitted.

This report presents the financial position of the City as of June 30, 2004, 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, is accurate in all material respects and is 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.

REPORT CONTENTS

There are three main sections to this report:

The **Introductory Section** includes the table of contents, this transitional letter and the City's organizational chart.

The **Financial Section** includes the independent auditor's opinion, management discussion and analysis, basic financial statements for the City as a whole, other required supplemental information, notes to the financial statements as well as combining and individual statements and schedules for the City's funds.

The **Statistical Section** includes ten years of summary financial information, debt computations and a variety of demographic, economic and general information.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that the financial records can be relied on to prepare financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived.

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.

PROFILE AND ECONOMIC CONDITION

The City is the largest in Yavapai County and the base of county government operations. It is located 95 miles northwest of Phoenix, Arizona, the State capitol. Although small in population, 39,450, 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:

Medical

Yavapai Regional Medical Center
Veteran's Administration Hospital

Retail

Prescott Gateway Mall
Wide variety of automobile dealers
Costco
Wal-Mart

Manufacturing

Sturm Ruger and Company
Fortner Aerospace
Wulfsberg Electronics
Exsil
Zila Pharmaceuticals

Tourism

Earnest A. Love Field – Prescott Airport
Variety of accommodations and restaurants
Multiple golf, hiking and camping areas
Various cultural and entertainment venues

The economic climate has been healthy for the community over the past decade and the City has benefited financially during that time. We expect the growth to continue. Our optimism is based on several factors:

The City is strategically located to benefit from growth in the region from the following factors:

- ◆ The Prescott Gateway Mall enters its third year of operation. In addition to 600,000 square feet of retail space, the mall has approximately 15 acres of undeveloped pad sites. Best Buy and Cost Plus represent the newest additions to the mall. The mall is anchored by Dillard's, JC Penney and Sears and provides employment for several hundred workers in the community.
- ◆ The Village at the Boulders (formerly Ponderosa Plaza) is in the midst of a major transformation. The public/private partnership will result in more than \$30 million of private investment into the aging mall. The developer has a commitment from Wal-Mart to fill an anchor role.
- ◆ A Wal-Mart Supercenter across from the Prescott Gateway Mall, which was previously located in the Yavapai Indian Community, opened during the end of October 2003. This store provides 206,000 square feet of retail space.
- ◆ In recognition of the importance of Prescott's downtown, the City has committed \$6.4 million towards the construction of a multi-story parking facility located at the current site on Granite Street. The construction is slated to be complete by June 2005.
- ◆ In an effort to diversify the sources of water available to the City, we have agreed in principal to acquire the JWK Ranch, located in the Big Chino groundwater basin north of Paulden, from the Kieckhefer Foundation. This acquisition will strengthen the City's water portfolio and provide for

anticipated growth. The price of the Ranch will be \$23 million. There will be additional costs associated with transporting the water to the tri-city area and tending to environmental issues. We estimate these costs to approach \$25 million.

As part of this transaction, the City has reached an understanding with Prescott Valley. Under the terms of the agreement, Prescott would pump 8,717 acre-feet of water per year from the Paulden-area JWK Ranch, of which Prescott Valley would get 4,000 acre-feet, or about 46 percent of the total.

Based upon the percentage of water it would receive, the Town of Prescott Valley would commit to paying a prorated share of acquisition, production, transportation costs and a share of the amount the city has spent so far on its research into the purchase.

In addition, you, the Council, have demonstrated a resolve to balance demands for service with reasonable fees. As with any business, it is vitally important to charge consumers a price that is fair and yet covers the costs of providing that service.

We are encouraged by the local economy. However, cities in Arizona face the constant threat of unfunded mandates and reductions to State shared revenues. We have enhanced our lobbying efforts and will continue to work with the Arizona League of Cities and Towns to limit unfunded mandates and maintain our fair share of State revenue.

The City's General Fund is healthy and our leadership has taken important steps towards planning for future stability. The City has established reserves, which provide financial flexibility and position the City to withstand economic variances within a year as well as between years.

These amounts are not readily identified in the financial statements because the format requires these amounts to be included in the Unrestricted Net Asset balance – a corporate-styled measure of well being for the City. Nevertheless, the budget process identifies these amounts. It should also be noted that a reasonable level of reserves is important to the bond market's perceptions of the City's strength and business practices.

We are not immune to economic downturns. The City enjoys a healthy General and Capital Improvement Fund and has taken positive steps towards planning for future stability. With your help, and that of prior Councilors and committee members, the City embarked many years ago on building reserve funds and has made a diligent effort in limiting the growth in program expenditures.

Our past plans have worked well for us. The future, however, will bring new challenges. We will continue to fine-tune our budget process and 5-year financial plans to be positioned to respond timely to future economic changes.

MAJOR INITIATIVES FOR 2003-04

As always, it was difficult to select from the hundreds of accomplishments identified by the executive management team on behalf of their department employees. Those accomplishments are only possible because of a true team effort. Our citizens set high standards for City service, but are cooperative, helpful and reasonable in expectations. The City Council provides leadership, guidance, overall goal setting and tremendous support. The City's management and executive team provides administrative leadership and team management. Our outstanding employees do the real "heavy lifting" providing direct and support services in each City department.

Success 1: Annexation Initiated - Ranches

Value to our citizens:

- ◆ Protects interest and values of our community
- ◆ Builds City tax base
- ◆ Controls growth, especially around airport
- ◆ Potential residential and business development
- ◆ Potential for affordable housing

Success 2: JWK Ranch - Options

Values to our citizens:

- ◆ City looking to the future
- ◆ Water supply for today and future
- ◆ Environmental protection
- ◆ Potential for recreational opportunities

Success 3: Improved Intergovernmental Cooperation with Tri-City Entities

Value to citizens:

- ◆ Protects the City interests
- ◆ Provides strength at the State government level
- ◆ Regional approach on local issues
- ◆ Can save taxpayers dollars

Success 4: General Plan Adoption

Value to citizens:

- ◆ Plan provides an outline for our future
- ◆ Citizens having an opportunity to plan the future
- ◆ Protect property values
- ◆ Outlines objectives and guidelines for affordable housing
- ◆ Provides for a sustainable City

Success 5: Elk's Opera House and Theater

Value to citizens:

- ◆ Economic value to downtown
- ◆ Provides new entertainment in the downtown
- ◆ Upgraded facilities for community activities
- ◆ Can team-up with a private sector investor

Success 6: Ponderosa Plaza Redevelopment

Value to citizens:

- ◆ Improved traffic flow around the mall area
- ◆ Save City dollars and will bring New dollars
- ◆ Redeveloping the Plaza will bring new business to the area
- ◆ Help maintain retail balance in our community

Success 7: Hosted the Governor's Rural Development Conference

Value to citizens:

- ◆ Brought over 400 State, Federal and private sector employees to Prescott filling nearly every hotel room in the downtown, which equates to increased sales tax dollars.
- ◆ Showcased Prescott to hundreds of private investors and tourists who will likely visit Prescott again for business and pleasure.

Success 8: Brought Police and Fire Staffing and Service Levels up to Full Compliment

Value to citizens:

- ◆ With the sworn police officers at full staff, resurrected the police community service officer positions to proactively address community concerns in keeping with a community based policing philosophy.
- ◆ Bike patrol reinstated providing more personal police services for our citizens.
- ◆ Trained two firemen to paramedic status putting 22 paramedics available to the community.
- ◆ Trained six firefighters at aircraft rescue school, five as hazardous material technicians, and recertified twenty paramedics to national registry standards providing exceptional protection to our citizens.
- ◆ Added two new type-1 fire engines each equipped with 1,500 gallons per minute pumps, 500-gallon water tanks, foam pumps and space for full paramedic-service and rescue equipment.
- ◆ Added new ladder truck, complete with a 75 foot elevated stream equipped for paramedic needs and structural firefighting.

Success 9: Invested over \$8 Million Dollars in Road Projects

Value to citizens:

- ◆ Completed major connector streets such as Rosser Street and Willow Creek Road.
- ◆ Provided reconstruction on ten area collector streets.
- ◆ Chip sealed over two dozen residential streets.
- ◆ Invested \$50,000 in sidewalk replacement on public walkways.

DEBT ADMINISTRATION

The City had a number of debt issues outstanding as of June 30, 2004. These issues included \$11,590,000 of general obligation bonds and \$9,600,000 of contracts payable through the City's Municipal Property Corporation. Various improvement districts had bonds and notes outstanding in the amount of \$3,733,442. The Hassayampa Community Facilities Districts 1 and 2, which are blended with the City for presentation, had \$6,460,000 in debt for which the City has no liability.

Moody's Investor Service rates the City's general obligation bonds A1, Standard and Poor's has a rating of A+ on these bonds. Other debt of the City has not been rated.

CASH MANAGEMENT

Cash not required for current operations was invested in the State of Arizona Investment Pool, U.S. Treasury securities and federal agency securities. All investments were made in accordance with the City's investment policy. Deposits are either insured by federal depository insurance or collateralized. The City's investments are classified in the lowest risk category as defined by the Governmental Accounting Standards Board (GASB).

The City early implemented the provisions of GASB Statement No. 40 for the year ended June 30, 2004. This statement establishes and modifies disclosure requirements related to investments and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

RISK MANAGEMENT

Prescott's risk management program includes various risk control techniques, including employee accident prevention training and has third party coverage for all lines of insurance, including workers' compensation.

CERTIFICATE OF ACHIEVEMENT

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, 2003. This was the 22nd consecutive year that the government has achieved this prestigious award.

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

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

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. Donna L. Fagan, CPA conducted the audit for fiscal year ending June 30, 2004. The audit opinion is located in the financial section of the report.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the finance department, the assistance of administrative personnel in the various departments, and through the competent service of our independent auditor. I also wish to express my sincere appreciation to the City Council, the City Manager for their interest and support in planning and conducting the financial affairs of the City of Prescott in a responsible and progressive manner.

Sincerely,

-s- MARK WOODFILL

Mark Woodfill, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Prescott,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director

CITY OF PRESCOTT ORGANIZATIONAL CHART - FY2005

Citizens Boards & Commissions

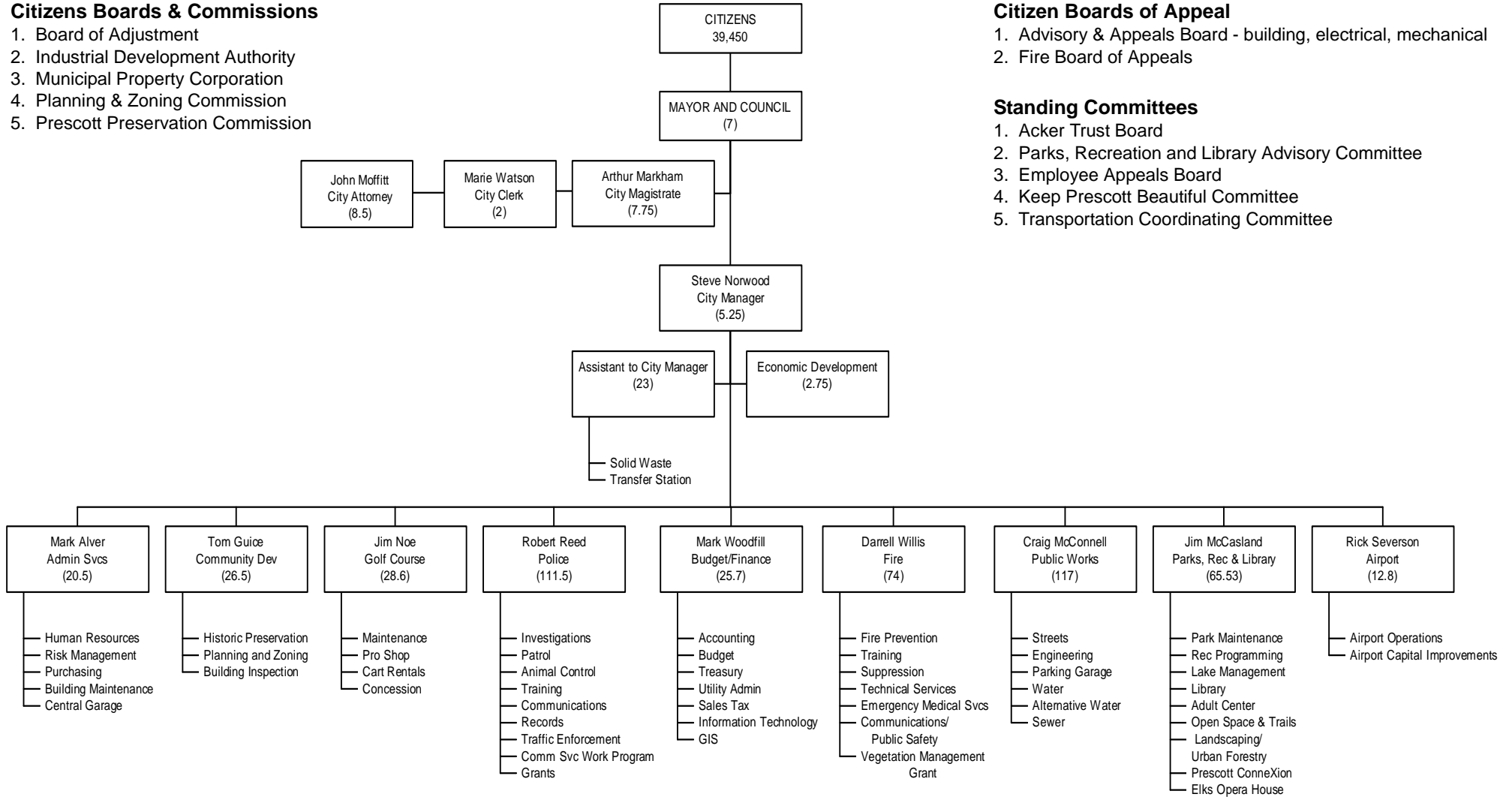
1. Board of Adjustment
2. Industrial Development Authority
3. Municipal Property Corporation
4. Planning & Zoning Commission
5. Prescott Preservation Commission

Citizen Boards of Appeal

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

Standing Committees

1. Acker Trust Board
2. Parks, Recreation and Library Advisory Committee
3. Employee Appeals Board
4. Keep Prescott Beautiful Committee
5. Transportation Coordinating Committee



CITY OF PRESCOTT, ARIZONA

June 30, 2004

ELECTED OFFICIALS

Rowle Simmons, Mayor

Council

Steve Blair

Bob Bell

John Steward

Mary Ann Suttles

Bob Roecker

Jim Lamerson

Appointed Officials

Steve Norwood	City Manager
John Moffitt	City Attorney
Marie Watson	City Clerk
Arthur Markham	City Magistrate

Mailing Address

201 South Cortez
Prescott, AZ 86303

www.cityofprescott.net

FINANCIAL SECTION



Donna L. Fagan, C.P.A.
Certified Public Accountant

2315 Oakwood Drive
Prescott, AZ 86305
Voice and Fax: (928) 776-1526

INDEPENDENT AUDITOR'S REPORT

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

I 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, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.


I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prescott, Arizona, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Highway User, Streets and Open Space, and Capital Improvement Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 24, 2004, on my consideration of the City of Prescott, Arizona's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The accompanying management's discussion and analysis on pages 13 through 29, the budgetary comparison schedules on pages 92-108, and the Arizona Public Safety Personnel Retirement System Schedule of Funding Progress on page 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prescott, Arizona's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in cursive script that reads "Donna L. Fagan". The signature is written in black ink and is positioned above the typed name and date.

Prescott, Arizona
November 24, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable breakdown of the City of Prescott's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter and the financial statements that follow.

The analysis centers on significant financial issues and activities, budget changes and variances from the budget and specific issues related to funds and economic factors affecting the City.

FINANCIAL HIGHLIGHTS

The City's net assets increased by \$22 million (or 7%) due mainly to the reduction in debt outstanding (\$3.3 million), increased privilege (sales) tax collections (\$3.3 million) and the addition of net capital assets (\$13.8 million).

Governmental activities revenue increased by \$7.4 million (or 16%). The increase resulted from the following factors: grants and contributions increased by \$4.7 million (or 72%), most of this increase resulted from subdeveloper contributions and land donations. Overall tax collections increased by \$3.6 million (or 15%) while interest income declined by \$.5 million due to lower interest rates.

Business-type activities revenue increased by \$4.1 million or (14%). User charges increased by \$.9 million while developer contributions and grants increased by \$3.6 million (or 87%) this year. Airport grant revenue increased by \$.9 million (or 180%).

Overall City program costs increased by \$4.2 million (or 7%).

REPORT LAYOUT

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

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

- ◆ 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 three major special revenue funds (Highway User Fund, Streets and Open Space and Capital Improvement 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. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
 - ◆ Budgetary Comparisons - Budgetary information for all funds, except those presented within the Basic Financial Statements, are presented here.
 - ◆ Other Financial Schedules complete the Financial Section of the report.
- ◆ **Statistical Section.** Trend and demographic information is provided.

CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2004 and June 30, 2003 follows:

Net Assets at Year-end (in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
Cash and investments	\$ 40.9	\$ 37.0	\$ 21.3	\$ 19.6	\$ 62.2	\$ 56.6
Other assets	16.9	17.0	1.4	1.2	18.3	18.2
Capital assets	187.7	178.1	130.3	125.8	318.0	303.9
Total assets	<u>245.5</u>	<u>232.1</u>	<u>153.0</u>	<u>146.6</u>	<u>398.5</u>	<u>378.7</u>
Other liabilities	6.2	5.1	2.7	2.7	8.9	7.8
Noncurrent liabilities	23.2	25.0	15.8	17.3	39.0	42.3
Total liabilities	<u>29.4</u>	<u>30.1</u>	<u>18.5</u>	<u>20.0</u>	<u>47.9</u>	<u>50.1</u>
Net assets:						
Invested in capital assets, net of debt	163.0	151.7	115.9	110.0	278.9	261.7
Restricted	45.4	43.8	4.5	4.9	49.9	48.7
Unrestricted	7.7	6.5	14.2	11.8	21.9	18.3
Total net assets	<u>\$ 216.1</u>	<u>\$ 202.0</u>	<u>\$ 134.6</u>	<u>\$ 126.7</u>	<u>\$ 350.7</u>	<u>\$ 328.7</u>

Governmental Activities

During fiscal year 2003-04 the balance of net assets increased \$14.1 million due to a multitude of street improvements and various capital improvement projects totaling \$13.7 million. Developer contributions and land donations also added \$5.3 million to the City's net assets. However, much of the increase in net assets was offset by increased depreciation of \$8.6 million.

Some of the more notable projects include a \$1.5 million open space acquisition of property within Storm Ranch, the acquisition of 17 vehicles including a new street sweeper, two fire pumper trucks and one ladder truck. Work has also begun on the Watson and Willow Lake improvements and will continue into 2005.

Several road projects were completed during the year, these included the Rush/Sheldon intersection, the Rosser Street extension, the widening of Sandretto Drive and the completion of several smaller reconstruction projects. Additionally several road projects are in process including: Gail Gardner Way, Ponderosa and Black Drive and phase IV of Willow Creek Road. Park Avenue, Iron Springs Road and Copper Basin Road are also incurring significant engineering costs associated with planned reconstruction/widening projects.

Cash and investments expanded by \$3.9 million resulting from strong retail sales and moderate spending.

Business-type Activities

During fiscal year 2003-04 the balance of net assets increased by \$7.9 million due in part to the following specific activities:

Airport: \$1.5 million of improvements to runways, the south apron and security related projects.

Sanitation: Two new side loaders and one front loader were acquired in the amount of \$534,984. An air curtain destructor costing \$106,352 was purchased to efficiently burn the increased intake of brush and slash materials.

Transfer station: A twelve-foot high fence was installed to better control debris.

Water: \$3.2 million in improvements were added during the year. These include developer contributions of \$2.1 million and several water main replacement projects.

Sewer: \$3.3 million in improvements, which included several sewer main replacement projects and \$1.8 million in developer contributions, occurred during the year.

The City's overall financial position has improved during the year as reflected in the increase in net assets above. Additionally, the unrestricted net assets of both the governmental and business-type activities amount to \$7.9 and \$14.2 million respectively. This provides a useful measure of the City's net assets available for spending at the end of the fiscal year.

There are restrictions on \$45.4 million of net assets for governmental activities and an additional \$4.5 million in restricted net assets of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation and open space projects and the repayment of debt. Within the business-type activities are capital projects, bond proceeds and debt service reserves.

STATEMENT OF ACTIVITIES

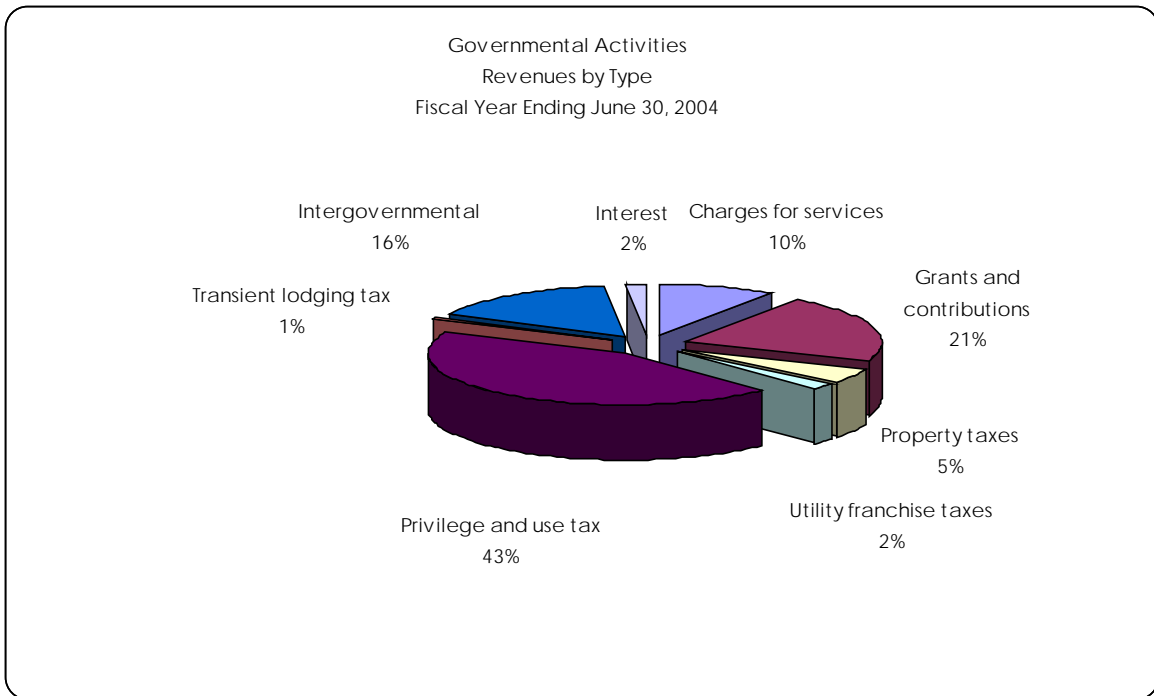
A summary of the Statement of Activities for the year ended June 30, 2004 and June 30, 2003 follows:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services and other	\$5.1	\$5.1	\$24.2	\$23.3	\$29.3	\$28.4
Grants and contributions	11.2	6.5	7.7	4.1	18.9	10.6
Total program revenues	16.3	11.6	31.9	27.4	48.2	39.0
General revenues						
Taxes	27.4	23.8	-	-	27.4	23.8
Intergovernmental	8.4	8.8	-	-	8.4	8.8
Interest	0.9	1.4	0.1	0.5	1.0	1.9
Other	0.6	0.6	0.6	0.6	1.2	1.2
Total general revenues	37.3	34.6	0.7	1.1	38.0	35.7
Total revenues	53.6	46.2	32.6	28.5	86.2	74.7
Expenses						
General government	5.6	3.8	-	-	5.6	3.8
Community services	2.1	2.1	-	-	2.1	2.1
Culture and recreation	5.4	4.7	-	-	5.4	4.7
Police and courts	8.1	7.8	-	-	8.1	7.8
Fire	5.9	5.4	-	-	5.9	5.4
Public works	11.1	10.9	-	-	11.1	10.9
Interest on long-term debt	1.3	1.3	-	-	1.3	1.3
Water	-	-	7.0	6.6	7.0	6.6
Sewer	-	-	4.6	4.8	4.6	4.8
Golf course	-	-	2.1	2.0	2.1	2.0
Airport	-	-	3.6	3.6	3.6	3.6
Sanitation	-	-	3.9	3.5	3.9	3.5
Transfer station	-	-	3.5	3.2	3.5	3.2
Parking garage	-	-	-	-	-	-
Total expenses	39.5	36.0	24.7	23.7	64.2	59.7
Increase in net assets	14.1	10.2	7.9	4.8	22.0	15.0
Beginning net assets	201.9	191.7	126.7	121.9	328.6	313.6
Ending net assets	\$ 216.0	\$ 201.9	\$ 134.6	\$ 126.7	\$ 350.6	\$ 328.6

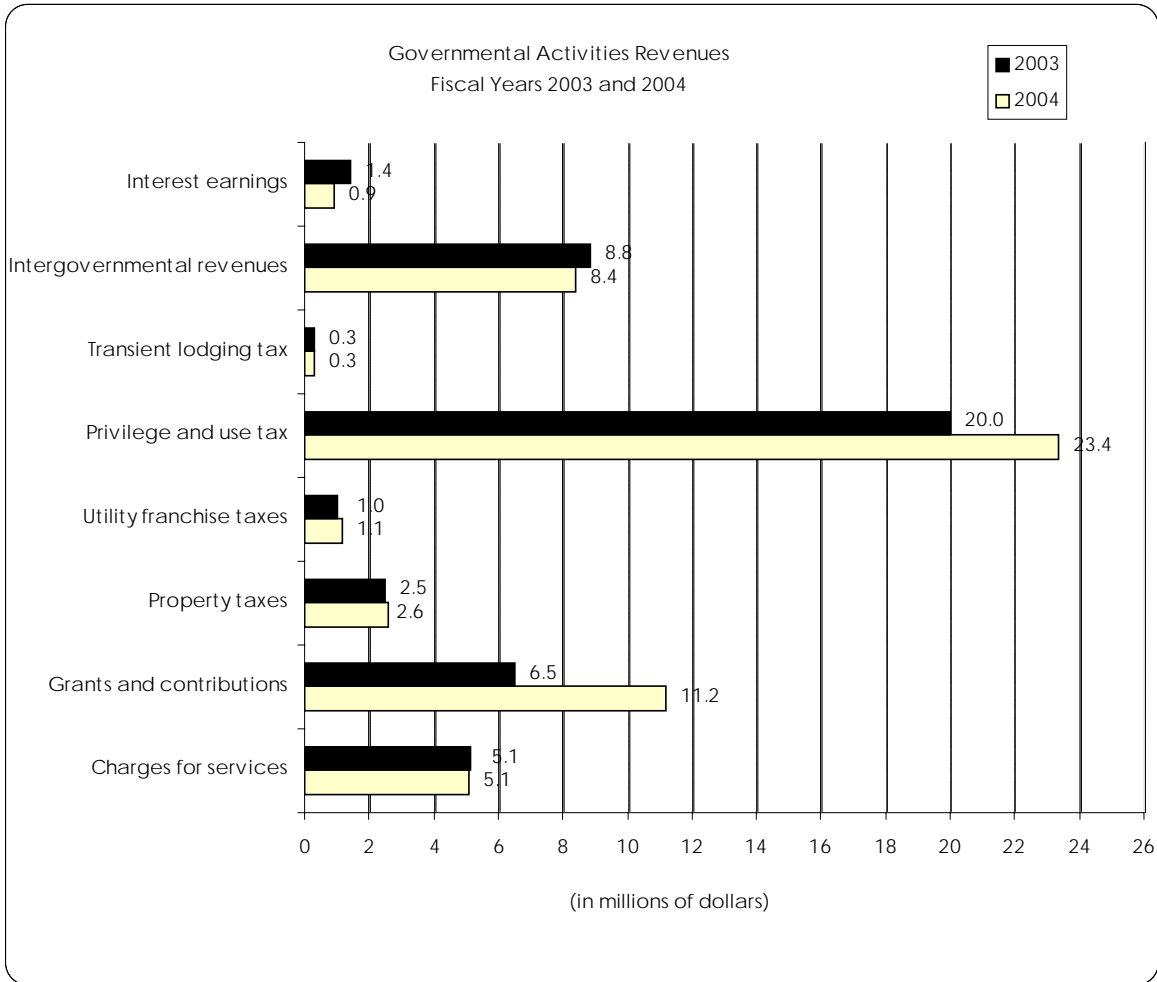
Governmental Activities

The cost of all governmental activities this year was \$39.5 million. \$5.1 million of this cost was paid for by those who directly benefited from or contributed to the programs, \$11.2 million was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$27.4 million, was financed through general City taxes. Other governmental revenues, including intergovernmental revenues and interest amounted to \$9.9 million.

The chart below shows the breakdown of governmental activities revenue.



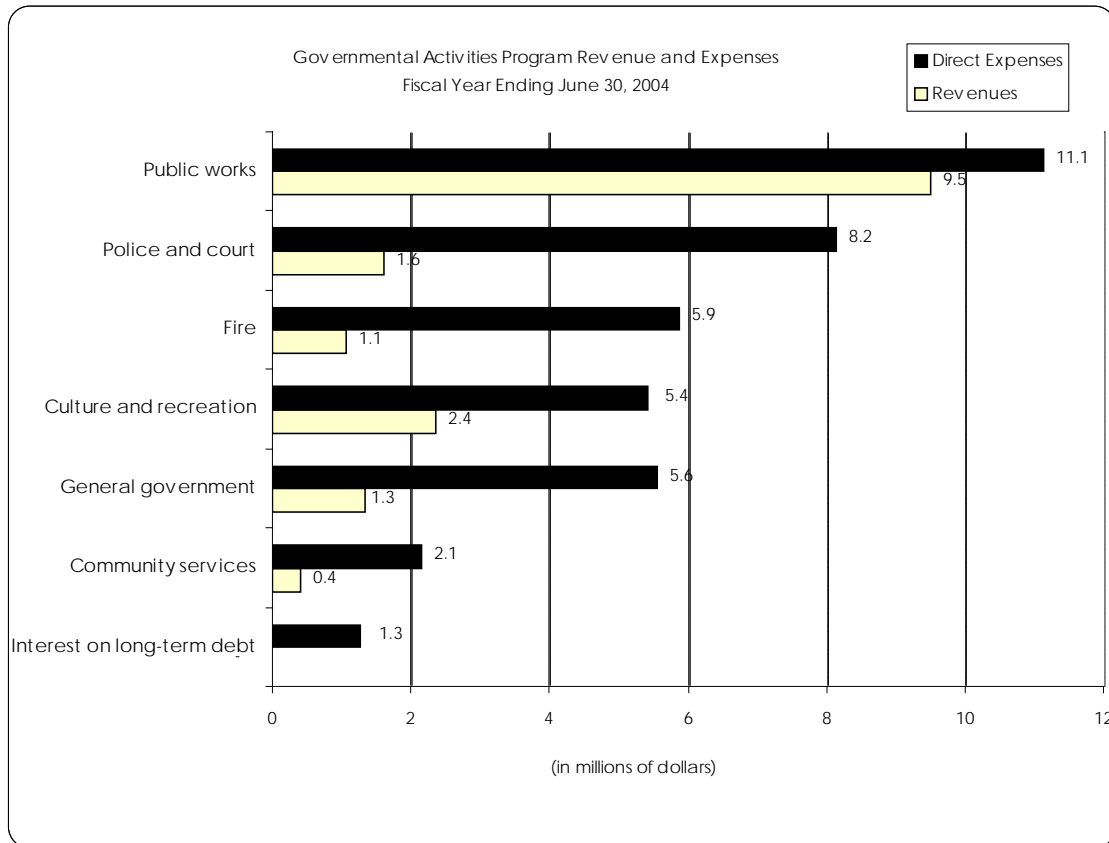
The graph on the next page compares the governmental revenues from fiscal year 2004 to fiscal year 2003.



Total governmental activities revenues increased \$7.4 million or 16% from the previous year. Key factors in this change include:

- ◆ Privilege tax collections climbed \$3.4 million or 17%. This reflects our leadership position in the tri-city area retail sales environment. Our tax collections were bolstered by the addition of a major retailer and continued strength in the automotive and construction sectors.
- ◆ Grants and contributions increased by \$4.7 million or 72%. The primary factor behind this increase is developer road and right-of-way contributions, which totaled \$4.8 million.

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



Governmental program expenses were similar to the prior year. Externally driven personnel cost increases impacted the program expenses during the year. Both City retirement contributions and health care insurance premiums increased significantly during the year. The retirement contributions for most employees increased from 2.5% to 5.7% or 128%, the fire retirement contributions increased by 31% to 10.9% while police retirement decreased by 28.3% to 11.28%. Health insurance also increased by 10%.

There was one amendment to the budget after final adoption impacting governmental activities. \$31,000 allocated to the parks, recreation and library department was transferred to the City manager division, and \$55,000 allocated to the parks, recreation and library department was transferred to the legal department.

The following budget variations occurred during the year in the general fund:

- ◆ Privilege (sales) tax surpassed the budgeted amount by \$1.1 million or 10% due to robust tax collections primarily in the retail, construction and automotive sectors which registered gains of 46%, 19% and 18%, respectively.
- ◆ Licenses and permit revenue exceeded the budget by \$.2 million or 23% due to more activity than anticipated in building permit and fees revenue which was \$115,000 higher than the budget. Permit valuations decreased \$21 million or 11% from 2003. This was in line with expectations since the City recorded the highest recorded permit valuations in its history in fiscal year 2003 when it issued \$187 million and had several major projects under construction.
- ◆ Charges for services exceeded budget expectations by \$.3 million or 33% primarily because of fire department billings related to tree cutting and defensible space exceeded estimates

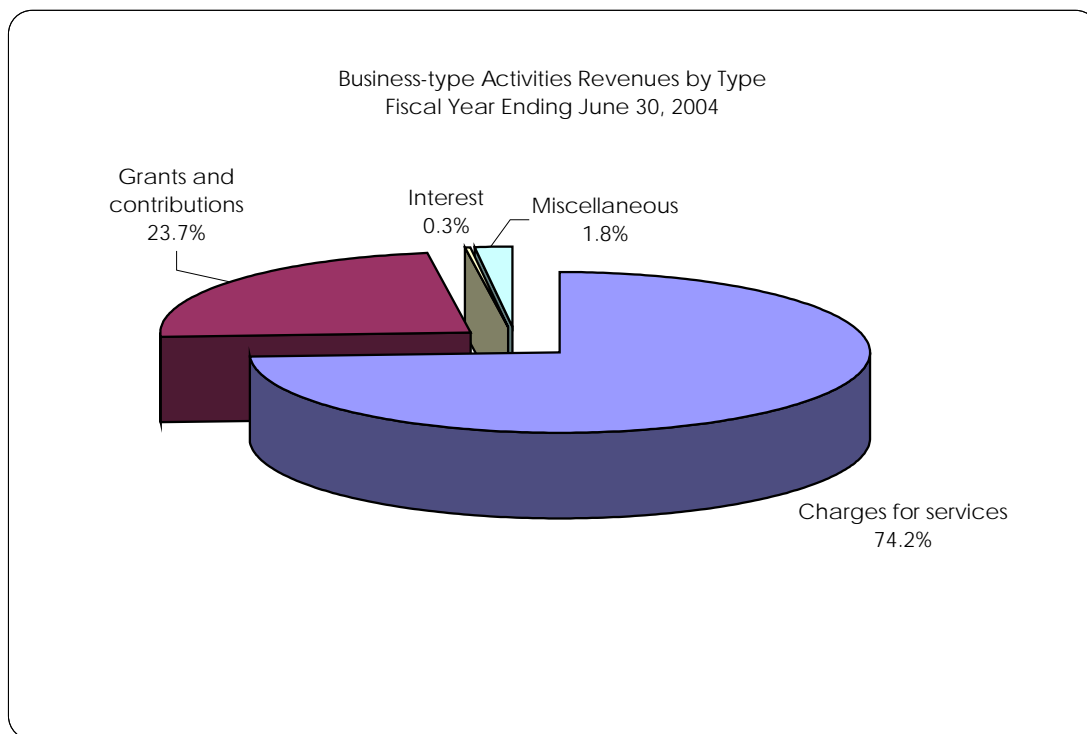
by \$116,000. Charges for recreation services also increased by \$53,000 indicating a jump in users of the various programs offered by the City.

- ◆ The total expenditures in the general fund were under budget by \$454,000 or 2% reflecting a rather flat spending trend in response to the general economy.

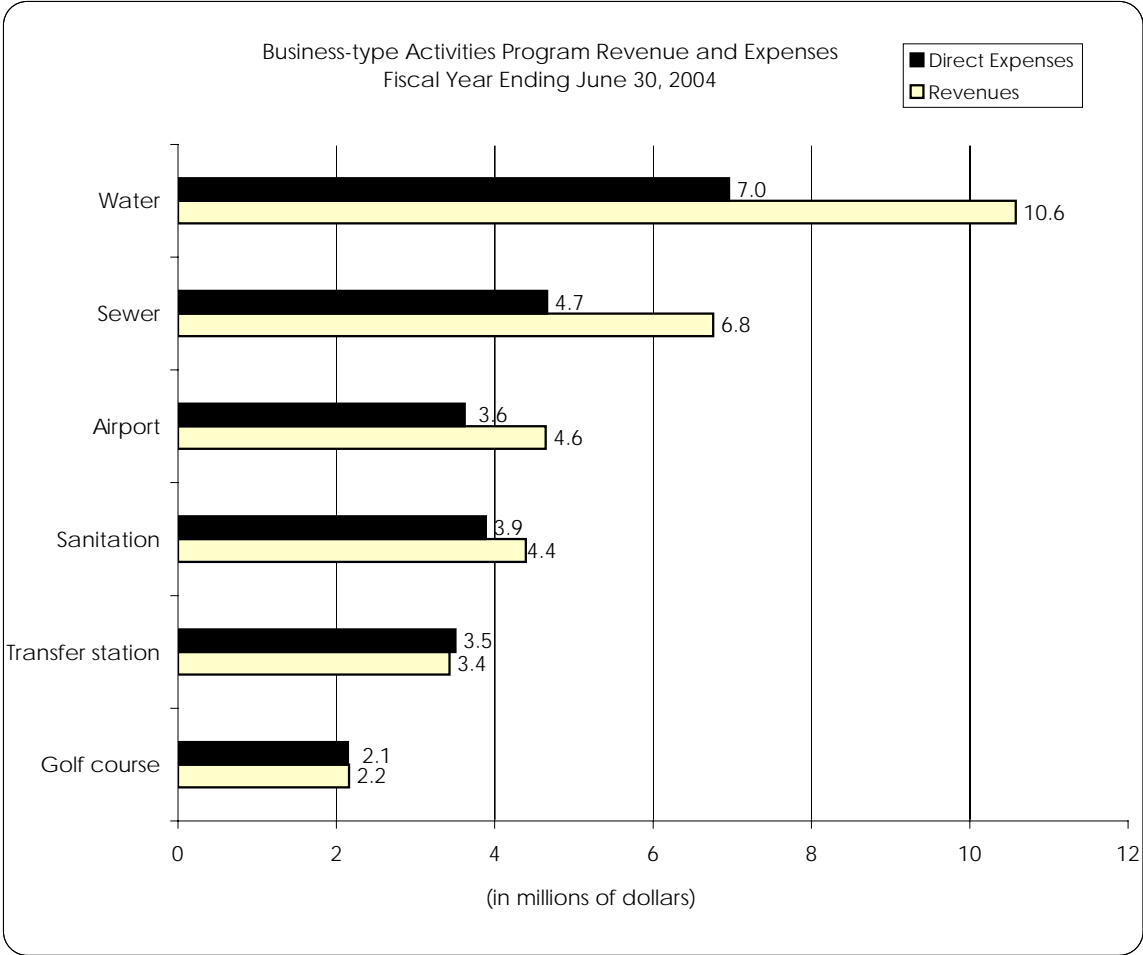
Business-type Activities

The cost of providing all business-type activities this year was \$24.7 million. Of this cost, \$24.2 million was paid by users, \$7.7 million was subsidized by developer contributions and grants received from other governmental organizations for operating activities resulting in a net revenue of \$7.2 million. Investment earnings of \$.1 million, miscellaneous income of \$.6 million resulted in an overall increase in net assets of \$7.9 million.

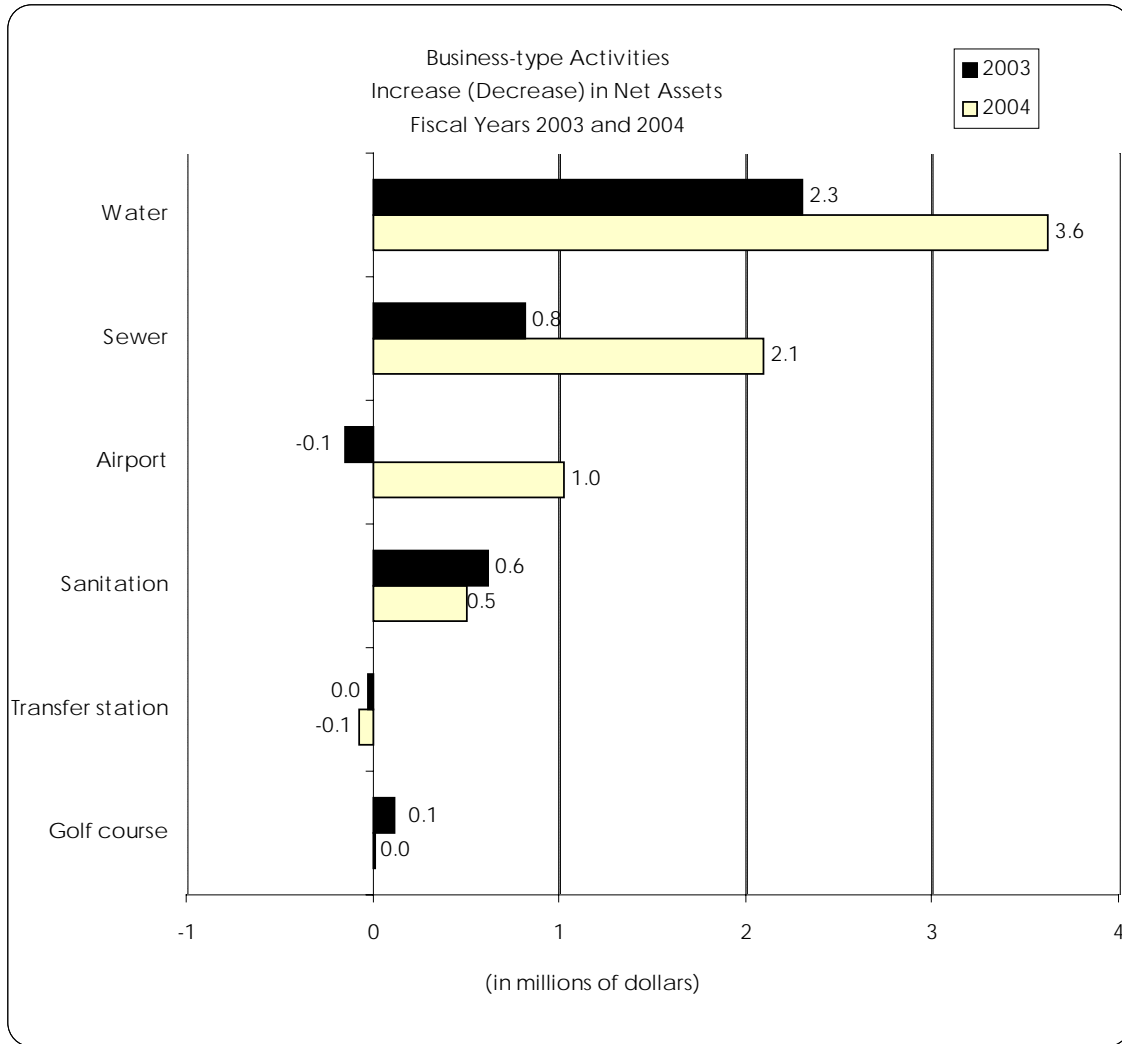
The chart below shows the breakdown of business-type activities revenue.



The City's business-type programs include the following: water, sewer, golf course, airport, sanitation, regional transfer station and parking garage (when completed). The following chart shows the revenue and expenses for each business-type program and the extent of each program's dependence on general revenues for support in the current year.



The chart on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2004 to fiscal year 2003. Each business-type activity is managed to remain self-sufficient while providing for future capital requirements.



The transfer station's expenses exceeded revenues by \$73,000 during the year. This was caused primarily from higher transportation and operational costs. The City is currently reviewing the rate structure at the transfer station and it is anticipated a rate increase will occur in January 2005. This deficit was easily absorbed by \$.7 million in general revenue from overall business-type activities.

Customer and developer contributions amounted to \$6.3 million during the year, which supplemented the water and sewer programs. Airport grant revenue of \$1.4 million helped fund a variety of improvements at the airport.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004 the City had invested \$318 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$14.1 million.

The following table reconciles the changes in capital assets.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Beginning balance	\$ 178.1	\$ 177.7	\$ 125.8	\$ 123.4	\$ 303.9	\$ 301.1
Additions	19.6	9.8	9.0	7.1	28.6	16.9
Deductions	(1.4)	(1.2)	-	(0.1)	(1.4)	(1.3)
Depreciation	(8.6)	(8.2)	(4.5)	(4.6)	(13.1)	(12.8)
Ending balance	<u>\$ 187.7</u>	<u>\$ 178.1</u>	<u>\$ 130.3</u>	<u>\$ 125.8</u>	<u>\$ 318.0</u>	<u>\$ 303.9</u>

Additional information on the City of Prescott's capital assets can be found in the notes to the financial statements.

Debt Administration

As of year-end, the City had \$37.8 million in debt outstanding compared to \$41.1 million last year.

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

	Governmental		Business	Total
	Activities		Activities	
Beginning balance	\$ 25.0	\$ 16.1	\$ 41.1	
Additions	0.2	-	0.2	
Retirements	(2.0)	(1.5)	(3.5)	
Ending balance	<u>\$ 23.2</u>	<u>\$ 14.6</u>	<u>\$ 37.8</u>	

	Totals	
	2004	2003
Governmental:		
General obligation	\$ 11.6	\$ 12.7
Special assessment	3.7	4.0
Other debt	1.4	1.4
<i>Sub-total</i>	<u>16.7</u>	<u>18.1</u>
Business-type:		
Water	3.4	3.7
Sewer	4.1	4.4
Golf course	3.5	4.0
Airport	3.6	3.9
Sanitation	-	0.1
Transfer station	-	-
<i>Sub-total</i>	<u>14.6</u>	<u>16.1</u>
Component units:		
Community facilities districts	6.5	6.9
Total	<u>\$ 37.8</u>	<u>\$ 41.1</u>

Additional information on the City of Prescott's long-term debt can be found in the notes to the financial statements.

Moody's Investor Service rates the City's general obligation bonds A1, Standard & Poor's has a rating of A+ on these bonds. Other debt of the City has not been rated.

The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or sewer services and recreational playground facilities may not exceed 20% of the City's secondary assessed valuation. Under the second test, a City may not issue general obligation debt for general municipal purposes in an amount that exceeds 6% of the City's secondary assessed valuation. At June 30, 2004 the City had remaining debt capacity of \$72 million under the 20% test and \$23 million under the 6% test.

ECONOMIC FACTORS

We are anticipating moderate growth. The following factors influence our outlook:

- ◆ The stock market has stabilized, this should improve consumer and business confidence.
- ◆ The housing market has remained buoyant. Although interest rates are expected to rise potential homebuyers have not been deterred. The housing market continues to outperform the forecasters, who have tended to under-predict this vibrant part of the economy.
- ◆ The unemployment rate in Yavapai County remains low at 3%.
- ◆ National fiscal and monetary policies should accommodate growth. The tax stimulus provides for lower tax rates, a reduction in the marriage penalty and generous child tax credits. The Federal Reserve Board has taken a tempered approach with interest rates.

The economy continues to perform well. Corporate profits continue to show strong growth. Gross Domestic Product (GDP), productivity and manufacturing output show continued, steady progress. This environment bodes well for the economy.

Oil prices are an area of concern. During the year, prices reached record highs. This results in several negative impacts including a drop in consumer spending. Companies also feel the pressure of rising oil prices, which can cut into profits and reduce hiring and spending.

The City relies heavily on privilege (sales) tax revenues, any significant decrease in spending would have a detrimental impact on this revenue source.

During the year about 62% of the general revenues were derived from privilege tax. Because of a strong retail environment, the City's resources tend to keep pace with increased demand for services. The City is well positioned to benefit from the following elements:

- ◆ To shore up our water portfolio and be positioned to absorb future growth, the City is pursuing water rights acquisition opportunities.
- ◆ A new Wal-Mart Supercenter which opened in October 2003.
- ◆ The redevelopment of Ponderosa Plaza into Village at the Boulders which will be anchored by a Wal-Mart Supercenter.
- ◆ Continued strength in the construction category fueled by low interest rates and improved economic outlooks.

The City's downtown area is a major attraction to visitors and a key element of the economic vitality of the community. On October 6, 2004 the City awarded a contract amounting to \$6.36 million for the construction of a multi-story parking facility located at the current site on Granite Street; this amount includes the accompanying Whiskey Row alley improvements. This should alleviate some of the traffic congestion created by the lack of parking in the downtown area and create a conduit for increased retail activity around downtown. As planned, the 503-space parking garage will be completed in about six months, or sometime in June 2005.

The State's economic recovery will also be a driver of our local economy. Tourism is returning and should be boosted by the various lake improvements that are underway. The recent hurricane activity in Florida has resulted in an increase in vacation and business travelers to Arizona that originally planned to stay in Florida. Although not wishing to profit from another state's misfortune, the Arizona tourism industry welcomes the increased travel.

At June 30, 2004 the City has set aside \$13.6 million in the capital improvement fund. The majority of these funds have been earmarked for the following projects: \$2.1 million for economic development and incentive programs; \$5.9 million for the downtown parking garage (referred to above), \$2.1 million for radio frequency infrastructure for the police and fire departments and \$1.3 million for dispatch center building improvements.

LONG-TERM FINANCIAL PLANNING

Prescott's fiscal health is driven in part by responding timely to emerging economic issues and prudent long range planning. The Mayor and City Council have co-created a vision statement, mission statement as well as six broad goal categories, which represent the priorities and interests of the Mayor, City Council, and reflect citizen suggestions and desires for the future. The 2004/05 budget articulates the continued support for basic services while also focusing on the broad goals and citizen expectations for the community.

Our Vision

Prescott is a beautiful, growing city that has a vibrant historic downtown, is the Regional Economic Center for the Tri-Cities, and is a first class tourist destination. Prescott is a livable, dynamic community where there is a range of housing choices for all, where residents and guests enjoy an active life style with great recreation and leisure amenities, where people enjoy quality living, where the community acts a responsible environmental steward and where there is pride in our hometown, the Gem of Arizona.

The mission of the City of Prescott is to provide superior customer service to create a financially sustainable City and to serve as the leader in the region.

The mission is supported by the following six goals:

- ◆ **Stronger local economy and expanded tax base**
 - More diverse economy, less retail dependence
 - Development of our airport as an economic engine
 - More effective capitalizing of our Universities/Colleges
 - Make land available for developing business/commercial sites
 - More tourists and return visitors

- ◆ **Better mobility – improved roads and transportation system**
 - Development of a viable public transit alternative within Prescott to be used by citizens and visitors
 - Improved condition and quality of our streets
 - All City streets paved
 - All City alleys paved
 - Regional solutions to traffic flow and capacity

- ◆ **Managed growth for a balanced community**
 - More workforce housing
 - Well-planned annexed areas with mixed and balanced uses
 - Preservation of Prescott's historic charm and character
 - Increased maintenance of existing parks
 - Development consistent with Land Development Code

- ◆ **Polished City – beautiful and clean**
 - Well-maintained, cleaner streets, alleys and right-of-way
 - Reduced number of blighted homes and buildings
 - Effective solid waste collection and management
 - Redevelopment of aging commercial centers
 - Residents, businesses and schools taking responsibility for property cleanliness
 - Improved appearance of City facilities

- ◆ **First class utility system**
 - Secure 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 and people working downtown
 - More activity venues for attracting residents and events
 - More people living downtown
 - More evening activities with businesses staying open later

NEXT YEAR'S BUDGETS AND RATES

The 2004-05 fiscal year operating budget is \$61.6 million representing a 5.5% increase over the fiscal year 2003-04 budget. The operating budget was prepared without any tax rate increases. The property tax levy increased by \$71,346 because of new construction not increased property valuation.

The City continues to have a large number of major projects planned or underway which places an increased workload on staff. Population growth has also impacted our ability to deliver services at acceptable levels. In order to maintain service levels, 22.4 full time equivalent positions are added for 2005.

The 2004-05 fiscal year capital budget was established at \$103.3 million, a 12.8% increase compared to fiscal year 2003-04. The capital budget includes new programs and projects consistent with the five-year plan and is considered affordable within current revenue sources or planned debt issuances contained in the five-year plan. The larger projects consist of:

Water

The major funding allocation in the water fund is \$23 million for exploration and potential purchase of a water ranch as an alternate water resource for the City of Prescott.

Other notable projects include:

- ◆ Large reservoir rehabilitation to secure and protect water quality from any outside contamination and/or deterioration and to maintain compliance with Arizona Department of Environmental Quality, \$3 million;

- ◆ Mullen Way water improvement district, \$650,000; and

- ◆ Design and construction of an additional booster facility at the Chino Production site, \$650,000.

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 and fire hydrant upgrades along with miscellaneous equipment replacements.

Sewer

The largest allocation is \$1 million for the North Prescott Regional Force Main Replacement. Funding for sewer main replacements/improvements necessitated by street projects is \$750,000 while \$1.7 million has been budgeted for potential improvement districts.

Several ongoing capital projects are planned each year such as recharge cell cleaning at the wastewater treatment plant, lift station rehabilitation and manhole rehabilitation.

Sanitation

The major expenditure is \$590,000 for three collection vehicles. All three vehicles are replacements.

Transfer Station

Capital outlay of \$200,000 is anticipated for a master plan and design for the transfer station facility. It is expected the transfer station will be over capacity in FY 2006 creating a safety risk to our customers. The actual construction of the facilities as recommended in the master plan is scheduled for FY 2006.

Airport

A variety of infrastructure projects totaling \$4.6 million is grant funded with the City's share of these grants being \$478,460. Two notable projects in this fund are the Airport terminal design, \$392,500 and the new shade hangar construction, \$1.6 million.

Golf Course

\$200,000 is budgeted for any capital purchases or projects the new golf course manager deems necessary.

Streets

Street maintenance operations continue to be funded at a level in excess of \$3 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, brush and weed removal, crack sealing, pothole patching, unpaved road grading, contributions to improvement districts for unpaved roads, and electricity for the street light system and traffic signals.

1% Tax - Streets and Open Space

\$2 million is budgeted for potential open space purchases. Also in this fund, is more than \$18 million in street projects including Phase IV of Willow Creek Road, \$2.6 million, right-of-way purchases and construction for the Iron Springs Road widening project, \$4.4 million, Ponderosa Plaza Drive reconstruction in the amount of \$1.7 million, and \$1.1 million for the SR89 Widening.

General Fund

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

There are no notable capital outlay and projects in the General Fund.

The operational and capital components of the budget total \$164.9 million for fiscal year 2004-05 a 19.3% increase over the fiscal year 2003-04 budget.

FUTURE ISSUES

The City of Prescott faces a number of issues in the coming years. Some of these issues are high priority and need to be addressed soon; others can wait until funds are available.

Annexation of Ranches

In November 2003, the City entered into a preliminary development agreement with Granite Dells Ranch and Point of Rocks Ranch ("The Ranches") providing for annexation of 7,200 acres. Upon completion and submittal of land use and infrastructure master plans by The Ranches, a more detailed development agreement is to be negotiated for annexation purposes.

New Airport Terminal

Council has identified the Prescott Airport as a must in our long-term economic development plan. A new terminal has been discussed in the past and Council now supports moving forward with this project. This expansion would allow us to service additional carriers and commuter flights. \$392,500 has been included in the budget for the design of the new airport terminal. A portion of the funding will come from federal and state grants.

Continued Development of Industrial Airpark

To remain competitive in the industrial market, Prescott must continue to attract and maintain top quality sites that will allow for future growth and stand as an entryway into our city.

Development of a Hotel/Convention Center

Currently there are no hotel conference centers within the city limits of Prescott. Prescott is also without a quality timeshare project. Both hotel and timeshare additions would be valuable assets in our economic development efforts. A conference center would allow the city to compete in the meeting-conference market.

Long Term Plan and Design for Transfer Station

The Transfer Station opened in 1991 with the design capacity of 250 tons per day. Due to increased growth within the region, the facility is reaching its design capacity. It is anticipated that construction on the expansion will begin in FY 2006.

SR 69/SR 89 Highway Corridors and Interchange

Future Arizona Department of Transportation highway capacity improvements in the State Route 69 and State Route 89 corridors, including new interchanges are planned in FY 2005. Major fill placement along the north side of SR 69 west of Gateway Mall has facilitated both widening to 6 lanes, and the connector between the two corridors planned by the Yavapai-Prescott Tribe. In conjunction with the interchange project now under design and scheduled for construction beginning FY 2005, ADOT has moved up widening of SR 89 to 5-lanes from the Yavapai-Prescott

Tribe boundary near Sundog Ranch Road, north past Willow Lake Road, in the same timeframe. The City is participating in the SR 89 project financially in the total amount of \$1.2 million.

Open Space Acquisitions

The City was approached by open space advocates to advance the schedule for purchasing open space properties and responded by budgeting \$2 million in FY 2004-05. The five-year capital improvement program reflects an additional allocation of \$12.5 million from FY 2006 through FY 2010. Council authorized formation of a citizens' committee to study and recommend strategies for acquiring open space properties. To date, the City has expended \$3.6 million for such properties.

Although Council, following the 2000 referendum, approved \$40.7 for open space purchases, the City must continue the completion of the assured and supplemental street construction projects promised in both referendums for the additional 1% privilege (sales) tax. Council will face the choice of allocating the 1% privilege (sales) tax funds for open space purchases or for street projects again next year.

Trails Expansion

The City's Trails and Open Space Division currently has grants totaling \$1 million for rights-of-way and construction of trails. Negotiations with landowners for acquisition are ongoing and promising. Administrative procedures with Arizona Department of Transportation are being worked through. This must be accomplished before funds can be spent. These grants will add approximately ten miles to our existing 22-mile system.

An Open Space Acquisition Advisory Committee has been created by the Mayor. The committee will explore funding options, which could include Growing Smarter Land Conservation grants for open space. The earliest we could pursue open space grants is February 2005.

FINANCIAL CONTACT

This financial report is designed to present a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or would like additional financial information, contact:

City of Prescott
Finance Department
201 South Cortez
Prescott, Arizona 86303
928.777.1112

Or visit our website at:
www.cityofprescott.net

BASIC FINANCIAL STATEMENTS

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 40,936,611	\$ 21,284,551	\$ 62,221,162
Receivables (net)	15,553,451	1,951,340	17,504,791
Internal balances	1,163,408	(1,163,408)	-
Inventories	192,588	443,664	636,252
Capital assets			
Land and right of way	41,396,985	5,654,939	47,051,924
Other capital assets (net of accumulated depreciation)	146,274,764	124,656,841	270,931,605
Other assets	-	227,660	227,660
Total assets	<u>245,517,807</u>	<u>153,055,587</u>	<u>398,573,394</u>
LIABILITIES			
Accounts payable	5,336,287	2,390,303	7,726,590
Compensated absences	779,227	215,056	994,283
Unearned revenue	125,550	63,428	188,978
Noncurrent liabilities			
Due within one year	1,720,051	1,767,184	3,487,235
Due in more than one year	21,505,394	14,019,252	35,524,646
Total liabilities	<u>29,466,509</u>	<u>18,455,223</u>	<u>47,921,732</u>
NET ASSETS			
Invested in capital assets, net of related debt	163,004,301	115,939,303	278,943,604
Restricted for:			
Capital projects	1,132,708	2,560,435	3,693,143
Debt service	1,339,839	1,767,184	3,107,023
Other purposes	42,917,457	174,171	43,091,628
Unrestricted	7,656,993	14,159,271	21,816,264
Total net assets	<u>\$ 216,051,298</u>	<u>\$ 134,600,364</u>	<u>\$ 350,651,662</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, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Primary Government		
		Services, Fees, Fines, and Forfeitures	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
<i>Governmental activities:</i>							
General government	\$ 5,552,612	\$ 1,328,746	\$ -	\$ -	\$ (4,223,866)	\$ -	\$ (4,223,866)
Community services	2,147,067	316,299	64,950	29,651	(1,736,167)	-	(1,736,167)
Culture and recreation	5,412,480	1,219,762	9,873	1,123,241	(3,059,604)	-	(3,059,604)
Police and court	8,154,036	873,926	609,046	124,639	(6,546,425)	-	(6,546,425)
Fire	5,883,210	746,516	207,611	120,388	(4,808,695)	-	(4,808,695)
Public works	11,131,614	618,700	3,988,105	4,898,343	(1,626,466)	-	(1,626,466)
Interest on long-term debt	1,263,727	-	-	-	(1,263,727)	-	(1,263,727)
Total governmental	39,544,746	5,103,949	4,879,585	6,296,262	(23,264,950)	-	(23,264,950)
<i>Business-type activities:</i>							
Water	6,958,715	7,133,069	-	3,448,078	-	3,622,432	3,622,432
Sewer	4,660,494	3,894,327	-	2,866,205	-	2,100,038	2,100,038
Golf course	2,147,973	2,162,487	-	-	-	14,514	14,514
Airport	3,619,357	3,226,483	-	1,416,945	-	1,024,071	1,024,071
Sanitation	3,888,569	4,394,885	-	-	-	506,316	506,316
Regional transfer station	3,503,582	3,430,790	-	-	-	(72,792)	(72,792)
Parking garage	400	-	-	-	-	(400)	(400)
Total business-type activities	24,779,090	24,242,041	-	7,731,228	-	7,194,179	7,194,179
Total primary government	\$ 64,323,836	\$ 29,345,990	\$ 4,879,585	\$ 14,027,490	(23,264,950)	7,194,179	(16,070,771)

General revenues:

Taxes:

Property taxes, levied for general purposes	898,810	-	898,810
Property taxes, levied for debt service	1,676,385	-	1,676,385
Utility franchise taxes	1,147,098	-	1,147,098
City privilege and use tax, general purposes	11,835,113	-	11,835,113
City privilege and use tax, major street and open space program	11,517,650	-	11,517,650
Transient lodging tax	326,387	-	326,387
Intergovernmental revenues	8,416,354	-	8,416,354
Interest earnings	935,209	103,650	1,038,859
Miscellaneous	636,217	597,869	1,234,086
Transfers	(25,072)	25,072	-
Total general revenues and transfers	37,364,151	726,591	38,090,742
Change in net assets	14,099,201	7,920,770	22,019,971
Net assets - beginning	201,952,097	126,679,594	328,631,691
Net assets - ending	\$ 216,051,298	\$ 134,600,364	\$ 350,651,662

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

Highway User

This fund is used to account for the operation of the street maintenance department. Financing is provided by the City's share of state gasoline taxes.

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. The funding source will sunset in December 2015.

Capital Improvement

This fund accumulates resources for the purchase of land or buildings, improvements to city owned properties, grant matches, public safety projects and equipment purchases, economic development activities and other capital projects as determined by the City Council. Revenues are determined annually and are based on excess general fund revenues.

DEBT SERVICE

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

Balance Sheet

Governmental Funds

June 30, 2004

	General	Highway User	Streets and Open Space	Capital Improvement	City of Prescott Debt Service	Community Facilities Districts Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and short-term investments	\$ 4,887,954	\$ 482,061	\$ 9,846,174	\$ 14,619,404	\$ 36,605	\$ 1,280,726	\$ 6,264,606	\$ 37,417,530
Accounts receivable (net)	2,421,035	-	1,225,446	-	-	-	34,113	3,680,594
Property taxes receivable	52,015	-	-	-	93,324	-	-	145,339
Special assessments receivable	-	-	-	-	3,696,824	6,416,651	-	10,113,475
Intergovernmental receivable	435,183	268,452	-	-	-	-	836,165	1,539,800
Interfund receivables	1,105,054	-	-	-	-	-	-	1,105,054
Interest receivable	7,189	-	-	-	-	-	2,294	9,483
Long-term interfund receivables	1,735,461	-	-	-	-	-	-	1,735,461
Total assets	<u>\$ 10,643,891</u>	<u>\$ 750,513</u>	<u>\$ 11,071,620</u>	<u>\$ 14,619,404</u>	<u>\$ 3,826,753</u>	<u>\$ 7,697,377</u>	<u>\$ 7,137,178</u>	<u>\$ 55,746,736</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 766,787	\$ 211,350	\$ 1,356,765	\$ 46,026	\$ -	\$ -	\$ 438,209	\$ 2,819,137
Accrued payroll	803,012	56,144	-	-	-	-	16,925	876,081
Interfund payable	-	-	-	-	-	-	277,107	277,107
Compensated absences	708,182	51,237	-	-	-	-	-	759,419
Deposits returnable	47,275	-	-	-	-	-	-	47,275
Unearned revenue	-	-	-	-	-	-	125,550	125,550
Deferred revenue	25,957	-	-	-	3,767,640	6,416,651	-	10,210,248
Total liabilities	<u>2,351,213</u>	<u>318,731</u>	<u>1,356,765</u>	<u>46,026</u>	<u>3,767,640</u>	<u>6,416,651</u>	<u>857,791</u>	<u>15,114,817</u>
Fund Balance								
Fund balance:								
Reserved for:								
Advances	566,730	-	-	-	-	-	-	566,730
Interfund loans	2,273,785	-	-	-	-	-	-	2,273,785
Dedicated purposes	-	-	-	-	-	-	527,746	527,746
Unreserved, reported in:								
General fund	5,452,163	-	-	-	-	-	-	5,452,163
Special revenue fund	-	431,782	9,714,855	14,573,378	-	-	4,618,933	29,338,948
Debt service fund	-	-	-	-	59,113	1,280,726	-	1,339,839
Capital projects fund	-	-	-	-	-	-	1,132,708	1,132,708
Total fund balances	<u>8,292,678</u>	<u>431,782</u>	<u>9,714,855</u>	<u>14,573,378</u>	<u>59,113</u>	<u>1,280,726</u>	<u>6,279,387</u>	<u>40,631,919</u>
Total liabilities and fund balances	<u>\$ 10,643,891</u>	<u>\$ 750,513</u>	<u>\$ 11,071,620</u>	<u>\$ 14,619,404</u>	<u>\$ 3,826,753</u>	<u>\$ 7,697,377</u>	<u>\$ 7,137,178</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$51,626,506.

187,404,941

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

Deferred special assessment revenue	\$ 10,113,475	
Deferred property tax revenue	96,773	
	<hr/>	10,210,248

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

Bonds payable	(21,783,442)	
Compensated absences	(1,416,507)	
	<hr/>	(23,199,949)

Internal service funds are used by management to charge central garage, engineering and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

1,004,139

Net assets of governmental activities

\$ 216,051,298

CITY OF PRESCOTT, ARIZONA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2004

Revenues	General	Highway	Streets and	Capital	City of	Community	Other	Total
		User	Open Space	Improvement	Prescott	Facilities	Governmental	Governmental
					Debt Service	Debt Service	Funds	Funds
Taxes	\$ 13,896,386	\$ -	\$ 11,517,650	\$ -	\$ 1,678,035	\$ -	\$ 326,387	\$ 27,418,458
Intergovernmental revenues	8,416,354	3,975,879	12,226	-	-	-	1,699,989	14,104,448
Licenses and permits	1,161,271	-	-	-	-	-	1,454,076	2,615,347
Charges for services	1,428,155	333,079	-	-	-	-	-	1,761,234
Fines and forfeitures	727,368	-	-	-	-	-	-	727,368
Gifts and donations	-	-	-	-	-	-	233,426	233,426
Interest income	88,284	8,618	24,238	73,268	179,862	526,966	24,151	925,387
Miscellaneous	383,767	169,736	-	2,835	346,737	366,953	3,064	1,273,092
Total revenues	<u>26,101,585</u>	<u>4,487,312</u>	<u>11,554,114</u>	<u>76,103</u>	<u>2,204,634</u>	<u>893,919</u>	<u>3,741,093</u>	<u>49,058,760</u>
Expenditures								
Current operating								
General government	2,572,611	-	-	1,086,962	-	-	4,927	3,664,500
Community services	1,879,484	-	-	-	-	-	272,658	2,152,142
Culture and recreation	4,081,713	-	-	-	-	-	43,987	4,125,700
Police and court	7,124,338	-	-	-	-	-	749,399	7,873,737
Fire	4,982,694	-	-	-	-	-	375,668	5,358,362
Public works	-	2,934,571	-	-	-	-	-	2,934,571
Capital outlay	1,773,140	2,336,596	9,891,755	1,040,265	-	-	1,358,108	16,399,864
Debt service - principal	51,852	-	-	-	1,470,151	430,000	-	1,952,003
Debt service - interest	3,041	-	-	-	724,161	536,218	-	1,263,420
Total expenditures	<u>22,468,873</u>	<u>5,271,167</u>	<u>9,891,755</u>	<u>2,127,227</u>	<u>2,194,312</u>	<u>966,218</u>	<u>2,804,747</u>	<u>45,724,299</u>
Excess (deficiency) of revenues over expenditures	<u>3,632,712</u>	<u>(783,855)</u>	<u>1,662,359</u>	<u>(2,051,124)</u>	<u>10,322</u>	<u>(72,299)</u>	<u>936,346</u>	<u>3,334,461</u>
Other Financing Sources (Uses)								
Transfers in	-	157,411	392,589	3,103,066	-	-	280,082	3,933,148
Transfers out	(3,088,617)	-	(292,042)	(138,861)	-	-	(575,540)	(4,095,060)
Total other financing sources (uses)	<u>(3,088,617)</u>	<u>157,411</u>	<u>100,547</u>	<u>2,964,205</u>	<u>-</u>	<u>-</u>	<u>(295,458)</u>	<u>(161,912)</u>
Net change in fund balances	544,095	(626,444)	1,762,906	913,081	10,322	(72,299)	640,888	3,172,549
Fund balance - beginning	7,748,583	1,058,226	7,951,949	13,660,297	48,791	1,353,025	5,638,499	37,459,370
Fund balance - ending	<u>\$ 8,292,678</u>	<u>\$ 431,782</u>	<u>\$ 9,714,855</u>	<u>\$ 14,573,378</u>	<u>\$ 59,113</u>	<u>\$ 1,280,726</u>	<u>\$ 6,279,387</u>	<u>\$ 40,631,919</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, 2004

Net change in fund balances - total governmental funds \$ 3,172,549

*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	\$ 13,710,478	
Less: current year depreciation	<u>8,558,748</u>	
		5,151,730

Donations of capital assets are not shown in the governmental fund statements, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contribution revenues. 5,303,753

The disposition of capital assets is reported in the statement of activities. This does not represent a use of current resources and, thus, is not reported in the funds. (904,522)

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

Property taxes	(17,015)	
Assessments receivable	<u>(693,254)</u>	
		(710,269)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,952,003

Internal service funds are used by management to charge central garage, engineering and insurance costs to individual funds. The net operating income (loss) of certain activities of internal service funds is reported with governmental activities. 210,849

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

Compensated absences		(76,892)
----------------------	--	----------

Change in net assets of governmental activities \$ 14,099,201

CITY OF PRESCOTT, ARIZONA

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

General Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final	Amounts	Final Budget
			Budget	Positive
	Original	Final	Basis	(Negative)
Revenues				
Privilege (sales) tax	\$ 10,713,000	\$ 10,713,000	\$ 11,835,113	\$ 1,122,113
Property tax	929,147	929,147	914,175	(14,972)
Franchise tax	1,068,629	1,068,629	1,147,098	78,469
State revenue sharing	3,063,083	3,063,083	3,060,168	(2,915)
State shared sales tax	2,684,963	2,684,963	2,855,210	170,247
Auto in-lieu tax	2,000,000	2,000,000	2,191,848	191,848
County aid	309,128	309,128	309,128	-
Licenses and permits	940,000	940,000	1,161,271	221,271
Charges for services	1,073,512	1,073,512	1,428,155	354,643
Fines and forfeitures	733,845	733,845	727,368	(6,477)
Interest income	172,100	172,100	88,284	(83,816)
Miscellaneous	221,800	221,800	383,767	161,967
Total revenues	<u>23,909,207</u>	<u>23,909,207</u>	<u>26,101,585</u>	<u>2,192,378</u>
Expenditures				
Current operating				
General government	2,858,390	2,944,390	2,925,709	(67,319)
Community services	1,885,612	1,885,612	1,882,428	3,184
Culture and recreation	4,147,580	4,061,580	4,087,640	59,940
Police and court	7,451,874	7,451,874	7,122,810	329,064
Fire	5,003,085	5,003,085	4,998,421	4,664
Capital outlay	1,535,500	1,535,500	1,410,495	125,005
Debt service - principal	51,852	51,852	51,852	-
Debt service - interest	3,041	3,041	3,041	-
Total expenditures	<u>22,936,934</u>	<u>22,936,934</u>	<u>22,482,396</u>	<u>454,538</u>
Excess of revenues over expenditures	<u>972,273</u>	<u>972,273</u>	<u>3,619,189</u>	<u>2,646,916</u>
Other Financing Sources (Uses)				
Transfers out	(1,742,017)	(1,742,017)	(3,088,617)	(1,346,600)
Total other financing sources and uses	<u>(1,742,017)</u>	<u>(1,742,017)</u>	<u>(3,088,617)</u>	<u>(1,346,600)</u>
Net change in fund balances	<u>(769,744)</u>	<u>(769,744)</u>	<u>530,572</u>	<u>1,300,316</u>
Fund balance - beginning	8,470,288	8,470,288	8,470,288	-
Fund balance - ending	<u>\$ 7,700,544</u>	<u>\$ 7,700,544</u>	<u>9,000,860</u>	<u>\$ 1,300,316</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Compensated absences - current year accrual			13,523	
Compensated absences - prior year accrual			(721,705)	
Fund balance - GAAP basis			<u>\$ 8,292,678</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

Highway User Fund

For the year ended June 30, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Highway user revenue	\$ 3,105,491	\$ 3,105,491	\$ 3,190,899	\$ 85,408
Local transportation assistance funds	192,983	192,983	192,984	1
Intergovernmental contributions	205,000	205,000	591,996	386,996
Total intergovernmental revenues	<u>3,503,474</u>	<u>3,503,474</u>	<u>3,975,879</u>	<u>472,405</u>
Charges for services	219,275	219,275	333,079	113,804
Interest income	25,000	25,000	8,618	(16,382)
Miscellaneous	426,571	426,571	169,736	(256,835)
Total revenues	<u>4,174,320</u>	<u>4,174,320</u>	<u>4,487,312</u>	<u>312,992</u>
Expenditures				
Current operating				
Public works	3,284,926	3,284,926	2,931,635	353,291
Capital outlay	2,321,501	2,321,501	2,336,596	(15,095)
Total expenditures	<u>5,606,427</u>	<u>5,606,427</u>	<u>5,268,231</u>	<u>338,196</u>
Excess (deficiency) of revenues over expenditures	<u>(1,432,107)</u>	<u>(1,432,107)</u>	<u>(780,919)</u>	<u>651,188</u>
Other Financing Sources (Uses)				
Transfers in	-	-	157,411	157,411
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>157,411</u>	<u>157,411</u>
Net change in fund balances	<u>(1,432,107)</u>	<u>(1,432,107)</u>	<u>(623,508)</u>	<u>808,599</u>
Fund balance - beginning	1,106,532	1,106,532	1,106,532	-
Fund balance - ending	<u>\$ (325,575)</u>	<u>\$ (325,575)</u>	<u>483,024</u>	<u>\$ 808,599</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Compensated absences - current year accrual			(2,936)	
Compensated absences - prior year accrual			(48,306)	
Fund balance - GAAP basis			<u>\$ 431,782</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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,393,000	\$ 10,393,000	\$ 11,517,650	\$ 1,124,650
Intergovernmental revenues	125,000	125,000	12,226	(112,774)
Interest income	50,000	50,000	24,238	(25,762)
Total revenues	<u>10,568,000</u>	<u>10,568,000</u>	<u>11,554,114</u>	<u>986,114</u>
Expenditures				
Current operating				
Capital outlay	22,154,909	22,154,909	9,891,755	12,263,154
Total expenditures	<u>22,154,909</u>	<u>22,154,909</u>	<u>9,891,755</u>	<u>12,263,154</u>
Excess (deficiency) of revenues over expenditures	<u>(11,586,909)</u>	<u>(11,586,909)</u>	<u>1,662,359</u>	<u>13,249,268</u>
Other Financing Sources (Uses)				
Transfers in	-	-	392,589	392,589
Transfers out	-	-	(292,042)	(292,042)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>100,547</u>	<u>100,547</u>
Net change in fund balances	<u>(11,586,909)</u>	<u>(11,586,909)</u>	<u>1,762,906</u>	<u>13,349,815</u>
Fund balance - beginning	7,951,949	7,951,949	7,951,949	-
Fund balance - ending	<u>\$ (3,634,960)</u>	<u>\$ (3,634,960)</u>	<u>\$ 9,714,855</u>	<u>\$ 13,349,815</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

Capital Improvement Fund

For the year ended June 30, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 150,000	\$ 150,000	\$ 73,268	\$ (76,732)
Miscellaneous	255,000	255,000	2,835	(252,165)
Total revenues	<u>405,000</u>	<u>405,000</u>	<u>76,103</u>	<u>(328,897)</u>
Expenditures				
Current operating				
General government	1,380,000	1,380,000	1,086,962	293,038
Capital outlay	8,220,500	8,220,500	1,040,265	7,180,235
Total expenditures	<u>9,600,500</u>	<u>9,600,500</u>	<u>2,127,227</u>	<u>7,473,273</u>
Excess (deficiency) of revenues over expenditures	<u>(9,195,500)</u>	<u>(9,195,500)</u>	<u>(2,051,124)</u>	<u>7,144,376</u>
Other Financing Sources (Uses)				
Transfers in	1,130,000	1,130,000	3,103,066	1,973,066
Transfers out	-	-	(138,861)	(138,861)
Total other financing sources and uses	<u>1,130,000</u>	<u>1,130,000</u>	<u>2,964,205</u>	<u>1,834,205</u>
Net change in fund balances	<u>(8,065,500)</u>	<u>(8,065,500)</u>	<u>913,081</u>	<u>8,978,581</u>
Fund balance - beginning	<u>13,660,297</u>	<u>13,660,297</u>	<u>13,660,297</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,594,797</u>	<u>\$ 5,594,797</u>	<u>\$ 14,573,378</u>	<u>\$ 8,978,581</u>

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



FUND FINANCIAL STATEMENTS

Proprietary Funds

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

- **Water**
- **Sewer**
- **Golf course**
- **Airport**
- **Sanitation**
- **Regional transfer**
- **Parking garage**

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

- **Central garage**
- **General self-insurance**
- **Workers' compensation**
- **Engineering services**

CITY OF PRESCOTT, ARIZONA

Statement of Net Assets

Proprietary Funds

June 30, 2004

ASSETS	Business-type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Sewer	Golf Course	Airport	Sanitation	Nonmajor Funds	Totals	
Current Assets								
Cash and cash equivalents	\$ 9,784,382	\$ 5,912,883	\$ -	\$ 43,122	\$ 2,128,735	\$ 169,379	\$ 18,038,501	\$ 3,519,083
Accounts receivable (net)	1,473,572	-	90,186	38,823	-	5,431	1,608,012	64,760
Intergovernmental receivables - grants	-	-	-	343,328	-	-	343,328	-
Interfund receivables	125,000	-	-	-	-	-	125,000	-
Inventory at cost	256,431	-	75,986	111,247	-	-	443,664	192,588
Total current assets	<u>11,639,385</u>	<u>5,912,883</u>	<u>166,172</u>	<u>536,520</u>	<u>2,128,735</u>	<u>174,810</u>	<u>20,558,505</u>	<u>3,776,431</u>
Noncurrent Assets								
Restricted cash and cash equivalents								
Water development	2,476,115	-	-	-	-	-	2,476,115	-
Cash for hangar construction	-	-	-	2,727	-	-	2,727	-
Landfill closure reserve	-	-	-	-	81,593	-	81,593	-
Cash with fiscal agent	183,893	327,551	-	-	-	-	511,444	-
Customer deposits	174,171	-	-	-	-	-	174,171	-
Total restricted assets	<u>2,834,179</u>	<u>327,551</u>	<u>-</u>	<u>2,727</u>	<u>81,593</u>	<u>-</u>	<u>3,246,050</u>	<u>-</u>
Long-term interfund receivables	<u>1,275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
Investment in regional landfill	-	-	-	-	187,658	-	187,658	-
Deferred bond issue cost	<u>13,334</u>	<u>-</u>	<u>26,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,002</u>	<u>-</u>
Capital Assets								
Land	1,470,943	75,901	1,963,554	1,143,261	102,302	898,978	5,654,939	13,191
Buildings	1,552,232	5,206,341	673,693	5,158,709	77,526	38,459	12,706,960	569,944
Improvements other than buildings	67,213,524	54,371,190	5,540,648	31,315,009	24,456	900,600	159,365,427	49,023
Machinery and equipment	4,537,298	2,097,971	1,296,064	479,040	3,841,075	300,687	12,552,135	263,445
Less accumulated depreciation	<u>(25,567,085)</u>	<u>(18,771,125)</u>	<u>(2,634,499)</u>	<u>(10,209,962)</u>	<u>(2,371,840)</u>	<u>(413,170)</u>	<u>(59,967,681)</u>	<u>(628,795)</u>
Total capital assets (net of accumulated depreciation)	<u>49,206,912</u>	<u>42,980,278</u>	<u>6,839,460</u>	<u>27,886,057</u>	<u>1,673,519</u>	<u>1,725,554</u>	<u>130,311,780</u>	<u>266,808</u>
Total noncurrent assets	<u>53,329,425</u>	<u>43,307,829</u>	<u>6,866,128</u>	<u>27,888,784</u>	<u>1,942,770</u>	<u>1,725,554</u>	<u>135,060,490</u>	<u>266,808</u>
Total assets	<u>64,968,810</u>	<u>49,220,712</u>	<u>7,032,300</u>	<u>28,425,304</u>	<u>4,071,505</u>	<u>1,900,364</u>	<u>155,618,995</u>	<u>4,043,239</u>

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

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
LIABILITIES								
Current Liabilities								
Accounts payable	\$ 808,577	\$ 416,060	\$ 68,265	\$ 353,890	\$ 31,810	\$ 296,706	\$ 1,975,308	\$ 104,637
Accrued payroll	80,488	43,937	24,355	17,002	24,485	9,228	199,495	55,532
Compensated absences	109,514	47,565	9,022	17,266	22,198	9,491	215,056	19,808
Advance customer payments	32,037	-	-	-	-	-	32,037	-
Interfund payables	-	499,382	297,779	30,786	-	-	827,947	125,000
Contracts payable - current	276,458	307,593	365,949	-	-	-	950,000	-
Notes and assessments - current	40,513	-	458,766	317,905	-	-	817,184	-
Landfill closure/postclosure cost - current	-	-	-	-	40,000	-	40,000	-
Deferred revenue - current	-	-	-	1,774	-	-	1,774	-
Claims payable	-	-	-	-	-	-	-	1,433,630
Customer water deposits	183,464	-	-	-	-	-	183,464	-
Total current liabilities	<u>1,531,051</u>	<u>1,314,537</u>	<u>1,224,136</u>	<u>738,623</u>	<u>118,493</u>	<u>315,425</u>	<u>5,242,265</u>	<u>1,738,607</u>
Noncurrent Liabilities								
Accrued vacation and sick pay	91,664	56,700	22,565	21,785	18,594	19,255	230,563	25,493
Contracts payable	2,796,116	3,716,950	2,136,935	-	-	-	8,650,001	-
Interfund payable	-	1,623,134	37,551	74,775	-	-	1,735,460	1,275,000
Notes and assessments payable	158,643	-	538,765	3,257,884	-	-	3,955,292	-
Landfill closure/postclosure cost	-	-	-	-	1,143,396	-	1,143,396	-
Deferred revenue	-	-	-	61,654	-	-	61,654	-
Total noncurrent liabilities	<u>3,046,423</u>	<u>5,396,784</u>	<u>2,735,816</u>	<u>3,416,098</u>	<u>1,161,990</u>	<u>19,255</u>	<u>15,776,366</u>	<u>1,300,493</u>
Total liabilities	<u>4,577,474</u>	<u>6,711,321</u>	<u>3,959,952</u>	<u>4,154,721</u>	<u>1,280,483</u>	<u>334,680</u>	<u>21,018,631</u>	<u>3,039,100</u>
NET ASSETS								
Invested in capital assets, net of related debt	45,935,182	38,955,735	3,339,045	24,310,268	1,673,519	1,725,554	115,939,303	266,808
Restricted for capital projects	2,476,115	-	-	2,727	81,593	-	2,560,435	-
Restricted for debt service	316,971	307,593	824,715	317,905	-	-	1,767,184	-
Restricted for other purposes	174,171	-	-	-	-	-	174,171	-
Unrestricted	11,488,897	3,246,063	(1,091,412)	(360,317)	1,035,910	(159,870)	14,159,271	737,331
Total net assets	<u>\$ 60,391,336</u>	<u>\$ 42,509,391</u>	<u>\$ 3,072,348</u>	<u>\$ 24,270,583</u>	<u>\$ 2,791,022</u>	<u>\$ 1,565,684</u>	<u>\$ 134,600,364</u>	<u>\$ 1,004,139</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 Assets

Proprietary Funds

For the year ended June 30, 2004

	Business-type Activities Enterprise Funds						Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Golf Course	Airport	Sanitation	Nonmajor Funds		
Operating Revenues								
Water sales	\$ 6,228,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,228,067	\$ -
Water connection fees	506,085	-	-	-	-	-	506,085	-
Alternative water source fees	356,601	-	-	-	-	-	356,601	-
Sewer service fees	-	3,726,157	-	-	-	-	3,726,157	-
Sewer connection fees	-	11,992	-	-	-	-	11,992	-
Effluent recharge fees	-	150,000	-	-	-	-	150,000	-
Golf course green fees	-	-	1,236,145	-	-	-	1,236,145	-
Golf course rentals	-	-	587,972	-	-	-	587,972	-
Golf pro-shop sales	-	-	338,370	-	-	-	338,370	-
Fuel sales	-	-	-	2,375,272	-	-	2,375,272	-
Tie down and hangar rentals	-	-	-	847,672	-	-	847,672	-
Refuse collection fees	-	-	-	-	4,074,335	-	4,074,335	-
Tipping fees	-	-	-	-	237,704	3,430,790	3,668,494	-
Other services	-	-	-	-	-	-	-	3,859,631
Miscellaneous	59,108	452,395	52,836	33,669	-	(139)	597,869	3,591
Total operating revenues	<u>7,149,861</u>	<u>4,340,544</u>	<u>2,215,323</u>	<u>3,256,613</u>	<u>4,312,039</u>	<u>3,430,651</u>	<u>24,705,031</u>	<u>3,863,222</u>
Operating Expenses								
Personnel services	1,750,320	1,417,488	781,723	578,749	717,621	321,551	5,567,452	1,759,861
Supplies	134,161	157,905	299,472	45,165	222,715	23,235	882,653	398,567
Other services and charges	3,372,220	1,205,526	602,289	364,016	2,629,481	3,094,039	11,267,571	986,224
Cost of fuel sales	-	-	-	1,668,373	-	-	1,668,373	-
Depreciation	1,531,002	1,571,806	278,460	761,413	318,752	65,157	4,526,590	52,739
Claims expense	-	-	-	-	-	-	-	608,290
Total operating expenses	<u>6,787,703</u>	<u>4,352,725</u>	<u>1,961,944</u>	<u>3,417,716</u>	<u>3,888,569</u>	<u>3,503,982</u>	<u>23,912,639</u>	<u>3,805,681</u>
Operating income (loss)	<u>362,158</u>	<u>(12,181)</u>	<u>253,379</u>	<u>(161,103)</u>	<u>423,470</u>	<u>(73,331)</u>	<u>792,392</u>	<u>57,541</u>
Non-Operating Revenues (Expenses)								
Interest income	78,649	25,349	-	(16,943)	15,280	1,315	103,650	9,822
Interest expense	(171,012)	(307,769)	(186,029)	(201,641)	-	-	(866,451)	(307)
Net gain (loss) on disposal of assets	42,316	6,178	-	3,539	82,846	-	134,879	2,436
Total non-operating Revenues (expenses)	<u>(50,047)</u>	<u>(276,242)</u>	<u>(186,029)</u>	<u>(215,045)</u>	<u>98,126</u>	<u>1,315</u>	<u>(627,922)</u>	<u>11,951</u>
Income (loss) before contributions and transfers	<u>312,111</u>	<u>(288,423)</u>	<u>67,350</u>	<u>(376,148)</u>	<u>521,596</u>	<u>(72,016)</u>	<u>164,470</u>	<u>69,492</u>
Grant contributions	-	-	-	1,401,277	-	-	1,401,277	-
Capital contributions	3,448,078	2,866,205	-	15,668	-	-	6,329,951	4,517
Transfers in (out)	(22,286)	(6,178)	-	135,322	(82,846)	1,060	25,072	136,840
Change in net assets	<u>3,737,903</u>	<u>2,571,604</u>	<u>67,350</u>	<u>1,176,119</u>	<u>438,750</u>	<u>(70,956)</u>	<u>7,920,770</u>	<u>210,849</u>
Total net assets - beginning	<u>56,653,433</u>	<u>39,937,787</u>	<u>3,004,998</u>	<u>23,094,464</u>	<u>2,352,272</u>	<u>1,636,640</u>	<u>126,679,594</u>	<u>793,290</u>
Total net assets - ending	<u>\$ 60,391,336</u>	<u>\$ 42,509,391</u>	<u>\$ 3,072,348</u>	<u>\$ 24,270,583</u>	<u>\$ 2,791,022</u>	<u>\$ 1,565,684</u>	<u>\$ 134,600,364</u>	<u>\$ 1,004,139</u>

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, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>
Cash flows from operating activities:			
Cash received from customers	\$ 6,686,776	\$ 3,888,149	\$ 2,078,460
Cash payments to suppliers for goods and services	(3,072,417)	(1,012,101)	(664,160)
Cash payments to employees for services	(1,718,221)	(1,397,961)	(808,726)
Other operating receipts	59,108	452,395	52,836
Internal activity - payments from other funds	441,878	-	-
Internal activity - payments to other funds	(362,863)	(227,068)	(235,045)
Net cash provided by (used for) operating activities	<u>2,034,261</u>	<u>1,703,414</u>	<u>423,365</u>
Cash flows from noncapital financing activities:			
Repayments under interfund loan arrangement	125,000	-	-
Receipts (payments) under interfund loan arrangement	-	-	235,418
Interest paid on noncapital financing	-	-	-
Operating transfers in (out)	(22,286)	(6,178)	-
Net cash provided by (used for) noncapital financing activity	<u>102,714</u>	<u>(6,178.00)</u>	<u>235,418</u>
Cash flows from capital and related financing activities:			
Proceeds from interfund loan	-	-	48,739
Acquisition and construction of capital assets	(1,233,622)	(1,472,910)	-
Principal paid on capital financing	(386,467)	(770,406)	(529,910)
Interest paid on capital financing	(166,803)	(307,769)	(177,612)
Proceeds from sales of fixed assets	42,316	6,178	-
Contributed from capital grant	-	-	-
Contributed from customers	1,396,189	1,052,331	-
Net cash provided by (used for) capital and related financing activities	<u>(348,387)</u>	<u>(1,492,576)</u>	<u>(658,783)</u>
Cash flows from investing activities:			
Interest on investments	78,649	25,349	-
Net cash provided by (used for) investing activities	<u>78,649</u>	<u>25,349</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,867,237	230,009	-
Cash and cash equivalents at July 1	10,751,324	6,010,425	-
Cash and cash equivalents at June 30	<u>\$ 12,618,561</u>	<u>\$ 6,240,434</u>	<u>\$ -</u>
Reconciliation to statement of net assets			
Cash and cash equivalents at June 30, unrestricted	\$ 9,784,382	\$ 5,912,883	\$ -
Cash and cash equivalents at June 30, restricted	2,834,179	327,551	-
Total	<u>\$ 12,618,561</u>	<u>\$ 6,240,434</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 362,158	\$ (12,181)	\$ 253,379
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,531,002	1,571,806	278,460
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	32,194	-	(84,027)
(Increase) decrease in inventory	(112,920)	-	524
Increase (decrease) in accounts payable	184,021	124,262	2,032
Increase (decrease) in accrued expenses	19,661	16,928	1,586
Increase (decrease) in compensated absences	11,227	758	(12,346)
Increase (decrease) in advance customer payments	(9,086)	-	-
Increase (decrease) in customer water deposits	14,793	-	-
Increase (decrease) in accrued vacation and sick payable	1,211	1,841	(16,243)
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure & postclosure cost payable	-	-	-
Increase (decrease) in deferred revenue	-	-	-
Total adjustments	<u>1,672,103</u>	<u>1,715,595</u>	<u>169,986</u>
Net cash provided by operating activities	<u>\$ 2,034,261</u>	<u>\$ 1,703,414</u>	<u>\$ 423,365</u>
Noncash investing, capital and financing activities			
Contributions from developers	\$ 2,060,060	\$ 1,813,874	\$ -
Total noncash investing, capital and financing activities	<u>\$ 2,060,060</u>	<u>\$ 1,813,874</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds				Governmental
Airport	Sanitation	Nonmajor Funds	Totals	Activities- Internal Service Funds
\$ 3,190,470	\$ 4,312,039	\$ 3,436,551	\$ 23,592,445	\$ 3,857,748
(2,109,721)	(2,720,672)	(3,283,429)	(12,862,500)	(1,156,194)
(569,866)	(705,821)	(320,412)	(5,521,007)	(1,761,191)
33,669	-	(139)	597,869	3,591
-	-	-	441,878	-
(113,353)	(150,202)	(61,264)	(1,149,795)	(678,313)
<u>431,199</u>	<u>735,344</u>	<u>(228,693)</u>	<u>5,098,890</u>	<u>265,641</u>
-	-	-	125,000	(125,000)
(340,106)	-	(660)	(105,348)	(12,179)
-	-	-	-	(307)
135,322	(82,846)	1,060	25,072	136,840
<u>(204,784)</u>	<u>(82,846.00)</u>	<u>400</u>	<u>44,724</u>	<u>(646)</u>
112,124	-	-	160,863	-
(1,667,930)	(729,762)	(26,930)	(5,131,154)	(30,130)
(308,044)	-	-	(1,994,827)	-
(201,641)	-	-	(853,825)	-
3,539	82,846	-	134,879	2,436
1,622,641	-	-	1,622,641	-
15,668	-	-	2,464,188	-
<u>(423,643)</u>	<u>(646,916)</u>	<u>(26,930)</u>	<u>(3,597,235)</u>	<u>(27,694)</u>
(16,943)	15,280	1,315	103,650	9,826
<u>(16,943)</u>	<u>15,280</u>	<u>1,315</u>	<u>103,650</u>	<u>9,826</u>
(214,171)	20,862	(253,908)	1,650,029	247,127
260,020	2,189,466	423,287	19,634,522	3,267,439
<u>\$ 45,849</u>	<u>\$ 2,210,328</u>	<u>\$ 169,379</u>	<u>\$ 21,284,551</u>	<u>\$ 3,514,566</u>
\$ 43,122	\$ 2,128,735	\$ 169,379	\$ 18,038,501	\$ 3,519,083
2,727	81,593	-	3,246,050	-
<u>\$ 45,849</u>	<u>\$ 2,210,328</u>	<u>\$ 169,379</u>	<u>\$ 21,284,551</u>	<u>\$ 3,519,083</u>
\$ (161,103)	\$ 423,470	\$ (73,331)	792,392	\$ 57,541
761,413	318,752	65,157	4,526,590	50,856
(18,558)	-	5,761	(64,630)	(64,760)
(28,895)	-	-	(141,291)	(19,924)
(116,625)	(10,710)	(227,419)	(44,439)	(34,725)
5,802	9,999	3,362	57,338	5,196
964	5,565	(1,153)	5,015	(6,526)
-	-	-	(9,086)	-
-	-	-	14,793	-
2,117	(3,764)	(1,070)	(15,908)	-
-	-	-	-	277,983
-	(7,968)	-	(7,968)	-
<u>(13,916)</u>	<u>-</u>	<u>-</u>	<u>(13,916)</u>	<u>-</u>
592,302	311,874	(155,362)	4,306,498	208,100
<u>\$ 431,199</u>	<u>\$ 735,344</u>	<u>\$ (228,693)</u>	<u>\$ 5,098,890</u>	<u>\$ 265,641</u>
\$ -	\$ -	\$ -	3,873,934	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,873,934</u>	<u>\$ -</u>

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



FUND FINANCIAL STATEMENTS

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 trust fund and one agency fund.

Employee Benefits Trust

Records the financial activity of the cafeteria plan offered to eligible employees.

County Justice Court Agency

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

CITY OF PRESCOTT, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Employee Benefits Trust	Agency County Justice Court
ASSETS		
Cash and short-term investments	\$ 9,909	\$ 95,857
Total assets	<u>9,909</u>	<u>95,857</u>
LIABILITIES		
Due to other governments	-	95,857
Total liabilities	<u>-</u>	<u>95,857</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 9,909</u>	<u>\$ -</u>

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

CITY OF PRESCOTT, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2004

	Employee Benefits Trust
	<u> </u>
ADDITIONS:	
Contributions:	
Employee contributions	\$ 2,801
Total contributions	<u> 2,801</u>
Investment earnings:	
Interest	143
Total investment earnings	<u> 143</u>
Miscellaneous income	164
Total additions	<u> 3,108</u>
DEDUCTIONS:	
Employee relations	9,107
Total deductions	<u> 9,107</u>
Changes in net assets	(5,999)
Net assets - beginning	15,908
Net assets - ending	<u><u> \$ 9,909</u></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, 2004

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, sewer, sanitation, 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 enterprise funds because its sole purpose is to finance municipal facilities for the City.

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

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

B. Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the changes in aggregate financial position resulting from activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. Fiduciary funds are not included in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset with program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions

that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

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

C. Basis of Presentation - Fund Accounting

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

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

The City reports the following major governmental funds:

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

The highway user fund is used to account for the operation of the street maintenance department. Financing is provided by the City's share of state gasoline taxes.

The streets and open space fund is used to account for the additional 1% privilege and use tax which is limited to street improvements and maintenance and/or open space acquisition. The funding source will sunset in December 2015.

The capital improvement fund accumulates resources for the purchase of land or buildings, improvements to city owned properties, grant matches, public safety projects and equipment purchases, economic development activities and other capital projects as determined by the City Council. Excess general fund revenues and the proceeds from the sale of nonessential general fund real property are used to finance the activity.

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

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

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

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

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

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

The City reports five of its seven enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, sewer, golf course, airport, and sanitation facilities. Furthermore, the City has two nonmajor funds, the regional transfer station and parking garage. The parking garage has had no activity during the year, therefore the nonmajor fund information presented for the proprietary funds consists of the activity of the regional transfer station. These funds are entirely or predominately self-supported through user charges to the customer.

Additionally, the City reports the following fund types:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

A deferred revenue liability arises in the governmental funds balance sheet when potential revenue does not meet either the *measurable* and *available* criteria for recognition in the current period. In the government-wide statement of net assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to incurring the qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods and services, or privileges provided and fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Agency funds apply the accrual basis of accounting, but do not have a measurement focus.

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

E. Cash and Investments

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

F. Receivables and Payables

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

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

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

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

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

G. Inventories

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

The City's personnel ordinance provides full-time employees with vacation and sick leave.

Vacation Leave - All permanent full-time employees of the City are entitled to 12 days of vacation each year during the first three years of service increasing to 15 days for three to ten years of service, 18 days for ten to fifteen years of service, and 20 days for fifteen or more years of service. Vacation can be

carried over from year to year with a maximum of 25 days vacation time to be accrued for less than ten years of service increasing to 30 days for ten or more years. At termination of employment, an employee is paid for any accumulated (vested) vacation time. The total amount of vested vacation leave at June 30, 2004, is as follows:

	Current Portion	Non-current Portion	Total
Governmental-type activities:			
General fund	\$ 708,182	\$ 392,735	\$ 1,100,917
Highway user	51,237	-	51,237
Other	19,808	7,204	27,012
Total governmental	<u>779,227</u>	<u>399,939</u>	<u>1,179,166</u>
Business-type activities:			
Water	109,514	31,413	140,927
Sewer	47,565	16,386	63,951
Golf course	9,022	11,974	20,996
Airport	17,266	6,160	23,426
Sanitation	22,198	10,498	32,696
Regional transfer station	9,491	4,762	14,253
Total business-type	<u>215,056</u>	<u>81,193</u>	<u>296,249</u>
Total vested	<u>\$ 994,283</u>	<u>\$ 481,132</u>	<u>\$ 1,475,415</u>

In determining the current portion, the assumption was made that each employee would take the annual allotted accrual during the next year (12 days each year during the first three years, etc.) or the amount of vacation accrual as of June 30, 2004, whichever is less.

Sick Leave - City employees accumulate sick leave with full pay at the rate of one working day for each month of paid service. Employees can have unlimited accrual of sick leave time. Upon termination, an employee will be paid for 1/3 of all sick leave accrued above the number of working hours in one month, not to exceed four months. However, when an employee retires they are paid 1/2 of all sick leave and are not subject to the one-month floor. The total aggregate amount of accrued sick pay benefits, using the vesting method described above, at June 30, 2004 is as follows:

	Accrued Liability 6/30/2003	Fiscal Year 2004 Change	Accrued Liability 6/30/2004
Governmental-type activities:			
General government	\$ 996,850	\$ 26,926	\$ 1,023,776
Other	26,979	(8,690)	18,289
Total governmental activities	<u>1,023,829</u>	<u>18,236</u>	<u>1,042,065</u>
Business-type activities:			
Water	55,072	5,179	60,251
Sewer	37,521	2,794	40,315
Golf course	21,387	(10,796)	10,591
Airport	13,176	2,448	15,624
Sanitation	7,793	302	8,095
Regional transfer station	14,290	202	14,492
Total business-type activities	<u>149,239</u>	<u>129</u>	<u>149,368</u>
Total accrued sick pay	<u>\$ 1,173,068</u>	<u>\$ 18,365</u>	<u>\$ 1,191,433</u>

The current portion of the sick leave above is not reflected because the events which would trigger a sick leave payment are not known with any degree of accuracy. The current portion of this liability is not material to the activities reflected above. In addition, GAAP prohibits the recognition of a liability for sick leave to be taken on account of illness. Rather than reflect a current portion which might end up being used to pay for illness, the City elected to show only the long-term portion of sick leave.

K. Long-Term Debt

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

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

L. Fund Equity

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

M. Employee Pension Plans

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

N. Use of Estimates

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

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 (except for CFD's), capital projects funds, enterprise funds and internal service funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- The miscellaneous gift trust fund and the permanent fund have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds.
- 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; \$31,000 allocated to the parks, recreation and library department was transferred to the city manager division, and \$55,000 allocated to the parks, recreation and library department was transferred to the legal department.

B. Budget Basis of Accounting

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

C. Excess of Budgeted Expenditures over Budgeted Revenue and Other Financial Sources

The following are the funds in which expenditures were budgeted to exceed revenues, as well as the anticipated amount of their respective fund balance surplus that would be needed to balance the budget compared to actual:

		<u>Budgeted</u>		<u>Actual</u>	
General Fund	General	\$ 769,744	deficit	\$ 530,572	surplus
Special	Highway user	1,432,107	deficit	623,508	deficit
Revenue	Streets and open space	11,586,909	deficit	1,662,359	surplus
Funds	Capital improvement	8,065,500	deficit	913,081	surplus
	Transient lodging	290,466	deficit	309,732	surplus
	Grants	529,047	deficit	281,059	deficit
	Impact fees	1,347,644	deficit	1,324,791	surplus
Debt Service	City of Prescott	5,459	deficit	10,322	surplus
Capital Projects					
Funds	Lakes purchase	1,332,000	deficit	395,958	deficit
Enterprise	Water	3,369,442	deficit	1,601,196	surplus
Funds	Sewer	2,171,238	deficit	88,819	surplus
	Airport	2,688,574	deficit	35,363	deficit
	Golf Course	147,948	deficit	212,689	deficit
	Sanitation	814,871	deficit	21,570	surplus
	Transfer station	55,927	deficit	35,611	deficit
	Parking garage	400	deficit	660	surplus

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 early implemented the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosures for the year ended June 30, 2004. This Statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

Deposits

At June 30, 2004, the carrying amount of the City's deposits was \$103,691 and the bank balance was \$804,825. The difference represents outstanding checks and other reconciling items.

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, 2004, 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.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of seven years or less. While the portfolio is managed to achieve a two-year dollar weighted maturity, the maximum dollar weighted average maturity authorized by the investment policy is four years. As reflected below, the modified duration of the City's investment portfolio on June 30, 2004 was 1.64, or slightly more than twenty months.

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.

Concentration of Credit Risk

The City place no limits on the amounts that the City may invest in any one issuer or institution. More than five-percent (5%) of the City's investments are in collateralized mortgage obligations, mortgage pass through obligations and the State Treasurer's Local Government Investment Pool. These investments represent 66%, 11% and 8% respectively, of the City's total investments.

Investments

The City's investments at June 30, 2004 are summarized as follows (modified duration is in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
State Treasurer's pool	\$ 4,937,322	0.00
U.S. agencies	7,884,125	1.21
U.S. Government Mutual Fund	1,052,481	0.00
U.S. agency collateralized mortgage obligations (CMO's)	40,467,680	1.92
U.S. agency mortgage pass through obligations	7,053,222	2.22
Total fair value	<u>\$ 61,394,830</u>	
Portfolio modified duration		1.64

B. Receivables and Deferred Revenue

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

	General	Highway User	Streets and Open Space	City of Prescott Debt Service	Community Facilities Districts Debt Service	Nonmajor and Other Funds	Total
Receivables:							
Accounts (net)	\$ 2,421,035	\$ -	\$ 1,225,446	\$ -	\$ -	\$ 34,113	\$ 3,680,594
Interest	7,189					2,294	9,483
Property taxes	52,015	-	-	93,324	-	-	145,339
Special assessments	-	-	-	3,696,824	6,416,651	-	10,113,475
Intergovernmental	435,183	268,452	-	-	-	836,165	1,539,800
Total	<u>\$ 2,915,422</u>	<u>\$ 268,452</u>	<u>\$ 1,225,446</u>	<u>\$ 3,790,148</u>	<u>\$ 6,416,651</u>	<u>\$ 872,572</u>	<u>\$ 15,488,691</u>

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

	Water	Golf Course	Airport	Transfer Station	Total
Accounts receivable	\$ 1,473,572	\$ 90,186	\$ 38,823	\$ 5,431	\$ 1,608,012
Intergovernmental	-	-	343,328	-	343,328
Total	<u>\$ 1,473,572</u>	<u>\$ 90,186</u>	<u>\$ 382,151</u>	<u>\$ 5,431</u>	<u>\$ 1,951,340</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General fund	\$ 25,957	\$ -
Debt service fund	70,816	-
Special assessments not yet due (debt service fund)	3,696,824	-
Community Facilities Districts assessments not yet due	6,416,651	-
Grant drawdowns prior to meeting eligibility requirements	-	125,550
Total	<u>\$ 10,210,248</u>	<u>\$ 125,550</u>

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2004 was as follows:

Description	Beginning			Ending Balance
	Balance	Increases	Decreases	
Land and right of way	\$ 38,729,847	\$ 2,667,138	\$ -	\$ 41,396,985
Total non-depreciable	<u>38,729,847</u>	<u>2,667,138</u>	<u>-</u>	<u>41,396,985</u>
Buildings	14,164,792	195,030	119,244	14,240,578
Improvements other than buildings	24,206,370	1,669,070		25,875,440
Machinery and equipment	12,612,463	1,637,353	945,996	13,303,820
Infrastructure	132,293,448	13,427,729	1,239,745	144,481,432
Total depreciable	<u>183,277,073</u>	<u>16,929,182</u>	<u>2,304,985</u>	<u>197,901,270</u>
Accumulated depreciation				
Buildings	(5,390,536)	(370,778)		(5,761,314)
Improvements other than buildings	(3,297,971)	(665,687)		(3,963,658)
Machinery and equipment	(8,223,099)	(1,141,086)	(572,011)	(8,792,174)
Infrastructure	(26,953,798)	(6,433,905)	(278,343)	(33,109,360)
Total accumulated depreciation	<u>(43,865,404)</u>	<u>(8,611,456)</u>	<u>(850,354)</u>	<u>(51,626,506)</u>
Governmental activities capital assets, net	<u>\$ 178,141,516</u>	<u>\$ 10,984,864</u>	<u>\$ 1,454,631</u>	<u>\$ 187,671,749</u>

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

General government	\$	712,006
Community services		61,252
Culture and recreation		531,466
Public safety - police		290,875
Public safety - fire		262,602
Public works		6,753,255
Total depreciation for governmental activities	\$	<u>8,611,456</u>

Capital asset activity for business-type activities for the year ended June 30, 2004 was as follows:

Description	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land	\$ 5,630,169	\$ 24,770	\$ -	\$ 5,654,939
Total non-depreciable	5,630,169	24,770	-	5,654,939
Buildings	12,706,960	-	-	12,706,960
Improvements other than buildings	151,482,465	7,882,962	-	159,365,427
Machinery and equipment	12,173,995	1,081,688	703,548	12,552,135
Total depreciable	176,363,420	8,964,650	703,548	184,624,522
Accumulated depreciation				
Buildings	(5,171,618)	(211,136)	-	(5,382,754)
Improvements other than buildings	(42,084,661)	(3,484,589)	-	(45,569,250)
Machinery and equipment	(8,904,028)	(830,865)	(719,216)	(9,015,677)
Total accumulated depreciation	(56,160,307)	(4,526,590)	(719,216)	(59,967,681)
Business-type activities				
capital assets, net	\$ 125,833,282	\$ 4,462,830	\$ (15,668)	\$ 130,311,780

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

Water	\$	1,531,002
Sewer		1,571,806
Golf course		278,460
Airport		761,413
Sanitation		318,752
Transfer Station		65,157
Total depreciation for business-type activities	\$	<u>4,526,590</u>

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables have primarily been recorded when funds overdraw their share of pooled cash. In 2004, the airport fund borrowed \$112,124 from the general fund to acquire a new mower; and, the golf course fund borrowed \$48,739 from the general fund to acquire kitchen equipment, tables and chairs for the restaurant concession. In 2003, the sewer fund borrowed \$2,602,412 from the general fund to facilitate the early retirement of Municipal Properties Corporation bonds. In 1999, the water fund loaned the internal service self-insurance fund money to cover a large claim. The composition of interfund balances as of June 30, 2004 is as follows:

		Interfund Receivables	Interfund Payables
General fund		\$ 2,840,514	\$ -
Nonmajor fund - grants		-	277,107
Major enterprise funds:	Water	1,400,000	-
	Golf course	-	335,330
	Airport	-	105,561
	Sewer	-	2,122,516
Internal service fund	Self-insurance	-	1,400,000
Total		<u>\$ 4,240,514</u>	<u>\$ 4,240,514</u>

Of the \$105,561 amount due to the general fund from the airport fund, \$26,475 represents the annual amount to be paid within one year, the balance, \$79,086 will be paid off in full in 2008.

Of the \$45,707 amount due to the general fund from the golf course fund, \$295,825 represents the annual amount to be paid within one year, the balance, \$39,505 will be paid off in full in 2007.

Of the \$2,122,516 amount due to the general fund from the sewer fund, \$499,382 represents the annual amount to be paid within one year, the balance, \$1,623,134 will be paid off in full in 2008.

Of the \$1,400,000 amount due to the water fund from the self-insurance fund, \$125,000 represents annual amount to be paid within one year, the balance, \$1,275,000 will be paid off in full in 2015.

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, 2004 were as follows:

Transfers Out		Transfers In	
From:		To:	
General	<u>\$ 3,088,617</u>	Major special revenue	
		Highway user	\$ 157,411
Major special revenue		Streets & open space	392,589
Capital improvement	138,861	Capital improvement	3,103,066
Highway user		Nonmajor special revenue	280,082
Streets & open space	292,042	Total special revenue	<u>3,933,148</u>
Nonmajor special revenue	575,540	Enterprise	
Total special revenue	<u>1,006,443</u>	Airport	<u>138,861</u>
Enterprise		Enterprise	
Airport	3,539	Nonmajor	<u>1,060</u>
Water	22,286	Internal Service	
Sewer	6,178	Central Garage	137,832
Sanitation	82,846	Total	<u>\$ 4,210,901</u>
	<u>114,849</u>		
Internal Service			
Engineering	992		
Total	<u>\$ 4,210,901</u>		

E. Leases

Capital Leases

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

	<u>Machinery and Equipment</u>
Business-type activities	
Water	\$ 4,241,687
Golf course	1,950,000
Airport	5,242,655
Transfer station	493,518
Less accumulated amortization	<u>(1,721,326)</u>
	10,206,534
Governmental activities	500,397
Less accumulated amortization	<u>(166,561)</u>
	<u>\$ 10,540,370</u>

Following is a schedule of the future minimum lease payments under the above capital leases and the present value of net minimum lease payments at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 1,049,894
2006	705,394
2007	705,394
2008	705,395
2009	654,795
2010-2014	<u>2,018,272</u>
Total minimum lease payments	5,839,144
Less: amounts representing interest	<u>(1,066,665)</u>
Present value of net minimum lease payments at June 30, 2004	<u>\$ 4,772,479</u>

F. Long-Term Debt

General Obligation Bonds

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

The balance outstanding at June 30, 2004 was as follows:

<u>Purpose</u>	<u>Interest rate</u>	<u>Amount</u>
Governmental activities	4.34%	\$ 9,985,000
Governmental activities - refunding	4.34%	1,605,000
		<u>\$ 11,590,000</u>

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

Year Ending	June 30,	
	Principal	Interest
2005	\$ 1,195,000	\$ 489,275
2006	1,255,000	441,475
2007	1,315,000	391,275
2008	1,390,000	338,675
2009	1,455,000	281,685
2010-2013	4,980,000	569,010
Total	<u>\$ 11,590,000</u>	<u>\$ 2,511,395</u>

Special Assessment Bonds and Notes

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

During 2004, District 164 was created to provide water improvements to Prescott Mobile Home Estates. The Water Infrastructure Finance Authority of Arizona (WIFA) loaned the District \$95,840 which is payable semi-annually, the interest rate of the loan varies between 2% and 3.082% with final maturity in 2022.

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

<u>Issue</u>	<u>District</u>	<u>Issue</u>	<u>Installment</u>	<u>Matures</u>	<u>Rate</u>	<u>6/30/2004</u>
1994	158	\$ 21,231	\$ 2,000	1/1/2005	6.25%	\$ 1,900
1997	159	250,000	25,000	1/1/2007	5.11%	75,000
1998	160	56,286	6,000	1/1/2008	6.75%	21,000
2001	161	128,030	12,107	7/1/2010	7.00%	84,746
2001	162	1,920,000	105,000	9/1/2015	5.10%	1,530,000
2001	163	2,470,000	180,000	2/1/2016	4.60%	1,930,000
2004	164	95,840	5,044	1/1/2022	2.54%	90,796
						<u>\$ 3,733,442</u>

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

Year Ending	Principal	Interest
June 30,		
2005	\$ 335,051	\$ 172,029
2006	332,151	155,627
2007	342,151	139,052
2008	322,151	123,054
2009	322,151	107,365
2010-2014	1,689,435	295,452
2015-2019	375,221	12,769
2020-2022	15,131	855
Total	<u>\$ 3,733,442</u>	<u>\$ 1,006,203</u>

Community Facilities District Bonds:

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

- Hassayampa CFD Number 1, \$7,315,000 special assessment lien bonds issued on November 1, 1996, the bonds carry an interest rate of 7.75% with final maturity in July, 2021. The balance of these bonds at June 30, 2004 was \$5,605,000.
- 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, 2004 was \$855,000.

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

Year Ending	Principal	Interest
June 30,		
2005	\$ 190,000	\$ 498,513
2006	205,000	483,837
2007	220,000	468,000
2008	235,000	451,013
2009	255,000	432,862
2010-2014	1,605,000	1,837,175
2015-2019	2,330,000	1,113,000
2020-2024	1,420,000	206,975
Total	<u>\$ 6,460,000</u>	<u>\$ 5,491,375</u>

Municipal Property Corporation Bonds:

The Municipal Property Corporation (MPC) is a non-profit corporation created by the City to finance construction or acquisition of municipal buildings and improvements on land owned by the City. The MPC issues its own bonds. Under various agreements, the City makes lease payments, which approximate the amount of debt service payable by the corporation.

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

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

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

The MPC has issued the following bonds:

During 1993, series 1993E refunding bonds were issued in the amount of \$4,535,000. These seventeen (17) year term bonds were issued with an interest rate of 4.995% and a final maturity date in 2010.

During 1998, series 1998F bonds were issued in the amount of \$5,065,000 for the purpose of paying the cost of construction of three water tanks for the City and upgrades to the airport wastewater treatment plant. These twenty (20) year term bonds were issued with an interest rate of 4.69% and a final maturity date in 2018.

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

Year Ending	Principal	Interest
June 30,		
2005	\$ 950,000	\$ 458,857
2006	1,005,000	410,458
2007	1,045,000	360,101
2008	1,110,000	307,493
2009	1,160,000	252,584
2010-2014	2,520,000	716,714
2015-2018	1,810,000	220,162
Total	<u>\$ 9,600,000</u>	<u>\$ 2,726,369</u>

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

Serviced by:		Payment	Interest	Balance
Fund	Reason for Financing	Period	Rate	6/30/2004
Water	Various improvements	Semi-annual	6.25-9.50%	\$ 1,251,442
	Water tanks	Semi-annual	4.69%	<u>1,821,132</u>
				<u>3,072,574</u>
Sewer	Various improvements	Semi-annual	6.25-9.50%	780,675
	Airport WWTP upgrade	Semi-annual	4.69%	<u>3,243,868</u>
				<u>4,024,543</u>
Golf course	Expansion improvement	Semi-annual	6.10-7.00%	<u>2,502,883</u>
	Total MPC debt			<u>\$ 9,600,000</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2004.

	Beginning Balance	Additional obligations, and net increases	Current maturities, retirements, and net decreases	Ending Balance	Amounts due within one year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 12,730,000	\$ -	\$ (1,140,000)	\$ 11,590,000	\$ 1,195,000
Special assessment	3,967,753	95,840	(330,151)	3,733,442	335,051
Community Facilities Districts	6,890,000	-	(430,000)	6,460,000	190,000
Total bonds payable	<u>23,587,753</u>	<u>95,840</u>	<u>(1,900,151)</u>	<u>21,783,442</u>	<u>1,720,051</u>
Compensated absences	1,381,822	117,409	(40,517)	1,458,714	281,451
Lease purchase contracts	51,852	-	(51,852)	-	-
Governmental activity long-term liabilities	<u>\$ 25,021,427</u>	<u>\$ 213,249</u>	<u>\$ (1,992,520)</u>	<u>\$ 23,242,156</u>	<u>\$ 2,001,502</u>
Business-type Activities:					
Bonds payable:					
Municipal Properties Corporation	\$ 10,500,000	\$ -	\$ (900,000)	\$ 9,600,000	\$ 950,000
Lease purchase contracts	5,377,816	-	(605,337)	4,772,479	817,185
Landfill closure/postclosure costs	1,191,364	-	(7,968)	1,183,396	40,000
Compensated absences	246,470	17,099	(49,719)	213,850	17,951
Business-type activity long-term liabilities	<u>\$ 17,315,650</u>	<u>\$ 17,099</u>	<u>\$ (1,563,024)</u>	<u>\$ 15,769,725</u>	<u>\$ 1,825,136</u>

Details of other obligations (contracts, installment notes, and compensated absences payable) as of June 30, 2004 include the following:

Serviced By	Reason for Financing	Payment Period	Interest Rate	Type (Note A Below)	Balance 6/30/2004
<u>Governmental-type Activities</u>					
Fund	Compensated absences			Payable	\$ 1,442,004
	Total Governmental-type				<u>1,442,004</u>
<u>Business-type Activities</u>					
Water Fund	Water rights	Semi-annual	5.00%	Lease/purchase	199,157
	Compensated absences			Payable	91,664
	Total water fund				<u>290,821</u>
Sewer Fund	Compensated absences			Payable	<u>56,699</u>
Golf Course Fund	Golf course irrigation sys.	Monthly	4.64%	Lease/purchase	664,277
	Golf carts	Monthly	3.68%	Lease/purchase	333,254
	Compensated absences			Payable	22,565
	Total golf course fund				<u>1,020,096</u>
Airport Fund	T-hangars	Quarterly	6.35%	Lease/purchase	385,005
	Fuel farm	Quarterly	5.35%	Lease/purchase	312,834
	Commercial hangar	Quarterly	7.55%	Lease/purchase	355,980
	T-hangars	Quarterly	4.99%	Lease/purchase	551,796
	T-hangars and taxilane	Monthly	4.84%	Lease/purchase	1,756,404
	Hangar design	Monthly	4.84%	Lease/purchase	213,773
	Compensated absences			Payable	21,784
	Total airport fund				<u>3,597,576</u>
Sanitation Fund	Landfill closure/post closure costs			Payable	1,183,396
	Compensated absences			Payable	18,594
					<u>1,201,990</u>
Transfer Station Fund	Compensated absences			Payable	<u>19,255</u>
	Total Business-type				<u>6,186,437</u>
	Total other obligations				<u>\$ 7,628,441</u>

Due to restrictions by state statute, funds for lease/purchase agreements are appropriated on a year-by-year basis. The agreements are written as a series of renewable one-year contracts beginning July 1 and ending June 30 of each fiscal year. The City, when initially entering into these contracts, has every intention of honoring the full term of the agreement. Thus, this amount represents the recognition of the total remaining contracted liability in compliance with generally accepted accounting principles, while not actually being a legal obligation at June 30, 2004. The lease/purchases of the City are generally received from a third party financing company and are secured by liens on the items purchased.

Internal service funds predominately serve governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$25,493 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

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

Annual Requirements to Amortize All Long-Term Debt
June 30, 2004
(in thousands of dollars)

	General Obligation		Special Assessments		Community Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 1,195	\$ 489	\$ 335	\$ 172	\$ 190	\$ 498
2006	1,255	441	332	156	205	484
2007	1,315	391	342	139	220	468
2008	1,390	339	322	123	235	451
2009	1,455	282	322	107	255	433
2010-2014	4,980	569	1,690	295	1,605	1,837
2015-2019	-	-	375	13	2,330	1,113
2020-2024	-	-	15	1	1,420	207
Total	<u>\$ 11,590</u>	<u>\$ 2,511</u>	<u>\$ 3,733</u>	<u>\$ 1,006</u>	<u>\$ 6,460</u>	<u>\$ 5,491</u>

	Municipal Property Corp.		Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 950	\$ 459	\$ 2,530	\$ 223	\$ 5,200	\$ 1,841
2006	1,005	410	549	189	3,346	1,680
2007	1,045	360	576	164	3,498	1,522
2008	1,110	307	604	138	3,661	1,358
2009	1,160	253	583	111	3,775	1,186
2010-2014	2,520	717	2,003	216	12,798	3,634
2015-2019	1,810	220	200	-	4,715	1,346
2020-2024	-	-	200	-	1,635	208
2025-2029	-	-	200	-	200	-
2030-2034	-	-	192	-	192	-
Total	<u>\$ 9,600</u>	<u>\$ 2,726</u>	<u>\$ 7,637</u>	<u>\$ 1,041</u>	<u>\$ 39,020</u>	<u>\$ 12,775</u>

Legal Debt Margins

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, 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, 2004, the City is well within its debt limits, having \$72 million in borrowing capacity in the 20% category, and \$23 million in borrowing capacity in the 6% category.

G. Risk Management

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

Under this program, the funds provide coverage for up to a maximum of \$500,000 for each worker's compensation claim and \$500,000 for each general liability claim. Effective July 1, 2003, the self-insurance retention for workers' compensation was increased to \$500,000 from \$250,000. The City purchases commercial insurance for claims in excess of coverage provided by the funds 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 \$870,675 for general self-insurance and \$562,955 for workers' compensation reported in the funds at June 30, 2004 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, 2002 to June 30, 2004:

	General Self-Insurance	Workers' Compensation
Liability balance, June 30, 2002	\$ 1,019,633	\$ 370,912
Claims and changes in estimates	(180,118)	388,615
Claims payments	(91,633)	(351,732)
Liability balance, June 30, 2003	747,882	407,795
Claims and changes in estimates	228,756	445,625
Claims payments	(105,963)	(290,465)
Liability balance, June 30, 2004	<u>\$ 870,675</u>	<u>\$ 562,955</u>

The entire amount shown above 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, 2004, which could have a significant effect on the financial position of the City have been provided for in the accounts.

I. Contingent Liabilities

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

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

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

J. Intergovernmental Agreements

The City's sanitation enterprise fund (City) has entered into an agreement with Yavapai County (County) to provide a regional transfer station and land for the possible future development of a regional landfill. The City and County agreed to participate financially in this enterprise 65% and 35%, respectively. The transfer station was constructed with proceeds from a lease/purchase agreement, which is scheduled to be repaid through user fees.

The only contributions from the County have been for the purchase of the land for a possible future landfill. The City has total responsibility for operating the enterprise and all profits will be used to retire debt and fund future expansions with any losses being shared by the City and County based on the above percentages.

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
 3300 North Central
 Phoenix, AZ 85012-0250
 (800)621-3778

PSPRS
 3010 East Camelback Road
 Suite 200
 Phoenix, Arizona 85016
 (602)255-5575

Funding Policy:

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

Cost-sharing plan - For the year ended June 30, 2004, active ASRS members and the City were each required to contribute at the actuarially determined rate of 5.7% (5.20% retirement and .50% long-term disability) of members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2004, 2003 and 2002 were \$788,075, \$322,423 and \$292,763, respectively, which were equal to the required contributions for the years.

Agent plans - For the year ended June 30, 2004, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 15.74% for police and 8.3% for fire.

Annual Pension Cost:

The City's pension cost for the two agent plans for the year ended June 30, 2004 (the date of the most recent actuarial valuation) and related information follow.

	PSPRS
Contributions rates	
Police	17.28%
Fire	12.74%
Annual pension cost	
Police	\$511,883
Fire	\$273,701
Contributions made	
Police	\$511,883
Fire	\$273,701
Actuarial valuation date	06/30/04
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Smoothed market value
Actuarial assumptions	
Investment rate of return	8.75%
Projected salary increases (includes inflation at 5.25%)	6.25% - 9.25%
Cost-of living adjustments	None

Trend Information:

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

<u>Fiscal Year Ended June 30.</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police			
2002	\$389,984	100%	\$ 0
2003	363,813	100%	0
2004	511,883	100%	0
Fire			
2002	\$191,794	100%	\$ 0
2003	152,262	100%	0
2004	273,701	100%	0

L. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations required the City to place a final cover on its Sundog Ranch Road landfill site when it stopped accepting waste in 1999; additionally, the City is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City stopped receiving waste at its landfill and received a small landfill exemption from the EPA in fiscal year 1998 and started installing the final cover in fiscal year 1999. The final phase of the landfill closure was completed during the year. The \$1,183,396 reported in the sanitation enterprise fund as landfill closure and postclosure care liability at June 30, 2004, represents the total amount of estimated cost of closure and postclosure care. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

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

M. Commitments and Future Obligations

The City is negotiating to purchase a portion of the JWK Ranch, located in the Big Chino groundwater basin north of Paulden, from the Kieckhefer Foundation. This acquisition will provide an additional water source for the City. Under the terms of the offer from the Foundation, the City would acquire 4,500 deeded acres of the JWK Ranch, along with a leasehold interest in 2,000 acres of state land. In addition, the Foundation would grant a conservation easement on the balance of the Ranch acreage, to preclude development of that property and eliminate the associated groundwater demand. The purchase price for the property is \$23 million.

Through the purchase, the City would implement the right to transport groundwater from the Big Chino basin into the Prescott Active Management Area which was granted by ARS 45-555. The amount available to be pumped consists of 8,717 acre-feet per year, plus up to 4,500 acre-feet per year corresponding to the retirement of approximately 1,500 acres of irrigated land within the portion of the Ranch to be acquired. The City continues to work on an intergovernmental agreement (IGA) with the Town of Prescott Valley for sharing of the 8,717 acre-feet per year, 4,717 acre-feet/year to the City (54.1%), and 4,000 acre-feet per year to the Town (45.9%). The 4,500 acre-feet per year balance from conversion of irrigated lands is to be held in reserve to mitigate the effects of groundwater pumping, should any occur which necessitate such action. The IGA further provides for prorated sharing of acquisition, production, and transport costs by the parties. Development of the well field, transmission lines, and other infrastructure is estimated at an additional \$25 million. The City's target for bringing the new water source online is within five years of acquiring the Ranch property.

On October 6, 2004 the City awarded a contract amounting to \$6.4 million for the construction of a multi-story parking facility located at the current site on Granite Street; this amount includes the accompanying Whiskey Row alley improvements. As planned, the 503-space parking garage will be completed in about six months, or sometime in June 2005.

The City has entered into several agreements whereby it will reimburse businesses for development fees

or the construction costs of certain public infrastructure improvements. The City does not become liable for the reimbursements until construction is complete. The funding source for the reimbursements will come from new tax revenues generated by the businesses. The City's maximum liability under these agreements is \$17.7 million.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA
Schedule of Funding Progress
Arizona Public Safety Personnel Retirement System
 For the year ended June 30, 2004

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.

Valuation Date <u>June 30</u>	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
Police						
1999	\$10,818,131	\$12,171,604	88.9%	\$1,353,473	\$2,401,807	56.4%
2000	12,316,797	13,343,251	92.3	1,026,454	2,520,629	40.7
2001	13,465,721	13,511,273	99.7	45,552	2,699,456	1.7
2002	13,387,130	15,476,798	86.5	2,089,668	2,929,780	71.3
2003	13,421,537	17,507,107	76.7	4,085,570	3,224,009	126.7
2004	13,166,987	18,892,985	69.7	5,725,998	2,985,970	191.8
Fire						
1999	\$14,635,996	\$ 13,340,996	109.7%	\$(1,295,000)	\$2,278,524	- %
2000	16,609,612	14,651,380	113.4	(1,958,232)	2,401,863	-
2001	18,089,763	14,630,633	123.6	(3,459,130)	2,755,856	-
2002	18,204,580	16,956,679	107.4	(1,247,901)	2,987,622	-
2003	18,500,014	19,967,900	92.6	1,467,886	2,727,989	53.8
2004	18,403,108	22,002,449	83.6	3,599,341	2,922,346	123.2

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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.

Grant Funds

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.

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.

Miscellaneous Gift Trust

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

CAPITAL PROJECTS FUNDS

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

Lakes Purchase Fund

This fund is used to account for the purchase of Willow and Watson Lakes, which was financed with a general obligation bond, approved by the voters.

Community Facilities District Fund

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

PERMANENT FUND

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

Acker Trust

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

CITY OF PRESCOTT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds				Capital Projects Funds		Permanent	Total
	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	Lakes Purchase	Community Facilities Districts	Fund Acker Trust	Nonmajor Governmental Funds
ASSETS								
Cash and short-term investments	\$ 465,482	\$ -	\$ 3,950,470	\$ 172,715	\$ 931,842	\$ 216,351	\$ 527,746	\$ 6,264,606
Accounts receivable	34,113	-	-	-	-	-	-	34,113
Intergovernmental receivables	-	836,165	-	-	-	-	-	836,165
Interest receivable	-	-	-	-	2,294	-	-	2,294
Total assets	<u>\$ 499,595</u>	<u>\$ 836,165</u>	<u>\$ 3,950,470</u>	<u>\$ 172,715</u>	<u>\$ 934,136</u>	<u>\$ 216,351</u>	<u>\$ 527,746</u>	<u>\$ 7,137,178</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 1,267	\$ 406,641	\$ 12,522	\$ -	\$ 17,779	\$ -	\$ -	\$ 438,209
Accrued payroll	1,265	15,660	-	-	-	-	-	16,925
Interfund payable	-	277,107	-	-	-	-	-	277,107
Unearned revenue	-	125,550	-	-	-	-	-	125,550
Total liabilities	<u>2,532</u>	<u>824,958</u>	<u>12,522</u>	<u>-</u>	<u>17,779</u>	<u>-</u>	<u>-</u>	<u>857,791</u>
Fund Balances								
Fund balance:								
Reserved for:								
Dedicated purposes							527,746	527,746
Unreserved, reported in:								
Special revenue fund	497,063	11,207	3,937,948	172,715	-	-	-	4,618,933
Capital projects fund	-	-	-	-	916,357	216,351	-	1,132,708
Total fund balances	<u>497,063</u>	<u>11,207</u>	<u>3,937,948</u>	<u>172,715</u>	<u>916,357</u>	<u>216,351</u>	<u>527,746</u>	<u>6,279,387</u>
Total liabilities and fund balances	<u>\$ 499,595</u>	<u>\$ 836,165</u>	<u>\$ 3,950,470</u>	<u>\$ 172,715</u>	<u>\$ 934,136</u>	<u>\$ 216,351</u>	<u>\$ 527,746</u>	<u>\$ 7,137,178</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2004

	Special Revenue Funds				Capital Projects Funds		Permanent	Other
	Transient Lodging Tax	Grants	Impact Fees	Miscellaneous Gift Trust	Lakes Purchase	Community Facilities Districts	Fund Acker Trust	Governmental Funds
Revenues								
Taxes	\$ 326,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,387
Intergovernmental revenues	-	1,699,989	-	-	-	-	-	1,699,989
Licenses and permits	-	-	1,454,076	-	-	-	-	1,454,076
Gifts and donations	184,000	-	-	49,426	-	-	-	233,426
Interest income	(2,447)	678	10,089	99	12,678	81	2,973	24,151
Miscellaneous	-	-	-	50	-	-	3,014	3,064
Total revenues	507,940	1,700,667	1,464,165	49,575	12,678	81	5,987	3,741,093
Expenditures								
Current operating								
General government	-	-	-	4,927	-	-	-	4,927
Community services	178,555	94,103	-	-	-	-	-	272,658
Culture and recreation	-	16,846	-	5,341	-	-	21,800	43,987
Police and court	-	732,205	-	17,194	-	-	-	749,399
Fire	-	375,668	-	-	-	-	-	375,668
Capital outlay	19,653	762,904	139,374	8,711	408,636	18,830	-	1,358,108
Total expenditures	198,208	1,981,726	139,374	36,173	408,636	18,830	21,800	2,804,747
Excess (deficiency) of revenues over (under) expenditures	309,732	(281,059)	1,324,791	13,402	(395,958)	(18,749)	(15,813)	936,346
Other Financing Sources (Uses)								
Transfers in	-	280,082	-	-	-	-	-	280,082
Transfers out	-	-	(575,540)	-	-	-	-	(575,540)
Total other financing sources (uses)	-	280,082	(575,540)	-	-	-	-	(295,458)
Net change in fund balance	309,732	(977)	749,251	13,402	(395,958)	(18,749)	(15,813)	640,888
Fund balance - beginning	187,331	12,184	3,188,697	159,313	1,312,315	235,100	543,559	5,638,499
Fund balance - ending	\$ 497,063	\$ 11,207	\$ 3,937,948	\$ 172,715	\$ 916,357	\$ 216,351	\$ 527,746	\$ 6,279,387

COMBINING STATEMENTS Nonmajor Proprietary Funds

ENTERPRISE FUNDS

Regional transfer station

This fund accounts for the intergovernmental agreement between the City of Prescott and Yavapai County to provide solid waste transfer station services to the residents of the City and County.

Parking Garage

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

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2004

	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 169,379	\$ -	\$ 169,379
Accounts receivable (net)	5,431	-	5,431
Total current assets	<u>174,810</u>	<u>-</u>	<u>174,810</u>
Noncurrent Assets			
Capital Assets			
Land	898,978	-	898,978
Buildings	38,459	-	38,459
Improvements other than buildings	900,600	-	900,600
Machinery and equipment	300,687	-	300,687
Less accumulated depreciation	<u>(413,170)</u>	<u>-</u>	<u>(413,170)</u>
Total capital assets (net of accumulated depreciation)	<u>1,725,554</u>	<u>-</u>	<u>1,725,554</u>
Total noncurrent assets	<u>1,725,554</u>	<u>-</u>	<u>1,725,554</u>
Total assets	<u>1,900,364</u>	<u>-</u>	<u>1,900,364</u>
LIABILITIES			
Current Liabilities			
Accounts payable	296,706	-	296,706
Accrued payroll	9,228	-	9,228
Compensated absences	9,491	-	9,491
Total current liabilities	<u>315,425</u>	<u>-</u>	<u>315,425</u>
Noncurrent Liabilities			
Accrued vacation and sick pay	19,255	-	19,255
Total noncurrent liabilities	<u>19,255</u>	<u>-</u>	<u>19,255</u>
Total liabilities	<u>334,680</u>	<u>-</u>	<u>334,680</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,725,554	-	1,725,554
Unrestricted	<u>(159,870)</u>	<u>-</u>	<u>(159,870)</u>
Total net assets	<u>\$ 1,565,684</u>	<u>\$ -</u>	<u>\$ 1,565,684</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Proprietary Funds

For the year ended June 30, 2004

	<u>Transfer</u> <u>Station</u>	<u>Parking</u> <u>Garage</u>	<u>Totals</u>
Operating Revenues			
Tipping fees	\$ 3,430,790	\$ -	\$ 3,430,790
Miscellaneous	(139)	-	(139)
Total operating revenues	<u>3,430,651</u>	<u>-</u>	<u>3,430,651</u>
Operating Expenses			
Personnel services	321,551	-	321,551
Supplies	23,235	-	23,235
Other services and charges	3,093,639	400	3,094,039
Depreciation	65,157	-	65,157
Total operating expenses	<u>3,503,582</u>	<u>400</u>	<u>3,503,982</u>
Operating income (loss)	<u>(72,931)</u>	<u>(400)</u>	<u>(73,331)</u>
Non-Operating Revenues (Expenses)			
Interest income	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Total non-operating Revenues (expenses)	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Income (loss) before contributions and transfers	(71,616)	(400)	(72,016)
Transfers in (out)	<u>-</u>	<u>1,060</u>	<u>1,060</u>
Change in net assets	(71,616)	660	(70,956)
Total net assets - beginning	<u>1,637,300</u>	<u>(660)</u>	<u>1,636,640</u>
Total net assets - ending	<u>\$ 1,565,684</u>	<u>\$ -</u>	<u>\$ 1,565,684</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2004

	<u>Transfer Station</u>	<u>Parking Garage</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 3,436,551	\$ -	\$ 3,436,551
Cash payments to suppliers for goods and services	(3,283,328)	(101)	(3,283,429)
Cash payments to employees for services	(320,412)	-	(320,412)
Other operating receipts	(139)	-	(139)
Internal activity - payments to other funds	(60,965)	(299)	(61,264)
Net cash provided by (used for) operating activities	<u>(228,293)</u>	<u>(400)</u>	<u>(228,693)</u>
Cash flows from noncapital financing activities:			
Receipts (payments) under interfund loan arrangement	-	(660)	(660)
Operating transfers in (out)	-	1,060	1,060
Net cash provided by (used for) noncapital financing activity	<u>-</u>	<u>400</u>	<u>400</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(26,930)	-	(26,930)
Net cash provided by (used for) capital and related financing activities	<u>(26,930)</u>	<u>-</u>	<u>(26,930)</u>
Cash flows from investing activities:			
Interest on investments	1,315	-	1,315
Net cash provided by (used for) investing activities	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Net increase (decrease) in cash and cash equivalents	(253,908)	-	(253,908)
Cash and cash equivalents at July 1	423,287	-	423,287
Cash and cash equivalents at June 30	<u>\$ 169,379</u>	<u>\$ -</u>	<u>\$ 169,379</u>
Reconciliation to statement of net assets			
Cash and cash equivalents at June 30, unrestricted	<u>\$ 169,379</u>	<u>\$ -</u>	<u>\$ 169,379</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	<u>\$ (72,931)</u>	<u>\$ (400)</u>	<u>(73,331)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	65,157	-	65,157
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	5,761	-	5,761
Increase (decrease) in accounts payable	(227,419)	-	(227,419)
Increase (decrease) in accrued expenses	3,362	-	3,362
Increase (decrease) in compensated absences	(1,153)	-	(1,153)
Increase (decrease) in accrued vacation and sick payable	(1,070)	-	(1,070)
Total adjustments	<u>(155,362)</u>	<u>-</u>	<u>(155,362)</u>
Net cash provided by operating activities	<u>\$ (228,293)</u>	<u>\$ (400)</u>	<u>\$ (228,693)</u>

BUDGETARY COMPARISON SCHEDULES

In accordance with GASB Statement 34, the City's general and any major special revenue funds' budgetary comparisons are presented as the third of the basic governmental fund financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

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

GOVERNMENTAL FUNDS

Special Revenue Funds

- Transient occupancy tax
- Grants
- Impact fees

Debt Service Funds

- City of Prescott
- Community Facilities Districts

Capital Projects Funds

- Lakes purchase
- 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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - transient lodging tax	\$ 301,716	\$ 301,716	\$ 326,387	\$ 24,671
Interest income	4,000	4,000	(2,447)	(6,447)
Gifts and donations	180,000	180,000	184,000	4,000
Total revenues	<u>485,716</u>	<u>485,716</u>	<u>507,940</u>	<u>22,224</u>
Expenditures				
Current operating - community services				
Other services and charges	170,858	170,858	178,555	(7,697)
Capital outlay	425,324	425,324	19,653	405,671
Total expenditures	<u>596,182</u>	<u>596,182</u>	<u>198,208</u>	<u>397,974</u>
Excess (deficiency) of revenues over expenditures	(110,466)	(110,466)	309,732	420,198
Fund balance - beginning	187,331	187,331	187,331	-
Fund balance - ending	<u>\$ 76,865</u>	<u>\$ 76,865</u>	<u>\$ 497,063</u>	<u>\$ 420,198</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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 5,131,499	\$ 5,131,499	\$ 1,699,989	\$ (3,431,510)
Interest income	-	-	678	678
Total revenues	<u>5,131,499</u>	<u>5,131,499</u>	<u>1,700,667</u>	<u>(3,430,832)</u>
Expenditures				
Current operating - community services				
Personnel services	-	-	1,982	(1,982)
Supplies	-	-	3,269	(3,269)
Other services and charges	511,970	511,970	88,852	423,118
Total community services	<u>511,970</u>	<u>511,970</u>	<u>94,103</u>	<u>417,867</u>
Current operating - culture and recreation				
Supplies	-	-	16,376	(16,376)
Other services and charges	268,235	268,235	470	267,765
Total culture and recreation	<u>268,235</u>	<u>268,235</u>	<u>16,846</u>	<u>251,389</u>
Current operating - police and court				
Personnel services	179,607	179,607	198,670	(19,063)
Supplies	156,341	156,341	107,933	48,408
Other services and charges	594,985	594,985	425,602	169,383
Total police and court	<u>930,933</u>	<u>930,933</u>	<u>732,205</u>	<u>198,728</u>
Current operating - fire				
Personnel services	408,824	408,824	362,570	46,254
Supplies	19,300	19,300	5,473	13,827
Other services and charges	73,700	73,700	7,625	66,075
Total fire	<u>501,824</u>	<u>501,824</u>	<u>375,668</u>	<u>126,156</u>
Capital outlay				
Total expenditures	<u>5,660,546</u>	<u>5,660,546</u>	<u>1,981,726</u>	<u>3,678,820</u>
Excess (deficiency) of revenues over expenditures	<u>(529,047)</u>	<u>(529,047)</u>	<u>(281,059)</u>	<u>247,988</u>
Other Financing Sources (Uses)				
Transfers in	532,755	532,755	280,082	(252,673)
Total other financing sources (uses)	<u>532,755</u>	<u>532,755</u>	<u>280,082</u>	<u>(252,673)</u>
Net change in fund balances	3,708	3,708	(977)	(4,685)
Fund balance - beginning	12,184	12,184	12,184	-
Fund balance - ending	<u>\$ 15,892</u>	<u>\$ 15,892</u>	<u>\$ 11,207</u>	<u>\$ (4,685)</u>

CITY OF PRESCOTT, ARIZONA

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

For the year ended June 30, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits - impact fees	\$ 1,396,400	\$ 1,396,400	\$ 1,454,076	\$ 57,676
Interest income	45,300	45,300	10,089	(35,211)
Total revenues	<u>1,441,700</u>	<u>1,441,700</u>	<u>1,464,165</u>	<u>22,465</u>
Expenditures				
Capital outlay	<u>2,789,364</u>	<u>2,789,364</u>	<u>139,374</u>	<u>2,649,990</u>
Excess (deficiency) of revenues over expenditures	<u>(1,347,664)</u>	<u>(1,347,664)</u>	<u>1,324,791</u>	<u>2,672,455</u>
Other Financing Sources (Uses)				
Transfers out	<u>(686,221)</u>	<u>(686,221)</u>	<u>(575,540)</u>	<u>110,681</u>
Total other financing sources (uses)	<u>(686,221)</u>	<u>(686,221)</u>	<u>(575,540)</u>	<u>110,681</u>
Net change in fund balances	<u>(2,033,885)</u>	<u>(2,033,885)</u>	<u>749,251</u>	<u>2,783,136</u>
Fund balance - beginning	<u>3,188,697</u>	<u>3,188,697</u>	<u>3,188,697</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,154,812</u>	<u>\$ 1,154,812</u>	<u>\$ 3,937,948</u>	<u>\$ 2,783,136</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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax revenue	\$ 1,674,875	\$ 1,674,875	\$ 1,678,035	\$ 3,160
Interest income	186,470	186,470	179,862	(6,608)
Miscellaneous income	325,107	325,107	346,737	21,630
Total revenues	<u>2,186,452</u>	<u>2,186,452</u>	<u>2,204,634</u>	<u>18,182</u>
Expenditures				
Debt service				
Principal	1,465,107	1,465,107	1,470,151	(5,044)
Interest	726,804	726,804	724,161	2,643
Total expenditures	<u>2,191,911</u>	<u>2,191,911</u>	<u>2,194,312</u>	<u>(2,401)</u>
Excess (deficiency) of revenues over expenditures	(5,459)	(5,459)	10,322	15,781
Fund balance - beginning	48,791	48,791	48,791	-
Fund balance - ending	<u>\$ 43,332</u>	<u>\$ 43,332</u>	<u>\$ 59,113</u>	<u>\$ 15,781</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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 526,966	\$ 526,966
Miscellaneous income	1,011,548	1,011,548	366,953	(644,595)
Total revenues	<u>1,011,548</u>	<u>1,011,548</u>	<u>893,919</u>	<u>(117,629)</u>
Expenditures				
Debt service				
Principal	484,936	484,936	430,000	54,936
Interest	526,612	526,612	536,218	(9,606)
Total expenditures	<u>1,011,548</u>	<u>1,011,548</u>	<u>966,218</u>	<u>45,330</u>
Excess (deficiency) of revenues over expenditures	-	-	(72,299)	(72,299)
Fund balance - beginning	1,353,025	1,353,025	1,353,025	-
Fund balance - ending	<u>\$ 1,353,025</u>	<u>\$ 1,353,025</u>	<u>\$ 1,280,726</u>	<u>\$ (72,299)</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Lakes Purchase Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 10,000	\$ 10,000	\$ 12,678	\$ 2,678
Miscellaneous income	-	-	-	-
Total revenues	10,000	10,000	12,678	2,678
Expenditures				
Capital outlay	1,342,000	1,342,000	408,636	933,364
Total expenditures	1,342,000	1,342,000	408,636	933,364
Excess (deficiency) of revenues over expenditures	(1,332,000)	(1,332,000)	(395,958)	936,042
Fund balance - beginning	1,312,315	1,312,315	1,312,315	-
Fund balance - ending	\$ (19,685)	\$ (19,685)	\$ 916,357	\$ 936,042

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, 2004

	Budget		Actual Amounts Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 81	\$ 81
Miscellaneous income	60,000	60,000	-	(60,000)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>81</u>	<u>(59,919)</u>
Expenditures				
Capital outlay	60,000	60,000	18,830	41,170
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>18,830</u>	<u>41,170</u>
Excess (deficiency) of revenues over expenditures	-	-	(18,749)	(18,749)
Fund balance - beginning	235,100	235,100	235,100	-
Fund balance - ending	<u>\$ 235,100</u>	<u>\$ 235,100</u>	<u>\$ 216,351</u>	<u>\$ (18,749)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND
ACTUAL WITH RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES**

PROPRIETARY FUNDS

Enterprise Funds

- Water
- Sewer
- Golf course
- Airport
- Sanitation
- Transfer station
- Parking garage

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Water Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water sales	\$ 6,185,885	\$ 6,185,885	\$ 6,228,067	\$ 42,182
Water connection fees	279,451	279,451	506,085	226,634
Alternative water source fees	338,130	338,130	356,601	18,471
Interest income	629,829	629,829	78,649	(551,180)
Proceeds from sales of assets	-	-	42,316	42,316
Proceeds from bonds	30,000,000	30,000,000	95,382	(29,904,618)
Miscellaneous	48,347	48,347	59,108	10,761
Water buy-in fees	1,118,430	1,118,430	1,292,638	174,208
Total revenues	<u>38,600,072</u>	<u>38,600,072</u>	<u>8,658,846</u>	<u>(29,941,226)</u>
Expenditures				
Personnel services	1,818,276	1,818,276	1,737,883	80,393
Supplies	137,975	137,975	134,161	3,814
Other services and charges	4,604,285	4,604,285	3,095,910	1,508,375
Capital expenditures	34,496,500	34,496,500	1,509,931	32,986,569
Debt service: principal	386,467	386,467	386,467	-
Debt service: interest	526,011	526,011	171,012	354,999
Operating transfer out	-	-	22,286	(22,286)
Total expenditures	<u>41,969,514</u>	<u>41,969,514</u>	<u>7,057,650</u>	<u>34,911,864</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,369,442)</u>	<u>\$ (3,369,442)</u>	1,601,196	<u>\$ 4,970,638</u>

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	1,233,622
Principal repayment	386,467
Sick and vacation accrual	(12,438)
Depreciation expense	(1,531,002)
Water buy-in fees	(1,292,638)
Capital contributions	3,352,696
Change in net assets (GAAP basis)	<u>\$ 3,737,903</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Sewer Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sewer service fees	\$ 3,871,756	\$ 3,871,756	\$ 3,726,157	\$ (145,599)
Sewer connection fees	8,000	8,000	11,992	3,992
Effluent recharge fees	150,000	150,000	150,000	-
Interest income	149,829	149,829	25,349	(124,480)
Proceeds from sales of assets	-	-	6,178	6,178
Miscellaneous	436,083	436,083	452,395	16,312
Sewer buy-in fees	1,070,787	1,070,787	1,052,331	(18,456)
Total revenues	<u>5,686,455</u>	<u>5,686,455</u>	<u>5,424,402</u>	<u>(262,053)</u>
Expenditures				
Personnel services	1,403,776	1,403,776	1,414,889	(11,113)
Supplies	139,750	139,750	157,905	(18,155)
Other services and charges	1,448,712	1,448,712	1,379,238	69,474
Capital expenditures	3,787,280	3,787,280	1,299,198	2,488,082
Debt service: principal	770,406	770,406	770,406	-
Debt service: interest	307,769	307,769	307,769	-
Operating transfer out	-	-	6,178	(6,178)
Total expenditures	<u>7,857,693</u>	<u>7,857,693</u>	<u>5,335,583</u>	<u>2,522,110</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,171,238)</u>	<u>\$ (2,171,238)</u>	88,819	<u>\$ 2,260,057</u>

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	1,472,910
Principal repayment	770,406
Sick and vacation accrual	(2,600)
Depreciation expense	(1,571,806)
Sewer buy-in fees	(1,052,331)
Capital contributions	2,866,206
Change in net assets (GAAP basis)	<u>\$ 2,571,604</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Golf Course Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Golf course green fees	\$ 1,399,622	\$ 1,399,622	\$ 1,236,145	\$ (163,477)
Golf course rentals	641,186	641,186	587,972	(53,214)
Golf pro-shop sales	316,716	316,716	338,370	21,654
Miscellaneous	509,600	509,600	52,836	(456,764)
Total revenues	<u>2,867,124</u>	<u>2,867,124</u>	<u>2,215,323</u>	<u>(651,801)</u>
Expenditures				
Personnel services	1,067,835	1,067,835	810,312	257,523
Supplies	427,836	427,836	299,472	128,364
Other services and charges	506,438	506,438	537,527	(31,089)
Capital expenditures	290,000	290,000	64,762	225,238
Debt service: principal	535,838	535,838	529,910	5,928
Debt service: interest	187,125	187,125	186,029	1,096
Total expenditures	<u>3,015,072</u>	<u>3,015,072</u>	<u>2,428,012</u>	<u>587,060</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (147,948)</u>	<u>\$ (147,948)</u>	<u>(212,689)</u>	<u>\$ (64,741)</u>
Reconciliation to Generally Accepted Accounting Principles				
Principal repayment			529,910	
Sick and vacation accrual			28,588	
Depreciation expense			(278,459)	
Change in net assets (GAAP basis)			<u>\$ 67,350</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Airport Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Gross fuel sales	\$ 2,198,000	\$ 2,198,000	\$ 2,375,272	\$ 177,272
Less: Cost of fuel sales	1,454,288	1,454,288	1,668,373	(214,085)
Gross profit on fuel sales	743,712	743,712	706,899	(36,813)
Tie down and hangar rentals	845,900	845,900	847,672	1,772
Capital grant revenue	-	-	1,401,277	1,401,277
Interest income	5,000	5,000	(16,943)	(21,943)
Proceeds from sales of assets	-	-	3,539	3,539
Miscellaneous	42,750	42,750	33,669	(9,081)
Operating transfer in	-	-	138,861	138,861
Total revenues	1,637,362	1,637,362	3,114,974	1,477,612
Expenditures				
Personnel services	554,027	554,027	575,669	(21,642)
Supplies	38,800	38,800	45,165	(6,365)
Other services and charges	366,719	366,719	343,853	22,866
Capital expenditures	2,864,655	2,864,655	1,672,426	1,192,229
Debt service: principal	301,480	301,480	308,044	(6,564)
Debt service: interest	200,255	200,255	201,641	(1,386)
Operating transfer out	-	-	3,539	(3,539)
Total expenditures	4,325,936	4,325,936	3,150,337	1,175,599
Excess (deficiency) of revenues over expenditures	\$ (2,688,574)	\$ (2,688,574)	(35,363)	\$ 2,653,211

Reconciliation to Generally Accepted Accounting Principles

Assets capitalized	1,667,931
Principal repayment	308,044
Sick and vacation accrual	(3,080)
Depreciation expense	(761,413)
Change in net assets (GAAP basis)	\$ 1,176,119

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Sanitation Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Refuse collection fees	\$ 3,917,655	\$ 3,917,655	\$ 4,074,335	\$ 156,680
Tipping fees	156,766	156,766	237,704	80,938
Interest income	30,000	30,000	15,280	(14,720)
Proceeds from sales of assets	-	-	82,846	82,846
Total revenues	<u>4,104,421</u>	<u>4,104,421</u>	<u>4,410,165</u>	<u>305,744</u>
Expenditures				
Personnel services	776,876	776,876	717,969	58,907
Supplies	313,336	313,336	225,026	88,310
Other services and charges	2,845,580	2,845,580	2,554,019	291,561
Capital expenditures	983,500	983,500	808,735	174,765
Operating transfer out	-	-	82,846	(82,846)
Total expenditures	<u>4,919,292</u>	<u>4,919,292</u>	<u>4,388,595</u>	<u>530,697</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (814,871)</u>	<u>\$ (814,871)</u>	21,570	<u>\$ 836,441</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			729,765	
Landfill closure accrual			7,968	
Sick and vacation accrual			(1,801)	
Depreciation expense			(318,752)	
Change in net assets (GAAP basis)			<u>\$ 438,750</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Transfer Station Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Tipping fees	\$ 3,236,877	\$ 3,236,877	\$ 3,430,790	\$ 193,913
Interest income	6,434	6,434	1,315	(5,119)
Miscellaneous	-	-	(138)	(138)
Total revenues	<u>3,243,311</u>	<u>3,243,311</u>	<u>3,431,967</u>	<u>188,656</u>
Expenditures				
Personnel services	311,062	311,062	323,774	(12,712)
Supplies	22,200	22,200	23,235	(1,035)
Other services and charges	2,930,346	2,930,346	3,093,639	(163,293)
Capital expenditures	35,000	35,000	26,930	8,070
Total expenditures	<u>3,298,608</u>	<u>3,298,608</u>	<u>3,467,578</u>	<u>(168,970)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (55,297)</u>	<u>\$ (55,297)</u>	<u>(35,611)</u>	<u>\$ 19,686</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			26,930	
Sick and vacation accrual			2,222	
Depreciation expense			(65,157)	
Change in net assets (GAAP basis)			<u>\$ (71,616)</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Parking Garage Enterprise Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Operating transfer in	\$ -	\$ -	\$ 1,060	\$ 1,060
Total revenues	-	-	1,060	1,060
Expenditures				
Other services and charges	400	400	400	-
Total expenditures	400	400	400	-
Excess (deficiency) of revenues over expenditures	\$ (400)	\$ (400)	\$ 660	\$ 1,060

FUND FINANCIAL 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:

Central Garage

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.

General Self-insurance

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

Workers' Compensation

To account for the costs, both direct and indirect, of maintaining the workers' compensation program. Revenue to this fund is derived from charges to City departments based on their total payroll and level of risk.

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.

CITY OF PRESCOTT, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

ASSETS	Central Garage	General Self- Insurance	Workers' Compensation	Engineering Services	Totals
Current Assets					
Cash and short-term investments	\$ 81,855	\$ 1,854,267	\$ 1,325,562	\$ 257,399	\$ 3,519,083
Accounts receivable	64,760	-	-	-	64,760
Inventory at cost	192,588	-	-	-	192,588
Total current assets	<u>339,203</u>	<u>1,854,267</u>	<u>1,325,562</u>	<u>257,399</u>	<u>3,776,431</u>
Property, Plant and Equipment					
Land	13,191	-	-	-	13,191
Buildings	569,944	-	-	-	569,944
Improvements other than buildings	12,473	-	-	36,550	49,023
Machinery and equipment	62,518	-	-	200,927	263,445
Total property, plant and equipment	<u>658,126</u>	<u>-</u>	<u>-</u>	<u>237,477</u>	<u>895,603</u>
Less accumulated depreciation	(518,547)	-	-	(110,248)	(628,795)
Net property, plant and equipment	<u>139,579</u>	<u>-</u>	<u>-</u>	<u>127,229</u>	<u>266,808</u>
Total assets	<u>478,782</u>	<u>1,854,267</u>	<u>1,325,562</u>	<u>384,628</u>	<u>4,043,239</u>
LIABILITIES					
Current Liabilities					
Accounts payable	31,858	19,996	28,548	24,235	104,637
Accrued payroll	10,934	1,191	858	42,549	55,532
Compensated absences	16,707	-	-	3,101	19,808
Interfund payable	-	125,000	-	-	125,000
Claims payable	-	870,675	562,955	-	1,433,630
Total current liabilities	<u>59,499</u>	<u>1,016,862</u>	<u>592,361</u>	<u>69,885</u>	<u>1,738,607</u>
Noncurrent Liabilities					
Accrued vacation and sick pay	24,464	-	-	1,029	25,493
Interfund payable	-	1,275,000	-	-	1,275,000
Total long-term liabilities	<u>24,464</u>	<u>1,275,000</u>	<u>-</u>	<u>1,029</u>	<u>1,300,493</u>
Total liabilities	<u>83,963</u>	<u>2,291,862</u>	<u>592,361</u>	<u>70,914</u>	<u>3,039,100</u>
Net Assets					
Invested in capital assets	139,579	-	-	127,229	266,808
Unrestricted	255,240	(437,595)	733,201	186,485	737,331
Total net assets	<u>\$ 394,819</u>	<u>\$ (437,595)</u>	<u>\$ 733,201</u>	<u>\$ 313,714</u>	<u>\$ 1,004,139</u>

CITY OF PRESCOTT, ARIZONA

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2004

	<u>Central Garage</u>	<u>General Self- Insurance</u>	<u>Workers' Compensation</u>	<u>Engineering Services</u>	<u>Total</u>
Operating Revenues					
Billings to departments	\$ 795,528	\$ 821,463	\$ 585,472	\$ 1,657,168	\$ 3,859,631
Miscellaneous	-	-	-	3,591	3,591
Total operating revenues	<u>795,528</u>	<u>821,463</u>	<u>585,472</u>	<u>1,660,759</u>	<u>3,863,222</u>
Operating Expenses					
Personnel services	348,960	67,756	47,352	1,295,793	1,759,861
Supplies	335,825	2,902	6,428	53,412	398,567
Other services and charges	70,152	618,565	129,712	167,795	986,224
Depreciation	20,209	-	-	32,530	52,739
Claims expense	-	228,785	379,505	-	608,290
Total operating expenses	<u>775,146</u>	<u>918,008</u>	<u>562,997</u>	<u>1,549,530</u>	<u>3,805,681</u>
Operating income (loss)	<u>20,382</u>	<u>(96,545)</u>	<u>22,475</u>	<u>111,229</u>	<u>57,541</u>
Non-operating Revenues (Expenses)					
Interest income	(513)	6,185	4,676	(526)	9,822
Interest expense	(307)	-	-	-	(307)
Net gain (loss) on disposal of assets	1,444	-	-	992	2,436
Capital contributions	-	-	-	4,517	4,517
Transfers in (out)	137,832	-	-	(992)	136,840
Total non-operating revenues	<u>138,456</u>	<u>6,185</u>	<u>4,676</u>	<u>3,991</u>	<u>153,308</u>
Change in net assets	<u>158,838</u>	<u>(90,360)</u>	<u>27,151</u>	<u>115,220</u>	<u>210,849</u>
Total net assets - beginning	<u>235,981</u>	<u>(347,235)</u>	<u>706,050</u>	<u>198,494</u>	<u>793,290</u>
Total net assets - ending	<u>\$ 394,819</u>	<u>\$ (437,595)</u>	<u>\$ 733,201</u>	<u>\$ 313,714</u>	<u>\$ 1,004,139</u>

CITY OF PRESCOTT, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2004

	<u>Central Garage</u>	<u>General Self- Insurance</u>
Cash Flows from Operating Activities:		
Cash received from departmental billings	\$ 795,528	\$ 821,463
Cash payments to suppliers for goods and services	(469,587)	(210,717)
Cash payments to employees for services	(344,630)	(67,962)
Other operating revenues	-	-
Internal activity - payments to other funds	(25,733)	(502,814)
Net cash provided by (used for) operating activities	<u>(44,422)</u>	<u>39,970</u>
Cash Flows from Noncapital Financing Activities:		
Repayments under interfund loan arrangement	-	(125,000)
Payments under interfund loan arrangement	(12,179)	-
Interest paid on noncapital financing	(307)	-
Operating transfers in	137,832	-
Net cash provided by (used for) noncapital financing activities	<u>125,346</u>	<u>(125,000)</u>
Cash Flows from Capital and Related		
Financing Activities:		
Acquisition of capital assets	-	-
Capital contributions	-	-
Proceeds from sales of fixed assets	1,444	-
Net cash provided by (used for) capital and related financing activities	<u>1,444</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest on investments	(513)	6,186
Net cash provided by (used for) investing activities	<u>(513)</u>	<u>6,186</u>
Net increase (decrease) in cash and cash equivalents	81,855	(78,844)
Cash and cash equivalents - beginning	-	1,933,111
Cash and cash equivalents - ending	<u>\$ 81,855</u>	<u>\$ 1,854,267</u>
Reconciliation of Operating Income (Loss) to Net		
Cash Provided by (used for) Operating Activities:		
Operating income (loss)	\$ 20,382	\$ (96,545)
Adjustments to reconcile operating income activities:		
Depreciation	20,209	-
Change in assets and liabilities:		
(Increase) decrease in inventory	(19,924)	-
(Increase) decrease in accounts receivable	(64,760)	-
Increase (decrease) in accounts payable	(4,659)	13,899
Increase (decrease) in accrued expenses	4,364	(206)
Increase (decrease) in compensated absences	(34)	-
Increase (decrease) in claims payable	-	122,822
Total adjustments	<u>(64,804)</u>	<u>136,515</u>
Net cash provided by (used for) operating activities	<u>\$ (44,422)</u>	<u>\$ 39,970</u>

Noncash Investing, Capital and Financing Activities
None

	<u>Workers'</u> <u>Compensation</u>	<u>Engineering</u> <u>Services</u>	<u>Total</u>
\$	585,472	\$ 1,655,285	\$ 3,857,748
	(329,353)	(146,537)	(1,156,194)
	(47,663)	(1,300,936)	(1,761,191)
	-	3,591	3,591
	(94,498)	(55,268)	(678,313)
	<u>113,958</u>	<u>156,135</u>	<u>265,641</u>
	-	-	(125,000)
	-	-	(12,179)
	-	-	(307)
	-	(992)	136,840
	<u>-</u>	<u>(992)</u>	<u>(646)</u>
	-	(30,130)	(30,130)
	-	4,517	4,517
	-	992	2,436
	<u>-</u>	<u>(24,621)</u>	<u>(23,177)</u>
	4,677	(524)	9,826
	<u>4,677</u>	<u>(524)</u>	<u>9,826</u>
	118,635	129,998	251,644
	1,206,927	127,401	3,267,439
\$	<u>1,325,562</u>	<u>\$ 257,399</u>	<u>\$ 3,519,083</u>
\$	<u>22,475</u>	<u>\$ 111,229</u>	<u>\$ 57,541</u>
	-	30,647	50,856
	-	-	(19,924)
	-	-	(64,760)
	(63,367)	19,402	(34,725)
	(311)	1,349	5,196
	-	(6,492)	(6,526)
	155,161	-	277,983
	<u>91,483</u>	<u>44,906</u>	<u>208,100</u>
\$	<u>113,958</u>	<u>\$ 156,135</u>	<u>\$ 265,641</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Central Garage Internal Service Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Billings to departments	\$ 787,700	\$ 787,700	\$ 795,528	\$ 7,828
Interest income	300	300	(513)	(813)
Proceeds on sales of assets	-	-	1,444	1,444
Operating transfer in	-	-	137,832	137,832
Total revenues	<u>788,000</u>	<u>788,000</u>	<u>934,291</u>	<u>146,291</u>
Expenditures				
Personnel services	354,249	354,249	348,526	5,723
Supplies	351,000	351,000	335,825	15,175
Other services and charges	67,451	67,451	54,120	13,331
Capital expenditures	15,000	15,000	16,032	(1,032)
Debt service: interest	-	-	307	(307)
Total expenditures	<u>787,700</u>	<u>787,700</u>	<u>754,810</u>	<u>32,890</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 300</u>	<u>\$ 300</u>	179,481	<u>\$ 179,181</u>
Reconciliation to Generally Accepted Accounting Principles				
Sick and vacation accrual			(435)	
Depreciation			(20,208)	
Change in net assets (GAAP basis)			<u>\$ 158,838</u>	

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

General Self-Insurance Internal Service Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Billings to departments	\$ 833,065	\$ 833,065	\$ 821,463	\$ (11,602)
Interest income	20,000	20,000	6,186	(13,814)
Total revenues	<u>853,065</u>	<u>853,065</u>	<u>827,649</u>	<u>(25,416)</u>
Expenditures				
Personnel services	79,956	79,956	67,756	12,200
Supplies	2,914	2,914	2,902	12
Other services and charges	679,905	679,905	618,566	61,339
Claims expenditures	70,291	70,291	228,785	(158,494)
Total expenditures	<u>833,066</u>	<u>833,066</u>	<u>918,009</u>	<u>(84,943)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 19,999</u>	<u>\$ 19,999</u>	<u>\$ (90,360)</u>	<u>\$ (110,359)</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Workers' Compensation Internal Service Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Billings to departments	\$ 553,492	\$ 553,492	\$ 585,472	\$ 31,980
Interest income	25,000	25,000	4,676	(20,324)
Total revenues	<u>578,492</u>	<u>578,492</u>	<u>590,148</u>	<u>11,656</u>
Expenditures				
Personnel services	69,423	69,423	47,352	22,071
Supplies	100,540	100,540	6,428	94,112
Other services and charges	171,589	171,589	129,712	41,877
Claims expenditures	211,940	211,940	379,505	(167,565)
Total expenditures	<u>553,492</u>	<u>553,492</u>	<u>562,997</u>	<u>(9,505)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 27,151</u>	<u>\$ 2,151</u>

CITY OF PRESCOTT, ARIZONA

Schedule of Revenues and Expenditures - Budget and Actual

Engineering Services Internal Service Fund

For the year ended June 30, 2004

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Billings to departments	\$ 1,569,417	\$ 1,569,417	\$ 1,657,168	\$ 87,751
Interest income	300	300	(526)	(826)
Proceeds on sales of assets	-	-	992	992
Miscellaneous	5,000	5,000	3,591	(1,409)
Total revenues	<u>1,574,717</u>	<u>1,574,717</u>	<u>1,661,225</u>	<u>86,508</u>
Expenditures				
Personnel services	1,326,490	1,326,490	1,319,466	7,024
Supplies	34,500	34,500	53,412	(18,912)
Other services and charges	154,827	154,827	167,795	(12,968)
Capital expenditures	53,600	53,600	27,495	26,105
Operating transfer out	-	-	992	(992)
Total expenditures	<u>1,569,417</u>	<u>1,569,417</u>	<u>1,569,160</u>	<u>257</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 5,300</u>	<u>\$ 5,300</u>	92,065	<u>\$ 86,765</u>
Reconciliation to Generally Accepted Accounting Principles				
Assets capitalized			30,130	
Sick and vacation accrual			23,672	
Depreciation			(30,647)	
Change in net assets (GAAP basis)			<u>\$ 115,220</u>	

OTHER SUPPLEMENTARY INFORMATION

CITY OF PRESCOTT, ARIZONA

Schedule of General Obligation Bonds Payable

June 30, 2004

	Refunding & Municipal Facilities Bond Series 1998	Total General Obligation Bonds
Interest rates	4.34%	N/A
Issue date	12/1/1998	N/A
Final maturity date	7/1/2013	N/A
Authorized	\$ 15,895,000	\$ 15,895,000
Issued	15,895,000	15,895,000
Retired	4,305,000	4,305,000
Outstanding	11,590,000	11,590,000
Principal retirement:		
2005	1,195,000	1,195,000
2006	1,255,000	1,255,000
2007	1,315,000	1,315,000
2008	1,390,000	1,390,000
2009	1,455,000	1,455,000
2010	1,155,000	1,155,000
2011	1,215,000	1,215,000
2012	1,275,000	1,275,000
2013	1,335,000	1,335,000

CITY OF PRESCOTT, ARIZONA

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

June 30, 2004

	Water, Sewer & Golf Course Imp. Refunding Bond Series 1993-E	Water & Sewer Improvement Bond Series 1998-F	Total Contracts Payable
Interest rates	4.995%	4.69%	N/A
Issue date	7/1/1993	12/1/1998	N/A
Final maturity	7/1/2010	7/1/2018	N/A
Authorized	\$ 7,995,000	\$ 6,160,000	\$ 14,155,000
Issued	7,995,000	6,160,000	14,155,000
Retired	3,460,000	1,095,000	4,555,000
Outstanding	4,535,000	5,065,000	9,600,000
Principal retirement:			
2005	690,000	260,000	950,000
2006	730,000	275,000	1,005,000
2007	760,000	285,000	1,045,000
2008	810,000	300,000	1,110,000
2009	845,000	315,000	1,160,000
2010	700,000	330,000	1,030,000
2011	-	345,000	345,000
2012	-	365,000	365,000
2013	-	380,000	380,000
2014	-	400,000	400,000
2015	-	420,000	420,000
2016	-	440,000	440,000
2017	-	465,000	465,000
2018	-	485,000	485,000

CITY OF PRESCOTT, ARIZONA

Schedule of Special Assessment Bonds Payable

June 30, 2004

	Imp. District #158	Imp. District #159	Imp. District #160	Imp. District #161	Imp. District #162	Imp. District #163	Imp. District #164	Total Imp. District
Interest rates	6.25%	5.11%	6.75%	7.00%	5.10%	4.60%	2- 3.082%	N/A
Issue date	8/1/1994	8/13/1996	4/1/1998	7/1/2000	9/1/2000	2/1/2001	10/1/2003	N/A
Final maturity date	1/1/2005	1/1/2007	1/1/2008	7/1/2010	9/1/2015	2/1/2016	1/1/2022	N/A
Authorized	\$ 19,900	\$ 250,000	\$ 56,285	\$ 124,096	\$ 1,920,000	\$ 2,470,000	\$ 95,840	\$ 4,936,121
Issued	19,900	250,000	56,285	124,096	1,920,000	2,470,000	95,840	4,936,121
Retired	18,000	175,000	35,285	39,350	390,000	540,000	5,044	1,202,679
Outstanding	1,900	75,000	21,000	84,746	1,530,000	1,930,000	90,796	3,733,442
Principal retirement:								
2005	1,900	25,000	6,000	12,107	105,000	180,000	5,044	335,051
2006	-	25,000	5,000	12,107	110,000	175,000	5,044	332,151
2007	-	25,000	5,000	12,107	120,000	175,000	5,044	342,151
2008	-	-	5,000	12,107	125,000	175,000	5,044	322,151
2009	-	-	-	12,106	130,000	175,000	5,044	322,150
2010	-	-	-	12,106	140,000	175,000	5,044	332,150
2011	-	-	-	12,106	145,000	175,000	5,044	337,150
2012	-	-	-	-	150,000	175,000	5,044	330,044
2013	-	-	-	-	160,000	175,000	5,044	340,044
2014	-	-	-	-	170,000	175,000	5,044	350,044
2015	-	-	-	-	175,000	175,000	5,044	355,044
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	-	-	-	-	-	-	5,048	5,048

CITY OF PRESCOTT, ARIZONA

Schedule of Community Facilities Districts Bonds Payable

June 30, 2004

	Hassayampa #1 Community Facilities Bonds Series 1996	Hassayampa #2 Community Facilities Bonds Series 2000	Total Community Facilities Bonds
Interest rates	7.75%	7.50%	N/A
Issue date	11/1/1996	2/1/2000	N/A
Final maturity date	7/1/2021	7/1/2024	N/A
Authorized	\$ 7,315,000	\$ 1,240,000	\$ 8,555,000
Issued	7,315,000	1,240,000	8,555,000
Retired	1,710,000	385,000	2,095,000
Outstanding	5,605,000	855,000	6,460,000
Principal retirement:			
2005	170,000	20,000	190,000
2006	185,000	20,000	205,000
2007	195,000	25,000	220,000
2008	210,000	25,000	235,000
2009	230,000	25,000	255,000
2010	245,000	30,000	275,000
2011	265,000	30,000	295,000
2012	285,000	30,000	315,000
2013	310,000	35,000	345,000
2014	335,000	40,000	375,000
2015	360,000	40,000	400,000
2016	385,000	45,000	430,000
2017	415,000	45,000	460,000
2018	450,000	50,000	500,000
2019	485,000	55,000	540,000
2020	520,000	60,000	580,000
2021	560,000	65,000	625,000
2022	-	65,000	65,000
2023	-	70,000	70,000
2024	-	80,000	80,000

STATISTICAL SECTION



CITY OF PRESCOTT, ARIZONA

Table I

Statistical Section

Government-wide Expenses by Function

Last three fiscal years

<i>Governmental activities:</i>								
<u>Fiscal Year</u>	<u>General Government</u>	<u>Community Services</u>	<u>Culture and Recreation</u>	<u>Police and Court</u>	<u>Fire</u>	<u>Total Public Safety</u>	<u>Public Works</u>	<u>Interest on Long-term Debt</u>
2001-02	\$ 4,518,316	\$ 1,984,672	\$ 4,414,069	\$ -	\$ -	\$ 11,897,746	\$ 9,152,996	\$ 1,468,910
2002-03	3,798,901	2,083,451	4,724,473	7,774,898	5,410,325	13,185,223	10,859,477	1,359,238
2003-04	5,552,612	2,147,067	5,412,480	8,154,036	5,883,210	14,037,246	11,131,614	1,263,727
<i>Business-type activities:</i>								
<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Airport</u>	<u>Sanitation</u>	<u>Regional Transfer Station</u>	<u>Parking Garage</u>	
2001-02	\$ 6,132,824	\$ 4,586,322	\$ 2,118,559	\$ 3,332,768	\$ 4,741,566	\$ 2,749,348	\$ -	
2002-03	6,634,008	4,754,234	2,031,656	3,649,511	3,526,496	3,152,264	660	
2003-04	6,958,715	4,660,494	2,147,973	3,619,357	3,888,569	3,503,582	400	
								<u>Total</u>
							2001-02	\$ 57,098,096
							2002-03	59,759,592
							2003-04	64,323,836

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting and include depreciation expense.

In fiscal year 2003, the public safety activity was expanded to show the police/court and fire activities separately.

Police and fire activity were previously reported as public safety, court activity was presented as part of general government.

CITY OF PRESCOTT, ARIZONA

Table II

Statistical Section

Government-wide Revenues

Last three fiscal years

<u>Fiscal Year</u>	<u>Program Revenues</u>			<u>General Revenues</u>				
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
2001-02	\$ 26,015,589	\$ 7,081,311	\$ 6,720,433	\$ 22,706,358	\$ 8,746,519	\$ 2,569,988	\$ 2,263,397	\$ 76,103,595
2002-03	28,440,249	3,960,189	6,691,864	23,828,619	8,840,065	1,861,687	1,202,972	74,825,645
2003-04	29,345,990	4,879,585	14,027,490	27,401,443	8,416,354	1,038,859	1,234,086	86,343,807

Source: City of Prescott finance department

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

These amounts are presented on the accrual basis of accounting.

CITY OF PRESCOTT, ARIZONA

Table III

Statistical Section

General Government Expenditures by Function

Last ten fiscal years (1)

Fiscal Year	General		Community	Culture and	Public Safety		Public	Subtotal	Capital	Debt	Total
	Government	Services	Recreation	Police & Courts	Fire	Works	Current Expenditures	Outlay	Service		
1994-95	\$ 2,348,098	\$ 756,506	\$ 2,147,105	\$ 6,844,148		\$ 1,502,411	\$ 13,598,268	\$ 2,365,980	\$ 833,109	\$ 16,797,357	
1995-96	2,413,070	873,718	2,245,621	7,225,851		1,598,497	14,356,757	2,990,999	804,501	18,152,257	
1996-97	2,300,279	987,286	2,467,290	7,630,800		1,592,471	14,978,126	5,175,576	734,105	20,887,807	
1997-98	2,432,378	955,390	2,606,905	7,959,885		1,772,343	15,726,901	5,485,575	653,221	21,865,697	
1998-99	2,658,965	1,082,893	2,867,160	8,529,716		1,882,827	17,021,561	9,319,519	179,329	26,520,409	
1999-00	2,864,098	1,103,357	3,264,115	8,989,091		1,881,707	18,102,368	11,787,515	454,214	30,344,097	
2000-01	3,289,431	1,345,762	3,391,994	9,855,935		2,081,956	19,965,078	31,695,096	53,863	51,714,037	
2001-02	3,507,893	1,737,515	3,880,000	11,044,795		2,247,948	22,418,151	18,965,560	3,121,691	44,505,402	
2002-03	3,112,805	1,921,862	4,152,052	7,328,394	5,098,237	2,691,222	24,304,572	9,193,799	3,202,091	36,700,462	
2003-04	3,664,500	2,152,142	4,125,700	7,873,737	5,358,362	2,934,571	26,109,012	16,399,864	3,215,423	45,724,299	

Source: City of Prescott finance department

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

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

CITY OF PRESCOTT, ARIZONA

Table IV

Statistical Section

General Government Revenues by Sources

Last ten fiscal years (1) (2)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter-governmental Revenues</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest Income</u>	<u>Miscellaneous</u>	<u>Total</u>
1994-95	\$ 8,114,462	\$ 8,656,169	\$ 632,791	\$ 421,047	\$ 425,070	\$ 335,313	\$ 322,841	\$ 18,907,693
1995-96	8,434,699	9,897,010	935,692	463,570	435,829	518,522	1,274,357	21,959,679
1996-97	8,487,472	10,576,163	990,419	593,547	404,335	739,582	924,587	22,716,105
1997-98	9,238,405	10,946,032	1,232,099	621,180	355,100	931,552	416,690	23,741,058
1998-99	9,402,073	13,477,694	1,723,377	652,868	396,723	836,119	752,806	27,241,660
1999-00	18,177,798	13,818,155	1,564,969	692,733	379,949	1,480,055	674,791	36,788,450
2000-01	19,220,526	14,967,912	1,561,537	733,362	362,102	2,078,477	741,371	39,665,287
2001-02	22,706,358	16,326,996	2,387,963	858,072	399,247	1,830,934	1,455,569	45,965,139
2002-03	23,845,928	13,514,966	3,170,195	1,436,338	512,835	1,383,229	1,206,372	45,069,863
2003-04	27,418,458	14,104,448	2,615,347	1,761,234	727,368	925,387	1,506,518	49,058,760

Source: City of Prescott finance department

(1) The additional 1% privilege tax for roads and open space was reclassified in 1999-00 from a capital project fund to a special revenue fund.

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

CITY OF PRESCOTT, ARIZONA
Table V
Statistical Section
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>
1994-95	\$ 1,928,445	\$ 1,828,277	94.8%	\$ 109,689	\$ 1,937,966	100.5%	\$ 92,892	4.8%
1995-96	1,959,027	1,864,765	95.2%	61,168	1,925,933	98.3%	125,986	6.4%
1996-97	1,271,305	1,252,701	98.5%	48,957	1,301,658	102.4%	95,633	7.5%
1997-98	1,269,858	1,252,096	98.6%	31,378	1,283,474	101.1%	82,017	6.5%
1998-99	1,274,280	1,213,362	95.2%	50,735	1,264,097	99.2%	92,200	7.2%
1999-00	2,231,354	2,161,688	96.9%	28,029	2,189,717	98.1%	133,837	6.0%
2000-01	2,481,716	2,445,577	98.5%	19,762	2,465,339	99.3%	150,214	6.1%
2001-02	2,489,115	2,428,916	97.6%	39,658	2,468,574	99.2%	170,755	6.9%
2002-03	2,525,735	2,402,338	95.1%	79,912	2,482,250	98.3%	193,699	7.7%
2003-04	2,604,022	2,580,873	99.1%	48,567	2,629,440	101.0%	145,337	5.6%

Source: Yavapai County treasurer's office

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

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

Penalties are not recorded in the above collection figures.

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

CITY OF PRESCOTT, ARIZONA

Table VI

Statistical Section

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>Utilities</u>	<u>Gross Valuations</u>	<u>Less Exemptions</u>	<u>Net Assessed Valuation</u>	<u>Percent of Increase</u>	<u>Estimated Actual Value</u>
1994-95	P	\$ -	\$ 155,111,949	\$ 14,024,670	\$ 14,139,778	\$ 183,276,397	\$ 11,541,477	\$ 171,734,920	5.8%	1,337,458,535
	S	52,976,457	105,192,202	14,025,370	14,147,111	186,341,140	11,791,432	174,549,708	5.0%	1,357,050,434
1995-96	P	-	174,706,287	8,524,030	14,681,143	197,911,460	11,882,305	186,029,155	8.3%	1,497,206,514
	S	63,213,135	121,014,308	8,524,030	14,687,775	207,439,248	12,806,272	194,632,976	11.5%	1,558,718,933
1996-97	P	-	187,172,933	9,781,090	16,034,751	212,988,774	12,529,362	200,459,412	7.8%	1,618,520,768
	S	64,274,605	127,163,699	9,781,090	16,040,936	217,260,330	12,997,556	204,262,774	4.9%	1,643,342,134
1997-98	P	-	209,954,206	14,846,462	13,477,138	238,277,806	16,710,867	221,566,939	10.5%	1,785,640,618
	S	72,684,791	147,181,339	14,846,462	13,477,138	248,189,730	18,285,483	229,904,247	12.6%	1,854,677,503
1998-99	P	-	229,284,403	13,157,290	15,635,534	258,077,227	17,373,446	240,703,781	8.6%	1,922,721,282
	S	78,313,549	156,322,029	13,149,400	15,640,302	263,425,280	18,520,099	244,905,181	6.5%	1,956,487,013
1999-00	P	-	249,063,290	13,489,333	16,413,953	278,966,576	20,236,362	258,730,214	7.5%	2,092,232,685
	S	119,583,499	153,161,018	13,474,471	16,428,815	302,647,803	24,096,137	278,551,666	13.7%	2,265,959,664
2000-01	P	-	270,767,262	15,084,880	18,406,551	304,258,693	22,070,164	282,188,529	9.1%	2,274,048,212
	S	124,002,003	164,506,274	15,051,055	18,437,147	321,996,509	24,843,875	297,152,634	6.7%	2,401,274,248
2001-02	P	-	298,523,370	16,568,026	20,270,308	335,361,704	23,276,557	312,085,147	10.6%	2,512,369,029
	S	128,101,429	185,985,911	16,559,405	20,270,308	350,917,053	25,009,576	325,907,477	9.7%	2,621,445,412
2002-03	P	-	325,807,051	16,215,575	22,171,331	364,193,957	23,875,505	340,318,452	9.0%	2,740,841,490
	S	131,615,879	209,475,582	16,230,175	22,171,331	379,492,967	25,227,311	354,265,656	8.7%	2,847,617,642
2003-04	P	-	369,580,785	15,003,540	24,730,430	409,314,755	24,574,660	384,740,095	13.1%	3,059,452,688
	S	159,328,874	239,175,556	15,003,540	24,730,430	438,238,400	26,873,584	411,364,816	16.1%	3,232,742,974

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 VII

Statistical Section

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

Last ten fiscal years

Fiscal Year		City of	High School	Community	Yavapai	State of	Total
		Prescott	& Elementary	College	County	Arizona	
Tax Rates (per \$1,000 Assessed Valuation)							
1994-95	P	\$ 0.5386	\$ 4.6479	\$ 1.4730	\$ 2.4813	\$ 0.4700	\$ 9.6108
	S	0.5749	1.0572	0.1347	0.3992	-	2.1660
1995-96	P	0.5107	4.6503	1.5448	2.4713	0.4700	9.6471
	S	0.5184	0.8333	0.1223	0.4784	-	1.9524
1996-97	P	0.4614	4.5886	1.5237	2.5108	-	9.0845
	S	0.1705	0.5803	0.1223	0.4278	-	1.3009
1997-98	P	0.4152	4.1739	1.4589	2.3363	-	8.3843
	S	0.1519	0.5183	0.1055	0.4097	-	1.1854
1998-99	P	0.3822	4.2661	1.4631	2.2768	-	8.3882
	S	0.1447	0.4803	0.1058	0.4354	-	1.1662
1999-00	P	0.3169	4.1210	1.5294	2.2374	-	8.2047
	S	0.5067	0.4216	0.0956	0.4452	-	1.4691
2000-01	P	0.2906	3.8751	1.5330	2.1283	-	7.8270
	S	0.5592	0.3989	0.0875	0.4354	-	1.4810
2001-02	P	0.2627	3.6306	1.5325	2.1040	-	7.5298
	S	0.5121	0.3658	0.4163	0.4286	-	1.7228
2002-03	P	0.2522	3.6222	1.5835	2.0961	-	7.5540
	S	0.4707	0.3583	0.3954	0.4297	-	1.6541
2003-04	P	0.2415	3.6392	1.5672	2.1525	-	7.6004
	S	0.4072	0.2935	0.3106	0.4307	-	1.4420
Tax Levies							
1994-95	P	\$ 925,000	\$ 10,958,629	\$ 11,436,500	\$ 19,264,951	\$ 3,649,108	\$ 46,234,188
	S	1,003,445	2,556,047	1,079,575	2,836,583	-	7,475,650
1995-96	P	950,000	11,989,487	12,811,554	20,495,445	3,897,847	50,144,333
	S	1,009,027	2,245,405	1,071,288	3,775,169	-	8,100,889
1996-97	P	950,000	11,989,487	12,811,554	20,495,445	3,897,847	50,144,333
	S	1,009,027	2,245,405	1,071,288	3,775,169	-	8,100,889
1997-98	P	920,000	12,810,741	14,029,805	22,466,746	-	50,227,292
	S	349,120	1,656,751	1,061,930	2,732,084	-	5,799,885
1998-99	P	920,000	14,142,306	14,978,983	23,309,493	-	53,350,782
	S	354,280	1,628,476	1,109,134	4,158,476	-	7,250,366
1999-00	P	820,000	14,650,581	16,779,826	24,547,733	-	56,798,140
	S	1,411,354	1,659,543	1,135,081	4,869,938	-	9,075,916
2000-01	P	820,000	15,065,840	18,109,635	25,141,805	-	59,137,280
	S	1,661,716	1,670,688	1,091,840	5,059,091	-	9,483,335
2001-02	P	820,000	15,596,853	19,630,398	26,951,447	-	62,998,698
	S	1,669,115	1,670,560	5,598,026	5,373,092	-	14,310,793
2002-03	P	858,120	16,979,781	21,980,482	29,096,384	-	68,914,767
	S	1,667,615	1,768,595	5,735,780	5,845,096	-	15,017,086
2003-04	P	929,147	18,984,254	23,771,406	32,649,944	-	76,334,751
	S	1,674,875	1,637,296	4,977,303	6,503,406	-	14,792,880

The portion of the 2003-04 levies paid by City of Prescott property owners is reflected below:

Amount	P	\$ 929,147	\$ 14,001,515	\$ 6,029,647	\$ 8,281,699	\$ -	\$ 29,242,008
	S	1,674,875	1,207,522	1,277,699	1,669,457	-	5,829,553
Percent	P	100%	73.8%	25.4%	25.4%	-	38.3%
	S	100%	73.8%	25.7%	25.7%	-	39.4%

Source: Yavapai County Board of Supervisors

CITY OF PRESCOTT, ARIZONA

Table VIII

Statistical Section

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 IX

Statistical Section

Tax Revenues by Source

Last ten fiscal years

<u>Fiscal Year</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>
1994-95	\$ 8,114,325	\$ 1,945,928	\$ 5,317,267	\$ (137)	\$ 648,740	\$ 202,527
1995-96	10,438,989	1,996,984	5,589,982	2,004,290	633,183	214,550
1996-97	14,355,733	1,296,123	6,299,553	5,868,261	678,298	213,498
1997-98	15,790,331	1,284,416	6,955,576	6,551,926	778,926	219,487
1998-99	16,949,809	1,268,036	7,484,984	7,195,537	773,407	227,845
1999-00	19,494,931	2,161,034	8,289,438	7,999,852	778,302	266,305
2000-01	20,865,681	2,462,504	8,705,838	8,445,405	960,603	291,331
2001-02	22,706,358	2,505,335	9,615,252	9,270,390	1,008,081	307,300
2002-03	23,845,928	2,524,888	10,126,355	9,872,177	1,020,608	301,900
2003-04	27,418,458	2,592,210	11,835,113	11,517,650	1,147,098	326,387

Source: City of Prescott finance department

(1) On September 24, 1985 the voters approved an additional 1% privilege tax (effective November 1, 1985) to be used exclusively for three major street improvement projects. This tax ended on October 31, 1990. The 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.

(2) During 1987-88 an ordinance was passed levying a 2% tax on transient lodging (effective December 1, 1987). Proceeds are to be used for the promotion of tourism and development of recreational facilities within the City.

CITY OF PRESCOTT, ARIZONA

Table X

Statistical Section

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

Last ten fiscal years

<u>Fiscal Year</u>	<u>Population (1)</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</u>
1994-95	30,513	\$ 174,549,708	\$ 4,340,000	\$ 510,000	\$ 3,830,000	2.2%	126
1995-96	31,428	194,632,976	3,555,000	490,000	3,065,000	1.6%	98
1996-97	32,037	204,262,774	3,385,000	470,000	2,915,000	1.4%	91
1997-98	34,705	229,904,247	3,200,000	445,000	2,755,000	1.2%	79
1998-99	35,785	244,905,181	16,500,000	420,000	16,080,000	6.6%	449
1999-00	34,685	278,551,666	15,800,000	-	15,800,000	5.7%	456
2000-01	34,685	297,152,634	14,840,000	-	14,840,000	5.0%	428
2001-02	36,375	325,907,477	13,815,000	-	13,815,000	4.2%	395
2002-03	37,520	354,265,656	12,730,000	-	12,730,000	3.6%	339
2003-04	39,450	411,364,816	11,590,000	-	11,590,000	2.8%	294

Source: City of Prescott finance department

(1) Population is based on census figures and community services department estimates.

(2) Includes all general obligation bonded debt.

CITY OF PRESCOTT, ARIZONA

Table XI

Statistical Section

Special Assessment Billings and Collections

Last ten fiscal years

<u>Fiscal Year</u>	Special Assessments <u>Billed</u>	Assessments <u>Collected</u>	Ratio of Collections to <u>Amount Due</u>	Outstanding Current and Delinquent <u>Assessments</u>
1994-95	\$ 64,799	\$ 59,268	91%	\$ 33,186
1995-96	62,854	96,040	153%	-
1996-97	37,918	37,918	100%	-
1997-98	33,057	33,057	100%	-
1998-99	90,760	90,760	100%	-
1999-00	86,809	86,809	100%	-
2000-01	305,749	305,749	100%	-
2001-02	532,396	532,232	100%	164
2002-03	522,581	522,415	100%	166
2003-04	511,577	511,743	100%	-

Source: City of Prescott finance department

CITY OF PRESCOTT, ARIZONA
Table XII
Statistical Section
Direct and Overlapping Debt
June 30, 2004

	<u>Net Bonds</u> <u>Outstanding</u>	<u>Percentage</u> <u>Applicable</u> <u>to Prescott (1)</u>	<u>Amount</u> <u>Applicable</u> <u>to Prescott</u>
<u>Direct Debt</u>			
General obligation bonds payable from property tax:			
Municipal facilities & refunding bond series 1998	\$ 11,590,000	100.0%	<u>\$ 11,590,000</u>
Total direct debt			<u>11,590,000</u>
<u>Overlapping Debt</u>			
Yavapai Community College District	45,680,000	25.4%	11,586,789
Prescott Unified School District	4,925,000	73.8%	<u>3,632,350</u>
Total overlapping debt			<u>15,219,139</u>
Total direct & overlapping debt			<u>\$ 26,809,139</u>

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

	<u>Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Valuation</u> <u>in</u> <u>Prescott</u>	<u>Percent</u> <u>in</u> <u>Prescott</u>
<u>Taxing District</u>			
Yavapai Community College District	\$ 1,516,807,417	\$ 384,740,095	25.4%
Prescott Unified School District	521,658,095	384,740,095	73.8%

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA

Table XIII

Statistical Section

Legal Debt Margins

June 30, 2004

	<u>General Obligation Bonds</u>	
	<u>All Others</u> <u>6% (1)</u>	<u>Water & Sewer</u> <u>20% (2)</u>
<u>Legal Debt Limitation</u>		
(2003-04 secondary assessed valuation \$411,364,816)	\$ 24,681,889	\$ 82,272,963
<u>Outstanding Debt</u>		
Municipal facilities & refunding bond series 1998	1,605,000	9,985,000
Total outstanding debt	1,605,000	9,985,000
Total margin available	\$ 23,076,889	\$ 72,287,963

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 sewer services and recreational and playground 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 2003-04	\$ 3,190,899
Percent of margin	50%
Highway user margin	1,595,450
Bond principal due FY 2003-2004	-
Bond interest due FY 2003-2004	-
Margin available	\$ 1,595,450

CITY OF PRESCOTT, ARIZONA

Table XIV

Statistical Section

Ratio of Annual Debt Service Expenditures for General Obligation Bond Debt to Total General Expenditures

Last ten fiscal years

<u>Fiscal Year</u>	<u>GO Bond Principal</u>	<u>GO Bond Interest</u>	<u>GO Bond Debt Service (1)</u>	<u>General Expenditures</u>	<u>Debt Service Transfer to Water (2)</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to Total General Expenditures</u>
1994-95	\$ 750,000	\$ 380,820	\$ 1,130,820	\$ 16,797,357	\$ 667,645	\$ 17,465,002	6.5%
1995-96	785,000	278,735	1,063,735	18,152,257	671,382	18,823,639	5.7%
1996-97	150,000	198,270	348,270	20,887,807	-	20,887,807	1.7%
1997-98	160,000	189,120	349,120	21,865,697	-	21,865,697	1.6%
1998-99	175,000	147,196	322,196	26,520,409	-	26,520,409	1.2%
1999-00	280,000	1,131,353	1,411,353	30,344,097	-	30,344,097	4.7%
2000-01	960,000	701,715	1,661,715	51,714,037	-	51,714,037	3.2%
2001-02	1,025,000	644,115	1,726,715	44,505,402	-	44,505,402	3.9%
2002-03	1,085,000	582,615	1,667,615	36,700,462	-	36,700,462	4.5%
2003-04	1,140,000	534,875	1,674,875	45,724,299	-	45,724,299	3.7%

Source: City of Prescott finance department

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

(2) This is the amount of secondary property tax transferred to the water fund to pay a portion of GO bond debt serviced by the water and sewer fund.

CITY OF PRESCOTT, ARIZONA

Table XV

Statistical Section

Schedule of Water and Sewer Revenue Bond Coverage

Last ten fiscal years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Revenue Bond Debt Service</u>			<u>Coverage (2)</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994-95	\$ 8,427,864	\$ 5,361,656	\$ 3,066,208	\$ -	\$ -	\$ -	-
1995-96	8,850,670	5,510,230	3,340,440	-	-	-	-
1996-97	9,036,916	5,265,147	3,771,769	-	-	-	-
1997-98	8,818,381	5,668,869	3,149,512	-	-	-	-
1998-99	9,603,732	4,998,126	4,605,606	-	-	-	-
1999-00	10,194,379	5,855,785	4,338,594	-	-	-	-
2000-01	10,461,178	6,171,567	4,289,611	-	-	-	-
2001-02	10,909,306	7,057,951	3,851,355	-	-	-	-
2002-03	14,510,866	11,388,242	3,122,624	-	-	-	-
2003-04	17,341,679	11,619,209	5,722,470	-	-	-	-

Source: City of Prescott finance department

(1) Total expenses exclusive of depreciation, bond interest and capital costs.

(2) Revenue bond ordinances preclude the issuance of additional party bonds unless net revenues for the preceding twelve month period are equal to 1.2 times the highest future annual debt service requirement (including debt service on the bonds to be issued).

CITY OF PRESCOTT, ARIZONA

Table XVI

Statistical Section

Property Value, Construction and Bank Deposits

Last ten fiscal years

Fiscal Year	Construction (1)				Estimated Actual Property Value (2)	Yavapai County Bank Deposits (3)	
	Commercial		Residential			Calendar Year	Amount
	Number of Permits	Value	Number of Permits	Value			
1994-95	354	\$ 8,256,507	1,164	\$ 57,621,475	\$ 1,337,458,535	1994	\$ 1,170,203,000
1995-96	293	18,762,744	1,182	53,102,505	1,497,206,514	1995	1,216,223,000
1996-97	275	31,444,789	1,518	46,402,389	1,618,520,768	1996	981,445,000
1997-98	261	21,813,764	1,462	54,095,709	1,785,640,618	1997	606,965,000
1998-99	293	53,383,084	1,266	57,490,712	1,922,721,282	1998	1,634,967,000
1999-00	643	18,676,892	1,197	85,179,198	2,092,232,685	1999	1,554,337,000
2000-01	1,025	38,186,783	689	79,529,639	2,274,048,212	2000	1,437,398,000
2001-02	1,145	40,148,002	915	121,430,255	2,512,369,029	2001	1,695,337,000
2002-03	999	31,943,608	1,003	155,608,441	2,740,841,490	2002	1,771,572,000
2003-04	1,064	38,314,693	906	128,383,881	3,059,452,688	2003	1,933,407,000

Source: City of Prescott community development department

(1) Figures include repairs, fences, signs, retaining walls, etc.

(2) Breakdown of commercial and residential not available.

(3) Source: Arizona Bankers Association.

CITY OF PRESCOTT, ARIZONA

Table XVII

Statistical Section

Principal Taxpayers

June 30, 2004

<u>Taxpayer and Type of Business</u>	<u>2003/04 Assessed Valuation</u>	<u>As % of City's Total Secondary Assessed Valuation</u>
TWC II Prescott Mall LLC Shopping center	\$ 9,641,505	2.3%
Arizona Public Service Electric utility	9,261,470	2.3%
Qwest Corporation Telecommunications	7,222,319	1.8%
Tucson Electric Power Company Gas utility	4,234,687	1.0%
Wal-Mart Stores Shopping center	2,866,247	0.7%
Hassayampa Village Community LLC Golf course	2,608,128	0.6%
Westgold Office Building LLLP Commercial rental	2,164,250	0.5%
Costco Wholesale Corporation Shopping center	1,919,171	0.5%
LFRV LLC (Las Fuentes) Retirement facilities	1,862,903	0.5%
Dillard Store Services Inc. Retail Store	1,306,912	0.3%
Total	\$ 43,087,592	10.5%

Source: Yavapai County assessor's office

CITY OF PRESCOTT, ARIZONA
Table XVIII
Statistical Section
Schedule of Insurance in Force
June 30, 2004

<u>Type of Coverage</u> <u>Name of Company</u>	<u>Policy</u> <u>Period</u>	<u>Details of Coverage</u>	<u>Co-Insurance</u> <u>Liability Limits</u>	<u>Annual</u> <u>Premium</u>
Airport Liability Policy				
ACE Property & Casualty Insurance Company	10/1/03-10/1/04	<u>Airport Liability Policy</u> Products/completed operations Personal and advertising injury Fire Medical expense	\$50,000,000 ea. occur. \$50,000,000 \$200,000 \$10,000	\$ 50,000
Non-owned Aircraft				
ACE Property & Casualty Insurance Company	10/1/03-10/1/04	Hangar keeper's liability \$50,000,000 Host liquor liability	\$50,000,000 ea. aircraft	
Crime				
Hartford Fire Insurance Company	7/1/04-7/1/05	<u>Public Employee Dishonesty</u> Employee Theft \$10,000 deductible Theft, destruction \$1,000 deductible	\$1,000,000 \$50,000	\$ 3,304
Comprehensive General and Commercial Liability Coverage				
Clarendon America Insurance Co.	7/1/04-7/1/05	Excess Bodily Injury, Property Damage, Personal Injury, Products and Completed Operations Hazard and Public Officials Errors & Omissions	\$500,000 self-insured; \$5,000,000 per occurrence or combination of occurrences	\$ 165,200
Gulf Underwriters Insurance Co.	7/1/04-7/1/05	Secondary liability for losses in excess of \$5,000,000	Layered to \$15,000,000 total	\$ 122,609
Group Insurance Plan				
Yavapai Combined Trust	9/1/92 until cancellation or termination	<u>Group Insurance Plan - Self-Insured Consortium</u> Life insurance Medical expense benefits Dental expense benefits	1x annual salary & optional 80% of first \$1,500 - 100% thereafter \$1,200 benefit per year	\$295 per month plus \$506 family subsidy
Excess Workers' Compensation				
Midwest Employers Casualty Co.	7/1/04-7/1/05	Statutory employers liability Self-insured retention	\$1,000,000 \$500,000	\$ 69,987
Self-Insurers Workers' Comp Bond				
Travelers Casualty & Surety	7/1/04-7/1/05	Statutory employers liability Self-insured retention	1,000,000 500,000	\$ 5,006
Property/Boiler & Machinery/Auto Physical Damage				
The American Insurance Co.	7/1/04-7/1/05	Real & personal property, \$5,000 deductible Boiler & machinery, \$5,000 deductible Auto Physical Damage - Comprehensive/Collision \$25,000 deductible Historical valuation endorsement for Elk's Theater	\$75,697,655 Policy Limits ACV - vehicles listed on Schedule of vehicles	\$ 128,508

Source: City of Prescott administrative services department

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section

Miscellaneous Statistical and Demographic Information

For the fiscal year 2003-2004 (1)

Date of incorporation - February 27, 1883
Date of charter adoption - August 19, 1958
Form of government - Council/Manager

Police Protection	
Number of employees	111.50
Traffic citations	6,844

Fire Protection	
Number of stations	5
Number of employees	74

Refuse Collection	
Household accounts	14,787
Commercial accounts	1,339
Refuse collected (tons)	33,876

Water	
Miles of water mains	496.27
Connections	19,760

Miles of Streets & Alleys	
Paved	221
Unpaved	16

Sewer	
Miles of sanitary sewers	647.12
Connections	15,478

City Employees as of June 30, 2004	
Governmental employees	
Permanent	364
Temporary	15
Total governmental employees	379
Business-type employees	
Permanent	145
Temporary	14
Total business-type employees	159
Total City employees	538

Recreation	
Number of parks	14
Number of playgrounds	7
Golf Courses (holes)	36
Number of other recreation facilities	11
Open Space Preserve (acres)	10

Elections	
Registered voters	19,405
Number of votes cast	
last City election	13,109
Percentage voting	
last City election	
November 2003	68%

Building Permits		
Fiscal Year	Number	Value
1994-95	1,518	\$ 65,877,982
1995-96	1,475	71,865,249
1996-97	1,793	77,847,178
1997-98	1,724	76,006,918
1998-99	1,559	110,873,796
1999-00	1,840	103,856,090
2000-01	1,714	117,716,422
2001-02	2,060	161,578,257
2002-03	2,002	187,552,049
2003-04	1,970	166,698,574

Taxable Sales - Last Five Years	
Fiscal Year	Amount
1999-00	\$ 789,457,303
2000-01	853,544,526
2001-02	937,121,903
2002-03	988,631,479
2003-04	1,138,886,597

Principal Privilege Tax Sources	
Arizona Public Service	
Costco	
Galpin Ford	
Lamb Chevrolet	
Safeway	
Sears	
Smith's Food & Drug (Fry's)	
Tim's Buick, Pontiac, GMC	
York Motors	
Wal-Mart	

(Continued)

CITY OF PRESCOTT, ARIZONA

Table XIX

Statistical Section

Miscellaneous Statistical and Demographic Information

For the fiscal year 2003-2004 (1)

(Continued)

Population sex and age (2)		
Total	Male	Female
33,938	16,703	17,235
	Number	Percent
Under 5	1,264	3.8
5 to 9	1,413	4.2
10 to 14	1,638	4.8
15 to 19	2,290	6.7
20 to 24	2,581	7.6
25 to 34	2,756	8.1
35 to 44	3,660	10.8
45 to 54	4,713	13.9
55 to 59	2,279	6.7
60 to 64	2,259	6.7
65 to 74	4,689	13.8
75 to 84	3,332	9.8
85 and over	1,064	3.1
Median Age	47.8	
18 and over	28,551	84.1
Male	13,858	40.8
Female	14,693	43.3
21 and over	26,625	78.5
62 and over	10,492	30.9
65 and over	9,085	26.8
Male	4,084	12.0
Female	5,001	14.7

Population (3)	
Year	Amount
1883	1,836
1950	6,764
1960	12,861
1970	13,134
1980	20,055
1990	26,455
2000	33,938
2001	34,685
2002	36,375
2003	37,520
2004	39,450

Area - Square Miles	
Year	Square Miles
1883	1.1000
1950	4.0000
1960	6.4800
1970	10.1900
1980	23.7157
1990	31.2200
2000	37.2377
2001	38.4000
2002	38.5100
2003	38.5220
2004	38.5220

Housing Units (2)	
Occupied	15,098
Vacant	2,046
Total	17,144

Notes:

- 1 Unless otherwise noted, information obtained from City records.
- 2 Bureau of the Census, Washington, D.C., 2000 census.
- 3 City of Prescott, economic development department information is used with the exception of decade numbers which are derived from the census.