

City of Peoria, Arizona
FY14 Comprehensive Annual
Financial Report (CAFR)
Fiscal Year Ended June 30, 2014



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014



City of Peoria, Arizona

City Council:

Bob Barrett, *Mayor*
Ron Aames, *Vice Mayor*
Ben Toma
Tony Rivero
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Administrative Staff:

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Prepared By: Finance Department

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City of Peoria Core Values

“The City of Peoria team members share a commitment to provide quality service for our community.”

P Professional

Demonstrates professional skills and knowledge needed to perform the job; keeps informed of developments in the professional field and applies this knowledge to the job; encourages and supports the development of subordinate personnel.

E Ethical

Maintains the highest standards of personal integrity, truthfulness, honesty, and fairness in carrying out public duties; avoids any improprieties; trustworthy, maintains confidentiality; never uses City position or power for personal gain.

O Open

Communicates effectively orally and in writing; involves appropriate individuals and keeps others informed; acts as a team member; participates and supports committees/boards/commissions/task forces; approachable; receptive to new ideas; supports diversity and treats others with respect; actively listens.

R Responsive

Consistently emphasizes and supports customer service; takes responsibility to respond to all customers in a prompt, efficient, friendly, and patient manner; represents the City in an exemplary manner with civic groups/organizations and the public.

I Innovative

Demonstrates original thinking, ingenuity, and creativity by introducing new ideas or courses of action; supports innovative problem-solving by identifying and implementing better methods and procedures; takes responsible risks; demonstrates initiative and “follows through” on development and completion of assignments.

A Accountable

Accepts responsibility; committed to providing quality service to our community; plans, organizes, controls and delegates appropriately; work produced is consistent and completed within required timeframes; implements or recommends appropriate solutions to problems; acknowledges mistakes; manages human and financial resources appropriately.



Introductory Section

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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City of Peoria

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November 24, 2014

Honorable Mayor, City Council, City Manager and Citizens of Peoria, Arizona:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Peoria, Arizona (the City) for the fiscal year ended June 30, 2014. The report was prepared by the Financial Services Division of the Finance Department.

This report represents management's report to its governing body, constituents, legislative and oversight bodies, investors, and creditors. Copies of this report will be sent to elected officials, management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies which have expressed interest in the City's financial matters. Copies of this financial report will also be placed in the City's libraries, as well as on the City's website, for use by the general public.

Management's Discussion and Analysis presented on pages 3-17 has a different focus and purpose than the transmittal letter and should be read in conjunction with this transmittal.

THE FINANCIAL REPORTING ENTITY

The City of Peoria, chartered in 1954, has a Council-Manager form of government with the City Council consisting of the Mayor and six Council Members. Pursuant to an amendment to the City Charter approved by the voters in 1997, the Mayor is elected at-large for a four-year term. Council members are elected, by district, for four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances; adopting the budget; appointing committee, commission, and board members; and appointing the positions of City Manager, City Attorney, and Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City encompasses approximately 179 square miles in the northwestern portion of Maricopa County, and is one of several major cities comprising the greater Phoenix metropolitan area. Between the 2000 census and the 2010 census the City's population increased by more than 42 percent, from approximately 108,300 to approximately 154,065. The estimated current population is 164,104. The City's tremendous growth is attributable to the comparatively affordable housing, an excellent school district, and the expansion of the metropolitan freeway systems, allowing Peoria residents to commute effectively to other cities in the metropolitan area. Population growth trends are expected to continue, though at a slower pace.

The City provides a full range of municipal services, including police and fire protection, solid waste services, water and sewer services, construction and maintenance of streets, recreational and cultural events, library services, public transportation, planning and zoning services, and general administrative services. Peoria offers a wide range of community facilities including two community centers, three swimming pools, two libraries, and 33 neighborhood parks encompassing 356 acres. The Peoria Sports Complex—operated by the City—is the nation's first two-team baseball spring training facility and the spring training home of the San Diego Padres and Seattle Mariners. Lake Pleasant, in northern Peoria, is the second largest lake in Arizona. The City opened its first large community park, Rio Vista Community Park, in the southern part of the City in fiscal year 2004. This 52 acre facility has athletic fields, playgrounds, ramadas, an urban lake, skate park and other amenities for the citizens' enjoyment. The

City's second community park, Pioneer Community Park was completed in fiscal year 2014 and includes ball fields, multipurpose fields, a dog park, fishing lake and other amenities. The City also has a performing arts center with a 250-seat main auditorium, 80-seat black box theater, and classroom and administrative space in the downtown area.

This report includes financial statements on both a government-wide and fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No.14, *The Financial Reporting Entity*, as amended by GASB Statement No.61. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and four blended component units, the City of Peoria Municipal Development Authority, Inc., the Vistancia Community Facilities District, the City of Peoria Employee Benefits Trust and the City of Peoria Workers' Compensation Trust as discussed further in Note 1.A of the notes to the financial statements.

LOCAL ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2014, the local economy, much like the State of Arizona, continued its recovery at a slow and uneven pace with some pick up in construction activity and continued improvement in sales tax collections. However the nagging level of unemployment remained throughout the fiscal year. Peoria's unemployment rate improved marginally from 6.8% in June 2013 to 6.1% in June 2014 compare to an unemployment rate of less than 3% prior to the recession.

Despite the level of unemployment, consumer confidence and spending increased as home values climbed, consumer debt burden fell to a record low since the recession and gains in the stock market restored some of the wealth lost during the recession. The City's sales and use tax collections in fiscal year 2014 totaled \$71.2 million, a 7.9% increase from the \$66.0 million collected in the prior year. Sales and use tax collections peaked at \$68.9 million in 2006-07 prior to the recession and fell to a low of \$56.3 million in 2009-10 during the recession.

The local housing market rebounded from the abnormally low recessionary levels. At the start of the fiscal year, new home inventory was exceptionally low while distressed properties continued to be worked downed. With the dwindling inventory and moderate demand for new homes, builders kept busy during fiscal year 2014. The City issued 1,031 new residential building permits in fiscal year 2014 compare to 833 in fiscal year 2013. Median home sale price in Peoria rose by 13.2% from \$197,000 in June 2013 to \$223,000 in June 2014. The City's total property full cash value, which lags the market, will increase by 11.0% from \$10.1 billion in 2013-14 to \$11.2 billion in 2014-15. Full cash value hit the highest point in 2008-09 at \$18.3 billion and fell to a low of \$10.1 billion in 2013-14 as a result of the housing downturn.

On the commercial front, businesses are slowly increasing their investments. During fiscal year 2014, the City gained several new businesses, most notably Maxwell Technology, At Home Furnishings and GEPACK USA. Maxwell Technology completed its new electrode, cell and module manufacturing facility in November 2013 and estimates it will create 150 jobs over the next three years with an average salary of \$48,000, and an overall capital investment of \$26 million. At Home Furnishings, a home décor superstore opened its 105,000 square foot retail store in June 2014, bringing 20 new jobs to Peoria. GEPACK, a global manufacturer of high quality plastics and advanced composites announced the opening of a 12,000 square foot manufacturing facility in July 2014 and anticipates creating up to 20 manufacturing jobs in Peoria.

Economic Outlook

Forecasters predict the US economy will continue to grow at a slow and steady pace with GDP at +3.0% for the next four quarters. Likewise, the overall economic outlook for the State of Arizona and City of Peoria is expected to be more of the same slow and steady growth as we saw during fiscal year 2014.

Employment conditions are expected to improve, however rises in wage rates are expected to remain weak. Population growth projected for Arizona and the City of Peoria are expected to be modest. The recession hit harder in Arizona and the recovery has been slower while Arizona's job growth is expected to lag behind the rest of the nation. The long term outlook remains positive.

Home sales are expected to taper off as mortgage rates have risen over the last year, home prices are higher and growth in demand has slowed. The housing market is expected to be a quiet market next year characterized by low demand and flat prices according to Mike Orr, director of the Center for Real Estate Theory and Practice at the Arizona State University W. P. Carey School of Business. Median home sale prices in the Phoenix Metro area have stabilized, demand and sales activity were low for the normally strong spring selling season and further significant increases in home sale prices are unlikely without growth in demand. Orr reasons that the low demand for home ownership is a result of various factors such as a lack of household formation because of unemployment, falling birth rates, lower net migration and greater home sharing as well as potential homeowners disqualified from owning for now and investors looking for better bargains in other areas of the country with more foreclosures. Meanwhile demand for rental homes is very high and the availability of those homes is dropping to an unusually low level which will spark construction activity for multifamily units.

Consumer confidence rose to a post-recession high of 85.2 in June, suggesting that spending could increase in future months. Specifically auto sales have been robust and forecasters expect auto sales to remain healthy. As the Federal Reserve continues to keep interest rates low, consumers are expected to borrow and spend more with employment and income growth. However such growth will still be limited. According to Scott Hoyt, Senior Director at Moody's Analytics, consumer debt obligations are rising and job gains will unleash pent up demand and spark more borrowing. The increase in debt burden is expected to be modest and will not be a material impediment to spending growth.

MAJOR PROJECTS AND INITIATIVES

The Council utilizes a goal setting and strategic planning process to assist in the identification, prioritization, and management of capital projects, initiatives, service efforts and emerging strategic issues. Given the limited resources available with the slow economic recovery, careful consideration is given to all projects and initiatives to ensure investments of public funds achieve Council objectives and provide a long term sustainable benefit to the community. Listed below are the Council goals for 2013-15 to further the City's commitment to provide quality service, economic development and improved quality of life for the citizens of Peoria.

- Community building – to preserve and expand our quality of life by strengthening neighborhoods, providing superior quality parks and recreational programs, expanding cultural and entertainment opportunities and other community oriented service efforts
- Enhance current services – to improve cost effectiveness of service delivery, using technology to enhance and streamline service delivery, enhance organizational culture and become an employer of choice
- Preserve our natural environment – to provide environmental stewardship, pursue cost effective green development and land banking for future parks
- Total planning – to identify key corridors and cores throughout the city and create specific development plans for those areas, to provide diverse and sustainable residential housing options and to plan and develop city infrastructure to improve quality of life and coincide with economic development and revitalization efforts
- Economic development – to implement strategies to attract targeted industries, help existing businesses grow, facilitate development opportunities in targeted investment zones and develop Peoria's workforce

- Leadership and image – to conduct city business with the highest standard of integrity and accountability and to build greater community relations

Major Initiatives Accomplished in 2014

Major initiatives accomplished during fiscal 2014 were as follows:

Peoria Sports Complex Renovations and Improvements –

The professional major league baseball teams, Seattle Mariners and San Diego Padres, continue their Cactus League Spring Training and minor league activities in Peoria at the City-owned, two-team stadium. In 2012-13, both teams signed a new twenty-year joint use contract to share the facilities with an option of extending their contracts for an additional ten years. This agreement contributes significantly to the economic impact of the Spring Training Cactus League of Maricopa County and the City. As part of the contract, the City pledged approximately \$48 million for various improvements to the Sports Complex. The improvement projects consist of 3 distinct phases:

- Phase I - approximately \$30 million for construction and renovation of clubhouses and team facility improvements. Phase I improvements were completed in fiscal year 2014.
- Phase II – at least \$6 million for improvements to the stadium such as a new ticket office and front entrance, expanded seating, souvenir shop and other amenities. These improvements are expected to be completed in 2015.
- Phase III – approximately \$12 million for additional clubhouse and stadium improvements to be completed by 2027.

Financing for Phases I and II were accomplished through Municipal Debt Authority bonds.

P83 Entertainment District-

The Peoria Eighty Three (P83) Entertainment District surrounding the Sports Complex was one of the outcomes of the City's Urban Redesign Master Plan and continues to be a primary focus of economic development. During 2014, the City completed design concepts for phase 1 improvements which will add signage, branding and medians to give the area a consistent identity. Phase 2 development includes additional streetscapes and also the Avenue Shops which will comprise of 17.5 acres of mixed use space outside the Sports Complex Stadium. Design concepts include a 140 room hotel, retail space to accommodate a variety of retailers, restaurants and two parking structures. The City entered into a new ground lease in March 2014 with Peoria Sports Park LLC to develop phase 2. During fiscal year 2014, the City completed an economic analysis of phase 2 and is working on a development agreement to secure a national/regional retail partner, establish debt and equity commitments and other financing arrangements.

University Recruitment –

The City continued its efforts in attracting higher learning institutions during fiscal year 2014. Trine University opened a branch campus in the fall of 2013 and the City is in negotiations with Huntington University and St. Scholastica College. Trine, St. Scholastica and Huntington are expected to bring more science, technology, engineering and mathematics programs such as nursing, digital arts, graphic design and engineering to the area. Details are being worked out and a proposal from Huntington University is expected in the fall of 2014. The idea is that over the next few years, all three colleges would come together to create a centralized campus.

Business Recruitment –

During fiscal year 2014, the City worked with Maxwell Technologies to become the first user-driven Foreign Trade Zone (FTZ) in the City of Peoria. The FTZ is a huge incentive for Maxwell Technologies with benefits that include a reduction of real and personal property taxes by 75%. Maxwell opened its new electrode, cell and module manufacturing facility in November 2013 following a development agreement entered into with the City. The company estimates it will

create 150 jobs over the next three years with an average salary of \$48,000, and an overall capital investment of \$26 million.

Old Town Redevelopment –

During fiscal year 2014, the City entered into a cooperative agreement with Chicanos Por La Causa, a nonprofit statewide community development corporation to assess and evaluate potential redevelopment projects and opportunities for the Old Town area. The City had adopted the Old Town Peoria Revitalization Plan back in 2009 to help breathe life into the downtown area while recognizing its historical relevance. The area targeted for revitalization is bounded by 85th Avenue to the west, Peoria Avenue to the north, Grand Avenue to the east, and Monroe Street to the south.

Vistancia Commercial Core -

In February 2014, the City approved an amendment to the development agreement with Vistancia Land Holdings Inc. (VLH) to continue its efforts in making Vistancia Commercial Core shovel ready for built-to-suit development opportunities. The Vistancia Commercial Core is an important part of the Loop 303 Investment Zone area identified in the City's adopted Economic Development Implementation Strategy. It is a planned destination in the northern part of Peoria for targeted industries such as healthcare, higher education, corporate offices and headquarters, high technology companies, light manufacturing, bioscience, and other businesses. As part of the agreement with VLH, the city will allocate \$6.7 million to build El Mirage road from its current terminus to Lone Mountain Parkway while VLH will construct access roads, an off-site sewer line, as well as utility and other infrastructure extensions. VLH will also donate up to 50 acres of buildable land in the Vistancia Commercial Core for further targeted economic development initiatives.

Development Services Enhancements –

During 2014, the City implemented a Self-Certification Pilot Program and an Over-the-Counter Plan Review program to enhance current services. The Self-Certification Pilot Program allows eligible registered design professionals to self-certify building plans which will expedite issuance of certain building permit types. The Over-the-Counter Plan Review Program allows building and site permits to be issued in as little as 30 minutes. Additional service enhancements include electronic document review and on-line permitting that are targeted for implementation in fiscal year 2015. These additional enhancements are expected to reduce customer trips and cost of maintaining hard copies of plans.

Youth Council Liaison Program -

The Peoria Youth Master Plan was adopted by Council in November 2012 to create a culture in which Peoria's youth are safe, valued, and involved, and have the support to reach their highest potential now and in the future. Key goals of the plan include education and life preparation, community collaboration, civic engagement and out-of-school enrichment. A Youth Advisory Board was formed to act in the same, advisory role as boards and commissions relating to planning, zoning, library, parks and recreation, and other city topics that require a minimum age of 18 years. The Youth Advisory Board also advises the city on the development of public recreation as well as programs, events, ordinances, and proposals pertaining to youth within Peoria. During fiscal year 2014, Council appointed a youth liaison to an ex-officio seat with the City Council. The youth liaison will receive council meeting materials, have the opportunity to ask department leads questions regarding meeting issues and report back to the Youth Advisory Board.

Sustainability –

In 2012, the council adopted the City's Sustainability Action Plan to ensure that Peoria uses good environmental practices, which enhances quality of life through energy efficiency, financial stewardship and best practices. During 2013-14, the Peoria Community Center achieved LEED Gold certification and the Seattle Mariners' and San Diego Padres' clubhouses were designed for LEED Silver certification. The city also formed a partnership with Habitat for Humanity. In addition, the city is pursuing sustainable best practices in design and construction of new roadways and providing community education and outreach. In September 2013, the city

received the Arizona Forward Environmental Excellence Award and other awards for its sustainability efforts.

Other Major Infrastructure Projects

In addition to the Peoria Sports Complex improvements mentioned above, the City completed the following major infrastructure projects during fiscal year 2014:

- Agua Fria Truck Road Reliever – this \$10.5 million project added 1.8 miles of new roadway connecting 112th and Rose Garden and reduced truck traffic on Beardsley by approximately 50%.
- Pioneer Community Park - a \$26.5 million facility which includes ball fields, multipurpose fields, a dog park, fishing lake and other amenities was completed and opened to the public in September 2013.
- Union Hills/Country Club well head water quality mitigation project – a \$3.2 million project that included well rehabilitation, fiber optic and rehabilitation of a storage tank. Additional improvements are slated for fiscal year 2014-15.

Infrastructure projects under construction include:

- Skunk Creek Trail – a \$1.8 million project that includes parking for horse trailers, equestrian amenities, handrail and water fountains
- Camino a Lago Neighborhood Park – a 6.8 acres park with sports courts, ramadas, butterfly garden, lighted ball fields and parking lot.
- 91st Ave & drainage improvements – a \$7.1 million project consisting of multi land road improvements, sidewalk, bike lanes street lights and raised landscape median.
- Lake Pleasant Pkwy – a \$30.9 million project with multi land road improvements, sidewalk, signal, water/sewer lines and raised landscape median.

BOND RATING

In April 2014, Fitch Ratings, a global credit rating agency affirmed the City's AA+ rating for its General Obligation bonds and Municipal Debt Authority bonds. Fitch also affirmed the City's AA rating for its water and wastewater revenue bonds. Fitch designated the ratings outlook as stable, reflecting the city's improving economic prospects, sound financial management practices, solid reserves and manageable debt levels.

FINANCIAL CONTROLS

Internal Controls

The management of the City of Peoria is responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City of Peoria, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. At a general election held in March 2003, the citizens of Peoria approved a permanent adjustment of the expenditure base from the original 1979-80 base of \$3,247,857 to a new base of \$18,247,857. The permanent adjustment eliminated the need for voter approval every four years. After adjustment for inflation and population growth, the City's expenditure limitation for fiscal year 2013-14 was \$781,620,317. The City may utilize the additional expenditure authority for any local budgetary purposes.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, and internal service funds are included in the annual appropriated budget. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total budget, as adopted by the City Council. The City additionally exercises management control and oversight of the budget at the department level within each fund. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations lapse at fiscal year-end and are re-budgeted as needed in the next fiscal year.

Financial Policies

The City has an important responsibility to its citizens to carefully account for public funds, to manage its finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The City needs to ensure that it is capable of adequately funding and providing those government services desired by the community. Ultimately, the City's reputation and success depends on the public's awareness and acceptability of the management and delivery of these services.

The City operates under a comprehensive set of financial policies adopted by Council. The *Principles of Sound Financial Management* establishes guidelines for the City's overall fiscal planning and management. These principles are intended to foster and support the continued financial strength and stability of the City of Peoria as reflected in its financial goals. The City's financial goals are broad, fairly timeless statements of the financial position the City seeks to attain:

- To deliver quality services in an affordable, efficient and cost-effective basis providing full value for each tax dollar.
- To maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the City of Peoria.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the City's residents.
- To maintain a high bond credit rating to ensure the City's access to the bond markets and to provide assurance to the City's taxpayers that the City government is well managed and financially sound.

These policies establish minimum and recommended fund balance/net asset reserves, as well as establishing policies on the use of one-time revenues (to be used for one-time expenditures), fiscal planning and budgeting, expenditure control, capital improvement program, cash management, debt management, and economic development.

Long Term Financial Planning

The City annually updates a five-year long-range forecast, incorporating both projected revenues and expenditures for the City's major operating funds. The five-year revenue forecast only includes revenues that are anticipated to be sustainable over the five-year period. Expenditure projections include anticipated operating impacts of the adopted capital improvement program.

Additionally, the City maintains a 10-year Capital Improvement Program which the City Manager submits annually for review by the City Council. The program is updated annually and includes the cost of construction and operating expenditures. No capital improvement projects will be authorized or awarded until the funding sources have been established to finance the project. When current revenues or resources are available for Capital Improvement Projects, consideration will be given first to those capital assets with the shortest useful life, and for assets whose nature make them comparatively more difficult to finance with bonds or lease financing.

OTHER INFORMATION

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentations in this CAFR, including all disclosures, rests with the management of the City. The City has established and maintains a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to allow the compilation of sufficient reliable information for the preparation of financial statements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of operations of the City on both a government-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Independent Audit

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, Heinfeld, Meech & Co., P.C., whose report is included herein. The audit satisfies Article VI, Section 7, of the City Charter, which requires an annual audit of all accounts of the City by an independent certified public accountant. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Peoria, Arizona, for the fiscal year ended June 30, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of Peoria, Arizona, for the fiscal year ended June 30, 2014, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Additionally, the City is required to have an independent audit ("Single Audit") of federal financial assistance received by the City directly from federal agencies, or passed through to the City by the State of Arizona or other governmental entities during the fiscal year. 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 government's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards. The results of the City's single audit for the fiscal year ended June 30, 2014, found no instances of material weakness or

significant deficiencies in the internal controls. The reports from Heinfeld, Meech & Co., P.C. are available in the City of Peoria, Arizona's separately issued Single Audit Report.

Award

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 Peoria, Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This is the 29th consecutive year the City of Peoria has received 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. That report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements. As such, we are submitting this report to the GFOA to determine its eligibility for a certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the staff of the Finance Department, especially the Financial Services Division. We want to give special recognition to the City's accounting team for their diligent efforts and superior contributions to this report. We also wish to thank the members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Sincerely,



Brent D. Mattingly
Chief Financial Officer



Government Finance Officers Association

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

Presented to

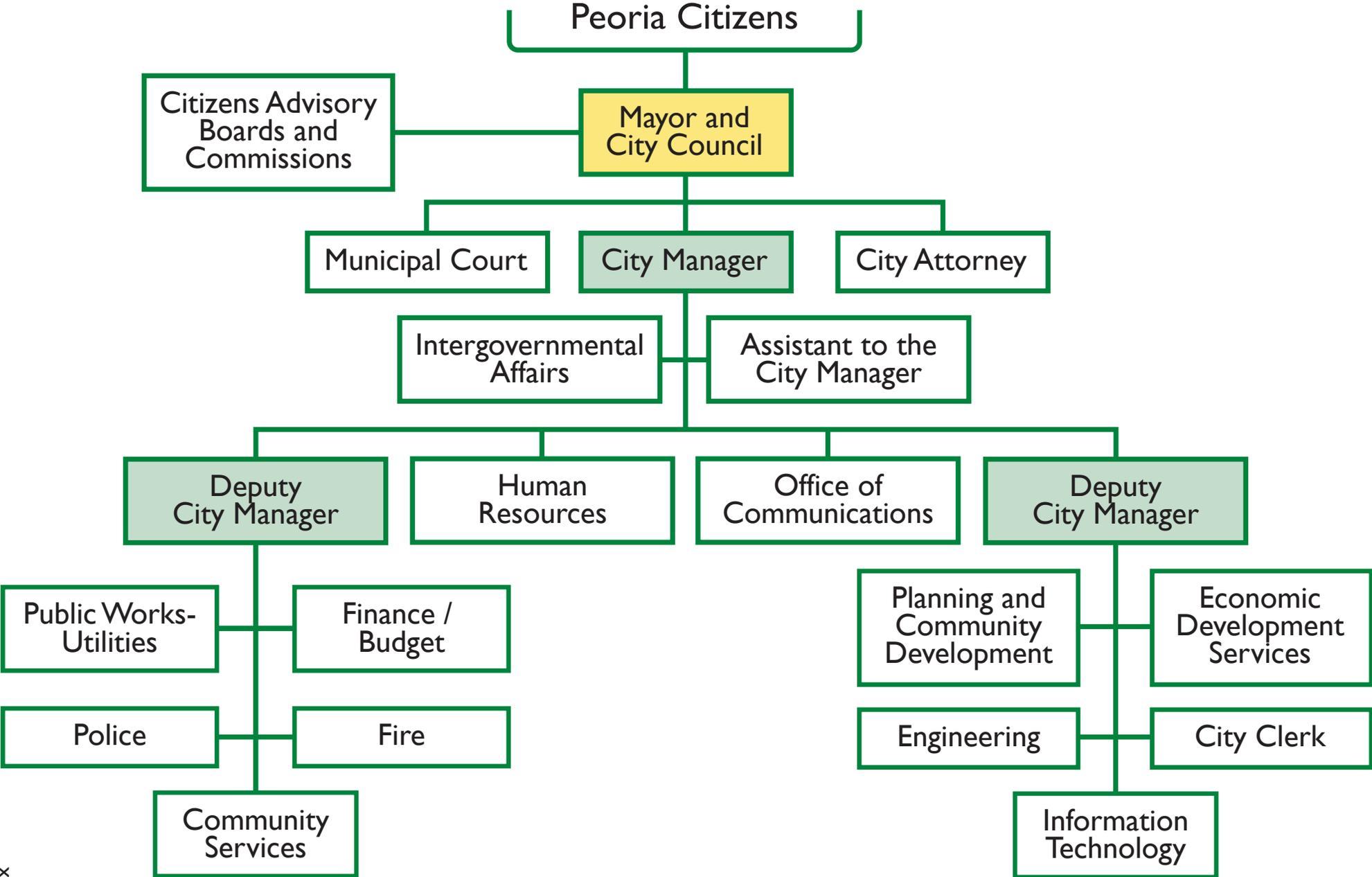
**City of Peoria
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Peoria Organizational Chart





City of Peoria

Principal Officials of the City

Fiscal Year 2014

Bob Barrett
Mayor

Ron Aames
Vice Mayor

Ben Toma
Councilmember

Jon Edwards
Councilmember

Carlo Leone
Councilmember

Bill Patena
Councilmember

Tony Rivero
Councilmember

Carl Swenson
City Manager

Susan J. Daluddung
Deputy City Manager

Jeff Tyne
Deputy City Manager

George Anagnost
Municipal Judge

John Schell
Governmental Affairs Director

John Imig
Information Technology Director

Stephen M. Kemp
City Attorney

Bobby Ruiz
Fire Chief

Bo Larsen
Director of Communications

John Sefton
Community Services Director

Roy Minter
Police Chief

Bill Mattingly
Public Works-Utility Operations Director

Andrew Granger
Engineering Director

Rhonda Geriminsky
City Clerk

Scott Whyte
Economic Development Services Director

Julie Ayers
Human Resources Director

Brent Mattingly
Finance and Budget Director

Chris Jacques
Planning and Community Development Director



City of Peoria Council Districts



**Mayor
Bob Barrett**



**Vice Mayor
Tony Rivero**
Acacia District



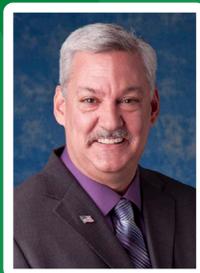
**Councilmember
Ron Aames**
Palo Verde District



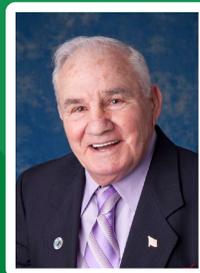
**Councilmember
Bill Patena**
Ironwood District



**Councilmember
Cathy Carlat**
Mesquite District



**Councilmember
Jon Edwards**
Willow District



**Councilmember
Carlo Leone**
Pine District







Financial Section

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Peoria, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peoria, Arizona (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, internal service, and fiduciary funds presented as supplementary information in the accompanying combining fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peoria, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Half-cent Sales Tax, Highway User Revenue, and Transportation Sales Tax Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental, internal service, and fiduciary fund of the City of Peoria, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1S., the City implemented a change with respect to liabilities associated with developer impact fee credits and sales tax reimbursements, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, statistical section, continuing disclosures section and schedules listed in the table of contents as Supplementary Information and Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of City of Peoria, Arizona’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Peoria, Arizona’s internal control over financial reporting and compliance.



HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 24, 2014



**Management's
Discussion & Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Peoria, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City of Peoria, Arizona for the fiscal year ended June 30, 2014. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

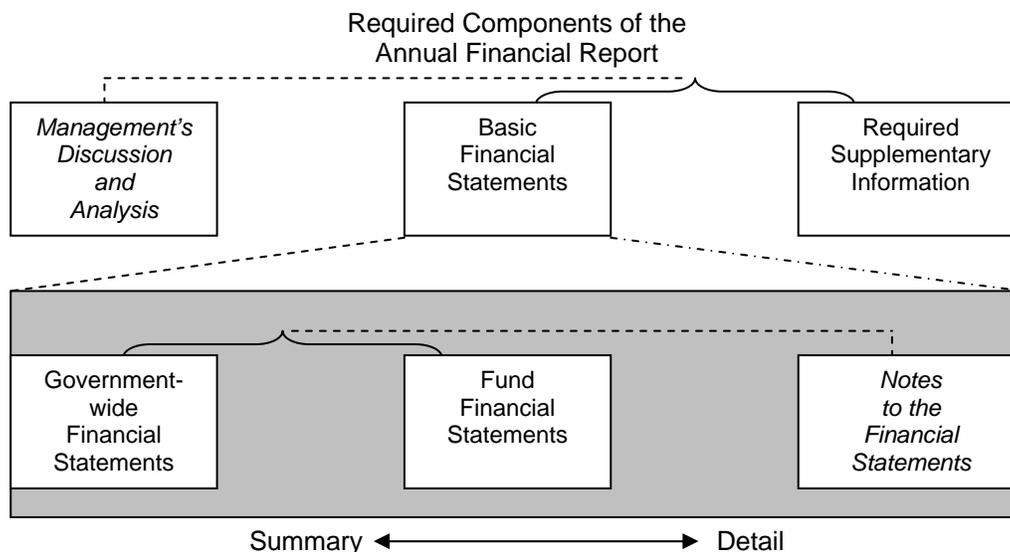
This discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter presented on pages v-xiii of this report. It is designed to be read in conjunction with the transmittal letter as well as the financial statements beginning on page 19 and the accompanying notes to the financial statements. The City also issues separate financial reports, including management's discussion and analysis, for the Vistancia Community Facilities District, the Employee Benefit Trust and the Workers' Compensation Trust, which are blended component units of the City.

Financial Highlights

- ◆ The City's total net position increased \$20.1 million (1.2%) in fiscal year 2014, a decrease of \$18.6 million (-1.7%) in governmental activities and an increase of \$38.7 (6.6%) million in business-type activities.
- ◆ Total net position of the City is \$1,716.3 million, of which \$152.6 million is unrestricted (down \$6.3 million (-4.0%) from last year's \$158.9 million unrestricted net position).
- ◆ The governmental activities program revenues decreased by approximately \$9.1 million (-17.2%) from the previous year. This was primarily due to a decrease in donated capital assets with fewer large developments being completed in fiscal year 2014.
- ◆ The business-type activities program revenues increased by approximately \$4.2 million (5.7%) from the previous year. Charges for services increased by \$2.3 million (3.4%).
- ◆ At June 30, 2014, total fund balance of the governmental funds was \$237.2 million, down \$38.2 million (-13.9%) from the previous year. Of this, \$17.3 million (up 23.7%) was unassigned (available for spending at the government's discretion).
- ◆ General Fund inflows (on a budgetary basis) were higher than budgeted inflows by \$7.3 million for fiscal year 2014. Budgetary basis outflows of the General Fund were 80.0% (\$28.9 million in savings) of the final budgeted outflows.
- ◆ At June 30, 2014, unassigned fund balance for the General Fund was \$17.3 million, or 16.8% of General Fund expenditures for fiscal year 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

As pictured in the following table, the financial section of the Comprehensive Annual Financial Report (CAFR) for the City of Peoria, Arizona consists of this discussion and analysis, the basic financial statements, other required supplementary information and other non-required financial schedules. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements. The additional non-required information includes combining schedules and other supplementary schedules presented after the basic financial statements (Combining Statements, Supplemental Information and Statistical Sections of this report).



Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances in a manner similar to those used by private businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements.

The activities of the City are broken into two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), culture and recreation, police, fire, development services, highways and streets, public works, and human services. These activities are generally supported by taxes and general revenues.
- The *business-type activities* include the private sector type activities such as the water, wastewater solid waste, and storm drain utilities, the stadium, and public housing. These activities are primarily supported through user charges or fees.

The *statement of net position* presents information on all of the City's assets and liabilities (excluding fiduciary funds), both current and long-term and deferred inflows/outflows of resources, with the difference reported as net position. The focus on net position is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the City may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the City may have used previously accumulated funds (i.e. cash funding of capital projects). To assess the overall health of the City, other indicators, including non-financial indicators such as the City's property tax base and condition of its infrastructure, should also be considered.

The *statement of activities* presents information showing how the City's net position changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net position are reported at the time the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Fund Financial Statements

Also presented are fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City.

Governmental funds – Governmental funds are used to account for most of the City's basic services. These are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental activities column on the government-wide financial statements, these fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the two are provided immediately following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances and in Note 2.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Half-Cent Sales Tax Fund, Highway User Revenue Fund, Transportation Sales Tax Fund, GO Bond Debt Service Fund, GO Bond Capital Projects Fund, and Development Fee Fund which are considered to be major funds of the City. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements.

Proprietary funds – Proprietary funds are used to account for services primarily supported by user fees. The proprietary fund financial statements are prepared with the same long-term focus as the government-wide financial statements. The City maintains the following two types of proprietary funds.

Enterprise funds are used for activities that primarily serve customers outside the governmental unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information such as cash flows. Any reconciliation necessary between the enterprise funds and the business-type activities column of the government-wide financial statements is provided on the face of the fund statements. The City's enterprise funds are the Water, Wastewater, Storm Drain and Solid Waste utilities, as well as the sports complex (Stadium Fund). All of the enterprise funds are considered to be major funds of the City. The Storm Drain Utility Fund was reclassified in fiscal year 2012 from a governmental fund to an enterprise fund. This change was due to a change in the revenue source from primarily transfers from other governmental funds to a user fee to external customers.

Internal service funds are used for activities where the primary customer is the City itself. Because the primary customers of the internal service funds are the governmental activities, the assets and liabilities of those funds are included in the governmental activities column of the government-wide statement of net position. The costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. The internal service funds are combined into a single column on the proprietary fund statements. Additional detail of the internal service funds is provided in combining statement. The internal service funds of the City include the Motor Pool, Self-Insurance, Facilities Maintenance, and Information Technology Funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support programs of the City. The fiduciary fund statements are prepared on the same basis as the government-wide and proprietary fund statements.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2014, with comparative information for the previous year.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the City for June 30, 2014, compared to the prior year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
Current and other assets	\$ 289.9	\$ 326.6	\$ 101.7	\$ 95.8	\$ 391.6	\$ 422.4
Capital assets	1,129.8	1,129.3	645.7	621.4	1,775.5	1,750.7
Total assets	<u>1,419.7</u>	<u>1,455.9</u>	<u>747.4</u>	<u>717.2</u>	<u>2,167.1</u>	<u>2,173.1</u>
Total deferred outflows of resources	0.3	0.4	0.3	0.3	0.6	0.7
Other liabilities	26.2	27.1	9.3	8.5	35.5	35.6
Long-term liabilities outstanding	302.7	319.4	113.2	122.5	415.9	441.9
Total liabilities	<u>328.9</u>	<u>346.5</u>	<u>122.5</u>	<u>131.0</u>	<u>451.4</u>	<u>477.5</u>
Net position:						
Net investment in capital assets	855.3	886.2	533.6	500.1	1,388.9	1,386.3
Restricted	151.6	129.5	23.2	21.6	174.8	151.1
Unrestricted	84.2	94.1	68.4	64.8	152.6	158.9
Total net position	<u>\$ 1,091.1</u>	<u>\$ 1,109.8</u>	<u>\$ 625.2</u>	<u>\$ 586.5</u>	<u>\$ 1,716.3</u>	<u>\$ 1,696.3</u>

The net position of the City increased \$20.1 million in fiscal year 2014. Net position of governmental activities decreased \$18.6 million, while the business-type activities increased \$38.7 million.

Net position consists of three components. The largest portion of net position, \$1,388.9 million reflects the City's investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens. Consequently, it is not the City's intention to sell these assets, and they are therefore not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net position increased \$2.6 million in fiscal year 2014 due to \$62.6 million in capital asset expenditures, \$9.6 million in donated assets, and a \$26.8 million decrease in net capital related debt, offset by \$48.0 million in depreciation expense, and asset disposals.

The second portion of the City's net position, \$174.8 million represents resources that are subject to external restrictions on how they may be used. The increase of \$23.7 million includes an increase of \$16.6 million in restricted for capital projects and a \$4.0 million increase in restricted for transportation

purposes due to increased capital project activity and a \$1.4 million increase in net position restricted for trust purposes.

The third portion consists of Unrestricted Net Position of \$152.6 million. This category of net position may be used to meet the City's ongoing obligations to citizens and creditors. This category decreased \$6.3 million in fiscal year 2014. Unrestricted net position is the balance of net position remaining after calculating the other two categories discussed above. Unrestricted net position of governmental activities decreased \$9.9 million, while unrestricted net position of business-type activities increased \$3.6 million.

Changes in Net Position

The following table compares the government-wide revenue and expenses for the current and previous fiscal year.

	Changes in Net Position					
	(in millions of dollars)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES:						
Program revenues:						
Fees, fines & charges for services	\$ 19.2	\$ 18.7	\$ 69.5	\$ 67.2	\$ 88.7	\$ 85.9
Federal grants	2.7	2.9	0.0	0.1	2.7	3.0
Capital contributions	5.3	6.7	9.3	7.3	14.6	14.0
Other grants and entitlements	16.4	24.3	-	-	16.4	24.3
General revenues:						
Property taxes	18.2	19.5	-	-	18.2	19.5
Sales and use taxes	70.2	66.0	-	-	70.2	66.0
Franchise taxes	4.2	4.1	-	-	4.2	4.1
State shared sales tax	13.4	12.7	-	-	13.4	12.7
Urban revenue sharing	17.2	14.4	-	-	17.2	14.4
Auto-in-lieu taxes	5.5	5.2	-	-	5.5	5.2
Investment earnings	0.9	0.6	0.4	0.2	1.3	0.8
Gain on sale of capital assets	0.1	0.1	-	-	0.1	0.1
Forgiveness of debt	-	0.6	-	-	-	0.6
Miscellaneous	3.9	4.4	-	-	3.9	4.4
Total revenues	<u>177.2</u>	<u>180.2</u>	<u>79.2</u>	<u>74.8</u>	<u>256.4</u>	<u>255.0</u>
EXPENSES:						
Program activities:						
Governmental activities:						
General government	20.0	19.1	-	-	20.0	19.1
Culture and recreation	25.6	22.4	-	-	25.6	22.4
Police	36.4	35.4	-	-	36.4	35.4
Fire	23.9	21.4	-	-	23.9	21.4
Development services	9.2	8.4	-	-	9.2	8.4
Highways and streets	31.4	30.0	-	-	31.4	30.0
Public works	7.0	7.0	-	-	7.0	7.0
Human services	1.6	2.2	-	-	1.6	2.2
Interest expense on debt	12.0	12.7	-	-	12.0	12.7
Unallocated depreciation	0.6	0.6	-	-	0.6	0.6
Business-type activities:						
Water utility	-	-	30.8	29.1	30.8	29.1
Wastewater utility	-	-	21.1	20.3	21.1	20.3
Solid Waste utility	-	-	10.8	10.5	10.8	10.5
Stadium	-	-	5.2	5.1	5.2	5.1
Storm Drain utility	-	-	0.8	0.8	0.8	0.8
Housing	-	-	-	0.3	-	0.3
Total expenses	<u>167.7</u>	<u>159.2</u>	<u>68.7</u>	<u>66.1</u>	<u>236.4</u>	<u>225.3</u>
Excess (deficit) before transfers	<u>9.5</u>	<u>21.0</u>	<u>10.5</u>	<u>8.7</u>	<u>20.0</u>	<u>29.7</u>
Transfers	<u>(28.2)</u>	<u>(9.4)</u>	<u>28.2</u>	<u>9.4</u>	<u>-</u>	<u>-</u>
Restatement	<u>55.1</u>	<u>-</u>	<u>6.3</u>	<u>(2.1)</u>	<u>61.4</u>	<u>(2.1)</u>
Increase (decrease) in net position	<u>\$ 36.4</u>	<u>\$ 11.6</u>	<u>\$ 45.0</u>	<u>\$ 16.0</u>	<u>\$ 81.4</u>	<u>\$ 27.6</u>

For fiscal year 2014, total governmental activities revenues decreased \$3.0 million, and total business-type activities revenues increased \$4.4 million. Expenses increased \$8.5 million and \$2.6 million for the governmental activities and business-type activities, respectively. General government expenses increased by \$0.8 million; culture & recreation expenses increased by \$3.2 million; public safety increased \$3.5 million. Development services expenses increased by \$0.8 million, human services decreased by \$0.6 and highways and streets expenses increased by \$1.4 million. The increase in the business-type activities expenses are primarily in the Water Utility (\$1.7 million), Wastewater Utility (\$0.7

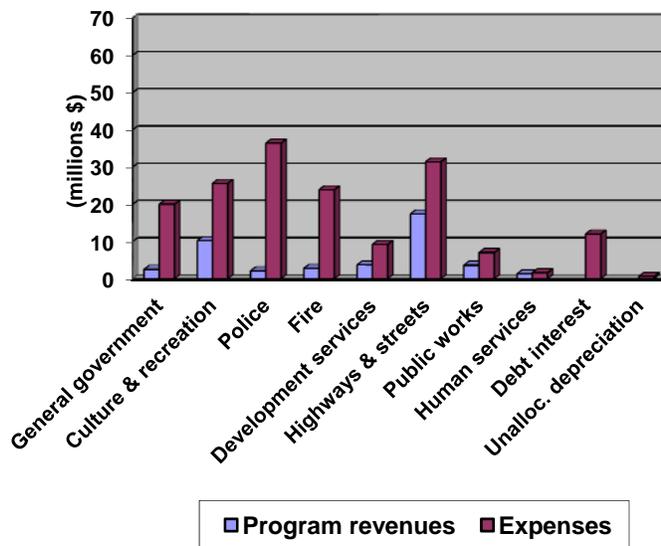
million,) and the Solid Waste Utility (\$0.3 million). For further explanation of these expense changes, refer to the financial analysis of the City's funds later in this document.

The general revenues of governmental activities increased \$6.1 million from the previous year. The primary drivers were decreases in property tax, capital contributions and other grants, offset by increased local and state sales taxes. Property tax revenues decreased by \$1.3 million in fiscal year 2014 as assessed values continued to decline. Capital contributions decreased by \$1.5 million in fiscal year 2014. Other grants decreased by \$7.9 million, due to decreased highways & streets revenue. Local sales and use taxes increased \$4.3 million as retail and restaurant & bar sales taxes increased \$2.8 million and \$0.3 million respectively while state shared sales taxes increased \$0.8 million.

Program revenues of governmental activities decreased \$9.1 million mainly as a result of the following change: Development/Impact Fees decreased by \$8.2 million due to a change in reporting reimbursements made to developers. The program revenues of business-type activities increased by \$4.2 million primarily due to a \$1.7 million increase in charges for services revenues in the Water Utility and a \$1.5 million increase in Capital Grants in the Water Utility.

The following graph shows the functional revenues and expenses of governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent full cost allocation to these

Governmental Activities Program Revenues & Expenses



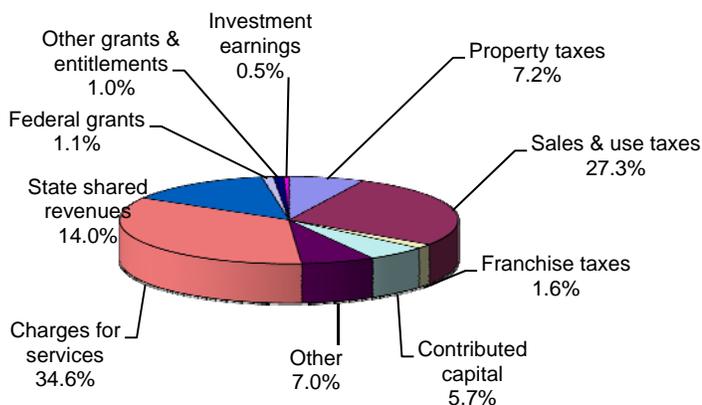
functions. Expenses not covered by direct program revenues are covered by general revenues of the City, primarily taxes and state shared revenues. In the governmental activities, the program revenues of \$43.6 million are 26.0% of the governmental activities expenses for fiscal year 2014, down from 33.1% in fiscal year 2013. In the business-type activities, program revenues of \$78.8 million are 114.7% of the business-type expenses for fiscal year 2014. This compares to \$74.6 million and 112.7% in fiscal year 2013.

Governmental activities account for 69.2% of the total revenues of the City and 70.9% of the total expenses in fiscal year 2014. These percentages were 70.7% and 70.6% respectively in fiscal year 2013.

As seen in the following graph, one of the largest financing sources for the City in fiscal year 2014 is charges for services (33.7%), primarily because this is the major funding source of the business-type activities (87.8% of business-type revenues in fiscal year 2014). The major funding sources of the governmental activities are property, franchise and sales/use taxes (36.2% of total revenues, 52.3% of

governmental revenues) and state shared revenues (14.0% of total revenues, 20.3% of governmental revenues).

Government-Wide Revenue Sources Fiscal Year 2014

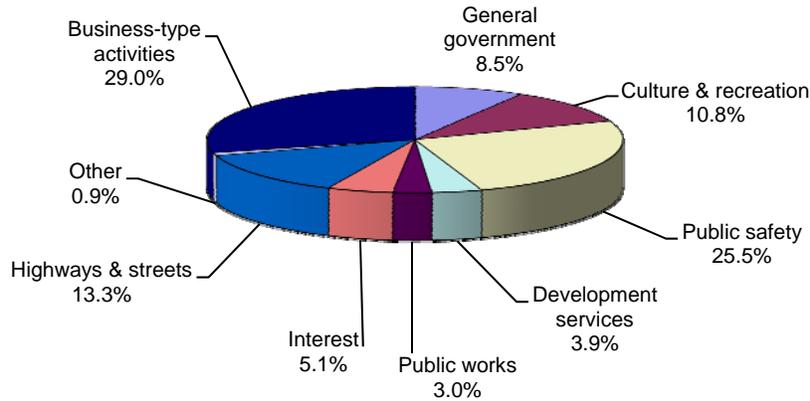


Property taxes decreased 5.0% from fiscal year 2013 with a continued decline in assessed value. The tax rates did not change in fiscal year 2014 compared to the previous year.

Total government-wide expenses (not including transfers out) of the City increased \$11.0 million in fiscal year 2014. Expenses of the governmental activities increased \$8.4 million. This includes increases of \$3.1 million for culture and recreation, \$2.5 million for fire, \$1 million in each of general government and police, and \$2.8 million for highways and streets offset by a decrease of \$0.6 million for human services, \$0.5 million for development services, and \$0.7 million for interest expense. Highways and streets expenses increased primarily due to an increase of \$2.8 million in maintenance performed on the City's street system. Culture and recreation expenses increased primarily due to the opening of a new regional city park, Pioneer Park. General government expenses increased with \$1.3 million in costs to install energy efficiency lighting within the City. Expenses in business-type activities increased \$2.6 million primarily due to increased costs of contractual services, materials and supplies.

As shown in the following Government-Wide Functional Expenses graph, business-type activities account for 29.0% of the functional expenses of the City for fiscal year 2014, while governmental activities account for 71.0% of the functional expenses. For the governmental activities, the largest users of resources are public safety (25.5% of total expense, 35.9% of governmental expenses), general government (8.5% of total expenses, 12.0% of governmental expenses), highways and streets (13.3% of total expenses, 18.7% of governmental expenses), and culture and recreation (10.8% of total expenses, 15.2% of governmental expenses).

Government-Wide Functional Expenses Fiscal Year 2014



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

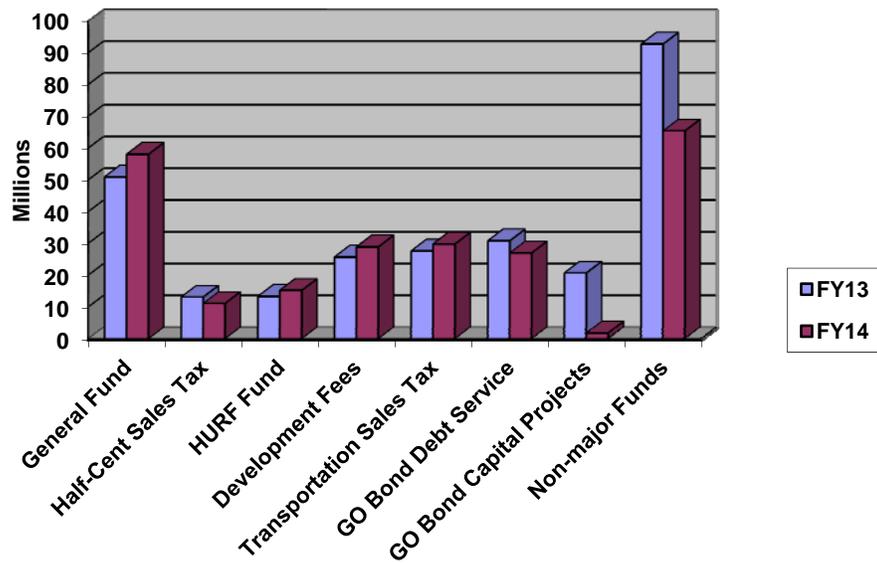
The focus of the governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds may be found on pages 97-100. Although the Highway User Revenue Fund, Transportation Sales Tax Fund, Development Fee Fund and GO Bond Debt Service Fund do not meet the GASB 34 criteria of a major fund, the City has chosen to present them as major funds due to local significance or outstanding debt.

The fund balance of the governmental funds is \$237.2, a decrease of \$38.3 million from the previous year. Of this, \$145.8 million (down \$43.1 million from the previous year) is classified as Unspendable or Restricted because it is not appropriable for expenditure or is legally segregated for a specific future use. The decrease in restricted fund balance is caused by a decrease in restricted for capital projects of \$46.8 million and a decrease in restricted for debt service of \$3.5, offset by an increase of \$3.2 million in restricted for development fees due to increased development fee revenues, and \$4.1 in restricted for transportation purposes due to increased capital expenditures.

An additional \$74.1 million of the governmental fund balance (up \$1.5 million from the previous year) has been committed or assigned for specific purposes by council or administrative action. These commitments include various stabilization reserves (\$36.8 million), debt service reserves (\$1.0 million), capital projects (\$18.4 million) and arts capital and various other purposes (\$17.9).

The remaining \$17.3 million of governmental fund balance is classified as Unassigned. This balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. By Council policy, these resources are used to fund one-time needs of the City including capital facilities and transportation improvements. The unassigned fund balance increase of \$3.3 million during fiscal year 2014 is due primarily to increased General Fund revenues.

Governmental Funds - Fund Balance



The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government, including public safety, parks and recreation, community development and general administrative services. The General Fund revenues increased \$6.1 million from the previous year. Urban revenue sharing increased \$2.7 million. Property taxes decreased by \$0.2 million as assessed values continue to decrease. The City’s sales tax revenues in the General Fund increased \$3.0 million and state shared sales tax revenues increased \$0.8 million due to a recovering retail sales and restaurant & bar sales. Auto-in-lieu revenue (licensing fees) increased \$0.3 million with an increase in auto sales. Total General Fund expenditures increased \$1.3 million. Personnel costs increased \$1.5 million while other costs (contractual services and commodities) increased \$2.0 million as the economy begins to recover. Capital outlay decreased by \$2.6 million. The unassigned fund balance of the General Fund was 16.8% of expenditures at June 30, 2014, compared to 13.8% at June 30, 2013.

The Half-Cent Sales Tax Fund tracks the revenues from a \$.05 sales tax committed for specific purposes by Council policy. Revenues in this fund increased \$1.4 million from the previous year due to increased sales tax revenues. Expenditures in this fund increased \$1.5 million due to a project in fiscal year 2014 to replace energy efficiency in the lighting within the City. Transfers out from the Half-Cent Fund increased \$2.7 million with higher debt service transfers. Total fund balance of the Half-Cent Sales Tax Fund decreased by \$2.5 million in fiscal year 2014.

The Highway User Revenue Fund (HURF Fund) is required by state statute to track the receipt of the state allocation of gasoline taxes and other state revenues shared with local governments that are required to be used for transportation purposes. Also, there is a sales tax on utilities and property tax revenues from street light improvement districts included in this fund. Revenues increased by \$0.4 million due to increased highway user revenues and a small increase in sales taxes. Expenditures decreased by \$0.9 million in fiscal year 2014 primarily due to decreased operating costs. Fund balance increased \$1.9 million in fiscal year 2014.

The Transportation Sales Tax Fund tracks the collection and expenditure of the .3% voter approved sales tax to address transportation issues. Revenues in this fund increased \$0.9 million while expenditures decreased \$1.1 million. The increased revenues are due to increasing sales tax revenue while the decreased expenditures are primarily capital outlay. The fund balance increased \$2.2 million in fiscal year 2014. All fund balance in this fund is restricted.

Another major governmental fund of the City is the Development Fee Fund, which collects governmental impact fees for parks and recreational facilities, public safety, and streets and intersections. Revenues in

the Development Fee Fund decreased \$4.4 million, while expenditures decreased \$3.1 million in fiscal year 2014. Fund balance increased \$3.2 million in fiscal year 2014, primarily due to decreased principal payments on development agreements. All fund balance in this fund is restricted.

The GO Bond Debt Service Fund accounts for the payment of general obligation bonds and the related interest. Revenues in this fund decreased \$1.3 million due to decreased secondary property tax revenues. The secondary assessed value of the City decreased 7.0% in fiscal year 2014 while the secondary tax rate was unchanged. Expenditures increased by \$0.8 million due to increased principal payments on general obligation bonds. Fund balance decreased \$3.9 million in fiscal year 2014.

The GO Bond Capital Project Fund accounts for the use of proceeds from general obligation bonds for capital projects. Revenues in this fund increased \$0.2 million due to a settlement agreement with a construction company. Expenditures increased by \$1.4 million due to increased capital outlay. Fund balance decreased \$18.9 million in fiscal year 2014.

All non-major governmental funds of the City are combined into one column on the governmental fund statements.

Proprietary funds

The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discretely. Although the Solid Waste Fund, Stadium Fund, and Storm Drain Utility Fund do not meet the GASB 34 criteria of a major fund, the City has chosen to present them as major funds due to local significance.

Total net position of the enterprise funds increased \$44.6 million in fiscal year 2014. Net investment in capital assets increased \$39.8 million with the addition of utility infrastructure and equipment in the Water and Wastewater Funds and renovation of the clubhouses and sports complex in the Stadium Fund. Restricted net position increased \$1.6 million primarily due to an increase in capital project activity in the Water Utility, Wastewater Utility, and Stadium Funds. Beginning unrestricted net position was restated due to a change in accounting principle. Previously, contracts payable related to development agreements were included on the financial statements as a long-term liability. It was determined that these liabilities are contingent liabilities and should not have been recorded. The unrestricted net position of the enterprise funds increased 3.2 million primarily due to increased net income in all of the enterprise funds. The Water Utility Fund, Wastewater Utility Fund, Solid Waste Fund, Stadium Fund, and Storm Drain Utility Fund experienced increases in total net position of \$14.0 million, \$5.5 million, \$0.7 million, \$24.2 million and \$0.2 million respectively. The Water Utility Fund unrestricted net position increased \$1.8 million, the Wastewater Utility Fund unrestricted net position increased \$2.1 million, the Solid Waste Fund unrestricted net position decreased \$1.0 million, and the Stadium Fund unrestricted net position increased \$0.3 million.

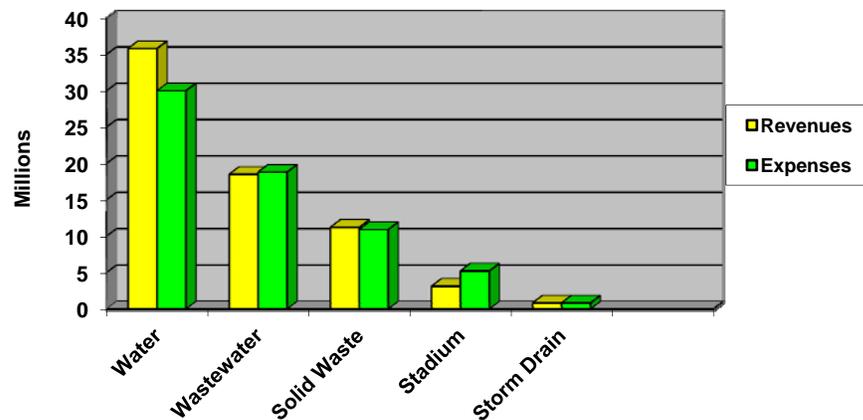
Operating revenues of the enterprise funds increased \$2.2 million in fiscal year 2014. Charges for services increased \$1.4 million in the Water Utility Fund and \$0.3 million in the Solid Waste Fund primarily due to increased usage. In the Stadium Fund, rent revenue increased by \$0.3 million. Operating expenses of the enterprise funds increased \$2.3 million in fiscal year 2014. The Water Utility Fund operating expenses increased \$1.6 million primarily due to increases in depreciation expense of \$0.4 million and contractual services/commodities of \$1.1 million which consists primarily of increases in various Central Arizona Project related water charges and internal service charges. The Wastewater Utility Fund operating expenses increased \$0.8 million due to increases in contractual services/commodities of \$0.6 million primarily in professional service fees and internal service charges. In the Solid Waste Fund, operating expenses increased \$0.1 million due to an increase in contractual services/commodities primarily in landfill services.

Operating income for the Water Utility Fund increased by \$0.1 million from fiscal year 2013 due to the increases in contractual services/commodities and depreciation expenses being offset by increases in charges for services revenue. Operating income for the Wastewater Utility Fund decreased by \$0.8 million in fiscal year 2014 with the increase in contractual services/commodities expenses as discussed above. The Solid Waste Utility Fund operating income increased \$0.2 million due to increased charges

for services. The \$0.5 million decrease in the Stadium Fund operating loss in fiscal year 2014 is primarily due to an increase in rent revenues. The Stadium Fund's operating loss is substantially covered by transfers from the Half-Cent Sales Tax Fund for governmental use and support of this facility. The Storm Drainage Utility Fund essentially broke even in fiscal years 2013 and 2014.

The following graph shows the operating revenues and expenses for the enterprise funds for fiscal year 2014.

Fiscal year 2014 Enterprise Fund Operating Revenues and Expenses



BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 30-34. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgetary schedules for the other governmental funds as well as the proprietary funds are also presented on pages 92-93, 102-110, 112-116, and 121-124.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.E for more information on budget policies). Some of these amendments include transfers from contingency to cover approved carryovers from the previous budget, capital projects with budget overages (or whose timing was accelerated), and other unanticipated costs. Also, throughout the year, budget amendments are processed to provide expenditure authority from unanticipated revenue sources. These include new or increased grants and intergovernmental agreements. It is generally the policy of the City to not include revenues and operational expenditure authority for these types of items in the operational budgets unless the funding is reasonably assured at the time of completion of the annual budget. Instead, the City budgets contingency accounts to allow for later transfer to operational budgets if and when the funding is received.

No amendments increasing the City's total adopted budget of \$468 million occurred during fiscal year 2014. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur.

General Fund inflows (revenues and other sources) of \$125.2 million, on a budgetary basis, exceeded budgeted inflows of \$118.1 million by \$7.1 million while budgetary basis outflows (expenditures and other uses) of \$115.5 million were 80.1% of final budgeted outflows. Revenues, on a budgetary basis, exceeded budgeted revenues in sales tax, property tax, franchise tax, state shared sales tax, urban revenue sharing, auto in-lieu tax, charges for other services, licenses and permits, rents, while falling short in investment earnings and fines and forfeitures. Reduced General Fund outflows resulted primarily

from the functional categories of Police, Culture and recreation and Finance. There were no expenditure overages for any of the functional categories, with the exception of Court.

During the fiscal year, the original General Fund expenditures and other uses budget of \$141.3 million was amended by \$3.1 million to the final expenditure and other uses budget of \$144.4 million. Notable General Fund transfers were as follows:

- Budget appropriation of \$1.73 million was transferred to the General Fund from operating and capital funds for FY2014.
- Contingency appropriation of \$1.85 million was transferred from General Fund to the Sports Complex Reserve Fund as part of a contractual payment from the City's new Sports Complex concessionaire.
- Reduction of Lake Pleasant Parkway and Truck Route Reliever capital improvement projects of \$5.4 million from capital funds to General Fund contingency appropriation.
- Additions to Camino A Lago Park, Skunk Creek Trailhead and the Sports Complex capital improvements projects of \$1.8 million was transferred to capital funds from General Fund contingency appropriation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had \$1.4 billion invested in various capital assets, net of accumulated depreciation and related debt, up 3.8% from the previous year. The capital assets of the City (net of depreciation, but not capital debt) are \$1.8 billion. This is a net increase of \$25.8 million from June 30, 2013. Net assets of business-type activities increased \$24.8 million while governmental activities increased \$0.5 million.

Major additions to capital assets during the fiscal year included the following:

- ✓ The City spent \$23.6 million completing a major renovation of the team clubhouses located at the Peoria Sports Complex. An additional \$1.8 million was spent to begin phase two, to renovate the main stadium. These improvements are pursuant to the new lease agreement with the San Diego Padres and the Seattle Mariners. The presence of these two teams has proven to be an important community asset, as well as an important economic driver. Recently constructed Spring Training complexes have raised the bar for these facilities, and the Padres and Mariners are desirous that the Peoria Spots Complex reflect this new standard. The total project costs for the clubhouses were \$30 million. The projected costs for phase two are \$7.2 million.
- ✓ Located at the southeast corner of 83rd and Olive Avenue, the City constructed a second community park, Pioneer Park. The park has approximately 80 acres of area to include six baseball/softball fields with the associated concessions, restrooms, spectator areas and parking, four lighted soccer fields and support facilities, a five-acre lake, a skate park, a dog park, a splash park, picnic areas and gardens. The City spent an additional \$2 million in fiscal year 2014. Pioneer Park completed project costs are \$21.7 million. Pioneer Park opened in September 2013.
- ✓ Traffic projections indicate that Lake Pleasant Parkway should be widened to four lanes between Westwing Parkway (Dynamite Blvd) and the Loop 303 to accommodate the anticipated increased traffic anticipated following the connection of Loop 303 to Lake Pleasant Parkway. This project will add two lanes in both directions to the two existing lanes, bike lanes, median improvements, street lighting, sidewalk installation along Lake Pleasant Parkway from Happy Valley Road to Westwing Parkway and aesthetic enhancements to existing walls in the area. Project costs as of June 2014 are \$9.8 million. This project is expected to be completed in FY2015.
- ✓ The City of Peoria, MCDOT, City of Surprise, and the Arizona Rock Products Association identified an alternative truck route to reduce truck traffic on Beardsley Road between 111th Avenue and 99th

Avenue. Additionally, the route will alleviate the noise and other environmental impacts on residents in the area. This project was approved by the voters as part of the 2008 bond election. Project costs as of June 2014 are \$4.5 million. This project is expected to be completed in FY2015.

The following table provides a breakdown of the capital assets of the City at June 30, 2014, and 2013. Additional information on the City's capital assets may be found in Note 12.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Buildings and building improvements	\$ 133.0	\$ 137.7	\$ 50.6	\$ 21.5	\$ 183.5	\$ 159.2
Furniture	.5	.4	-	.1	.5	.5
Equipment	11.7	13.1	6.2	5.3	17.9	18.4
Vehicles	7.8	7.1	6.2	4.7	13.9	11.8
Surface water system	56.6	58.6	-	-	56.8	58.6
Street system	353.4	362.8	-	-	353.4	362.8
Park system	68.4	48.6	-	-	68.4	48.6
Water system	-	-	236.9	237.6	236.9	237.6
Water rights	-	-	11.1	11.3	11.1	11.3
Wastewater system	-	-	268.8	274.8	268.8	274.8
Land	340.1	339.2	16.6	16.6	356.7	355.8
Work in progress	158.3	161.7	50.2	49.5	208.5	211.2
Total	<u>\$ 1,129.8</u>	<u>\$ 1,129.2</u>	<u>\$ 646.6</u>	<u>\$ 621.4</u>	<u>\$ 1,776.4</u>	<u>\$ 1,750.6</u>

The City has adopted a ten year capital improvement plan budgeted at \$598.6 million, including \$145.2 million in fiscal year 2015. Anticipated funding for this plan for fiscal year 2015 is through a combination of impact fees (20.4%), general obligation bonds (8.0%), municipal development authority bonds (25.6%), operating revenues (23.2%), City (17.6%) and County (1.5%) transportation sales taxes and other outside funding sources (3.7%). The estimated operating budget impact of the capital improvement program over the next five fiscal years is expected to be \$10.5 million. The capital improvement plan is updated annually as part of the City's budget process.

Long-term Debt

The City's outstanding non-current long-term debt, including bonds, compensated absences, and deferred bond premiums, net of deferred loss on bond refunding, was \$379.5 million at June 30, 2014. Of this total, \$276.1 million was in governmental activities and \$103.4 million was in business-type activities. The City's outstanding non-current debt decreased \$84.9 million in fiscal year 2014. This decrease in outstanding non-current debt is due to the change in accounting principle implemented in fiscal year 2014. All contracts payable related to development agreements were removed from the financial statements. Contracts payable of \$57,165,982 was removed from governmental activities and \$6,297,204 was removed from business-type activities.

Of the total outstanding bonds, net of unamortized bond premium, of \$398.6 million, \$152.8 million is general obligation bonds backed by the full faith and credit of the City. An additional \$3.2 million is special assessment bonds where the City is contingently liable in the event that the assessment revenues are insufficient to pay the debt payments. The outstanding debt also includes \$51.1 million in Community Facilities District bonds where the City has no obligation for payment. All other outstanding debt is secured by pledges of specific revenue sources of the City.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the assessed valuation of the City. The City's available debt margin at June 30, 2014, is \$63.1 million in the 6% category and \$59.0 million in the 20% category. Additional information on the debt limitations and capacities may be found in Note 14 and also in Table XXV in the statistical section of this report.

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2014, and 2013. Further detail on the City's outstanding debt may be found in Note 14.

Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
General obligation debt	\$ 152.8	\$ 162.4	\$ -	\$ -	\$ 152.8	\$ 162.4
Municipal Development Authority debt	81.0	85.2	-	-	81.0	85.2
Special assessment debt	3.2	3.5	-	-	3.2	3.5
Water/Sewer Revenue bonds	-	-	110.5	119.5	110.5	119.5
Community Facilities District bonds	51.1	53.7	-	-	51.1	53.7
Compensated absences	6.9	6.9	0.8	0.8	7.7	7.7
Total	\$ 295.0	\$ 311.7	\$ 111.3	\$ 120.3	\$ 406.3	\$ 432.0

The City currently maintains the following ratings on its general obligation debt: "AA+" from Standard & Poor's, "Aa1" from Moody's and "AA+" from Fitch. For the water and sewer revenue bonds, the ratings are "AA" from Standard & Poor's, "Aa3" from Moody's and "AA" from Fitch.

ECONOMIC FACTORS

The unemployment rate in the metropolitan Phoenix region for June 2014 was 6.0% which remains below both the state (7.5%) and national average (6.3%). The regional economy continues to recover at a slow pace with population growth in the 1% range and modest improvements in job creation over the 12-month period at 2.3%, slightly faster than the national rate of 1.5%. Construction activity began to improve markedly over the previous year (though, much lower than after previous recessions) in the region as home values and re-sale activity rebounded. Most job gains in the state were in the leisure and hospitality, business and financial services, education, and healthcare sectors. Peoria also experienced growth in new home starts with a 25.0% increase in single-family home permits compared to the previous fiscal year. Commercial activity improved during the year, but reflects increases over historically low levels during the previous two fiscal years.

The adopted fiscal year 2015 budget is \$470 million, a slight increase from the fiscal year 2014 budget as the City anticipates slight property tax revenue decreases due to lag between the time properties are valued and the time they are billed. The operating budget totals \$324.8 million, which is an increase of 3.5% from 2014. The capital projects portion of the budget, \$145.2 million (a 5.8% decrease), is divided in the following manner: \$0.9 million for drainage projects, \$6.0 for operational facilities, \$17.8 million for parks, trails and open space, \$10.8 million for public safety projects, \$35.9 million for streets and traffic control projects, \$44.3 million for economic development projects, \$8.0 million for wastewater projects, and \$21.5 million for water projects.

The General Fund operating budget (not including contingency) is \$123.2 million, up 3.1% from the prior year budget. With the muted economic recovery, the citizens' needs for City services were balanced with a slowly increasing revenue base. The budget continues to focus on preserving the City's excellent quality of life, while preserving our future financial viability.

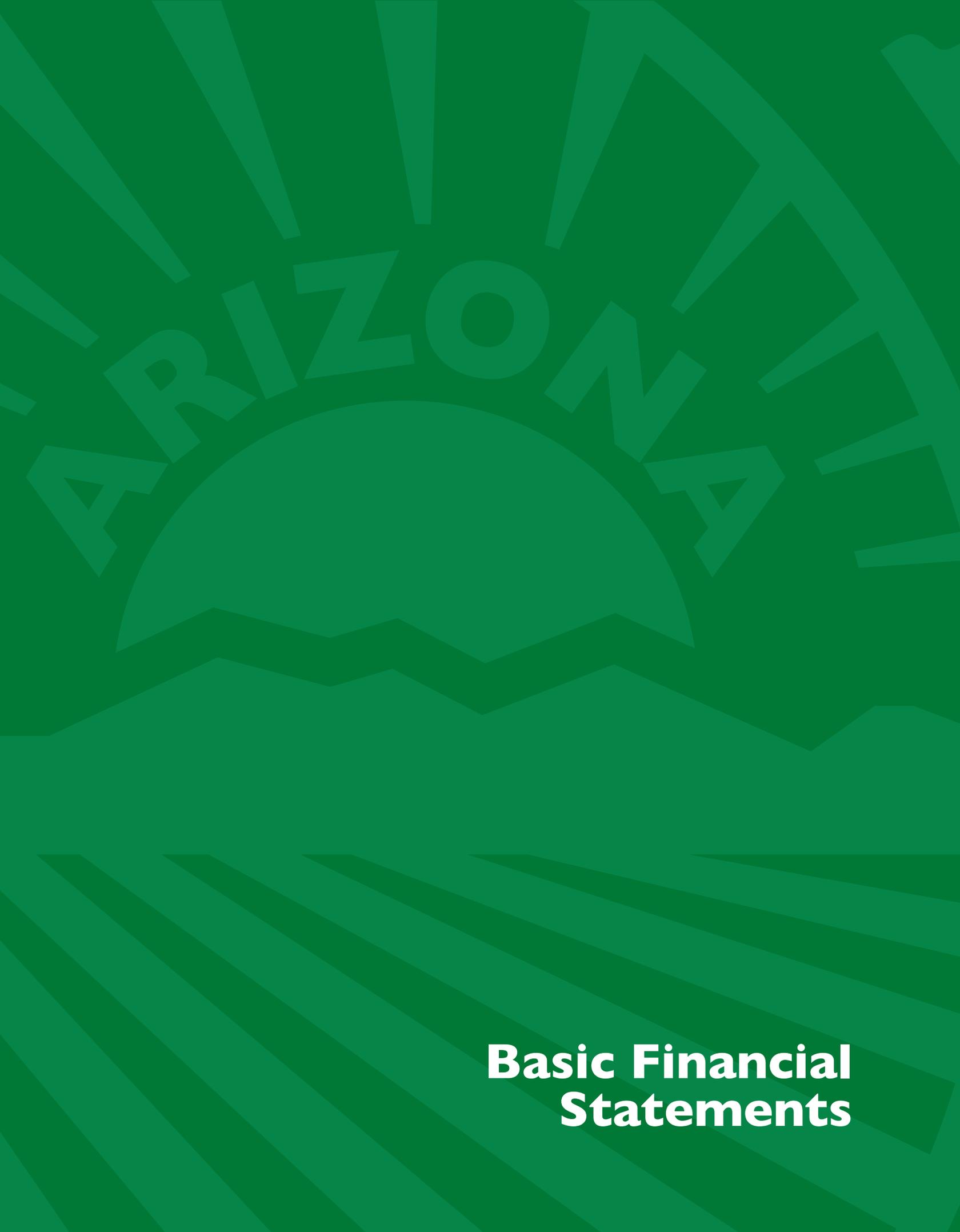
The fiscal year 2015 budget no longer required staff cuts, but adhering to the commitment to avoid ongoing commitments, seven new positions were added in the budget.

The City has maintained cash balances over the last few years, both for financial stability and in anticipation of the capital and ongoing operational needs of an ever-changing city. The City has established several stabilization reserves within the General Fund and Half-Cent Sales Tax Fund in accordance with the City's adopted financial policies – The Principles of Sound Financial Management. These reserves totaled \$31.5 million in the General Fund and \$5.2 million in the Half-Cent Sales Tax Fund at June 30, 2014. The City also maintains working capital policy reserve, rate stabilization, and debt stabilization reserves in the Utility Funds. At June 30, 2014, those reserves were \$12.3 million in the Water Utility, \$8.8 million in the Wastewater Utility, and \$2.2 million in the Solid Waste Utility. It should be noted that while these reserves are established to address immediate and dramatic fiscal difficulties, they are not intended to cover structural budget shortfalls. With this in mind, the fiscal year 2015 budget does not anticipate the use of reserves to address recurring expenses.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Peoria, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the City's Finance Director at the following address: City of Peoria, 8401 W. Monroe Street, Peoria, Arizona 85345.





**Basic Financial
Statements**

CITY OF PEORIA, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 53,613,894	\$ 20,694,824	\$ 74,308,718
Cash with fiscal agents	3,681,859	-	3,681,859
Investments	179,737,909	69,540,816	249,278,725
Accounts receivable, net	8,891,034	8,679,861	17,570,895
Interest receivable	99,040	35,482	134,522
Internal balances	(2,241,926)	2,241,926	-
Due from other governments	4,587,905	-	4,587,905
Prepaid items	230,822	91,000	321,822
Supply inventories	429,506	389,058	818,564
Restricted cash and cash equivalents	22,102,392	-	22,102,392
Restricted investments	15,248,986	-	15,248,986
Other assets	900,000	-	900,000
Special assessments receivable	2,603,127	-	2,603,127
Capital assets:			
Non-depreciable	498,433,470	65,819,496	564,252,966
Depreciable (net)	631,321,478	579,910,785	1,211,232,263
Total assets	<u>1,419,639,496</u>	<u>747,403,248</u>	<u>2,167,042,744</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	<u>349,692</u>	<u>284,406</u>	<u>634,098</u>
LIABILITIES			
Accounts payable	11,159,551	3,188,124	14,347,675
Accrued payroll	1,272,054	155,006	1,427,060
Interest payable	6,078,842	1,786,943	7,865,785
Due to other governments	1,208,783	219,028	1,427,811
Other liabilities	3,302,122	87,769	3,389,891
Customer deposits	3,567	2,018,373	2,021,940
Unearned revenue-other	3,159,970	1,848,389	5,008,359
Non-current liabilities:			
Due within one year:			
Current portion of claims payable	2,477,231	-	2,477,231
Current portion of compensated absences	5,177,550	619,410	5,796,960
Current portion of bonds payable	17,305,000	9,210,037	26,515,037
Due in more than one year:			
Noncurrent portion of claims payable	1,585,358	-	1,585,358
Noncurrent portion of compensated absences	1,728,590	213,930	1,942,520
Noncurrent portion of bonds payable	274,407,869	103,181,509	377,589,378
Total liabilities	<u>328,866,487</u>	<u>122,528,518</u>	<u>451,395,005</u>
NET POSITION			
Net investment in capital assets	855,286,264	533,623,141	1,388,909,405
Restricted for:			
Debt service	50,307,079	-	50,307,079
Capital projects	18,452,158	23,053,024	41,505,182
Development fees	28,897,666	-	28,897,666
Transportation purposes	44,934,361	-	44,934,361
Grant purposes	2,790,691	-	2,790,691
Facilities maintenance	54,193	100,000	154,193
Trust purpose	6,188,544	-	6,188,544
Unrestricted	84,211,745	68,382,971	152,594,716
Total net position	<u>\$ 1,091,122,701</u>	<u>\$ 625,159,136</u>	<u>\$ 1,716,281,837</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 20,038,112	\$ 2,303,848	\$ 138,563	\$ -
Culture and recreation	25,559,518	7,299,943	422,945	2,515,028
Police	36,344,807	995,068	628,923	525,073
Fire	23,868,374	1,772,238	453,757	591,566
Development services	9,193,743	2,677,468	1,013,410	-
Highways and streets	31,411,752	621,056	8,691,989	8,071,780
Public works	7,015,316	3,506,520	41,028	-
Human services	1,629,118	45,780	1,302,920	-
Interest on long-term debt	12,009,243	-	-	-
Unallocated depreciation	574,550	-	-	-
Total governmental activities	<u>167,644,533</u>	<u>19,221,921</u>	<u>12,693,535</u>	<u>11,703,447</u>
Business-type activities:				
Water Utility	30,836,235	35,800,393	-	5,611,597
Wastewater Utility	21,083,666	18,455,600	-	3,510,961
Solid Waste Utility	10,806,101	11,309,198	-	-
Stadium	5,176,689	3,103,333	-	-
Storm Drain Utility	823,780	831,439	-	203,078
Total business-type activities	<u>68,726,471</u>	<u>69,499,963</u>	<u>-</u>	<u>9,325,636</u>
Total primary government	<u>\$ 236,371,004</u>	<u>\$ 88,721,884</u>	<u>\$ 12,693,535</u>	<u>\$ 21,029,083</u>

General revenues:

Taxes:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales and use taxes
Franchise taxes
State shared sales taxes- unrestricted
Urban revenue sharing- unrestricted
Auto in-lieu taxes- unrestricted

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning

Cumulative effect of change in accounting principle (note 1)

Net position - beginning - restated

Net position - ending

The accompanying notes are an integral part of the financial statements

**Net (Expense) Revenue and
Changes in Net Position
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (17,595,701)	\$ -	\$ (17,595,701)
(15,321,602)	-	(15,321,602)
(34,195,743)	-	(34,195,743)
(21,050,813)	-	(21,050,813)
(5,502,865)	-	(5,502,865)
(14,026,927)	-	(14,026,927)
(3,467,768)	-	(3,467,768)
(280,418)	-	(280,418)
(12,009,243)	-	(12,009,243)
(574,550)	-	(574,550)
<u>(124,025,630)</u>	<u>-</u>	<u>(124,025,630)</u>
-	10,575,755	10,575,755
-	882,895	882,895
-	503,097	503,097
-	(2,073,356)	(2,073,356)
-	210,737	210,737
<u>-</u>	<u>10,099,128</u>	<u>10,099,128</u>
<u>\$ (124,025,630)</u>	<u>\$ 10,099,128</u>	<u>\$ (113,926,502)</u>
\$ 2,744,900	\$ -	\$ 2,744,900
15,479,771	-	15,479,771
70,213,953	-	70,213,953
4,194,371	-	4,194,371
13,431,637	-	13,431,637
17,172,500	-	17,172,500
5,495,225	-	5,495,225
878,164	359,158	1,237,322
111,342	-	111,342
3,920,109	-	3,920,109
<u>(28,205,646)</u>	<u>28,205,646</u>	<u>-</u>
<u>105,436,326</u>	<u>28,564,804</u>	<u>134,001,130</u>
<u>(18,589,304)</u>	<u>38,663,932</u>	<u>20,074,628</u>
<u>1,054,652,077</u>	<u>580,198,000</u>	<u>1,634,850,077</u>
<u>55,059,928</u>	<u>6,297,204</u>	<u>61,357,132</u>
<u>1,109,712,005</u>	<u>586,495,204</u>	<u>1,696,207,209</u>
<u>\$ 1,091,122,701</u>	<u>\$ 625,159,136</u>	<u>\$ 1,716,281,837</u>

**CITY OF PEORIA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Transportation Sales Tax Fund
ASSETS & DEFERRED OUTFLOWS				
Assets:				
Cash and cash equivalents	\$ 13,758,042	\$ 2,197,029	\$ 3,369,335	\$ 6,874,794
Cash with fiscal agents	-	-	-	-
Investments	45,083,344	7,388,011	11,330,155	23,118,058
Accounts receivable, net	4,791,063	1,535,489	378,420	920,313
Interest receivable	23,139	4,694	5,940	12,156
Due from other funds	-	-	-	-
Due from other governments	2,673,176	-	822,335	-
Prepaid items	108,002	-	-	-
Supply inventories	154,850	-	79,107	-
Restricted cash and cash equivalents	326,735	-	-	-
Restricted investments	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	<u>66,918,351</u>	<u>11,125,223</u>	<u>15,985,292</u>	<u>30,925,321</u>
Total assets & deferred outflows	<u>\$ 66,918,351</u>	<u>\$ 11,125,223</u>	<u>\$ 15,985,292</u>	<u>\$ 30,925,321</u>
LIABILITIES, DEFERRED INFLOWS & FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,675,205	\$ -	\$ 650,929	\$ 1,049,528
Accrued payroll	1,115,339	-	44,290	-
Due to other funds	-	-	-	-
Due to other governments	1,208,783	-	-	-
Customer deposits	3,567	-	-	-
Other liabilities	2,438,667	-	-	87,798
Unearned revenue-other	1,472,954	-	-	-
Total liabilities	<u>8,914,515</u>	<u>-</u>	<u>695,219</u>	<u>1,137,326</u>
Deferred Inflows of Resources:				
Unavailable revenue-property taxes	9,051	-	41,589	-
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>9,051</u>	<u>-</u>	<u>41,589</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Supply inventories	154,850	-	79,107	-
Prepaid items	108,002	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Development fees	-	-	-	-
Transportation purposes	-	-	15,169,377	29,787,995
Grant purposes	-	-	-	-
Arts Center maintenance	54,193	-	-	-
Committed to:				
Debt service	-	1,000,000	-	-
Economic development	5,496,922	-	-	-
Arts capital	-	-	-	-
Operating reserve	13,514,000	-	-	-
Emergency reserve	9,009,000	-	-	-
Budget stabilization reserve	9,009,000	5,242,000	-	-
Assigned to:				
Capital projects	-	-	-	-
Municipal Complex reserve	3,340,512	-	-	-
Other purposes	-	4,883,223	-	-
Unassigned:				
Total fund balance	<u>57,994,785</u>	<u>11,125,223</u>	<u>15,248,484</u>	<u>29,787,995</u>
Total liabilities, deferred inflows & fund balance	<u>\$ 66,918,351</u>	<u>\$ 11,125,223</u>	<u>\$ 15,985,292</u>	<u>\$ 30,925,321</u>

The accompanying notes are an integral part of the financial statements

GO Bond Debt Service Fund	GO Bond Capital Projects Fund	Development Fee Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,111,342	\$ -	\$ 7,461,895	\$ 7,983,858	\$ 47,756,295
-	-	-	3,681,859	3,681,859
20,550,778	-	25,092,320	27,477,736	160,040,402
93,941	-	-	1,168,701	8,887,927
8,749	116	13,357	21,652	89,803
-	-	-	1,819,656	1,819,656
188,206	-	-	904,188	4,587,905
-	52,534	-	-	160,536
-	-	-	-	233,957
-	788,737	-	16,403,396	17,518,868
-	2,497,638	-	9,753,598	12,251,236
-	-	-	2,603,127	2,603,127
<u>26,953,016</u>	<u>3,339,025</u>	<u>32,567,572</u>	<u>71,817,771</u>	<u>259,631,571</u>
<u>\$ 26,953,016</u>	<u>\$ 3,339,025</u>	<u>\$ 32,567,572</u>	<u>\$ 71,817,771</u>	<u>\$ 259,631,571</u>
\$ -	\$ 1,057,263	\$ 1,850,250	\$ 1,823,377	\$ 9,106,552
-	-	-	14,681	1,174,310
-	-	1,819,656	-	1,819,656
-	-	-	-	1,208,783
-	-	-	-	3,567
-	461,624	-	314,033	3,302,122
-	-	-	1,687,016	3,159,970
<u>-</u>	<u>1,518,887</u>	<u>3,669,906</u>	<u>3,839,107</u>	<u>19,774,960</u>
-	-	-	12,922	63,562
-	-	-	2,603,127	2,603,127
-	-	-	2,616,049	2,666,689
-	-	-	-	233,957
-	52,534	-	-	160,536
26,953,016	-	-	23,354,063	50,307,079
-	1,767,604	-	16,632,020	18,399,624
-	-	28,897,666	-	28,897,666
-	-	-	-	44,957,372
-	-	-	2,790,691	2,790,691
-	-	-	-	54,193
-	-	-	-	1,000,000
-	-	-	-	5,496,922
-	-	-	4,058,556	4,058,556
-	-	-	-	13,514,000
-	-	-	-	9,009,000
-	-	-	-	14,251,000
-	-	-	18,415,187	18,415,187
-	-	-	-	3,340,512
-	-	-	112,098	4,995,321
-	-	-	-	17,308,306
<u>26,953,016</u>	<u>1,820,138</u>	<u>28,897,666</u>	<u>65,362,615</u>	<u>237,189,922</u>
<u>\$ 26,953,016</u>	<u>\$ 3,339,025</u>	<u>\$ 32,567,572</u>	<u>\$ 71,817,771</u>	<u>\$ 259,631,571</u>



**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Fund balances - total governmental funds balance sheet \$ 237,189,922

Amounts reported for governmental activities in the statement of net position are different because (also see note 2):

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

Governmental capital assets	\$ 1,406,372,622	
Less accumulated depreciation	<u>(295,117,985)</u>	1,111,254,637

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred loss on bond refunding		349,692
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	288,145,000	
Compensated absences	<u>6,188,290</u>	(294,333,290)

Certain long-term debt is offset by an intangible asset (goodwill) for government-wide reporting		900,000
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Advances for long-term special assessments is shown on the governmental governmental funds balance sheet, but is not on the statement of net position		2,603,127
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Bond premiums are recognized at the time of issuance in the governmental funds, but recognized over the life of the bonds for government-wide reporting		(3,567,869)
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Property tax revenue earned but not received within 60 days of year-end is a deferred inflow of resources for the governmental statements, but is recognized as revenue for the government-wide statements		63,562
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Interest payable on long-term debt is not reported in the governmental funds.		(6,078,842)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds that are reported with the governmental activities.		<u>42,741,762</u>
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Total net position of governmental activities - statement of net position		<u><u>\$ 1,091,122,701</u></u>
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CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Transportation Sales Tax Fund
REVENUES:				
Taxes:				
Sales and use taxes	\$ 39,454,451	\$ 17,776,962	\$ 3,356,033	\$ 10,649,695
Property taxes	2,174,962	-	543,246	-
Franchise taxes	4,194,371	-	-	-
Intergovernmental:				
State shared sales taxes	13,431,637	-	-	-
Urban revenue sharing	17,172,500	-	-	-
Auto in-lieu taxes	5,495,225	-	-	-
Highway user revenue	-	-	8,691,989	-
From federal government	-	-	-	-
Other	257,065	-	-	-
Charges for services	12,207,472	-	328,007	-
Licenses and permits	2,800,894	-	-	-
Fines and forfeitures	1,933,142	-	-	-
Rents	731,901	-	-	-
Investment earnings	83,771	49,707	51,013	131,450
Special assessments	-	-	-	-
Miscellaneous	436,071	27,391	98	80,000
Total revenues	<u>100,373,462</u>	<u>17,854,060</u>	<u>12,970,386</u>	<u>10,861,145</u>
EXPENDITURES:				
Current:				
General government	12,207,156	3,241,986	-	-
Culture and recreation	20,955,595	-	-	-
Police	35,086,801	-	-	-
Fire	22,455,728	-	-	-
Development services	6,984,941	-	-	-
Highways and streets	-	-	11,494,957	1,030,186
Public works	5,069,896	-	-	-
Human services	-	-	-	-
Debt service:				
Principal payments	-	1,023,188	-	-
Interest and other charges	-	8,287	-	-
Capital outlay	201,560	-	500,764	2,212,668
Total expenditures	<u>102,961,677</u>	<u>4,273,461</u>	<u>11,995,721</u>	<u>3,242,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,588,215)</u>	<u>13,580,599</u>	<u>974,665</u>	<u>7,618,291</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in	11,039,167	-	1,000,000	-
Transfers out	(1,137,515)	(16,057,076)	(75,429)	(5,417,059)
Total other financing sources and uses	<u>9,901,652</u>	<u>(16,057,076)</u>	<u>924,571</u>	<u>(5,417,059)</u>
Net change in fund balances	<u>7,313,437</u>	<u>(2,476,477)</u>	<u>1,899,236</u>	<u>2,201,232</u>
Fund balances - beginning	50,924,988	13,601,700	13,349,248	27,586,763
Restatement (note 1)	(243,640)	-	-	-
Fund balances (deficit) - beginning - restated	50,681,348	13,601,700	13,349,248	27,586,763
Fund balances - ending	<u>\$ 57,994,785</u>	<u>\$ 11,125,223</u>	<u>\$ 15,248,484</u>	<u>\$ 29,787,995</u>

The accompanying notes are an integral part of the financial statements

GO Bond Debt Service Fund	GO Bond Capital Projects Fund	Development Fee Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 71,237,141
13,429,627	-	-	2,152,633	18,300,468
-	-	-	-	4,194,371
-	-	-	-	13,431,637
-	-	-	-	17,172,500
-	-	-	-	5,495,225
-	-	-	-	8,691,989
-	-	-	2,717,331	2,717,331
-	-	-	2,367,175	2,624,240
-	-	4,477,101	671,777	17,684,357
-	-	-	-	2,800,894
-	-	-	195,147	2,128,289
-	-	-	-	731,901
89,959	10,934	141,338	199,575	757,747
-	-	-	1,137,018	1,137,018
-	257,058	-	4,259,725	5,060,343
<u>13,519,586</u>	<u>267,992</u>	<u>4,618,439</u>	<u>13,700,381</u>	<u>174,165,451</u>
-	-	-	417,470	15,866,612
-	-	181,062	626,068	21,762,725
-	-	38,598	714,252	35,839,651
-	-	236,293	445,201	23,137,222
-	-	-	2,327,023	9,311,964
-	4,095,067	117,396	360,984	17,098,590
-	-	-	41,028	5,110,924
-	-	-	1,604,288	1,604,288
9,555,000	-	-	7,150,000	17,728,188
6,077,659	2,500	-	6,455,528	12,543,974
-	14,444,860	890,856	3,687,053	21,937,761
<u>15,632,659</u>	<u>18,542,427</u>	<u>1,464,205</u>	<u>23,828,895</u>	<u>181,941,899</u>
<u>(2,113,073)</u>	<u>(18,274,435)</u>	<u>3,154,234</u>	<u>(10,128,514)</u>	<u>(7,776,448)</u>
-	-	-	112,000	112,000
-	-	-	8,120,774	20,159,941
-	(638,458)	-	(25,325,151)	(48,650,688)
-	(638,458)	-	(17,092,377)	(28,378,747)
<u>(2,113,073)</u>	<u>(18,912,893)</u>	<u>3,154,234</u>	<u>(27,220,891)</u>	<u>(36,155,195)</u>
30,825,566	20,733,031	25,743,432	92,686,443	275,451,171
(1,759,477)	-	-	(102,937)	(2,106,054)
<u>29,066,089</u>	<u>20,733,031</u>	<u>25,743,432</u>	<u>92,583,506</u>	<u>273,345,117</u>
<u>\$ 26,953,016</u>	<u>\$ 1,820,138</u>	<u>\$ 28,897,666</u>	<u>\$ 65,362,615</u>	<u>\$ 237,189,922</u>



**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ (36,155,195)
Amounts reported for governmental activities in the statement of activities are different because (also see note 2):	
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.	(20,120)
Certain revenues are advances in the governmental funds because they do not provide current financial resources, but are considered revenue on the statement of activities.	(75,797)
Certain long-term obligations are offset by goodwill that is amortized over the life of the debt. Goodwill amortization is included in the statement of activities, but not the governmental fund statements	(900,000)
Special assessment principal payments received are revenues on the governmental operating statement, but are reductions in the outstanding special assessment debt for government-wide reporting.	(916,873)
Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for bonds and notes payable for the statement of activities, but is expensed when due for the governmental fund statements.	534,731
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$21,937,761), plus other capital \$0, is exceeded by depreciation (\$28,510,136) in the current period.	(6,572,375)
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold or disposed of. Also gains/losses on sales of capital assets are not shown in the governmental funds, but are revenues or expenses on the statement of activities.	141,376
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	5,250,155
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. No effect on net position.	16,705,000
The donation of governmental capital assets from Governmental Funds is not shown in the governmental fund statements but is a transfer out in the statement of activities	(2,749,603)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	6,169,397
Change in net position of governmental activities- statement of activities	<u>\$ (18,589,304)</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 49,901,946	\$ 49,901,946	\$ 49,901,946	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	35,799,364	35,799,364	39,362,157	3,562,793
Property taxes	2,166,429	2,166,429	2,437,408	270,979
Franchise taxes	4,127,136	4,127,136	4,182,052	54,916
Intergovernmental:				
State shared sales taxes	13,136,907	13,136,907	13,369,551	232,644
Urban revenue sharing	16,994,859	16,994,859	17,172,500	177,641
Auto in-lieu taxes	5,215,662	5,215,662	5,509,827	294,165
Other	285,667	285,667	469,025	183,358
Charges for services	23,512,060	23,512,060	26,420,793	2,908,733
Licenses and permits	2,215,734	2,215,734	2,800,894	585,160
Fines and forfeitures	2,124,729	2,124,729	1,933,142	(191,587)
Rents	639,773	639,773	743,340	103,567
Investment earnings	137,652	146,586	100,539	(46,047)
Miscellaneous	685,000	685,000	436,071	(248,929)
Transfers from other funds	11,080,843	11,080,843	10,517,719	(563,124)
Total inflows	<u>118,121,815</u>	<u>118,130,749</u>	<u>125,455,018</u>	<u>7,324,269</u>
Amounts available for appropriation	<u>168,023,761</u>	<u>168,032,695</u>	<u>175,356,964</u>	<u>7,324,269</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government:				
Mayor and council	676,888	686,874	600,775	(86,099)
City manager	4,112,354	4,167,474	3,838,977	(328,497)
Human resources	2,679,726	2,637,843	2,316,520	(321,323)
Attorney	3,155,905	3,255,905	3,066,127	(189,778)
City clerk	819,344	819,344	744,288	(75,056)
Court	1,906,941	1,906,941	1,910,068	3,127
Economic development	1,439,059	1,582,082	915,902	(666,180)
Finance	9,790,335	10,011,335	8,954,037	(1,057,298)
Non-departmental	1,720,819	2,250,979	2,421,425	170,446
Culture and recreation	21,711,985	21,772,023	20,088,394	(1,683,629)
Police	36,805,169	36,745,319	34,721,210	(2,024,109)
Fire	23,000,939	23,000,939	22,221,748	(779,191)
Development services	8,209,879	8,645,276	6,912,161	(1,733,115)
Public works	5,296,323	5,418,896	4,829,375	(589,521)
Capital outlay	1,761,920	2,362,171	1,253,285	(1,108,886)
Contingencies	17,500,000	18,384,776	-	(18,384,776)
Transfers to other funds	718,189	718,189	715,748	(2,441)
Total charges to appropriations	<u>141,305,775</u>	<u>144,366,366</u>	<u>115,510,040</u>	<u>(28,856,326)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 26,717,986</u>	<u>\$ 23,666,329</u>	<u>\$ 59,846,924</u>	<u>\$ 36,180,595</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 175,356,964
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(49,901,946)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(10,517,719)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules	(12,743,673)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(1,820,164)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 100,373,462</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 115,510,040
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	130,947
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	780,111
Certain interdepartmental service charges are recognized as expenditures for budgetary purposes but are eliminated from the financial statements under GASB34's allocation rules	(12,743,673)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(715,748)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 102,961,677</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
HALF-CENT SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 12,712,986	\$ 12,712,986	\$ 12,712,986	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	15,853,416	15,853,416	17,740,482	1,887,066
Investment earnings	39,000	39,000	56,125	17,125
Miscellaneous	-	-	27,391	27,391
Total inflows	<u>15,892,416</u>	<u>15,892,416</u>	<u>17,823,998</u>	<u>1,931,582</u>
Amounts available for appropriation	<u>28,605,402</u>	<u>28,605,402</u>	<u>30,536,984</u>	<u>1,931,582</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government- non-departmental	2,308,796	3,323,928	3,241,986	(81,942)
Debt service:				
Principal payments	1,310,000	1,310,000	1,023,188	(286,812)
Interest and other charges	26,000	26,000	8,287	(17,713)
Capital outlay	1,170,000	-	-	-
Contingencies	3,000,000	3,054,868	-	(3,054,868)
Transfers to other funds	15,961,477	15,961,477	15,957,076	(4,401)
Total charges to appropriations	<u>23,776,273</u>	<u>23,676,273</u>	<u>20,230,537</u>	<u>(3,445,736)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 4,829,129</u>	<u>\$ 4,929,129</u>	<u>\$ 10,306,447</u>	<u>\$ 5,377,318</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 30,536,984
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(12,712,986)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	30,062
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 17,854,060</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 20,230,537
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,957,076)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,273,461</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
HIGHWAY USER REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 11,911,821	\$ 11,911,821	\$ 11,911,821	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	3,286,725	3,286,725	3,362,779	76,054
Property taxes	548,978	548,978	465,254	(83,724)
Intergovernmental:				
Highway user revenue	8,011,080	8,011,080	8,671,502	660,422
Charges for services	426,000	426,000	583,517	157,517
Investment earnings	75,100	75,100	56,782	(18,318)
Miscellaneous	-	-	98	98
Transfers from other funds	1,548,978	1,548,978	1,541,755	(7,223)
Total inflows	<u>13,896,861</u>	<u>13,896,861</u>	<u>14,681,687</u>	<u>784,826</u>
Amounts available for appropriation	<u>25,808,682</u>	<u>25,808,682</u>	<u>26,593,508</u>	<u>784,826</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Highways and streets	9,741,292	9,737,816	9,739,948	2,132
Capital outlay	3,664,176	4,023,368	2,955,837	(1,067,531)
Contingencies	1,000,000	791,345	-	(791,345)
Transfers to other funds	624,407	624,407	617,184	(7,223)
Total charges to appropriations	<u>15,029,875</u>	<u>15,176,936</u>	<u>13,312,969</u>	<u>(1,863,967)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 10,778,807</u>	<u>\$ 10,631,746</u>	<u>\$ 13,280,539</u>	<u>\$ 2,648,793</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 26,593,508
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(11,911,821)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(1,541,755)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB 34's allocation rules.	(295,000)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	125,454
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,970,386</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 13,312,969
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	4,990
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(410,054)
Certain interdepartmental service charges are recognized as expenditures for budgetary purposes but are eliminated from the financial statements under GASB34's allocation rules	(295,000)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(617,184)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,995,721</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 28,371,138	\$ 28,371,138	\$ 28,371,138	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	9,552,852	9,552,852	10,628,918	1,076,066
Investment earnings	125,000	125,000	144,769	19,769
Miscellaneous	-	-	80,000	80,000
Total inflows	<u>9,677,852</u>	<u>9,677,852</u>	<u>10,853,687</u>	<u>1,175,835</u>
Amounts available for appropriation	<u>38,048,990</u>	<u>38,048,990</u>	<u>39,224,825</u>	<u>1,175,835</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Highways and streets	471,541	435,458	257,501	(177,957)
Capital outlay	23,432,478	18,154,324	3,485,448	(14,668,876)
Contingencies	1,000,000	2,651,497	-	(2,651,497)
Transfers to other funds	5,424,294	5,424,294	5,417,059	(7,235)
Total charges to appropriations	<u>30,328,313</u>	<u>26,665,573</u>	<u>9,160,008</u>	<u>(17,505,565)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 7,720,677</u>	<u>\$ 11,383,417</u>	<u>\$ 30,064,817</u>	<u>\$ 18,681,400</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 39,224,825
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(28,371,138)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	7,458
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,861,145</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,160,008
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(500,095)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,417,059)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,242,854</u>

The accompanying notes are an integral part of the financial statements



CITY OF PEORIA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Stadium Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,974,011	\$ 4,576,097	\$ 4,333,308	\$ 644,400
Investments	36,858,854	15,390,100	14,571,735	2,158,524
Accounts receivable, net	4,944,065	1,984,631	1,180,673	495,094
Interest receivable	20,425	6,041	8,344	349
Prepaid items	91,000	-	-	-
Supplies inventory	245,007	-	144,051	-
Total current assets	<u>53,133,362</u>	<u>21,956,869</u>	<u>20,238,111</u>	<u>3,298,367</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	-	-	-	-
Investments	-	-	-	-
Net restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:				
Buildings and improvements	1,744,850	7,659,795	10,799	55,779,184
Distribution and collection systems	318,065,019	350,897,553	-	-
Water Rights	12,889,809	-	-	-
Equipment	7,333,928	2,185,969	28,430	916,344
Vehicles	1,782,263	1,293,603	11,246,609	503,728
Furniture	186,058	29,004	-	-
Less accumulated depreciation and amortization	(87,405,013)	(85,498,050)	(5,697,538)	(14,268,856)
Land and improvements	6,031,539	3,878,001	-	6,703,349
Construction in progress	30,469,751	16,690,662	-	1,958,239
Capital assets, net	<u>291,098,204</u>	<u>297,136,537</u>	<u>5,588,300</u>	<u>51,591,988</u>
Total assets	<u>344,231,566</u>	<u>319,093,406</u>	<u>25,826,411</u>	<u>54,890,355</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	269,279	15,127	-	-
Total deferred outflows of resources	<u>269,279</u>	<u>15,127</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,819,781	807,315	334,961	223,093
Accrued payroll	60,889	28,791	40,209	21,183
Accrued interest payable	575,492	1,211,451	-	-
Due to other governments	215,889	-	-	3,139
Customer Deposits	2,018,373	-	-	-
Other current liabilities	78,263	7,003	-	2,503
Current portion of claims payable	-	-	-	-
Current portion of compensated absences	283,120	108,740	142,890	68,110
Current portion of bonds & contracts payable	4,178,424	5,031,613	-	-
Unearned revenue-other	-	-	-	1,848,389
Total current liabilities	<u>9,230,231</u>	<u>7,194,913</u>	<u>518,060</u>	<u>2,166,417</u>
Non-current liabilities:				
Long-term portion of claims payable	-	-	-	-
Long-term portion of compensated absences	100,810	27,550	50,400	31,010
Long-term portion of bonds & contracts payable	30,907,296	70,383,199	-	-
Plus: Deferred bond premium	1,448,892	442,122	-	-
Total non-current liabilities	<u>32,456,998</u>	<u>70,852,871</u>	<u>50,400</u>	<u>31,010</u>
Total liabilities	<u>41,687,229</u>	<u>78,047,784</u>	<u>568,460</u>	<u>2,197,427</u>
NET POSITION				
Net investment in capital assets	254,832,871	221,294,730	5,588,300	51,591,988
Restricted:				
Capital projects	11,800,419	3,751,241	7,064,311	437,053
Debt service	-	-	-	-
Sports Complex OM&R	-	-	-	100,000
Grant purpose	-	-	-	-
Trust purpose	-	-	-	-
Unrestricted	36,180,326	16,014,778	12,605,340	563,887
Total net position	<u>\$ 302,813,616</u>	<u>\$ 241,060,749</u>	<u>\$ 25,257,951</u>	<u>\$ 52,692,928</u>

Some amounts reported for *business-type activities* in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.
Net position of business-type activities

The accompanying notes are an integral part of the financial statements

Storm Drain Utility Fund	Total	Governmental Activities - Internal Service Funds
\$ 167,008	\$ 20,694,824	\$ 5,857,599
561,603	69,540,816	19,697,507
75,398	8,679,861	3,107
323	35,482	9,237
-	91,000	70,286
-	389,058	195,549
<u>804,332</u>	<u>99,431,041</u>	<u>25,833,285</u>
-	-	4,583,524
-	-	2,997,750
-	-	<u>7,581,274</u>
-	65,194,628	148,102
227,934	669,190,506	-
-	12,889,809	-
-	10,464,671	34,700,693
-	14,826,203	24,738,456
-	215,062	30,745
(637)	(192,870,094)	(44,597,728)
-	16,612,889	-
<u>87,955</u>	<u>49,206,607</u>	<u>3,480,043</u>
<u>315,252</u>	<u>645,730,281</u>	<u>18,500,311</u>
<u>1,119,584</u>	<u>745,161,322</u>	<u>51,914,870</u>
-	284,406	-
-	284,406	-
2,974	3,188,124	2,052,999
3,934	155,006	97,744
-	1,786,943	-
-	219,028	-
-	2,018,373	-
-	87,769	-
-	-	2,477,231
16,550	619,410	509,860
-	9,210,037	-
-	1,848,389	-
<u>23,458</u>	<u>19,133,079</u>	<u>5,137,834</u>
-	-	1,585,358
4,160	213,930	207,990
-	101,290,495	-
-	1,891,014	-
<u>4,160</u>	<u>103,395,439</u>	<u>1,793,348</u>
<u>27,618</u>	<u>122,528,518</u>	<u>6,931,182</u>
315,252	533,623,141	18,500,311
-	23,053,024	-
-	-	-
-	100,000	-
-	-	-
-	-	6,188,544
776,714	66,141,045	20,294,833
<u>\$ 1,091,966</u>	<u>622,917,210</u>	<u>\$ 44,983,688</u>
	<u>2,241,926</u>	
	<u>\$ 625,159,136</u>	

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Stadium Fund
OPERATING REVENUES				
Charges for services	\$ 35,448,171	\$ 18,420,134	\$ 11,213,152	\$ 1,323,412
Rents	-	-	-	1,757,010
Other governmental				
From federal government	-	-	-	-
Miscellaneous	345,998	35,466	1,000	22,911
Total operating revenues	<u>35,794,169</u>	<u>18,455,600</u>	<u>11,214,152</u>	<u>3,103,333</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	4,876,579	2,491,788	3,405,321	1,554,702
Contractual services, materials and supplies	16,315,969	7,258,400	6,605,531	2,862,482
Insurance claims and expenses	-	-	-	-
Depreciation and amortization	8,761,560	9,017,314	937,951	790,984
Total operating expenses	<u>29,954,108</u>	<u>18,767,502</u>	<u>10,948,803</u>	<u>5,208,168</u>
Operating income (loss)	<u>5,840,061</u>	<u>(311,902)</u>	<u>265,349</u>	<u>(2,104,835)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	204,635	60,892	86,573	4,510
Interest expense	(982,357)	(2,361,556)	-	-
Gain(loss) on sale of capital assets	6,224	-	95,046	-
Total non-operating revenues (expenses)	<u>(771,498)</u>	<u>(2,300,664)</u>	<u>181,619</u>	<u>4,510</u>
Income (loss) before contributions and transfers	5,068,563	(2,612,566)	446,968	(2,100,325)
Capital contributions	8,361,200	3,510,961	-	-
Transfers in	1,411,627	2,837,689	-	26,254,160
Transfers out	(3,904,455)	(1,223,233)	(4,077)	(2,567)
Change in net position	<u>10,936,935</u>	<u>2,512,851</u>	<u>442,891</u>	<u>24,151,268</u>
Total net position - beginning	288,815,691	235,575,740	24,551,003	28,541,660
Cumulative effect of changes in accounting principle (note 1)	3,060,989	2,972,158	264,057	-
Total net position - beginning, restated	<u>291,876,680</u>	<u>238,547,898</u>	<u>24,815,060</u>	<u>28,541,660</u>
Total net position - ending	<u>\$ 302,813,615</u>	<u>\$ 241,060,749</u>	<u>\$ 25,257,951</u>	<u>\$ 52,692,928</u>

Some amounts reported for *business-type activities* on the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net position of business-type activities

Storm Drain Utility Fund	Total	Governmental Activities - Internal Service Funds
\$ 831,439	\$ 67,236,308	\$ 39,525,879
-	1,757,010	-
-	-	-
-	405,375	365,028
<u>831,439</u>	<u>69,398,693</u>	<u>39,890,907</u>
318,611	12,647,001	7,928,962
508,837	33,551,219	12,460,372
-	-	16,133,160
635	19,508,444	4,040,721
<u>828,083</u>	<u>65,706,664</u>	<u>40,563,215</u>
<u>3,356</u>	<u>3,692,029</u>	<u>(672,308)</u>
2,548	359,158	120,417
-	(3,343,913)	-
-	101,270	111,342
<u>2,548</u>	<u>(2,883,485)</u>	<u>231,759</u>
5,904	808,544	(440,549)
203,078	12,075,239	15,000
87,955	30,591,431	3,080,772
(1,057)	(5,135,389)	(46,068)
<u>295,880</u>	<u>38,339,825</u>	<u>2,609,155</u>
796,086	578,280,180	42,374,533
-	6,297,204	-
<u>796,086</u>	<u>584,577,384</u>	<u>42,374,533</u>
<u>\$ 1,091,966</u>	<u>\$ 622,917,209</u>	<u>\$ 44,983,688</u>

324,106

\$ 38,663,931

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Stadium Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 35,916,126	\$ 18,653,194	\$ 11,280,858	\$ 4,434,428
Payments to suppliers	(13,574,541)	(5,600,211)	(3,355,530)	(2,650,520)
Payments to employees	(4,859,357)	(2,495,370)	(3,404,408)	(1,561,185)
Self-insurance costs	-	-	-	-
Payments to internal service funds	(2,444,534)	(1,990,450)	(3,524,174)	(636,949)
Net cash provided (used) by operating activities	<u>15,037,694</u>	<u>8,567,163</u>	<u>996,746</u>	<u>(414,226)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	1,411,627	2,837,689	-	26,254,160
Transfers out	(3,904,455)	(1,223,233)	(4,077)	(2,567)
Interfund loans payable	-	-	-	-
Special Item	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(2,492,828)</u>	<u>1,614,456</u>	<u>(4,077)</u>	<u>26,251,593</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(7,502,346)	(1,571,811)	(2,467,934)	(24,417,077)
Disposal of capital assets	6,224	-	97,267	-
Capital contributions	3,042,141	1,269,012	-	-
Principal payments on capital debt	(4,119,061)	(4,888,056)	-	-
Interest paid on capital debt	(1,193,204)	(2,494,785)	-	-
Net cash provided (used) by capital and related financing activities	<u>(9,766,246)</u>	<u>(7,685,640)</u>	<u>(2,370,667)</u>	<u>(24,417,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(5,707,600)	(2,382,600)	(2,257,200)	(334,400)
Proceeds from sale of investments	4,637,867	926,165	3,813,817	(726,383)
Interest received on investments	224,189	66,941	96,701	6,192
Net cash provided (used) by investing activities	<u>(845,544)</u>	<u>(1,389,494)</u>	<u>1,653,318</u>	<u>(1,054,591)</u>
Net increase (decrease) in cash and cash equivalents	1,933,076	1,106,485	275,320	365,699
Cash and cash equivalents at beginning of year	9,040,935	3,469,612	4,057,988	278,701
Cash and cash equivalents at end of year	<u>\$ 10,974,011</u>	<u>\$ 4,576,097</u>	<u>\$ 4,333,308</u>	<u>\$ 644,400</u>

The accompanying notes are an integral part of the financial statements

Storm Drainage Fund	Public Housing Fund	Total	Governmental Activities - Internal Service Funds
\$ 845,688	\$ -	\$ 71,130,294	\$ 39,923,000
(313,670)	(468,216)	(25,962,688)	(11,996,933)
(315,963)	-	(12,636,283)	(7,915,159)
-	-	-	(15,906,345)
(201,378)	-	(8,797,485)	-
<u>14,677</u>	<u>(468,216)</u>	<u>23,733,838</u>	<u>4,104,563</u>
87,955	-	30,591,431	3,080,772
(1,057)	-	(5,135,389)	(46,068)
-	-	-	-
-	-	-	-
<u>86,898</u>	<u>-</u>	<u>25,456,042</u>	<u>3,034,704</u>
(87,955)	-	(36,047,123)	(4,638,216)
-	-	103,491	168,422
-	-	4,311,153	-
-	-	(9,007,117)	-
-	-	(3,687,989)	-
<u>(87,955)</u>	<u>-</u>	<u>(44,327,585)</u>	<u>(4,469,794)</u>
(87,400)	-	(10,769,200)	(3,047,600)
94,754	-	8,746,220	4,585,409
2,881	-	396,904	136,659
<u>10,235</u>	<u>-</u>	<u>(1,626,076)</u>	<u>1,674,468</u>
23,855	(468,216)	3,236,219	4,343,941
143,153	468,216	17,458,605	6,097,182
<u>\$ 167,008</u>	<u>\$ -</u>	<u>\$ 20,694,824</u>	<u>\$ 10,441,123</u>

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Stadium Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 5,840,061	\$ (311,902)	\$ 265,349	\$ (2,104,835)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	8,761,560	9,017,314	937,951	790,984
(Increase) decrease in assets:				
Accounts receivable	4,882	197,594	66,706	(490,844)
Prepaid items	(91,000)	-	2,610	-
Supplies inventory	3,648	-	(66,214)	-
Increase (decrease) in liabilities:				
Accounts payable	425,635	(192,391)	(210,569)	(427,911)
Accrued payroll	10,292	778	6,663	1,657
Due to other governments	8,143	-	-	2,924
Other liabilities	(49,532)	(139,870)	-	-
Deposits payable	117,075	-	-	-
Claims payable	-	-	-	-
Unearned revenue - other	-	-	-	1,821,939
Compensated absences	6,930	(4,360)	(5,750)	(8,140)
Total adjustments	<u>9,197,633</u>	<u>8,879,065</u>	<u>731,397</u>	<u>1,690,609</u>
Net cash provided (used) by operating activities	<u>\$ 15,037,694</u>	<u>\$ 8,567,163</u>	<u>\$ 996,746</u>	<u>\$ (414,226)</u>
	-	-	-	-
Non-cash investing, capital and financing activities:				
Capital assets acquired through contributions from developers and property owners	\$ 5,319,059	\$ 2,241,949	\$ -	\$ -
Increase in fair market value of investments	43,352	13,192	20,690	1,756
Total non-cash investing, capital and financing activities	<u>\$ 5,362,411</u>	<u>\$ 2,255,141</u>	<u>\$ 20,690</u>	<u>\$ 1,756</u>

The accompanying notes are an integral part of the financial statements

<u>Storm Drainage Fund</u>	<u>Public Housing Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,356	\$ -	\$ 3,692,029	\$ (672,308)
635	-	19,508,444	4,040,721
14,249	-	(207,413)	32,093
-	-	(88,390)	(47,541)
-	-	(62,566)	(2,441)
(6,211)	-	(411,447)	513,421
718	-	20,108	9,883
-	(468,216)	(457,149)	-
-	-	(189,402)	-
-	-	117,075	-
-	-	-	226,815
-	-	1,821,939	-
1,930	-	(9,390)	3,920
<u>11,321</u>	<u>(468,216)</u>	<u>20,041,809</u>	<u>4,776,871</u>
<u>\$ 14,677</u>	<u>\$ (468,216)</u>	<u>\$ 23,733,838</u>	<u>\$ 4,104,563</u>
	-	-	
\$ 203,078	\$ -	\$ 7,764,086	\$ 15,000
-	-	78,990	29,907
<u>\$ 203,078</u>	<u>\$ -</u>	<u>\$ 7,843,076</u>	<u>\$ 44,907</u>

(concluded)

**CITY OF PEORIA, ARIZONA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 20,592	\$ 102,485
Investments (pooled), at fair value	69,245	344,628
Interest receivable	43	
Total assets	89,880	447,113
LIABILITIES		
Accounts payable		-
Other liabilities		447,113
Total liabilities	-	447,113
NET POSITION		
Held in trust for pension benefits	\$ 89,880	

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Firemen's Pension Fund
ADDITIONS	
Contributions:	
State insurance premium tax rebate	\$ 623
Total contributions	623
Investment earnings:	
Interest and investment income	\$ 463
Total investment earnings	463
Less investment expenses:	
Investment management fees	-
Net investment earnings	463
Total additions	1,086
DEDUCTIONS	
Retirement payments	20,400
Total deductions	20,400
Change in net position	(19,314)
Net position - beginning of the year	109,194
Net position - end of the year	\$ 89,880

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

The Notes to the Basic Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

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CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The City of Peoria (City) was incorporated in 1954 under the Arizona Revised Statutes. The current City charter provides for the Council - Manager form of government and provides such services as authorized by the charter as limited by the constitution of the State of Arizona.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments.

The following is a summary of other significant accounting policies:

A. Financial Reporting Entity

The City's major operations include police and fire protection, parks and recreation, development services, public works, certain social services and general administrative services. In addition, the City owns and operates enterprise funds, which include water, wastewater, solid waste and storm drain operations, and a baseball stadium complex.

The financial reporting entity presented in these financial statements consists of the City and four blended component units. In accordance with GASB Statement #14, as amended by GASB Statement #61, these component units, discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These component units are governed by boards, wholly or substantially, comprised of the government's elected council and the City is financially accountable for these component units. Additionally, these component units provide services entirely to the City.

Individual Component Units - Blended

City of Peoria Municipal Development Authority, Inc.

City of Peoria Municipal Development Authority, Inc. (Authority), an Arizona not-for-profit corporation, was organized for the purpose of financing the construction of municipal facilities within the City through the issuance of bonds. Concurrent with these bond issues, the City entered into contracts with the Authority whereby the City will pay, to the Authority, amounts sufficient to retire the Authority's bonds and related interest. The outstanding Municipal Development Authority, Inc. bonds are reported as a debt service fund in the City's financial statements. All of the outstanding debt of the Authority will be repaid by revenues of the City. No separate financial statements are prepared for the Municipal Development Authority, Inc.

Vistancia Community Facilities District

The Vistancia Community Facilities District (the District) was formed by petition to the City Council in 2002. The district's purpose is to acquire or construct public infrastructure in a specified area of the City. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owned in the designated areas is assessed for the District's property taxes, and thus for the costs of operating the District. The City Council serves as the Board of Directors of the District and City management has operational responsibility for the District. The City has no liability for the District's debt. For reporting purposes, the transactions of the District are included as governmental type funds as if they were part of the City's operations.

Stand-alone financial statements are prepared for the Vistancia Community Facilities District. The accounting records of the District are maintained by the City and the financial statements for the District are available on the City's website www.peoriaaz.gov.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

City of Peoria Employee Benefit Trust

The City of Peoria Employee Benefit Trust (the Trust) was formed by petition to the City Council on January 1, 2010. The Trust's purpose is to fund health, welfare and related benefit programs by the City in accordance with the provisions of Arizona law. Plan premiums are paid by Participants and the City. The City Council Sub Committee on Boards and Commissions nominate individuals to serve as Trustees overseeing the management and administration of the Trust. For financial reporting purposes, the transactions of the Trust are included as part of the Self-Insurance Fund, an internal service fund in the City's financial statements.

Stand-alone financial statements are prepared for the Trust. The accounting records of the Trust are maintained by the City and the financial statements are available on the City's website www.peoriaaz.gov.

City of Peoria Workers' Compensation Trust

The City of Peoria Workers' Compensation Trust (the Trust) was formed by petition to the City Council in 2009. The Trust's purposes is to fund workers' compensation benefit programs by the City in accordance with the provisions of Arizona law. Plan premiums are paid by the City. The City Council Sub Committee on Boards and Commissions nominate individuals to serve as Trustees overseeing the management and administration of the Trust. For financial reporting purposes, the transactions of the Trust are included as part of the Self-Insurance Fund, an internal service fund in the City's financial statements.

Stand-alone financial statements are prepared for the Trust. The accounting records of the Trust are maintained by the City and the financial statements are available on the City's website www.peoriaaz.gov.

B. Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (statement of net position and statement of activities) report on the City and its component units as a whole, excluding fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities, both governmental and business type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities. Quasi-external transactions, like the sale of utility services from the Enterprise Funds to the other funds, are not eliminated for the financial statements. Elimination of these charges would distort the direct costs and program revenue reported for the various functions.

The City does not currently employ an indirect cost allocation system. The General Fund and certain other funds charge administrative service fees to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration). These administrative fees are eliminated from the financial statements at both the government-wide and fund level like a reimbursement, by reducing revenues and expenditures/expenses in the allocating fund.

The government-wide Statement of Net Position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets plus deferred outflows of

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

resources less liabilities less deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position balances are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position balances are available.

Commitments or assignments of net position imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are not shown on the government-wide financial statements. Note 11 discusses the internal commitments and assignments of net position in the various funds to demonstrate the government's intended use of those net position balances.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. State shared revenues, such as sales taxes, urban revenue sharing and auto-in-lieu taxes, that are not restricted for use in any function, are also included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds. Although GASB Statement #34 sets forth minimum criteria for the determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of the fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City has opted to add some funds as major funds because of outstanding debt or community focus. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service funds services are spread to the appropriate function or segment on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

Externally imposed restrictions as well as internally imposed commitments and assignments of fund balance, as defined by GASB Statement 54, are shown on the face of the governmental fund financial statements as well as discussed in Note 11. Generally, the order in which the City would apply resources when multiple categories of fund balance are available is as follows: restricted, committed, assigned and unassigned.

The proprietary fund and fiduciary fund financial statements, except for the Agency Funds which have no measurement focus, are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

C. Basis of Presentation

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the City:

Governmental Funds

Governmental funds are used to account for the City's general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. The following are the Governmental Funds of the City:

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

Special Revenue Funds account for revenue sources that are restricted to expenditures for specific purposes (not including major capital projects). The restrictions may be imposed by outside parties or by the governing body. The special revenue funds presented as major funds in the basic financial statements are as follows: Half-Cent Sales Tax Fund accounts for the revenues generated from a sales tax increase designated for specific uses per Council policy; Highway User Revenue Fund is required by state statute to track receipts of specific state shared revenues and the expenditure of those funds;

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

and the Transportation Sales Tax Fund accounts for the revenues generated from a sales tax increase designated by public vote for use in funding transportation needs throughout the City.

Debt Service Funds account for the resources accumulated and the servicing of long-term debt not being financed by proprietary funds. One debt service fund is presented as a major fund in the basic financial statements. The GO Bond Debt Service Fund accounts for the principal and interest requirements of the City's general obligation bonds, with revenues generated from the general property tax levy sufficient to meet the debt service.

Capital Projects Funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds. One capital projects fund is presented as a major fund in the basic financial statements. The Development Fee Fund accounts for the receipt and expenditure of development impact or expansion fees for all governmental activities as governed by state statutes.

Proprietary Funds

Proprietary funds account for activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. The following are the Proprietary Funds of the City:

Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed *solely* by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. All of the enterprise funds of the City are presented discretely in the basic financial statements.

The enterprise funds of the City are as follows:

The Water Utility, Wastewater Utility, Solid Waste Utility and Storm Drain Utility Funds all account for the revenues from charges to the customers of these services and the costs of these services.

The Stadium Fund accounts for the revenues generated by and the costs of operation of a sports complex owned by the City. This facility is used for spring training by two major league baseball teams as well as multiple other uses throughout the year.

The Public Housing Fund accounts for the revenues and expenses of the low income housing program operated by the City. While this program does receive Federal subsidies through the Department of Housing and Urban Development, it also generates substantial user fees. As of March 31, 2013, the City turned over operations of the Public Housing Fund to Maricopa County.

Internal Service Funds account for operations that provide services to other departments or agencies of the government or to other governments on a cost-reimbursement basis. The internal service funds are presented as one column on the proprietary fund financial statements. Combining financial statements are also presented for the internal service funds, but are not part of the basic financial statements. The internal service funds of the City are as follows:

Motor Pool Fund – accounts for the costs of operating the City garage. These costs are charged out to user departments based on direct charges for services used. This fund also accounts for the vehicle replacement fund for all of the City's general governmental vehicles.

Self-Insurance Fund – accounts for the Risk Management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. Also, beginning in fiscal year 2010, the City became self-insured for workers' compensation claims and health insurance claims. The City carries excess insurance coverage and uses third party administrators to monitor the workers compensation and health claims programs.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The workers' compensation and health insurance programs operate under a trust. The costs of all these programs are allocated to all operational activities of the City.

Facilities Maintenance Fund – allocates the costs of operations and maintenance of the City's facilities to the user departments.

Information Technology Fund – maintains the costs of operation and maintenance of the City's computer systems. The computer replacement fund for all functions is also in this fund. Revenues are internal charges to user departments.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs. The City maintains the following types of fiduciary funds:

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one Pension Trust Fund to account for the activities of the volunteer firemen's retirement plan.

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains four agency funds. One fund accounts for the monies collected from developers in one area of the City and held in trust by the City until reimbursed by the City to a developer that made certain infrastructure improvements in that area. Two funds account for monies held on behalf of separate not-for-profit agencies for which the City operates as an administrator. These are PLAY Peoria and Peoria Citizens Corp Council. The fourth fund accounts for monies held on behalf of Westside Fire Training IGA, a consortium of area fire departments that pool monies for training activities, for which the City acts as the administrator.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are reported in the government-wide financial statements on the flow of economic resources measurement focus and accrual basis of accounting.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within six months after year-end, except for property taxes. For property taxes, the City uses a 60 day collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 – *Recipient Reporting for Certain Shared Non-exchange*, receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as unearned revenues.

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Property taxes and special assessments are susceptible to accrual when an enforceable legal claim has arisen. As noted above, the City recognizes property taxes received within 60 days of fiscal year-end to be revenues under modified accrual. The remaining taxes levied are considered deferred inflows of resources on the governmental fund financial statements. State Shared Sales Taxes and Highway User revenues collected and held by the state at year-end on behalf of the City are also recognized as revenue. Transaction privilege taxes (sales taxes) are considered susceptible to accrual at the time of the underlying transaction (sale). In practice, taxes collected by local businesses in June and remitted to the City or State in July are recognized as revenue in the previous fiscal year. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Interest and dividend income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within six months of year end is a deferred inflow of resources.

Proprietary funds and pension trust funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income.

The accrual basis of accounting is used for proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

E. Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- According to the laws of the State of Arizona, all operating budgets must be approved by their governing board on or before the second Monday in August to allow sufficient time for legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August.
- In April, the proposed budget for the following fiscal year is presented by the City Manager to the City Council. The budget includes proposed expenditures and the means of financing them. Public meetings are held to obtain citizen comment.
- Prior to June 30, the City Council legally enacts the budget, through the passage of an ordinance. The ordinance sets the limit for expenditures for the year, within the voter mandated state expenditure limitation (see Note 1.F). Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the state constitution. There were no supplemental appropriations made during fiscal year 2014.
- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by department within individual funds. Departmental appropriations may be amended during the year, within administrative guidelines and adopted Council policies.

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- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- The City Manager is generally authorized to transfer budgeted amounts within any specific department's expenditure appropriation. Any budget revisions requiring a transfer between departments must be approved by the City Council. Additionally, budget revisions involving personnel or capital asset expenditures/expenses or the use of contingency budgets must be approved by the City Council.
- All unencumbered expenditure appropriations expire at the end of the fiscal year.
- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Office staff. Budgetary carry forwards are approved by the City Council.
- All funds of the City, except the agency funds, have legally adopted budgets. Formal integration of these budgets into the City's financial systems is employed as a management control device during the year for all funds.

The City prepares its annual budget on a modified cash basis, which differs from GAAP. GASB Statement #34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). The City has also shown this information as supplementary schedules for other governmental funds as well as enterprise funds and internal service funds.

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. The limitation restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimate Commission to determine each year the expenditure limitation for the following fiscal year for all cities in Arizona. The limitation is calculated based on the amount of fiscal year 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population growth and inflation to calculate the new expenditure limitations for the cities. Local governments may carry forward revenues which were not subject to the expenditure limitation, and which were not expended in the year of receipt, to later years.

The State Constitution also gives local jurisdictions several methods of seeking approval from their citizens to override the state expenditure limitation. One of these is local approval of a permanent base adjustment. In March 2003, the voters of Peoria approved a \$15 million permanent adjustment of the expenditure base. This permanent base adjustment was effective beginning in fiscal year 2005-2006. The City of Peoria's state calculated expenditure limitation for fiscal year 2013-2014, including the permanent base adjustment, was \$781,620,317.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed by the City. Since they do not constitute expenditures or liabilities, encumbrances are not reported in either the fund financial statements or the government-wide financial statements. Further information about commitments outstanding at June 30 may be found in Note 20.

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H. Deposits and Investments

The City generally reports investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. It is generally the City's policy to hold investments to maturity.

Investment Policy

The City's funds are invested through the City's Finance Department in accordance with the City's investment policy and Arizona Revised Statutes. The City's policy is to invest in certificates of deposit, money market mutual funds, repurchase agreements, corporate securities, direct U.S. Treasury debt, securities guaranteed by the U.S. Government or any of its agencies and the State of Arizona local government investment pool. In addition, the function of the Finance Department is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The investment balances are comprised of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuances of the Enterprise funds and the General Fund's cash reserve requirements. In addition to these, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

Investment Valuation

Local Government Investment Pool - Investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

Other Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value.

The City's investment policy permits the City to invest in fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of securities underlying fixed coupon dollar repurchase agreements must equal at least 102% of the cash received. If the dealers default on their obligations to resell these securities to the City at the agreed upon buyback price, the City could suffer an economic loss if the securities have to be purchased in the open market at a price higher than the agreed-upon buyback price.

Other non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the funds' current share price.

Investment Income

Except for certain specific investments, generally those held in trust for a specific purpose, the City maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled investments. City management has determined that the investment income related to certain Special Revenue Funds should be allocated to the General Fund. Each fund's equity in the pooled cash and investments is

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tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

I. Inventory and Prepaid items

Inventories are valued at cost and the City uses the first-in, first-out (FIFO) flow assumption in determining cost. Inventory in the governmental funds, which consists of expendable supplies held for consumption, is recorded as an expenditure at the time individual inventory items are consumed and is offset by a fund balance reserve (nonspendable) in the governmental fund financial statements indicating it does not constitute available expendable resources. No reservation of net position is shown in the proprietary fund statements or the government-wide financial statements for inventories.

Prepaid items are generally for payments made by the City in the current fiscal year for goods or services to be received in the subsequent fiscal year. Such items are recorded as prepaid at the time of the payment and recognized as expenditures/expenses when the related goods or services are received. Prepaid items are offset by a reservation of fund balance (nonspendable) in governmental funds to indicate it does not constitute available expendable resources. No reservation of net position is shown in the proprietary fund statements or the government-wide financial statements for prepaid items.

J. Capital Assets

All capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed. For the year ended June 30, 2014, the City did not capitalize any net interest costs in the business-type activities of the government-wide financial statements (also in the Enterprise Funds on the proprietary fund statements). Total interest incurred, not including agent fees or other costs, of the business-type activities (and the Enterprise Funds on the proprietary fund statements) before capitalization was \$3,343,913.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful life (Years)</u>
Water Rights	50
Buildings and improvements	20-40
Water and sewer systems	5-40
Storm drainage systems	40
Street system	20
Park facilities and landscape	40

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Streetlights and traffic control devices	10
Equipment	7
Furniture and fixtures	7
Vehicles	3-15
Computers/software	3

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

K. Water Rights

The City entered into a lease agreement with Gila River Indian Community (GRIC) for the rights to 7,000 acre-feet of water each year through 2057. These rights, costing \$12,889,809, are being amortized over the 50 year life of the agreement on a straight-line basis starting in fiscal year 2008. Fiscal year 2014 amortization was \$257,796 and the net book value at June 30, 2014 was \$11,085,236. Also see Note 14 for debt service on this purchase.

L. Transactions Between Funds

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit, like the sale of water from the Water Utility to various functions of the General Fund, are accounted for as revenue and expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Administrative service fees that are charged to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration) are treated as reimbursement transactions and the revenue and expenditures/expenses reduced in the allocating fund. Transfers between funds are included in the results of both governmental and proprietary funds (as other sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds).

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as “due to/from other funds” for the current portion and “interfund receivables and payables” for the non-current portion (if applicable).

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. These transactions include transfers between funds and interdepartmental service charges. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as “internal balances”). Also see Note 8.

M. Receivables

All receivables are shown net of an allowance for uncollectible accounts. For trade accounts receivable (miscellaneous receivables and utility billing receivables), amounts outstanding in excess of 90 days are included in the allowance. Also see Notes 5 and 7.

N. Restricted Assets

Certain proceeds of the City’s bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net position, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

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O. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

The long-term debt of the City is serviced by various funds, according to the type of debt and the funds benefiting from that debt. The General Obligation Bonds Debt Service Fund, Municipal Development Authority Bonds Debt Service Fund, Community Facilities District Bonds Debt Service Fund, and Special Assessment Debt Service Fund are all specifically established to service those specific types of debt obligations of the City. The Highway User Revenue Fund services the highway user revenue bonds, if any, which are funded by state shared gas tax revenues. The Half-Cent Sales Tax Fund and Development Fee Fund service debt obligations from development agreements. Each enterprise fund individually accounts for and services the applicable bond obligations that benefit that fund.

P. Compensated Absences

Annual leave, based on a graduated scale of years of employment, is credited to each employee as it accrues. The maximum annual leave accrual for permanent employees is 320 hours. Upon employment termination, payment is made to the employee for the unused leave.

City employees are granted one sick leave day per month. The maximum an employee may accumulate varies according to union status; however, the City makes no payment on the unused portion upon employment termination except on the condition of retirement. Any sick time accrued above the maximum allowed to be carried is paid out annually in May at a rate of 25% and the employees' sick leave is reduced to the allowable maximum.

For the governmental fund financial statements, compensated absences are accrued only when due. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time and benefits, as well as an estimate of the retirement sick-time payout for eligible employees, are recorded as a liability. Compensated absences are liquidated when mature by the various operating funds accruing the liability.

Q. Risk Financing Activities

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; workers' compensation; and health insurance. The City maintains a Self-Insurance Fund (accounted for in the Internal Service Funds) to account for and finance its uninsured risks of loss. Premiums are paid into the internal service fund by the other operating funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums are used to fund claim expenses reported in the internal service fund. The City uses third party administrators to monitor the workers' compensation and health insurance claims programs. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected.

Risk management -

The City is self-insured for property and public liability up to \$1,000,000 and for damage to City vehicles valued up to \$100,000. Vehicles with a value in excess of \$100,000 have a \$5,000 deductible. Excess coverage insurance policies purchased through commercial insurance carriers cover individual claims in excess of these amounts up to \$40,000,000.

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The operating funds of the City pay monthly premiums to the risk management fund based upon a budget model taking into consideration prior loss experience, staffing, and operating budget.

Premium payments to insurance carriers are made directly from the risk management fund. There have been no settlements paid in excess of insurance in any of the past three years nor has insurance coverage been significantly reduced in recent years.

Workers' compensation -

On July 1, 2009, the City established a workers' compensation trust fund for work-related injuries to employees. For workers' compensation insurance, the City is self-insured up to \$850,000 per claim on public safety employees and \$750,000 for all other employees up to an aggregate stop loss of \$3,437,607 for fiscal year 2014. Commercial insurance is purchased to cover claims above the self-insurance amounts.

Operating funds with employees covered under the workers' compensation insurance program pay monthly premiums to the workers' compensation fund based upon staffing levels.

Premium payments to insurance carriers, as well as third party administrator costs are made directly from the workers' compensation trust fund. Employee wages while off work for workers' compensation injuries (2/3rds of weekly wages) are also paid from this fund. There have been no settlements paid in excess of insurance in the last three years, nor has insurance coverage been significantly reduced in recent years.

Health insurance -

On January 1, 2010, the City established a health insurance trust fund for health insurance coverage for City employees and dependants. The City is self-insured for employee health claims up to \$200,000 per claimant. Commercial insurance is purchased for claims in excess of those limits as well as aggregate insurance for claims in excess of 125% of the City's total actuarially projected claims.

Premiums are collected through contributions from employee paychecks and department budgets. COBRA participants contribute 100% of the premiums for their insurance coverage. Premiums for the medical, vision, dental, and life insurance plans are determined prior to each renewal period by estimating the costs of claims and administration of the plan based on a number of factors including: the demographics of the group, previous claims history, plan design changes and any new mandated benefits.

Premium payments to insurance carriers, as well as third party administrator costs are made directly from the health insurance trust fund. There have been no settlements in excess of insurance in the past three years, nor have insurance coverage been significantly reduced in recent years.

Estimated liability –

The total claims liability of \$4,062,589 reported in the Self-Insurance Fund at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement #10 which requires that liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims liability consists of \$1,646,754 for liability/property claims, \$1,849,744 for workers' compensation claims and \$566,091 for health insurance claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses are not included in the calculation. Changes in the Self-Insurance Fund's claims liability amount (claims only, exclusive of other insurance expenses) during the last two fiscal years are as follows:

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Fiscal Year 2013:

	Beginning of Fiscal Year Liability	Changes in Estimates	Current Year Claims	Claims Payments	Balance at Fiscal Year-end
Risk management	\$ 3,144,409	\$(1,245,836)	\$ 2,158,084	\$ (2,158,084)	\$ 1,898,573
Workers' comp	2,577,748	(1,199,316)	575,858	(575,858)	1,378,432
Health insurance	712,523	(153,754)	10,579,379	(10,579,379)	558,769
	<u>\$ 6,434,680</u>	<u>\$ (2,598,906)</u>	<u>\$ 13,313,321</u>	<u>\$(13,313,321)</u>	<u>\$ 3,835,774</u>

Fiscal Year 2014:

	Beginning of Fiscal Year Liability	Changes in Estimates	Current Year Claims	Claims Payments	Balance at Fiscal Year-end
Risk management	\$ 1,898,573	\$(251,819)	\$ 1,588,528	\$ (1,588,528)	\$ 1,646,754
Workers' comp	1,378,432	471,312	771,647	(771,647)	1,849,744
Health insurance	558,769	7,322	12,945,651	(12,945,651)	566,091
	<u>\$ 3,835,774</u>	<u>\$226,815</u>	<u>\$ 15,305,826</u>	<u>\$(15,305,826)</u>	<u>\$ 4,062,589</u>

Detailed financial statements of the three functions making up the self-insurance fund may be found on pages 130-131.

R. Cash Equivalents

The City considers short-term investments (including restricted assets) in the State of Arizona investment pool, mutual fund-money market, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

S. Change in Accounting Principle

In fiscal year 2014, the City implemented a change in accounting principle which eliminated liabilities associated with developer impact fee credits and sales tax reimbursements. These liabilities were determined to be contingent liabilities, which according to GAAP should only be recorded if the liability is probable. These liabilities, which are reasonably possible, should be mentioned in the footnotes not recognized on the financial statements.

In prior fiscal years, the City recorded a receivable due to property taxes to be received in future periods. However in fiscal year 2014, it was determined that these receivables were overstated in the General Fund, the General Obligation Debt Service Bond and the Vistancia CFD Bonds Debt Service Funds.

The change in accounting principle and prior period adjustment impacted beginning net position as follows:

	Governmental Activities	Business-type Activities	Total Primary Government
Net position-beginning	\$1,054,652,077	\$580,198,000	\$1,634,850,077
Cumulative effect of change in accounting principle	57,165,982	6,297,204	61,357,321
Prior Period Adjustment	(2,106,054)	-	-
Net position-beginning- re-stated	<u>\$1,109,712,005</u>	<u>\$586,495,204</u>	<u>\$1,696,207,209</u>

CITY OF PEORIA, ARIZONA
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T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. Specifically, the city has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable), valuation of capital assets and depreciation expense, and the ultimate outcome of claims payable. Actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided below.

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of Net Position:

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Eliminations (3)	Statement of Net Position Totals
Assets					
Cash and cash equivalents	\$ 47,756,295	-	5,857,599	-	53,613,894
Cash with fiscal agent	3,681,859	-	-	-	3,681,859
Investments	160,040,402	-	19,697,507	-	179,737,909
Accounts receivable, net	8,887,927	-	3,107	-	8,891,034
Interest receivable	89,803	-	9,237	-	99,040
Due from other funds	1,819,656	-	(2,241,926)	(1,819,656)	(2,241,926)
Due from other governments	4,587,905	-	-	-	4,587,905
Prepaid items	160,536	-	70,286	-	230,822
Supply inventories	233,957	-	195,549	-	429,506
Other assets	-	900,000	-	-	900,000
Restricted cash/cash equivalents	17,518,868	-	4,583,524	-	22,102,392
Restricted investments	12,251,236	-	2,997,750	-	15,248,986
Special assessment receivables	2,603,127	-	-	-	2,603,127
Capital assets	-	1,111,254,637	18,500,311	-	1,129,754,948
Total assets	<u>\$ 259,631,571</u>	<u>1,112,154,637</u>	<u>49,672,944</u>	<u>(1,819,656)</u>	<u>1,419,639,496</u>
Deferred outflows of resources					
Deferred loss on bond refunding	\$ -	349,692	-	-	349,692
Total Assets & Deferred Outflows	<u>\$ 259,631,571</u>	<u>1,112,504,329</u>	<u>49,672,944</u>	<u>(1,819,656)</u>	<u>1,419,989,188</u>

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Eliminations (3)	Statement of Net Position Totals
Liabilities					
Accounts payable	\$ 9,106,552	-	2,052,999	-	11,159,551
Accrued payroll	1,174,310	-	97,744	-	1,272,054
Interest payable	-	6,078,842	-	-	6,078,842
Due to other funds	1,819,656	-	-	(1,819,656)	-
Due to other governments	1,208,783	-	-	-	1,208,783
Claims/deposits payable	3,567	-	2,477,231	-	2,480,798
Other liabilities	3,302,122	-	-	-	3,302,122
Unearned revenue-other	3,159,970	-	-	-	3,159,970
Unamortized bond premium	-	3,567,869	-	-	3,567,869
Compensated absences-current	-	4,667,690	509,860	-	5,177,550
Current bonds payable	-	17,305,000	-	-	17,305,000
Long-term liabilities	-	272,360,600	1,793,348	-	274,153,948
Total liabilities	<u>\$ 19,744,960</u>	<u>303,980,001</u>	<u>6,931,182</u>	<u>(1,819,656)</u>	<u>328,866,487</u>
Deferred inflows of resources					
Unavailable revenue-property taxes	63,562	(63,562)	-	-	-
Unavailable revenue-special assessments	2,603,127	(2,603,127)	-	-	-

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Total Deferred Inflows	\$ 2,666,689	(2,666,689)	-	-	-
Fund Balance/Net Position					
Total fund balance/net position	\$ 237,189,922	811,191,017	42,741,762	-	1,091,122,701
Total liabilities, deferred inflows & fund balance/net position	\$ 259,631,571	1,112,504,329	49,672,944	(1,819,656)	1,419,989,188

(1) When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$ 1,406,372,622
Accumulated depreciation	(295,117,985)
	<u>\$ 1,111,254,637</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when paid.

Interest payable	\$ (6,078,842)
------------------	----------------

Bond premiums are recognized at the time of issuance in the governmental funds, but are amortized over the life of the bonds on the statement of net position.

	\$ (3,567,869)
--	----------------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement. All liabilities, both current and long-term are reported in the statement of net position.

Bonds payable	\$ (288,145,000)
Compensated absences	(6,188,290)
Subtotal	<u>(294,333,290)</u>
Less: current compensated absences	(4,667,690)
current portion of bonds payable	<u>(17,305,000)</u>
	<u>\$ (272,360,600)</u>

Loss on refunding bonds is expensed at the time of issuance in the governmental funds, but is amortized over the life of the bonds on the statement of net position.

	\$ 349,692
--	------------

Certain long-term debt obligations that are booked for the government-wide statements are offset by goodwill.

	\$ 900,000
--	------------

Advanced revenue for the long-term special assessment receivables shown on the governmental fund statements is not included on the statement of net position. Also, certain property tax revenues deferred under modified accrual for the governmental fund statements, is recognized as revenue in the year received under accrual accounting for the government-wide statements.

Advanced special assessment revenue	\$ 2,603,127
Deferred property tax revenue	63,562
	<u>\$ 2,666,689</u>

(2) Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor pool, information technology, and facilities maintenance, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental fund balance sheet.

ISF Net Position	\$ 42,741,762
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(3) Certain interfund transactions between governmental activities are eliminated in the consolidation of those activities for the statement of net position.

Interfund receivables - current	\$ 1,819,656
Interfund payables - current	(1,819,656)
	<u>\$ -</u>

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	<u>Total</u>	<u>Long-term</u>	<u>Capital-</u>	<u>Internal</u>	<u>Long-term</u>	<u>Eliminations</u>	<u>Statement</u>
	<u>Governmental</u>	<u>Revenues/</u>	<u>related</u>	<u>Service</u>	<u>Debt</u>	<u>and</u>	<u>of</u>
<u>Revenues and Other Sources</u>	<u>Funds</u>	<u>Expenses(1)</u>	<u>Items(2)</u>	<u>Funds(3)</u>	<u>Transactions(4)</u>	<u>Adjustments(5)</u>	<u>Activities</u>
Taxes:							
Sales and use taxes	\$ 71,237,141	-	-	-	-	(1,023,188)	70,213,953
Property taxes	18,300,468	(75,797)	-	-	-	-	18,224,671
Franchise taxes	4,194,371	-	-	-	-	-	4,194,371
Intergovernmental:							
State shared sales taxes	13,431,637	-	-	-	-	-	13,431,637
Urban revenue sharing	17,172,500	-	-	-	-	-	17,172,500
Auto-in-lieu taxes	5,495,225	-	-	-	-	-	5,495,225
Highway user revenue	8,691,989	-	-	-	-	-	8,691,989
From federal government	2,717,331	-	-	-	-	-	2,717,331

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 NOTES TO THE FINANCIAL STATEMENTS
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Other governmental	2,624,240	-	-	-	-	-	2,624,240
Charges for services	17,684,357	-	-	-	-	657,602	18,341,959
Licenses and permits	2,800,894	-	-	-	-	-	2,800,894
Fines and forfeitures	2,128,289	-	-	-	-	-	2,128,289
Rents	731,901	-	-	-	-	-	731,901
Investment earnings	757,747	-	-	120,417	-	-	878,164
Special assessments	1,137,018	(916,873)	-	-	-	-	220,145
Miscellaneous	5,060,343	-	30,034	-	-	(1,170,268)	3,920,109
Other sources:							
Gain on sale of capital assets	-	-	111,342	-	-	-	111,342
Capital contributions	-	-	5,250,155	-	-	-	5,250,155
Proceeds from HUD Loan	112,000	-	-	-	-	-	112,000
Transfers in	20,159,941	-	-	3,080,772	-	(21,967,415)	1,273,298
Total revenues and other sources	194,437,392	(992,670)	5,391,531	3,201,189	-	(23,503,269)	178,534,173
Expenditures/Expenses							
Current:							
General government	15,866,612	869,530	3,596,283	(294,313)	-	-	20,038,112
Culture and recreation	21,762,725	50,060	4,601,283	(341,884)	-	(512,666)	25,559,518
Police	35,839,651	14,140	1,612,147	(1,121,131)	-	-	36,344,807
Fire	23,137,222	12,590	1,496,263	(777,701)	-	-	23,868,374
Development services	9,311,964	(8,760)	4,303	(113,764)	-	-	9,193,743
Highways and streets	17,098,590	23,020	14,570,136	(279,994)	-	-	31,411,752
Public works	5,110,924	(36,360)	2,015,575	(74,823)	-	-	7,015,316
Human services	1,604,288	(4,100)	39,596	(10,666)	-	-	1,629,118
Debt service:							
Principal payments	17,728,188	-	-	-	(16,705,000)	(1,023,188)	-
Interest and other charges	12,543,974	(534,731)	-	-	-	-	12,009,243
Capital outlay	21,937,761	-	(21,937,761)	-	-	-	-
Unallocated depreciation	-	-	574,550	-	-	-	574,550
Total expenditures/expenses	181,941,899	385,389	6,572,375	(3,014,276)	(16,705,000)	(1,535,854)	167,644,533
Other financing uses/changes in net position							
Transfers out	48,650,688	-	2,749,603	46,068	-	(21,967,415)	29,478,944
Total expenditures/expenses & other financing uses	233,706,846	385,389	9,321,978	(2,986,208)	(16,705,000)	(26,617,528)	197,123,477
Net change for the year	<u>\$ (36,155,195)</u>	<u>(1,378,059)</u>	<u>(3,930,447)</u>	<u>6,169,397</u>	<u>16,705,000</u>	<u>-</u>	<u>(18,589,304)</u>

- (1) 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.
- | | |
|-------------------------------------------|--------------------|
| Accrual of long-term compensated absences | <u>\$ (20,120)</u> |
|-------------------------------------------|--------------------|
- Interest expense on long-term debt is accrued for the statement of activities but is not accrued for the governmental fund statements. Amortization of bond premiums and deferred loss on refunding is also included in the statement of activities, but not the governmental fund statements.
- | | |
|-----------------------------------|-------------------|
| Accrued interest | \$ 310,728 |
| Amortization of loss on refunding | (58,282) |
| Amortization of bond premium | <u>282,285</u> |
| | <u>\$ 534,731</u> |
- Property taxes revenues not received within 60 days of year-end are deferred for governmental fund reporting, but are not deferred for government-wide reporting. When these revenues are subsequently received, they are recognized in the governmental operating statement and reversed in the statement of activities.
- | | |
|--|--------------------|
| | <u>\$ (75,797)</u> |
|--|--------------------|
- Special assessment principal payments received are reported as revenue on the governmental fund statements, but are reductions to the outstanding special assessment debt for government-wide reporting. Also, the sale of additional special assessment bonds is reported as a receivable and Advances in the governmental funds, but on the government-wide financial statements, it is reported as an increase in outstanding debt and the revenue is recognized.
- | | |
|------------------------------------------|---------------------|
| Current year principal payments received | <u>\$ (916,873)</u> |
|------------------------------------------|---------------------|
- Certain long-term debt obligations are offset by a goodwill asset that is amortized over the life of the debt. Goodwill amortization is included in the statement of activities, but not the governmental fund statements.
- | | |
|--|---------------------|
| | <u>\$ (900,000)</u> |
|--|---------------------|
- (2) When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial

CITY OF PEORIA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 21,937,761
Depreciation expense	<u>(28,510,136)</u>
	<u>\$ 6,572,375</u>

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital assets account in the statement of net position and offset against the sales proceeds resulting in a "gain on sale of capital assets" in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.

Cost of capital assets disposed of:	<u>\$ 30,034</u>
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Donations of capital assets are not shown on the governmental funds, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contributions.

Capital contributions	<u>\$ 5,250,155</u>
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Gains and losses on sales of fixed assets are not shown on the governmental fund statements, but are included in the statement of activities.

Gains	\$ 111,342
Losses	<u>-</u>
	<u>\$ 111,342</u>

The donation of capital assets between Governmental and Proprietary Funds is not shown in the governmental fund statements but is a transfer in/out on the statement of activities.

Transfers out	\$ (2,749,603)
Transfers in	<u>-</u>
	<u>\$ (2,749,603)</u>

- (3) Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor pool, information technology, and facilities maintenance, to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

Revenue and other sources	\$ 3,201,189
Expenditures and other uses	<u>2,968,208</u>
Change in net position	<u>\$ 6,169,397</u>

- (4) Repayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal payments made	<u>\$ 16,705,000</u>
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- (5) Certain other transactions are treated differently under modified accrual accounting used in the governmental funds and full accrual accounting used for the statement of activities. Also interfund transactions between governmental funds or between business-type activities are eliminated in the statement of activities and only net transactions between governmental and business-type activities remain.

Interfund charges for service between governmental activities are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures in the charging fund so that the expenses remain in the charged activity.

Interfund charges for services revenue	\$ 512,668
Interfund service charges	<u>(512,668)</u>
	<u>\$ -</u>

Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

Transfers out	\$ 21,967,415
Transfers in	<u>(21,967,415)</u>
	<u>\$ -</u>

3. BUDGET BASIS OF ACCOUNTING

The City prepares the annual budget on a modified cash basis, which differs from GAAP, as discussed in Note 1.E. Budgetary comparison statements for the General Fund and major Special Revenue Funds are included with the basic financial statements. Budgetary comparison schedules for all other governmental funds as well as schedules of operation – budget and actual for the proprietary funds are presented as supplementary information. In all cases, the budgetary statements or schedules include a reconciliation of the adjustments required to convert the budgetary revenues and expenditures or change in net position on a budgetary basis, to revenues and expenditures/expenses or change in net position on a GAAP basis.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

4. DEPOSITS AND INVESTMENTS

A. Deposits

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Position, and on the fund financial statements, as "Cash and cash equivalents" and "Investments".

At June 30, 2014, the carrying amount of the City's deposits was \$38,031,985 and the bank balance was \$39,033,414. The entire bank balance was covered by federal depository insurance or collateralized by the City's agent in the City's name or in the Municipal Development Authority, Inc.'s trust name. The difference between the City's carrying amount and the bank balance of \$1,001,429 represents deposits in transit, outstanding checks and other reconciling items.

B. Investments

City charter, ordinance, and trust agreements authorize the City to invest in obligations of the U.S. Treasury or its agencies and instrumentalities. In addition, the City may invest in certificates of deposit, mutual fund money market, repurchase agreements, corporate securities and the State of Arizona local government investment pool. The State Treasurer's Investment Pool is overseen according to Arizona State Statute by the State Board of Deposit.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures (Statement 40) requires the City to disclose its deposit and investment policies regarding certain types of investment risks. The City's adopted investment policy is in compliance with Statement 40.

Interest rate risk: In order to limit interest and market rate risk, State law and the City's investment policy sets a maximum maturity on any investment of five years with a minimum of 35% invested for a period of one year or less and no more than 20% of the City's portfolio be invested for a period greater than three years. At June 30, 2014, 67.1% of the City's investments have a maturity of less than one year and 5.8% have maturities greater than three years. The City's investment policy also sets a maximum weighted average maturity (WAM) not to exceed one year. The WAM at June 30, 2014 was 346 days.

Credit risk: State law and the City's investment policy limits the purchase of Commercial Paper to those securities rated A-1/P-1 or the equivalent by two nationally recognized statistical rating agencies. The City's investment policy also limits the purchase of Banker's Acceptances to those securities rated Aa or better by two nationally recognized rating agencies and with a maximum maturity of 180 days. At June 30, 2014, the City's investments include \$77.7 million in Commercial Paper and no Banker's Acceptance securities. State law and the City's investment policy also restricts investments in certificates of deposit (CD) to fully collateralized or insured from eligible Arizona depositories limited on a statewide basis by their capital structure on a quarterly basis. Such CDs are further collateralized to 110% with pledged securities held by an independent custodian approved by the City. City policy requires that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market values of securities underlying repurchase agreements were at or above the required level during the fiscal year.

Investment Type	Moody's Rating	S&P Rating	% of Investments
Federal Farm Credit Bank - Agency Note	Aaa	AA+	3.1
Federal Home Loan Bank - Agency Note	Aaa	AA+	13.4
Federal Home Loan Bank – Discount Note	Aaa	AA+	2.4
Federal Home Loan Mortgage Corp - Agency Note	Aaa	AA+	8.6
Federal Home Loan Mortgage Corp – Discount Note	Aaa	AA+	3.1
Federal National Mortgage Assoc - Agency Note	Aaa	AA+	16.2

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 NOTES TO THE FINANCIAL STATEMENTS
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The City's investment in the State of Arizona local government investment pool is limited to a pool that invests only in government securities. At June 30, 2014, all investments of that pool were U.S. Government Obligations and Agencies, and it therefore does not carry a credit rating.

Concentration of credit risk: The City's investment policy sets diversification limits on both security types and length of maturity. As of June 30, 2014, the City's investments include 41.3% invested in U.S. Agency Coupon securities, 5.5% in U.S. Agency Discount Notes, 8.7% in U.S. Treasury Notes, 23.8% in Commercial Paper, and 20.7% in money market funds, cash with fiscal agent, and the Arizona State Investment Pool.

Custodial credit risk: To control custodial credit risk, State law and the City's investment policy requires all securities and collateral to be held by an independent third party custodian in the City's name. The custodian provides the City with monthly market values along with original safekeeping receipts.

The City's investment in the State of Arizona's local government investment pool is stated at fair value, which also approximates the value of the investment upon withdrawal.

At June 30, 2014, the City's investments included the following:

	Investment Maturities in Years				Fair Value
	Less than 1	1-2	2-3	Over 3	
Unrestricted Investments:					
U.S. Treasury notes and strips	\$ -	28,535,700	-	-	\$ 28,535,700
Agency coupon securities	50,112,965	34,629,987	23,398,911	18,934,760	127,076,623
Agency discount notes	17,994,839	-	-	-	17,994,839
Commercial paper	69,968,865	-	-	-	69,968,865
State of Arizona local government investment pool	4,121,782	-	-	-	4,121,782
Mutual fund-money market	30,452,427	-	-	-	30,452,427
Total unrestricted investments	172,650,878	63,165,687	23,398,911	18,934,760	278,150,236
Less: amount included in cash and cash equivalents					28,839,602
Plus: amount included in restricted investments					381,963
Unrestricted investments, net					<u>\$ 249,692,597</u>
Total investments per statement of net position					\$ 249,278,724
Plus: Investments in fiduciary funds					413,873
Net unrestricted investments					<u>\$ 249,692,597</u>
Restricted Investments:					
Agency coupon securities	\$ 5,886,842	-	2,000,100	-	\$ 7,886,942
Commercial paper	7,744,007	-	-	-	7,744,007
Mutual fund-money market	33,337,791	-	-	-	33,337,791
Total Restricted Investments	44,968,640	-	2,000,100	-	\$ 48,968,740
Less: amount included in restricted cash with fiscal agents					3,681,859
Less: amount included in restricted cash and cash equivalents					29,655,932
Less: amount included in unrestricted investments					381,963
Net restricted investments					<u>\$ 15,248,986</u>

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Restricted cash, cash equivalents, and cash with fiscal agents at June 30, 2014, consisted of the following:

Restricted investments included in restricted cash and cash equivalents	29,655,932
Less: amount included in unrestricted cash and cash equivalents	<u>7,553,539</u>
Total restricted cash and cash equivalents per statement of net position	<u>\$ 22,102,393</u>

Cash with Fiscal Agents at June 30, 2014, consisted of the following:

Cash with fiscal agents	\$ -
Restricted investments included in cash with fiscal agents	<u>3,681,859</u>
Total cash with fiscal agents	<u>\$ 3,681,859</u>

Unrestricted cash and cash equivalents at June 30, 2014, consisted of the following:

Investments included in cash and cash equivalents	\$ 28,839,601
Carrying amount of city deposits	38,031,985
Amounts due from restricted cash	7,553,539
Cash on hand	<u>6,672</u>
Total cash and cash equivalents	74,431,797
Less: Cash and cash equivalents of Fiduciary funds	<u>123,077</u>
Total cash and cash equivalents per statement of net position	<u>\$ 74,308,720</u>

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost.

Investment income is comprised of the following for the year ended June 30, 2014:

Net interest and dividends	\$ 929,546
Net increase in the fair value of investments	<u>308,239</u>
Total net investment income	1,237,785
Less: net investment income of Fiduciary funds	<u>463</u>
Total net investment income per statement of activities	<u>\$ 1,237,322</u>

The net increase in the fair value of investments during fiscal year 2013-2014 was approximately \$308,239. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2014, was approximately \$73,114.

5. PROPERTY TAXES

Arizona law provides for a two tiered tax system: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% annually only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies on residential property are limited to one percent of the primary full cash value of such property. Additionally, primary taxes 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. Secondary property taxes levied to pay principal and interest on bonded indebtedness are not limited. The City's primary and secondary assessed valuation for fiscal year 2014 are \$1,051,739,698 and \$1,057,413,204 respectively.

The Arizona tax year has been defined as a calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year. The definition of the tax year is a function of the fact that the tax lien for the year attaches to the real property as of January 1 of the year in question. The City Council adopts the annual tax levy each year on or before the

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
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third Monday in August. The basis of this levy is the full cash value as determined by the Maricopa County Assessor. For locally assessed property, the value is determined as of January 1 of the preceding year, known as the valuation year. For utilities and other centrally valued properties, the full cash value is determined as of January 1 of the tax year. The City has an enforceable claim on the property when the property tax is levied. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16 percent. A lien is placed on the property at the time the tax bill is sold. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions for sale of delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase that has not been redeemed may demand a County Treasurer's Deed from the County Treasurer.

Property taxes are recognized as revenue in the government-wide financial statements when an enforceable legal claim has arisen. Therefore, the City recognizes revenue and a receivable, less any allowance for doubtful accounts deemed appropriate, for the entire tax levy in the year it is levied. For the governmental fund financial statements, property tax revenues not collected within 60 days of year end are deferred. Unsecured taxes on personal property, which are assessed on a monthly basis using different procedures than those mentioned above, are recognized as revenue on a cash basis for both the governmental fund statements and the government-wide statements.

6. DUE FROM OTHER GOVERNMENTS

The following amounts are due from other governments at June 30, 2014:

Governmental activities:

General Fund:

Due from Maricopa County for:		
Property tax	\$	31,708
Due from State of Arizona for:		
State shared sales tax		2,239,432
Auto lieu tax		235,421
Miscellaneous other		35,062
Due from Peoria Unified School District		131,553
Subtotal		<u>2,673,176</u>

Highway User Revenue Fund:

Due from State of Arizona (Highway user revenue)		818,261
Due from Maricopa County – Property tax (SLIDS)		4,074
Subtotal		<u>822,335</u>

GO Bond Debt Service Fund:

Due from Maricopa County (Property tax)		188,206
Subtotal		<u>188,206</u>

Non-major Governmental Funds:

Due from US Department of Housing & Urban Development		316,314
Due from US Department of Transportation		30,705
Due from US Department of Interior		28,590
Due from other Federal agencies		1,610
Due from Maricopa County:		
Home Grant		205,416
Property tax		22,313
Other		73,076
Due from State of Arizona		
Various Grants		226,164
Subtotal		<u>904,188</u>

Total Governmental Activities	\$	<u><u>4,587,905</u></u>
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CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

7. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows at June 30, 2014.

Fund	Receivables	Allowance	Net
Governmental activities:			
General Fund	\$ 4,819,291	28,228	4,791,063
Half-Cent Sales Tax Fund	1,535,489	-	1,535,489
Highway User Revenue Fund	385,557	7,137	378,420
Transportation Sales Tax Fund	920,313	-	920,313
GO Bond Debt Service Fund	225,288	131,347	93,941
Other Governmental Funds	1,196,781	28,080	1,168,701
Total governmental funds	<u>\$ 9,082,719</u>	<u>194,792</u>	<u>8,887,927</u>
Internal Service Funds	\$ 3,107	-	3,107
Business-type activities:			
Water Utility Fund	\$ 7,897,994	2,953,929	4,944,065
Wastewater Utility Fund	2,663,037	678,406	1,984,631
Solid Waste Utility Fund	1,631,833	451,160	1,180,673
Stadium Fund	495,094	-	495,094
Storm Drain Utility Fund	110,235	34,837	75,398
Total enterprise funds	<u>12,798,193</u>	<u>4,118,332</u>	<u>8,679,861</u>
Grand totals	<u>\$ 21,884,019</u>	<u>4,313,124</u>	<u>17,570,895</u>

8. INTERFUND TRANSACTIONS, RECEIVABLE AND PAYABLE BALANCES

Net interfund receivables and payables between governmental activities and business-type activities of \$2,241,926 are included in the government-wide financial statements at June 30, 2014. These internal balances are between the proprietary funds (business-type activities) and the internal service funds (governmental activities).

At June 30, 2014, there was an interfund loan that is considered to be a long-term loan: The Development Fee Fund owes the MDA Debt Service Fund \$1,819,656 to repay future debt service payments for bonds used to complete construction of Happy Valley Road.

The net transfers of \$28,205,646 from governmental activities to business-type activities on the government-wide statement of activities are primarily operational subsidies from the Half-Cent Sales Tax Fund to the Stadium Fund and the transfer of completed capital assets from the MDA to the Stadium Fund and the General Fund to the Water Utility Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2014:

Fund	Transfers out	Transfers in
Governmental funds:		
General Fund	\$ 1,137,515	11,039,168
Half-Cent Sales Tax Fund	16,057,076	-
Highway User Revenue Fund	75,429	1,000,000
Transportation Sales Tax Fund	5,417,059	-
GO Bond Debt Service Fund	-	-
Development Fee Fund	-	-
Non-Major Governmental Funds	25,963,609	8,120,774
Total governmental funds	<u>48,650,688</u>	<u>20,159,942</u>
Enterprise funds:		
Water Utility Fund	3,904,455	1,411,627
Wastewater Utility Fund	1,223,233	2,837,689
Solid Waste Utility Fund	4,077	-
Stadium Fund	2,567	26,254,160
Storm Drain Utility Fund	1,057	87,955

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Total enterprise funds	<u>5,135,389</u>	<u>30,591,431</u>
Internal Service funds	<u>46,068</u>	<u>3,080,772</u>
Grand totals	\$ <u>53,832,145</u>	<u>53,832,145</u>

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; 3) transfers to fund internal service equipment replacement funds; or 4) capital assets purchased or constructed in one fund, but capitalized in another. There were no significant transfers during fiscal year 2014 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Both the Water Utility Fund and the Wastewater Utility Fund have revenue streams pledged in support of outstanding revenue bonds but since both segments are discretely presented in the proprietary fund financial statements, all required segment information is disclosed on the face of those statements.

10. DEFICITS IN FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, no funds, as shown in the basic financial statements, were in a deficit position.

For the year ended June 30, 2014, expenditures, including capital outlay and transfers, did not exceed budget at the fund level (i.e. the level of budgetary control) in any funds.

11. FUND BALANCE/NET POSITION RESTRICTIONS, COMMITMENTS AND ASSIGNMENTS

Only restrictions imposed by external sources are shown as Restricted Net Position on the government-wide financial statements. Additionally, restrictions for inventories, prepaid items, and long-term interfund loans are shown as nonspendable fund balance on the governmental fund financial statements. Restrictions imposed by external sources or State of Arizona enabling legislation are shown as restricted fund balance on the governmental fund financial statements. Commitments or assignments of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are shown on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, commit or assign portions of net position in other funds to demonstrate the government's intended use of those net position balances. Commitments are created by legislative action of the City Council, the City's highest level of decision making authority, by resolution or ordinance and would require the same legislative action to reverse. Ordinances and resolutions both require public votes of the Council and, although the uses may differ, they are both considered to be of the highest level of decision making authority for the City. The authority to make assignments has been delegated by the City Council to the Chief Financial Officer. Much of the authority to commit fund balance is established in *Principals of Sound Financial Management* last adopted by Council by resolution in November 2010. As previously noted in Note 1.B, generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The order in which the City would apply resources when multiple categories of unrestricted fund balance are available is as follows: committed, assigned and unassigned. The committed and assigned fund balances of the governmental funds are shown on the fund financial statements. The following are the commitments or assignments of net position included in unrestricted net position on the proprietary fund financial statements at June 30, 2014:

Water Utility Fund:	
Committed for working capital policy reserve	\$ 7,400,000
Committed for rate stabilization	1,700,000
Committed for debt stabilization	3,200,000
Committed for system asset maintenance	7,194,589
Committed for capital equipment replacement	<u>992,002</u>
	<u>20,486,591</u>
Wastewater Utility Fund:	
Committed for working capital policy reserve	4,800,000
Committed for rate stabilization	900,000

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Committed for debt stabilization	3,136,000
Committed for system asset maintenance	7,578,328
Committed for capital equipment replacement	<u>647,330</u>
	<u>17,061,658</u>
Solid Waste Utility Fund:	
Committed for working capital policy reserve	2,200,000
Committed for capital equipment replacement	<u>2,656,838</u>
	<u>4,856,838</u>
Stadium Fund:	
Committed for capital equipment replacement	<u>355,815</u>
Total proprietary funds	<u>42,760,902</u>
Internal Service Funds:	
Committed for capital equipment replacement	12,357,816
Assigned for risk management purpose	<u>7,161,289</u>
Total internal service funds	<u>19,519,105</u>

The City has set aside funds for various stabilization arrangements. The authority for the stabilization arrangements is in the Council adopted *Principals of Sound Financial Management*. The governmental fund stabilization arrangements are shown as committed fund balance on the governmental fund financial statements. The commitments for stabilization arrangements in the proprietary funds are shown above. The City has the following stabilization arrangements at June 30, 2014:

Budget stabilization reserve – Maintained in the General Fund (10% of the average general fund revenues for the preceding five years) and the Half-Cent Sales Tax Fund (35% of the average fund revenues for the preceding five years). These reserves may be used to provide funding to deal with fluctuations in fiscal cycles and operating requirements that exceed \$500,000. Any use of these reserves must be formally approved by the City Council and include a repayment plan to restore the reserve within the three fiscal years following the year in which the event occurred.

Emergency reserve – Maintained in the General Fund (10% of the average general fund revenues for the preceding five years) and is for unexpected, large-scale events where damage in excess of \$250,000 is incurred and immediate remedial action must be taken to protect the health and safety of residents (e.g. floods, fires, storm damage). Usage of the emergency reserve must be approved by City Council, but the City Manager may utilize these funds when immediate action must be taken to protect the health and safety of residents. The City Manager must then provide a summary report to the City Council as soon as practical on the usage of these funds. The City shall strive to restore the Emergency Reserve to the 10% level within the next fiscal year following the fiscal year in which the event occurred.

Operating Reserve - Maintained in the General Fund (15% of the average general fund revenues for the preceding five years) and is for unexpected events whose impact exceeds \$500,000, such as failure of the State to remit shared revenues, unexpected mandates, unexpected loss of State Shared revenues, continuance of critical city services due to unanticipated events, or to offset unexpected loss of a significant funding source for the remainder of the fiscal year. Any use of these reserves must be formally approved by the City Council and include a repayment plan to restore the reserve within the two fiscal years following the year in which the event occurred.

Enterprise Operating Fund Working Capital Reserve – Maintained in the Water Utility Fund (25% of the operating expenditures of the fund for the fiscal year), the Wastewater Utility Fund (25% of the operating expenditures of the fund for the fiscal year), and the Solid Waste Utility Fund (20% of the operating expenditures of the fund for the fiscal year). These reserves are to provide the City with a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.

Rate Stabilization Reserve – In the Water and Wastewater Utility Funds (5% of the average operating fund revenues for the preceding three fiscal years). These funds may be used to moderate significant rate increases. In the event these funds are used, the City shall strive to

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restore the reserve to the 5% level within the next three fiscal years following the year in which the funds were used.

Debt Stabilization Reserve – In the Water and Wastewater Utility Funds (50% of the maximum annual debt service payment of the fund in the next five fiscal years). The Debt Stabilization Reserve is intended to provide additional security to insure the City’s ability to meet debt service obligations. In the event the Debt Stabilization Reserve is used, the City shall strive to restore the fund to the defined level within the three fiscal years following the year in which the funds were used.

Asset Maintenance Reserve - In the Water and Wastewater Utility Funds (2% of the gross enterprise infrastructure assets). The Asset Maintenance Reserve may be used to provide funding for the repair and maintenance of critical enterprise infrastructure. In the event the Asset Maintenance Reserve is used, the City shall strive to restore the fund to the defined level within the three fiscal years following the year in which the funds were used.

In the event the Enterprise Funds do not have sufficient fund balance to fully fund the four reserves just discussed, the funding priority will be 1) Working Capital Reserve, 2) Rate Stabilization Reserve, 3) Debt Stabilization Reserve and 4) Asset Maintenance Reserve.

Capital Equipment Replacement Reserves – The City maintains various capital equipment replacement reserves to fund future replacement of certain capital equipment, primarily vehicles and computers. The annual internal charges to the operating funds are determined as part of the annual budget process.

12. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2014, follows:

	<u>Balances</u> <u>June 30, 2013</u>	<u>Additions/</u> <u>Transfers in</u>	<u>Disposals/</u> <u>Transfers out</u>	<u>Balances</u> <u>June 30, 2014</u>
Governmental activities:				
Non-depreciable assets:				
Work in Progress – Parks	\$ 26,299,594	819,182	(19,927,268)	7,191,508
Work in Progress – Buildings	812,224	-	-	812,224
Work in Progress - Equipment	117,740	16,600	-	134,340
Work in Progress – Furniture	31,036	-	-	31,036
Work in Progress – Surface water	9,818,199	-	-	9,818,199
Work in Progress – Streets	118,427,723	17,250,659	-	135,678,382
Work in Progress – Technology	2,055,427	920,847	(76,393)	2,899,881
Work in Progress – Vehicles	379,240	44,764	(379,241)	44,763
Work in Progress – CFD	3,747,822	736,381	(2,749,602)	1,734,601
Land	339,161,125	927,411	-	340,088,536
Total non-depreciable assets	<u>500,850,130</u>	<u>20,715,842</u>	<u>(23,132,504)</u>	<u>498,433,470</u>

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	Balances June 30, 2013	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2014
Depreciable assets:				
Buildings & Improvements	179,448,618	-	-	179,448,618
Furniture	2,131,775	202,887	-	2,334,662
Equipment	49,949,551	1,698,116	-	51,647,667
Vehicles	23,792,782	2,744,509	(1,792,661)	24,744,630
Surface water system	80,362,819	-	-	80,362,819
Street system	543,371,410	4,938,263	-	548,309,673
Park system	62,279,705	21,909,418	-	84,189,123
Total depreciable assets at historical cost	<u>941,336,660</u>	<u>31,493,193</u>	<u>(1,792,661)</u>	<u>971,037,191</u>
Less accumulated depreciation for:				
Buildings & Improvements	(41,701,049)	(4,773,726)	-	(46,474,775)
Furniture	(1,744,757)	(107,425)	-	(1,852,182)
Equipment	(36,860,250)	(3,073,677)	-	(39,933,927)
Vehicles	(16,651,131)	(2,075,290)	1,735,581	(16,990,840)
Surface water system	(21,757,558)	(1,985,747)	-	(23,743,305)
Street system	(180,584,098)	(14,331,984)	-	(194,916,082)
Park system	(13,642,315)	(2,162,287)	-	(15,804,602)
Total accum. depreciation assets, net	<u>(312,941,158)</u>	<u>(28,510,136)</u>	<u>-</u>	<u>(339,715,713)</u>
Governmental activities capital assets, net	<u>\$ 1,129,245,632</u>	<u>23,698,901</u>	<u>(23,189,584)</u>	<u>1,129,745,948</u>

Business-type activities:

Non-depreciable assets:				
Work in Progress - Water	\$ 26,550,656	3,919,096	-	30,469,752
Work in Progress - Wastewater	15,413,169	1,277,492	-	16,690,661
Work in Progress - Storm Drainage	-	87,955	-	87,955
Work in Progress - Stadium	7,538,667	-	(5,580,428)	1,958,239
Land	16,612,889	-	-	16,612,889
Total non-depreciable assets	<u>66,115,381</u>	<u>5,284,543</u>	<u>(5,580,428)</u>	<u>65,819,496</u>
Depreciable assets:				
Buildings & improvements	35,197,123	29,997,705	-	65,194,828
Furniture	215,062	-	-	215,062
Equipment	8,431,790	2,032,882	-	10,464,672
Vehicles	13,774,112	2,594,050	(1,541,961)	14,826,201
Surface water system	24,856	203,078	-	227,934
Water Rights	12,889,809	-	-	12,889,809
Water system	311,274,825	6,790,195	-	318,065,020
Wastewater system	348,408,169	2,489,385	-	350,897,554
Total depreciable assets at historical cost	<u>730,215,746</u>	<u>44,107,095</u>	<u>(1,541,961)</u>	<u>772,780,880</u>
Less accumulated depreciation for:				
Buildings & improvements	(13,703,028)	(932,978)	-	(14,636,006)
Furniture	(182,192)	(13,965)	-	(196,157)
Equipment	(3,091,110)	(1,187,856)	-	(4,278,966)
Surface water system	(2)	(649)	-	(651)
Vehicles	(9,119,745)	(1,066,574)	1,539,740	(8,646,579)
Water Rights	(1,546,777)	(257,796)	-	(1,804,573)
Water system	(73,682,025)	(7,509,507)	-	(81,191,532)
Wastewater system	(73,576,511)	(8,539,121)	-	(82,115,632)
Total accum. depreciation	<u>(174,901,390)</u>	<u>(19,508,446)</u>	<u>1,539,740</u>	<u>(192,870,096)</u>
Total depreciable assets, net	<u>555,314,356</u>	<u>(24,598,649)</u>	<u>(2,221)</u>	<u>579,910,784</u>
Business-type activities capital assets, net	<u>\$ 621,429,737</u>	<u>29,883,192</u>	<u>(5,582,649)</u>	<u>645,730,280</u>

Depreciation expense was charged to governmental functions in the government-wide financial statements as follows:

General government	\$ 3,596,283
Culture and recreation	4,601,283
Police	1,612,147
Fire	1,496,263
Development services	4,303
Highways and streets	14,570,136
Public works	2,015,575
Human services	39,596

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Unallocated	<u>574,550</u>
Total depreciation expense	<u>\$ 28,510,136</u>

13. COMMUNITY FACILITIES DISTRICT DEBT

Community Facilities Districts (CFD's), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the City, are authorized under state law to issue general obligation (GO) or revenue bonds to be repaid by property (ad valorem) taxes levied on property within the district (for GO debt), or by specified revenues generated within the districts (revenue bonds). CFD's are created by petition to the City Council by property owners within the area to be covered by the district, and debt may be issued only after approval of the voters within the district.

On October 15, 2002 the City Council formed the Vistancia Community Facilities District (VCFD) pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes. VCFD was subsequently authorized, by the voters of the district on November 12, 2002, to issue up to \$100,000,000 in general obligation bonds to construct public infrastructure within VCFD. VCFD issued \$21,250,000 in fiscal year 2003 and \$23,550,000 in fiscal year 2005 and \$22,760,000 in fiscal year 2007 of general obligation bonds against this authorization. These bonds will be repaid by the property owners within VCFD. The bonds are obligations of the district only. The City has no obligation for VCFD debt other than the administration of the collection of the property taxes and payment of the debt service on behalf of VCFD.

14. LONG-TERM DEBT

A. General Obligation bonds

General: General obligation (GO) bonds are issued, after approval of the City of Peoria voters at an authorized bond election, to finance the purchase or construction of major capital facilities. While GO bonds may be issued for both governmental and business-type activities, at June 30, 2014, there are no outstanding GO bonds in the business-type activities.

GO bonds are backed by the "full faith and credit" of the City and are repaid through the City's levying of property (ad valorem) taxes. There is no legal limit on the secondary property tax used for debt service on GO bonds.

Statutory Debt Limitation: Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, (after January 1, 1974) parks and open space, and (after December 7, 2006) public safety and transportation purposes may not exceed 20 percent of a City's net secondary assessed valuation. Also outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a City's net secondary assessed valuation. The City's computation of legal debt margins available for creation of additional debt at June 30, 2014 was \$63,094,792 and \$59,012,641 for the 6 percent and 20 percent debt limits respectively.

B. Revenue bonds

Water and Sewer Revenue Bonds: Water and Wastewater Revenue Bonds are issued, pursuant to voter authorization, for the construction, acquisition, and equipping of water and wastewater facilities and related systems and infrastructure. The bonds are backed by the revenues of the water and wastewater utilities.

C. Municipal Development Authority bonds

Municipal Development Authority (MDA) Bonds are issued by a non-profit corporation created by the City for the purpose of financing certain capital construction projects. The MDA issues its own bonds, which are repaid through a lease purchase agreement with the City equal to the debt service requirements. The City utilizes the City's excise tax and other unrestricted revenues to pay the lease payments.

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D. Special assessment bonds with Governmental Commitment

Special Assessment Bonds are used to construct projects within special assessment districts created by the City after property owners within these districts agree to be assessed for the costs of debt service on these bonds. Payments made by the assessed property owners within the districts are pledged to pay the debt service on the bonds. In the event of default by a property owner, the lien created by the assessment is sold at public auction, and the proceeds are used to offset the defaulted assessment. If there is no purchase at the public auction, the City is required to buy the property, and pay off the assessment, with funds appropriated from the General Fund.

As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

At June 30, 2014, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate to meet the scheduled maturities of the bonds payable and related interest. There were no delinquent assessments at June 30, 2014.

E. Community Facilities District bonds

Community Facilities District (CFD) bonds are issued by separate legal entities formed for the purposes of financing public infrastructure improvement within a specific area of the City. The repayment of these bonds is the responsibility of the district, not the City. As the administrator for the district, the City collects the property taxes and makes the debt payments on behalf of the district. See further discussion of CFD bonds outstanding in Note 13.

F. Authorized and issued debt

The voters of the City authorized \$22,080,000 of general obligation bonds at a special bond election in March 1990, and \$75,150,000 in September 1994 of which \$592,560 and \$12,000,657, respectively, was unissued at June 30, 2014. In September 1996, the voters authorized \$75,550,000 in either general obligation bonds or utility revenue bonds. To date, the City has not issued general obligation bonds against this authorization; however, \$60,380,132 in utility revenue bonds has been issued against the 1996 authorization, leaving \$15,169,868 unissued against the authorization. In September 2000, the voters authorized \$282,000,000 in bonds as follows: \$164,000,000 in general obligation, utility revenue bonds or Water Infrastructure Finance Authority of Arizona Revolving Fund Loan for the acquisition and construction of water and wastewater facilities; \$22,300,000 in general obligation or utility revenue bonds for storm drainage projects; \$47,150,000 in general obligation or highway user revenue bonds for street, bridges and traffic control projects; and \$48,550,000 in general obligation bonds for parks, open space, public safety and public service projects. General obligation bonds in the amount of \$21,681,456 in 2003, \$59,472,631 in 2007, \$19,555,776 in 2009, \$9,384,315 in 2010 and \$495,000 in 2012; and water infrastructure debt of \$13,965,546 in 2008, \$8,575,248 in 2009, and \$13,775,827 in 2010 have been issued against the 2000 authorization, leaving \$135,094,201 unissued. In May 2005, the voters authorized \$196,000,000 in general obligation bonds as follows: \$52,000,000 for public safety and municipal operations, \$109,000,000 for streets, bridges and traffic control projects, and \$35,000,000 for parks, recreation and library projects. Also in May 2005 the voters authorized \$160,000,000 in revenue or general obligation bonds for water treatment, water system, wastewater, and storm drainage projects. General obligation bonds in the amount of \$24,087,416 in 2007, \$38,511,231 in 2009, \$9,497,031 in 2010, and \$8,775,000 in 2012 were issued against the 2005 authorization leaving \$115,129,322 unissued. Water infrastructure debt of \$24,631,066 in 2007, \$28,775,995 in 2008, \$10,372,993 in 2009 and \$4,045,230 in 2010 in general obligation bonds for drainage projects were issued against the 2005 water, wastewater and storm drainage authorization leaving \$92,174,716 unissued at June 30, 2014.

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In November 2008, the voters authorized \$378,000,000 in bonds as follows: \$276,700,000 in general obligation or utility revenue bonds for transportation and drainage projects, \$60,300,000 for public safety and municipal operations projects, and \$41,000,000 for parks, recreation and trails projects. General obligation bonds in the amount of \$6,243,424 were issued in 2010 and \$5,445,000 in 2012 against the 2008 authorization leaving \$366,311,576 unissued as of June 30, 2014.

Additionally, in 1996 the citizens of Peoria approved \$42,480,000 in Water Infrastructure Finance Authority of Arizona revolving fund loan for the acquisition and construction of water and wastewater facilities. These projects are financed by utility rates for water and wastewater. As of June 30, 2014, \$23,605,000 remains available of this authorization.

G. Bond covenants and restrictions

There are various limitations and restrictions contained in debt covenants on some bonds requiring that the City maintain certain reserves or other restrictions. No violations of those covenants occurred during the fiscal year ending June 30, 2014.

H. Arbitrage

Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement as of June 30, 2014. At June 30, 2014, there is no outstanding arbitrage liability.

Bonds payable at June 30, 2014 are comprised of the following:

Delivery Date	Description	Purpose	Maturity Dates	Net Interest Rate	Ave. Life (Yrs)	Original Principal Balance	Principal Balance Outstanding
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
General Obligation Bonds							
03/01/07	Series 2007A	Various improvements	7/1/07-26	4.27	20.0	94,380,000	57,760,000
03/01/07	Series 2007B	Refunding of Series 1995, 1996, 2000	7/1/07-20	4.00	14.0	18,365,000	9,150,000
02/19/09	Series 2009	Various improvements	7/1/09-28	3.86	7.4	68,440,000	36,125,000
06/24/10	Series 2010	Various improvements	07/1/10-30	4.03	10.5	29,170,000	23,155,000
06/28/12	Series 2012A	Various improvements	07/1/12-32	3.32	11.38	14,715,000	14,155,000
06/28/12	Series 2012B	Refunding of Series 2003A	7/1/12-22	1.75	5.7	13,690,000	12,475,000
	Total General Obligation Bonds					238,760,000	152,820,000
Municipal Development Authority Bonds							
03/09/06	Series 2006	Community Theater	7/1/06-25	4.2	10.9	6,675,000	4,520,000
03/12/08	Series 2008	Transportation	7/1/08-26	4.6	10.5	47,000,000	35,200,000
06/08/11	Series 2011	Water Rights	7/1/12-26	3.9	8.7	7,920,000	7,105,000
07/18/12	Series 2012	Sports Complex	7/1/13-32	3.3	11.6	35,510,000	34,210,000
	Total General Obligation Bonds					97,105,000	81,035,000
Special Assessment Bonds with governmental commitment (collateralized by the special assessments levied on the property benefiting from the improvements)							
04/01/07	Series 2006	99 th Ave & Northern ID# 0601	7/1/07-22	4.25	15.0	4,950,000	3,195,000
	Total Improvement District Bonds					4,950,000	3,195,000
Community Facility District Bonds (collateralized by ad valorem property taxes levied on the property benefiting from the improvements)							
12/17/02	Series 2002	Vistancia CFD Infrastructure	7/15/05-22	6.69	12.7	21,250,000	13,375,000
04/27/05	Series 2005	Vistancia CFD Infrastructure	7/15/07-24	5.47	13.2	23,550,000	18,000,000
12/28/06	Series 2006	Vistancia CFD Infrastructure	7/15/09-26	4.26	20.0	22,760,000	19,720,000
	Total Community Facilities District Bonds					67,560,000	51,095,000

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Total bonds payable recorded in governmental activities	288,145,000
Add unamortized bond premium	3,567,869
Less current portion	<u>(17,305,000)</u>
Long-term portion of bonds payable recorded in governmental activities	<u>\$274,407,869</u>

Delivery Date	Description	Purpose	Maturity Dates	Net Interest Rate	Ave. Life (Yrs)	Original Principal Balance	Principal Balance Outstanding
CLASSIFIED IN BUSINESS-TYPE ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
Revenue Bonds							
07/26/02	WIFA Series 2000	Water system improvements	7/1/03-22	3.94	11.8	1,964,789	1,072,172
12/08/06	WIFA Series 2006	Butler Water Treatment Plant	7/1/08-26	3.06	20	27,183,342	21,047,280
02/15/08	WIFA Series 2006	Butler Water Treatment Plant	7/1/09-27	3.30	20	42,741,541	33,908,512
05/16/08	WIFA Series 2006	Butler Water Treatment Plant	7/1/10-28	3.48	19	8,575,248	7,201,677
07/17/09	WIFA Series 2009	Northern Ave Repairs	7/1/10-29	3.48	20	1,577,978	604,231
07/17/09	WIFA Series 2009	Various improvements	7/1/10-29	2.00	20	8,484,204	6,591,147
07/17/09	WIFA Series 2009	Beardsley upgrades & Northern Ave repairs	7/1/10-29	2.00	20	4,021,623	3,051,741
07/17/09	WIFA Series 2009	Beardsley reclamation facility	7/1/10-29	3.27	20	4,545,000	3,680,521
11/20/09	WIFA Series 2009	Pinnacle Peak Road improvements	7/1/10-29	3.23	20	1,780,000	623,251
05/27/10	WWW Series 2010	Refunding Series 1998A & Series 2000	7/1/11-20	3.21	6.2	15,780,000	12,805,000
06/28/12	WWW Series 2012	Refunding Series 1995, 1997, WIFA Series 2000 PH 1&2	7/1/12-21	1.60	4.3	23,280,000	19,915,000
Total Revenue Bonds						<u>139,933,725</u>	<u>110,500,532</u>

Total bonds payable recorded in business-type activities	110,500,532
Add unamortized bond premium	1,891,014
Less current portion	<u>(9,210,037)</u>
Long-term portion of bonds payable recorded in business-type activities	<u>103,181,509</u>
Total long-term portion of bonds payable	<u>\$377,589,378</u>
Reconciliation to total bonded debt principal:	
Total long-term portion of bonds payable	\$377,589,378
Add:	
Current portion of bonds payable	<u>26,515,038</u>
Total bonded debt principal as of June 30, 2014	<u>\$404,104,416</u>

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended June 30, 2014:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 162,375,000	-	9,555,000	152,820,000	9,895,000
MDA Bonds	85,230,000	-	4,195,000	81,035,000	4,305,000
Special assessment bonds	3,520,000	-	325,000	3,195,000	340,000
CFD bonds	53,725,000	-	2,630,000	51,095,000	2,765,000
Total bonds payable	304,850,000	-	16,705,000	288,145,000	17,305,000
Compensated absences	6,882,099	6,466,049	6,442,008	6,906,140	5,177,550
Deferred bond premium	3,850,154	-	282,285	3,567,869	-
Governmental activities totals	<u>\$ 315,582,253</u>	<u>6,466,049</u>	<u>23,429,293</u>	<u>298,619,009</u>	<u>22,482,550</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	119,507,652	-	9,007,120	110,500,532	9,210,037
Compensated absences	842,730	725,568	734,958	833,340	619,410
Deferred bond premium	2,167,804	-	276,790	1,891,014	-
Business-type activities totals	<u>\$ 122,518,186</u>	<u>725,568</u>	<u>10,018,868</u>	<u>113,224,886</u>	<u>9,829,447</u>

The following table discloses the bond debt service requirements as of June 30, 2014, segregating principal and interest, for the next five years and in five-year increments thereafter.

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Governmental Activities

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	17,305,000	11,880,816	29,185,816
2016	18,010,000	11,191,118	29,201,118
2017	18,315,000	10,469,765	28,784,765
2018	18,505,000	9,703,441	28,208,441
2019	19,285,000	8,880,694	28,165,694
2020-2024	102,950,000	31,498,789	134,448,789
2025-2029	77,475,000	9,613,870	87,088,870
2030-2033	<u>16,300,000</u>	<u>1,088,513</u>	<u>17,388,513</u>
Totals	<u>\$ 288,145,000</u>	<u>94,327,006</u>	<u>382,472,006</u>

Business-Type Activities

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	9,210,037	3,450,304	12,660,341
2016	9,456,159	3,171,755	12,627,914
2017	10,081,747	2,845,809	12,927,556
2018	10,416,947	2,494,759	12,911,706
2019	9,831,905	2,143,516	11,975,421
2020-2024	35,947,642	6,504,022	42,451,664
2025-2029	24,835,039	1,646,435	26,481,474
2030-2033	<u>721,059</u>	<u>5,601</u>	<u>726,660</u>
Totals	<u>\$ 110,500,535</u>	<u>22,262,201</u>	<u>132,762,736</u>

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the General Fund, Highway User Revenue Fund and Transit Fund) as they come due.

15. ADVANCE REFUNDINGS

In prior years, the City refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The City did not have any advanced refundings during the fiscal year ending June 30, 2014.

16. PLEDGED REVENUES

The City has pledged certain future revenues to repay specific bonded debt as follows:

The City has pledged future water utility and wastewater utility revenues, net of specific operating expenses, to repay \$15,780,000 in Revenue Refunding Bonds issued in 2010, \$23,280,000 in Revenue Refunding Bonds issued in 2012 and \$161,258,811 in Water Infrastructure Financing Authority Bonds issued in 1995-2010. The various bonds were issued for the purchase or construction of various water or wastewater infrastructure including wells, treatment plants, pumping stations and water and wastewater distribution or collection lines. At June 30, 2014, \$110,500,535 in bonds remain outstanding to be repaid by future water and wastewater revenues. For the fiscal year ended June 30, 2014, the pledged revenues, net of operating expenses available for service of this debt were \$27,883,713. The debt principal and interest paid on this debt in fiscal year 2014 was \$12,350,530 (44.3% of available net pledged revenues).

The City has pledged certain revenues for the repayment of \$50,105,000 in Municipal Development Authority (MDA) Bonds issued in 2006, 2011 and 2012. Pledged revenues for these bonds include excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2014, \$45,835,000 in bonds remained outstanding to be repaid by these future revenues. The bonds were issued to construct various City operational facilities and to purchase water

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rights. For the fiscal year ended June 30, 2014, the pledged revenues, net of operating expenses available to service this debt were \$114,035,421. The debt principal and interest paid on this debt in fiscal year 2014 was \$3,718,383 (3.3% of available net pledged revenues).

The City has pledged certain revenues for the repayment of \$47,000,000 in Municipal Development Authority Bonds issued in 2008. The bonds were issued to construct transportation infrastructure. The bonds have a senior lien on the .03% transportation sales tax and a secondary lien on the excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes (secondary after the MDA Bonds discussed above). At June 30, 2014, \$35,200,000 of the bonds remained outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2014, the pledged revenues, net of operating expenses available to service this debt were \$121,178,183. The debt principal and interest paid on this debt in fiscal year 2014 was \$3,915,263 (3.2% of available net pledged revenues).

The City has pledged certain revenues for the repayment of Special Assessment Bonds. The bonds were issued to purchase or construct infrastructure within the various special assessment districts. Pledged revenues for these bonds include the fund balance of the Special Assessment Debt Service Fund, plus the collections of assessments against property owners in the districts. At June 30, 2014 \$3,195,000 in bonds are outstanding to be repaid by these revenues. For the fiscal year ended June 30, 2014, the net revenues available to service this debt were \$1,259,303. The debt principal and interest paid on this debt in fiscal year 2014 was \$474,600 (37.7% of available net pledged revenues).

17. RETIREMENT AND PENSION PLANS

All full-time employees of the City are covered by one of three pension plans. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstances, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The Arizona State Retirement System (A.S.R.S.) is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except sworn fire and police personnel, are included in the Arizona State Retirement System plan, which is a cost sharing, multiple-employer, defined benefit plan. Sworn police and fire personnel participate in the Public Safety Retirement System, which is an agent multiple-employer defined benefit plan. In addition, the Mayor and City Council members are covered by the State's Elected Officials Plan, which is also a multiple-employer defined benefit cost sharing plan.

Arizona State Retirement System:

a. Plan Description

All of the City's full-time employees, other than those covered by one of the other retirement plans, participate in the Arizona State Retirement System (System), a cost sharing multiple-employer defined benefit pension plan; health insurance premium plan; and long-term disability plan. The System was established by the State of Arizona to provide benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance premiums, and death and survivor benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., Suite 1300, Phoenix, Arizona, 85012 or by calling 1-800-621-3778 or 602-240-2000.

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b. **Funding Policy**

Covered employees were required by state statute to contribute 11.54 percent (11.3 percent for retirement and 0.24 percent for long-term disability) of their salaries to the System and the City was required to match it (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability). Arizona Revised Statutes (A.R.S.) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to impose a contribution rate other than the actuarially determined rate. The City was also required to contribute an alternate contribution rate of 9.20 percent of salaries for those employees that are currently receiving retirement benefits from the System. These retirement members are not required to contribute to the System. These amounts have been included in the employer retirement fund contributions in the following table.

The City's contributions for the current year and two preceding years, all of which were equal to the required contributions, were as follows:

<u>Fiscal Year Ended</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	4,263,942	272,167	103,682
2013	5,048,667	320,008	117,811
2014	4,847,966	271,849	108,739

Elected Officials Retirement Plan:

a. **Plan Description**

The City's Mayor and Council members participate in the Elected Officials Retirement System (EORP), a cost sharing, multiple-employer defined benefit pension plan and insurance premium plan. The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain elected city officials. EORP provides retirement benefits, death and disability benefits, and health insurance premium benefits.

Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer plan. According to GASB Statement 43, the health insurance subsidy paid by the Plan represents other post employment benefits. The Plan does not administer a separate healthcare plan as defined under IRC 401h or an equivalent arrangement. In addition, the Plan is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB Statement 43, the healthcare subsidy is reported by the Plan as an agency fund. All assets of the plan are available to pay both pension and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type.

EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 E. Camelback Rd., Ste 200, Phoenix, Arizona, 85016, by calling 602-255-5575, or on the internet at www.psprs.com.

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b. **Funding Policy**

The EORP's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 13.0 percent of their annual covered salary. The employer rate for fiscal year 2013-2014 was 39.62 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.56 percent of covered payroll. The City's contributions from employer and employees for the fiscal year 2014, 2013, and 2012 were \$19,278, \$17,410, and \$15,140, respectively for the employees and \$47,048, \$55,166, and \$49,943, respectively for the employer. These contributions matched the required contributions for those years.

c. **Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual contributions are subject to continual revisions as actual results are compared to past expectations and new estimates are made.

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

The required contribution was determined as part of the June 30, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.00 percent investment rate of return, (b) projected salary increases of 4.75 percent, and (c) payroll growth of 4.5 percent per year. Since the health insurance premium benefits are fixed, no health care cost trend rate is used in the actuarial valuation.

The actuarial value of EORP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. EORP's assets in excess of actuarial accrued liabilities are amortized as level percents of payroll over an open period of 20 years, while unfunded actuarial liabilities are amortized as level percents of payroll over a closed period of 23 years.

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and insurance premium plan, which acts as a common investment and administrative agent for the various fire and police agencies within the state. Sworn police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, death benefits, and insurance premium benefits, to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 209 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System 3010 East Camelback Rd., Ste 200, Phoenix, Arizona, 85016, by calling 602-255-5575, or on the internet at www.psprs.com.

b. **Funding Policy**

PSPRS police personnel are required to contribute 10.35 percent of their annual covered salary and fire personnel are required to contribute 10.35 percent while the City is required to contribute an actuarially determined rate. Police personnel contributed \$1,349,474 and fire personnel \$1,131,864

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during fiscal year 2013-2014. The City rate for fiscal year 2014 was 23.29 percent for police personnel and 17.71 percent for fire members. The City was also required to contribute 17.07 percent for those police and fire personnel that were currently drawing retirement benefits from a PSPRS retirement system and were not required to make employee contributions. The health insurance premium portion of the contribution rate was actuarially set at 0.98 percent of covered payroll for police and 0.96 percent for fire for fiscal year 2014. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

c. Actuarial Methods and Assumptions

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

Projections of benefits are based on 1) the plan as understood by the City and the plan's members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term prospective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The most recent actuarial valuation and related information follow.

	Fire	Police
Valuation date	6/30/2013	6/30/2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of pay, closed for underfunded, open for overfunded	Level % of pay, closed for underfunded, open for overfunded
Remaining amortization period	23 years for underfunded 20 years for overfunded	23 years for underfunded 20 years for overfunded
Asset valuation method	7 years smoothed market	7 years smoothed market
Actuarial assumptions:		
Investment rate of return	7.85%	7.85%
Projected salary increases	4.5 - 8.5%	4.5 - 8.5%
Includes inflation at	4.5%	4.5%
Cost of living adjustments	None	None

Since the health insurance premium benefits are fixed, no health care cost trend rate is used in the actuarial valuation.

Annual Pension/OPEB Cost - Agent Plans:

The City's pension/OPEB costs for the agent plans for the year ended June 30, 2014, follows:

	PSPRS - Police		PSPRS - Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$2,908,870	\$127,776	\$1,831,762	\$104,985	\$45,196	\$1,852
Contributions made	2,908,870	127,776	1,831,762	104,985	45,196	1,852

Three Year Trend Information for Agent Plans:

Annual pension cost information for the current and two preceding years follows for each of the agent plans.

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<u>Fiscal Year Ended</u>	<u>Annual Pension/OPEB Cost</u>	<u>Annual Costs Contributed</u>	<u>Percentage of Net Pension/OPEB Obligation</u>
<u>PSPRP - Police - Pension</u>			
2012	\$2,090,120	100%	\$ 0
2013	2,622,025	100	0
2014	2,908,870	100	0
<u>PSPRP - Police – Health Insurance</u>			
2012	\$ 123,935	100%	\$ 0
2013	134,785	100	0
2014	127,776	100	0
<u>PSPRP - Fire - Pension</u>			
2012	\$1,394,608	100%	\$ 0
2013	1,632,474	100	0
2014	1,831,762	100	0
<u>PSPRP - Fire – Health Insurance</u>			
2012	\$ 109,878	100%	\$ 0
2013	107,353	100	0
2014	104,985	100	0
<u>EORP – Pension</u>			
2012	\$ 47,233	100%	\$ 0
2013	52,441	100	0
2014	45,196	100	0
<u>EORP – Health Insurance</u>			
2012	\$ 2,710	100%	\$ 0
2013	2,725	100	0
2014	1,852	100	0

Volunteer Firemen's Pension Trust Fund

The Volunteer Firemen's Pension Trust plan covers participants in a volunteer firemen program formerly sponsored by the City. There are currently four individuals receiving monthly benefits of \$425 each. There are no potential additional demands upon the fund since the volunteer program has been discontinued. An actuarial valuation of this pension plan has not been performed. The City believes the unfunded liability, if any, is not material.

Schedule of Funding Progress:

The funded status of the plans as of the most recent valuation date, June 30, 2013, and the prior two years follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and therefore, actuarial information for the City, as a participating government, is not available.

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Schedule of Funding Progress (Latest Available Actuarial Information)

<u>Valuation Date</u> <u>June 30,</u>	<u>Actuarial Value of Plan Assets</u>	<u>Projected Unit Credit Actuarial Liability (AAL)</u>	<u>Percent Funded</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as a % of Covered Payroll</u>
<u>Police – Retirement</u>						
2011	42,776,856	62,806,469	68.1	20,029,613	12,989,140	154.2%
2012	47,252,572	72,134,658	65.5	24,882,086	12,995,169	191.5
2013	50,542,535	78,259,854	64.6	27,717,319	13,250,689	209.2
<u>Police – Health Insurance Subsidy</u>						
2011	0	1,547,097	0.0	1,547,097	12,989,140	12.12%
2012	0	1,637,968	0.0	1,637,968	12,995,169	12.60
2013	0	1,698,633	0.0	1,698,633	13,250,689	12.82
<u>Fire – Retirement</u>						
2011	36,477,794	44,039,032	82.8	7,591,238	10,271,122	73.9%
2012	41,223,476	49,863,454	82.7	8,639,978	10,470,454	82.5
2013	44,476,474	53,020,164	83.9	8,543,690	10,431,141	81.9
<u>Fire – Health Insurance Subsidy</u>						
2011	0	1,390,847	0.0	1,390,847	10,271,122	13.54%
2012	0	1,377,734	0.0	1,377,734	10,470,454	13.16
2013	0	1,282,533	0.0	1,282,533	10,431,141	12.30

18. LEASES

The City leases vehicles, equipment and land under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease costs for the fiscal year ended June 30, 2014 were \$208,164.

The following is a schedule of the future minimum lease payments on the operating leases.

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 191,787
2016	195,743
2017	195,949
2018	200,273
2019	204,718
Total	\$ 988,470

The City is the lessor on several operating leases of land. The cost of the real property associated with these leases is \$2,218,519. Operating lease revenues for fiscal year 2014 were \$385,700.

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The following is a schedule of five years minimum future rental revenues on these leases:

Year Ending June 30,	Amount
2015	\$ 321,856
2016	326,534
2017	354,436
2018	360,141
2019	295,604

19. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Additionally, the City offers its management employees an additional deferred compensation plan created in accordance with Internal Revenue Code Section 401a. The deferred compensation is not available to employees, under either plan, until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 and 401a plan assets be held in trust for employees. This means that employee assets held in Section 457 and 401a plans are not the property of the City and are not subject to claims of the City's general creditors. Also, the City exercises no administrative control nor makes investment decisions. Therefore, the deferred compensation assets are not included in the City's Basic Financial Statements.

20. COMMITMENTS AND CONTINGENCIES

The City is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. The City is self-insured for the first \$1,000,000 of any occurrence and then has additional coverage up to \$40.0 million.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The following table presents the City's commitments and encumbrances as of June 30, 2014:

<u>Fund/Description</u>	<u>Remaining Commitment</u>
General Fund:	
P83 Entertainment District Improvements	\$ 205,102
Systems Upgrades	1,348
Parks and Recreation Facilities	<u>53,170</u>
	259,620
Highway User Revenue Fund:	
Streets/Traffic Infrastructure	47,572
Sidewalk Improvements	<u>24,068</u>
	71,640
Development Fee Fund:	
Parks and Recreation Facilities	1,410,850
Municipal Facilities	22,270
Streets/Traffic Infrastructure	<u>2,226,008</u>
	3,659,128
Transportation Sales Tax Fund:	
Streets/Traffic Infrastructure	2,843,693

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Non-Major Governmental Funds:	
GO Bond Cap Proj – Streets/Traffic Infrastructure	1,529,871
GO Bond Cap Proj – Parks and Recreation Facilities	817,803
GO Bond Cap Proj – Municipal Facilities	116,963
Non-Bond Cap Proj –Parks and Recreation Facilities	985,680
Non-Bond Cap Proj –Streets/Traffic Infrastructure	562,096
MDA Bonds Capital Proj – Parks and Recreation Facilities	<u>1,585,495</u>
	5,597,908
Water Utility Fund:	
Water Lines	535,888
Wells and Reservoirs	1,579,063
Water Facilities	131,590
Operational Purposes	<u>57,562</u>
	2,304,103
Wastewater Utility Fund:	
Wastewater Lines	239,893
Systems Upgrades	92,621
Wastewater Facilities	26,536
Operational Purposes	<u>34,388</u>
	393,438
Stadium Fund:	
Parks and Recreational Facilities	<u>67,337</u>
Total commitments	<u>\$ 15,196,867</u>

Contracts Payable

The City has development agreements where, in return for developers constructing public infrastructure, the City agrees to reimburse the developer for the cost of such infrastructure at some future time contingent on the collection of impact fees and sales tax revenues. Obligations under these development agreements at June 30, 2014 total \$55,406,650 for governmental funds and \$6,297,204 for enterprise funds.

21. OTHER MATTERS

Park West Development

The City signed a development agreement with DJN Eagle Mountain, LLC on July 5, 2005, and amended on April 15, 2008, with provisions that reimbursement will be made by the City to the developer for certain public infrastructure improvements related to the retail component of a mixed use project called Park West in the southwest area of the City. The developer is required by the agreement to complete construction of 150,000 square feet of retail business space by July 31, 2008, and an additional 360,000 square feet of retail business space by March 31, 2010, and to have a capital investment of at least forty-five million dollars in the project within 36 months of the construction commencement date. Reimbursements will begin once certain construction obligations are met by the developer. The agreement caps the reimbursement amount at no more than \$9,000,000. Payments will be made quarterly, consisting of fifty percent of one percent of sales tax revenues generated by the project. No liability will be recorded by the City until such time as the developer has met all obligations of the agreement. The developer is in default of the terms of the Agreement related to the improvement district, but the Agreement has not been terminated. Because of the default, the \$9,000,000 has not been recorded as a liability as of June 30, 2014.

Vistancia

The City approved a development agreement with Shea Sunbelt Pleasant Point LLC on October 22, 2001, for development of a master-planned community north of Happy Valley Road and west of the Agua Fria River. Included in the agreement are certain infrastructure improvements, right-of-way and land dedications, water rights acquisition, fire station building and equipment, and park and trail development. In return the City agreed to certain impact fee reimbursements. Individual liabilities will not be recorded until

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

the developer has met City requirements associated with each agreed-upon item. As of June 30, 2014, there are currently estimated potential impact fee reimbursements of the following that are not yet recorded as liabilities: One neighborhood park site currently estimated at \$450,000; two community park sites currently estimated at \$4,500,000; one library site currently estimated at \$750,000; and street and intersection improvements and associated ROW land dedications currently estimated at \$11,500,000.

Saddleback Heights

The City approved a development agreement with Diamond Ventures Inc. on December 24, 2002 for a master-planned community located on the southwest corner of 163rd Avenue and State Highway 74. Included in the agreement are certain infrastructure improvements, right-of-way and land dedications, and provision of certain equipment. Associated with some of these requirements, the City may have credits owed to the developer from impact fees. As of June 30, 2014, no building activities have commenced and potential credits could not be reliably estimated. The agreement is in force for 25 years from the signing of the agreement. The developer is currently seeking an amendment to the development plan and agreement.

Lake Pleasant Heights

On December 19, 2005, the City approved a development agreement with Group Three Properties, Noranda Properties Inc., and Pleasant Views LLC, which terminated an existing development agreement and enabled the developer to rely on existing City ordinances related to infrastructure improvements, right-of-way and land dedications. Subsequently, these entities no longer have ownership interests in the land, and new developers are looking to amend or restate a development agreement. The development is a master-planned community east of Vistancia North and south of State Route 74. As the developer(s) moves forward with the project, there may be infrastructure and land dedications resulting in impact fee credits due them from the City. As of June 30, 2014, the potential credits could not be reliably estimated.

22. SUBSEQUENT EVENTS

On August 27, 2014, Council approved the formation of Vistancia West Community Facilities District (CFD) and authorized the execution and delivery of a District Development, Financing Participation and Intergovernmental Agreement. The Agreement is structured with a maximum of \$9 million in general obligation bonds with a targeted tax rate of \$2.10 per \$100 of assessed value. Projects anticipated to be constructed under the CFD include the Westland Water Campus, Offsite Sewer and Lone Mountain Waterline projects. As with other CFDs, the Vistancia West CFD is a separate legal entity and debt issued under the CFD are not obligations of the City. Debt service payments are secured by the property tax revenues generated from the District and a Standby Contribution Agreement and Letter of Credit executed by the development joint venture.



The background is a solid teal color. It features several large, semi-transparent, stylized graphics: a gear-like shape on the left, a five-pointed star in the upper right, and a large, bold letter 'R' in the lower right. The text is positioned in the lower right area, overlapping the 'R' graphic.

**Combining Statements
& Budgetary Schedules**

Combining Fund Financial Statements and Budgetary Schedules

This section contains the combining financial statements for non-major governmental funds, internal service funds and fiduciary funds as well as the budget schedules other than those for the general fund and major special revenue funds (which may be found immediately following the governmental fund financial statements).

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MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND & SPECIAL REVENUE FUNDS Budgetary Comparison Schedules

Debt Service Funds

Debt service funds are used to account for and report financial resources, that are restricted, committed, or assigned to expenditure for principal and interest payments on debt. This includes financial resources that are being accumulated for principal and interest maturing in future years. Principal payments are due annually. Interest is due semiannually.

General Obligation (GO) Bonds Debt Service Fund

This fund accounts for the principal and interest requirements of the City's general obligation bonds. Provisions are made in the City's general property tax levy for funds sufficient to meet the general obligation debt service.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds.

General Obligation (GO) Bond Capital Projects Fund

This fund accounts for the receipt of proceeds from General Obligation bonds and the expenditure of those funds to purchase or construct capital assets for the City.

Development Fee Fund

This fund accounts for the collection of governmental development/impact fees, including streets, parks and open space, library, public safety, and general government, and the expenditure of those funds for capital construction or new equipment needed because of new development.

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 30,315,391	\$ 30,315,391	\$ 30,315,391	\$ -
RESOURCES (INFLOWS):				
Property taxes	13,249,479	13,249,479	15,076,552	1,827,073
Investment earnings	68,280	61,480	99,991	38,511
Total inflows	<u>13,317,759</u>	<u>13,310,959</u>	<u>15,176,543</u>	<u>1,865,584</u>
Amounts available for appropriation	<u>43,633,150</u>	<u>43,626,350</u>	<u>45,491,934</u>	<u>1,865,584</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	9,555,000	9,555,000	9,555,000	-
Interest and other charges	6,079,408	6,079,408	6,078,379	(1,029)
Total charges to appropriations	<u>15,634,408</u>	<u>15,634,408</u>	<u>15,633,379</u>	<u>(1,029)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 27,998,742</u>	<u>\$ 27,991,942</u>	<u>\$ 29,858,555</u>	<u>\$ 1,866,613</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 45,491,934
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(30,315,391)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(1,656,957)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 13,519,586</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 15,633,379
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(720)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 15,632,659</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION (GO) BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 23,365,222	\$ 23,365,222	\$ 23,365,222	\$ -
RESOURCES (INFLOWS):				
Capital-related debt issued	7,318,614	7,318,614	-	(7,318,614)
Investment earnings	74,200	74,200	26,227	(47,973)
Miscellaneous	-	-	257,058	257,058
Total inflows	<u>7,392,814</u>	<u>7,392,814</u>	<u>283,285</u>	<u>(7,109,529)</u>
Amounts available for appropriation	<u>30,758,036</u>	<u>30,758,036</u>	<u>23,648,507</u>	<u>(7,109,529)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	715,881	749,733	7,816,390	7,066,657
Interest and fiscal charges	-	-	30,034	30,034
Capital outlay	28,941,314	29,332,997	11,100,852	(18,232,145)
Contingencies	-	850,000	-	(850,000)
Transfers out	-	-	1	1
Total charges to appropriations	<u>29,657,195</u>	<u>30,932,730</u>	<u>18,947,277</u>	<u>(11,985,453)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 1,100,841</u>	<u>\$ (174,694)</u>	<u>\$ 4,701,230</u>	<u>\$ 4,875,924</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 23,648,507
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(23,365,222)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(15,293)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 267,992</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 18,947,277
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	233,608
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(638,457)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 18,542,427</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 34,871,908	\$ 34,871,908	\$ 34,871,908	\$ -
RESOURCES (INFLOWS):				
Impact/expansion fees	6,883,040	6,883,040	4,477,101	(2,405,939)
Investment earnings	72,232	71,798	158,061	86,263
Total inflows	<u>6,955,272</u>	<u>6,954,838</u>	<u>4,635,162</u>	<u>(2,319,676)</u>
Amounts available for appropriation	<u>41,827,180</u>	<u>41,826,746</u>	<u>39,507,070</u>	<u>(2,319,676)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Culture and recreation	18,214	151,519	167,813	16,294
Police	56,270	59,580	3,379	(56,201)
Fire	2,327	5,637	5,442	(195)
Highways and streets	73,777	93,637	24,168	(69,469)
Debt service:				
Principal payments	3,809,501	3,809,501	-	(3,809,501)
Capital outlay	19,286,554	15,340,632	41,471	(15,299,161)
Contingencies	3,350,000	3,420,155	-	(3,420,155)
Total charges to appropriations	<u>26,596,643</u>	<u>22,880,661</u>	<u>242,273</u>	<u>(22,638,388)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 15,230,537</u>	<u>\$ 18,946,085</u>	<u>\$ 39,264,797</u>	<u>\$ 20,318,712</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 39,507,070
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(34,871,908)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(16,723)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,618,439</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 242,273
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	1,221,932
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,464,205</u>

NON-MAJOR GOVERNMENTAL FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Public Transit Fund

This fund receives and expends the City's allocation of Federal Transit Authority grant money as well as the City's allocation of the Local Transportation Assistance Fund money. The amount of Federal Transportation Authority funds available to each city is based on the total funding available and the total requests for funds. The amount of Local Transportation Assistance funds available to each city is allocated on a population basis, which is determined by the latest federal census. Expenditures are for the administration and operating costs of the public transit system.

Other Grants Fund

This fund receives and expends much of the City's grant fund money. The amount of grants received is generally based upon application to granting agencies by the City and availability of funding by grantors. Grant money may be used only for the purpose of the approved budget and is subject to grantor expenditure guidelines.

Debt Service Funds

Debt service funds are used to account for and report financial resources, that are restricted, committed, or assigned to expenditure for principal and interest payments on debt. This includes financial resources that are being accumulated for principal and interest maturing in future years. Principal payments are due annually. Interest is due semiannually.

Municipal Development Authority Bonds Debt Service Fund

This fund accounts for the principal and interest requirements of the Municipal Development Authority's bonds. Provisions are made in the City's transaction privilege tax for funds sufficient to meet the Municipal Development Authority's debt service.

Community Facilities District (CFD) Bonds Debt Service Fund

This fund accounts for the principal and interest requirements of the Vistancia Communities Facilities District (a blended component unit) general obligation bonds. Provisions are made in the District's general property tax levy for funds sufficient to meet the general obligation debt service.

Special Assessment Bonds Debt Service Fund

This fund accounts for the collection of special assessment district revenues and the payment of the special assessment bonds.

Capital Projects Funds

A capital project fund is established to account for the acquisition and construction of major capital facilities other than those financed by Special Revenue Fund and Enterprise Fund resources. A capital project fund enhances reporting to ensure that requirements regarding the use of the revenue were fully satisfied.

Community Facilities District (CFD) Bonds Capital Projects Fund

This fund accounts for the expenditure of Vistancia Community Facilities District bond proceeds for the construction of capital assets for the District. Once the capital assets are completed, they are turned over to the City for operation and maintenance.

Municipal Development Authority (MDA) Bonds Capital Projects Fund

This fund accounts for the construction or purchase of capital assets to be funded through the use of Municipal Development Authority Bonds.

Non-Bond Capital Projects Fund

This fund accounts for the purchase or construction of capital assets with funds other than bond proceeds. This includes monies received from outside sources, i.e. developers or other governments, and also City pay-as-you-go monies.



**CITY OF PEORIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds		Debt Service Funds		
	Public Transit Fund	Other Grants Fund	Municipal Development Authority Bonds	CFD Bonds	Special Assessment Bonds
ASSETS & DEFERRED OUTFLOWS					
Cash and cash equivalents	\$ 285,886	\$ 1,074,062	\$ 1,918,728	\$ -	\$ 179,834
Cash with fiscal agents	-	-	3,681,859	-	-
Investments	961,356	4,241,976	6,452,159	-	604,734
Accounts receivable, net	51,340	15,063	-	13,344	-
Interest receivable	409	2,383	-	8,550	136
Due from other funds	-	-	1,819,656	-	-
Due from other governments	30,705	851,170	-	22,313	-
Prepaid items	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	4,310,820	-
Restricted investments	-	-	-	4,371,443	-
Special assessments receivable	-	-	-	-	2,603,127
Total assets	<u>1,329,696</u>	<u>6,184,654</u>	<u>13,872,402</u>	<u>8,726,470</u>	<u>3,387,831</u>
Total assets & deferred outflows	<u>\$ 1,329,696</u>	<u>\$ 6,184,654</u>	<u>\$ 13,872,402</u>	<u>\$ 8,726,470</u>	<u>\$ 3,387,831</u>
LIABILITIES, DEFERRED INFLOWS & FUND BALANCES					
Liabilities:					
Accounts payable	\$ 635	\$ 239,635	\$ -	\$ 16,591	\$ -
Accrued payroll	5,971	8,710	-	-	-
Other liabilities	500	-	-	-	-
Unearned revenue-other	-	297,554	-	-	-
Total liabilities	<u>\$ 7,106</u>	<u>\$ 545,899</u>	<u>\$ -</u>	<u>\$ 16,591</u>	<u>\$ -</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	\$ -	\$ -	\$ 12,922	\$ -
Unavailable revenue-special assessments	-	-	-	-	2,603,127
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,922</u>	<u>2,603,127</u>
Fund balances:					
Restricted for:					
Debt service	-	-	13,872,402	8,696,957	784,704
Capital projects	-	-	-	-	-
Grant Purposes	1,322,590	1,468,101	-	-	-
Committed for:					
Arts Capital	-	4,058,556	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Other purposes	-	112,098	-	-	-
Total fund balance	<u>1,322,590</u>	<u>5,638,755</u>	<u>13,872,402</u>	<u>8,696,957</u>	<u>784,704</u>
Total liabilities, deferred inflows & fund balance	<u>\$ 1,329,696</u>	<u>\$ 6,184,654</u>	<u>\$ 13,872,402</u>	<u>\$ 8,726,470</u>	<u>\$ 3,387,831</u>

The accompanying notes are an integral part of the financial statements

Capital Project Funds			Total
CFD	MDA		Non-Major
Bonds	Bonds	Non-Bond	Governmental
			Funds
\$ -	\$ -	\$ 4,525,348	\$ 7,983,858
-	-	-	3,681,859
-	-	15,217,511	27,477,736
-	-	1,088,954	1,168,701
1,164	-	9,010	21,652
-	-	-	1,819,656
-	-	-	904,188
-	-	-	-
4,308,013	7,784,563	-	16,403,396
5,382,155	-	-	9,753,598
-	-	-	2,603,127
<u>9,691,332</u>	<u>7,784,563</u>	<u>20,840,823</u>	<u>71,817,771</u>
<u>\$ 9,691,332</u>	<u>\$ 7,784,563</u>	<u>\$ 20,840,823</u>	<u>\$ 71,817,771</u>

\$ 635	\$ 1,424,436	\$ 141,445	\$ 1,823,377
-	-	-	14,681
-	-	313,533	314,033
-	-	1,389,462	1,687,016
<u>\$ 635</u>	<u>\$ 1,424,436</u>	<u>\$ 1,844,440</u>	<u>\$ 3,839,107</u>

\$ -	\$ -	\$ -	\$ 12,922
-	-	-	2,603,127
-	-	-	2,616,049

-	-	-	23,354,063
9,690,697	6,360,127	581,196	16,632,020
-	-	-	2,790,691
-	-	-	4,058,556
-	-	18,415,187	18,415,187
-	-	-	112,098
<u>9,690,697</u>	<u>6,360,127</u>	<u>18,996,383</u>	<u>65,362,615</u>
<u>\$ 9,691,332</u>	<u>\$ 7,784,563</u>	<u>\$ 20,840,823</u>	<u>\$ 71,817,771</u>

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		Debt	Service Funds	Special Assessment Bonds
	Public Transit Fund	Other Grants Fund	Municipal Development Authority Bonds	CFD Bonds	
REVENUES:					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ 2,152,633	\$ -
Intergovernmental:					
From federal government	55,474	2,661,857	-	-	-
Other	637,281	679,667	-	-	-
Charges for service	45,780	625,997	-	-	-
Fines and forfeitures	-	195,147	-	-	-
Investment earnings	4,027	19,108	21,492	26,002	1,072
Special assessments	-	-	-	-	1,137,018
Miscellaneous	72,336	128,211	-	3,142,411	-
Total revenues	<u>814,898</u>	<u>4,309,987</u>	<u>21,492</u>	<u>5,321,046</u>	<u>1,138,090</u>
EXPENDITURES:					
Current operating:					
General government	-	414,555	-	2,915	-
Culture and recreation	-	532,221	-	-	-
Police	-	714,252	-	-	-
Fire	-	445,201	-	-	-
Development services	-	1,027,262	-	-	-
Highways and streets	-	-	-	-	-
Public works	-	41,028	-	-	-
Human services	994,123	610,165	-	-	-
Debt service:					
Principal payments	-	-	4,195,000	2,630,000	325,000
Interest and other charges	-	-	3,451,045	2,854,633	149,850
Capital outlay	-	169,455	-	-	-
Total expenditures	<u>994,123</u>	<u>3,954,139</u>	<u>7,646,045</u>	<u>5,487,548</u>	<u>474,850</u>
Excess (deficiency) of revenues over expenditures	<u>(179,225)</u>	<u>355,848</u>	<u>(7,624,553)</u>	<u>(166,502)</u>	<u>663,240</u>
OTHER FINANCING SOURCES (USES):					
Capital-related debt issued	-	112,000	-	-	-
Transfers in	550,000	10,000	7,560,774	-	-
Transfers out	(39,558)	(472,856)	-	-	-
Total other financing sources and uses	<u>510,442</u>	<u>(350,856)</u>	<u>7,560,774</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>331,217</u>	<u>4,992</u>	<u>(63,779)</u>	<u>(166,502)</u>	<u>663,240</u>
Fund balances - beginning	991,373	5,633,763	13,936,181	8,966,396	121,464
Restatement (note 1)	-	-	-	(102,937)	-
Fund balances - beginning - restated	<u>991,373</u>	<u>5,633,763</u>	<u>13,936,181</u>	<u>8,863,459</u>	<u>121,464</u>
Fund balances - ending	<u>\$ 1,322,590</u>	<u>\$ 5,638,755</u>	<u>\$ 13,872,402</u>	<u>\$ 8,696,957</u>	<u>\$ 784,704</u>

The accompanying notes are an integral part of the financial statements

Capital Project Funds			Total
CFD Bonds	MDA Bonds	Non-Bond	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 2,152,633
-	-	-	2,717,331
-	-	1,050,227	2,367,175
-	-	-	671,777
-	-	-	195,147
12,752	5,626	109,496	199,575
-	-	-	1,137,018
-	-	916,767	4,259,725
<u>12,752</u>	<u>5,626</u>	<u>2,076,490</u>	<u>13,700,381</u>
-	-	-	417,470
-	82,097	11,750	626,068
-	-	-	714,252
-	-	-	445,201
-	-	1,299,761	2,327,023
-	-	360,984	360,984
-	-	-	41,028
-	-	-	1,604,288
-	-	-	7,150,000
-	-	-	6,455,528
736,380	-	2,781,218	3,687,053
<u>736,380</u>	<u>82,097</u>	<u>4,453,713</u>	<u>23,828,895</u>
<u>(723,628)</u>	<u>(76,471)</u>	<u>(2,377,223)</u>	<u>(10,128,514)</u>
-	-	-	112,000
-	-	-	8,120,774
(7,250)	(24,291,657)	(513,830)	(25,325,151)
<u>(7,250)</u>	<u>(24,291,657)</u>	<u>(513,830)</u>	<u>(17,092,377)</u>
<u>(730,878)</u>	<u>(24,368,128)</u>	<u>(2,891,053)</u>	<u>(27,220,891)</u>
10,421,575	30,728,255	21,887,436	92,686,443
-	-	-	(102,937)
<u>10,421,575</u>	<u>30,728,255</u>	<u>21,887,436</u>	<u>92,583,506</u>
<u>\$ 9,690,697</u>	<u>\$ 6,360,127</u>	<u>\$ 18,996,383</u>	<u>\$ 65,362,615</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
PUBLIC TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 504,968	\$ 504,968	\$ 504,968	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	100,220	100,220	86,860	(13,360)
Other	-	-	637,281	637,281
Charges for services	33,000	33,000	34,366	1,366
Investment earnings	3,000	3,000	4,370	1,370
Miscellaneous	20,000	20,000	72,336	52,336
Transfers from other funds	550,000	550,000	550,000	-
Total inflows	<u>706,220</u>	<u>706,220</u>	<u>1,385,213</u>	<u>678,993</u>
Amounts available for appropriation	<u>1,211,188</u>	<u>1,211,188</u>	<u>1,890,181</u>	<u>678,993</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	1,034,996	1,084,996	993,352	(91,644)
Capital outlay	69,220	69,220	38,501	(30,719)
Contingencies	100,000	50,000	-	(50,000)
Transfers out	1,057	1,057	1,057	-
Total charges to appropriations	<u>1,205,273</u>	<u>1,205,273</u>	<u>1,032,910</u>	<u>(172,363)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 5,915</u>	<u>\$ 5,915</u>	<u>\$ 857,271</u>	<u>\$ 851,356</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 1,890,181
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(504,968)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(20,315)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(550,000)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 814,898</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,032,910
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	963
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(192)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(38,501)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 994,123</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
OTHER GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 6,050,452	\$ 6,050,452	\$ 6,050,452	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	2,898,617	2,898,617	2,872,099	(26,518)
Other	3,992,242	3,992,242	557,776	(3,434,466)
Charges for services	1,226,776	1,226,776	672,784	(553,992)
Fines and forfeitures	160,000	160,000	195,147	35,147
Investment earnings	13,000	13,000	21,501	8,501
Miscellaneous	6,329	6,329	128,211	121,882
Transfers from other funds	10,000	10,000	10,000	-
Total inflows	<u>8,306,964</u>	<u>8,306,964</u>	<u>4,457,518</u>	<u>(3,849,446)</u>
Amounts available for appropriation	<u>14,357,416</u>	<u>14,357,416</u>	<u>10,507,970</u>	<u>(3,849,446)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government:				
Mayor and council	-	1,500	1,274	(226)
Attorney	17,591	77,748	67,286	(10,462)
City Manager	67,705	83,205	80,007	(3,198)
Court	494,283	528,381	216,884	(311,497)
Non-departmental	12,838	12,838	11,431	(1,407)
Culture and recreation	546,447	568,602	542,284	(26,318)
Police	641,295	1,289,495	714,324	(575,171)
Fire	4,900	813,152	445,201	(367,951)
Development services	1,340,989	1,659,000	1,021,400	(637,600)
Public works	-	41,029	41,028	(1)
Human Services	1,413,957	1,250,560	610,165	(640,395)
Capital outlay	335,000	870,055	378,153	(491,902)
Contingencies	3,100,000	721,657	-	(721,657)
Transfers out	296,231	296,231	297,345	1,114
Total charges to appropriations	<u>8,271,236</u>	<u>8,213,453</u>	<u>4,426,782</u>	<u>(3,786,671)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 6,086,180</u>	<u>\$ 6,143,963</u>	<u>\$ 6,081,188</u>	<u>\$ (62,775)</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 10,507,970
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(6,050,452)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(25,531)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(10,000)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 4,421,987</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,426,782
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	2,642
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(3,602)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(174,338)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(297,345)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 3,954,139</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL DEVELOPMENT AUTHORITY (MDA) BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 15,062,732	\$ 15,062,732	\$ 15,062,732	\$ -
RESOURCES (INFLOWS):				
Investment earnings	7,500	5,800	22,144	16,344
Transfers from other funds	7,569,676	7,569,676	7,560,774	(8,902)
Total inflows	<u>7,577,176</u>	<u>7,575,476</u>	<u>7,582,918</u>	<u>7,442</u>
Amounts available for appropriation	<u>22,639,908</u>	<u>22,638,208</u>	<u>22,645,650</u>	<u>7,442</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	4,190,000	4,195,000	4,195,000	-
Interest and other charges	3,448,644	3,452,046	3,451,045	(1,001)
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>7,638,644</u>	<u>7,647,046</u>	<u>7,646,045</u>	<u>(1,001)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 15,001,264</u>	<u>\$ 14,991,162</u>	<u>\$ 14,999,605</u>	<u>\$ 8,443</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 22,645,650
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(15,062,732)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(652)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(7,560,774)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 21,492</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,646,045
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 7,646,045</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT (CFD) BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 8,828,779	\$ 8,828,779	\$ 8,828,779	\$ -
RESOURCES (INFLOWS):				
Property Taxes	2,160,009	2,160,009	2,131,994	(28,015)
Investment earnings	23,900	22,800	26,957	4,157
Miscellaneous	<u>3,307,325</u>	<u>3,307,325</u>	<u>3,142,411</u>	<u>(164,914)</u>
Total inflows	<u>5,491,234</u>	<u>5,490,134</u>	<u>5,301,362</u>	<u>(188,772)</u>
Amounts available for appropriation	<u>14,320,013</u>	<u>14,318,913</u>	<u>14,130,141</u>	<u>(188,772)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	4,600	4,600	2,915	(1,685)
Debt service:				
Principal payments	2,630,000	2,630,000	2,630,000	-
Interest and other charges	<u>2,854,634</u>	<u>2,854,634</u>	<u>2,854,633</u>	<u>(1)</u>
Total charges to appropriations	<u>5,489,234</u>	<u>5,489,234</u>	<u>5,487,548</u>	<u>(1,686)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 8,830,779</u>	<u>\$ 8,829,679</u>	<u>\$ 8,642,593</u>	<u>\$ (187,086)</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 14,130,141
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(8,828,779)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	19,684
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,321,046</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,487,548
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,487,548</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SPECIAL ASSESSMENT DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 495,223	\$ 495,223	\$ 495,223	\$ -
RESOURCES (INFLOWS):				
Special assessments	475,600	475,600	1,137,018	661,418
Charges for services	-	-	-	-
Investment earnings	250	250	993	743
Bond Premium	-	-	-	-
Transfers from other funds	-	-	-	-
Total inflows	<u>475,850</u>	<u>475,850</u>	<u>1,138,011</u>	<u>662,161</u>
Amounts available for appropriation	<u>971,073</u>	<u>971,073</u>	<u>1,633,234</u>	<u>662,161</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	325,000	325,000	325,000	-
Interest and other charges	150,600	150,600	150,210	(390)
Transfers out	-	-	-	-
Total charges to appropriations	<u>475,600</u>	<u>475,600</u>	<u>475,210</u>	<u>(390)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 495,473</u>	<u>\$ 495,473</u>	<u>\$ 1,158,024</u>	<u>\$ 662,551</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 1,633,234
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(495,223)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	79
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,138,090</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 475,210
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(360)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 474,850</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT (CFD) BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(budgetary basis)</u>	<u>Over</u>
				<u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 10,557,606	\$ 10,557,606	\$ 10,557,606	\$ -
RESOURCES (INFLOWS):				
Investment earnings	38,500	38,500	34,112	(4,388)
Total inflows	<u>38,500</u>	<u>38,500</u>	<u>34,112</u>	<u>(4,388)</u>
Amounts available for appropriation	<u>10,596,106</u>	<u>10,596,106</u>	<u>10,591,718</u>	<u>(4,388)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	10,595,826	10,436,093	903,538	(9,532,555)
Contingencies	-	-	-	-
Interest and other charges	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>10,595,826</u>	<u>10,436,093</u>	<u>903,538</u>	<u>(9,532,555)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 280</u>	<u>\$ 160,013</u>	<u>\$ 9,688,180</u>	<u>\$ 9,528,167</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 10,591,718
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(10,557,606)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(21,360)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 12,752</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 903,538
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(159,908)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 736,380</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL DEVELOPMENT AUTHORITY (MDA) BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 33,996,511	\$ 33,996,511	\$ 33,996,511	\$ -
RESOURCES (INFLOWS):				
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>5,626</u>	<u>3,626</u>
Total inflows	<u>2,000</u>	<u>2,000</u>	<u>5,626</u>	<u>3,626</u>
Amounts available for appropriation	<u>33,998,511</u>	<u>33,998,511</u>	<u>34,002,137</u>	<u>3,626</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Culture and recreation	-	146,202	82,097	(64,105)
Capital outlay	<u>33,996,103</u>	<u>31,171,373</u>	<u>25,105,284</u>	<u>(6,066,089)</u>
Total charges to appropriations	<u>33,996,103</u>	<u>31,317,575</u>	<u>25,187,381</u>	<u>(6,130,194)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 2,408</u>	<u>\$ 2,680,936</u>	<u>\$ 8,814,756</u>	<u>\$ 6,133,820</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 34,002,137
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(33,996,511)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	-
Capital-related debt issued is a budgetary resource, but is not a revenue for financial reporting purposes	-
Premiums on bonds are a budgetary resource, but are not a revenue for financial reporting purposes	-
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	-
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,626</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 25,187,381
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(813,627)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(24,291,657)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	-
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 82,097</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
NON-BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2013	\$ 24,584,176	\$ 24,584,176	\$ 24,584,176	\$ -
RESOURCES (INFLOWS):				
Intergovernmental revenue:				
Other governmental revenue	-	-	1,050,227	1,050,227
Investment earnings	37,935	37,935	109,496	71,561
Miscellaneous	1,527,425	1,527,425	916,767	(610,658)
Total inflows	<u>1,565,360</u>	<u>1,565,360</u>	<u>2,076,490</u>	<u>511,130</u>
Amounts available for appropriation	<u>26,149,536</u>	<u>26,149,536</u>	<u>26,660,666</u>	<u>511,130</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services:				
Culture & Recreation	-	-	-	-
Development services	-	-	1,299,761	1,299,761
Highways and streets	3,157,909	3,106,108	133,507	(2,972,601)
Capital outlay	8,276,692	9,819,575	3,534,275	(6,285,300)
Contingencies	1,000,000	2,460,630	-	(2,460,630)
Transfers out	-	-	-	-
Total charges to appropriations	<u>12,434,601</u>	<u>15,386,313</u>	<u>4,967,543</u>	<u>(10,418,770)</u>
Budgetary fund balance, June 30, 2014	<u>\$ 13,714,935</u>	<u>\$ 10,763,223</u>	<u>\$ 21,693,123</u>	<u>\$ 10,929,900</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 26,660,666
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(24,584,176)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,076,490</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,967,543
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	-
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(513,830)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,453,713</u>



ENTERPRISE FUNDS

Schedule of Operations – Budget and Actual

Enterprise Funds

Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed *solely* by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. All of the enterprise funds of the City are presented discretely in the basic financial statements.

Water Utility Fund

The Water Utility Fund accounts for the revenues from charges to the customers of the City's water services, as well as the expenditure of those funds to operate, maintain, and expand the water treatment and distribution systems.

Wastewater Utility Fund

The Wastewater Utility Fund accounts for the revenue from charges to the customers of the City's wastewater services, as well as the expenditure of those funds to operate, maintain, and expand the wastewater collection and treatment systems.

Solid Waste Utility Fund

The Solid Waste Utility Fund accounts for the revenue from charges to the customers of the City's solid waste services, as well as the expenditure of those funds to operate, maintain, and expand the solid waste collection and disposal systems.

Stadium Fund

The Stadium Fund accounts for the revenues generated by and the costs of operation of a sports complex owned by the City. This facility is used for spring training by two major league baseball teams as well as multiple other uses throughout the year.

Storm Drain Utility

This fund collects and expends storm water user fees included on utility bill sent out by the City. The fee is to provide funding for the Storm Water Management Plan to comply with the National Pollution Discharge Elimination System (NPDES).

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 34,938,143	\$ 34,938,143	\$ 35,670,971	\$ 732,828
Miscellaneous	-	-	345,998	345,998
Total operating revenues	<u>34,938,143</u>	<u>34,938,143</u>	<u>36,016,969</u>	<u>1,078,826</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	5,076,137	5,076,137	4,859,357	(216,780)
Contractual services, materials and supplies	16,155,502	16,292,869	15,758,170	(534,699)
Capital outlay	18,235,872	19,468,087	7,193,173	(12,274,914)
Contingencies	3,400,000	1,548,269	-	(1,548,269)
Total operating expenses	<u>42,867,511</u>	<u>42,385,362</u>	<u>27,810,700</u>	<u>(14,574,662)</u>
Operating income (loss)	<u>(7,929,368)</u>	<u>(7,447,219)</u>	<u>8,206,269</u>	<u>15,653,488</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	161,000	161,000	224,189	63,189
Interest expense	(1,188,183)	(1,194,333)	(1,193,203)	1,130
Debt principal payments	(4,331,021)	(4,438,454)	(4,412,795)	25,659
Total nonoperating revenues (expenses)	<u>(5,358,204)</u>	<u>(5,471,787)</u>	<u>(5,381,809)</u>	<u>89,978</u>
Income (loss) before contributions and transfers	<u>(13,287,572)</u>	<u>(12,919,006)</u>	<u>2,824,460</u>	<u>15,743,466</u>
Capital contributions	1,780,000	1,780,000	3,042,141	1,262,141
Transfers (out)	(3,581,403)	(3,581,403)	(3,609,357)	(27,954)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (15,088,975)</u>	<u>\$ (14,720,409)</u>	<u>\$ 2,257,244</u>	<u>\$ 16,977,653</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(141,511)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(100,843)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	100,843
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(17,222)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(254,274)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	6,831,425
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	5,319,059
Debt principal payments are an expense for budgetary purposes, but are a reduction of long-term obligations and therefore not an expense for GAAP purposes.	4,412,795
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(8,761,560)
Loss on refunding and bond premiums are expensed in the year of issuance for budgetary purposes but are amortized to interest expense over the life of the bonds for GAAP purposes.	168,226
The gain on sale of capital assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	6,224
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	1,116,529
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 10,936,935</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WASTEWATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 19,817,259	\$ 19,817,259	\$ 19,604,987	\$ (212,272)
Miscellaneous	20,000	20,000	35,466	15,466
Total operating revenues	<u>19,837,259</u>	<u>19,837,259</u>	<u>19,640,453</u>	<u>(196,806)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,589,722	2,589,722	2,495,370	(94,352)
Contractual services, materials and supplies	8,429,168	8,545,168	8,058,976	(486,192)
Capital outlay	6,621,634	6,654,319	3,134,573	(3,519,746)
Contingencies	1,800,000	1,591,147	-	(1,591,147)
Total operating expenses	<u>19,440,524</u>	<u>19,380,356</u>	<u>13,688,919</u>	<u>(5,691,437)</u>
Operating income (loss)	<u>396,735</u>	<u>456,903</u>	<u>5,951,534</u>	<u>5,494,631</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	45,000	45,000	66,941	21,941
Interest expense	(2,433,441)	(2,496,241)	(2,494,785)	1,456
Debt principal payments	(5,349,576)	(5,349,576)	(4,911,131)	438,445
Total nonoperating revenues (expenses)	<u>(7,738,017)</u>	<u>(7,800,817)</u>	<u>(7,338,975)</u>	<u>461,842</u>
Income (loss) before contributions and transfers	<u>(7,341,282)</u>	<u>(7,343,914)</u>	<u>(1,387,441)</u>	<u>5,956,473</u>
Capital contributions	800,000	800,000	1,269,012	469,012
Transfers in	2,557,472	2,557,472	2,583,805	26,333
Transfers out	(151,608)	(151,608)	(151,608)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (4,135,418)</u>	<u>\$ (4,138,050)</u>	<u>\$ 2,313,768</u>	<u>\$ 6,451,818</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(203,643)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(987,259)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	987,259
The City budgets compensated absences on the cash basis, rather than the accrual basis.	3,582
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	404,327
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,615,629
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	2,241,949
Debt principal payments are an expense for budgetary purposes, but are a reduction of long-term obligations, and therefore not an expense, for GAAP purposes.	4,911,131
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(9,017,314)
Loss on refunding and bond premiums are expensed in the year of issuance for budgetary purposes but are amortized to interest expense over the life of the bonds for GAAP purposes.	61,163
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	(817,741)
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 2,512,851</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 12,064,943	\$ 12,064,943	\$ 12,238,402	\$ 173,459
Miscellaneous	-	-	1,000	1,000
Total operating revenues	<u>12,064,943</u>	<u>12,064,943</u>	<u>12,239,402</u>	<u>174,459</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	3,491,012	3,491,012	3,404,408	(86,604)
Contractual services, materials and supplies	7,456,077	7,557,077	7,838,248	281,171
Capital outlay	2,573,655	2,681,370	2,576,635	(104,735)
Contingencies	2,500,000	2,326,000	-	(2,326,000)
Total operating expenses	<u>16,020,744</u>	<u>16,055,459</u>	<u>13,819,291</u>	<u>(2,236,168)</u>
Operating income (loss)	<u>(3,955,801)</u>	<u>(3,990,516)</u>	<u>(1,579,889)</u>	<u>2,410,627</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	71,000	71,000	96,701	25,701
Total nonoperating revenues (expenses)	<u>71,000</u>	<u>71,000</u>	<u>96,701</u>	<u>25,701</u>
Income (loss) before contributions and transfers	<u>(3,884,801)</u>	<u>(3,919,516)</u>	<u>(1,483,188)</u>	<u>2,436,328</u>
Transfers (out)	(4,077)	(4,077)	(4,077)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (3,888,878)</u>	<u>\$ (3,923,593)</u>	<u>\$ (1,487,265)</u>	<u>\$ 2,436,328</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(76,834)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(958,544)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	958,544
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(913)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	274,173
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,576,635
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(937,951)
The gain on sale of capital assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	95,046
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 442,891</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
STADIUM FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 1,311,842	\$ 1,311,842	\$ 1,399,754	\$ 87,912
Rents	1,598,500	1,598,500	1,757,010	158,510
Miscellaneous	-	-	22,911	22,911
Total operating revenues	<u>2,910,342</u>	<u>2,910,342</u>	<u>3,179,675</u>	<u>269,333</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,668,897	1,668,897	1,561,185	(107,712)
Contractual services, materials and supplies	2,930,008	3,077,926	3,363,811	285,885
Capital outlay	-	2,167,035	300,890	(1,866,145)
Total operating expenses	<u>4,598,905</u>	<u>6,913,858</u>	<u>5,225,886</u>	<u>(1,687,972)</u>
Operating loss	<u>(1,688,563)</u>	<u>(4,003,516)</u>	<u>(2,046,211)</u>	<u>1,957,305</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	6,300	6,300	6,192	(108)
Total nonoperating revenues (expenses)	<u>6,300</u>	<u>6,300</u>	<u>6,192</u>	<u>(108)</u>
Income (loss) before transfers	<u>(1,682,263)</u>	<u>(3,997,216)</u>	<u>(2,040,019)</u>	<u>1,957,197</u>
Transfers in	2,010,000	2,010,000	172,916	(1,837,084)
Transfers (out)	(152,567)	(152,567)	(152,567)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ 175,170</u>	<u>\$ (2,139,783)</u>	<u>\$ (2,019,670)</u>	<u>\$ (120,113)</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(1,682)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(76,342)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	76,342
The City budgets compensated absences on the cash basis, rather than the accrual basis.	6,483
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	424,987
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	300,890
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(790,984)
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	26,231,244
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 24,151,268</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
STORM DRAIN UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 821,600	\$ 821,600	\$ 845,688	\$ 24,088
Total operating revenues	<u>821,600</u>	<u>821,600</u>	<u>845,688</u>	<u>24,088</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	326,045	326,045	315,963	(10,082)
Contractual services, materials and supplies	530,447	530,447	515,048	(15,399)
Contingencies	200,000	200,000	-	(200,000)
Total operating expenses	<u>1,056,492</u>	<u>1,056,492</u>	<u>831,011</u>	<u>(225,481)</u>
Operating income (loss)	<u>(234,892)</u>	<u>(234,892)</u>	<u>14,677</u>	<u>249,569</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	2,600	2,600	2,881	281
Total nonoperating revenues (expenses)	<u>2,600</u>	<u>2,600</u>	<u>2,881</u>	<u>281</u>
Income (loss) before contributions and transfers	<u>(232,292)</u>	<u>(232,292)</u>	<u>17,558</u>	<u>249,850</u>
Transfers (out)	(1,057)	(1,057)	(1,057)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (233,349)</u>	<u>\$ (233,349)</u>	<u>\$ 16,501</u>	<u>\$ 249,850</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(14,582)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(2,648)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	6,211
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(635)
Certain transfers in/(out)out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	87,955
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	203,078
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 295,880</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

INTERNAL SERVICE FUNDS

Motor Pool Fund

The Motor Pool Fund is responsible for the maintenance and operation of the City's fleet of vehicles and various other equipment.

Self-Insurance Fund

The Self-Insurance Fund is responsible for the administration of the self-insurance programs, including liability and property damage, workers' compensation insurance, and employee health insurance. This fund provides the excess insurance coverage for claims over the self-insurance limits; claims under the limits are charged directly to the Self-Insurance Fund. Detailed Combining Schedules of the three self-insurance programs are provided in the Supplemental Information tab of this document.

Facilities Maintenance Fund

The Facilities Maintenance Fund is responsible for the maintenance and operations of the City's buildings and grounds.

Information Technology Fund

The Information Technology Fund is responsible for the maintenance and operations of the City's computer hardware and software systems.

**CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014**

	Motor Pool Fund	Self- Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,320,671	\$ 2,549,470	\$ 90,685	\$ 896,773	\$ 5,857,599
Investments	7,803,783	8,573,174	304,947	3,015,603	19,697,507
Accounts receivable, net	-	805	-	2,302	3,107
Interest receivable	4,261	3,612	115	1,249	9,237
Prepaid items	-	-	-	70,286	70,286
Supplies inventory	195,549	-	-	-	195,549
Total current assets	<u>10,324,264</u>	<u>11,127,061</u>	<u>395,747</u>	<u>3,986,213</u>	<u>25,833,285</u>
Non-current assets:					
Restricted assets:					
Cash equivalents	-	4,583,524	-	-	4,583,524
Investments	-	2,997,750	-	-	2,997,750
Total restricted assets	<u>-</u>	<u>7,581,274</u>	<u>-</u>	<u>-</u>	<u>7,581,274</u>
Capital assets:					
Buildings and improvements	-	-	-	148,102	148,102
Equipment	1,475,608	-	17,741	33,207,344	34,700,693
Vehicles	24,738,456	-	-	-	24,738,456
Furniture	-	-	-	30,745	30,745
Less accumulated depreciation	(18,064,041)	-	(6,023)	(26,527,664)	(44,597,728)
Construction in progress	44,763	-	-	3,435,280	3,480,043
Total capital assets, net	<u>8,194,786</u>	<u>-</u>	<u>11,718</u>	<u>10,293,807</u>	<u>18,500,311</u>
Total assets	<u>18,519,050</u>	<u>18,708,335</u>	<u>407,465</u>	<u>14,280,020</u>	<u>51,914,870</u>
LIABILITIES					
Current liabilities:					
Accounts payable	188,395	1,283,411	64,352	516,841	2,052,999
Accrued payroll	11,314	1,952	32,796	51,682	97,744
Current portion of claims payable	-	2,477,231	-	-	2,477,231
Current portion of compensated absences	47,590	8,710	168,410	285,150	509,860
Total current liabilities	<u>247,299</u>	<u>3,771,304</u>	<u>265,558</u>	<u>853,673</u>	<u>5,137,834</u>
Non-current liabilities:					
Long-term portion of claims payable	-	1,585,358	-	-	1,585,358
Compensated absences	31,240	1,840	100,090	74,820	207,990
Total long-term liabilities	<u>31,240</u>	<u>1,587,198</u>	<u>100,090</u>	<u>74,820</u>	<u>1,793,348</u>
Total liabilities	<u>278,539</u>	<u>5,358,502</u>	<u>365,648</u>	<u>928,493</u>	<u>6,931,182</u>
NET POSITION					
Net investment in capital assets	8,194,788	-	11,718	10,293,805	18,500,311
Restricted - trust purpose	-	6,188,544	-	-	6,188,544
Unrestricted	10,045,723	7,161,289	30,099	3,057,722	20,294,833
Total net position	<u>\$ 18,240,511</u>	<u>\$ 13,349,833</u>	<u>\$ 41,817</u>	<u>\$ 13,351,527</u>	<u>\$ 44,983,688</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Motor Pool Fund</u>	<u>Self- Insurance Fund</u>	<u>Facilities Maintenance Fund</u>	<u>Information Technology Fund</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 6,679,315	\$ 18,704,085	\$ 5,892,452	\$ 8,250,027	\$ 39,525,879
Miscellaneous	57	312,166	-	52,805	365,028
Total operating revenues	<u>6,679,372</u>	<u>19,016,251</u>	<u>5,892,452</u>	<u>8,302,832</u>	<u>39,890,907</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	902,660	198,829	2,765,635	4,061,838	7,928,962
Contractual services, materials and supplies	3,976,419	1,057,637	2,932,000	4,494,316	12,460,372
Insurance claims and expenses	-	16,133,160	-	-	16,133,160
Depreciation and amortization	2,179,976	-	2,534	1,858,211	4,040,721
Total operating expenses	<u>7,059,055</u>	<u>17,389,626</u>	<u>5,700,169</u>	<u>10,414,365</u>	<u>40,563,215</u>
Operating income (loss)	(379,683)	1,626,625	192,283	(2,111,533)	(672,308)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	43,892	62,285	940	13,300	120,417
Gain (Loss) on sale of capital assets	111,342	-	-	-	111,342
Total non-operating revenues	<u>155,234</u>	<u>62,285</u>	<u>940</u>	<u>13,300</u>	<u>231,759</u>
Income (loss) before transfers	(224,449)	1,688,910	193,223	(2,098,233)	(440,549)
Capital contributions	15,000	-	-	-	15,000
Transfers in	763,490	-	-	2,317,282	3,080,772
Transfers out	(2,416)	(36,404)	(7,248)	-	(46,068)
Change in net position	<u>551,625</u>	<u>1,652,506</u>	<u>185,975</u>	<u>219,049</u>	<u>2,609,155</u>
Total net position - beginning	<u>17,688,886</u>	<u>11,697,327</u>	<u>(144,158)</u>	<u>13,132,478</u>	<u>42,374,533</u>
Total net position - ending	<u>\$ 18,240,511</u>	<u>\$ 13,349,833</u>	<u>\$ 41,817</u>	<u>\$ 13,351,527</u>	<u>\$ 44,983,688</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Motor Pool Fund</u>	<u>Self- Insurance Fund</u>	<u>Facilities Maintenance Fund</u>	<u>Information Technology Fund</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 6,679,372	\$ 19,050,646	\$ 5,892,452	\$ 8,300,530	\$ 39,923,000
Payments to suppliers	(3,966,190)	(870,546)	(2,928,395)	(4,231,802)	(11,996,933)
Payments to employees	(913,145)	(194,786)	(2,771,549)	(4,035,679)	(7,915,159)
Self-insurance costs	-	(15,906,345)	-	-	(15,906,345)
Net cash provided (used) by operating activities	<u>1,800,037</u>	<u>2,078,969</u>	<u>192,508</u>	<u>33,049</u>	<u>4,104,563</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	763,490	-	-	2,317,282	3,080,772
Transfers out	(2,416)	(36,404)	(7,248)	-	(46,068)
Net cash provided (used) by non-capital financing activities	<u>761,074</u>	<u>(36,404)</u>	<u>(7,248)</u>	<u>2,317,282</u>	<u>3,034,704</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,697,054)	-	-	(1,941,162)	(4,638,216)
Disposal of capital assets	168,422	-	-	-	168,422
Net cash flows used by capital and related financing activities	<u>(2,528,632)</u>	<u>-</u>	<u>-</u>	<u>(1,941,162)</u>	<u>(4,469,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,208,400)	(1,326,200)	(45,600)	(467,400)	(3,047,600)
Proceeds from sale of investments	1,428,821	3,009,839	(91,983)	238,732	4,585,409
Interest received on investments	48,834	71,863	899	15,063	136,659
Net cash provided (used) by investing activities	<u>269,255</u>	<u>1,755,502</u>	<u>(136,684)</u>	<u>(213,605)</u>	<u>1,674,468</u>
Net increase (decrease) in cash and cash equivalents	301,734	3,798,067	48,576	195,564	4,343,941
Cash and cash equivalents at beginning of year	2,018,937	3,334,927	42,109	701,209	6,097,182
Cash and cash equivalents at end of year	<u>\$ 2,320,671</u>	<u>\$ 7,132,994</u>	<u>\$ 90,685</u>	<u>\$ 896,773</u>	<u>\$ 10,441,123</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (379,683)	\$ 1,626,625	\$ 192,283	\$ (2,111,533)	\$ (672,308)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,179,976	-	2,534	1,858,211	4,040,721
(Increase) decrease in assets:					
Accounts receivable	-	34,395	-	(2,302)	32,093
Prepaid items	4,000	-	-	(51,541)	(47,541)
Supplies inventory	(2,441)	-	-	-	(2,441)
Increase (decrease) in liabilities:					
Accounts payable	8,670	187,091	3,605	314,055	513,421
Accrued payroll	(3,165)	233	3,776	9,039	9,883
Claims payable	-	226,815	-	-	226,815
Compensated absences	(7,320)	3,810	(9,690)	17,120	3,920
Total adjustments	<u>2,179,720</u>	<u>452,344</u>	<u>225</u>	<u>2,144,582</u>	<u>4,776,871</u>
Net cash provided (used) by operating activities	<u>\$ 1,800,037</u>	<u>\$ 2,078,969</u>	<u>\$ 192,508</u>	<u>\$ 33,049</u>	<u>\$ 4,104,563</u>
Non-cash investing, capital and financing activities:					
Capital assets acquired through contributions from developers	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Decrease in fair market value of investments	10,245	16,187	34	3,441	29,907
Total non-cash investing, capital and financing activities	<u>\$ 25,245</u>	<u>\$ 16,187</u>	<u>\$ 34</u>	<u>\$ 3,441</u>	<u>\$ 44,907</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
MOTOR POOL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(budgetary basis)</u>	<u>Over</u>
				<u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 6,957,028	\$ 6,957,028	\$ 6,708,863	\$ (248,165)
Miscellaneous	-	-	57	57
Total operating revenues	<u>6,957,028</u>	<u>6,957,028</u>	<u>6,708,920</u>	<u>(248,108)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	967,500	967,500	913,145	(54,355)
Contractual services, materials and supplies	4,272,141	4,272,141	3,983,259	(288,882)
Capital outlay	2,117,096	2,404,469	2,100,062	(304,407)
Contingencies	1,000,000	1,000,000	-	(1,000,000)
Total operating expenses	<u>8,356,737</u>	<u>8,644,110</u>	<u>6,996,466</u>	<u>(1,647,644)</u>
Operating income (loss)	<u>(1,399,709)</u>	<u>(1,687,082)</u>	<u>(287,546)</u>	<u>1,399,536</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	37,000	37,000	48,834	11,834
Total nonoperating revenues (expenses)	<u>37,000</u>	<u>37,000</u>	<u>48,834</u>	<u>11,834</u>
Income (loss) before transfers	<u>(1,362,709)</u>	<u>(1,650,082)</u>	<u>(238,712)</u>	<u>1,411,370</u>
Transfers in	153,461	153,461	153,461	-
Transfers (out)	(2,416)	(2,416)	(2,416)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,211,664)</u>	<u>\$ (1,499,037)</u>	<u>\$ (87,667)</u>	<u>\$ 1,411,370</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(4,942)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(29,548)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	29,548
The City budgets compensated absences on the cash basis, rather than the accrual basis.	10,485
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(10,229)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,087,583
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	15,000
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(2,179,976)
The gain on sale of capital assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	111,342
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	610,029
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 551,625</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Charges for services	\$ 18,680,868	\$ 18,680,868	\$ 18,738,480	\$ 57,612
Miscellaneous	-	-	312,166	312,166
Total operating revenues	<u>18,680,868</u>	<u>18,680,868</u>	<u>19,050,646</u>	<u>369,778</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	153,260	153,260	194,786	41,526
Contractual services, materials and supplies	1,546,721	1,546,721	1,198,871	(347,850)
Insurance claims and expenses	16,924,696	17,357,916	15,578,020	(1,779,896)
Contingencies	3,500,000	3,200,000	-	(3,200,000)
Total operating expenses	<u>22,124,677</u>	<u>22,257,897</u>	<u>16,971,677</u>	<u>(5,286,220)</u>
Operating loss	<u>(3,443,809)</u>	<u>(3,577,029)</u>	<u>2,078,969</u>	<u>5,655,998</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	61,500	61,500	71,863	10,363
Total nonoperating revenues	<u>61,500</u>	<u>61,500</u>	<u>71,863</u>	<u>10,363</u>
Income (loss) before transfers	<u>(3,382,309)</u>	<u>(3,515,529)</u>	<u>2,150,832</u>	<u>5,666,361</u>
Transfers (out)	(36,404)	(36,404)	(36,404)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (3,418,713)</u>	<u>\$ (3,551,933)</u>	<u>\$ 2,114,428</u>	<u>\$ 5,666,361</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(43,973)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(4,043)
The City budgets insurance claims on the cash basis, rather than the accrual basis.	(226,815)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(187,091)
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 1,652,506</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FACILITIES MAINTENANCE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 5,892,130	\$ 5,892,130	\$ 5,892,452	\$ 322
Total operating revenues	<u>5,892,130</u>	<u>5,892,130</u>	<u>5,892,452</u>	<u>322</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,963,706	2,963,706	2,771,549	(192,157)
Contractual services, materials and supplies	2,906,181	2,979,181	2,928,396	(50,785)
Total operating expenses	<u>5,869,887</u>	<u>5,942,887</u>	<u>5,699,945</u>	<u>(242,942)</u>
Operating income (loss)	<u>22,243</u>	<u>(50,757)</u>	<u>192,507</u>	<u>243,264</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	100	100	899	799
Total nonoperating revenues	<u>100</u>	<u>100</u>	<u>899</u>	<u>799</u>
Income (loss) before transfers	<u>22,343</u>	<u>(50,657)</u>	<u>193,406</u>	<u>244,063</u>
Transfers (out)	(7,248)	(7,248)	(7,248)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ 15,095</u>	<u>\$ (57,905)</u>	<u>\$ 186,158</u>	<u>\$ 244,063</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	41
The City budgets compensated absences on the cash basis, rather than the accrual basis.	5,914
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(3,604)
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes	(2,534)
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 185,975</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
INFORMATION TECHNOLOGY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(budgetary basis)</u>	<u>Over</u>
				<u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 8,252,110	\$ 8,252,110	\$ 8,247,725	\$ (4,385)
Miscellaneous	-	-	52,805	52,805
Total operating revenues	<u>8,252,110</u>	<u>8,252,110</u>	<u>8,300,530</u>	<u>48,420</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	4,421,750	4,421,750	4,035,679	(386,071)
Contractual services, materials and supplies	4,706,378	4,855,404	4,169,872	(685,532)
Capital outlay	1,465,419	1,579,474	1,210,819	(368,655)
Total operating expenses	<u>10,593,547</u>	<u>10,856,628</u>	<u>9,416,370</u>	<u>(1,440,258)</u>
Operating loss	<u>(2,341,437)</u>	<u>(2,604,518)</u>	<u>(1,115,840)</u>	<u>1,488,678</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	3,000	3,000	15,063	12,063
Total nonoperating revenues	<u>3,000</u>	<u>3,000</u>	<u>15,063</u>	<u>12,063</u>
Income before transfers	<u>(2,338,437)</u>	<u>(2,601,518)</u>	<u>(1,100,777)</u>	<u>1,500,741</u>
Transfers in	1,684,245	1,684,245	1,684,245	-
Transfers (out)	(202,240)	(202,240)	(202,240)	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (856,432)</u>	<u>\$ (1,119,513)</u>	<u>\$ 381,228</u>	<u>\$ 1,500,741</u>

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	539
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(26,159)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(262,514)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	1,148,889
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,858,211)
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	835,277
Change in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 219,049</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Agency Funds

Account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity.

Terramar Infrastructure Fund

Accounts for the monies collected from developers in one area of the City and held in trust by the City until reimbursed by the City to a developer that made certain infrastructure improvements in that area.

PLAY Peoria NFP Fund

Accounts for monies held on behalf of PLAY Peoria, a separate not-for profit agency for which the City operates as the administrator. PLAY Peoria was formed for the purpose of accepting charitable donations and seeking grants that require a not-for-profit status, for the benefit of recreation programs and participants.

Peoria Citizens Corp Council NFP Fund

Accounts for monies held on behalf of Peoria Citizens Corp Council (PCCC), a separate not-for profit agency for which the City operates as the administrator. PCCC is organized for charitable and educational purposes supporting community activities that engage and train individuals in emergency preparedness and response, crime prevention, and promotion of good public health and safety practices through education, training, guidance, and volunteer service.

Westside Fire Training IGA Fund

Accounts for monies on behalf of the Westside Fire Training, a consortium of west valley fire departments for which the City operates as the administrator. This consortium was formed through an intergovernmental agreement to fund joint training opportunities for the member fire departments.

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2014

	Terramar Infrastructure Fund	PLAY Peoria NFP Fund	Peoria Citizens Corp Council NFP Fund	Westside Fire Training IGA Fund	Total
ASSETS					
Cash and cash equivalents	\$ 88,241	\$ 5,450	\$ 472	\$ 8,322	\$ 102,485
Investments (pooled), at fair value	296,729	18,327	1,588	27,984	344,628
Total assets	<u>384,970</u>	<u>23,777</u>	<u>2,060</u>	<u>36,306</u>	<u>447,113</u>
LIABILITIES					
Accounts payable	-	-	-	-	-
Other liabilities	384,970	23,777	2,060	36,306	447,113
Total liabilities	<u>384,970</u>	<u>23,777</u>	<u>2,060</u>	<u>36,306</u>	<u>447,113</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Terramar Infrastructure Fund				
Assets:				
Cash and cash equivalents	\$ 77,390	\$ 307,581	\$ 296,730	\$ 88,241
Investments	307,580	296,730	307,581	296,729
Total Assets	<u>384,970</u>	<u>604,311</u>	<u>604,311</u>	<u>384,970</u>
Liabilities:				
Other liabilities	<u>384,970</u>	-	-	<u>384,970</u>
PLAY Peoria NFP Fund				
Assets:				
Cash and cash equivalents	4,624	78,032	77,206	5,450
Investments	18,380	18,327	18,380	18,327
Total Assets	<u>23,004</u>	<u>96,359</u>	<u>95,586</u>	<u>23,777</u>
Liabilities:				
Accounts payable	1,200	3,298	4,498	-
Other liabilities	21,804	1,973	-	23,777
Total Liabilities	<u>23,004</u>	<u>5,271</u>	<u>4,498</u>	<u>23,777</u>
Peoria Citizens Corp Council NFP Fund				
Assets:				
Cash and cash equivalents	414	1,646	1,588	472
Investments	1,645	1,588	1,645	1,588
Total Assets	<u>2,059</u>	<u>3,234</u>	<u>3,233</u>	<u>2,060</u>
Liabilities:				
Accounts payable	-	-	-	-
Other liabilities	2,059	1	-	2,060
Total Liabilities	<u>2,059</u>	<u>1</u>	<u>-</u>	<u>2,060</u>
Westside Fire Training IGA Fund				
Assets:				
Cash and cash equivalents	6,505	36,175	34,358	8,322
Investments	25,855	27,984	25,855	27,984
Total Assets	<u>32,360</u>	<u>64,159</u>	<u>60,213</u>	<u>36,306</u>
Liabilities:				
Accounts payable	-	6,374	6,374	-
Other liabilities	32,360	3,946	-	36,306
Total Liabilities	<u>32,360</u>	<u>10,320</u>	<u>6,374</u>	<u>36,306</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	88,933	423,434	409,882	102,485
Investments	353,460	344,629	353,461	344,628
Total Assets	<u>442,393</u>	<u>768,063</u>	<u>763,343</u>	<u>447,113</u>
Liabilities:				
Accounts payable	1,200	9,672	10,872	-
Other liabilities	441,193	5,920	-	447,113
Total Liabilities	<u>442,393</u>	<u>15,592</u>	<u>10,872</u>	<u>447,113</u>

The accompanying notes are an integral part of the financial statements





**Supplemental
Information**

OTHER SUPPLEMENTARY INFORMATION

This section contains schedules which the City deems necessary to provide detailed schedules of the self-insurance programs to enable the user of the financial statements to fully understand the financial position and results of operation of the City.

Description of Schedules

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Combining Detailed Schedule of Net Position	130
Combining Detailed Schedule of Revenues, Expenses, and Changes in Fund Net Position	131

CITY OF PEORIA, ARIZONA
COMBINING DETAILED SCHEDULE OF NET POSITION
SELF-INSURANCE FUND
JUNE 30, 2014

	Risk Management Fund	Employee Trust		Total
		Workers' Compensation Fund	Health Insurance Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,030,009	\$ 84,371	\$ 435,090	\$ 2,549,470
Investments	6,826,368	283,718	1,463,088	8,573,174
Accounts receivable, net	-	805	-	805
Interest receivable	3,612	-	-	3,612
Total current assets	<u>8,859,989</u>	<u>368,894</u>	<u>1,898,178</u>	<u>11,127,061</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	-	1,653,346	2,930,178	4,583,524
Investments	-	999,250	1,998,500	2,997,750
Total non-current assets	<u>-</u>	<u>2,652,596</u>	<u>4,928,678</u>	<u>7,581,274</u>
Total assets	<u>8,859,989</u>	<u>3,021,490</u>	<u>6,826,856</u>	<u>18,708,335</u>
LIABILITIES				
Current liabilities:				
Accounts payable	39,444	42,983	1,200,984	1,283,411
Accrued payroll	1,952	-	-	1,952
Current portion of claims payable	885,182	1,025,958	566,091	2,477,231
Current portion of compensated absences	8,710	-	-	8,710
Total current liabilities	<u>935,288</u>	<u>1,068,941</u>	<u>1,767,075</u>	<u>3,771,304</u>
Non-current liabilities:				
Compensated absences	1,840	-	-	1,840
Long-term portion of claims payable	761,572	823,786	-	1,585,358
Total long-term liabilities	<u>763,412</u>	<u>823,786</u>	<u>-</u>	<u>1,587,198</u>
Total liabilities	<u>1,698,700</u>	<u>1,892,727</u>	<u>1,767,075</u>	<u>5,358,502</u>
NET POSITION				
Restricted - trust purpose	-	1,128,763	5,059,781	6,188,544
Unrestricted	7,161,289	-	-	7,161,289
Total net position	<u>\$ 7,161,289</u>	<u>\$ 1,128,763</u>	<u>\$ 5,059,781</u>	<u>\$ 13,349,833</u>

CITY OF PEORIA, ARIZONA
COMBINING DETAILED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Risk Management Fund	Employee Trust		Total
		Workers' Compensation Fund	Health Insurance Fund	
OPERATING REVENUES				
Charges for services	\$ 2,583,129	\$ 1,297,719	\$ 14,823,237	\$ 18,704,085
Miscellaneous	187,937	6,022	118,207	312,166
Total operating revenues	<u>2,771,066</u>	<u>1,303,741</u>	<u>14,941,444</u>	<u>19,016,251</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	154,007	44,822	-	198,829
Contractual services, materials and supplies	54,439	217,601	785,597	1,057,637
Insurance claims and expenses	2,307,905	1,165,134	12,660,121	16,133,160
Total operating expenses	<u>2,516,351</u>	<u>1,427,557</u>	<u>13,445,718</u>	<u>17,389,626</u>
Operating income	254,715	(123,816)	1,495,726	1,626,625
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income	36,795	7,256	18,234	62,285
Total non-operating revenues	<u>36,795</u>	<u>7,256</u>	<u>18,234</u>	<u>62,285</u>
Income before transfers	291,510	(116,560)	1,513,960	1,688,910
Transfers out	(36,404)	-	-	(36,404)
Change in net position	<u>255,106</u>	<u>(116,560)</u>	<u>1,513,960</u>	<u>1,652,506</u>
Total net position - beginning	<u>6,906,183</u>	<u>1,245,323</u>	<u>3,545,821</u>	<u>11,697,327</u>
Total net position - ending	<u>\$ 7,161,289</u>	<u>\$ 1,128,763</u>	<u>\$ 5,059,781</u>	<u>\$ 13,349,833</u>



The background of the page features a large, faint watermark of the United States Seal. The seal is circular and contains the text "DEPARTMENT OF COMMERCE" at the top and "STATISTICAL SECTION" at the bottom. In the center of the seal is a shield with a scale of justice, a sword, and a wreath. A large, stylized letter "C" is visible on the left side of the seal, and a five-pointed star is on the right side. The entire seal is rendered in a light green color that blends with the dark green background.

Statistical Section

Statistical Section

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the government's overall financial health.

Statistical information is different from financial statements in that the statistics usually cover more than one fiscal year and may present non-accounting information. The following tables present financial trends, information about the fiscal capacity of the government, and social and economic information, as necessary for complete disclosure and understanding of the City's financial activity. The information presented in these tables is not required for fair presentation in conformity with accounting principles generally accepted in the United States of America and is therefore not covered by the auditor's opinion.

<u>Contents</u>	<u>Page</u>
Financial Trends	135
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	145
These schedules contain information to help the reader assess the City's most significant local revenue sources - sales and use taxes, property taxes and utility user fees.	
Debt Capacity	157
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Economic and Demographic Information	169
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	171
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Statistical Section

Financial presentations included in the Statistical Section provide data on the financial, physical and economic characteristics of the City. These tables cover multiple fiscal years and provide users with a broader and more complete understanding of the City and its financial affairs.

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CITY OF PEORIA, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table I

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 412,711,011	\$ 523,429,904	\$ 591,763,494	\$ 602,715,532	\$ 690,708,494	\$ 782,205,232	\$ 803,835,704	\$ 816,149,271	\$ 829,001,871	\$ 855,286,264
Restricted	35,660,531	41,483,246	40,822,727	65,528,725	54,945,644	37,649,086	118,382,244	118,105,425	131,550,563	151,624,692
Unrestricted	118,007,870	131,307,050	173,833,813	220,374,709	207,958,657	192,278,995	109,550,684	111,579,103	149,159,571	84,211,745
Total governmental activities net assets	<u>\$ 566,379,412</u>	<u>\$ 696,220,200</u>	<u>\$ 806,420,034</u>	<u>\$ 888,618,966</u>	<u>\$ 953,612,795</u>	<u>\$ 1,012,133,313</u>	<u>\$ 1,031,768,632</u>	<u>\$ 1,045,833,799</u>	<u>\$ 1,109,712,005</u>	<u>\$ 1,091,122,701</u>
Business-type Activities										
Net investment in capital assets	\$ 273,024,663	\$ 311,724,201	\$ 369,615,117	\$ 427,331,359	\$ 429,764,018	\$ 469,854,140	\$ 478,230,446	\$ 478,738,661	\$ 493,788,885	\$ 533,623,141
Restricted	83,015,115	79,329,431	32,749,544	32,967,702	33,558,490	19,474,349	22,733,731	24,912,356	21,575,445	23,153,024
Unrestricted	55,874,702	53,032,272	68,959,683	41,967,371	36,507,370	53,422,064	54,791,580	61,033,753	71,130,874	68,382,971
Total business-type activities net assets	<u>\$ 411,914,480</u>	<u>\$ 444,085,904</u>	<u>\$ 471,324,344</u>	<u>\$ 502,266,432</u>	<u>\$ 499,829,878</u>	<u>\$ 542,750,553</u>	<u>\$ 555,755,757</u>	<u>\$ 564,684,770</u>	<u>\$ 586,495,204</u>	<u>\$ 625,159,136</u>
Primary Government										
Net investment in capital assets	\$ 685,735,674	\$ 835,154,105	\$ 961,378,611	\$ 1,030,046,891	\$ 1,120,472,512	\$ 1,252,059,372	\$ 1,282,066,150	\$ 1,294,887,932	\$ 1,322,790,756	\$ 1,388,909,405
Restricted	118,675,646	120,812,677	73,572,271	98,496,427	88,504,134	57,123,435	141,115,975	143,017,781	153,126,008	174,777,716
Unrestricted	173,882,572	184,339,322	242,793,496	262,342,080	244,466,027	245,701,059	164,342,264	172,612,856	220,290,445	152,594,716
Total primary government net assets	<u>\$ 978,293,892</u>	<u>\$ 1,140,306,104</u>	<u>\$ 1,277,744,378</u>	<u>\$ 1,390,885,398</u>	<u>\$ 1,453,442,673</u>	<u>\$ 1,554,883,866</u>	<u>\$ 1,587,524,389</u>	<u>\$ 1,610,518,569</u>	<u>\$ 1,696,207,209</u>	<u>\$ 1,716,281,837</u>

Source: Statement of Net Position
City financial records and reports

**CITY OF PEORIA, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

Table II

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
General Government	\$ 18,810,419	\$ 21,608,973	\$ 24,469,279	\$ 17,077,115	\$ 23,226,263	\$ 24,518,718	\$ 27,523,428	\$ 20,935,141	\$ 19,175,790	\$ 20,038,112
Culture & Recreation	15,135,836	16,304,875	17,947,721	21,834,144	23,185,665	21,167,750	21,066,722	23,499,906	22,434,968	25,559,518
Police	21,844,025	25,725,922	28,548,401	34,513,465	37,084,671	35,140,959	35,536,887	35,905,144	35,396,834	36,344,807
Fire	12,731,478	14,184,353	17,401,924	19,914,716	21,618,004	20,977,164	21,243,965	22,313,810	21,360,706	23,868,374
Development Services	4,557,154	4,882,448	5,605,618	6,542,413	6,354,769	6,539,886	6,135,184	5,437,784	8,374,619	9,193,743
Highways & Streets	21,839,566	18,713,722	23,031,544	22,909,823	24,046,432	22,414,044	25,598,067	31,778,203	29,967,207	31,411,752
Public Works	5,187,303	5,791,128	6,288,446	7,782,967	7,688,062	9,642,355	8,441,912	7,416,026	6,989,988	7,015,316
Human Services	1,869,601	2,054,042	2,316,358	2,887,625	2,382,604	2,188,730	1,992,977	1,655,935	2,196,801	1,629,118
Interest on long-term debt	6,017,664	7,223,963	8,065,449	11,168,041	12,610,988	12,571,503	12,616,562	12,595,752	12,739,029	12,009,243
Unallocated Depreciation	576,719	575,334	575,334	574,942	574,550	574,550	574,550	574,550	574,557	574,550
Total governmental activities expenses	\$ 108,569,765	\$ 117,064,760	\$ 134,250,074	\$ 145,205,251	\$ 158,772,008	\$ 155,735,659	\$ 160,730,254	\$ 162,112,251	\$ 159,210,499	\$ 167,644,533
Business-type Activities										
Water Utility	\$ 23,815,912	\$ 25,859,997	\$ 27,058,901	\$ 28,677,086	\$ 32,164,325	\$ 29,715,038	\$ 29,582,708	\$ 30,777,765	\$ 29,094,123	\$ 30,836,235
Wastewater Utility	12,469,667	12,782,965	14,523,268	17,324,471	31,039,534	30,212,381	19,891,729	21,923,061	20,342,376	21,083,666
Solid Waste Utility	8,462,126	8,688,437	9,458,194	13,250,526	10,624,589	9,985,889	9,773,553	10,859,872	10,503,928	10,806,101
Stadium	4,623,886	5,442,993	5,448,667	6,921,044	5,235,258	5,186,732	5,019,605	5,284,940	5,140,500	5,176,689
Storm Drain Utility	-	-	-	-	-	-	-	802,246	806,658	823,780
Housing	344,030	369,052	371,540	382,067	331,785	368,007	367,644	400,405	273,528	-
Total business-type activities expenses	\$ 49,715,621	\$ 53,143,444	\$ 56,860,570	\$ 66,555,194	\$ 79,395,491	\$ 75,468,047	\$ 64,635,239	\$ 70,048,289	\$ 66,161,113	\$ 68,726,471
Total primary government expenses	\$ 158,285,386	\$ 170,208,204	\$ 191,110,644	\$ 211,760,445	\$ 238,167,499	\$ 231,203,706	\$ 225,365,493	\$ 232,160,540	\$ 225,371,612	\$ 236,371,004
Program Revenues										
Governmental Activities										
Charges for services	\$ 21,078,973	\$ 22,666,481	\$ 23,226,773	\$ 25,523,896	\$ 20,130,962	\$ 17,489,464	\$ 17,722,889	\$ 17,331,656	\$ 18,745,123	\$ 19,221,921
Operating grants and contributions	10,836,600	12,117,734	13,954,308	14,382,484	12,574,749	13,096,036	13,709,669	11,071,988	12,440,760	12,693,535
Capital grants and contributions	37,599,732	103,368,209	59,793,946	41,598,499	51,366,296	55,978,635	34,932,888	30,063,998	21,485,029	11,703,447
Total governmental activities program revenues	\$ 69,515,305	\$ 138,152,424	\$ 96,975,027	\$ 81,504,879	\$ 84,072,007	\$ 86,564,135	\$ 66,365,446	\$ 58,467,642	\$ 52,670,912	\$ 43,618,903
Business-type Activities										
Charges for services	\$ 47,962,423	\$ 53,196,965	\$ 61,918,282	\$ 61,936,451	\$ 59,577,008	\$ 62,457,821	\$ 60,595,686	\$ 66,048,140	\$ 67,197,303	\$ 69,499,963
Operating grants and contributions	136,736	137,532	135,174	145,841	158,627	177,710	209,878	140,461	67,915	-
Capital grants and contributions	48,121,049	14,097,716	18,219,423	22,321,213	12,186,331	50,899,343	5,408,859	8,418,314	7,323,482	9,325,636
Total business-type activities program revenues	\$ 96,220,208	\$ 67,432,213	\$ 80,272,879	\$ 84,403,505	\$ 71,921,966	\$ 113,534,874	\$ 66,214,423	\$ 74,606,915	\$ 74,588,700	\$ 78,825,599
Total primary government program revenues	\$ 165,735,513	\$ 205,584,637	\$ 177,247,906	\$ 165,908,384	\$ 155,993,973	\$ 200,099,009	\$ 132,579,869	\$ 133,074,557	\$ 127,259,612	\$ 122,444,502
Net (Expense)/Revenue										
Governmental Activities	\$ (39,054,460)	\$ 21,087,664	\$ (37,275,047)	\$ (63,700,372)	\$ (74,700,001)	\$ (69,171,524)	\$ (94,364,808)	\$ (103,644,609)	\$ (106,539,587)	\$ (124,025,630)
Business-type Activities	46,504,587	14,288,769	23,412,309	17,848,311	(7,473,525)	38,066,827	1,579,184	4,558,626	8,427,587	10,099,128
Total primary government net expense	\$ 7,450,127	\$ 35,376,433	\$ (13,862,738)	\$ (45,852,061)	\$ (82,173,526)	\$ (31,104,697)	\$ (92,785,624)	\$ (99,085,983)	\$ (98,112,000)	\$ (113,926,502)

**CITY OF PEORIA, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Table II

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	\$ 2,926,017	\$ 3,274,982	\$ 3,722,092	\$ 3,728,615	\$ 3,629,629	\$ 3,833,445	\$ 3,628,286	\$ 3,187,679	\$ 2,848,691	\$ 2,744,900
Property taxes, levied for debt service	11,240,627	12,930,561	14,392,472	22,569,309	28,162,003	26,225,535	22,406,879	19,030,940	16,628,634	15,479,771
Sales and use taxes	45,535,559	61,156,870	68,873,970	68,466,910	59,004,816	56,276,937	58,082,217	60,719,648	65,950,235	70,213,953
Franchise taxes	2,498,995	3,004,895	3,983,701	3,848,746	4,019,182	3,955,416	4,037,897	4,084,163	4,136,004	4,194,371
State shared sales taxes - unrestricted	10,038,874	11,681,284	13,130,116	12,695,890	10,991,095	10,137,682	11,649,489	12,087,651	12,665,191	13,431,637
Urban revenue sharing - unrestricted	10,076,455	11,707,782	15,996,992	19,539,768	20,395,663	17,469,936	13,408,996	13,231,006	14,425,958	17,172,500
Auto in-lieu taxes - unrestricted	4,639,457	5,251,577	5,725,299	5,546,558	5,018,384	4,634,263	4,548,154	4,944,181	5,155,206	5,495,225
Investment Earnings	2,930,923	6,723,061	12,100,831	13,328,215	7,896,100	2,199,984	1,354,607	959,479	599,263	878,164
Gain on sale of capital assets	148,518	81,122	60,785	40,953	115,412	102,409	76,640	50,192	66,465	111,342
Elimination of development agreement debt	-	17,279	23,941	2,358,431	-	-	801,394	-	630,104	-
Miscellaneous	2,480,978	5,584,218	7,439,193	3,555,171	3,528,043	5,885,847	5,124,916	3,965,187	4,397,616	3,920,109
Special Item: Close out of Section 8 Housing	-	-	-	-	-	-	-	(464,390)	-	-
Transfers in (out)	(14,546,789)	(12,660,507)	2,025,489	(9,779,262)	(3,066,497)	(3,029,412)	(11,119,348)	(3,335,912)	(9,394,454)	(28,205,646)
Total governmental activities	\$ 77,969,614	\$ 108,753,124	\$ 147,474,881	\$ 145,899,304	\$ 139,693,830	\$ 127,692,042	\$ 114,000,127	\$ 118,459,824	\$ 118,108,913	\$ 105,436,326
Business-type Activities										
Investment Earnings	\$ 2,846,925	\$ 5,222,148	\$ 5,851,620	\$ 3,314,515	\$ 1,970,474	\$ 444,698	\$ 306,672	\$ 284,427	\$ 176,176	\$ 359,158
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Forgiveness of debt	-	-	-	-	-	1,379,738	-	-	-	-
Special Item: Close out of Public Housing	-	-	-	-	-	-	-	-	(2,101,809)	-
Transfers in (out)	14,546,789	12,660,507	(2,025,489)	9,779,262	3,066,497	3,029,412	11,119,348	3,335,912	9,394,454	28,205,646
Total business-type activities	\$ 17,393,714	\$ 17,882,655	\$ 3,826,131	\$ 13,093,777	\$ 5,036,971	\$ 4,853,848	\$ 11,426,020	\$ 3,620,339	\$ 7,468,821	\$ 28,564,804
Total primary government	\$ 95,363,328	\$ 126,635,779	\$ 151,301,012	\$ 158,993,081	\$ 144,730,801	\$ 132,545,890	\$ 125,426,147	\$ 122,080,163	\$ 125,577,734	\$ 134,001,130
Change in Net Position										
Governmental Activities	\$ 99,057,278	\$ 71,478,077	\$ 83,774,509	\$ 71,199,303	\$ 70,522,306	\$ 33,327,234	\$ 10,355,518	\$ 11,920,237	\$ 11,569,326	\$ (18,589,304)
Business-type Activities	31,682,483	41,294,964	21,674,442	5,620,252	43,103,798	6,433,032	15,984,646	12,047,926	15,896,408	38,663,932
Total primary government	\$ 130,739,761	\$ 112,773,041	\$ 105,448,951	\$ 76,819,555	\$ 113,626,104	\$ 39,760,266	\$ 26,340,164	\$ 23,968,163	\$ 27,465,734	\$ 20,074,628

Source: Statement of Activities
City financial records and reports

**CITY OF PEORIA, ARIZONA
PROGRAM REVENUES
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Table III

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues										
Governmental Activities										
Charges for services										
General Government	\$ 3,122,641	\$ 3,346,730	\$ 2,747,370	\$ 2,293,928	\$ 3,635,662	\$ 2,955,225	\$ 3,111,713	\$ 2,839,814	\$ 2,712,644	\$ 2,303,848
Culture & Recreation	5,117,914	5,793,176	6,927,760	8,111,802	8,035,499	7,133,645	6,642,642	6,810,891	7,055,179	7,299,943
Police	1,123,337	828,053	1,283,559	790,269	1,326,404	813,032	1,050,490	1,112,621	1,135,692	995,068
Fire	1,557,835	1,844,083	1,737,666	1,717,319	1,748,715	1,457,280	1,580,191	1,693,101	1,664,610	1,772,238
Development Services	5,840,631	5,660,591	4,614,166	3,526,784	1,568,529	1,231,534	1,323,358	1,720,697	2,398,630	2,677,468
Highways & Streets	205,291	104,654	433,400	345,417	348,351	445,074	516,778	424,505	456,791	621,056
Public Works	3,987,875	4,950,541	5,318,686	8,607,833	3,336,840	3,310,544	3,350,178	2,687,325	3,278,257	3,506,520
Human Services	123,449	138,653	164,166	130,544	130,962	143,130	147,539	42,702	43,320	45,780
Operating grants and contributions	10,836,600	12,117,734	13,954,308	14,382,484	12,574,749	13,096,036	13,709,669	11,071,988	12,440,760	12,693,535
Capital grants and contributions	37,599,732	103,368,209	59,793,946	41,598,499	51,366,296	55,978,635	34,932,888	30,063,998	21,485,029	11,703,447
Total governmental activities program revenues	<u>\$ 69,515,305</u>	<u>\$ 138,152,424</u>	<u>\$ 96,975,027</u>	<u>\$ 81,504,879</u>	<u>\$ 84,072,007</u>	<u>\$ 86,564,135</u>	<u>\$ 66,365,446</u>	<u>\$ 58,467,642</u>	<u>\$ 52,670,912</u>	<u>\$ 43,618,903</u>
Business-type Activities										
Charges for services										
Water Utility	\$ 24,932,796	\$ 28,240,253	\$ 33,511,407	\$ 31,866,685	\$ 30,104,254	\$ 30,789,786	\$ 30,004,279	\$ 33,896,048	\$ 34,100,166	\$ 35,800,393
Wastewater Utility	11,608,902	12,227,879	14,907,360	15,423,188	15,331,781	16,994,511	15,933,154	16,624,110	18,459,924	18,455,600
Solid Waste Utility	8,330,792	9,715,409	10,395,273	11,216,061	11,166,354	11,764,271	11,904,142	11,873,744	11,003,792	11,309,198
Stadium	2,961,792	2,859,794	2,953,365	3,279,780	2,866,609	2,800,976	2,629,765	2,711,665	2,716,778	3,103,333
Storm Drain Utility	-	-	-	-	-	-	-	804,487	816,478	831,439
Housing	128,141	153,630	150,877	150,737	108,010	108,277	124,346	138,086	100,165	-
Operating grants and contributions	136,736	137,532	135,174	145,841	158,627	177,710	209,878	140,461	67,915	-
Capital grants and contributions	48,121,049	14,097,716	18,219,423	22,321,213	12,186,331	50,899,343	5,408,859	8,418,314	7,323,482	9,325,636
Total business-type activities program revenues	<u>\$ 96,220,208</u>	<u>\$ 67,432,213</u>	<u>\$ 80,272,879</u>	<u>\$ 84,403,505</u>	<u>\$ 71,921,966</u>	<u>\$ 113,534,874</u>	<u>\$ 66,214,423</u>	<u>\$ 74,606,915</u>	<u>\$ 74,588,700</u>	<u>\$ 78,825,599</u>
Total primary government program revenues	<u>\$ 165,735,513</u>	<u>\$ 205,584,637</u>	<u>\$ 177,247,906</u>	<u>\$ 165,908,384</u>	<u>\$ 155,993,973</u>	<u>\$ 200,099,009</u>	<u>\$ 132,579,869</u>	<u>\$ 133,074,557</u>	<u>\$ 127,259,612</u>	<u>\$ 122,444,502</u>

Source: Statement of Activities
City financial records and reports

**CITY OF PEORIA, ARIZONA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Table IV

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 *	2012	2013	2014
General Fund										
Reserved	\$ 150,764	\$ 948,135	\$ 216,652	\$ 264,489	\$ 275,184	\$ 241,678	\$ -	\$ -	\$ -	\$ -
Unreserved	52,553,522	65,224,766	74,842,586	77,741,727	67,102,145	60,238,418	-	-	-	-
Nonspendable	-	-	-	-	-	-	537,000	1,163,721	259,643	262,852
Restricted	-	-	-	-	-	-	30,671	70,016	108,517	54,193
Committed	-	-	-	-	-	-	34,288,769	33,590,254	33,229,466	37,028,922
Assigned	-	-	-	-	-	-	3,891,174	3,705,809	3,330,705	3,340,512
Unassigned	-	-	-	-	-	-	13,429,595	12,878,675	13,996,657	17,308,306
Total General Fund	<u>\$ 52,704,286</u>	<u>\$ 66,172,901</u>	<u>\$ 75,059,238</u>	<u>\$ 78,006,216</u>	<u>\$ 67,377,329</u>	<u>\$ 60,480,096</u>	<u>\$ 52,177,209</u>	<u>\$ 51,408,475</u>	<u>\$ 50,924,988</u>	<u>\$ 57,994,785</u>
General Fund as % of current year revenues (1)										
Reserved	0.2%	1.0%	0.2%	0.2%	0.3%	0.3%	0.0%	-	-	-
Unreserved	64.2%	67.6%	70.9%	71.1%	70.3%	69.5%	0.0%	-	-	-
Unspendable	-	-	-	-	-	-	-	1.3%	0.3%	0.3%
Restricted	-	-	-	-	-	-	-	0.1%	0.1%	0.1%
Committed	-	-	-	-	-	-	-	38.3%	35.4%	36.9%
Assigned	-	-	-	-	-	-	-	4.2%	3.6%	3.3%
Unassigned	-	-	-	-	-	-	-	14.7%	14.9%	17.2%
Total General Fund Revenues	<u>64.4%</u>	<u>68.6%</u>	<u>71.1%</u>	<u>71.3%</u>	<u>70.6%</u>	<u>69.8%</u>	<u>60.4%</u>	<u>58.6%</u>	<u>54.3%</u>	<u>57.8%</u>
	81,842,282	96,472,378	105,613,476	109,388,443	95,474,360	86,668,451	86,457,113	87,756,255	93,753,322	100,373,462
General Fund as % of current year expenditures (2)										
Reserved	0.2%	1.1%	0.2%	0.2%	0.3%	0.2%	0.0%	-	-	-
Unreserved	68.2%	76.4%	72.0%	70.2%	61.1%	57.0%	0.0%	-	-	-
Unspendable	-	-	-	-	-	-	-	1.2%	0.3%	0.3%
Restricted	-	-	-	-	-	-	-	0.1%	0.1%	0.1%
Committed	-	-	-	-	-	-	-	35.2%	32.7%	36.0%
Assigned	-	-	-	-	-	-	-	3.9%	3.3%	3.2%
Unassigned	-	-	-	-	-	-	-	13.5%	13.8%	16.8%
Total General Fund Expenditures	<u>68.4%</u>	<u>77.5%</u>	<u>72.2%</u>	<u>70.4%</u>	<u>61.4%</u>	<u>57.2%</u>	<u>52.3%</u>	<u>53.9%</u>	<u>50.1%</u>	<u>56.3%</u>
	77,086,642	85,344,491	103,999,097	110,804,124	109,735,012	105,742,332	99,741,106	95,327,780	101,677,037	102,961,677
All Other Governmental Funds										
Reserved	\$ 82,831,364	\$ 84,931,450	\$ 154,966,318	\$ 143,600,643	\$ 165,129,365	\$ 147,974,858	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	25,365,373	41,501,121	49,251,757	62,170,663	57,506,689	55,546,744	-	-	-	-
Capital projects funds	(4,566,517)	(21,988,077)	18,917,375	23,589,696	29,428,677	22,203,699	-	-	-	-
Nonspendable	-	-	-	-	-	-	108,919	95,828	98,819	131,641
Restricted	-	-	-	-	-	-	169,837,817	168,127,814	188,434,944	145,352,432
Committed	-	-	-	-	-	-	11,040,682	10,064,814	10,004,379	10,300,556
Assigned	-	-	-	-	-	-	30,055,251	40,566,996	25,988,041	23,410,508
Unassigned	-	-	-	-	-	-	-	(84,673)	-	-
Total All Other Governmental Funds	<u>\$ 103,630,220</u>	<u>\$ 104,444,494</u>	<u>\$ 223,135,450</u>	<u>\$ 229,361,002</u>	<u>\$ 252,064,731</u>	<u>\$ 225,725,301</u>	<u>\$ 211,042,669</u>	<u>\$ 218,770,779</u>	<u>\$ 224,526,183</u>	<u>\$ 179,195,137</u>

* The City implemented GASB Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. Previous years have not been restated to the new required format.

(1) Revenues are operating revenues. Does not include Other Financing Sources.

(2) Expenditures are operating expenditures. Does not include Other Financing Uses.

Source: Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
Balance Sheet - Governmental Funds
City financial records and reports

CITY OF PEORIA, ARIZONA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table V

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 62,170,531	\$ 80,238,340	\$ 90,780,140	\$ 98,358,262	\$ 93,896,013	\$ 90,783,641	\$ 88,244,772	\$ 87,203,131	\$ 89,948,724	\$ 93,731,980
Intergovernmental	36,747,293	41,899,532	64,283,444	52,612,549	62,718,223	45,621,921	43,917,343	54,562,371	49,831,144	50,132,922
Charges for services	30,768,591	34,863,016	39,290,401	37,609,937	18,479,664	18,137,718	16,356,566	18,359,757	21,405,623	17,684,357
Licenses and Permits	5,041,680	4,807,840	3,878,132	3,020,436	1,802,759	1,599,957	1,672,072	2,106,545	2,564,075	2,800,894
Fines and Forfeitures	1,823,626	2,112,799	2,203,756	2,666,731	3,733,047	2,755,104	3,068,861	2,757,022	2,257,477	2,128,289
Rents	174,837	228,492	249,069	358,215	395,834	421,289	403,321	486,932	1,101,082	731,901
Investment Earnings	2,652,530	6,050,060	10,942,001	12,125,018	7,174,109	1,992,817	1,238,174	859,146	537,732	757,747
Special assessments	2,252,142	2,262,770	1,971,991	1,803,344	2,200,782	2,214,167	2,201,463	2,069,613	1,217,271	1,137,018
Miscellaneous	2,560,291	5,562,231	6,992,363	7,882,947	7,488,740	8,485,570	18,441,696	4,588,218	5,880,511	5,060,343
Total Revenues	\$ 144,191,521	\$ 178,025,080	\$ 220,591,297	\$ 216,437,439	\$ 197,889,171	\$ 172,012,184	\$ 175,544,268	\$ 172,992,735	\$ 174,743,639	\$ 174,165,451
Expenditures										
General Government	\$ 18,144,444	\$ 19,767,909	\$ 22,833,440	\$ 14,544,047	\$ 17,798,947	\$ 16,330,159	\$ 15,818,173	\$ 14,470,822	\$ 15,094,866	\$ 15,866,612
Culture & Recreation	13,935,373	15,300,068	17,013,511	21,769,313	22,303,852	19,475,634	18,784,735	18,396,187	19,668,598	21,762,725
Police	20,915,014	24,715,113	28,163,474	33,340,756	36,458,108	34,131,465	33,926,463	33,717,021	35,375,166	35,839,651
Fire	12,206,093	13,422,870	16,522,036	19,120,991	20,516,345	19,745,446	19,463,905	20,673,956	21,327,100	23,137,222
Development Services	4,575,963	4,986,442	5,526,599	6,669,979	6,489,199	6,529,594	6,051,667	5,328,403	8,568,013	9,311,964
Highways & Streets	13,930,314	10,333,402	14,679,124	14,632,287	15,469,695	13,070,648	13,891,078	14,754,432	16,355,505	17,098,590
Public Works	3,993,427	4,640,211	5,010,116	6,408,150	6,187,633	7,955,394	6,748,102	4,884,713	4,914,720	5,110,924
Human Services	1,768,107	1,991,939	2,291,469	2,817,716	2,343,847	2,145,702	1,952,861	1,586,315	2,213,374	1,604,288
Other	3,849	539	45,912	-	-	-	-	-	-	-
Capital Outlay	33,148,181	34,944,336	76,919,805	74,142,416	77,515,142	60,269,181	29,176,335	26,336,595	39,612,698	17,728,188
Debt Service										
Interest	7,046,576	6,747,072	8,099,492	10,340,704	11,917,582	13,166,242	12,658,032	13,098,263	12,534,039	12,543,974
Principal	15,304,972	16,881,632	16,178,431	31,143,531	25,988,554	44,700,092	34,309,287	25,566,028	20,120,163	21,937,761
Total Expenditures	\$ 144,972,313	\$ 153,731,533	\$ 213,283,409	\$ 234,929,890	\$ 242,988,904	\$ 237,519,557	\$ 192,780,638	\$ 178,812,735	\$ 195,784,242	\$ 181,941,899
Excess of Revenues over (under) Expenditures	\$ (780,792)	\$ 24,293,547	\$ 7,307,888	\$ (18,492,451)	\$ (45,099,733)	\$ (65,507,373)	\$ (17,236,370)	\$ (5,820,000)	\$ (21,040,603)	\$ (7,776,448)
Other Financing Sources (Uses)										
Proceeds from borrowing	\$ 23,809,728	\$ 6,722,550	\$ 122,090,000	\$ 47,000,000	\$ 68,440,000	\$ 29,170,000	\$ 7,920,000	\$ 14,715,000	\$ 35,510,000	\$ 112,000
Proceeds from refunding	-	-	18,365,000	-	-	-	-	13,690,000	-	-
Payments to bond refunding escrow agent	-	-	(18,365,000)	-	-	-	-	(13,690,000)	-	-
Premium on bonds issued	75,552	20,559	1,502,204	273,310	808,192	495,890	16,960	645,188	1,039,481	-
Special Item: Close out Section 8 Housing	-	-	-	-	-	-	-	(464,390)	-	-
Transfers In	11,766,397	10,116,361	17,798,434	16,426,715	18,855,279	23,567,886	28,388,910	16,740,587	16,968,105	20,159,941
Transfers Out	(15,827,303)	(26,870,128)	(21,121,233)	(36,035,044)	(30,928,896)	(20,963,066)	(42,075,019)	(18,106,961)	(27,205,066)	(48,650,688)
Total Other Financing Sources (Uses)	\$ 19,824,374	\$ (10,010,658)	\$ 120,269,405	\$ 27,664,981	\$ 57,174,575	\$ 32,270,710	\$ (5,749,149)	\$ 13,529,424	\$ 26,312,520	\$ (28,378,747)
Net Change in Fund Balance	\$ 19,043,582	\$ 14,282,889	\$ 127,577,293	\$ 9,172,530	\$ 12,074,842	\$ (33,236,663)	\$ (22,985,519)	\$ 7,709,424	\$ 5,271,917	\$ (36,155,195)
Debt Service as a percentage of noncapital expenditures	19.99%	19.89%	17.80%	25.80%	22.91%	32.65%	28.71%	25.36%	20.91%	21.00%

Source: Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
City financial records and reports

CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table VI

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
General Government	\$ 5,155,229	\$ 5,471,741	\$ 5,099,910	\$ 3,872,997	\$ 4,092,800	\$ 3,512,654	\$ 3,483,196	\$ 3,138,886	\$ 2,875,640	\$ 2,442,411
Culture & Recreation	11,784,749	14,003,877	12,243,385	12,673,351	9,516,656	8,872,476	8,255,882	8,783,964	9,493,032	10,237,916
Police	2,579,817	3,128,006	5,271,968	3,468,250	2,844,901	2,228,397	1,920,702	2,249,525	2,095,076	2,149,064
Fire	3,075,988	3,729,960	4,098,537	3,202,518	2,148,000	1,999,601	2,093,976	2,347,846	2,643,492	2,817,561
Development Services	6,545,647	6,459,264	5,437,544	4,148,578	2,195,564	2,077,759	2,188,283	2,243,301	2,893,783	3,690,878
Highways & Streets	34,210,694	98,404,102	57,310,910	42,357,347	58,042,435	61,824,066	41,466,907	35,542,046	27,266,930	17,384,825
Public Works	4,161,349	4,950,541	5,418,686	8,929,561	3,341,185	4,114,022	5,443,608	2,862,435	3,407,002	3,547,548
Human Services	2,001,832	2,004,933	2,094,087	2,852,277	1,890,466	1,935,160	1,512,892	1,299,639	1,995,957	1,348,700
Unallocated General Revenues	92,516,403	121,413,631	145,449,392	155,678,566	142,760,327	130,721,454	125,119,475	121,795,736	127,503,367	133,641,972
Total Governmental Activities	\$ 162,031,708	\$ 259,566,055	\$ 242,424,419	\$ 237,183,445	\$ 226,832,334	\$ 217,285,589	\$ 191,484,921	\$ 180,263,378	\$ 180,174,279	\$ 177,260,875
Business-type Activities:										
Water Utility	\$ 49,238,279	\$ 36,888,294	\$ 44,900,179	44,368,035	37,864,324	57,524,177	33,948,181	38,998,580	38,206,945	41,411,990
Wastewater Utility	34,300,518	16,668,034	21,116,119	24,784,247	19,647,683	41,038,763	17,276,923	19,869,458	21,676,627	21,966,561
Solid Waste Utility	9,454,742	10,732,529	11,017,165	11,674,865	11,276,713	11,884,971	12,025,330	11,944,178	11,003,792	11,309,198
Stadium	2,961,792	2,859,794	2,953,365	3,279,780	2,866,609	2,800,976	2,629,765	2,711,665	2,716,778	3,103,333
Storm Drain Utility	-	-	-	-	-	-	-	804,487	816,478	1,034,517
Housing	264,877	283,562	286,051	296,578	266,637	285,987	334,224	278,547	168,080	-
Unallocated General Revenues	2,846,925	5,222,148	5,851,620	3,314,515	1,970,474	1,824,436	306,672	284,427	176,176	359,158
Total Business-type Activities	\$ 99,067,133	\$ 72,654,361	\$ 86,124,499	\$ 87,718,020	\$ 73,892,440	\$ 115,359,310	\$ 66,521,095	\$ 74,891,342	\$ 74,764,876	\$ 79,184,757
Total Primary Government	\$ 261,098,841	\$ 332,220,416	\$ 328,548,918	\$ 324,901,465	\$ 300,724,774	\$ 332,644,899	\$ 258,006,016	\$ 255,154,720	\$ 254,939,155	\$ 256,445,632

Note: Unallocated General Revenues do not include transfers between governmental activities and business-type activities.

Source: Statement of Activities.
City financial records and reports

CITY OF PEORIA, ARIZONA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table VII

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Transaction Taxes (1)	\$ 45,535,559	\$ 61,156,870	\$ 68,873,970	\$ 68,466,910	\$ 59,004,816	\$ 56,276,937	\$ 58,082,217	\$ 60,719,648	\$ 65,950,235	\$ 71,237,141
Franchise Taxes	2,498,995	3,004,895	3,983,701	3,848,746	4,019,182	3,955,416	4,037,897	4,084,163	4,136,004	4,194,371
Property Taxes										
Primary Taxes	2,285,792	2,612,397	2,896,360	2,975,900	2,691,525	3,188,468	2,866,098	2,521,692	2,214,665	1,993,395
Secondary Taxes	10,688,571	12,393,713	13,211,927	19,176,935	24,105,340	23,564,788	20,037,286	16,735,182	14,568,676	13,222,843
Special District* Taxes	868,197	796,821	1,571,936	3,633,664	3,729,995	3,554,681	2,978,348	2,895,288	2,826,052	2,838,553
In Lieu Taxes	293,417	273,644	242,246	256,107	345,155	243,351	242,926	247,158	253,093	245,677
Total Property Taxes	<u>\$ 14,135,977</u>	<u>\$ 16,076,575</u>	<u>\$ 17,922,469</u>	<u>\$ 26,042,606</u>	<u>\$ 30,872,015</u>	<u>\$ 30,551,288</u>	<u>\$ 26,124,658</u>	<u>\$ 22,399,320</u>	<u>\$ 19,862,485</u>	<u>\$ 18,300,468</u>
Total Taxes	<u>\$ 62,170,531</u>	<u>\$ 80,238,340</u>	<u>\$ 90,780,140</u>	<u>\$ 98,358,262</u>	<u>\$ 93,896,013</u>	<u>\$ 90,783,641</u>	<u>\$ 88,244,772</u>	<u>\$ 87,203,131</u>	<u>\$ 89,948,723</u>	<u>\$ 93,731,980</u>

(1) See Detail in Table X

Notes: Includes all governmental fund types.

* Special Districts include Street Light Improvement Districts (SLIDs), Maintenance Improvement Districts (MIDs) and Community Facilities Districts (CFDs). SLIDs and MIDs levy primary property taxes. CFDs may levy both primary and secondary property taxes.

Source: City financial records

CITY OF PEORIA, ARIZONA
INTERGOVERNMENTAL REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table VIII

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
State Shared Sales Tax	\$ 10,038,874	\$ 11,681,284	\$ 13,130,116	\$ 12,695,890	\$ 10,991,095	\$ 10,137,682	\$ 11,649,489	\$ 12,087,651	\$ 12,665,191	\$ 13,431,637
County Shared Sales Tax	-	-	-	-	12,837,089	-	-	-	-	-
Urban Revenue Sharing	10,076,455	11,707,782	15,996,992	19,539,768	20,395,663	17,469,936	13,408,996	13,231,006	14,425,958	17,172,500
Auto in-Lieu	4,639,457	5,251,577	5,725,299	5,546,558	5,018,384	4,634,263	4,548,154	4,944,181	5,155,206	5,495,225
HURF Revenues	7,878,977	8,475,784	9,870,460	9,488,625	8,287,891	7,852,103	8,018,271	7,714,173	8,435,926	8,691,989
Local Transportation Aid	650,056	657,162	658,598	666,237	640,826	375,639	-	-	-	-
Federal	2,685,415	2,822,321	3,101,796	2,904,788	2,970,534	4,043,930	5,036,285	2,226,322	2,929,700	2,717,331
Other	778,059	1,303,622	15,800,183	1,770,683	1,576,741	1,108,368	1,256,148	14,359,038	6,219,163	2,624,240
Total Intergovernmental Revenue	<u>\$ 36,747,293</u>	<u>\$ 41,899,532</u>	<u>\$ 64,283,444</u>	<u>\$ 52,612,549</u>	<u>\$ 62,718,223</u>	<u>\$ 45,621,921</u>	<u>\$ 43,917,343</u>	<u>\$ 54,562,371</u>	<u>\$ 49,831,144</u>	<u>\$ 50,132,922</u>

Notes: Includes all governmental fund types
Includes all governmental revenues, including revenues from federal government

Source: City financial records

**CITY OF PEORIA, ARIZONA
DEVELOPMENT/EXPANSION FEES BY TYPE
LAST TEN FISCAL YEARS**

Table IX

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:										
Streets	\$ 7,029,058	\$ 8,460,281	\$ 11,093,775	\$ 8,950,451	\$ 3,425,308	\$3,941,479	\$ 2,754,212	\$ 4,521,099	\$ 5,824,877	\$ 859,868
Parks/Recreation	5,045,791	5,113,046	4,020,306	3,647,109	883,944	1,162,332	1,040,832	1,425,820	1,844,398	2,324,198
Library	1,028,504	969,582	691,434	501,209	99,061	109,019	108,307	141,526	176,537	190,830
Public Safety	2,730,568	3,275,831	5,649,715	3,515,573	654,919	789,170	480,085	869,324	1,070,881	1,101,638
General Government	2,020,208	2,105,106	2,167,340	1,413,319	326,373	391,226	239,759	184,101	(567)	567
Total Governmental Activities	<u>\$ 17,854,129</u>	<u>\$ 19,923,846</u>	<u>\$ 23,622,570</u>	<u>\$18,027,661</u>	<u>\$ 5,389,605</u>	<u>\$6,393,226</u>	<u>\$ 4,623,195</u>	<u>\$ 7,141,870</u>	<u>\$ 8,916,126</u>	<u>\$ 4,477,101</u>
Business-type Activities:										
Water Expansion	7,671,535	6,972,529	4,973,097	3,297,819	1,073,071	898,045	1,111,092	1,531,494	1,661,806	2,483,440
Water Resource	1,801,486	1,550,288	1,133,833	659,750	321,008	258,463	225,007	372,805	447,053	558,701
Wastewater Expansion	4,391,622	4,364,858	2,719,879	1,863,749	447,047	460,210	563,836	916,117	1,096,764	1,269,012
Solid Waste Expansion	1,123,950	1,009,520	621,892	458,804	110,359	120,700	121,188	70,434	-	-
Total Business-type Activities	<u>\$ 14,988,593</u>	<u>\$ 13,897,195</u>	<u>\$ 9,448,701</u>	<u>\$ 6,280,122</u>	<u>\$ 1,951,485</u>	<u>\$1,737,418</u>	<u>\$ 2,021,123</u>	<u>\$ 2,890,850</u>	<u>\$ 3,205,623</u>	<u>\$ 4,311,153</u>
Total Primary Government	<u>\$ 32,842,722</u>	<u>\$ 33,821,041</u>	<u>\$ 33,071,271</u>	<u>\$24,307,783</u>	<u>\$ 7,341,090</u>	<u>\$8,130,644</u>	<u>\$ 6,644,318</u>	<u>\$ 10,032,720</u>	<u>\$ 12,121,749</u>	<u>\$ 8,788,254</u>

Source: City financial records

CITY OF PEORIA, ARIZONA
CITY TRANSACTION PRIVILEGE TAXES BY CATEGORY
LAST TEN FISCAL YEARS

Table X

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Retail Sales	\$ 21,861,810	\$ 26,832,950	\$ 30,963,887	\$ 30,721,220	\$ 26,694,348	\$ 26,857,263	\$ 29,247,900	\$ 31,483,859	\$ 34,115,601	\$ 36,878,825
Contracting	7,871,565	14,022,558	13,910,951	11,271,722	7,014,131	4,550,512	3,611,614	3,305,409	4,716,985	6,301,005
Rentals	4,297,474	5,469,550	6,554,938	7,190,660	7,107,109	6,927,724	6,980,633	7,414,803	7,918,121	7,214,392
Utilities	2,576,655	4,949,457	6,005,833	6,584,854	6,836,000	6,906,904	6,917,391	7,232,286	7,343,965	7,388,831
Telecom/Cable TV	920,471	1,079,620	1,245,892	1,492,871	1,437,589	1,405,352	1,294,565	1,304,092	1,258,991	1,262,651
Restaurant/Bar	5,052,224	5,986,135	6,782,852	7,032,488	7,026,265	7,114,625	7,469,189	7,776,190	8,168,064	8,505,082
Amusement	549,702	655,728	814,307	838,550	727,023	814,694	856,274	896,320	992,752	960,332
Use	570,265	485,720	783,997	985,505	599,537	374,659	426,017	566,453	474,842	624,795
Other	1,835,393	1,675,151	1,811,313	2,349,040	1,562,814	1,325,204	1,278,634	740,236	960,914	2,101,228
Total	\$ 45,535,559	\$ 61,156,869	\$ 68,873,970	\$ 68,466,910	\$ 59,004,816	\$ 56,276,937	\$ 58,082,217	\$ 60,719,648	\$ 65,950,235	\$ 71,237,141
% Growth by Year										
Retail Sales	9.6%	22.7%	15.4%	-0.8%	-13.1%	0.6%	8.9%	7.6%	8.4%	8.1%
Contracting	28.0%	78.1%	-0.8%	-19.0%	-37.8%	-35.1%	-20.6%	-8.5%	42.7%	33.6%
Rentals	14.4%	27.3%	19.8%	9.7%	-1.2%	-2.5%	0.8%	6.2%	6.8%	-8.9%
Utilities	5.4%	92.1%	21.3%	9.6%	3.8%	1.0%	0.2%	4.6%	1.5%	0.6%
Telecom/Cable TV	12.9%	17.3%	15.4%	19.8%	-3.7%	-2.2%	-7.9%	0.7%	-3.5%	0.3%
Restaurant/Bar	14.0%	18.5%	13.3%	3.7%	-0.1%	1.3%	5.0%	4.1%	5.0%	4.1%
Amusement	23.9%	19.3%	24.2%	3.0%	-13.3%	12.1%	5.1%	4.7%	10.8%	-3.3%
Use	-4.8%	-14.8%	61.4%	25.7%	-39.2%	-37.5%	13.7%	33.0%	-16.2%	31.6%
Other	-7.9%	-8.7%	8.1%	29.7%	-33.5%	-15.2%	-3.5%	-42.1%	29.8%	118.7%
Total	12.2%	34.3%	12.6%	-0.6%	-13.8%	-4.6%	3.2%	4.5%	8.6%	8.0%

Note: Includes all governmental fund types

Source: City financial records and reports

**CITY OF PEORIA, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

Table XI

	<u>Year Taxes Are Payable</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Direct Rates (1):										
Retail Sales (excluding groceries)	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Groceries	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Contracting	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Rentals	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Hotel/Transient Lodging	5.00%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%
Utilities	3.00%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
Telecommunications	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Restaurant/Bar	2.50%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Amusement	2.50%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
All Others	1.50%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
County Rates:										
Retail Sales (excluding groceries)	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Groceries	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Rental Occupancy	3.00%	3.00%	-	-	-	-	-	-	-	-
Hotel/Transient Lodging	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%
Mining - Nonmetal	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
All Others	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
State Rates (2):										
Retail Sales (excluding groceries)	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	5.60%	5.60%
Groceries	-	-	-	-	-	-	-	-	-	-
Hotel/Transient Lodging	5.50%	5.50%	5.50%	5.50%	5.50%	6.50%	6.50%	6.50%	5.50%	5.50%
Mining - Nonmetal	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%
Mining - Severance	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
All Others	5.60%	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	5.60%	5.60%

Notes:

(1) Pursuant to City Charter, increases in the City transaction privilege (sales) tax rates are subject to voter approval. The City collects its own sales taxes. The City has earmarked 0.8% of its sales tax for payment of Excise Tax and State Shared Revenue Obligations.

(2) The State transaction privilege (sales) tax is levied against the same categories of business activity as the City's sale tax with the exception of groceries and prescription drugs, which the State exempts from tax. The State collects and distributes a portion of its sales tax revenues to all cities and towns based on the city or town's population relative to the aggregate population of all cities and towns as shown by the latest census.

Source: ADOR Transaction Privilege And Other Tax Rate Tables

**CITY OF PEORIA, ARIZONA
SALES TAX PAYERS - BY CATEGORY
CURRENT YEAR AND NINE YEARS AGO**

Table XII

Category	2014				2005			
	<u># of Payers</u>	<u>Percentage of Total Payers</u>	<u>Sales Tax Paid</u>	<u>Percentage of Total City Sales Tax Revenue</u>	<u># of Payers</u>	<u>Percentage of Total Payers</u>	<u>Sales Tax Paid</u>	<u>Percentage of Total City Sales Tax Revenue</u>
Retail Sales	3,292	20.83%	\$ 36,878,825	51.8%	2,365	23.4%	\$ 21,861,810	48.0%
Contracting	3,910	24.74%	6,301,005	8.8%	3,216	31.8%	7,871,565	17.3%
Restaurant/Bar	355	2.25%	8,505,082	11.9%	235	2.3%	5,052,224	11.1%
Rental	6,550	41.45%	7,214,392	10.1%	2,867	28.3%	4,297,474	9.4%
Utilities	15	0.09%	7,388,831	10.4%	9	0.1%	2,576,655	5.7%
Telecom/Cable TV	182	1.15%	1,262,651	1.8%	126	1.2%	920,471	2.0%
Use	1,353	8.56%	624,795	0.9%	857	8.5%	570,265	1.3%
Amusement	62	0.39%	960,332	1.3%	45	0.4%	549,702	1.2%
Others	84	0.53%	2,101,228	2.9%	402	4.0%	1,835,393	4.0%
Total	15,803	100.00%	\$ 71,237,141	100.00%	10,122	100.00%	\$ 45,535,559	100.00%

Source: City Sales Tax system
City financial records

CITY OF PEORIA, ARIZONA
SECONDARY ASSESSED VALUE AND FULL CASH VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table XIII

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential (Owner occupied)	\$ 497,294,057	\$ 582,512,691	\$ 626,591,494	\$ 1,041,693,334	\$ 1,219,595,280	\$ 1,048,710,389	\$ 818,535,888	\$ 687,456,278	\$ 620,970,965	\$ 546,593,560
Residential (Renter occupied)	51,436,849	64,003,067	75,761,506	116,115,688	146,413,989	155,720,660	147,284,152	122,978,913	119,387,647	161,107,937
Commercial, Industrial, Mining & Utilities	218,209,727	242,554,778	293,807,014	334,323,557	419,192,584	495,336,050	495,318,990	378,992,788	341,042,160	304,844,019
Agriculture & Vacant	58,949,534	73,674,495	117,630,028	148,077,787	207,476,727	193,685,182	147,216,152	85,330,391	54,523,204	43,659,181
Railroad	1,712,708	1,724,400	1,830,109	1,918,660	1,837,324	1,647,040	1,563,689	1,429,130	1,399,678	1,118,206
Historic & Environmental	30,780	-	-	58,450	76,020	64,530	53,641	140,493	103,122	83,177
Public Property Improvements	-	-	-	-	-	-	-	7,869	7,964	7,124
Net Assessed Value	<u>\$ 827,633,655</u>	<u>\$ 964,469,431</u>	<u>\$ 1,115,620,151</u>	<u>\$ 1,642,187,476</u>	<u>\$ 1,994,591,924</u>	<u>\$ 1,895,163,851</u>	<u>\$ 1,609,972,512</u>	<u>\$ 1,276,335,862</u>	<u>\$ 1,137,434,740</u>	<u>\$ 1,057,413,204</u>
% Growth	10.3%	16.5%	15.7%	47.2%	21.5%	-5.0%	-15.0%	-20.7%	-10.9%	-7.0%
Net Assessed Value Per Capita	\$ 6,039	\$ 6,646	\$ 7,264	\$ 10,557	\$ 12,524	\$ 12,301	\$ 10,377	\$ 8,141	\$ 7,087	\$ 6,444
Population	137,045	145,125	153,592	155,560	159,263	154,065	155,148	156,780	160,504	164,104
Total Direct Secondary Tax Rate	1.30	1.30	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Full Cash Value	7,525,637,782	8,736,985,007	9,999,273,539	15,118,988,316	18,279,838,277	17,162,776,025	14,588,623,722	11,862,384,776	10,635,350,631	10,057,364,678
% Growth	11.6%	16.1%	14.4%	51.2%	20.9%	-6.1%	-15.0%	-18.7%	-10.3%	-5.4%
Full Cash Value Per Capita	\$ 54,914	\$ 60,203	\$ 65,103	\$ 97,191	\$ 114,778	\$ 111,400	\$ 94,030	\$ 75,663	\$ 66,262	\$ 61,287
Net Assessed Value as a Percentage of Full Cash Value	11.0%	11.0%	11.2%	10.9%	10.9%	11.0%	11.0%	10.8%	10.7%	10.5%

Note: All property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each classification is defined by property use and has an assessment ratio that is multiplied by the taxable value of the property to obtain the assessed valuation. The assessment ratios for the major classes of property are as follows:

Property Tax Assessment Ratios (a)

Fiscal Year	<u>Commercial,</u>	Residential	<u>Industrial,</u>	Agriculture and Vacant Land (c)	Railroad
	<u>Mining & Utilities (b)</u>				
2005	25.0%	10%	16%	16%	21%
2006	25.0%	10%	16%	16%	21%
2007	24.5%	10%	16%	16%	22%
2008	24.0%	10%	16%	16%	21%
2009	23.0%	10%	16%	16%	20%
2010	22.0%	10%	16%	16%	18%
2011	21.0%	10%	16%	16%	17%
2012	20.0%	10%	16%	16%	15%
2013	20.0%	10%	16%	16%	15%
2014	19.5%	10%	16%	16%	15%

(a) Several additional classes of property exist, but seldom amount to a significant portion of an entity's total valuation.

(b) The assessment ratio for commercial, industrial, mining & utility properties will be reduced to 19% in fiscal year 2015, 18.5% in fiscal year 2016 and 18% for fiscal year 2017 and thereafter.

(c) The assessment ratio for agriculture and vacant properties will be reduced to 15% in fiscal year 2017 and thereafter.

Source: Arizona Department of Revenue - Property Tax Division abstract of the assessment roll
City financial records

**CITY OF PEORIA, ARIZONA
COMPARATIVE SECONDARY ASSESSED VALUE
LAST TEN FISCAL YEARS**

Table XIV

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Peoria	\$ 827,633,655	\$ 964,469,431	\$ 1,115,620,151	\$ 1,642,187,476	\$ 1,994,591,924	\$ 1,895,163,851	\$ 1,609,972,512	\$ 1,276,335,862	\$ 1,137,434,740	\$ 1,057,413,204
Peoria Unified School District No. 11	1,135,684,510	1,297,757,445	1,467,901,555	2,064,548,189	2,484,660,275	2,393,720,410	2,030,314,508	1,581,371,147	1,460,442,551	1,350,310,615
Maricopa County	30,066,986,670	33,168,406,054	36,294,693,601	49,534,573,831	58,303,635,287	57,984,051,727	49,662,543,618	38,760,296,498	34,400,455,712	32,229,006,810
State of Arizona	44,480,893,202	48,931,946,145	54,394,764,521	71,852,630,420	86,183,351,753	86,525,272,506	75,664,423,588	61,764,402,437	56,283,023,907	52,598,341,678

Source: Arizona Department of Revenue - Property Tax Division abstract of the assessment roll
City financial records

CITY OF PEORIA, ARIZONA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 assessed value)

Table XV

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Direct City										
Primary	\$ 0.29	\$ 0.29	\$ 0.28	\$ 0.24	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.19
Secondary	1.30	1.30	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Total	<u>1.59</u>	<u>1.59</u>	<u>1.48</u>	<u>1.49</u>	<u>1.44</u>	<u>1.44</u>	<u>1.44</u>	<u>1.44</u>	<u>1.44</u>	<u>1.44</u>
Peoria Unified School District No. 11 (1)										
Primary	4.46	4.13	4.29	3.82	3.77	2.99	3.24	3.71	4.01	4.18
Secondary	3.90	3.80	3.31	2.72	1.90	2.46	2.09	1.68	3.02	3.35
Maricopa County (2)										
Primary	2.59	2.59	2.06	1.92	1.78	2.05	2.20	2.68	2.87	3.08
Secondary	0.51	0.51	0.68	0.59	0.59	0.59	0.64	0.54	0.78	0.79
State of Arizona										
Primary	-	-	-	-	-	-	-	-	-	-
Secondary	-	-	-	-	-	-	-	-	-	-
Total										
Primary	7.34	4.42	6.63	5.98	5.74	5.23	5.63	6.58	7.07	7.45
Secondary	5.71	6.56	5.19	4.56	3.74	4.30	3.98	3.47	5.05	5.39
Total	<u>13.05</u>	<u>10.98</u>	<u>11.82</u>	<u>10.54</u>	<u>9.48</u>	<u>9.53</u>	<u>9.61</u>	<u>10.05</u>	<u>12.12</u>	<u>12.84</u>

(1) Peoria Unified School District serves the majority of the City of Peoria. Other areas of the City are served by the Deer Valley Unified School District whose most recent rates are as follows:

	Primary	Secondary
Deer Valley Unified School District	\$ 3.91	\$ 2.85

(2) The Maricopa County rates includes the rates for the County, State Education Equalization Assistance and other county districts and special districts as follows:

	Primary	Secondary
Maricopa County	\$ 1.28	\$ -
State Education Equalization Assistance	0.51	-
Maricopa County Community College District	1.29	0.24
Maricopa County Flood Control District	-	0.14
Maricopa County Fire District Assistance	-	0.01
Maricopa County Library District	-	0.04
Maricopa County Special Health Care District	-	0.19
West Maricopa Education Center	-	0.06
Central Arizona Water Conservation District	-	0.10
Fiscal Year 2014 Tax Rate	<u>\$ 3.08</u>	<u>\$ 0.79</u>

Note: All rates rounded to two decimal places from the four shown by the County

Source: Maricopa County Assessor - Tax Rates and Levies publication

**CITY OF PEORIA, ARIZONA
DIRECT AND OVERLAPPING PROPERTY TAX LEVIES
LAST TEN FISCAL YEARS**

Table XVI

	Tax Levies									
	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Direct City										
Primary	\$ 2,295,435	\$ 2,640,883	\$ 3,012,725	\$ 3,002,150	\$ 2,849,397	\$ 3,202,665	\$ 2,901,540	\$ 2,411,739	\$ 2,154,484	\$ 1,998,305
Secondary	10,759,238	12,538,103	13,387,442	20,527,343	24,932,399	23,689,548	20,124,656	15,954,198	14,217,934	13,217,665
Total	<u>13,054,673</u>	<u>15,178,986</u>	<u>16,400,167</u>	<u>23,529,493</u>	<u>27,781,796</u>	<u>26,892,213</u>	<u>23,026,196</u>	<u>18,365,937</u>	<u>16,372,418</u>	<u>15,215,970</u>
Peoria Unified School District No. 11 (1)										
Primary	48,345,544	50,475,795	58,945,121	61,400,326	71,071,459	63,259,063	63,956,114	60,801,278	58,370,644	56,069,720
Secondary	44,291,944	49,294,120	48,531,032	56,465,081	47,095,296	58,903,282	43,487,879	27,635,770	44,104,877	45,266,377
Maricopa County (2)										
Primary	726,446,055	398,725,245	696,740,167	751,042,721	811,397,481	1,016,398,826	1,030,448,332	1,031,164,830	982,926,843	986,315,014
Secondary	145,100,016	167,896,576	240,972,424	272,271,935	312,172,569	312,960,824	295,233,122	264,170,408	249,995,761	251,345,124
State of Arizona										
Primary	-	-	-	-	-	-	-	-	-	-
Secondary	-	-	-	-	-	-	-	-	-	-
Total										
Primary	777,087,034	451,841,923	758,698,013	815,445,197	885,318,337	1,082,860,554	1,097,305,986	1,094,377,847	1,043,451,971	1,044,383,039
Secondary	200,151,198	229,728,799	302,890,898	349,264,359	384,200,264	395,553,654	358,845,657	307,760,376	308,318,572	309,829,166
Total	<u>977,238,232</u>	<u>681,570,722</u>	<u>1,061,588,911</u>	<u>1,164,709,556</u>	<u>1,269,518,601</u>	<u>1,478,414,208</u>	<u>1,456,151,643</u>	<u>1,402,138,223</u>	<u>1,351,770,543</u>	<u>1,354,212,205</u>

(1) The Peoria Unified School District serves the majority of the City of Peoria. Other areas of the City are served by Deer Valley Unified School District, whose most recent tax levies are as follows:

	Primary	Secondary
Deer Valley Unified School District	\$ 81,894,797	\$ 59,824,187

(2) The tax levies for Maricopa County include those for the County, State Education Equalization, and other county and special districts whose most recent tax levies are as follows:

	Primary	Secondary
Maricopa County	\$ 409,775,397	\$ -
State Education Equalization Assistance	163,916,558	-
Maricopa County Community College District	412,623,059	78,752,950
Maricopa County Flood Control District	-	39,842,985
Maricopa County Fire District Assistance	-	3,913,249
Maricopa County Library District	-	14,116,305
Maricopa County Special Health Care District	-	62,499,144
West Maricopa Education Center	-	7,084,268
Central Arizona Water Conservation District	-	45,136,223
Fiscal Year 2014 Tax Levy	<u>\$ 986,315,014</u>	<u>\$ 251,345,124</u>

Note: All rates rounded to two decimal places from the four shown by the County

Source: Maricopa County Assessor - Tax Rates and Levies publication

**CITY OF PEORIA, ARIZONA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Table XVII

Taxpayer	Type of Business	2014			2005		
		Taxable Secondary Assessed Value	Rank	Percentage of Total City Taxable Secondary Assessed Value	Taxable Secondary Assessed Value	Rank	Percentage of Total City Taxable Secondary Assessed Value
Arizona Public Service	Gas & Electric Utility	\$ 23,928,175	1	2.26%	\$ 13,934,529	2	1.68%
Sprint Nextel Wireless LP	Telecommunications	7,828,821	2	0.74%			0.00%
Vestar Arizona XLVIII LLC	Property Development	4,986,864	3	0.47%			0.00%
Parke West LLC	Shopping Center	4,984,045	4	0.47%			0.00%
DDRA Arrowhead Crossing LLC	Shopping Center	4,493,481	5	0.42%			0.00%
Miller Family Real Estate LLC	Shopping Center	4,397,673	6	0.42%			0.00%
Southwest Gas Corporation	Gas Utility	3,992,858	7	0.38%	4,086,766	8	0.49%
Vestar LPTC LLC	Property Development	3,832,994	8	0.36%			0.00%
Excel Lake Pleasant LLC	Shopping Center	3,737,680	9	0.35%			0.00%
Target Corporation	Shopping Center	3,688,771	10	0.35%	3,764,438	9	0.45%
Plaza III Limited Partnership	Nursing Home/Apartments	3,326,800	11	0.31%	2,898,316	16	0.35%
BCC Development Inc	Property Development	3,283,364	12	0.31%			0.00%
Peoria Center Apartments South LLC	Multi-family Housing	3,248,950	13	0.31%			0.00%
Inland Western Glendale LLC	Shopping Center	3,246,667	14	0.31%			0.00%
Qwest Corporation	Telecommunications	3,129,224	15	0.30%	11,024,328	3	1.33%
PDG America Properties LLC	Shopping Center	2,773,064	16	0.26%	3,530,239	12	0.43%
ERGS III Arrowhead Owner LLC	Shopping Center	2,670,610	17	0.25%			0.00%
Wal Mart Stores Inc	Shopping Center	2,668,893	18	0.25%			0.00%
North Valley Plaza LLC	Shopping Center	-			3,087,842	14	0.37%
Harkins Phoenix Cinemas LLC	Movie Theater	-			2,952,946	15	0.36%
Safeway	Grocery Store	-			3,213,113	13	0.39%
Sprint Spectrum LP	Telecommunications	-			6,161,851	4	0.74%
Developers Diversified Realty Corp.	Shopping Center	-			6,114,746	5	0.74%
Larry Miller Real Estate - Dealerships	Auto/Light Truck Dealership	-			4,830,525	7	0.58%
Cox Communications	Cable & Telecommunications	-			5,957,645	6	0.72%
Albertsons	Grocery Store	-			3,764,329	10	0.45%
Kimco Barclay Peoria Crossings	Shopping Center	-			3,615,061	11	0.44%
Peoria Ni Industrial One LLC	Manufacturing	-			2,871,768	17	0.35%
Camden Operating Tr Arizona Inc	Multi-family Housing	-			2,550,384	18	0.31%
Salt River Project	Gas & Electric Utility	-			18,453,923	1	2.23%
Total		\$ 90,218,934		7.93%	\$ 45,279,404		6.83%

Note - As a quasi-governmental entity, Salt River Project pays in-Lieu taxes, rather than property taxes. For Fiscal year 2014, the assessed value of Salt River Project property within the City of Peoria is \$16,542,717.

Source - Maricopa County Treasurer's Office

**CITY OF PEORIA, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table XVIII

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ⁽¹⁾	Collected with the Fiscal Year of the Levy ⁽²⁾		Collections in Subsequent Years ⁽²⁾	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 13,054,673	\$ 12,731,497	97.52%	\$ 259,426	\$ 12,990,923	99.51%
2006	15,178,986	14,715,154	96.94%	346,422	15,061,576	99.23%
2007	16,400,167	15,784,673	96.25%	405,985	16,190,659	98.72%
2008	23,529,493	22,741,557	96.65%	718,100	23,459,657	99.70%
2009	27,781,796	26,280,210	94.60%	944,567	27,224,776	98.00%
2010	26,892,213	25,561,505	95.05%	783,339	26,344,844	97.96%
2011	23,026,196	21,884,397	95.04%	565,191	22,449,588	97.50%
2012	18,365,937	17,628,300	95.98%	431,758	18,060,057	98.33%
2013	16,372,418	15,962,490	97.50%	279,198	16,241,689	99.20%
2014	15,215,970	14,882,168	97.81%	-	14,882,168	97.81%

Notes: ⁽¹⁾ Levy figures obtained from Maricopa County Tax Levy Books-February Publication.
⁽²⁾ Collection amount obtained from Maricopa County Treasurer's Secured Levy Report

Source: Maricopa County Treasurer's Office
Maricopa County Assessor's Office
City financial records and reports

**CITY OF PEORIA, ARIZONA
UTILITY STATISTICAL DATA
LAST TEN FISCAL YEARS**

Table XIX

**Average Utility Bill Amounts
Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water										
Average bill	\$ 35.53	\$ 34.59	\$ 34.85	\$ 35.59	\$ 36.73	\$ 35.46	\$ 34.36	\$ 38.00	\$ 37.41	\$ 37.31
% Increase	-9.04%	-2.65%	0.75%	2.12%	3.20%	-3.46%	-3.10%	10.59%	-1.55%	-0.27%
Wastewater										
Average bill	19.47	18.74	21.52	21.24	21.36	21.45	20.45	21.49	24.16	23.36
% Increase	5.07%	-3.75%	14.83%	-1.30%	0.56%	0.42%	-4.66%	5.09%	12.42%	-3.31%
Residential Solid Waste										
Average bill	13.32	14.58	14.91	14.85	15.18	15.36	15.35	15.40	13.38	13.38
% Increase	6.65%	9.46%	2.26%	-0.40%	2.22%	1.19%	-0.07%	0.33%	-13.12%	0.00%

**Utility Service Connections
Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water										
#	42,673	44,221	45,630	46,146	46,902	47,606	47,793	48,509	49,416	50,399
% Increase	9.93%	3.63%	3.19%	1.13%	1.64%	1.50%	0.39%	1.50%	1.87%	1.99%
Wastewater										
#	43,824	45,933	47,831	48,759	49,923	50,383	50,715	51,527	52,674	53,548
% Increase	6.93%	4.81%	4.13%	1.94%	2.39%	0.92%	0.66%	1.60%	2.23%	1.66%
Residential Solid Waste										
#	42,467	44,198	46,309	47,146	48,006	48,382	48,752	49,506	50,727	51,609
% Increase	6.84%	4.08%	4.78%	1.81%	1.82%	0.78%	0.76%	1.55%	2.47%	1.74%

**Charges for Water Services
Base Minimum Monthly Bill
As of June 30, 2014**

**Charges for Wastewater Services
As of June 30, 2014**

<u>Meter Size</u>	<u>All Customers</u>	<u>Monthly Base Fee (a)</u>	<u>Monthly Volume Charge (b)</u>
5/8"-3/4"	\$ 15.54	5/8"-3/4" \$ 7.42	<u>All Customers</u> 2.18
1"	18.39	1" 7.42	
1 1/2"	29.09	1 1/2" 12.23	
2"	40.85	2" 17.49	
3"	72.26	3" 31.55	
4"	107.55	4" 47.34	
6"	205.53	6" 91.18	
8"	323.16	8" 143.82	

(a) Base service charge is based on each bill rendered.

(b) For residential & multi-plex users, volume is measured as the rate per 1,000 gallons of a three-month winter average (December - February).

For commercial customers, the volume charge is based on actual monthly usage.

Source: City customer service and billing records

(continued)

CITY OF PEORIA, ARIZONA
UTILITY STATISTICAL DATA

Volume Charges for Water Services Usage Per Month As of June 30, 2014					Charges for Residential Solid Waste As of June 30, 2014	
Volume Consumption (gallons)	Residential (per 1,000 gallons)	Multiplex (per 1,000 gallons)	Commercial (per 1,000 gallons)			
0 - 4,000	\$ 1.00	\$ -	\$ -			Monthly fee
4,001 - 10,000	2.59	-	-			Single container & recycling \$ 13.10
10,001 - 20,000	3.66	-	-			Additional container 10.50
10,001 - 25,000	4.00	-	-			
0 - 10,000	-	1.00	1.00			
10,001 - 50,000	-	2.59	2.59			
50,001+	-	3.66	3.66			

Water Meter Permit Charges As of June 30, 2014			Charges for Storm Water As of June 30, 2014	
Meter Size	Charge		Monthly	All Customers
3/4"	\$	317		
1 1/2"		493		
2"		629 - 1,033		
3"		1,751 - 2,662		
4"		2,231 - 3,172		
6"		3,781 - 5,086		
Hydrant meter		1,280		
Commercial accounts		By meter size		
			Base charge	\$ 1.00

- (a) Base service charge is based on each bill rendered.
- (b) For residential & multi-plex users, volume is measured as the rate per 1,000 gallons of a three-month winter average (December - February).
For commercial customers, the volume charge is based on actual monthly usage.

Source: City customer service and billing records

**CITY OF PEORIA, ARIZONA
UTILITY STATISTICAL DATA
TEN LARGEST WATER USERS
CURRENT YEAR AND TEN YEARS AGO**

Table XIX

Entity	Type of User	2014			2005		
		Avg Monthly Water Usage	Ranking	% of Average Monthly Water Usage	Avg Monthly Water Usage	Ranking	% of Average Monthly Water Usage
City of Peoria Padre's Pump Station	Sports Complex	6,758	1	0.94%	5,050	3	0.88%
Desert Harbor Lake	Homeowner's Association	6,642	2	0.92%	5,394	2	0.94%
Ventana Lakes N. of Beardsley Lake	Homeowner's Association	3,541	3	0.49%			0.00%
Trilogy at Vistancia	Commercial Landscape	3,436	4	0.48%			
Liberty High School	Public School	2,326	5	0.32%			
Westwing Mountain HOA	Homeowner's Association	1,961	6	0.27%			
Sun Garden Park II HOA	Homeowner's Association	1,922	7	0.27%	2,739	4	0.48%
Pleasant Valley HOA	Homeowner's Association	1,704	8	0.24%			0.00%
Christ's Church of the Valley	Church	1,629	9	0.23%			0.00%
Centennial High School	Public School	1,488	10	0.21%			0.00%
Desert Vista Pool/Clubhouse	Homeowner's Association				5,991	1	1.04%
Freedom Plaza LTD Partnership	Healthcare Facility				1,579	5	0.28%
Polynesian Village	Homeowner's Association				1,578	6	0.27%
Sun Garden Mobile Home Park	Homeowner's Association				1,450	7	0.25%
Equity Lifestyle Properties - Casa del Sol East	Homeowner's Association				1,390	8	0.24%
Equity Lifestyle Properties - Casa del Sol West	Homeowner's Association				1,387	9	0.24%
Parkridge Park	City Park				1,191	10	0.21%

Source: City customer service and billing records

**CITY OF PEORIA, ARIZONA
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Table XX

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities										
General Obligation Bonds	\$ 55,380,000	\$ 51,205,000	\$ 142,835,000	\$ 126,195,000	\$ 183,060,000	\$ 184,960,000	\$ 167,580,000	\$ 170,960,000	\$ 162,375,000	\$ 152,820,000
Municipal Development Authority Bonds	20,199,999	24,628,578	21,653,530	65,795,653	60,985,393	55,943,338	58,365,965	52,480,000	85,230,000	81,035,000
Highway User Revenue Bonds	4,075,000	3,830,000	3,570,000	3,295,000	3,005,000	-	-	-	-	-
Special Assessment Bonds	11,431,553	9,822,570	13,292,064	12,027,427	10,402,812	8,042,321	6,155,000	4,660,000	3,520,000	3,195,000
Community Facilities District Bonds	44,800,000	44,075,000	66,085,000	64,610,000	63,060,000	60,890,000	58,615,000	56,230,000	53,725,000	51,095,000
Business-type Activities										
Water and Sewer Revenue Bonds	25,395,000	23,275,000	21,050,000	19,555,000	18,000,000	15,780,000	15,780,000	38,480,000	37,295,000	32,720,000
WIFA Bonds	50,042,301	47,387,253	88,021,820	127,917,495	117,346,302	130,298,508	121,975,538	89,803,906	82,212,652	77,780,535
Municipal Development Authority Bonds	2,505,001	2,226,422	1,906,470	1,579,347	1,229,607	861,662	449,034	-	-	-
Long-Term Loan Payable	-	-	-	1,235,000	1,064,632	6,883,276	-	-	-	-
Total Primary Government	<u>\$ 213,828,854</u>	<u>\$ 206,449,823</u>	<u>\$ 358,413,884</u>	<u>\$ 422,209,922</u>	<u>\$ 458,153,746</u>	<u>\$ 463,659,105</u>	<u>\$ 428,920,537</u>	<u>\$ 412,613,906</u>	<u>\$ 424,357,652</u>	<u>\$ 398,645,535</u>
Total Debt Per Capita	\$ 1,560.28	\$ 1,422.57	\$ 2,333.55	\$ 2,714.13	\$ 2,876.71	\$ 3,009.50	\$ 2,764.59	\$ 2,631.80	\$ 2,643.91	\$ 2,429.22
Total Debt as a % of Personal Income	4.8%	4.1%	6.2%	7.1%	7.6%	8.5%	7.8%	7.4%	7.1%	6.4%

Source: City financial records. See Exhibits 1 & 2 and footnote 14.

CITY OF PEORIA, ARIZONA
RATIO OF NET GENERAL BONDED DEBT
TO FULL CASH VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Table XXI

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bonded Debt (1)	\$ 55,380,000	\$ 51,205,000	\$ 142,835,000	\$ 126,195,000	\$ 183,060,000	\$ 184,960,000	\$ 167,580,000	\$ 170,960,000	\$ 162,375,000	\$ 152,820,000
Less:										
Debt Service Reserves (2)	<u>17,598,666</u>	<u>24,205,524</u>	<u>34,727,031</u>	<u>36,464,380</u>	<u>44,978,714</u>	<u>35,352,142</u>	<u>31,849,469</u>	<u>30,782,503</u>	<u>30,825,566</u>	<u>28,924,537</u>
Net Bonded Debt	<u>\$ 37,781,334</u>	<u>\$ 26,999,476</u>	<u>\$ 108,107,969</u>	<u>\$ 89,730,620</u>	<u>\$ 138,081,286</u>	<u>\$ 149,607,858</u>	<u>\$ 135,730,531</u>	<u>\$ 140,177,497</u>	<u>\$ 131,549,434</u>	<u>\$ 123,895,463</u>
Percentage of Net Bonded Debt to Full Cash Value	0.5%	0.3%	1.1%	0.6%	0.8%	0.9%	0.9%	1.2%	1.2%	1.2%
Percentage of Net Bonded Debt to Secondary Assessed Value	4.6%	2.8%	9.7%	5.5%	6.9%	7.9%	8.4%	11.0%	11.6%	11.7%
Net Bonded Debt Per Capita	\$276	\$186	\$704	\$577	\$867	\$971	\$875	\$894	\$820	\$755
Net Bonded Debt as a % of Personal Income	0.85%	0.53%	1.88%	1.50%	2.30%	2.74%	2.47%	2.53%	2.20%	1.99%

(1) Represents face value of general obligation debt outstanding

(2) Fund balance of GO Bond Debt Service Fund per the fund financial statements

Note: Personal income and population information may be found on Table XXXII
Full cash value information may be found on Table XIII

Sources - City debt service schedules. See Exhibits 1 & 2, also footnote 14.

**CITY OF PEORIA, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
LAST TEN FISCAL YEARS**

Table XXIV

Governmental Unit	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Overlapping:										
State of Arizona	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maricopa County	-	-	-	-	-	-	-	-	-	-
Community College District	11,690,706	11,594,345	10,710,280	18,505,348	17,301,999	21,354,408	23,908,932	22,084,125	25,357,414	23,384,382
County Flood Control District	-	-	-	-	-	-	-	-	-	-
County Free Library	-	-	-	-	-	-	-	-	-	-
Fire District Assistance	-	-	-	-	-	-	-	-	-	-
Education Equalization	-	-	-	-	-	-	-	-	-	-
West MEC Vocational District	-	-	-	-	-	-	-	-	3,198,843	3,198,843
Central AZ Water Conservation	-	-	-	-	-	-	-	-	-	-
Sub-total - City-wide overlapping	11,690,706	11,594,345	10,710,280	18,505,348	17,301,999	21,354,408	23,908,932	22,084,125	28,556,257	26,583,225
Total City-wide levies (1)	160,387,744	163,028,901	297,071,313	331,783,787	393,645,062	405,549,288	384,534,551	371,967,077	394,014,419	317,946,402
Unified School Districts:										
Peoria No. 11	134,340,540	196,625,176	205,291,709	224,219,333	210,241,616	166,217,415	196,735,864	177,729,492	163,033,794	208,200,535
Deer Valley No. 97	4,063,815	20,573,318	24,204,834	15,471,750	21,558,687	26,201,313	24,618,198	25,445,126	25,160,995	27,264,686
Nadaburg No. 81	-	-	-	-	-	-	7,800	4,524	284,900	2,286
	138,404,355	217,198,494	229,496,543	239,691,083	231,800,303	192,418,728	221,361,862	203,179,142	188,479,689	235,467,507
Total overlapping	150,095,061	228,792,839	240,206,823	258,196,431	249,102,302	213,773,136	245,270,794	225,263,267	217,035,946	262,050,732
Direct (2):										
City of Peoria	148,697,038	151,434,556	286,361,033	313,278,439	376,343,063	384,194,880	360,625,619	349,882,952	365,458,162	291,363,177
Total direct and overlapping debt	\$ 298,792,099	\$ 380,227,395	\$ 526,567,856	\$ 571,474,870	\$ 625,445,365	\$ 597,968,016	\$ 605,896,413	\$ 575,146,219	\$ 582,494,108	\$ 553,413,909

(1) - Total City-wide debt levies are County debt plus City debt.

(2) - Due to a recommended change in accounting principle, the contracts payable category is no longer being used to calculate direct governmental activities debt.

Sources: City Financial Records
- Maricopa County Treasurer for debt of other entities

**CITY OF PEORIA, ARIZONA
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

Table XXV

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Secondary Assessed Value	\$ 827,633,655	\$ 964,469,431	\$ 1,115,620,151	\$ 1,642,187,476	\$ 1,994,591,924	\$ 1,895,163,851	\$ 1,609,972,512	\$ 1,276,335,862	\$ 1,137,434,740	\$ 1,057,413,204
<u>6% Limitation</u>										
Debt limit	\$ 49,658,019	\$ 57,868,166	\$ 66,937,209	\$ 98,531,249	\$ 119,675,515	\$ 113,709,831	\$ 96,598,351 ⁴	\$ 76,580,152	\$ 68,246,084	\$ 63,444,792
Total net debt applicable to limit	<u>16,400,000</u>	<u>13,350,000</u>	<u>28,470,000</u>	<u>13,310,000</u>	<u>6,745,000</u>	<u>5,565,000</u>	<u>4,570,000</u>	<u>2,735,000</u>	<u>1,665,000</u>	<u>350,000</u>
Legal 6% Debt Margin	<u>\$ 33,258,019</u>	<u>\$ 44,518,166</u>	<u>\$ 38,467,209</u>	<u>\$ 85,221,249</u>	<u>\$ 112,930,515</u>	<u>\$ 108,144,831</u>	<u>\$ 92,028,351</u>	<u>\$ 73,845,152</u>	<u>\$ 66,581,084</u>	<u>\$ 63,094,792</u>
Total net debt applicable to the limit as a percentage of debt limit	33.0%	23.1%	42.5%	13.5%	5.6%	4.9%	4.7%	3.6%	2.4%	0.6%
<u>20% Limitation</u>										
Debt limit	\$ 165,526,731	\$ 192,893,886	\$ 223,124,030	\$ 328,437,495	\$ 398,918,385	\$ 379,032,770	\$ 321,994,502	\$ 255,267,172	\$ 227,486,948	\$ 211,482,641
Total net debt applicable to limit	<u>38,980,000</u>	<u>37,855,000</u>	<u>114,365,000</u>	<u>112,885,000</u>	<u>176,315,000</u>	<u>179,395,000</u>	<u>163,010,000</u>	<u>168,225,000</u>	<u>160,710,000</u>	<u>152,470,000</u>
Legal 20% Debt Margin	<u>\$ 126,546,731</u>	<u>\$ 155,038,886</u>	<u>\$ 108,759,030</u>	<u>\$ 215,552,495</u>	<u>\$ 222,603,385</u>	<u>\$ 199,637,770</u>	<u>\$ 158,984,502</u>	<u>\$ 87,042,172</u>	<u>\$ 66,776,948</u>	<u>\$ 59,012,641</u>
Total net debt applicable to the limit as a percentage of debt limit	23.5%	19.6%	51.3%	34.4%	44.2%	47.3%	50.6%	65.9%	70.6%	72.1%

Note: See footnote 14 for discussion of 6% and 20% limitations.

Source: Maricopa County Assessor
Exhibit 3 to the Financial Statements

CITY OF PEORIA, ARIZONA
PLEDGED REVENUE COVERAGE - MUNICIPAL DEVELOPMENT AUTHORITY BONDS
GOVERNMENTAL PORTION
LAST TEN FISCAL YEARS

Table XXVI

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Senior Lien MDA Debt										
(excludes 2008 Transportation MDA Debt)										
Pledged Revenues										
Sales and use taxes (1)	\$ 45,535,559	\$ 57,255,493	\$ 59,153,094	\$ 58,145,253	\$ 50,215,336	\$ 47,957,886	\$ 49,541,810	\$ 51,737,833	\$ 56,145,066	\$ 60,587,446
State-shared sales tax	10,038,874	11,681,284	13,130,116	12,695,890	10,991,095	10,137,682	11,649,489	12,087,651	12,665,191	13,431,637
Urban revenue sharing	10,076,455	11,707,782	15,996,992	19,539,768	20,395,663	17,469,936	13,408,996	13,231,006	14,425,958	17,172,500
Franchise taxes	2,498,995	3,004,895	3,983,701	3,848,746	4,019,182	3,955,416	4,037,897	4,084,163	4,136,004	4,194,371
License and permits	5,041,680	4,807,840	3,878,132	3,020,436	1,802,759	1,599,957	1,672,072	2,106,545	2,564,075	2,800,894
Fines and forfeitures	1,794,776	2,078,281	2,135,525	2,404,459	3,309,210	2,525,753	2,813,535	2,521,407	2,058,925	1,933,142
User fees and charges	12,450,732	14,025,003	14,208,071	16,137,447	11,420,810	10,185,728	10,502,078	10,895,825	11,889,776	12,535,479
Miscellaneous	2,370,325	3,775,821	5,494,936	6,247,418	3,781,537	1,674,775	2,692,430	1,656,235	2,534,262	1,379,952
Total Pledged Revenues	\$ 89,807,396	\$ 108,336,399	\$ 117,980,567	\$ 122,039,417	\$ 105,935,592	\$ 95,507,133	\$ 96,318,307	\$ 98,320,665	\$ 106,419,257	\$ 114,035,421
Senior Lien Debt Service Requirements										
Principal (2)	2,310,000	2,524,999	3,295,000	3,185,000	3,400,000	3,575,000	3,990,000	1,569,999	665,000	2,010,000
Interest (2)	1,124,432	1,017,160	1,117,252	1,005,806	842,867	670,386	482,594	505,827	1,065,571	1,708,383
Total Senior Lien Debt Service Requirements	3,434,432	3,542,159	4,412,252	4,190,806	4,242,867	4,245,386	4,472,594	2,075,826	1,730,571	3,718,383
Estimated Coverage (6)	26.15	30.58	26.74	29.12	24.97	22.50	21.54	47.36	61.49	30.67
2008 Transportation MDA Debt (3)										
Net Pledged Revenues from above (4)				117,848,611	101,692,725	91,261,747	91,845,713	96,244,839	104,688,686	110,317,038
Additional Pledged Revenues (5)				10,978,453	9,356,675	8,491,097	8,682,846	9,088,210	9,927,436	10,861,145
Total				128,827,064	111,049,400	99,752,844	100,528,559	105,333,049	114,616,122	121,178,183
Debt Service Requirements										
Principal				-	1,760,000	1,835,000	1,920,000	2,005,000	2,095,000	2,185,000
Interest				-	1,659,171	2,005,188	1,940,963	1,873,763	1,803,588	1,730,263
Total Annual Requirements				-	3,419,171	3,840,188	3,860,963	3,878,763	3,898,588	3,915,263
Estimated Coverage				-	32.48	25.98	26.04	27.16	29.40	30.95

Note (1) Excludes the 0.3% Transportation Sales Tax approved by voters in September 2005 for the 2008 Transportation MDA Debt.

(2) Debt service requirements reflect all outstanding MDA issues other than the 2008 MDA Transportation issue discussed below. Although the debt service on some MDA bonds, including the 2011 MDA Bonds, are funded by Enterprise Funds, the pledged revenue for all MDA debt is excise taxes and state shared revenues.

(3) The 2008 Transportation MDA Bonds are backed by a senior lien on the .03% transaction privilege tax approved by voters in 2005 and a subordinated lien of the Excise Taxes and State Shared revenues.

(4) Pledged revenues on the non-transportation MDA Bonds, less the debt requirements for the non-transportation MDA Bonds.

(5) Revenues of the Transportation Sales Tax Fund, primarily consisting of the 0.3% transaction privilege tax discussed above.

Source: Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 Debt service schedules, City financial records

CITY OF PEORIA, ARIZONA
PLEGDED REVENUE COVERAGE - WATER AND WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS

Table XXVII

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Revenue (1)	\$ 39,037,367	\$ 44,982,822	\$ 53,290,996	\$ 49,812,486	\$ 46,956,831	\$ 48,087,688	\$ 46,141,098	\$ 50,720,705	\$ 52,680,761	\$ 54,515,296
Operating and Maintenance Expenses (2)	26,151,794	27,318,074	30,532,640	34,287,751	33,751,517	28,067,908	28,610,625	28,823,261	28,974,990	30,942,736
Net Revenue Available for Debt Service	<u>\$ 12,885,573</u>	<u>\$ 17,664,748</u>	<u>\$ 22,758,356</u>	<u>\$ 15,524,735</u>	<u>\$ 13,205,314</u>	<u>\$ 20,019,780</u>	<u>\$ 17,530,473</u>	<u>\$ 21,897,444</u>	<u>\$ 23,705,771</u>	<u>\$ 23,572,560</u>
Development Fee Revenue	13,864,643	12,887,675	8,826,809	5,821,318	1,841,126	1,616,718	1,899,935	2,820,416	3,205,623	4,311,153
Total Net Revenue	<u>\$ 26,750,216</u>	<u>\$ 30,552,423</u>	<u>\$ 31,585,165</u>	<u>\$ 21,346,053</u>	<u>\$ 15,046,440</u>	<u>\$ 21,636,498</u>	<u>\$ 19,430,408</u>	<u>\$ 24,717,860</u>	<u>\$ 26,911,394</u>	<u>\$ 27,883,713</u>
Debt Service Requirements										
Principal (3)	4,425,405	4,672,124	4,855,563	4,220,006	4,372,224	7,362,889	7,025,129	7,941,123	8,776,254	9,007,117
Interest (4)	3,139,142	2,961,997	2,641,850	3,316,344	4,852,315	4,332,089	4,501,266	4,242,754	3,579,904	3,343,413
Total Debt Service Requirements	<u>\$ 7,564,547</u>	<u>\$ 7,634,121</u>	<u>\$ 7,497,413</u>	<u>\$ 7,536,350</u>	<u>\$ 9,224,539</u>	<u>\$ 11,694,978</u>	<u>\$ 11,526,395</u>	<u>\$ 12,183,877</u>	<u>\$ 12,356,158</u>	<u>\$ 12,350,530</u>
Ratio of Total Net Revenue/ Total Bond Expense	3.54	4.00	4.21	2.83	1.63	1.85	1.69	2.03	2.18	2.26
Ratio of Net Available/ Total Bond Expense (5)	1.70	2.31	3.04	2.06	1.43	1.71	1.52	1.80	1.92	1.91

Note 2

Note 6

(1) Includes total operating revenues and investment income of the Water Utility and Wastewater Utility Enterprise Funds.

(2) Includes total operating expenses of the Water Utility and Wastewater Utility Enterprise Funds, less depreciation amortization. For FY09 also excludes a one-time insurance claim (\$7,930,000) and a one-time charges from Central Arizona Project for back billed water capital recovery charges (\$3,670,364).

(3) Includes principal for Water and Sewer Revenue bonds and Water Infrastructure Finance Authority bonds. Although some MDA bonds are financed by the Utility Funds, the pledged revenue is excise tax therefore the debt is included in the MDA Bond debt coverage calculations on Table 24.

(4) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net assets.

(5) Excludes Development Fee Revenue.

(6) In FY2012 \$24,810,509 in principal and \$405,829 in interest were defeased. These additional debt payments have been removed from the FY12 debt service requirements so as not to distort the ratios.

Source: Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Repayment schedules for debt serviced by the Water and Sewer Utility Enterprise Funds

**CITY OF PEORIA, ARIZONA
 PLEDGED REVENUE COVERAGE - SPECIAL ASSESSMENT BONDS
 LAST TEN FISCAL YEARS**

Table XXVIII

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Pledged Revenues (1)	\$ 3,547,789	\$ 3,516,277	\$ 3,216,095	\$ 3,167,933	\$ 3,365,342	\$ 3,402,865	\$ 2,645,451	\$ 2,262,112	\$ 1,484,283	\$ 1,259,303
Debt Service Requirements										
Principal	1,507,136	1,608,983	1,480,506	1,264,637	1,624,615	2,360,492	1,887,322	1,495,000	1,140,000	325,000
Interest (2)	828,532	747,720	638,657	697,840	675,958	559,205	432,302	316,720	222,820	149,600
Total Annual Requirements	<u>\$ 2,335,668</u>	<u>\$ 2,356,703</u>	<u>\$ 2,119,163</u>	<u>\$ 1,962,477</u>	<u>\$ 2,300,573</u>	<u>\$ 2,919,697</u>	<u>\$ 2,319,624</u>	<u>\$ 1,811,720</u>	<u>\$ 1,362,820</u>	<u>\$ 474,600</u>
Estimated Coverage	1.52	1.49	1.52	1.61	1.46	1.17	1.14	1.25	1.09	2.65

(1) - Pledged revenues equals Special Assessment Debt Service Fund current year fund balance plus current year principal & interest payments.

(2) - Bond interest payments only. Does not include agent fees included in interest expense on the Statement of Revenues, Expenditures and Changes in Fund Balance.

Source: City financial records
 Governmental Fund Financial Statements

**CITY OF PEORIA, ARIZONA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS**

Table XXIX

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (3)</u>
Current Assessments Due	\$ 2,065,519	\$ 1,987,461	\$ 1,965,107	\$ 1,749,724	\$ 2,196,027	\$ 2,211,609	\$ 2,171,435	\$ 1,849,026	\$ 1,213,646	\$ 455,116
Assessments Collected	2,057,821	1,983,885	1,961,724	1,749,246	2,193,992	2,211,599	2,171,435	1,848,788	1,213,646	455,116
Prepaid Assessments Collected	186,624	275,392	7,818	44,061	2,041	38,301	-	205,901	-	675,958
Total Assessments Collected (1)	<u>\$ 2,244,445</u>	<u>\$ 2,259,277</u>	<u>\$ 1,969,542</u>	<u>\$ 1,793,307</u>	<u>\$ 2,196,033</u>	<u>\$ 2,249,900</u>	<u>\$ 2,171,435</u>	<u>\$ 2,054,689</u>	<u>\$ 1,213,646</u>	<u>\$ 1,131,074</u>
Ratio of Current Collections to Amount Due	99.6%	99.8%	99.8%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
Outstanding Assessment Principal (2)	\$ 10,845,765	\$ 9,243,866	\$ 12,782,394	\$ 11,476,365	\$ 9,871,061	\$ 8,141,515	\$ 6,328,423	\$ 4,551,324	\$ 3,520,000	\$ 2,603,127

(1) Does not include penalties or administrative fees which are included in special assessment revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

(2) Principal only. Assessments Receivable on Balance Sheet-Governmental Funds also includes delinquent administrative charges, interest and penalties.

(3) These Special Assessments relate to Improvement District 0601 which includes three lots. The tax rolls of Maricopa County Assessor's Office indicate that the current full cash value of the Assessed Property is approximately \$25,957,000 for Lot No. 1, \$17,577,500 for Lot No. 2 and \$669,500 for Lot No. 3. There are no overlapping Assessment Districts and all lots are current in their assessment payments.

Source: City financial records and reports

CITY OF PEORIA, ARIZONA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GOVERNMENTAL DEBT TO TOTAL GOVERNMENTAL EXPENDITURES AND REVENUES
LAST TEN FISCAL YEARS

Table XXX

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal Payments	\$ 15,304,972	\$ 16,881,632	\$ 16,178,431	\$ 31,143,531	\$ 25,988,554	\$ 44,700,092	\$ 34,309,287	\$ 25,566,028	\$ 20,120,163	\$ 20,842,447
Interest and Other Charges	7,046,576	6,747,072	8,099,492	10,340,704	11,917,582	13,166,242	12,658,032	13,098,263	12,534,039	12,543,974
Total	<u>\$ 22,351,548</u>	<u>\$ 23,628,704</u>	<u>\$ 24,277,923</u>	<u>\$ 41,484,235</u>	<u>\$ 37,906,136</u>	<u>\$ 57,866,334</u>	<u>\$ 46,967,319</u>	<u>\$ 38,664,291</u>	<u>\$ 32,654,202</u>	<u>\$ 33,386,421</u>
Total Governmental Expenditures	\$ 144,972,313	\$ 153,731,533	\$ 213,283,409	\$ 234,929,890	\$ 242,988,904	\$ 237,519,557	\$ 192,780,638	\$ 178,812,735	\$ 195,784,242	\$ 185,056,158
Ratio of Debt Service to Governmental Expenditures	15.42%	15.37%	11.38%	17.66%	15.60%	24.36%	24.36%	21.62%	16.68%	18.04%
Ratio of Debt Service to non-capital expenditures	20.31%	30.76%	17.45%	26.35%	20.75%	27.77%	28.22%	25.36%	20.91%	20.47%
Total Governmental Revenues	\$ 144,191,521	\$ 178,025,080	\$ 220,591,297	\$ 216,437,439	\$ 197,889,171	\$ 172,012,184	\$ 175,544,268	\$ 172,992,735	\$ 174,743,639	\$ 177,566,482
Ratio of Debt Service to Governmental Revenues	15.50%	13.27%	11.01%	19.17%	19.16%	33.64%	26.76%	22.35%	18.69%	18.80%

Source: Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds

CITY OF PEORIA, ARIZONA
BOND AUTHORIZATIONS - ISSUED AND UNISSUED
AS OF JUNE 30, 2014

Table XXXI

Authorization/Purpose	Authorization	Prior Issues	Current Year Issues	Remaining Authorization	Authorization/Purpose	Authorization	Issued	Remaining
2000 Authorization								
Police, Fire & Public Service	18,550,000	16,020,393	-	2,529,607	Total authorizations by type:			
Storm Sewer & Flood Protection	22,300,000	21,609,683	-	690,317	Police, Fire & Public Service	\$ 130,850,000	\$ 38,191,336	\$ 92,658,664
Streets, Bridges & Traffic Control	47,150,000	41,757,232	-	5,392,768	Streets & traffic control	156,150,000	81,687,726	74,462,274
Water System	99,000,000	10,264,204	-	88,735,796	Parks, open space, library	106,000,000	46,597,807	59,402,193
Wastewater System	65,000,000	35,241,016	-	29,758,984	Water system	99,000,000	10,264,204	88,735,796
Parks & Open Space	30,000,000	22,013,271	-	7,986,729	Waterwater system	65,000,000	35,241,016	29,758,984
Subtotal	<u>282,000,000</u>	<u>146,905,799</u>	<u>-</u>	<u>135,094,201</u>	Storm Sewer, Flood Protection & Bridges	22,300,000	21,609,683	690,317
2005 Authorization								
Public Safety & Municipal Operations	52,000,000	19,897,587	-	32,102,413	Water, Wastewater & Drainage	160,000,000	67,825,284	92,174,716
Water Treatment, Water System, Wastewater & Drainage	160,000,000	67,825,284	-	92,174,716	Transportation & Drainage	276,700,000	5,873,129	270,826,871
Streets, Bridges & Traffic Control	109,000,000	39,930,494	-	69,069,506		<u>\$ 1,016,000,000</u>	<u>\$ 307,290,185</u>	<u>\$ 708,709,815</u>
Parks, Recreation & Library	35,000,000	21,042,597	-	13,957,403				
Subtotal	<u>356,000,000</u>	<u>148,695,962</u>	<u>-</u>	<u>207,304,038</u>				
2008 Authorization								
Transportation & Drainage	276,700,000	5,873,129	-	270,826,871				
Public Safety & Municipal Operations	60,300,000	2,273,356	-	58,026,644				
Parks, Recreation & Trails	41,000,000	3,541,939	-	37,458,061				
Subtotal	<u>378,000,000</u>	<u>11,688,424</u>	<u>-</u>	<u>366,311,576</u>				
Grand Totals:	1,016,000,000	307,290,185	-	708,709,815				

NOTE: Remaining unused bond authorizations prior to 2000 are usually not exercised.

Source: City financial records

**CITY OF PEORIA, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Table XXXII

	<u>2005 *</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 *</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Of Peoria										
Population	137,045	145,125	153,592	155,560	159,263	154,065	155,148	156,780	160,504	164,104
% growth	3.2%	5.9%	5.8%	1.3%	2.4%	-3.3%	0.7%	1.1%	2.4%	2.2%
Unemployment Rate	2.9%	2.6%	2.1%	3.6%	6.7%	7.0%	8.7%	7.1%	6.8%	6.0%
Personal income (\$000's) **	4,465,885	5,058,622	5,762,618	5,964,948	5,998,322	5,462,529	5,489,757	5,547,504	5,966,094	6,236,937
Maricopa County										
Population	3,681,300	3,792,675	3,879,150	3,987,492	4,105,623	4,217,427	4,328,379	4,438,459	3,922,600	3,944,859
% growth	4.1%	3.0%	2.3%	2.8%	3.0%	2.7%	2.6%	2.5%	-11.6%	0.6%
Unemployment Rate	4.1%	3.7%	3.0%	5.1%	9.4%	9.7%	9.0%	7.6%	7.1%	6.4%
Per Capita Income	33,294	35,595	38,520	39,530	38,811	36,530	36,643	38,411	39,300	N/A
State of Arizona										
Population	6,077,740	6,305,210	6,432,007	6,629,455	6,812,137	6,999,810	7,186,070	7,370,993	6,553,800	6,581,054
% growth	4.0%	3.7%	2.0%	3.1%	2.8%	2.8%	2.7%	2.6%	-11.1%	0.4%
Unemployment Rate	4.9%	4.4%	3.6%	5.9%	10.2%	10.6%	10.0%	8.7%	8.5%	7.5%
Per Capita Income	30,225	32,419	34,817	35,863	35,772	33,972	33,967	35,446	36,243	36,823
United States of America										
Unemployment Rate	5.2%	4.8%	4.7%	5.7%	9.7%	9.6%	9.3%	8.4%	7.8%	6.3%
Phoenix MSA										
Per Capita Income	32,587	34,857	37,519	38,345	37,663	35,456	35,384	37,171	38,006	N/A

N/A = Data not available at this time.

* - Census years. Mid decade census conducted for population only.

** - In thousands of dollars. Peoria personal income calculated by multiplying Phoenix Metropolitan Statistical Area (MSA) per capita income times Peoria population.

Notes : Population estimates in non-census years are estimates from the sources listed below.
Most recent per capita income information is one-two years old. Most recent year of Peoria persona income calculated using most recent available per capital information. Per capita income information not available for the City of Peoria.

Source: City population for most current year based on City staff estimates based on building permit activity.
Other population and unemployment data - Arizona Department of Commerce (www.workforce.az.gov) and U.S. Bureau of Labor Statistics.
Unemployment statistics for June of the fiscal year using non-seasonally adjusted figures.
Per Capita Income data - U.S. Dept of Commerce, Bureau of Economic Analysis

**CITY OF PEORIA, ARIZONA
MAJOR EMPLOYERS WITHIN THE CITY
CURRENT YEAR AND TEN YEARS AGO**

Table XXXIII

Employer	2014			2005		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Peoria Unified School District	3,047	1	4.3%	4,250	1	6.6%
City of Peoria	1,093	2	1.5%	1,532	2	2.4%
Younger Brothers	528	3	0.7%	-		
Freedom Plaza Properties	523	4	0.7%	612	3	0.9%
Immanuel Care Campus	456	5	0.6%	354	5	0.5%
Antigua	289	6	0.4%	243	9	0.4%
Arizona Retirement Center	236	7	0.3%	-		
OakCraft	200	8	0.3%	218	12	0.3%
Good Shepherd Care Center	130	9	0.2%	240	10	0.4%
Albertson's (2 Locations)	-		0.0%	297	7	0.5%
Fry's Food Stores (4 Locations)	-		0.0%	469	4	0.7%
Arizona Training and Evaluation	-		0.0%	280	8	0.4%
Northern Pipeline	-		0.0%	230	11	0.4%
Forum At Desert Harbor	-		0.0%	208	13	0.3%
Target (3 Locations)	-		0.0%	340	6	0.5%
Total	6,502		9.1%	8,495		13.1%

Note: Beginning in fiscal year 2012, Peoria Economic Development Department no longer tracked employment for retail locations.

Sources: City of Peoria Economic Development Department
 Arizona Unemployment Statistics Program Special Employment Report www.azstats.gov
 Greater Phoenix Economic Council Records

CITY OF PEORIA, ARIZONA
AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Table XXXIV

Full-time Equivalent Employees as of June 30, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Mayor & Council	5.00	5.00	6.00	6.00	6.00	6.00	-	-	-	-
City Manager	8.50	10.50	12.00	13.00	13.00	10.00	15.00	15.00	16.00	16.00
Office of Communications	7.50	11.00	12.50	13.50	9.50	8.50	8.00	7.00	8.00	8.00
Human Resources	13.00	13.00	14.00	17.00	17.00	19.00	18.00	17.00	17.50	17.50
Attorney	20.20	22.70	23.80	26.00	26.00	26.00	26.00	26.00	26.00	26.00
City Clerk	8.00	8.00	8.00	9.00	9.00	9.00	9.00	8.00	7.00	7.00
Court	11.00	13.00	16.00	22.00	22.00	22.00	21.00	20.90	20.90	20.90
Economic Development	3.00	4.00	4.00	5.00	5.00	13.30	27.80	26.00	26.00	28.00
Finance & Budget	84.00	86.00	89.00	97.00	96.00	89.75	86.75	80.75	80.75	80.00
Culture & Recreation	111.36	109.36	124.39	131.74	142.04	125.47	115.97	113.57	111.97	115.97
Police	226.00	250.00	264.00	286.00	287.00	271.00	287.00	289.00	288.00	289.00
Fire	131.00	134.00	157.00	173.00	170.00	167.00	164.00	162.00	167.50	168.50
Community Development	49.50	50.80	51.80	53.80	49.80	51.00	15.50	12.50	12.50	13.50
Engineering	38.00	43.00	47.00	49.00	45.25	39.75	39.75	33.25	33.25	33.25
Highways & Streets	39.00	40.00	44.00	44.00	43.00	41.00	44.00	38.80	38.80	38.80
Public Works	59.50	61.50	69.00	70.50	69.50	63.75	56.75	57.95	57.95	57.95
Human Services	8.00	8.50	14.50	14.50	14.50	11.75	10.00	7.50	7.50	7.50
Water Utility	67.02	70.02	72.00	75.00	72.75	60.75	57.75	56.50	55.50	55.50
Wastewater Utility	17.50	16.50	19.00	25.00	28.25	29.25	29.25	29.50	29.50	29.50
Solid Waste Utility	40.00	40.00	44.00	47.00	45.00	45.00	43.25	45.00	45.00	45.50
Information Technology	38.00	39.00	43.00	47.00	47.00	46.00	41.60	39.00	39.00	40.00
Stadium	14.00	14.00	16.00	19.00	19.00	19.00	15.50	15.50	16.50	16.50
Total FTE	<u>1,083.08</u>	<u>1,135.88</u>	<u>1,239.99</u>	<u>1,341.04</u>	<u>1,332.59</u>	<u>1,264.02</u>	<u>1,218.62</u>	<u>1,181.47</u>	<u>1,185.87</u>	<u>1,114.87</u>

Note: Beginning with fiscal year 2003, the City no longer counts part-time seasonal staff in the FTE calculation. Counts do include part-time non-seasonal benefitted employees.

* Interdepartmental reorganization is reflected in FY2011 numbers. This will explain some of the significant changes in departments such as Mayor and Council, City Manager, Economic Development and Community Development.

Source: City budget office (Schedule 6 in Annual Program Budget)

**CITY OF PEORIA, ARIZONA
BUILDING PERMITS AND HOME SALES
LAST TEN YEARS**

Table XXXV

	Building Permits									
	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Commercial										
Number of Permits	177	181	244	153	60	82	27	60	31	43
Value	\$ 73,892,753	\$ 64,990,575	\$ 121,602,510	\$ 38,162,527	\$ 18,722,347	\$ 35,940,280	\$ 4,416,256	\$ 14,130,283	\$ 22,536,140	\$ 11,137,771
Residential										
Number of Dwelling Units	2,927	2,421	1,338	963	383	398	404	610	835	1,031
Value	373,716,048	320,780,556	213,028,399	154,975,128	47,217,878	42,714,995	50,318,368	79,951,361	118,188,477	146,826,079
Other ^(A)										
Number of Permits	2,000	2,209	2,110	1,825	1,043	1,017	970	1,701	1,241	1,459
Value	21,512,846	26,532,508	34,196,112	33,948,358	18,535,296	53,152,166	9,025,305	17,128,209	3,526,505	4,254,688
Total Value	\$ 469,121,647	\$ 412,303,639	\$ 368,827,021	\$ 227,086,013	\$ 84,475,521	\$ 131,807,441	\$ 63,759,929	\$ 111,209,853	\$ 144,251,122	\$ 162,218,538

Source: City of Peoria - Economic Development Department

Notes: ^(A) Beginning in FY13, revised criteria was used for "Other" permits.

Figures include the following categories: Addition-Alteration and Patio, Miscellaneous Residential, Miscellaneous Commercial, and Swimming Pool-Spa-Hot Tub.

Figures exclude permits obtained for improvements, non-structural permits, demolition permits, sign permits, mechanical/plumbing/electrical permits.

	Single Family Housing Sales									
	Calendar Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
New										
# of Units	1,395	1,875	2,235	1,360	925	435	355	390	598	817
Average Sale Amount	\$ 270,000	\$ 323,190	\$ 395,650	\$ 350,000	\$ 282,885	\$ 253,350	\$ 236,505	\$ 243,780	\$ 296,506	\$ 346,353
Avr price % increase	25.10%	19.70%	22.42%	-11.54%	-19.18%	-10.44%	-6.65%	3.08%	21.63%	16.81%
Resale										
# of Units	4,575	5,055	2,930	2,415	3,635	5,000	5,305	5,355	3,933	3,502
Average Sale Amount	\$ 175,000	\$ 250,000	\$ 270,000	\$ 257,830	\$ 210,000	\$ 166,750	\$ 159,000	\$ 140,000	\$ 180,420	\$ 225,683
Avr price % increase	15.89%	42.86%	8.00%	-4.51%	-18.55%	-20.60%	-4.65%	-11.95%	28.87%	25.09%

New Housing Starts
Calendar Year

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Peoria	2,381	3,038	1,572	1,148	794	330	441	430	642	877
Maricopa County	47,100	41,707	27,607	19,345	8,320	6,502	5,637	6,444	10,029	10,835

Source: Arizona State University College of Business - AZ Real Estate Center

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INSURANCE IN FORCE
JULY 1, 2013 THROUGH JUNE 30, 2014**

Table XXXVI

Type of Insurance	Annual Renewal Date	Insurance Carrier	Policy Number	Limits	Deductible Amount	Annual Premium
1. Primary Public Liability & Automobile						
General & Auto liability	N/A	Self-insured	N/A	\$1,000,000 per incident (SIR) \$1,000,000 annual (SIR)	N/A	N/A
Excess Liability - Primary	7/1	OneBeacon (Atlantic Specialty)	791000664000	\$3,000,000 Aggregate \$4,000,000 SIR Aggregate	SIR above	\$ 92,719
Excess Liability - Law Enforcement	7/1	OneBeacon (Atlantic Specialty)	791000664000	\$2,000,000	SIR above	\$ 106,708
Automobile & Equipment	7/1	OneBeacon (Atlantic Specialty)	791000664000	\$1,000,000 (1)	SIR above	\$ 88,253
Excess Liability - Umbrella	7/1	OneBeacon (Atlantic Specialty)	791000664000	\$13,000,000	SIR above	\$ 234,389
Excess Liability	7/1	Endurance American Specialty	ELD10004037700	\$25,000,000 per occurrence	SIR above	\$ 90,943
2. Property (Real & Personal)						
City buildings and Contents	N/A	Self-insured	N/A	\$500,000 per incident (SIR) \$500,000 annual (SIR)	N/A	N/A
Excess buildings, Boiler, Machinery, and Contents	7/1	Travelers Indemnity Company	KTKCMB297T228813	\$250,000,000	SIR above	\$ 354,698
3. Workers' Compensation	N/A	Self-insured	N/A	\$750,000 General (SIR) \$850,000 Public Safety (SIR)	N/A	N/A
Excess Liability		Safety National Casualty Corp.	AGC4048475	\$1,000,000	SIR above	\$ 180,435
4. Cyber Liability	7/1	Axis Surplus Insurance Co.	ECN000168721301	\$2,000,000	\$10,000	\$ 7,744
5. Identity Fraud Expense Reimbursement	7/1	Travelers Casualty & Surety Co.	105639670	\$10,000	None	\$ 4,103
6. Crime Coverages	7/1	Great American Insurance Co.	BVT052017500	\$1,000,000	\$10,000	\$ 4,900
7. Boat Coverage	7/1	Travelers Property Casualty Co.	ZOH15N1430013ND	\$170,000/\$1,000,000	\$2,500	\$ 4,838
8. Fiduciary Liability	9/12	Travelers Casualty & Surety Co.	105993111	\$1,000,000	None	\$ 4,826

(1) Vehicles with a value less than \$100,000 are self-insured by the City. Vehicles with a value in excess of \$100,000 have a \$5,000 deductible.

Source: City Risk Management and financial records

**CITY OF PEORIA, ARIZONA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Table XXXVII

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
General Government										
Registered Voters	65,998	62,328	63,544	71,051	76,323	82,578	86,803	85,592	87,432	89,604
Voter Participation (last election)	33.8%	25.4%	25.4%	60.6%	81.2%	29.2%	29.2%	23.7%	23.7%	24.9%
Culture & Recreation										
Recreation Participants	69,206	75,145	77,602	119,620	131,372	132,391	134,661	136,200	134,045	122,318
New Recreation Accounts	5,492	5,160	4,923	6,692	6,237	5,903	5,968	6,106	5,396	5,533
Special Event Participants	*	*	*	*	*	46,578	60,715	65,347	73,800	74,950
Police										
Calls for Service	142,319	102,385	103,921	62,341 ^(A)	60,219	56,683	56,764	57,184	54,159	52,193
Avg Response Time (minutes)	5.73	4.80	5.20	5.98	5.47	5.65	5.87	6.01	4.52 ^(C)	4.39 ^(C)
Fire										
Number of Incidents	11,618	12,445	12,788	13,649	13,361	14,874	15,403	17,717	18,719	19,312
Avg Response Time (minutes)	4.30	4.30	4.40	4.40	4.43	5.02	5.19	5.08	5.14	5.30
Development Services										
Building Permits Issued	5,104	4,811	3,692	2,943	1,486	1,497	1,401	2,371	3625 ^(D)	3993 ^(D)
Value of Building Permits (millions \$)	\$ 469.1	\$ 412.3	\$ 368.8	\$ 225.5	\$ 84.5	\$ 131.8	\$ 63.8	\$ 111.2	\$ 169.0	\$ 188.3
Highways & Streets										
Asphalt Used (in tons)	6,654	5,035	7,999	8,365	2,441	2,832	2,677	2,038	3,122	2,227
Centerline Miles Swept	9,807	8,697	8,496	7,604	7,526	5,935	6,159	6,202	6,143	5,660
Miles Inspected	277	218	275	381	423	422	85 ^(B)	163	187	205
Public Works										
Number of Vehicle Work Orders	5,056	5,920	5,787	5,679	5,917	5,697	5,856	5,608	5,899	5,464
Human Services										
Number of Dial-a-Ride users	6,010	5,147	5,310	5,750	6,174	899	747	759	830	836
Number of Annual Trips	34,428	42,232	47,244	45,451	43,263	31,568	27,440	31,082	32,101	33,308
Section 8 Unit Months Available	984	984	984	984	984	984	984	**	**	**
Section 8 Unit Months Leased	858	773	788	916	846	793	911	**	**	**
Business-type Activities										
Water Utility										
Annual Consumption (000's gal)	6,890,083	7,889,653	8,220,760	8,626,688	8,674,450	8,212,711	8,003,947	8,448,795	8,405,929	8,662,507
Average Gallons/Household/Year	180,679	194,552	195,840	177,016	175,270	164,636	159,203	166,070	163,869	165,821
Wastewater Utility										
Wastewater Treated (billion gal)	3.41	3.55	3.67	3.60	3.90	3.70	3.50	3.61	3.64	3.69
Solid Waste Utility										
Residential Tonnage Processed	65,950	69,191	71,396	61,290	48,970	47,540	47,989	46,299	47,717	47,987
Commercial Tonnage Processed	18,436	22,943	25,260	20,519	22,856	21,981	20,340	19,700	20,561	21,176
Recycle Tonnage Processed	1,523	1,690	1,927	11,549	16,084	15,516	16,277	15,715	15,184	15,155
Stadium										
Spring Training Attendance	225,316	200,153	220,357	230,434	211,243	200,029	188,244	190,643	196,881	192,513
Sporting Rentals Days	*	*	195	234	246	208	336	350	290	322
Non-Sporting Rentals Days	*	*	54	83	66	74	108	134	143	146
Public Housing										
Unit Months Available	840	840	840	840	840	840	840	840	840	NA***
Number of Unit Months Leased	828	831	827	812	796	745	787	813	797	NA***

Notes: * Information is not available for these fiscal years.

** City discontinued participation in Section 8 housing programs as of 6/30/11.

*** As of FY14, all public housing units have been transferred to Maricopa County for administration.

^(A) The drop in calls for service reflect a change in what is considered a "call for service". Prior to FY08, calls for service included officer initiated calls. Beginning in FY08, only calls coming into the 911 center are counted as calls for service.

^(B) Changed from lane miles to center line miles in FY11 to be consistent with other highway measurements

^(C) Decrease in Police Average Response time reflects calculation change. New Calculation=Dispatch to Arrival. Previous calculation=Call for Service to Arrival.

^(D) Beginning FY13, this number includes all permits issued including tenant improvements, C of O permits, and spec suite permits.

Source: Various City Departments

**CITY OF PEORIA, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Table XXXVIII

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
General Government										
Annexed Area (square miles)	177.9	177.9	177.9	177.9	177.9	179.0	179.1	179.1	179.1	179.1
Culture & Recreation										
# of Neighborhood Parks	24	26	26	26	28	28	28	32	33	33
Total Park Acreage	240	264	264	264	314	322	322	285	294	294
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Marked Patrol Vehicles (units)	86	90	101	103	92	86	86	86	86	88
Fire										
Stations (full-time / part-time)	5 / 2	6 / 1	7 / 1	7 / 1	7 / 1	7 / 1	7 / 1	7 / 1	7/1	7/1
Number of Fire Engines	7	8	9	9	9	9	7	7	8	8
Number of Ladder Trucks	1	1	1	1	2	2	2	2	2	2
Highways & Streets										
Streets (miles maintained)	487	518	537	538	551	554	584	590	622	1452 (A)
Crack Seal Application (linear feet)	*	*	*	*	*	*	*	*	*	1,165,460
Surface Treatments (lane miles)	*	*	*	*	*	*	*	*	*	88
Public Works										
Street Lights	12,000	12,000	12,737	13,618	13,726	13,901	14,093	14,333	15,006	14,786
Vehicles in Fleet	599	621	661	720	683	670	673	687	714	738
Utilities										
Number of Pump Stations	*	*	*	*	*	*	*	*	*	25
Number of Lift Stations	*	*	*	*	*	*	*	*	*	15
Number of Well	*	*	*	*	*	*	*	*	*	38
Number of Reservoirs	*	*	*	*	*	*	*	*	*	30
Human Services										
Dial-a-Ride Buses	9	9	11	11	11	9	7	7	7	6
Business-type Activities										
Water Utility										
Number of Water Accounts	42,673	44,221	45,630	46,146	46,902	47,606	47,793	48,509	49,516	50,399
Storage Capacity (million gal)	40.0	40.0	40.0	41.8	42.0	42.0	42.0	42.0	42.0	42.0
Wastewater Utility										
Number of Wastewater Accounts	43,824	45,933	47,831	48,759	49,923	50,383	50,715	51,527	52,674	53,548
Treatment Capacity (billion gal)	14.15	14.15	14.15	25.70	16.25	16.25	16.25	16.25	16.25	16.25
Solid Waste Utility										
Number of Solid Waste Accounts	42,467	44,198	46,309	47,146	48,006	43,382	48,752	49,506	50,727	51,609
Stadium										
Number of Practice Fields	13	13	13	13	13	13	13	13	13	13
Number of Clubhouses	3	3	3	3	3	3	3	3	3	3
Total Complex Acreage	145	145	145	145	145	145	145	145	145	145
Public Housing										
Number of Public Housing Units	70	70	70	70	70	70	70	70	70	N/A**

Notes: * Information not tracked during this fiscal year.

**As of FY2014, all public housing units have been transferred to Maricopa County for administration

(A) Measurement changed from centerlane miles to lane miles in FY14.

Source: Various City Departments





Continuing Disclosures

Continuing Disclosure Section

SEC Rule 15c2-12, as amended, requires the City to provide Continuing Disclosure Annual Reports that include audited financial statements and other financial information for the benefit of owners and holders of bond obligations issued by the City. The Continuing Disclosure Annual Report shall contain or incorporate by reference certain information as set forth in the Continuing Disclosure Agreements and Undertakings executed by the City with the issuance of its municipal bond obligations.

Information in this section is provided solely pursuant to the requirements of SEC Rule 15c2-12 and Continuing Disclosure Agreements and Undertakings and include financial information that is not required for fair presentation in conformity with accounting principles generally accepted in the United States of America and is therefore unaudited and not covered by the auditor's opinion.

Annual continuing disclosure information is filed with the Municipal Securities Rulemaking Board (MSRB) for public access via their Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

Continuing Disclosures Annual Report

For the Year Ended June 30, 2014

Audited Financial Statements

The City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2014 is included as part of this submittal.

Other Financial Information

Information concerning the outstanding debt by type of bond can be found in the Notes to the Financial Statements on page 74, Note 14 Long Term Debt.

Other financial information required per the City's Continuing Disclosure Agreements and Undertakings for each type of bond obligation is incorporated by reference as follows:

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