

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2003

City of Peoria, Arizona



City Council:

John Keegan, Mayor
Bob Barrett, Vice Mayor
Pat Dennis
Ken Forgia
Vicki Hunt
Carlo Leone
Ella Makula

Administrative Staff:

Terry Ellis, City Manager
Meredith Flinn, Deputy City Manager
Prisila Ferreira, Deputy City Manager

Prepared By:

John F. Wenderski, Chief Financial Officer, Director of Finance
Brent D. Mattingly, Deputy Director of Finance
Dan Leahy, Accounting Supervisor



VISION

The City of Peoria will become the community known for service, excellence and quality of living.

MISSION

To deliver services through responsive government that promote and enhance quality of life for our community.

GOALS

To develop and implement a comprehensive long range strategy to encourage economic development and job creation.

To provide efficient, effective customer service which matches or exceeds the service needs of the citizens.

To develop and implement professional progressive management.

To expand citizen/government active partnerships.

To expand technological resources to facilitate intergovernmental communications and government/citizen communications.

To communicate positive community image through marketing methods.



CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2003

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	v-xiv
Certificate of Achievement for Excellence in Financial Reporting	xv
City of Peoria Organizational Chart	xvi
Principal Officials of the City	xvii
City Council pictures and biographies	xviii-xxi
 II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplementary information)	3
B. BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Of Governmental Funds to the Statement of Activities - Governmental Activities	27
Budgetary Comparison Statements- General Fund and major Special Revenue funds:	
General Fund	28
Half-Cent Sales Tax Fund	30
Highway User Revenue Fund	31
Development Fee Fund	32
Proprietary Fund Financial Statements	
Statement of Net Assets	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	36
Statement of Cash Flows	38
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	42
Statement of Changes in Fiduciary Net Assets	43
Notes to the Financial Statements	46

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2003

	<u>Page</u>
C. SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS	
Non-Major Governmental Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92
Internal Service Funds	
Combining Statement of Net Assets	94
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	95
Combining Statement of Cash Flows	96
Fiduciary Funds	
Combining Statement of Changes in Assets & Liabilities – All Agency Funds	97
D. OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules – Other Major Governmental Funds	
Special Assessment Debt Service Fund	100
General Obligation Bond Capital Projects Fund	101
Non-Bond Capital Projects Fund	102
Budgetary Comparison Schedules – Non-Major Governmental Funds	
Public Transit Fund	103
Section 8 Housing Fund	104
Other Grants Fund	105
MDA Debt Service Fund	106
General Obligation Bond Debt Service Fund	107
Community Facilities District (CFD) Bond Debt Service Fund	108
Community Facilities District (CFD) Capital Projects Fund	109
Highway User Revenue Bond Capital Projects Fund	110
Improvement District Capital Projects Fund	111
Schedule of Operations – Budget and Actual – Proprietary Funds	
Enterprise Funds:	
Water Utility Fund	112
Wastewater Utility Fund	113
Sanitation Utility Fund	114
Stadium Fund	115
Public Housing Fund	116
Internal Service Funds:	
Motor Pool Fund	117
Self-Insurance Fund	118
Facilities Maintenance Fund	119
Information Technology Fund	120
Federal Financial Data Schedule	121

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2003

	Page
Debt Service Schedules	
Schedule of Changes in Debt – Governmental Activities	123
Schedule of Changes in Debt – Business-type Activities	124
Schedule of Debt Service Requirements to Maturity	125
Fixed Assets Schedules	
Schedule of Fixed Assets by Function and Classification	128
Schedule of Changes in Fixed Assets by Function – Governmental Activities	130
Schedule of Interfund Transfers	131

III. STATISTICAL SECTION

	<u>Table</u>	
Government-wide Revenues by Source	I	136
Government-wide Revenues by Function	II	138
Government-wide Expenses by Function	III	141
Governmental Activities Expenditures by Function	IV	144
Governmental Revenues by Source	V	146
Tax Revenues by Source	VI	148
City Transaction Privilege Taxes by Category	VII	149
Intergovernmental Revenues by Source	VIII	150
Development/Expansion Fees by Type	IX	152
Operating Fund Balance/Net Assets by Fund Type	X	154
General Fund - Fund Balances	XI	155
Property Tax Rates and Tax Levies – Direct and Overlapping Governments	XII	156
Property Tax Levies and Collections	XIII	158
Assessed and Estimated Actual Value of Taxable Property	XIV	159
Secondary Assessed Valuation by Property Classification	XV	160
Principal Property Tax Payers	XVI	161
Special Assessment Collections	XVII	162
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	XVIII	163
Computation of Direct and Overlapping Debt	XIX	164
Computation of Legal Debt Margin	XX	165
Bond Authorizations – Issued and Unissued	XXI	166
Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total Governmental Expenditures	XXII	167
Pledged Revenue, Debt Service Requirements and Estimated Coverage Municipal Development Authority Debt	XXIII	169
Schedule of Revenue Bond Coverage	XXIV	170
Pledged Revenue, Debt Service Requirements and Estimated Coverage Utility Revenue Bond Debt	XXV	172
Major Employers within the City	XXVI	173
Population and Unemployment Statistics	XXVII	174
Building Permits and Home Sales	XXVIII	175
Schedule of Insurance in Force	XXIX	176
Property Insurance Schedule	XXX	178
Miscellaneous Statistical Data	XXXI	179
Utility Statistical Data	XXXII	181



City of Peoria

8401 West Monroe Street, Peoria, Arizona 85345

September 19, 2003

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

We are pleased to submit to you the 2003 Comprehensive Annual Financial Report (CAFR) of the City of Peoria, Arizona (the City). 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, and 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 libraries, as well as on the City's website, for use by the general public.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentations, 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 which fairly sets forth the financial position and results of operations of the City on both a city-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).

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, 2003, 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 unqualified opinion that the financial statements of the City of Peoria, Arizona for the fiscal year ended June 30, 2003, 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, 2003 found no instances of material weakness in the internal control, or violations of applicable laws and regulations with respect to major programs. The reports from Heinfeld, Meech & Co., P.C. are available in the City of Peoria, Arizona’s separately issued Single Audit Report.

Presentation

These financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (the new reporting model). The City first implemented this new reporting model with the financial statements for the fiscal year ended June 30, 2001. More information about this change can be found in Management’s Discussion and Analysis (MD&A) beginning on page 3 and in the notes to the financial statements (See Note 1.B. on page 47). This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections. The Introductory Section includes a list of principal officials, an organizational chart, and this transmittal letter which highlights significant aspects of the City and particular financial issues. The Financial Section includes the independent auditors’ report, Management’s Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The Statistical Section includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE FINANCIAL REPORTING ENTITY

The City of Peoria, chartered in 1954, has a Council-Manager form of government 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 also 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 163 square miles in the northwestern portion of Maricopa County, and is one of several major cities comprising the greater Phoenix metropolitan area. Between 1990 and 2000, the City’s population increased by over 100 percent, from approximately 50,600 to approximately 108,300. The estimated current population is 127,807. The City’s tremendous growth is attributable to the 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. Based on current projections, population growth trends are expected to continue, although at a slower pace. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, sanitation 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 a community center, two swimming

pools, two libraries and 23 parks encompassing 223 acres. In addition, the Peoria Sports Complex operated by the City is the nation's first two-team baseball spring training facility - home to the San Diego Padres and Seattle Mariners. Lake Pleasant, in northern Peoria, is the second largest lake in Arizona. During fiscal year 2003, the City began construction of its first large community park, to be named Rio Vista Community Park, in the southern part of the City. This 50 plus acre facility will have athletic fields, playgrounds, ramadas and other amenities for the citizens' enjoyment. The City is also considering construction of a community theater in the Old Town area of the City.

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 that are 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*. 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 three blended component units, the City of Peoria Municipal Development Authority, the City of Peoria Municipal Sports Complex Authority and the Vistancia Community Facilities District as discussed further in Note 1.A of the notes to the financial statements.

FINANCIAL CONTROLS

Internal Controls

The management of the City of Peoria is responsible for establishing and maintaining a system of internal control. 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 judgements 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. In fiscal year 2003 the City operated under the Alternative Expenditure Limitation - Home Rule Option. This option allowed the City Council to establish the budgetary limits locally. However, the Home Rule Option had to be authorized by the voters every four years.

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. After adjustment for inflation and population growth, the city's expenditure limitation for FY 2004 is \$489 million. The City may utilize the additional expenditure authority for any local budgetary purposes. The new permanent adjustment eliminates the need for voter approval every four years.

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 operating 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.

LOCAL ECONOMIC CONDITION AND OUTLOOK

Peoria continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. This commitment has helped to make 2003 another successful year and will provide for continued success in the years to come.

The American League Seattle Mariners and the National League San Diego Padres, professional major league baseball teams, continue their Cactus League Spring Training and minor league activities in Peoria. The City owns and operates a ten thousand-seat stadium and sports complex, which is used by both teams. The teams have eleven years remaining on a twenty-year joint use contract to share the facilities. Each team has the option of extending their contract an additional ten years. This agreement contributes significantly to the economic impact of the Spring Training Cactus League of Maricopa County.

The Arrowhead Fountains Center “triangle” near the Peoria Sports Complex continues to expand into a vibrant, 24-hour, mixed-use activity center. This area currently supports a diverse array of land use types including hotels, restaurants, office buildings, luxury apartments, an eighteen-screen cinema and recreational opportunities. New restaurant construction continues to add to this area with the opening of McDuffy’s Sports Bar, PF Changs, Red Robin, Firebird’s Rocky Mountain Grill and the soon-to-be opened Cheesecake Factory. Additionally, there are other projects in the area in various stages of plan review including the Alexan at Paradise Lane, a 240-unit luxury townhouse and apartment development, Pat & Oscars Restaurant, the Arizona Broadway Theatre and Chili Davis’ Premier Baseball, featuring an indoor batting cage and Whiffle Ball stadium. Elsewhere, construction activities continue at Peoria Crossings with the addition of a Kohl’s department store. A new neighborhood center is under construction at the northwest corner of Thunderbird Road and 83rd Avenue.

Employment opportunities in the higher paying sectors are projected to continue to grow. The City of Peoria has received several development applications for office, medical and light manufacturing land uses. The City has recently approved site plan applications for Bassin Medical Center, McKeon Inc. Office Park and Phase 1 offices at Desert Harbor consisting of approximately 15,000 square feet. The City has other developments under review including Thunderbird Professional Village medical offices, Union Hills office condos and the Thunderbird Business Center that proposes approximately 100,000 square feet of office and light-manufacturing space.

The City should continue to see a robust trend in new housing starts with development activities of several master-planned communities in north and northwest Peoria. West Wing Mountain Phase I is currently under construction and Phase II preliminary plats have been submitted and approved. The Vistancia South community has commenced construction activities and anticipates a grand opening in early 2004. Vistancia South encompasses approximately 3,119 acres and will contain a broad range of housing types, commercial services and 36 holes of golf. To date, the City has approved 15 plats (about 1,500 housing units). Quintero Golf and Country Club (283 units and 2 golf courses) continues its construction activities. Other approved master-planned communities include Sonoran Mountain Ranch (1,928 units), Lake Pleasant Heights (6,100 units), Saddleback Heights (6,195 units), Vistancia North and Cibola Vista (465 units).

The City will likely be annexing several large areas under State Land ownership near the end of this year. These include 3,868 acres generally north of State Route 74, 1,280 acres located west of Saddleback Heights and Reems Road, 2,240 acres generally located northwest of Dove Valley Road and Cotton Lane and 80 acres at the northeast corner of Dysart Road and 131st Avenue. Additionally, annexation petitions have been circulated for 880 acres located south of Vistancia South.

Economic Outlook

During the past year the Arizona economy continued to struggle with the effects of a nation-wide slowdown. Important local industries such as tourism, high technology manufacturing and transportation were impacted by weakened demand and lower consumer confidence. As we look ahead, Arizona's economy appears to be moving in the direction of a gradual recovery, but overall economic growth remains slow. Job growth for the state continues to be positive, but at minimal levels.

In June 2003, the state's unemployment rate was 5.9%. Maricopa County reported an unemployment rate of 5.2%. In past years employment has relied on the strength in the state's construction and financial services sectors. With the slow down in the national and local economies and lower consumer confidence, this area has been impacted, but does continue to show slow growth. Moreover, the manufacturing sector, including high-tech component manufacturing in the valley, has realized moderate slowdowns in demand.

Peoria has been sheltered from some of the impact of the economic slowdown, due to the continued growth of the city. Specific revenues are described in further detail in the following paragraphs.

Retail Sales. The City of Peoria, like all Arizona cities, places a heavy reliance on City-collected sales tax. Overall, sales tax revenues comprise approximately 33% of General Fund revenues. The City's sales tax rate is currently at 1.5%, with a 5% charge on hotel/motel service and 2.5% for restaurant/bar and amusement activities. Roughly 51% of sales tax collection is derived through retail sales. Over the last few years, the strong commercial development along the Bell Road corridor has generated significant revenues for the City. While the regional economic slowdown has had an impact on retail activity, continued retail store and restaurant activity near the Peoria Sports Complex area has helped the City support its current service standards. Overall, management expects the City's sales tax revenues to increase about 4% annually over the next couple of years.

State Shared Revenues. The City of Peoria receives significant revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, gas tax and motor vehicle in-lieu taxes. A significant portion of this revenue is placed in the City's General Fund, where it is used to support a large portion of the City's day-to-day activities. In recent years the state legislature has reduced the formula distribution of state-shared revenues to cities.

With the economic slowdown in the state economy and the state facing a large deficit, these revenues continue to be at risk for further state legislative action. As a result of a decline in state collected income taxes in prior years, the City projects a decrease in the City's share of these revenues in fiscal year 2004. This assumes there will be no further legislative action to balance the state budget on the backs of cities.

Property Tax. The City's property tax rate currently stands at \$1.59 per \$100 of assessed valuation. Of this, \$.29, or about 18% of the total, is levied for the primary property tax levy. The primary levy can be used for any general government purpose, but is limited in size by State statute. The primary tax raised \$1.8 million in fiscal year 2003. While this amounts to less than 3% of the General Fund revenues, it is nonetheless an important component for the stability of the fund.

The fiscal year 2004 projections, based on preliminary estimates from the Maricopa County Assessor's Office, are for a 13% growth in assessed value over fiscal year 2003 levels. Because of the increasing assessed value of the city, primary property tax revenues continue to grow, despite the City not increasing the tax levy rate. The City has maintained the property tax rate at \$1.59 for fiscal year 2004, but with the increasing assessed value, revenue projections for fiscal year 2004 are \$2.0 million. Based on current development patterns, as well as expected economic conditions, property tax revenue is expected to continue to increase over the next few years.

Labor Force. Peoria has a well-educated and available labor force. This economic resource is at the forefront of our economic development efforts. The City is a member of the Greater Phoenix Economic Council (GPEC) which has been successful introducing new businesses to the City. In July 2002, the City

brought economic development “in-house” with the creation of an Economic Development Department. Previously, the City participated in the Peoria Economic Development Group (PEDG), a public-private partnership between the City and local businesses. While the public-private partnerships have been successful in the past, the Council and city management believed an increased emphasis on actively pursuing economic development could best be achieved by making this activity a part of the City’s management team.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For The Year

During fiscal year 2003, the City continued to invest in programs and amenities that keep Peoria a very livable community. Emphasis was placed on public safety, parks and open space, neighborhood preservation, and human services.

The following are some of the service efforts and accomplishments of the City during the fiscal year:

Police

- Began construction of a new \$18.5 million Public Safety Administration Building located immediately south of the existing city municipal center complex. The 95,000 square foot facility will be the new headquarters for the Peoria Police Department, house the administrative offices of the Peoria Fire Department, and provide a production studio and offices for Peoria’s government Channel 11.
- Continued to receive federal grant dollars to hire new officers and purchase capital equipment to enhance services to Peoria citizens.

Fire

- Completed the design phase to replace two older fire stations - Station #1 in the downtown area and Station #2 on Union Hills. Construction is scheduled to begin in fiscal year 2004.
- Conducted fire and life-safety public education events such as the G.A.I.N. Public Safety Night.
- Received a Desert Peaks Award for standardizing training with 13 West Valley fire departments.

Engineering

- Began the implementation of recommendations from the program review of the City’s capital improvement program.
- Began work on phase II of Lake Pleasant Parkway, a \$6.3 million project that will tie into Lake Pleasant Road as a major access road to the northern part of the City.
- Continued work on additional phases of Lake Pleasant Road. Phase III and IV are estimated to cost \$12 million over the next couple of fiscal years.
- Completed work on the bridge over New River and widening of Deer Valley Road in the area of the Loop 101 at a cost of \$1.4 million.
- The City is undertaking major street improvements in the area of the Loop 101 in the Central to Northern part of the City to improve traffic circulation in the area. This includes Union Hills Road, Beardsley Road and Deer Valley Road.

Public Works

- Implemented an enhanced recycling program to increase the types of recyclable material accepted.
- Council continued their commitment toward street maintenance and new street construction.

Finance

- Began the process of replacing the software for the utility billing and sales tax systems to ensure that the City is able to provide a high level of service to our utility and sales tax customers.
- Continued the installation of state-of-the-art electronic read water meters to increase accuracy and efficiency in billing water customers. The new electronic meters are being used in all new construction as well as in a replacement program for old water meters.

Community Development

- Completed several small annexations of land into the City, increasing the City to approximately 163 square miles.
- Continued to work with the Peoria Downtown Merchant's Association and the Central Peoria Revitalization Plan to revitalize the historic center of Peoria.
- Continued the highly successful Neighborhood Pride community improvement program.
- Received a Desert Peaks Award for creating a Regional Plan Review Program that streamlined the approval of residential building plans.
- Adopted amendments to the Circulation element of the Peoria General Plan including a future proposed connection to the Loop 101 freeway at Beardsley Road and the future route of Loop 303 in northwest Peoria.

Community Services

- Began the construction of Rio Vista Community Park, the City's first large community park in the central area of the City.
- Continued the recreation programs offered to Peoria's citizens.

Utilities

- Began the design of the Southern Peoria Water Reclamation Plant.
- Adopted a Drought Contingency Plan that provides guidelines and strategies for reducing water consumption in times of drought.
- Began the Phase II expansion of the Beardsley Water Reclamation Plant to provide for an additional 1 million gallons per day of treatment capacity.

Economic Development

- Completed a development agreement for Larry Miller Mazda, a new 17,000 square foot auto dealership, to be located at the Peoria Auto Mall.
- Negotiated a development agreement with the Chili Davis Baseball Company for the development of a 30,000 square foot high-tech indoor baseball training facility located adjacent to the Peoria Sports Complex.
- Approved a memorandum of understanding with Theater Works that outlines the development of a \$5.6 million downtown theater project.
- Finalized a development agreement with Bell Lexus to develop a 14-acre luxury car dealership in the Peoria Auto Mall.

For The Future

The City's financial and operational plans will continue to support basic government services including roads, police, fire, water, sewer, solid waste management, public transit, and parks and recreation. In addition, the Council utilizes a process to assist in the identification, prioritization, and management of emerging strategic issues that, by virtue of their scope, complexity, and/or potential impact, require a coordinated multi-departmental action plan and budget. The City Council works closely with City management to implement specific objectives and tasks designed to meet these goals.

The following major goals were identified by the City Council in the 30-Month Business Plan as important priorities for the future:

- Emphasize quality growth and development to result in a balanced and sustainable community.
- Maximize Peoria's economic development opportunities.
- Develop a strategy for North Peoria.
- Develop the community's cultural infrastructure.
- Create additional opportunities to communicate with citizens.
- Continue the emphasis on public safety.
- Complete key capital improvement projects.
- Provide for Peoria's long term water needs.

OTHER MATTERS

Employee Pension Plans

The City maintains two employee pension plans and a pension plan for elected officials. The general employee plan is administered through the Arizona State Retirement System. The Public Safety Pension Plan and the Elected Officials Retirement Plan are administered by the Arizona Public Safety Personnel Retirement System. Both the employee and the employer make contributions directly to these organizations. Financial information about these plans can be found in Note 17 of the notes to the financial statements included in the Financial Section of this report. The City also administers a small pension fund that provides retirement income for volunteer firemen. The City no longer utilizes volunteer firemen, and only nine former members currently receive payments under the plan. The plan for volunteer firemen is sufficiently funded with assets of \$326,631 at June 30, 2003. For fiscal year 2003, investment income and other revenues were \$13,600 while expenditures for retirement payments and administrative expenses were \$21,600.

Debt Administration

Under current State Statutes, cities can issue general obligation bonds for purposes of water, sewer, artificial lighting, open space, parks, playground and recreational facilities up to an amount not exceeding 20 percent of the secondary assessed valuation. Cities can also issue general obligation bonds for all other purposes up to an amount not exceeding 6 percent of the secondary assessed valuation. As of June 30, 2003, the City's net general obligation debt of \$68,629,389 was below the combined legal limit of \$172,324,214. A detailed computation of this legal debt margin is included in Table XX of the statistical section of this report.

Two standard indicators of a City's debt position and debt burden include: 1) the ratio of general obligation bonded debt, supported by the City's general tax revenues, to secondary assessed valuation, and 2) the amount of bonded debt per capita. The following is a summary of these two indicators at June 30, 2003.

Percent of General Obligation Debt to Assessed Value:		
General Obligation Debt	\$	68,629,389
Secondary Assessed Value	\$	662,785,441
G.O. debt to assessed value		10.4%
Bonded Debt Per Capita:		
General Obligation Debt	\$	68,629,389
Estimated Population		127,807
G.O. debt per capita	\$	536.98

The following table is a summary of the City's outstanding debt at June 30, 2003 of \$239.9 million (excluding unamortized bond discount of \$90,611).

General Obligation Bonds	\$	68,629,388
Municipal Development Authority Bonds		26,400,000
Highway User Revenue Bonds		4,625,000
Special Assessment Improvement District Debt		15,444,342
Revenue and Revenue Refunding Bonds		85,824,081
Vistancia Community Facilities District Bonds		21,250,000
Other Contracts		17,700,790
Total Outstanding Debt at June 30, 2003	\$	<u>239,873,601</u>

In 2003, the City received an upgrade to its credit ratings for its general obligation bonds. The City's general credit was upgraded from an AA- rating to an AA rating by Fitch Ratings, from an A+ to an AA- by Standard and Poor's Corporation, and from an A1 rating to an Aa3 rating by Moody's Investor Service. The City is diligent in its efforts to maintain and even improve these ratings. General obligation debt is serviced by secondary property taxes. Revenue supported debt is serviced with the user fees associated with the particular fund activity.

The City's bond ratings are indicated in the table below.

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds			
Current rating	Aa3	AA-	AA
Prior rating	A1	A+	AA-
Date of current rating	2/4/2003	3/3/2003	2/17/2003
Water & Wastewater Bonds			
Current rating	A2	A	A+
Prior rating	A3	A-	A-
Date of current rating	6/2/2000	6/19/2000	6/2/2000
Municipal Development Authority (Utility) Bonds			
Current rating	A1	AA-	AA-
Prior rating	A2	A	A+
Date of current rating	5/16/2003	5/19/2003	5/16/2003
Municipal Sports Complex Authority Bonds			
Current rating	(not rated)	BBB+	BBB
Date of current rating		5/1993	5/1993
Highway User Revenue Bonds			
Current rating	A	A-	A+
Prior rating			A-
Date of current rating	1/25/1988	2/10/1988	3/13/2000
Improvement District Bonds			
Current rating	(not rated)	BBB	A+
Prior rating			A-
Date of current rating		5/26/1997	3/13/2000

Cash Management

The Finance Department manages the City's investment portfolio with the assistance of an external investment advisory firm and ensures compliance with the City's Investment and Portfolio Policies. The City's investment policy is to invest public funds with maximum security in a manner which will provide the highest return while meeting the daily cash flow demands of the City and conform with all applicable state and local statutes. The primary objectives, in priority order, are safety of principal, liquidity, and attaining a market rate of return.

The City is permitted 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 instrumentalities, and the State of Arizona's Local Government Investment Pool.

Temporary idle cash during the year was invested in the State Treasurer's Investment Pool and overnight repurchase agreements collateralized by U.S. Government securities. The average yield on unrestricted investments was 2.65% for the year ended June 30, 2003. The book value of the City's unrestricted investment portfolio at June 30, 2003 was \$252,160,235. For further information on the City's investments please refer to Note 4 of the notes to the financial statements.

Risk Management

The City is exposed to various risks of loss related to public and property liability and worker's compensation. Public liability includes public officials' errors and omissions, automobile and general liability. During fiscal year 2003, the City was self-insured for the first \$500,000 of each public liability claim with an annual aggregate limit of \$2,250,000. Coverage in excess of these amounts up to \$30,000,000 was provided through the purchase of commercial insurance.

During the fiscal year ended June 30, 2003 there was no significant reduction in excess insurance coverage. The Risk Management Division of the City Attorney's Office administers the City's liability insurance program. Worker's compensation claims are reviewed by the Human Resources Department and handled through the State Compensation Fund.

The City of Peoria has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses.

OTHER INFORMATION

Award

The Government Finance Officer's 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, 2002. This is the 18th 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 Dan Leahy, Accounting Supervisor, for his diligent efforts and superior contributions to this report. We also wish to thank the City Manager's Office and 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,

John F. Wenderski, CPA, CGFM, CIA
Chief Financial Officer and Director of Finance

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, 2002

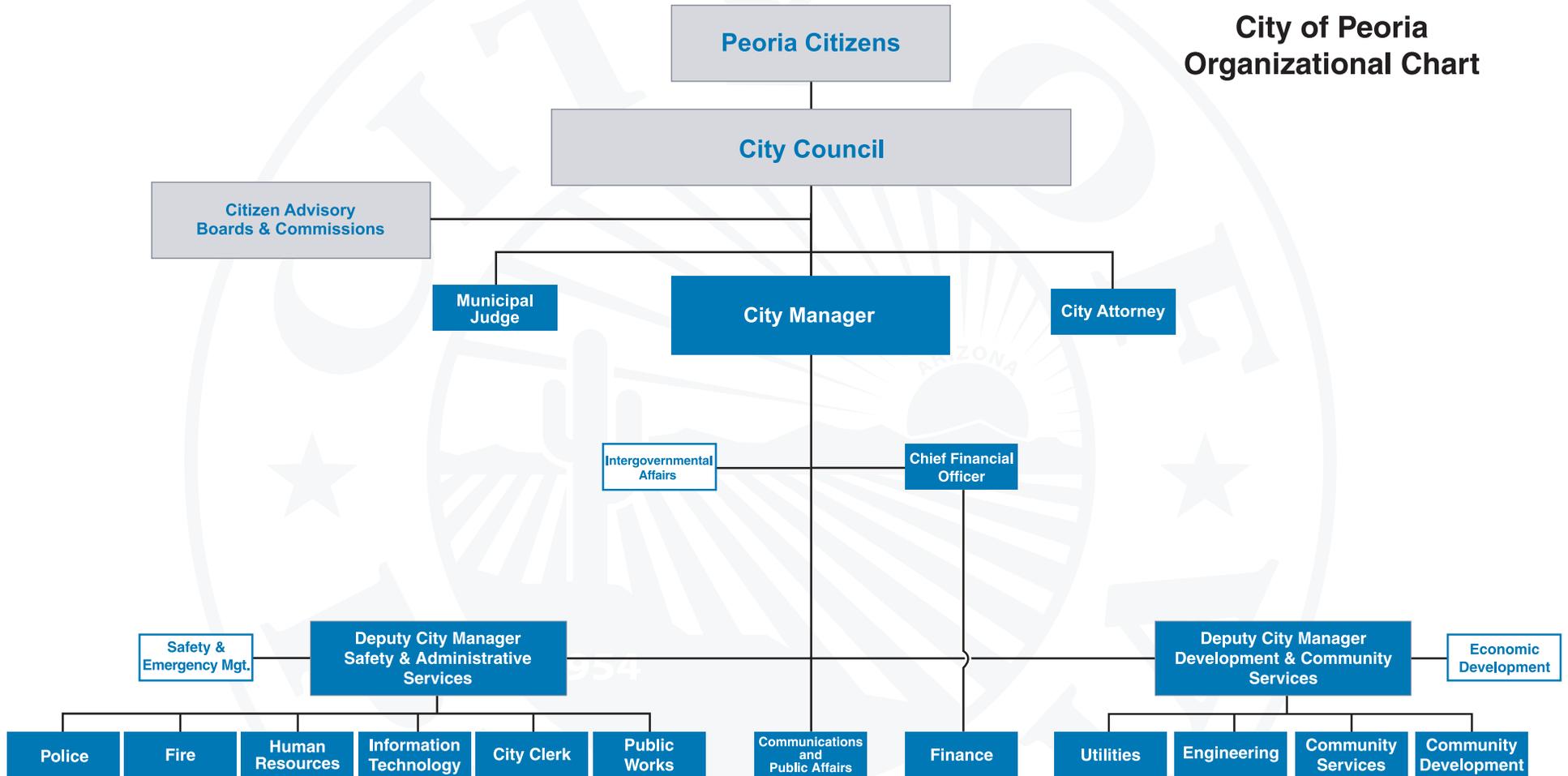
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Peoria Organizational Chart



City of Peoria, Arizona

Principal Officials of the City

Fiscal Year 2003

John Keegan
Mayor

Bob Barrett
Vice Mayor

Pat Dennis
Councilmember

Ken Forgia
Councilmember

Vicki Hunt
Councilmember

Carlo Leone
Councilmember

Ella Makula
Councilmember

Terrence L. Ellis
City Manager

Meredith Flinn
Deputy City Manager – Development & Community Services

Prisila B. Ferreira
Deputy City Manager – Safety & Administrative Services

George Anagnost
Municipal Judge

Stephen M. Kemp
City Attorney

J.P. de la Montaigne
Community Services Director

David A. Moody
Engineering Director

Greg A. Eckman
Human Resources Director

Debra Stark
Community Development Director

Robert McKibben
Fire Chief

David Leonardo
Chief of Police

Janice L. Graziano
City Clerk

John F. Wenderski
Chief Financial Officer

Sandy Teetsel
Information Technology Director

Grady Miller
Communications & Public Affairs Director

Stephen Bontrager
Utilities Director

Neil Mann
Public Works Director

Steve Prokopek
Economic Development Director

Mayor and City Council



Mayor John Keegan



Michael Patino
Acacia District



Bob Barrett
Ironwood District



Ken Forgia
Mesquite District



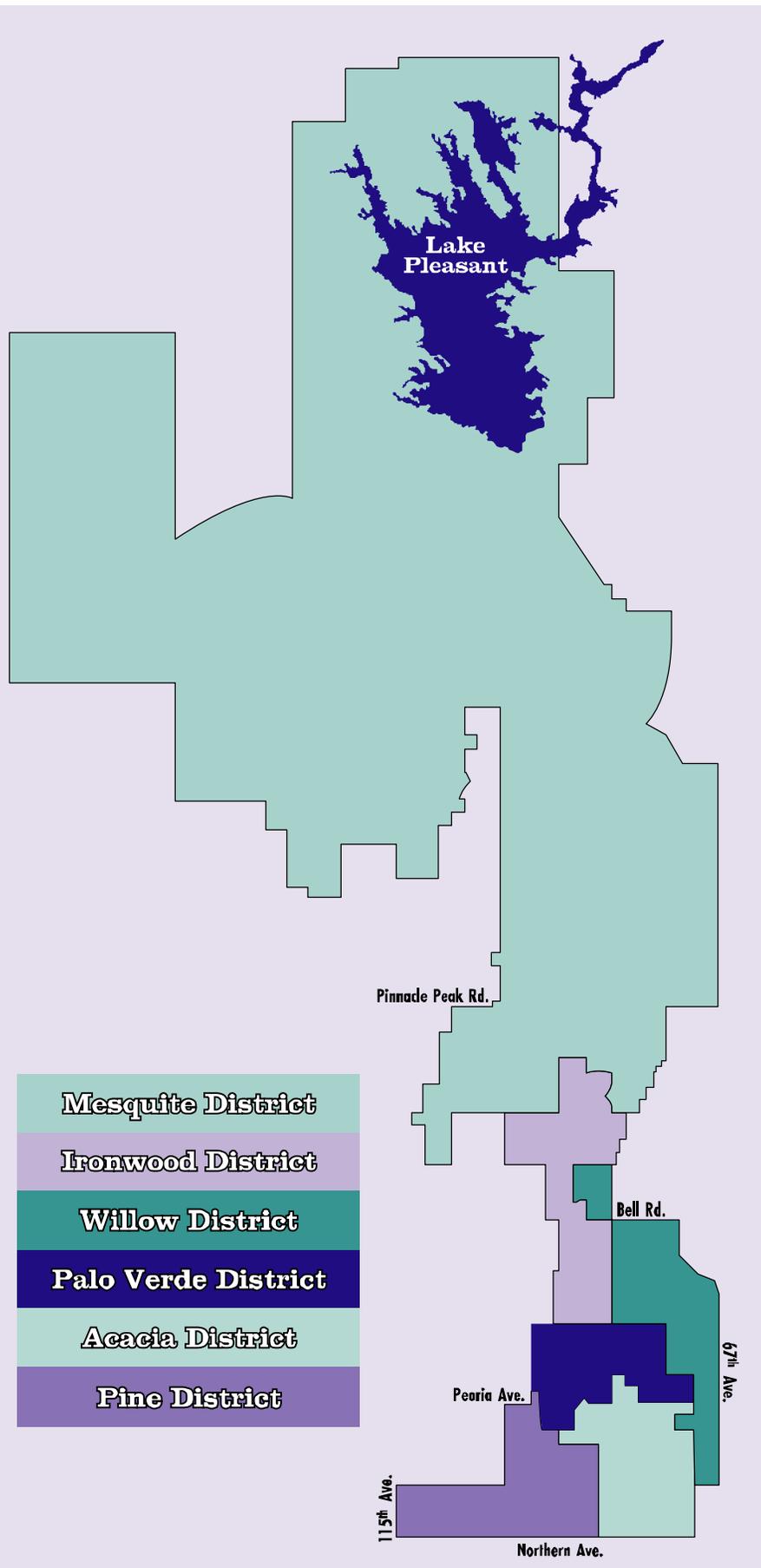
Pat Dennis
Palo Verde District



Carlo Leone
Pine District



Ella Makula
Vice Mayor
Willow





John Keegan **Mayor**

John Keegan was elected Mayor of Peoria May of 1997 and re-elected to four-year terms in 1999 and 2003. He is a fourth generation Arizonan and holds a Bachelors Degree in Civil Engineering for Arizona State University and a Masters Degree in Urban Planning from Pacific Western University. He has conducted post-graduate studies in strategic planning at the Naval War College and Harvard University. Mayor Keegan is the owner of an engineering and planning consulting firm. Mayor Keegan recently retired with the rank of Commander from the U.S. Naval Reserve after 27 years of service in both the U.S. Army and the U.S.N.R. From 1991 to 1995, he was a member of the Arizona House of Representatives. In 1997, he was recognized with the Champion of Decency Award from the American Families for Decency, and received the Samuel Adams Award for Outstanding Leadership in Local Government from the Local Government Council. In 2000, he was awarded the Arizona Planning Associations Distinguished Leadership Award. Mayor Keegan serves on the Executive Council of the Boy Scouts of America Grand Canyon Council and on the Board of Directors of the Morrison Institute and the Greater Phoenix Economic Council. He is a member of the Episcopal Bishop's Precept Committee and former Senior Warden of St. Christopher's Parish. Mr. Keegan is a life member of the National Eagle Scout Association. Mayor Keegan is married to Lisa Graham Keegan and they have five children and one grandson.



Bob Barrett **Vice-Mayor** **Ironwood District**

Bob Barrett was elected to the Peoria City Council representing the Ironwood District in 2001 and is currently serving as Vice Mayor. He came to Arizona in 1962 and moved to Peoria with his wife, Rachelle, in 1994. Councilman Barrett graduated with honors from Arizona State University with a degree in Mass Communications-Journalism. He worked for more than 20 years for *The Arizona Republic* as a magazine writer, reporter and editor. He currently works in the communications department of Central Arizona Project. Vice-Mayor Barrett served in the U.S. Army and was awarded the Bronze Star

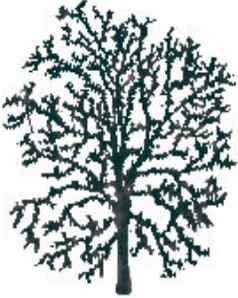
in Vietnam in 1971. He also received the Meritorious Service Medal awarded in 2001 by the Arizona National Guard for his work as the Media Relations Coordinator for the International Workshop for Emergency Response. He has also served as the Media Relations Chairman of the Statewide Emergency Taskforce and as a member of the program committee of the Colorado River Water Users Association and of Valley Forward. Vice-Mayor Barrett also is a member of WESTMARC, the International Association of Business Communicators and the Public Relations Society of America.



Ella Makula **Councilmember** **Willow District**

Ella Makula has been a resident of Arizona for over 30 years. She has been elected to three consecutive terms on the Peoria City Council since 1993. Ella was nominated Vice-Mayor from June 1996 to June 1998 and served as Vice Mayor in 2003. She is currently the Escrow Administrator for a major title company in the Phoenix metropolitan area with over 30 years of experience. Other community service activities include: Constitutional Commemoration Committee Member; Arizona Board of Appraisal Member; Neighborhood Pride Board of Directors; Chairperson, Not-for-Profit Funding and CDGB Appropriation Committee; Economic Development Subcommittee Member, and Ethics Subcommittee

Member. Past affiliations include MAG Regional Vision 2025 Committee; Northwest Regional Community Council; Selective Service System Board Member; Greater Phoenix Economic Council; Lake Pleasant/North Peoria Area Project Steering Committee Member; Neighborhoods U.S.A. (NUSA) Member; Arizona Women in Municipal Government Member.



Pat Dennis
Councilmember
Palo Verde District

A Peoria resident for 18 years, Pat Dennis has been elected to three consecutive terms on the City Council since 1995, and has served as Vice Mayor in 1999 and 2001. Councilwoman Dennis graduated from Mercy College with a degree in Social Work and has worked in the early childhood field for 14 years. She currently works as a real estate agent. Councilwoman Dennis is a member of the following boards and committees: AZ Women in Municipal Government (1996-2001); Member-Valley Metro Transportation Board since 1999 and past Chairperson (2001-2002); Member-Maricopa Association of Governments Transportation Policy Committee (2002); Vice-Mayor (2001-2002); Member-Not-for-Profit Funding and CDBG Appropriation Committee (1998-Present); Chairperson-Subcommittee of Boards and Commissions Appointments (1995-Present); Member-Sports Complex Board (1999-2001); City Council Liaison-Education Committee.



Ken Forgia
Councilmember
Mesquite District

In 1991 Mr. Forgia was elected as Mayor of Peoria, serving three two-year terms through 1997. In the March 1997 primary election, Mayor Forgia was elected to a four-year term as the City of Peoria Councilmember for the Mesquite District, appointed Vice-Mayor from June 2000-May 2001, and re-elected to a four-year term as Mesquite District Councilmember in June 2001. Mr. Forgia retired in 1983 as a Lieutenant Colonel with the Arizona Department of Public Safety, after more than twenty-six years of service. He also served as Assistant Director for the Arizona Department of Public Safety and commanded a Bureau that included three statewide crime labs, Fixed and Rotary Wing aircraft, all investigative support operations, and selected licensing functions. Mr. Forgia was born in Oklahoma and moved to Arizona as a child. He graduated from Glendale Community College and the FBI National Academy. He attended the University of Virginia and Arizona State University. Mr. Forgia's current memberships include Ethics Committee Chairman, Boswell Memorial Hospital Operating Board, Chairman of the Governmental Affairs Committee, Uniform Municipal Tax Code Commission, and member of the Transportation Infrastructure and Services (TIS) Policy Committee since 2001. Councilmember Forgia is also serving his sixth term as a member of the Executive Board of Arizona League of Cities and Towns. His past affiliations include Sports Complex Board Member, President of the Arizona Municipal Water Users Association (AMWUA), Treasurer of the Regional Public Transportation Authority (RPTA), Chairman of the RPTA, City of Peoria Personnel Board, MAG Youth Policy Advisory Board and former board member of the Arizona Medical Emergency System.



Carlo Leone
Councilmember
Pine District

Carlo Leone was first elected as the Pine District representative to the Peoria City Council in 1999, and was re-elected in 2003. He and his wife, Joan, have been residents of Peoria for 13½ years. Councilmember Leone retired in 1994 after 20 years as a Union Manager. He was a Political Science Major at Mt. San Antonio College in Walnut, California, and attended UCLA and Loyola Colleges majoring in Labor Law. Councilmember Leone is a member of the City Council's Subcommittee on Ethics, a member of the Military Affairs Committee, and appointed to the Board of Manufactured Housing by Governor Napolitano. He has been a member of the Peoria Diamond Club at

Peoria Sports Complex for the past 7 years. He is a member of the Country Meadows Lions Club and a former member of the Peoria Kiwanis Club.



Vicki Hunt
Councilmember
Acacia District

A West Valley native, Vicki Hunt was elected to the Peoria City Council from the Acacia District in 2003. Councilmember Hunt spent many years as an educator, most recently as an award-winning English teacher at Peoria High School (from 1984 to 2000). She is also a published writer and editor of educational materials. After retiring from teaching, Councilmember Hunt opened the Old Town Bed and Breakfast, Wedding and Reception

Center in Old Town Peoria, a business that she still owns and operates. She is married with three grown children and two grandchildren. Councilmember Hunt's past and current community involvement includes: Graduate of City of Peoria's Leadership Institute Inaugural Class (Spring 2002); Member, City of Peoria Revitalization Project Advisory Committee (1999-2000); President, Peoria Main Street Partnership (2000-current); Co-chair, Central Peoria Revitalization Ad Hoc Committee (2001-current); Board of Directors, Friends of Peoria Public Library (current); Volunteer at Community-Justice Assistance Services (2000-current); Peoria Women's Club (2001-current); Peoria Historical Society (1998-current); Arizona English Teachers Association (1989-current).





HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM
Jennifer L. Shields, CPA
C. Christopher Arvizu, CPA

3003 N. Central Avenue, Suite 1175
Phoenix, Arizona 85012
(602) 277-9449
Fax (602) 277-9297

www.heinfeldmeech.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peoria, Arizona (the City), as of and for the year ended June 30, 2003, 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, 2003, as listed in the table of contents. These financial statements are the responsibility of the City of Peoria's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peoria, Arizona, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Half-cent Sales Tax, Highway User Revenue and Development Fee Funds for the year then ended in conformity 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 funds of the City of Peoria, Arizona, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 16 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and the combining financial statements. The accompanying schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements and the combining financial statements. Such Other Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and the combining financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole and the combining financial statements. The information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and the combining financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heinfeld, Meech & Co., P.C.

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

September 19, 2003, except for
Note 23, as to which the date is
November 5, 2003

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, 2003. 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-xiv of this report and is designed to be read in conjunction with the transmittal letter as well as the financial statements beginning on page 17 and the accompanying notes to the financial statements.

Financial Highlights

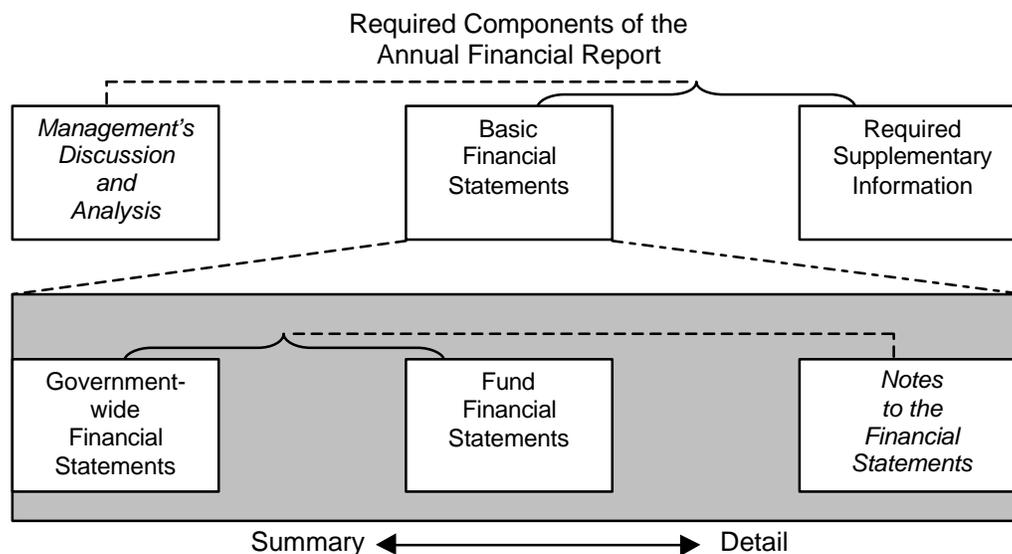
- ◆ The City's total net assets increased \$62.6 million (8.5%) in fiscal year 2003, \$28.1 million (a 6.1% increase) in governmental activities and \$34.5 million (a 12.6% increase) in business-type activities.
- ◆ A prior period adjustment to net assets of \$110.7 million was posted to Governmental Activities with the retroactive capitalization of the remaining infrastructure assets of the City. Additional information on the prior period adjustment may be found in Note 21 (page 82).
- ◆ Total net assets of the City are \$798.1 million, of which \$249.2 million is unrestricted (up \$112.4 million, 82.2%, from last year's \$136.8 million unreserved net assets).
- ◆ The governmental activities functional revenues decreased by approximately \$3.8 million (10.5%) from the previous year.
- ◆ The business-type activities functional revenues increased by approximately \$6.4 million (12.4%) over the previous year.
- ◆ At June 30, 2003, total fund balances of the governmental funds was \$164.2 million, up \$46.6 million (39.6%) from the previous year. Of this, \$31.7 million (19.3%) was unreserved (available for spending at the government's discretion).
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$2.4 million for fiscal year 2003. Additionally, budgetary basis expenditures were only 90.7% (\$7.9 million in savings) of the final budget in the General Fund.
- ◆ At June 30, 2003, unreserved fund balance for the general fund was \$16.4 million, or 27.7% of general fund expenditures for fiscal year 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City implemented the Governmental Accounting Standards Board (GASB) Statement 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (the new model) with the financial statements for the year ended June 30, 2001. The new model contained sweeping changes to the requirements for governmental reporting. The major changes were as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also requires financial statements on a government-wide basis.

- Fund financial statements – the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.
- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, street lighting, etc.). These assets are reported in the governmental activities on the government-wide financial statements.
- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.
- Required narrative analysis – The new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).



As pictured above, the financial section of the Comprehensive Annual Financial Report (CAFR) for the City of Peoria, Arizona consists of this discussion and analysis and the basic financial statements. There are also additional non-required combining schedules and other supplementary schedules presented after the basic financial statements. 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.

Government-wide Financial Statements

The government-wide financial statements (see pages 17-19) 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 and sanitation utilities, the stadium and public housing. These activities are primarily supported through user charges or fees.

The *statement of net assets* presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of the whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like 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 assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets are reported at the time that 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 the traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements now focus on major funds of the City, rather than fund type used prior to Statement 34. 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 (pages 20-32) 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 (pages 59-63).

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, development fee fund, special assessment debt service fund, general obligation bond capital projects fund, and non-bond capital projects 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 (page 90-93).

Proprietary funds – Proprietary funds are used to account for services which are primarily supported by user fees. The proprietary fund financial statements (pages 34-41) are prepared on 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 with the fund statements. The City's enterprise funds are the water, wastewater, and sanitation utilities, as well as the sports complex (Stadium Fund) and public housing activities. All of the enterprise funds are considered to be major funds of the City.

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 assets. 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 statements (pages 94-96). The internal service funds of the City include the motor pool, self-insurance, facilities, 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 (pages 42-43 and 97) 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 (pages 46-85) 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. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in Note 17 to the 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, 2003 with comparative information for the previous year.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the City for June 30, 2003 compared to the prior year.

Statement of Net Assets
As of June 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2003	2002 *	2003	2002	2003	2002	
Current and other assets	\$ 209.9	\$ 161.4	\$ 134.4	\$ 134.5	\$ 344.3	\$ 295.9	16.4%
Capital assets	<u>455.3</u>	<u>430.8</u>	<u>272.5</u>	<u>243.6</u>	<u>727.8</u>	<u>674.4</u>	7.9
Total assets	<u>665.2</u>	<u>592.2</u>	<u>406.9</u>	<u>378.1</u>	<u>1,072.1</u>	<u>970.3</u>	10.5
Other liabilities	33.8	27.3	16.4	17.8	50.2	45.1	11.3
Long-term liabilities outstanding	<u>141.3</u>	<u>103.0</u>	<u>82.5</u>	<u>86.8</u>	<u>223.8</u>	<u>189.8</u>	17.9
Total liabilities	<u>175.1</u>	<u>130.3</u>	<u>98.9</u>	<u>104.6</u>	<u>274.0</u>	<u>234.9</u>	16.6
Net assets:							
Invested in capital assets, net of related debt	275.3	341.4	186.8	158.1	462.1	499.5	(7.5)
Restricted	23.2	44.7	63.6	54.5	86.8	99.2	(12.5)
Unrestricted	<u>191.6</u>	<u>75.8</u>	<u>57.6</u>	<u>60.9</u>	<u>249.2</u>	<u>136.7</u>	82.3
Total net assets	<u>\$ 490.1</u>	<u>\$ 461.9</u>	<u>\$ 308.0</u>	<u>\$ 273.5</u>	<u>\$ 798.1</u>	<u>\$ 735.4</u>	8.5

* fiscal year 2002 numbers after restatement (see Note 21)

The net assets of the City increased \$62.7 million (8.5%) in fiscal year 2003. Of this increase, \$28.2 million was in the governmental activities, a 6.1% increase, and \$34.5 was in the business-type activities, a 12.6% increase.

Net Assets consists of three components. The largest portion of net assets (\$462.1 million or 57.9%) 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 Assets decreased \$37.4 million in FY03 (after restatement of the FY02 capital assets) primarily as a result of depreciation of the capital assets.

The second portion of the City's net assets (\$86.8 million or 10.9%) represents resources that are subject to external restrictions on how they may be used. The decrease of \$12.4 million is primarily due to the decrease of funds reserved for capital projects and debt service.

The third portion consists of Unrestricted Net Assets of \$249.2 million (31.2%). These net assets may be used to meet the City's ongoing obligations to citizens and creditors. This category increased \$112.5 million (82.3%) in FY03.

Changes in Net Assets

The program revenues (charges for services and grants and entitlements that are clearly identifiable to an operating function) of governmental activities decreased \$3.8 million (10.5%) from the previous year, primarily due to a decrease in other grants and entitlements. The program revenues of business-type activities increased \$6.4 million (12.4%), primarily due to increased charges for service and other grants and entitlements. For fiscal year 2003, total governmental revenues decreased \$8.8 million (6.8%) and total business-type revenues decreased \$10.2 million (12%) while the expenses increased \$12 million (15.4%) and \$1.3 million (3.1%) for the governmental activities and business-type activities respectively. Included in the fiscal year 2002 revenues were one-time revenues of \$18.4 million for proceeds from bond refinancing and \$12.5 million in donations of capital assets for a piece of land donated to the City. Excluding these revenues, ongoing revenues of the City increased \$11.9 million in fiscal year 2003. The 6.5% revenue growth comes from a combination of the growth of the City and some user fee rate increases.

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

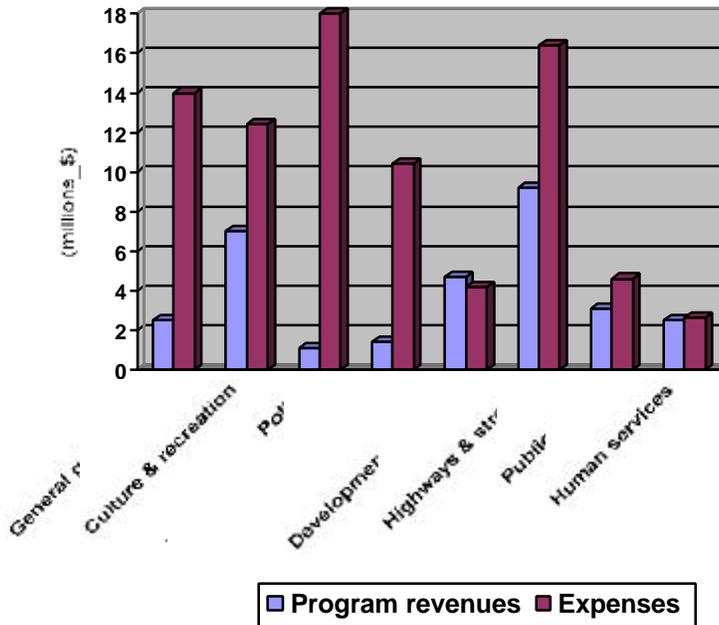
Changes in Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2003	2002	2003	2002	2003	2002	
REVENUES:							
Program revenues:							
Charges for services	\$ 12.3	\$ 10.4	\$ 44.6	\$ 41.5	\$ 56.9	\$ 51.9	9.6%
Federal grants	3.8	1.7	.1	.1	3.9	1.8	116.7
Other grants and entitlements	16.5	24.2	13.4	10.1	29.9	34.3	(12.8)
General revenues:							
Property taxes	11.4	10.4	-	-	11.4	10.4	9.6
Sales and use taxes	35.9	33.7	-	-	35.9	33.7	6.5
Franchise taxes	2.3	2.3	-	-	2.3	2.3	-
State shared sales tax	8.5	8.4	-	-	8.5	8.4	1.2
Urban revenue sharing	11.4	11.3	-	-	11.4	11.3	.9
Auto-in-lieu taxes	4.3	3.6	-	-	4.3	3.6	19.4
Donations of capital assets	10.2	17.6	14.1	9.6	24.3	27.2	(10.7)
Miscellaneous	1.1	.5	.3	.1	1.4	.6	133.3
Proceeds from eliminated debt	.1	-	-	18.4	.1	18.4	(99.5)
Investment earnings	2.9	5.4	2.4	5.3	5.3	10.7	(50.5)
Total revenues	<u>120.7</u>	<u>129.5</u>	<u>74.9</u>	<u>85.1</u>	<u>195.6</u>	<u>214.6</u>	(8.9)
EXPENSES:							
Program activities:							
Governmental activities:							
General government	14.0	12.5	-	-	14.0	12.5	12.0%
Culture and recreation	12.5	11.9	-	-	12.5	11.9	5.0
Police	18.4	15.0	-	-	18.4	15.0	22.7
Fire	10.4	9.2	-	-	10.4	9.2	13.0
Development services	4.2	3.5	-	-	4.2	3.5	20.0
Highways and streets	16.4	14.5	-	-	16.4	14.5	13.1
Public works	4.6	3.6	-	-	4.6	3.6	27.8
Human services	2.6	1.6	-	-	2.6	1.6	62.5
Interest expense on debt	6.2	5.5	-	-	6.2	5.5	12.7
Unallocated depreciation	.6	.6	-	-	.6	.6	-
Business-type activities:							
Water utility	-	-	18.9	18.1	18.9	18.1	4.4
Wastewater utility	-	-	12.3	10.9	12.3	10.9	12.8
Sanitation utility	-	-	7.8	6.9	7.8	6.9	13.0
Stadium	-	-	3.9	5.7	3.9	5.7	(31.6)
Housing	-	-	.3	.3	.3	.3	-
Total expenses	<u>89.9</u>	<u>77.9</u>	<u>43.2</u>	<u>41.9</u>	<u>133.1</u>	<u>119.8</u>	11.1
Excess before transfers	<u>30.8</u>	<u>51.6</u>	<u>31.7</u>	<u>43.2</u>	<u>62.5</u>	<u>94.8</u>	(34.1)
Transfers	(2.8)	(1.6)	2.8	1.6	-	-	-
Increase (decrease) in net assets	<u>\$ 28.0</u>	<u>\$ 50.0</u>	<u>\$ 34.5</u>	<u>\$ 44.8</u>	<u>\$ 62.5</u>	<u>\$ 94.8</u>	(34.1)

The graph on the following page 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 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 functional revenues of \$32.6 million are 36.2% of the governmental expenses for fiscal year 2003, down from 46.6% in fiscal year 2002. In the business-type activities, functional revenues of \$58.1 million are 134.5% of the business-type expense for fiscal year 2003. This compares to \$51.7 million and 123.4% in fiscal year 2002.

Governmental activities account for 61.7% of the total revenues of the City and 67.5% of the total expenditures in fiscal year 2003. This compares to 60.3% of total revenues and 65.0% of expenses in fiscal year 2002.

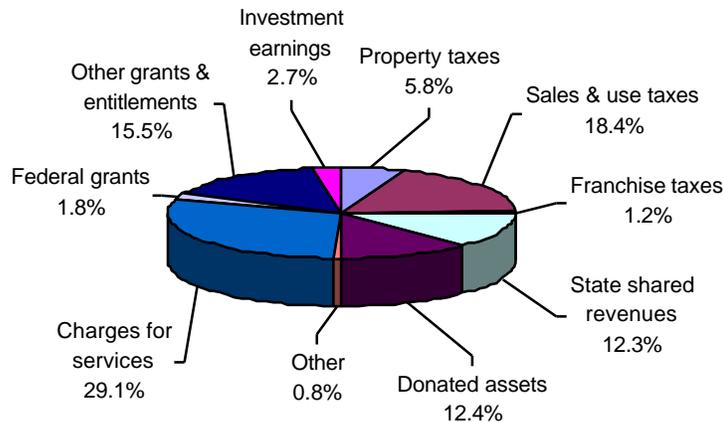
Governmental Activities Program Revenues & Expenses



As seen in the following graph, the largest financing source for the City is charges for services (29.1%), primarily because this is the major funding source of the business-type activities (59.5% of business-type revenues). The major funding sources of the governmental activities are taxes (25.4% of total revenues, 41.1% of governmental revenues) and state shared revenues (12.3% of total revenues, 20% of governmental revenues).

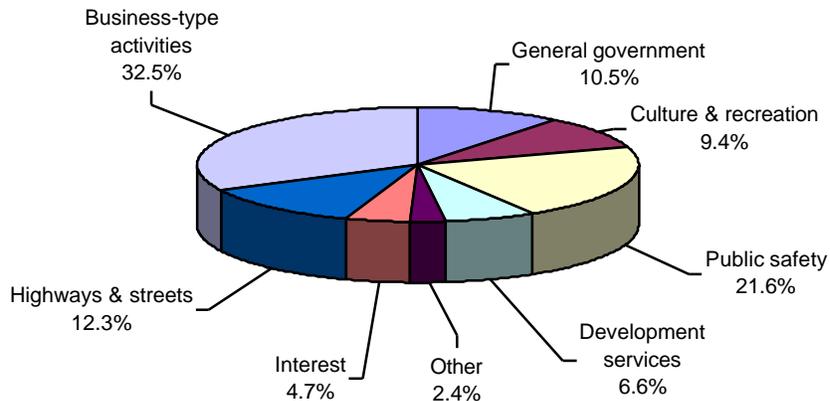
Taxes, including property, sales & use and franchise, increased 6.9% from fiscal year 2002 to fiscal year 2003. Sales and use taxes increased 6.5% with a slowly recovering economy, while franchise taxes remained steady and property taxes rose 9.6%. The increase in property taxes was due to growth in the assessed value of the City, as the tax rate was unchanged from fiscal year 2002 to fiscal year 2003.

Government-Wide Revenue Sources Fiscal Year 2003



Business-type activities account for 32.5% of the functional expenses of the City for fiscal year 2003, while governmental activities account for 67.5% of the functional expenses. For the governmental activities, the largest users of resources are public safety (21.6% of total expense, 32% of governmental expenses), highways and streets (12.3% of total expenses, 18.2% of governmental expenses), general government (10.5% of total expenses, 15.6% of governmental expenses) and culture and recreation (9.4% of total expenses, 13.9% of governmental expenses).

Government-Wide Functional Expenses Fiscal Year 2003



Total government-wide expenses (not including transfers out) of the City increased \$13.3 million (11.1%) in fiscal year 2003. Expenses of the governmental activities increased \$12 million (15.4%). This includes \$4.6 million (19%) for public safety (police and fire), \$1.9 million (13.1%) for highways and streets, \$1.7 million (23.9%) for development services (including public works) and \$1.5 million (12%) for general government. These increases reflect the Council’s goals of public safety and customer service. Expenses in Business-type activities increased \$1.3 million (3.1%), due to both an increase in customers and increasing costs as the City continues to expand the water and wastewater systems and move from ground water to surface water.

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 (pages 20-32) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are discreetly 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 90-93.

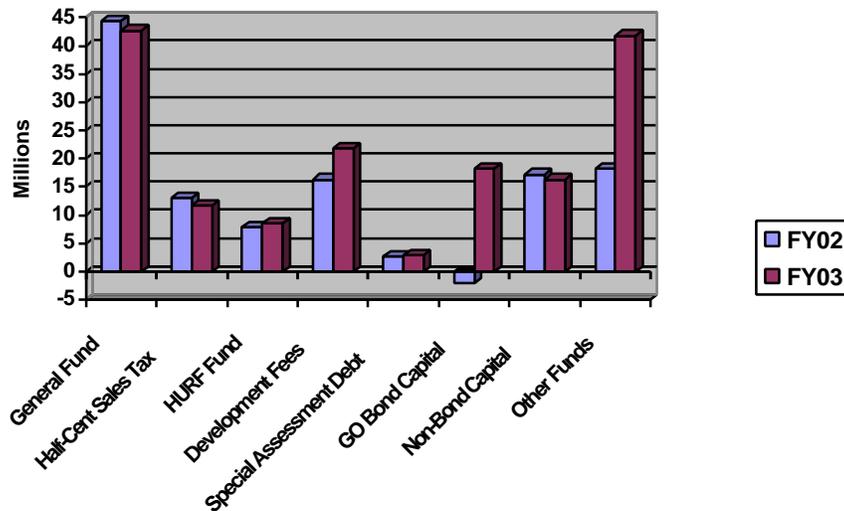
The fund balance of the governmental funds is \$164.2 million, an increase of \$46.5 million, or 39.5%, from the previous year. Of this, \$92.2 million (up \$51.8 million (128.4%) from the previous year) is classified as “Reserved” because it is not appropriable for expenditure or is legally segregated for a specific future use. Much of the increase in governmental fund balance, and in restricted fund balance, in fiscal year 2003 is from the sale of new bonds.

An additional \$40.3 million of the governmental fund balance has been designated or committed for specific purposes by council policy or administrative action. These designations include economic

stabilization reserves, debt service reserves, current capital projects and equipment replacement reserves. These designations are described in Note 11 to the financial statements (page 69).

The remaining \$31.7 million of governmental fund balance is classified as “Unreserved, Undesignated”. 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 unreserved, undesignated fund balance increased 1.9% during fiscal year 2003.

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 \$3.0 million (4.9%) over the previous year. The City’s sales and use tax revenues increased \$1.8 million (8.1%) and charges for services increased \$1.1 million (16.8%) as the City continued moderate growth during fiscal year 2003. General Fund expenditures increased \$.1 million (1.4%) as a \$4.7 million increase in functional expenditures was largely offset by a \$1.8 million decrease in debt service expenditures (the development agreement debt was moved from the General Fund to the Half-Cent Sales Tax Fund in fiscal year 2003) and a \$2.1 million decrease in capital outlay. The increase in functional expenditures is from the addition of 46 new positions, salary increases and the continuing increase in health insurance and other employee benefit costs. As a result, the unreserved/undesignated fund balance of the general fund was 27.7% of expenditures at June 30, 2003, down from 31.6% at June 30, 2002.

The Half-Cent Sales Tax Fund tracks the revenues from certain sales taxes designated for specific purposes by Council policy. Revenues in this fund held steady with the previous year (0.6% decrease). The fund balance decreased \$1.4 million with the transfer of an additional \$3.4 million in fiscal year 2003 to fund continuing construction of the new public safety administration building.

The Highway User Revenue Fund (HURF Fund) is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and 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. During fiscal year 2003, the City moved the streets and intersection development fees from this fund into the Development Fee Fund (a prior period adjustment of \$4.0 million to fund balance) with all the other governmental development fees. Revenues in the HURF Fund increased \$.4 million (4.1%) in fiscal year 2003 (after adjusting FY02 to remove the impact fees). Expenditures increased \$1.1 million (14%) with increased street maintenance costs.

Other major governmental funds of the City include the Development Fee Fund, which collects governmental impact fees for parks and recreational facilities, public safety and general government. The Special Assessment Debt Service Fund collects special assessments levied through improvement districts and pays the debt service on the improvement district bonds. The GO Bond Capital Projects Fund accounts for bond proceeds of general obligation bonds and the expenditure of those proceeds. The Non-Bond Capital Projects Fund accounts for contributions from developers and other governments used for the construction of capital assets. The City also uses the Non-Bond Capital Projects Fund for the construction of some capital assets funded with City revenues other than bond funds (cash funding). This fund is being used to construct the new public safety administration building (estimated cost of \$18.5 million), funded by transfers from the General Fund, Half-Cent Sales Tax Fund and Development Fee Fund. All non-major governmental funds of the City are combined into one column on the governmental fund statements.

Proprietary funds

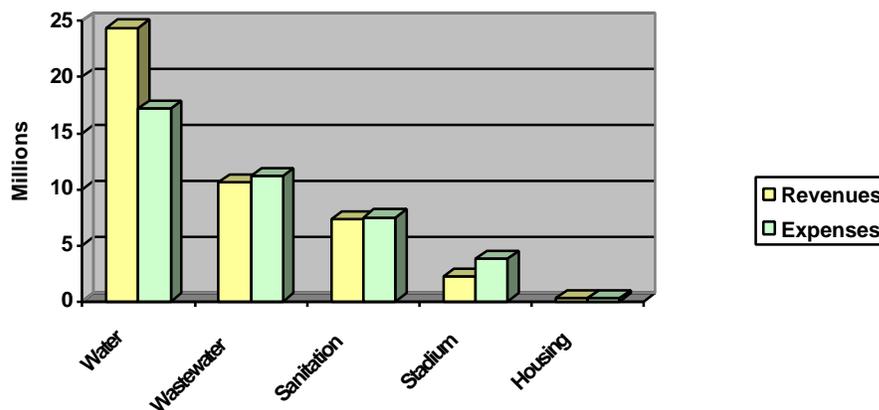
The proprietary funds financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discreetly on the fund statements. The Public Housing Fund does not meet the GASB 34 criteria of a major fund, but the City has chosen to present it as a major fund.

Net assets of the enterprise funds increased \$35 million (12.8%) in fiscal year 2003. The Water Utility, Wastewater Utility and Sanitation Utility experienced increases in net assets of \$24 million (20.1%), \$10.5 million (9.7%) and \$.9 million (5.4%) respectively, while the Stadium fund and the Public Housing fund had decreases of \$.3 million (1.0%) and \$.1 million (2.7%) respectively. The unrestricted net assets of the enterprise funds decreased \$2.9 million (4.7%) from the previous year.

Operating revenues of the enterprise funds increased \$3.1 million (7.4%) in fiscal year 2003 due to an increased customer base and small rate adjustments on certain customer classes in the water utility. The Water, Wastewater and Sanitation Utility funds all experienced increased revenues, while the Stadium Fund had a decrease in revenues due to lower attendance at the Cactus League spring training games.

Operating expenses of the enterprise funds increased \$3.3 million (9.1%) in fiscal year 2003, causing a slight (4.7%) decrease in the fiscal year operating income of the enterprise funds compared to 2002. The expense increase comes from increasing contractual services, materials and supplies caused by the increasing customer bases and a full year of operation of the Greenway Water Treatment Plant. There were also seven new employees (five in the Sanitation Utility and two in the Water Utility) added to the enterprise funds for fiscal year 2003.

Fiscal year 2003 Enterprise Fund Operating Revenues and Expenses



The graph on the previous page shows the operating revenues and expenses for the enterprise funds for fiscal years 2003 and 2002.

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 28-32. 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 100-120.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.E on page 53 for more information on budget policies). No amendments increasing the City's total adopted budget of \$335 million occurred during fiscal year 2003. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur. Some of the significant amendments are as follows:

- Several functions of the City drew from contingency appropriations into operational line items. The Risk Management program, part of the Self-Insurance Fund (an Internal Service Fund) used \$1.4 million from contingency funds to cover costs resulting from increased claims. The Water Utility (\$450,000) and Wastewater Utility (\$750,000) also drew on contingency funds to cover settlement costs from a claim against the City. The Police Department, part of the General Fund, was given an additional \$400,000 to cover overtime costs incurred. All of these contingency transfers were covered by fund reserves.
- Contingency appropriation of \$1.3 million was transferred into the Other Grants operating budget to continue the City's participation in the traffic signal interconnect program administered by the Arizona Department of Transportation. This is offset by grant revenues.
- Approximately \$2.1 million was moved from contingency accounts to fund the purchase of land for a southern community park. This project was not anticipated to be funded in fiscal year 2003, but circumstances arose that allowed the land purchase be completed earlier than anticipated through Half-Cent Sales Tax Fund reserves.
- Budget amendments occur throughout the year to cover approved carryovers from the previous budget, capital projects with budget overages or whose timing was accelerated and other unanticipated costs.
- Throughout the year, budget amendments are processed from contingency accounts to allow expenditure authority from unanticipated revenue sources. These include new or higher than expected 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.

General Fund revenues of \$75.4 million, on a budgetary basis, exceeded budgeted revenues of \$73.0 million by \$2.4 million (3.3%) while budgetary basis expenditures of \$77.4 million were only 90.7% of budgeted expenditures. The excess of revenues over budgeted revenues is primarily due to higher sales tax collections, especially retail and restaurants, resulting from a strong local economy. Reduced expenditures resulted from delayed capital projects and unspent contingencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City completed the retroactive capitalization of its infrastructure during fiscal year 2003 with a \$110.7 million prior period adjustment to capital assets and net assets. As of June 30, 2003, the City had \$462.1 million invested in various capital assets, net of accumulated depreciation and related debt, up 18.8% from the previous year. The capital assets of the City (net of depreciation, but not capital debt) are \$727.8 million. This is a net increase of \$53.4 million from June 30, 2002. Of the increase, \$24.5 million resulted from governmental activities and \$28.9 million resulted from business-type activities.

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

- ✓ The City spent an additional \$9 million for construction of a new public safety administration building. The project began construction in early fiscal year 2003 and is anticipated to be complete, at a cost of \$18.5 million, in early fiscal year 2004. This facility will house the police department, fire department administration and a production studio for the City's public access television station, Channel 11.
- ✓ A 30-inch water line along Lake Pleasant Road from Deer Valley Road to Rose Garden Lane was completed at a cost of \$2.7 million. This pipeline will provide service to the Lake Pleasant Road corridor and north area of the City located east of the Agua Fria riverbed.
- ✓ An additional \$2.3 million was spent in fiscal year 2003 for the Phase II expansion of the Beardsley Wastewater Treatment Plant. The project should be completed in fiscal year 2004 at an estimated cost of \$4.5 million.
- ✓ The City began construction of a 4 million gallon water storage reservoir located at the City's Municipal Operation Center in the southern part of the City. \$2.9 million was spent of the estimated \$3.3 million budget. The project should be completed in fiscal year 2004.
- ✓ Construction began on a 10 million gallon water storage reservoir in the northern part of the City with \$3.6 million of an estimated project budget of \$4.7 million spent in fiscal year 2003. This reservoir is an important part of the water delivery system for the Pyramid Peak Water Treatment Plant.
- ✓ The City spent an additional \$3.2 million on construction of phase I for the City's first large community park. This 50 plus acre park will include lighted sports facilities, playgrounds, picnic ramadas and other recreational facilities. Construction of Phase I of the park is scheduled to be completed in January 2004 at an estimated cost of \$9.2 million.

The following table provides a breakdown of the capital assets of the City at June 30, 2003 and 2002. Additional information on the City's capital assets may be found in Note 12 on pages 70-72.

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2003	2002 *	2003	2002	2003	2002 *	
Buildings and building improvements	\$ 31.6	\$ 32.3	\$ 21.5	\$ 22.1	\$ 53.1	\$ 54.4	(2.6)%
Furniture	.6	.6	-	-	.6	.6	-
Equipment	9.6	10.0	1.5	.7	11.1	10.7	3.7
Vehicles	5.9	5.1	3.7	3.9	9.6	9.0	6.7
Storm drainage system	40.3	39.9	-	-	40.3	39.9	1.0
Street system	187.2	182.1	-	-	187.2	182.1	2.8
Park system	10.0	10.2	-	-	10.0	10.2	(2.0)
Water system	-	-	118.5	73.6	118.5	73.6	61.0
Wastewater system	-	-	84.3	81.6	84.3	81.6	3.3
Land	141.1	140.8	12.5	12.5	153.6	153.3	.2
Work in progress	29.0	9.8	30.5	49.2	59.5	59.0	.8
Total	<u>\$ 455.3</u>	<u>\$ 430.8</u>	<u>\$ 272.5</u>	<u>\$ 243.6</u>	<u>\$ 727.8</u>	<u>\$ 674.4</u>	7.9

* Fiscal year 2002 numbers are restated (see Note 21)

The City has adopted a ten year capital improvement plan budgeted at \$433.1 million, including \$129 million in fiscal year 2004. Anticipated funding for this plan is through a combination of impact fees (32%), utility revenue bonds (17%), general obligation bonds (23%), operating revenues (20%) and other outside funding sources (8%).

Long-term Debt

The City's outstanding non-current long-term debt, including bonds, notes, contracts and compensated absences, was \$225 million at June 30, 2003. Of this total, \$142.3 million was in governmental activities and \$82.7 million was in business-type activities. The City's outstanding non-current debt increased \$35.2 million in fiscal year 2003. The City issued \$27.6 million in General Obligation Bonds in governmental funds during fiscal year 2003. Vistancia Community Facilities District, a governmental blended component unit, issued \$21.3 in general obligation bonds during fiscal year 2003. Additionally, \$2.0 million in new Water Infrastructure Financing Authority of Arizona loans were issued on behalf of the City. In June 2003, the City issued \$25 million in refunding bonds (\$22.2 governmental and \$2.8 million business-type).

Of the outstanding debt, \$68.6 million is general obligation bonds backed by the full faith and credit of the City. An additional \$15.5 million are 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 \$21.3 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 outstanding assessed valuation of the City. The City's available debt margin at June 30, 2003 is \$28 million in the 6% capacity and \$40.6 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in Note 15 on page 72 and also in Table XX in the statistical section of this report (page 165).

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2003 and 2002. Further detail on the City's outstanding debt may be found in Note 15 on pages 72-78.

Outstanding Debt (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2003	2002	2003	2002	2003	2002	
General obligation debt	\$ 68.6	\$ 44.5	\$ -	\$ -	\$ 68.6	\$ 44.5	54.2%
Municipal Development Authority debt	23.6	25.8	2.8	3.9	26.4	29.7	(11.1)
Highway User Revenue bonds	4.6	4.9	-	-	4.6	4.9	(6.1)
Special assessment debt	15.5	17.3	-	-	15.5	17.3	(10.4)
Water/Sewer Revenue bonds	-	-	85.8	88.9	85.8	88.9	(3.5)
Municipal Sports Complex Authority	-	-	-	1.1	-	1.1	(100.0)
Community Facilities District bonds	21.3	-	-	-	21.3	-	-
Contracts payable	17.7	20.0	-	.1	17.7	20.1	(11.9)
Compensated absences	2.9	2.5	.4	.3	3.3	2.8	17.9
Total	<u>\$ 154.2</u>	<u>\$ 115.0</u>	<u>\$ 89.0</u>	<u>\$ 94.3</u>	<u>\$ 243.2</u>	<u>\$ 209.3</u>	16.2

The City currently maintains the following ratings on its general obligation debt: "AA-" from Standard & Poor's, "Aa3" from Moody's and "AA" from Fitch. For the water and sewer revenue bonds, the ratings are "A" from Standard & Poor's, "A2" from Moody's and "A+" from Fitch.

ECONOMIC FACTORS

The unemployment rate in the metropolitan Phoenix region for June 2003 was 5.2%, which remains below both the state (5.9%) and national average (6.4%). While the regional economy remains strong, it is traditionally largely driven by construction, due to the continued population growth of the state and metropolitan area, as well as the financial services and tourism sectors. Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the

economy. While the state and regional economies appear to be moving in the direction of a gradual recovery, fiscal year 2003 saw the economy continue to struggle to recover from the effects of the recession and low consumer confidence. Local economists predict continued recovery and slow growth.

Because of the continued growth of the community, Peoria's revenues have continued to increase, although at a slower rate than the past several years. Low interest rates have continued to fuel a steady, if slower, new housing market. Peoria continues to attract new retail businesses and restaurants, helping to increase the City's sales tax base. The adopted fiscal year 2004 budget expects sales tax revenues to increase 4%, while total General Fund operating revenues hold steady at the fiscal year 2003 levels.

To ensure that the City remains financially strong, the adopted fiscal year 2004 budget is \$330 million (down 1.5% from 2003). It includes a \$201 million operating budget (a decrease of 1.2% from 2002) and a \$129 million capital projects budget (down 1.9% from 2003). The fiscal year 2004 budget includes 17 new staff positions to support City services, most of which are supported by user fees and charges.

The City has continued to build cash balances over the last few years, both for financial stability and in anticipation of the capital and ongoing operational needs of a growing city. The City has established Economic 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 \$22.3 million in the General Fund and \$3.6 million in the Half-Cent Sales Tax Fund at June 30, 2003.

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 Chief Financial Officer at the following address: City of Peoria, 8401 W. Monroe Street, Peoria, Arizona 85345.

CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
June 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,650,803	\$ 42,771,728	\$ 95,422,531
Cash with fiscal agents	1,432,872	3,450,140	4,883,012
Investments	87,506,929	70,790,927	158,297,856
Accounts receivable, net	4,392,850	7,625,239	12,018,089
Interest receivable	656,540	552,998	1,209,538
Internal balances	886,824	(886,824)	-
Due from other governments	3,588,781	57,263	3,646,044
Prepaid items	79,956	14,000	93,956
Supply inventories	202,233	196,967	399,200
Deferred bond issuance costs, net	2,023,153	738,047	2,761,200
Restricted cash and cash equivalents	42,093,764	7,808,644	49,902,408
Restricted investments	309,021	-	309,021
Other assets		1,322,364	1,322,364
Special assessments receivable	14,092,123	-	14,092,123
Capital assets:			
Non-depreciable	170,068,168	42,961,230	213,029,398
Depreciable (net)	285,182,584	229,555,748	514,738,332
Total assets	<u>665,166,601</u>	<u>406,958,471</u>	<u>1,072,125,072</u>
LIABILITIES			
Accounts payable	6,446,435	2,771,515	9,217,950
Accrued payroll	860,154	105,452	965,606
Interest payable	2,833,620	1,744,604	4,578,224
Due to other governments	772,422	-	772,422
Claims payable	3,000,000	-	3,000,000
Customer deposits	2,635	472,746	475,381
Deferred revenue	1,523,657	4,250,000	5,773,657
Arbitrage liability	126,431	139,397	265,828
Unamortized bond premium	2,605,792	290,056	2,895,848
Other liabilities	3,716,306	444,844	4,161,150
Non-current liabilities:			
Due within one year:			
Current portion of compensated absences	2,667,950	361,700	3,029,650
Current portion of contracts payable	2,402,410	-	2,402,410
Current portion of bonds payable	6,799,267	5,867,216	12,666,483
Due in more than one year:			
Noncurrent portion of compensated absences	224,330	32,850	257,180
Noncurrent portion of contracts payable	15,298,380	-	15,298,380
Noncurrent portion of bonds payable	126,789,604	82,716,724	209,506,328
Less: Deferred loss on bond refunding	(969,379)	(272,842)	(1,242,221)
Total liabilities	<u>175,100,014</u>	<u>98,924,262</u>	<u>274,024,276</u>
NET ASSETS			
Invested in capital assets, net of related debt	275,314,371	186,811,252	462,125,623
Restricted for:			
Capital projects	-	57,357,747	57,357,747
Development fees	21,916,263	-	21,916,263
Revenue bond retirement	-	5,833,507	5,833,507
Grant purposes	1,207,494	437,214	1,644,708
Unrestricted	191,628,459	57,594,489	249,222,948
Total net assets	<u>\$ 490,066,587</u>	<u>\$ 308,034,209</u>	<u>\$ 798,100,796</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, 2003**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,966,159	\$ 1,468,973	\$ 21,329	\$ 1,012,151
Culture and recreation	12,488,931	4,156,225	97,136	2,763,647
Police	18,400,046	231,147	316,597	599,691
Fire	10,361,499	839,434	11,408	524,660
Development services	4,178,383	3,816,666	918,915	-
Highways and streets	16,423,295	142,242	7,020,920	2,064,748
Public works	4,647,879	1,578,903	95,391	1,389,177
Human services	2,551,175	45,109	2,336,848	81,382
Other	42,488	-	-	973,285
Interest on long-term debt	6,186,918	-	-	-
Unallocated depreciation (Note 12)	587,006	-	-	-
Total governmental activities	89,833,779	12,278,699	10,818,544	9,408,741
Business-type activities:				
Water Utility	18,886,650	24,364,355	-	7,900,656
Wastewater Utility	12,274,198	10,623,544	-	4,786,965
Sanitation Utility	7,787,634	7,277,520	-	753,660
Stadium	3,916,869	2,225,211	-	-
Housing programs	347,606	137,193	120,070	-
Total business-type activities	43,212,957	44,627,823	120,070	13,441,281
Total primary government	\$ 133,046,736	\$ 56,906,522	\$ 10,938,614	\$ 22,850,022

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
- Urban revenue sharing
- Auto in-lieu taxes
- Donations of capital assets
- Investment earnings
- Gain on sale of capital assets
- Elimination of development agreement debt
- Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustments (note 21)

Net assets - beginning - restated

Net assets - ending

The accompanying notes are an integral part of the financial statements

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

Governmental Activities	Business-type Activities	Total
\$ (11,463,706)	\$ -	\$ (11,463,706)
(5,471,923)	-	(5,471,923)
(17,252,611)	-	(17,252,611)
(8,985,997)	-	(8,985,997)
557,198	-	557,198
(7,195,385)	-	(7,195,385)
(1,584,408)	-	(1,584,408)
(87,836)	-	(87,836)
930,797	-	930,797
(6,186,918)	-	(6,186,918)
<u>(587,006)</u>	<u>-</u>	<u>(587,006)</u>
<u>(57,327,795)</u>	<u>-</u>	<u>(57,327,795)</u>
-	13,378,361	13,378,361
-	3,136,311	3,136,311
-	243,546	243,546
-	(1,691,658)	(1,691,658)
-	<u>(90,343)</u>	<u>(90,343)</u>
-	<u>14,976,217</u>	<u>14,976,217</u>
<u>\$ (57,327,795)</u>	<u>\$ 14,976,217</u>	<u>\$ (42,351,578)</u>
\$ 2,697,682	\$ -	\$ 2,697,682
8,681,164	-	8,681,164
35,932,415	-	35,932,415
2,291,179	-	2,291,179
8,474,910	-	8,474,910
11,386,513	-	11,386,513
4,268,379	-	4,268,379
10,211,988	14,085,203	24,297,191
2,950,753	2,379,114	5,329,867
91,970	317,474	409,444
135,068	-	135,068
1,034,025	-	1,034,025
<u>(2,755,444)</u>	<u>2,755,444</u>	<u>-</u>
<u>85,400,602</u>	<u>19,537,235</u>	<u>104,937,837</u>
<u>28,072,807</u>	<u>34,513,452</u>	<u>62,586,259</u>
<u>351,341,230</u>	<u>273,520,757</u>	<u>624,861,987</u>
<u>110,652,550</u>	<u>-</u>	<u>110,652,550</u>
<u>461,993,780</u>	<u>273,520,757</u>	<u>735,514,537</u>
<u>\$ 490,066,587</u>	<u>\$ 308,034,209</u>	<u>\$ 798,100,796</u>

**CITY OF PEORIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003**

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Development Fee Fund
ASSETS				
Cash and cash equivalents	\$ 16,271,560	\$ 3,968,427	\$ 3,185,061	\$ 8,188,688
Cash with fiscal agents	-	-	-	-
Investments	27,186,516	6,637,781	5,327,485	13,696,792
Accounts receivable, net	3,152,114	965,466	177,356	-
Interest receivable	187,904	115,344	40,498	89,271
Due from other governments	1,997,174	-	626,022	-
Prepaid items	70,054	7,595	-	-
Supply inventories	37,210	-	44,866	-
Restricted cash and cash equivalents	-	-	-	-
Restricted investments	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	<u>\$ 48,902,532</u>	<u>\$ 11,694,613</u>	<u>\$ 9,401,288</u>	<u>\$ 21,974,751</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,266,805	\$ 5,546	\$ 653,042	\$ 58,488
Accrued payroll	738,729	-	26,242	-
Interest payable	-	-	-	-
Due to other governments	772,422	-	-	-
Claims/deposits payable	2,635	-	-	-
Deferred revenue	113,463	-	-	-
Arbitrage liability	-	-	-	-
Other liabilities	2,609,257	-	64,662	-
Compensated absences	713,360	-	26,860	-
Total liabilities	<u>\$ 6,216,671</u>	<u>\$ 5,546</u>	<u>\$ 770,806</u>	<u>\$ 58,488</u>
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Development fees	-	-	-	21,900,097
Encumbrances	623,230	73,384	292,992	16,166
Grant purposes	-	-	-	-
Supply inventories	37,210	-	44,866	-
Prepaid items	70,054	7,595	-	-
Unreserved, designated (see note 11):				
General fund	25,529,943	-	-	-
Capital Projects	-	-	-	-
Special revenue funds	-	4,630,000	-	-
Unreserved, undesignated, reported in:				
General fund	16,425,424	-	-	-
Special revenue funds	-	6,978,088	8,292,624	-
Total fund balance	<u>42,685,861</u>	<u>11,689,067</u>	<u>8,630,482</u>	<u>21,916,263</u>
Total liabilities and fund balance	<u>\$ 48,902,532</u>	<u>\$ 11,694,613</u>	<u>\$ 9,401,288</u>	<u>\$ 21,974,751</u>

The accompanying notes are an integral part of the financial statements

Special Assessment Debt Service Fund	GO Bond Capital Projects Fund	Non-Bond Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,088,140	\$ 682,506	\$ 7,204,965	\$ 6,464,026	\$ 47,053,373
-	-	-	1,432,872	1,432,872
1,820,076	1,141,592	12,051,369	10,284,713	78,146,324
-	-	-	82,838	4,377,774
12,077	16	57,851	74,603	577,564
-	-	-	965,585	3,588,781
-	-	-	-	77,649
-	-	-	-	82,076
-	17,711,634	-	24,382,130	42,093,764
-	309,021	-	-	309,021
14,092,123	-	-	-	14,092,123
<u>\$ 17,012,416</u>	<u>\$ 19,844,769</u>	<u>\$ 19,314,185</u>	<u>\$ 43,686,767</u>	<u>\$ 191,831,321</u>
\$ 4,719	\$ 1,157,185	\$ 1,350,272	\$ 1,142,280	\$ 5,638,337
-	-	-	12,632	777,603
-	-	-	93,599	93,599
-	-	-	-	772,422
-	-	-	-	2,635
14,082,587	-	1,084,297	432,712	15,713,059
-	126,431	-	-	126,431
29,092	279,267	577,883	156,145	3,716,306
-	-	-	9,570	749,790
<u>\$ 14,116,398</u>	<u>\$ 1,562,883</u>	<u>\$ 3,012,452</u>	<u>\$ 1,846,938</u>	<u>\$ 27,590,182</u>
\$ 2,896,018	\$ -	\$ -	\$ 21,939,085	\$ 24,835,103
-	16,853,608	-	15,697,087	32,550,695
-	-	-	-	21,900,097
-	1,428,278	6,768,698	2,560,346	11,763,094
-	-	-	997,591	997,591
-	-	-	-	82,076
-	-	-	-	77,649
-	-	-	-	25,529,943
-	-	9,533,035	-	9,533,035
-	-	-	617,785	5,247,785
-	-	-	-	16,425,424
-	-	-	27,935	15,298,647
<u>2,896,018</u>	<u>18,281,886</u>	<u>16,301,733</u>	<u>41,839,829</u>	<u>164,241,139</u>
<u>\$ 17,012,416</u>	<u>\$ 19,844,769</u>	<u>\$ 19,314,185</u>	<u>\$ 43,686,767</u>	<u>\$ 191,831,321</u>

**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Fund balances - total governmental funds balance sheet		\$ 164,241,139
<p>Amounts reported for governmental activities in the statements of net assets are different because (also see note 2):</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 551,659,894	
Less accumulated depreciation	<u>(108,894,802)</u>	442,765,092
<p>Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Deferred bond issue costs	2,023,153	
Deferred loss on refunding	<u>969,379</u>	2,992,532
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable	133,588,871	
Governmental contracts payable	17,700,790	
Compensated absences	<u>1,855,540</u>	(153,145,201)
<p>Deferred revenue for long-term special assessments is shown on the governmental funds balance sheet, but is not deferred on the statement of net assets</p>		
		14,082,587
<p>Bond premiums are recognized at the time of issuance in the governmental funds, but is deferred and recognized over the life of the bonds for government-wide reporting</p>		
		(2,605,792)
<p>Property tax revenue earned but not received within 60 days of year-end is deferred for the governmental statements, but is recognized as revenue for the government-wide statements</p>		
		106,815
<p>Interest payable on long-term debt is not reported in the governmental funds.</p>		
		(2,740,021)
<p>Transactions between governmental funds and fiduciary funds are not included in the government-wide statements</p>		
		1,150
<p>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.</p>		
		<u>24,368,286</u>
Net assets of governmental activities - statement of net assets		<u>\$ 490,066,587</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Development Fee Fund
REVENUES:				
Taxes:				
Sales and use taxes	\$ 24,121,903	\$ 10,687,709	\$ 1,122,803	\$ -
Property taxes	1,964,976	-	740,687	-
Franchise taxes	2,291,179	-	-	-
Intergovernmental:				
State shared sales taxes	8,474,910	-	-	-
Urban revenue sharing	11,386,513	-	-	-
Auto in-lieu taxes	4,268,379	-	-	-
Highway user revenue	-	-	7,020,920	-
Local transportation aid	-	-	-	-
From federal government	-	-	-	-
Other	142,546	-	-	-
Charges for services	7,447,638	-	137,007	6,749,103
Licenses and permits	3,017,770	-	4,725	-
Fines and forfeitures	1,071,375	-	-	-
Rents	70,952	-	-	-
Investment earnings	752,756	476,479	164,994	523,262
Special assessments	-	-	-	-
Miscellaneous	163,337	-	17,353	-
Total revenues	<u>65,174,234</u>	<u>11,164,188</u>	<u>9,208,489</u>	<u>7,272,365</u>
EXPENDITURES:				
Current:				
General government	12,487,057	330,052	-	146,100
Culture and recreation	10,924,848	-	-	175,284
Police	17,278,340	-	-	-
Fire	9,620,362	-	-	1,970
Development services	3,588,783	-	-	-
Highways and streets	-	-	8,456,745	10,907
Public works	3,097,583	-	-	-
Human services	-	-	-	-
Other	-	-	-	-
Debt service:				
Principal payments	16,997	2,347,411	300,000	-
Interest and other charges	3,770	78,912	285,240	-
Capital outlay	2,230,288	1,582,777	285,805	743,036
Total expenditures	<u>59,248,028</u>	<u>4,339,152</u>	<u>9,327,790</u>	<u>1,077,297</u>
Excess (deficiency) of revenues over expenditures	<u>5,926,206</u>	<u>6,825,036</u>	<u>(119,301)</u>	<u>6,195,068</u>
OTHER FINANCING SOURCES (USES):				
Refunding bonds issued	-	-	-	-
Capital-related debt issued	122,925	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Transfers in	800,655	-	1,082,625	-
Transfers out	(8,476,730)	(8,260,111)	(282,990)	(544,000)
Total other financing sources and uses	<u>(7,553,150)</u>	<u>(8,260,111)</u>	<u>799,635</u>	<u>(544,000)</u>
Net change in fund balances	<u>(1,626,944)</u>	<u>(1,435,075)</u>	<u>680,334</u>	<u>5,651,068</u>
Fund balances (deficit) - beginning	44,312,805	13,124,142	11,984,590	12,230,753
Prior period adjustment (see note 21)	-	-	(4,034,442)	4,034,442
Fund balances (deficit) - beginning - restated	<u>44,312,805</u>	<u>13,124,142</u>	<u>7,950,148</u>	<u>16,265,195</u>
Fund balances - ending	<u>\$ 42,685,861</u>	<u>\$ 11,689,067</u>	<u>\$ 8,630,482</u>	<u>\$ 21,916,263</u>

The accompanying notes are an integral part of the financial statements

Special Assessment Debt Service Fund	GO Bond Capital Projects Fund	Non-Bond Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 35,932,415
-	-	-	8,746,730	11,452,393
-	-	-	-	2,291,179
-	-	-	-	8,474,910
-	-	-	-	11,386,513
-	-	-	-	4,268,379
-	-	-	-	7,020,920
-	-	-	639,879	639,879
-	-	-	3,552,001	3,552,001
-	-	1,711	1,589,735	1,733,992
-	-	-	385,411	14,719,159
-	-	-	-	3,022,495
-	-	-	22,063	1,093,438
-	-	-	-	70,952
64,958	-	367,099	320,337	2,669,885
3,142,875	-	-	-	3,142,875
-	-	34,481	874,399	1,089,570
<u>3,207,833</u>	<u>-</u>	<u>403,291</u>	<u>16,130,555</u>	<u>112,560,955</u>
-	-	103,439	27,678	13,094,326
-	-	-	238,879	11,339,011
-	-	-	184,435	17,462,775
-	-	-	11,139	9,633,471
-	-	-	506,665	4,095,448
-	253,311	4,181	15,563	8,740,707
-	-	-	119,662	3,217,245
-	-	-	2,452,063	2,452,063
787	-	-	2,920	3,707
1,889,351	-	-	6,058,938	10,612,697
1,100,078	476,874	-	4,973,640	6,918,514
-	6,686,793	9,926,687	2,753,729	24,209,115
<u>2,990,216</u>	<u>7,416,978</u>	<u>10,034,307</u>	<u>17,345,311</u>	<u>111,779,079</u>
<u>217,617</u>	<u>(7,416,978)</u>	<u>(9,631,016)</u>	<u>(1,214,756)</u>	<u>781,876</u>
-	-	-	24,613,603	24,613,603
-	27,840,333	-	21,250,000	49,213,258
-	-	-	(22,255,141)	(22,255,141)
-	-	8,782,145	5,313,357	15,978,782
-	-	(33,261)	(4,175,342)	(21,772,434)
<u>-</u>	<u>27,840,333</u>	<u>8,748,884</u>	<u>24,746,477</u>	<u>45,778,068</u>
<u>217,617</u>	<u>20,423,355</u>	<u>(882,132)</u>	<u>23,531,721</u>	<u>46,559,944</u>
2,678,401	(2,141,469)	17,183,865	18,310,388	117,683,475
-	-	-	(2,280)	(2,280)
<u>2,678,401</u>	<u>(2,141,469)</u>	<u>17,183,865</u>	<u>18,308,108</u>	<u>117,681,195</u>
<u>\$ 2,896,018</u>	<u>\$ 18,281,886</u>	<u>\$ 16,301,733</u>	<u>\$ 41,839,829</u>	<u>\$ 164,241,139</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, 2003**

Net change in fund balances - total governmental funds	\$ 46,559,944
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.	(281,390)
Certain revenues are deferred in the governmental funds because they do not provide current financial resources, but are considered revenue on the statement of activities.	(2,493,438)
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.	(459,416)
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 (\$24,364,173) exceeded depreciation (\$14,179,210) in the current period.	10,184,963
Gains/losses on sales of fixed assets are not shown in the governmental funds, but are revenues, or expenses, on the statement of activities.	(26,607)
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	10,211,988
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. No effect on net assets.	1,311
A development agreement (long-term debt) expired during the year. This had no effect on the governmental financial statements, but creates an other financing source on the statement of activities.	135,068
The issuance of long-term debt provides current financial resources in the governmental funds, but creates a long-term liability in the statement of activities.	(49,213,258)
The issuance of refunding bonds provides both a financial resource (the sale) and an other financing use (payment to bond escrow agent) in the governmental statements but these debt transactions do not create sources or uses on the statement of activities.	(2,358,462)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. No effect on net assets.	10,612,697
The costs of issuing bonds are reported as an expenditure in governmental funds in the year of bond issuance and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.	1,191,012
Interfund transactions between governmental activities are eliminated in the statement of activities.	2,828,970
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.	1,179,425
Change in net assets of governmental activities- statement of activities	<u>\$ 28,072,807</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, 2003**

	<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, 2002	\$ 39,828,694	\$ 39,828,694	\$ 39,828,694	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	22,503,775	22,503,775	23,805,329	1,301,554
Property taxes	1,944,840	1,944,840	1,970,297	25,457
Franchise taxes	2,566,471	2,566,471	2,257,499	(308,972)
Intergovernmental:				
State shared sales taxes	8,670,000	8,670,000	8,447,359	(222,641)
Urban revenue sharing	11,696,218	11,696,218	11,533,306	(162,912)
Auto in-lieu taxes	3,500,000	3,500,000	4,213,922	713,922
Other	102,200	102,200	168,778	66,578
Charges for services	16,363,282	16,363,282	17,074,651	711,369
Licenses and permits	2,497,500	2,497,500	3,017,770	520,270
Fines and forfeitures	1,086,500	1,086,500	1,071,375	(15,125)
Rents	11,000	11,000	74,962	63,962
Investment earnings	1,403,794	1,401,632	901,141	(500,491)
Miscellaneous	76,500	76,500	163,337	86,837
Capital-related debt issued	-	-	122,925	122,925
Transfers from other funds	594,840	594,840	614,283	19,443
Total inflows	<u>73,016,920</u>	<u>73,014,758</u>	<u>75,436,934</u>	<u>2,422,176</u>
Amounts available for appropriation	<u>112,845,614</u>	<u>112,843,452</u>	<u>115,265,628</u>	<u>2,422,176</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government:				
Mayor and council	589,797	614,797	534,655	(80,142)
City manager	1,617,539	1,617,539	1,533,056	(84,483)
Human resources	1,290,654	1,321,654	1,320,025	(1,629)
Attorney	1,496,025	1,571,025	1,545,843	(25,182)
City clerk	690,517	690,517	611,335	(79,182)
Court	872,562	883,342	879,682	(3,660)
Economic development	305,173	305,173	279,622	(25,551)
Finance	7,711,518	7,758,428	7,024,089	(734,339)
Non-departmental	8,845,894	8,907,166	8,327,711	(579,455)
Culture and recreation	10,929,025	10,873,668	10,914,476	40,808
Development services	3,816,371	3,803,371	3,585,376	(217,995)
Fire	10,077,605	9,953,285	9,611,228	(342,057)
Police	17,298,084	17,729,029	17,261,936	(467,093)
Public works	3,150,535	3,324,148	3,094,642	(229,506)
Debt service:				
Principal payments	-	-	16,997	16,997
Interest and other charges	-	-	3,770	3,770
Capital outlay	5,706,311	6,517,051	1,984,841	(4,532,210)
Contingencies	9,000,000	846,443	-	(846,443)
Transfers to other funds	8,553,405	8,553,405	8,835,614	282,209
Total charges to appropriations	<u>91,951,015</u>	<u>85,270,041</u>	<u>77,364,898</u>	<u>(7,905,143)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 20,894,599</u>	<u>\$ 27,573,411</u>	<u>\$ 37,900,730</u>	<u>\$ 10,327,319</u>

The accompanying notes are an integral part of the financial statements

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	\$ 115,265,628
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	(39,828,694)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(614,283)
Capital-related debt issued is a budgeted resource, but is not a revenue for financial reporting purposes	(122,925)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules	(9,557,112)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	31,620
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 65,174,234</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 77,364,898
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	237,436
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(226,948)
Capital outlay recognized as expenditures in proprietary fund for budgetary purposes, but assets reclassified to expenditure in governmental funds for financial reporting purposes	381,297
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(115,929)
Certain interdepartmental service charges are recognized as expenditures for budgetary purposes but are eliminated from the financial statements under GASB34's allocation rules	(9,557,112)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(8,835,614)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 59,248,028</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
HALF-CENT SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 12,981,654	\$ 12,981,654	\$ 12,981,654	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	10,393,547	10,393,547	10,743,296	349,749
Investment earnings	<u>242,364</u>	<u>242,364</u>	<u>385,244</u>	<u>142,880</u>
Total inflows	<u>10,635,911</u>	<u>10,635,911</u>	<u>11,128,540</u>	<u>492,629</u>
Amounts available for appropriation	<u>23,617,565</u>	<u>23,617,565</u>	<u>24,110,194</u>	<u>492,629</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government- non-departmental	295,286	457,597	365,001	(92,596)
Capital outlay	2,938,747	4,891,525	1,582,777	(3,308,748)
Principal payments	2,958,058	2,819,476	2,347,411	(472,065)
Interest and other charges	68,611	79,611	78,912	(699)
Contingencies	800,000	73,922	-	(73,922)
Transfers to other funds	<u>7,634,815</u>	<u>7,634,815</u>	<u>7,980,223</u>	<u>345,408</u>
Total charges to appropriations	<u>14,695,517</u>	<u>15,956,946</u>	<u>12,354,324</u>	<u>(3,602,622)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 8,922,048</u>	<u>\$ 7,660,619</u>	<u>\$ 11,755,870</u>	<u>\$ 4,095,251</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	\$ 24,110,194
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	(12,981,654)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	35,648
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,164,188</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,354,324
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(34,949)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,980,223)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,339,152</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, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Budgetary fund balance, July 1, 2002	\$ 5,724,283	\$ 5,724,283	\$ 5,724,283	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	1,118,000	1,118,000	1,144,083	26,083
Property taxes	791,283	791,283	757,101	(34,182)
Intergovernmental:				
Highway user revenue	6,834,000	6,834,000	7,011,544	177,544
Charges for services	290,000	290,000	425,618	135,618
Licenses and permits	-	-	4,725	4,725
Investment earnings	149,000	149,000	202,673	53,673
Miscellaneous	-	-	17,353	17,353
Transfers from other funds	1,791,283	1,791,283	1,811,339	20,056
Total inflows	<u>10,973,566</u>	<u>10,973,566</u>	<u>11,374,436</u>	<u>400,870</u>
Amounts available for appropriation	<u>16,697,849</u>	<u>16,697,849</u>	<u>17,098,719</u>	<u>400,870</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current operating:				
Highways and streets	8,165,361	9,346,386	8,659,593	(686,793)
Debt service:				
Principal payments	300,000	300,000	300,000	-
Interest and other charges	285,715	285,715	285,240	(475)
Capital outlay	560,318	446,227	285,805	(160,422)
Contingencies	500,000	270,820	-	(270,820)
Transfers to other funds	1,064,964	1,064,964	1,011,704	(53,260)
Total charges to appropriations	<u>10,876,358</u>	<u>11,714,112</u>	<u>10,542,342</u>	<u>(1,171,770)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 5,821,491</u>	<u>\$ 4,983,737</u>	<u>\$ 6,556,377</u>	<u>\$ 1,572,640</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	\$ 17,098,719
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	(5,724,283)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(1,811,339)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB 34's allocation rules.	(290,000)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(64,608)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,208,489</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,542,342
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	3,784
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(206,632)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,011,704)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,327,790</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
DEVELOPMENT FEE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 15,479,308	\$ 15,479,308	\$ 15,479,308	\$ -
RESOURCES (INFLOWS):				
Impact/expansion fees	7,403,179	7,403,179	6,749,103	(654,076)
Investment earnings	<u>360,246</u>	<u>359,966</u>	<u>518,671</u>	<u>158,705</u>
Total inflows	<u>7,763,425</u>	<u>7,763,145</u>	<u>7,267,774</u>	<u>(495,371)</u>
Amounts available for appropriation	<u>23,242,733</u>	<u>23,242,453</u>	<u>22,747,082</u>	<u>(495,371)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	1,000	178,000	146,100	(31,900)
Culture and recreation	166,550	206,691	175,284	(31,407)
Police	-	8,600	-	(8,600)
Fire	-	8,600	1,970	(6,630)
Highways and streets	350,980	14,080	10,907	(3,173)
Capital outlay	6,694,182	9,302,710	604,303	(8,698,407)
Contingencies	2,190,000	2,328,264	-	(2,328,264)
Transfers out	<u>544,000</u>	<u>544,000</u>	<u>544,000</u>	<u>-</u>
Total charges to appropriations	<u>9,946,712</u>	<u>12,590,945</u>	<u>1,482,564</u>	<u>(11,108,381)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 13,296,021</u>	<u>\$ 10,651,508</u>	<u>\$ 21,264,518</u>	<u>\$ 10,613,010</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	\$ 22,747,082
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	(15,479,308)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	4,591
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,272,365</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,482,564
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	138,733
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(544,000)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,077,297</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 20,367,482	\$ 16,550,874	\$ 4,714,745	\$ 726,112
Restricted cash with fiscal agents	1,942,001	1,479,859	-	-
Investments	34,014,286	27,683,784	7,886,108	1,206,749
Accounts receivable, net	4,897,704	1,606,266	1,093,323	12,905
Interest receivable	257,424	225,657	61,763	8,154
Due from other governments	57,263	-	-	-
Prepaid items	-	-	-	14,000
Supplies inventory	164,439	-	32,528	-
Total current assets	<u>61,700,599</u>	<u>47,546,440</u>	<u>13,788,467</u>	<u>1,967,920</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	7,271,616	424,369	-	112,659
Capital assets:				
Buildings and improvements	47,670	5,704	-	25,585,927
Distribution and collection systems	139,654,900	110,409,333	-	-
Equipment	526,004	489,016	1,681,625	357,910
Vehicles	1,284,338	347,082	4,283,644	334,001
Furniture	33,236	-	8,013	-
Less accumulated depreciation	(22,143,379)	(26,435,467)	(2,376,447)	(6,416,992)
Land and improvements	1,712,328	3,661,560	-	6,703,349
Construction in progress	24,075,524	6,365,713	-	32,406
Capital assets, net	<u>145,190,621</u>	<u>94,842,941</u>	<u>3,596,835</u>	<u>26,596,601</u>
Unamortized bonds costs	282,037	451,582	-	4,428
Other assets	1,015,055	307,309	-	-
Total non-current assets	<u>153,759,329</u>	<u>96,026,201</u>	<u>3,596,835</u>	<u>26,713,688</u>
Total assets	<u>215,459,928</u>	<u>143,572,641</u>	<u>17,385,302</u>	<u>28,681,608</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,386,358	707,118	154,839	518,080
Accrued payroll	49,885	12,729	31,432	11,406
Accrued interest payable	1,312,859	430,277	-	1,468
Other current liabilities	440,193	-	-	4,651
Claims payable	-	-	-	-
Current portion of compensated absences	148,320	62,920	113,480	36,980
Current portion of bonds and contracts payable	4,115,437	1,751,779	-	-
Total current liabilities	<u>7,453,052</u>	<u>2,964,823</u>	<u>299,751</u>	<u>572,585</u>
Non-current liabilities:				
Deposits payable	459,244	-	-	-
Arbitrage liability	139,397	-	-	-
Deferred revenue	4,250,000	-	-	-
Deferred bond premium	145,938	36,952	-	107,166
Compensated absences	13,840	5,550	10,030	3,430
Long-term portion of bonds payable	59,596,824	22,100,226	-	1,019,674
Less: Deferred loss on bond refunding	(81,631)	(125,233)	-	(65,978)
Total non-current liabilities	<u>64,523,612</u>	<u>22,017,495</u>	<u>10,030</u>	<u>1,064,292</u>
Total liabilities	<u>71,976,664</u>	<u>24,982,318</u>	<u>309,781</u>	<u>1,636,877</u>
NET ASSETS				
Invested in capital assets, net of related debt	84,108,736	71,238,774	3,596,835	25,576,927
Restricted:				
Capital projects	22,378,427	26,017,413	8,926,094	35,813
Revenue bond retirement	3,396,932	2,436,575	-	-
Grant purpose	-	-	-	-
Unrestricted	33,599,169	18,897,561	4,552,592	1,431,991
Total net assets	<u>\$ 143,483,264</u>	<u>\$ 118,590,323</u>	<u>\$ 17,075,521</u>	<u>\$ 27,044,731</u>

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

Net Assets of business-type activities

The accompanying notes are an integral part of the financial statements

Public Housing Fund	Total	Governmental Activities - Internal Service Funds
\$ 412,515	\$ 42,771,728	\$ 5,596,280
28,280	3,450,140	-
-	70,790,927	9,360,605
15,041	7,625,239	15,076
-	552,998	78,976
-	57,263	-
-	14,000	2,307
-	196,967	120,157
<u>455,836</u>	<u>125,459,262</u>	<u>15,173,401</u>
-	7,808,644	-
3,141,152	28,780,453	148,102
-	250,064,233	-
129,478	3,184,033	12,264,609
-	6,249,065	11,947,083
-	41,249	41,956
(1,391,000)	(58,763,285)	(14,350,576)
410,350	12,487,587	-
-	30,473,643	2,434,486
<u>2,289,980</u>	<u>272,516,978</u>	<u>12,485,660</u>
-	738,047	-
-	1,322,364	-
<u>2,289,980</u>	<u>282,386,033</u>	<u>12,485,660</u>
<u>2,745,816</u>	<u>407,845,295</u>	<u>27,659,061</u>
5,120	2,771,515	808,098
-	105,452	82,551
-	1,744,604	-
-	444,844	-
-	-	3,000,000
-	361,700	261,580
-	5,867,216	-
<u>5,120</u>	<u>11,295,331</u>	<u>4,152,229</u>
13,502	472,746	-
-	139,397	-
-	4,250,000	-
-	290,056	-
-	32,850	25,370
-	82,716,724	-
-	(272,842)	-
<u>13,502</u>	<u>87,628,931</u>	<u>25,370</u>
<u>18,622</u>	<u>98,924,262</u>	<u>4,177,599</u>
2,289,980	186,811,252	12,485,660
-	57,357,747	-
-	5,833,507	-
437,214	437,214	-
-	58,481,313	10,995,802
<u>\$ 2,727,194</u>	<u>\$ 308,921,033</u>	<u>\$ 23,481,462</u>
	\$ (886,824)	
	<u>\$ 308,034,209</u>	

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
OPERATING REVENUES				
Charges for services	\$ 24,108,085	\$ 10,622,553	\$ 7,272,225	\$ 783,992
Rents	-	-	-	1,426,063
From federal government	-	-	-	-
Miscellaneous	256,270	991	5,295	15,157
Total operating revenues	<u>24,364,355</u>	<u>10,623,544</u>	<u>7,277,520</u>	<u>2,225,212</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	3,159,088	905,997	2,210,942	786,607
Contractual services, materials and supplies	10,378,371	6,806,522	4,565,195	2,277,159
Insurance claims and expenses	922,473	750,000	-	-
Depreciation and amortization	2,743,718	2,752,170	715,637	722,901
Total operating expenses	<u>17,203,650</u>	<u>11,214,689</u>	<u>7,491,774</u>	<u>3,786,667</u>
Operating income (loss)	7,160,705	(591,145)	(214,254)	(1,561,455)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,157,148	904,928	267,050	43,477
Interest expense	(1,606,073)	(984,315)	-	(89,147)
Gain (loss) on sale of fixed assets	12,116	27,567	264,369	13,422
Total non-operating revenues (expenses)	<u>(436,809)</u>	<u>(51,820)</u>	<u>531,419</u>	<u>(32,248)</u>
Income (loss) before contributions and transfers	6,723,896	(642,965)	317,165	(1,593,703)
Capital contributions	17,323,879	9,448,945	753,660	-
Transfers in	791,153	1,789,305	4,924	1,634,445
Transfers out	(833,458)	(108,478)	(206,291)	(324,459)
Change in net assets	<u>24,005,470</u>	<u>10,486,807</u>	<u>869,458</u>	<u>(283,717)</u>
Total net assets - beginning	119,477,794	108,103,516	16,206,063	27,328,448
Total net assets - ending	<u>\$ 143,483,264</u>	<u>\$ 118,590,323</u>	<u>\$ 17,075,521</u>	<u>\$ 27,044,731</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 assets of business-type activities

The accompanying notes are an integral part of the financial statements

Public Housing Fund	Total	Governmental Activities - Internal Service Funds
\$ -	\$ 42,786,855	\$ 15,039,664
134,165	1,560,228	-
120,070	120,070	-
3,028	280,741	402,133
<u>257,263</u>	<u>44,747,894</u>	<u>15,441,797</u>
-	7,062,634	5,301,310
268,306	24,295,553	6,608,407
-	1,672,473	3,331,293
79,300	7,013,726	2,748,136
<u>347,606</u>	<u>40,044,386</u>	<u>17,989,146</u>
(90,343)	4,703,508	(2,547,349)
6,511	2,379,114	280,867
-	(2,679,535)	-
-	317,474	(24,572)
<u>6,511</u>	<u>17,053</u>	<u>256,295</u>
(83,832)	4,720,561	(2,291,054)
-	27,526,484	-
8,303	4,228,130	3,357,406
-	(1,472,686)	(320,351)
<u>(75,529)</u>	<u>35,002,489</u>	<u>746,001</u>
2,802,723	273,918,544	22,735,461
<u>\$ 2,727,194</u>	<u>\$ 308,921,033</u>	<u>\$ 23,481,462</u>
	(489,037)	
	<u>\$ 34,513,452</u>	

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 24,213,453	\$ 10,590,295	\$ 7,252,132	\$ 2,235,243
Payments to suppliers	(10,757,356)	(6,580,699)	(3,444,725)	(1,478,991)
Payments to employees	(3,122,700)	(885,654)	(2,162,473)	(779,244)
Self-insurance costs	(922,473)	(750,000)	-	-
Payments to internal service funds	(519,387)	(264,879)	(1,379,660)	(326,333)
Net cash provided (used) by operating activities	<u>8,891,537</u>	<u>2,109,063</u>	<u>265,274</u>	<u>(349,325)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	791,153	1,789,305	4,924	1,634,445
Transfers out	(833,458)	(108,478)	(206,291)	(324,459)
Interfund loans payable	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(42,305)</u>	<u>1,680,827</u>	<u>(201,367)</u>	<u>1,309,986</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net acquisition and construction of fixed assets	(14,213,408)	(6,028,564)	(908,863)	(231,763)
Capital contributions	7,900,656	4,786,965	753,660	-
Principal payments on capital debt	(2,891,234)	(2,448,962)	-	(115,326)
Interest paid on capital debt	(1,302,480)	(1,025,603)	-	(84,300)
Net cash provided (used) by capital and related financing activities	<u>(10,506,466)</u>	<u>(4,716,164)</u>	<u>(155,203)</u>	<u>(431,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments, net	-	-	-	(93,583)
Proceeds from sale of investments, net	3,415,740	5,347,956	1,522,844	-
Interest received on investments	1,374,590	1,057,452	306,333	45,958
Net cash provided (used) by investing activities	<u>4,790,330</u>	<u>6,405,408</u>	<u>1,829,177</u>	<u>(47,625)</u>
Net increase (decrease) in cash and cash equivalents	3,133,096	5,479,134	1,737,881	481,647
Cash and cash equivalents at beginning of year	26,448,003	12,975,968	2,976,864	357,124
Cash and cash equivalents at end of year	<u>\$ 29,581,099</u>	<u>\$ 18,455,102</u>	<u>\$ 4,714,745</u>	<u>\$ 838,771</u>
Classified as:				
Cash and cash equivalents	\$ 20,367,482	\$ 16,550,874	\$ 4,714,745	\$ 726,112
Restricted cash with fiscal agents	1,942,001	1,479,859	-	-
Non-current restricted cash and cash equivalents	7,271,616	424,369	-	112,659
Totals	<u>\$ 29,581,099</u>	<u>\$ 18,455,102</u>	<u>\$ 4,714,745</u>	<u>\$ 838,771</u>

The accompanying notes are an integral part of the financial statements

Public Housing Fund	Total	Governmental Activities - Internal Service Funds
\$ 268,695	\$ 44,559,818	\$ 15,426,721
(292,594)	(22,554,365)	(6,774,386)
-	(6,950,071)	(5,237,458)
-	(1,672,473)	(2,584,711)
-	(2,490,259)	-
<u>(23,899)</u>	<u>10,892,650</u>	<u>830,166</u>
8,303	4,228,130	3,357,406
-	(1,472,686)	(320,351)
<u>(80,037)</u>	<u>(80,037)</u>	<u>-</u>
<u>(71,734)</u>	<u>2,675,407</u>	<u>3,037,055</u>
(8,303)	(21,390,901)	(3,918,086)
-	13,441,281	-
-	(5,455,522)	-
-	(2,412,383)	-
<u>(8,303)</u>	<u>(15,817,525)</u>	<u>(3,918,086)</u>
-	(93,583)	(11,400)
-	10,286,540	1,814,265
6,511	2,790,844	312,310
<u>6,511</u>	<u>12,983,801</u>	<u>2,115,175</u>
(97,425)	10,734,333	2,064,310
538,220	43,296,179	3,531,970
<u>\$ 440,795</u>	<u>\$ 54,030,512</u>	<u>\$ 5,596,280</u>
\$ 412,515	\$ 42,771,728	\$ 5,596,280
28,280	3,450,140	-
-	7,808,644	-
<u>\$ 440,795</u>	<u>\$ 54,030,512</u>	<u>\$ 5,596,280</u>

(continued)
39

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-type Activities - Major Enterprise Funds			
	<u>Water Utility Fund</u>	<u>Wastewater Utility Fund</u>	<u>Sanitation Utility Fund</u>	<u>Stadium Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 7,160,705	\$ (591,145)	\$ (214,254)	\$ (1,561,455)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,743,718	2,752,170	715,637	722,901
(Increase) decrease in assets:				
Accounts receivable	(680,011)	(33,249)	(21,388)	10,031
Due from other governments	(57,263)	-	-	-
Prepaid items	-	-	-	(14,000)
Supplies inventory	(14,555)	-	304	-
Other assets	58,382	154,255	-	42,764
Increase (decrease) in liabilities:				
Accounts payable	(1,104,892)	(153,697)	(259,494)	443,042
Accrued payroll	9,998	1,343	6,209	2,323
Due to other governments	(62,652)	-	-	-
Other liabilities	225,345	(39,614)	-	29
Deposits payable	86,372	-	-	-
Arbitrage liability	-	-	-	-
Claims payable	-	-	-	-
Deferred revenue	500,000	-	(4,000)	-
Compensated absences	26,390	19,000	42,260	5,040
Total adjustments	<u>1,730,832</u>	<u>2,700,208</u>	<u>479,528</u>	<u>1,212,130</u>
Net cash provided (used) by operating activities	<u>\$ 8,891,537</u>	<u>\$ 2,109,063</u>	<u>\$ 265,274</u>	<u>\$ (349,325)</u>
Non-cash investing, capital and financing activities:				
Capital assets acquired through contributions from developers	\$ 9,423,223	\$ 4,661,980	\$ -	\$ -
Increase in fair value of investments	132,899	108,758	30,792	4,126
Total non-cash investing, capital and financing activities	<u>\$ 9,556,122</u>	<u>\$ 4,770,738</u>	<u>\$ 30,792</u>	<u>\$ 4,126</u>

The accompanying notes are an integral part of the financial statements

<u>Public Housing Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (90,343)	\$ 4,703,508	\$ (2,547,349)
79,300	7,013,726	2,748,136
11,731	(712,886)	(15,076)
-	(57,263)	-
-	(14,000)	(2,307)
-	(14,251)	5,277
-	255,401	-
(24,288)	(1,099,329)	(168,949)
-	19,873	20,322
-	(62,652)	-
-	185,760	-
(299)	86,073	-
-	-	-
-	-	746,582
-	496,000	-
-	92,690	43,530
66,444	6,189,142	3,377,515
\$ (23,899)	\$ 10,892,650	\$ 830,166
\$ -	\$ 14,085,203	\$ -
-	276,575	36,827
\$ -	\$ 14,361,778	\$ 36,827

CITY OF PEORIA, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 119,797	\$ 3,577
Investments, at fair value	200,377	5,982
Due from other governments	4,826	-
Interest receivable	1,631	-
Total assets	326,631	9,559
LIABILITIES		
Accounts payable	-	828
Other liabilities	-	8,731
Total liabilities	-	9,559
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 326,631	\$ -

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Firemen's Pension Fund</u>
ADDITIONS	
Contributions:	
State insurance premium tax rebate	\$ 4,826
Total contributions	<u>4,826</u>
Investment earnings:	
Interest and investment income	<u>9,050</u>
Total investment earnings	9,050
Less investment expenses:	
Investment management fees	<u>276</u>
Net investment earnings	<u>8,774</u>
Total additions	<u>13,600</u>
 DEDUCTIONS	
Retirement payments	<u>21,600</u>
Total deductions	<u>21,600</u>
Change in net assets	(8,000)
Net assets - beginning of the year	<u>334,631</u>
Net assets - end of the year	<u><u>\$ 326,631</u></u>

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.

Note		Page
1	Summary of Significant Accounting Policies	46
2	Reconciliation of Governmental Fund Financial Statements to Government-wide Statements	59
3	Budget Basis of Accounting	64
4	Deposits and Investments	64
5	Property Taxes	66
6	Due from Other Governments	67
7	Accounts Receivable and Allowance for Doubtful Accounts	68
8	Interfund Transactions, Receivable and Payable Balances	68
9	Segment Information for Enterprise Funds	69
10	Deficits in Fund Equity/Excess of Expenditures Over Appropriations	69
11	Fund Balance/Net Assets Reservations and Designations	69
12	Capital Assets	70
13	Municipal Sports Complex Authority Bonds	72
14	Community Facilities District Debt	72
15	Long Term Debt	72
16	Advance Refundings	78
17	Retirement and Pension Plans	78
18	Operating Leases	81
19	Deferred Compensation Plan	82
20	Contingencies	82
21	Prior Period Adjustments	82
22	Other Matters	83
23	Subsequent Event	85

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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.

GASB Statement #20 requires that governments' enterprise activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

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, public works, certain social services and general administrative services. In addition, the City owns and operates enterprise funds, which include water, wastewater and sanitation operations, a baseball stadium complex, and the public housing operations.

The financial reporting entity presented in these financial statements consists of the City and three blended component units. In accordance with GASB Statement #14, 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.

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 bonds are reported as a debt service fund in the City's financial statements.

City of Peoria Municipal Sports Complex Authority, Inc.

City of Peoria Municipal Sports Complex Authority, Inc., an Arizona not-for-profit corporation, was organized for the purpose of assisting the City of Peoria in financing the development and construction of a spring training practice facility and stadium which is currently used by the San Diego Padres and the Seattle Mariners. As of June 12, 2003, the remaining Municipal Sports

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Complex Authority debt has been refinanced (see Note 13) and the City has no further obligation to the Authority.

Vistancia Community Facilities District

The Vistancia Community Facilities District (the District) was formed by petition to the City Council in 2003. 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. 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.

All of these component units are governed by boards, substantially or wholly, comprised of the government's elected council. No separate financial statements for any of the above component units is prepared on a stand-alone basis.

B. Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (statement of net assets 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.

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, as required by GASB Statement #34.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt 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 assets are those with constraints placed on their use by either: 1) externally

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 assets 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 assets are available.

Reservations or designations of net assets 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 reservations and designations of net assets in the various funds to demonstrate the government's intended use of those net assets.

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 general 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. 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, as defined by Statement #34. Although the model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of 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 Assets. The costs of the internal service fund 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 government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

The proprietary fund and fiduciary fund financial statements 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 be 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; and the Development Fee Fund accounts for the receipt and expenditure of impact or expansion fees for all governmental activities.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Debt Service Funds account for the resources accumulated and the servicing of general long-term debt not being financed by proprietary funds. The Special Assessment Debt Service Fund, which accounts for the receipt of revenues from special assessment districts and the payment of the special assessment bonds, is a major fund presented in the basic financial statements.

Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds. Two capital projects funds are presented as major funds in the basic financial statements. The GO Bond Capital Projects Fund account for the bond proceeds from general obligation bonds and the expenditure of those monies. The Non-Bond Capital Projects Fund accounts for the collection and expenditure of non-bond generated revenues, i.e. monies from developers or other governments, to be used for capital construction and related expenditures.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs, that is, for the benefit of the government or its citizens. The City does not currently have any permanent funds.

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 assets, 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 and Sanitation 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.

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:

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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. These costs 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 governmental functions is also in this fund. Revenues are 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 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. GASB Statement #34 redefined fiduciary funds as follows:

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.

Investment Trust Funds are required for reporting of any external investment pools sponsored by the reporting government. The City does not sponsor any such pools and therefore has no investment trust funds.

Private-Purpose Trust Funds account for assets held by the City under the terms of a formal trust agreement where both the principal and income may be used to support individuals, private organizations or other governments as set forth in the trust agreement. The City does not currently have any private-purpose trust funds.

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 two agency funds. One 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. The second accounts for monies held on behalf of Neighborhood Pride, a separate not-for-profit agency for which the City operates as an administrator.

Non-Current Governmental Assets and Liabilities

GASB Statement #34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in the account groups for

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

tracking purposes, but are presented with the governmental activities in the government-wide Statement of Net Assets.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 unreserved 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 accrual period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

When applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement #33 – *Recipient Reporting for Certain Shared Non-exchange Transactions* (Statement #33), 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 deferred revenue.

Under Statement #33, 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 revenue on the governmental fund financial statements. Sales taxes, Highway User revenues and State Shared Income taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. 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 deferred.

Proprietary funds, pension trust funds, investment trust funds and private purpose 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, pension trust funds, investment trust funds and private purpose trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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. 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 2003.
- 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.
- 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 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 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 City of Peoria's state calculated expenditure limitation for fiscal year 2002-2003 was \$82,193,361.

The State Constitution also gives local jurisdictions several methods of seeking approval from their citizens to override the state expenditure limitation. One of these methods is to seek local approval of an override of the limitation, called "home rule". This override approval must be approved by the voters every four years. Peoria has operated under voter approved "home rule", last approved in 2001, since 1989. "Home rule" allows the City Council to locally establish the annual budgetary limits.

Another method for overriding the state expenditure limitation 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 is effective beginning in fiscal year 2003-2004.

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. In the governmental funds, encumbrances are reported as reservations of fund balances at June 30 in the fund financial statements, since they do not constitute expenditures or liabilities. Encumbrances outstanding at the beginning of a fiscal year which were recognized as budgetary expenditures (but not as GAAP basis expenditures) in the prior year are recognized as GAAP basis expenditures (but not as budgetary expenditures unless reappropriated) in the current year as such expenditures are incurred. No restrictions of net assets for encumbrances are shown in the government-wide financial statements. Encumbrance accounting is employed in the proprietary fund types for budget purposes only, but is not shown as restricted net assets in the financial statements.

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.

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.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 equals 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 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.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

I. Inventory

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 in the fund financial statements indicating it does not constitute available expendable resources. No reservation of net assets is shown in the government-wide financial statements for inventories.

J. Capital Assets

Prior to GASB Statement #34, capital assets for governmental funds were recorded in the General Fixed Assets Account Group and were not depreciated. Statement #34 requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) 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 fixed 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, 2003, the City capitalized net interest costs of \$1,162,810 (interest incurred of \$1,201,401 reduced by interest earned of \$38,591) in the business-type activities of the government-wide financial statements (also in the Enterprise Funds on the proprietary fund statements). Total interest incurred of the business-type activities (and the Enterprise Funds on the proprietary fund statements) before capitalization was \$3,842,345.

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>
Buildings and improvements	40
Water and sewer systems	40
Storm drainage systems	40
Street system	40
Park facilities and streetscape	25
Streetlights and traffic control devices	10
Equipment	7-15
Furniture and fixtures	7-15
Vehicles	3-12
Computers/software	3

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fixed 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. 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".

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").

L. Receivables

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

M. 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 assets, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

N. 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 assets. 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. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 Facility 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, which are funded by state shared gas tax revenues. The Half-Cent Sales Tax Fund services debt obligations from development agreements. Each enterprise fund individually accounts for and services the applicable bonds and contracts payable that benefit that fund.

O. 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.

For the governmental fund financial statements, an estimate of the percentage of vacation, compensatory time and FICA benefits normally taken within 60 days of year end is recorded as a current liability of the applicable funds. Long-term liabilities of governmental funds are not shown on the fund financial statements. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time and benefits are recorded as a liability.

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. Therefore, no sick leave obligation is accrued. Any sick time accrued above the maximum allowed to be carried is paid out annually in May.

P. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. 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 all 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 expenditures reported in the internal service fund. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected.

The claims liability of \$3,000,000 reported in the fund at June 30, 2003 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 City is self-insured for property and public liability up to \$500,000 and for auto liability claims up to \$25,000 or \$50,000, depending on the value of the vehicle. Excess coverage insurance policies purchased through commercial insurance carriers cover individual claims in excess of these amounts. For additional information on insurance amounts, see Table XXIX on

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

pages 176-177. 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. During the fiscal year ended June 30, 2003, there was no significant reduction in excess insurance coverage. Additionally, settlements for each of the last three fiscal years have not exceeded the City's insurance coverage. Changes in the fund's claims liability amount in fiscal years 2002 and 2003 were:

Years Ended, June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2002	2,400,208	511,666	(658,456)	2,253,418
2003	2,253,418	2,203,739	(1,457,157)	3,000,000

Q. 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.

R. 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 assets/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. 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 Assets:

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets					
Cash and cash equivalents	\$ 47,053,373	-	5,596,280	1,150	52,650,803
Cash with fiscal agents	1,432,872	-	-	-	1,432,872
Investments	78,146,324	-	9,360,605	-	87,506,929
Accounts receivable, net	4,377,774	-	15,076	-	4,392,850
Interest receivable	577,564	-	78,976	-	656,540
Internal balances	-	-	886,824	-	886,824
Due from other governments	3,588,781	-	-	-	3,588,781
Prepaid items	77,649	-	2,307	-	79,956
Supply inventories	82,076	-	120,157	-	202,233

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Deferred bond issuance costs, net	-	2,023,153	-	-	2,023,153
Restricted cash & cash equivalents	42,093,764	-	-	-	42,093,764
Restricted investments	309,021	-	-	-	309,021
Special assessment receivables	14,092,123	-	-	-	14,092,123
Capital assets	-	442,765,092	12,485,660	-	455,250,752
Total assets	\$ 191,831,321	444,788,245	28,545,885	1,150	665,166,601
	Total	Long-term	Internal	Reclassifications	Statement of
	Governmental	Assets/	Service	and	Net Assets
	Funds	Liabilities (1)	Funds (2)	Eliminations	Totals
Liabilities					
Accounts payable	\$ 5,638,337	-	808,098	-	6,446,435
Accrued payroll	777,603	-	82,551	-	860,154
Interest payable	93,599	2,740,021	-	-	2,833,620
Due to other governments	772,422	-	-	-	772,422
Claims payable	-	-	3,000,000	-	3,000,000
Customer deposits	2,635	-	-	-	2,635
Deferred revenue	15,713,059	(14,189,402)	-	-	1,523,657
Arbitrage liability	126,431	-	-	-	126,431
Other liabilities	3,716,306	-	-	-	3,716,306
Unamortized bond premium	-	2,605,792	-	-	2,605,792
Compensated absences-current	749,790	1,656,580	261,580	-	2,667,950
Current bonds/contracts payable	-	9,201,677	-	-	9,201,677
Long-term liabilities (net of deferred loss)	-	141,317,565	25,370	-	141,342,935
Total liabilities	\$ 27,590,182	143,332,233	4,177,599	-	175,100,014
Fund Balance/Net Assets					
Total fund balance/net assets	\$ 164,241,139	301,456,012	24,368,286	1,150	490,066,587
Total liabilities and fund balance/net assets	\$ 191,831,321	444,788,245	28,545,885	1,150	665,166,601

(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 assets includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$ 551,659,894
Accumulated depreciation	(108,894,802)
	<u>\$ 442,765,092</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when paid. Interest payable \$ 2,740,021

Bond issuance costs are expensed when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets. \$ 2,023,153

Bond premiums are recognized at the time of issuance in the governmental funds, but are deferred and amortized over the life of the bonds on the statement of net assets \$ 2,605,792

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 assets.

Contracts payable	\$ 17,700,790
Bonds payable	133,588,871
Compensated absences	1,855,540
Subtotal	<u>153,145,201</u>
Less: current compensated absences	1,656,580
current portion of bonds/contracts	<u>9,201,677</u>
	<u>\$ 142,286,944</u>

Loss on refunding bonds is expenses at the time of issuance in the governmental funds, but is deferred and expensed over the life of the bonds on the statement of net assets \$ (969,379)

Deferred revenue for the long-term special assessment receivables shown on the governmental fund statements is not deferred on the statement of net assets. Also, certain grant 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.

Deferred special assessment revenue	\$ (14,082,587)
Deferred grant revenue	<u>(106,815)</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

\$ (14,189,402)

(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 assets, but are not included on the governmental fund balance sheet.

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital- related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes:							
Sales and use taxes	\$ 35,932,415	-	-	-	-	-	35,932,415
Property taxes	11,452,393	(123,578)	-	-	-	50,031	11,378,846
Franchise taxes	2,291,179	-	-	-	-	-	2,291,179
Intergovernmental:							
State shared sales taxes	8,474,910	-	-	-	-	-	8,474,910
Urban revenue sharing	11,386,513	-	-	-	-	-	11,386,513
Auto-in-lieu taxes	4,268,379	-	-	-	-	-	4,268,379
Highway user revenue	7,020,920	-	-	-	-	-	7,020,920
Local transportation aid	639,879	-	-	-	-	-	639,879
From federal government	3,552,001	(200,270)	-	-	-	-	3,351,731
Other	1,733,992	-	-	-	-	-	1,733,992
Charges for services	14,719,159	-	-	-	1,311	(194,488)	14,525,982
Licenses and permits	3,022,495	-	-	-	-	-	3,022,495
Fines and forfeitures	1,093,438	-	-	-	-	17,528	1,110,966
Rents	70,952	-	-	-	-	-	70,952
Investment earnings	2,669,885	-	-	280,867	-	-	2,950,752
Special assessments	3,142,875	(2,169,590)	-	-	-	-	973,285
Miscellaneous	1,089,570	-	-	-	-	238	1,089,808
Other sources:							
Gain on sale of capital assets	-	-	91,970	-	-	-	91,970
Capital contributions	-	-	10,211,988	-	-	-	10,211,988
Capital related debt issued	49,213,258	-	-	-	(49,213,258)	-	-
Refunding bonds issued	24,613,603	-	-	-	(24,613,603)	-	-
Expired debt agreement	-	-	-	-	135,068	-	135,068
Transfers in	15,978,782	-	-	302,915	-	(15,671,301)	610,396
Total revenues and other sources	202,366,598	(2,493,438)	10,303,958	583,782	(73,690,482)	(15,797,992)	121,272,426
Expenditures/Expenses							
Current:							
General government	13,094,326	52,290	1,366,369	(558,314)	-	11,488	13,966,159
Culture and recreation	11,339,011	19,540	1,289,795	69,339	-	(228,754)	12,488,931
Police	17,462,775	118,710	825,086	(22,308)	-	15,783	18,400,046
Fire	9,633,471	27,790	777,584	(113,065)	-	35,719	10,361,499
Development services	4,095,448	22,700	57,006	2,937	-	292	4,178,383
Highways and streets	8,740,707	6,030	7,850,968	(174,410)	-	-	16,423,295
Public works	3,217,245	30,530	1,265,668	134,436	-	-	4,647,879
Human services	2,452,063	3,800	123,247	(27,935)	-	-	2,551,175
Other	3,707	-	-	-	-	38,781	42,488
Debt service:							
Principal payments	10,612,697	-	-	-	(10,612,697)	-	-
Interest and other charges	6,918,514	459,416	-	-	(1,191,012)	-	6,186,918
Capital outlay	24,209,115	-	(24,209,115)	-	-	-	-
Unallocated depreciation	-	-	587,006	-	-	-	587,006
Total expenditures/expenses	111,779,079	740,806	(10,066,386)	(689,320)	(11,803,709)	(126,691)	89,833,779
Other financing uses/changes in net assets							
Payment to bond escrow agent	22,255,141	-	-	-	(22,255,141)	-	-
Transfers out	21,772,434	-	-	93,677	-	(18,500,271)	3,365,840
Total expenditures/expenses & other financing uses	155,806,654	740,806	(10,066,386)	(595,643)	(34,058,850)	(18,626,962)	93,199,619

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change for the year \$ 46,559,944 (3,234,244) 20,370,344 1,179,425 (39,361,632) 2,828,970 28,072,807

- (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>281,390</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 the discount on Capital Appreciation Bonds (CAB's) and amortization of deferred loss on refunding is also included in the statement of activities, but not the governmental fund statements.
- | | | |
|--|-----------------------------------|-------------------|
| | Accrued interest | \$ 271,150 |
| | Amortization of loss on refunding | 8,078 |
| | Amortization of CAB discount | <u>180,188</u> |
| | | <u>\$ 459,416</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>(123,578)</u> |
|--|--|---------------------|
- Other revenues earned, but not expected to be received within six months 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>(200,270)</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 deferred revenue 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.
- | | | |
|--|--|-----------------------|
| | Additional special assessment debt | \$ - |
| | Current year principal payments received | <u>(2,169,590)</u> |
| | | <u>\$ (2,169,590)</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 resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.
- | | | |
|--|----------------------|----------------------|
| | Capital outlay | \$ 24,209,115 |
| | Other capital | 155,058 |
| | Depreciation expense | <u>(14,179,210)</u> |
| | | <u>\$ 10,184,963</u> |
- 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>10,211,988</u> |
|--|-----------------------|----------------------|
- 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 | 91,970 |
| | Losses | <u>(118,577)</u> |
| | | <u>\$ (26,607)</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 | \$ 583,782 |
| | Expenditures and other uses | 689,320 |
| | Transfers out | <u>(93,677)</u> |
| | Change in net assets | <u>\$ 1,179,425</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,

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

the principal payments reduce the long-term liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments made	<u>\$ 10,612,697</u>
-------------------------	----------------------

The issuance of additional debt is reported as a revenue in the governmental funds, but is an increase in outstanding debt, not a revenue, for government-wide reporting.

Bonds issued	\$ 48,820,000
Additional contracts payable	122,925
Bond discount	<u>270,333</u>
	<u>\$ 49,213,258</u>

Refunding bond issued are shown as both an other financing source (the sale) and an other financing use (payment to escrow agent), but it is neither a source or use for government-wide reporting.

Refunding debt issued	24,613,603
Payment to bond escrow agent	<u>(22,255,141)</u>
	<u>\$ 2,358,462</u>

Certain bond transactions, like issuance costs, bond premiums and loss on refunding, are reported as revenues or expenditures in the governmental funds because they provide, or use, current financial resources. However, for the City as a whole, these costs are deferred and recognized or amortized (expensed) over the life of the bonds.

Issuance costs for new bonds	\$ 1,365,013
Amortization of bond issuance costs	(137,260)
Bond premium	23,002
Loss on refunding of bonds	<u>(59,743)</u>
	<u>\$ 1,191,012</u>

Certain long-term debt (not carried in the governmental funds) is reduced per agreement by an annual administrative fee earned by the City. This fee is recognized as current year revenue in the statement of activities.

Administrative fee on development agreements	<u>\$ 1,311</u>
--	-----------------

A Development Agreement (long-term debt not carried in the governmental funds) expired without meeting the revenue requirement necessary to cause the City to pay out the entire amount of the agreement. This transaction has no effect on the governmental fund statements, but creates an other financing source on the statement of activities.

	<u>\$ 135,068</u>
--	-------------------

- (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.

The allowance for uncollectible accounts receivable reduces revenues in the governmental funds statement of revenues, expenditures and changes in fund balances, but under full accrual accounting used in the statement of activities, the offset is bad debt expense.

Allowance for uncollectible accounts receivable	\$ 102,373
Bad debt expense	<u>(102,373)</u>
	<u>\$ -</u>

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	\$ 229,302
Interfund service charges	<u>(229,302)</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	\$ 18,500,271
Transfers in	<u>(15,671,301)</u>
	<u>\$ 2,828,970</u>

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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. 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 business-type activities are presented as supplementary information after the combining schedules. 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 assets on a budgetary basis, to revenues and expenditures/expenses or change in net assets on a GAAP basis.

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 Assets as "Cash and cash equivalents" and "Investments".

At June 30, 2003, the carrying amount of the City's deposits was \$2,551,430 and the bank balance was \$1,581,136. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name, in the Municipal Development Authority's trust name or in the Municipal Sports Complex Authority's trust name. The difference of \$970,294 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.

City policy requires that securities underlying repurchase agreements must have a market value of at least 100 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 year.

The City's investments at June 30, 2003 are summarized below to give an indication of risk assumed by the City at year-end. Category 1 included investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, but not in the City's name.

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, 2003, the City's investments included the following:

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Category			Carrying Value
	1	2	3	
<u>Unrestricted Investments:</u>				
City of Peoria Bonds	\$ 2,490,340	-	-	\$ 2,490,340
U.S. Treasury notes and strips	25,236,206	-	-	25,236,206
Agency coupon securities	92,790,037	-	-	92,790,037
Agency discount notes	59,494,795	-	-	59,494,795
U.S. Treasury Bills	<u>70,203,472</u>	-	-	<u>70,203,472</u>
	250,214,850	-	-	250,214,850
Unclassified Investments (1):				
State of Arizona local				
Government investment pool				1,872,425
Mutual fund-money market				<u>72,960</u>
Total unrestricted investments				252,160,235
Less: amount included in				
Restricted assets				(1,610,028)
Less: amount included in cash				
and cash equivalents				<u>(92,045,992)</u>
Unrestricted investments, net				\$ <u>158,504,215</u>
Total investments per statement				
of net assets				\$ 158,297,856
Investments in Fiduciary Funds				<u>206,359</u>
Total unrestricted investments				\$ <u>158,504,215</u>
<u>Restricted Assets (2):</u>				
U.S. Treasury Bills	\$ 11,215,557	-	-	\$ 11,215,557
Agency discount notes	<u>19,301,245</u>	-	-	<u>19,301,245</u>
	30,516,802	-	-	30,516,802
Unclassified Investments (1):				
Mutual fund-money market				<u>19,694,627</u>
Total Restricted Assets	\$ <u>30,516,802</u>			\$ <u>50,211,429</u>

(1) These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

(2) Includes restricted cash and cash equivalents and restricted investments as reported in the statement of net assets.

Cash and cash equivalents at June 30, 2003 consisted of the following:

Investments included in cash and cash equivalents	\$92,045,992
Carrying amount of City deposits	2,551,430
Amounts due from restricted cash	942,733
Petty cash on hand	<u>5,750</u>
Total cash and cash equivalents	95,545,905
Less: Cash and cash equivalents of Fiduciary funds	<u>123,374</u>
Total cash and cash equivalents per statement of net assets	<u>\$95,422,531</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 for that purpose.

Investment income comprises the following for the year ended June 30, 2003:

Net interest and dividends	\$ 4,722,799
Net increase in the fair value of investments	<u>615,842</u>
Total net investment income	5,338,641
Less: net investment income of Fiduciary funds	<u>8,774</u>
Total net investment income per statement of activities	<u>\$ 5,329,867</u>

The net increase in the fair value of investments during fiscal year 2002-2003 was approximately \$615,842. 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, 2003 was approximately \$(1,907,180).

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 2003 are \$633,103,381 and \$662,785,441 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 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

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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, 2003:

Governmental activities:

General Fund:

Due from Maricopa County for:	
Property tax	\$ 44,539
Due from State of Arizona for:	
State shared sales tax	726,617
State revenue sharing	814,467
Auto lieu tax	354,672
Miscellaneous other	24,616
Due from Peoria Unified School District	32,263
Subtotal	<u>1,997,174</u>

Highway User Revenue Fund:

Due from State of Arizona (Highway user revenue)	613,486
Due from Maricopa County (SLIDS)	12,536
Subtotal	<u>626,022</u>

Non-major Governmental Fund:

Due from US Department of Housing & Urban Development	253,550
Due from US Environmental Protection Agency	15,851
Due from Maricopa County:	
Property tax	201,182
Other	194,543
Due from State of Arizona	259,537
Due from Other Municipalities	40,922
Subtotal	<u>965,585</u>
Total governmental activities	<u>\$ 3,588,781</u>

Business-type activities:

Water Utility Fund:

Due from State of Arizona	\$ 57,263
Total business-type activities	<u>\$ 57,263</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

7. ACCOUNTS RECEIVABLE AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectibles as follows at June 30, 2003:

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
General Fund	\$ 3,237,482	85,368	3,152,114
Half-Cent Sales Tax Fund	965,466	-	965,466
Highway User Revenue Fund	177,356	-	177,356
Other Governmental Funds	<u>224,344</u>	<u>141,506</u>	<u>82,838</u>
Total governmental funds	<u>4,604,648</u>	<u>226,874</u>	<u>4,377,774</u>
Self-Insurance Fund (Internal Service)	<u>15,076</u>	<u>-</u>	<u>15,076</u>
Total governmental activities	<u>\$ 4,619,724</u>	<u>226,874</u>	<u>4,392,850</u>
Business-type activities:			
Water Utility Fund	\$ 5,851,771	954,067	4,897,704
Wastewater Utility Fund	2,074,553	468,287	1,606,266
Sanitation Utility Fund	1,409,643	316,320	1,093,323
Stadium Fund	13,450	545	12,905
Public Housing Fund	<u>41,745</u>	<u>26,704</u>	<u>15,041</u>
Total business-type activities	<u>\$ 9,391,162</u>	<u>1,765,923</u>	<u>7,625,239</u>

8. INTERFUND TRANSACTIONS, RECEIVABLE AND PAYABLE BALANCES

Net interfund receivables and payables between governmental activities and business-type activities of \$886,824 are included in the government-wide financial statements at June 30, 2003. These internal balances are between the proprietary funds (business-type activities) and the internal service funds (governmental activities). No interfund receivables and payables are included in the fund financial statements at June 30, 2003.

The net transfers of \$2,755,444 from governmental activities to business-type activities on the government-wide statement of activities is primarily debt service and operational subsidies from the General Fund and Half-Cent Sales Tax Fund to the Stadium Fund, and transfers from the Vistancia Community Facilities District Capital Projects Fund to the Water and Wastewater Utility Funds for the construction of business-type assets. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2003:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
Governmental funds:		
General Fund	\$ 8,476,730	800,655
Half-Cent Sales Tax Fund	8,260,111	-
Highway User Revenue Fund	282,990	1,082,625
Development Fee Fund	544,000	-
Non-Bond Capital Projects Fund	33,261	8,782,145
Non-Major Governmental Funds	<u>4,175,342</u>	<u>5,313,357</u>
Total governmental funds	<u>21,772,434</u>	<u>15,978,782</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
Enterprise funds:		
Water Utility Fund	833,458	791,153
Wastewater Utility Fund	108,478	1,789,305
Sanitation Utility Fund	206,291	4,924
Stadium Fund	324,459	1,634,445
Public Housing Fund	-	8,303
Total enterprise funds	<u>1,472,686</u>	<u>4,228,130</u>
Internal Service funds	<u>320,351</u>	<u>3,357,406</u>
Fiduciary Funds	-	1,153
Grand totals	\$ <u>23,565,471</u>	<u>23,565,471</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; or 3) transfers to fund internal service equipment replacement funds. There were no significant transfers during fiscal year 2003 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. For further detail on interfund transfers, refer to Exhibit 6 on page 131.

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

The following fund had an accumulated fund deficit at June 30, 2003:

<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Internal Service	Self Insurance Fund	\$ 1,121,144

The deficit in the Self Insurance fund arose due to an increase in insurance costs and claims paid or accrued at June 30, 2003. The City plans to eliminate this deficit during fiscal year 2004 with an increase in the internal charges to operating funds.

For the year ended June 30, 2003, expenditures, including capital outlay and transfers, did not exceed budget at the department level (i.e. the level of budgetary control) in any funds.

11. FUND BALANCE/NET ASSETS RESERVATIONS AND DESIGNATIONS

Only restrictions imposed by external sources are shown as Restricted Net Assets on the government-wide financial statements. Additionally, reserves for encumbrances, inventories and pre-paid items are shown on the governmental fund financial statements. Reservations or designations of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, reserve or designate portions of net assets in other funds to demonstrate the government's intended use of those net assets. Reservations are created by legislative action of the City Council while designations are created by administrative policy. The following are the reservations or designations of fund balance/net assets included in unreserved fund balance/net assets at June 30, 2003:

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

General Fund:	
Designated for economic stabilization reserve	\$ 22,300,000
Designated for branch library equipment	87,049
Designated for economic development	528,168
Designated for municipal office complex reserve	<u>2,614,726</u>
	25,529,943
Half-Cent Sales Tax Fund:	
Designated for economic stabilization reserve	3,630,000
Designated for debt service retirement	<u>1,000,000</u>
	4,630,000
Non-Bond Capital Projects Fund:	
Designated for capital construction	<u>9,533,035</u>
Other Grants Fund:	
Reserved for arts capital	<u>617,785</u>
Total governmental funds	<u>\$ 40,310,763</u>
Water Utility Fund:	
Designated for working capital policy reserve	\$ 18,273,300
Designated for capital equipment replacement	2,126,843
Designated for capital construction	<u>2,044,739</u>
	22,444,882
Wastewater Utility Fund:	
Designated for working capital policy reserve	7,968,000
Designated for capital equipment replacement	1,011,270
Designated for capital construction	<u>4,517,569</u>
	13,496,839
Sanitation Utility Fund:	
Designated for working capital policy reserve	460,120
Designated for capital equipment replacement	<u>4,092,472</u>
	4,552,592
Stadium Fund:	
Designated for capital equipment replacement	<u>691,715</u>
Total proprietary funds	<u>\$ 14,484,608</u>
Internal Service Funds:	
Designated for capital equipment replacement	<u>\$ 11,164,288</u>

12. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2003 follows:

	<u>Balances</u> <u>June 30, 2002</u>	<u>Additions/</u> <u>Transfers in</u>	<u>Disposals/</u> <u>Transfers out</u>	<u>Balances</u> <u>June 30, 2003</u>
Governmental activities:				
Non-depreciable assets:				
Work in Progress – Parks	\$ 878,456	3,566,954	(433,649)	4,011,761
Work in Progress – Land	59,020	127,815	-	186,835
Work in Progress – Buildings	1,726,343	9,352,732	-	11,079,075
Work in Progress – Storm drains	1,486,265	365,171	(173,287)	1,678,149
Work in Progress – Streets	3,400,621	5,840,587	(266,704)	8,974,504
Work in Progress – Technology	2,225,212	1,025,768	(202,179)	3,048,801
Work in Progress – Vehicles	1,371	-	(1,371)	-
Land	<u>140,794,327</u>	<u>294,716</u>	-	<u>141,089,043</u>
Total non-depreciable assets	<u>150,571,615</u>	<u>20,573,743</u>	<u>(1,077,190)</u>	<u>170,068,168</u>

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balances June 30, 2002	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2003
Governmental activities (cont):				
Depreciable assets:				
Buildings & Improvements	45,298,797	387,877	-	45,686,674
Furniture	1,588,611	174,901	-	1,763,512
Equipment	21,957,312	2,025,027	(99,246)	23,883,093
Vehicles	10,959,157	2,346,254	(1,358,329)	11,947,082
Storm drain system	46,232,992	1,516,369	-	47,749,361
Street system	252,048,350	12,523,191	-	264,571,541
Park system	12,500,713	325,987	-	12,826,700
Total depreciable assets at historical cost	<u>390,585,932</u>	<u>19,299,606</u>	<u>(1,457,575)</u>	<u>408,427,963</u>
Less accumulated depreciation for:				
Buildings	(13,014,806)	(1,153,446)	-	(14,168,252)
Furniture	(985,741)	(137,511)	-	(1,123,252)
Equipment	(11,947,032)	(2,459,199)	87,954	(14,318,277)
Vehicles	(5,804,739)	(1,370,385)	1,161,674	(6,013,450)
Storm drain system	(6,314,897)	(1,155,919)	-	(7,470,816)
Street system	(69,933,617)	(7,417,144)	-	(77,350,761)
Park system	(2,309,152)	(491,419)	-	(2,800,571)
Total accum. depreciation assets, net	<u>(110,309,984)</u>	<u>(14,185,023)</u>	<u>1,249,628</u>	<u>(123,245,379)</u>
Governmental activities capital assets, net	<u>\$ 430,847,563</u>	<u>25,688,326</u>	<u>(1,285,137)</u>	<u>455,250,752</u>
Business-type activities:				
Non-depreciable assets:				
Work in Progress - Baseball	\$ 30,935	1,471	-	32,406
Work in Progress - Water system	47,852,360	12,000,180	(35,777,016)	24,075,524
Work in Progress - Wastewater	1,276,795	5,732,342	(643,424)	6,365,713
Land	12,474,609	12,978	-	12,487,587
Total non-depreciable assets	<u>61,634,699</u>	<u>17,746,971</u>	<u>(36,420,440)</u>	<u>42,961,230</u>
Depreciable assets:				
Buildings & improvements	28,722,811	57,642	-	28,780,453
Furniture	15,723	25,526	-	41,249
Equipment	1,363,234	1,101,947	(98,630)	2,366,551
Vehicles	7,851,691	675,784	(1,460,928)	7,066,547
Water system	92,367,202	47,287,698	-	139,654,900
Wastewater system	105,036,573	5,372,760	-	110,409,333
Total depreciable assets at historical cost	<u>235,357,234</u>	<u>54,521,357</u>	<u>(1,559,558)</u>	<u>288,319,033</u>
Less accumulated depreciation for:				
Buildings & improvements	(6,622,036)	(718,395)	-	(7,340,431)
Furniture	(6,663)	(1,592)	-	(8,255)
Equipment	(686,619)	(191,232)	50,772	(827,079)
Vehicles	(3,882,690)	(913,614)	1,454,477	(3,341,827)
Water system	(18,754,682)	(2,396,342)	-	(21,151,024)
Wastewater system	(23,458,456)	(2,636,213)	-	(26,094,669)
Total accum. depreciation	<u>(53,411,146)</u>	<u>(6,857,388)</u>	<u>1,505,249</u>	<u>(58,763,285)</u>
Total depreciable assets, net	<u>181,946,088</u>	<u>47,663,969</u>	<u>(54,309)</u>	<u>229,555,748</u>
Business-type activities capital assets, net	<u>\$ 243,580,787</u>	<u>65,410,940</u>	<u>(36,474,749)</u>	<u>272,516,978</u>

The City has fully implemented the infrastructure reporting requirements of GASB Statement #34, including retroactive infrastructure with the retroactive capitalization of certain bridges and the land under the City's streets and right-of-ways during the fiscal year ended June 30, 2003 (also see Note 21 – Prior Period Adjustments).

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

General government	\$ 1,387,444
Culture and recreation	1,303,109
Police	825,086
Fire	777,584
Development services	69,387
Highways and streets	7,882,187
Public works	1,273,059
Human services	74,348
Unallocated	<u>587,006</u>
Total depreciation expense	<u>\$ 14,179,210</u>

13. MUNICIPAL SPORTS COMPLEX AUTHORITY BONDS

The City entered into contracts with the Municipal Sports Complex Authority (the Corporation), whereby the City pledged to pay rental payments to the Corporation pursuant to a City lease, dated June 1, 1993. The City's scheduled rental payments to the Corporation were in amounts sufficient to pay debt service on the Corporation's bonds. On June 12, 2003, Series 1993B issue remaining principal of \$1,005,000 was refinanced by the Peoria Municipal Development Authority Revenue Refunding Bonds, Series 2003. All Municipal Sports Complex Authority debt is extinguished as of June 30, 2003 and the City has no further obligation to the Corporation.

14. 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 of general obligation bonds in 2003 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.

15. 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, 2003, there are no outstanding GO bonds in the business-type activities.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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, and (after January 1, 1974) parks and open space 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, 2003 was \$11,767,737 and \$91,927,088 for the 6 percent and 20 percent debt limits, respectively. Also see Table XX, page 165, in the Statistical Section.

B. Revenue bonds

Highway User Revenue Bonds: Highway User Revenue Bonds are used to construct street and highway projects. The debt service is repaid through the Highway User Revenue Fund, a special revenue fund, from the City’s share of the gasoline taxes that are collected by the State of Arizona and distributed to cities and towns based on a formula of population and gasoline sales within the county.

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.

D. Special assessment bonds

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 action 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 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, 2003, 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

maturities of the bonds payable and related interest. Special assessment receivables that were delinquent at June 30, 2003 totaled \$3,599.

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 districts. See further discussion of CFD bonds outstanding in Note 14.

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 \$2,328,966 and \$23,636,480, respectively, was unissued at June 30, 2003. 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, \$58,292,154 in utility revenue bonds have been issued against the 1996 authorization, leaving \$17,257,846 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 were issued against the 2000 authorization during the current fiscal year leaving \$260,318,544 unissued from the 2000 election.

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. \$26,185,211 remains available of this authorization at June 30, 2003.

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. At June 30, 2003, the City is in compliance with all such covenants.

H. Arbitrage

Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, 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, 2003 and has established liabilities of \$126,431 and \$139,397 in the GO Bonds Capital Projects Fund (governmental) and Water Utility Fund (business-type), respectively.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Bonds payable at June 30, 2003 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							
09/30/92	Series 1992B	Various improvements	7/1/94-07	5.81	9.3	\$ 2,485,000	\$ 200,000
02/19/92	Series 1992	Refunding portion of Series 1985	7/1/92-03	5.75	7.2	3,775,000	430,000
03/30/93	Series 1993	Refunding	7/1/93-11	5.84	10.5	9,360,000	5,345,000
03/30/93	Series 1993	Capital appreciation refunding	7/1/01-04	5.84	10.5	5,965,000	3,319,388
05/04/94	Series 1994	Various improvements	7/1/95-14	6.44	12.7	3,675,000	330,000
07/21/95	Series A (1995)	Various improvements	7/1/96-15	5.34	12.5	4,695,000	3,645,000
07/02/96	Series B (1996)	Various improvements	7/1/97-16	5.52	13.2	6,000,000	5,265,000
07/01/98	Series A (1998)	Various improvements	7/1/99-18	4.82	12.2	5,930,000	5,200,000
07/01/98	Series B (1998)	Refunding portions of Series 1994, 1992A/B	7/1/99-14	4.64	9.8	4,030,000	3,790,000
04/04/00	Series 2000	Various improvements	4/1/00-20	5.47	12.3	14,860,000	13,535,000
04/02/03	Series A (2003)	Various improvements	7/1/04-22	4.04	9.3	27,570,000	27,570,000
Total General Obligation Bonds						88,345,000	68,629,388
Municipal Development Authority Bonds							
08/10/89	Series 1989	Office complex, phase I	7/1/90-09	7.04	14.7	15,500,000	1,205,000
01/23/91	Series 1991	Office complex, phase II	7/1/94-10	7.14	15.6	9,500,000	180,000
06/12/03	Series 2003	Refunding 1993 MDA & MSCA Series B	7/1/04-13	2.74	5.1	22,255,141	22,255,141
Total Municipal Development Authority Bonds						47,255,141	23,640,141
Highway User Revenue Bonds							
02/16/88	Series 1998	Street, highway, ROW improvements	7/1/89-03	7.02	9.8	2,500,000	270,000
07/10/96	Series C (1996)	Street, bridge, traffic signal improvements	7/1/97-16	5.81	14.1	4,600,000	4,355,000
Total Highway User Revenue Bonds						7,100,000	4,625,000
Special Assessment Bonds (collateralized by the special assessments levied on the property benefiting from the improvements)							
06/30/91	ID# 8801	North Valley Power Center ID-Water & street improvements	1/1/94-7/1/13	7.30	13.4	5,015,000	3,315,000
01/30/92	ID# 8802	Bell Road ID-Street improvements	1/1/95-13	7.20	13.3	5,610,000	3,840,000
11/21/91	ID# 9002	Sunny Boy Water & Sewer ID-acquire private water company	1/1/93-11	6.35	12.4	2,575,000	425,000
01/19/94	ID# 9202	Arrowhead Shores ID-infrastructure improvements	1/1/96-05	5.40	7.0	832,000	144,000
09/17/97	ID# 9601	83rd Ave ID-Water, wastewater & street improvements	1/1/99-12	5.30	8.7	2,285,000	1,665,000
04/15/97	ID# 9602	North Beardsley ID-Water system improvements	1/1/99-07	5.60	6.1	2,125,000	825,000
08/13/97	ID# 9603	Arrowhead Fountains ID-Water, wastewater & street improvmts	1/1/99-12	5.20	8.7	3,800,000	2,740,000
08/28/01	ID# 9303	75th Ave & Paradise Ln ID-Street & bridge improvements	1/1/03-11	6.00	5.7	2,270,000	2,042,052
08/28/01	ID# 9801	83rd Ave & Thunderbird ID-Street improvements	1/1/03-11	5.00	5.7	493,000	448,290
Total Improvement District Bonds						25,005,000	15,444,342
Community Facility District Bonds (collateralized by ad valorem property taxes levied on the property benefiting from the improvements)							
12/17/02	Series 2002	Vistancia Community Facilities District	7/15/05-22	6.69	12.7	21,250,000	21,250,000
Total bonds payable recorded in governmental activities						133,588,871	
Less current portion						(6,799,267)	
Long-term portion of bonds payable recorded in governmental activities						\$126,789,604	
CLASSIFIED IN BUSINESS-TYPE ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
Municipal Development Authority Bonds							
06/12/03	Series 2003	Refunding 1993 MDA & MSCA Series B	7/1/04-13	2.74	5.1	\$ 2,759,859	\$ 2,759,859
Revenue Bonds							
08/24/95	WIFA Series 1995	Wastewater treatment facilities	7/1/96-15	3.15	11.5	11,405,081	8,187,964
07/21/95	Series A (1995)	Water and wastewater system improvements	7/1/96-15	5.31	12.5	2,000,000	1,555,000
08/06/97	WIFA Series 1997	Beardsley wastewater treatment plant & assoc. improvements	7/1/98-17	2.95	11.5	14,330,000	11,503,777
09/10/98	Series A (1998)	Water system improvements	7/1/01-18	4.73	12.7	16,730,000	15,575,000
09/10/98	Series B (1998)	Refunding portion of Series 1991	7/1/01-06	4.16	5.6	4,170,000	2,995,000
07/06/00	Series 2000	Water & wastewater system improvements	7/1/02-20	5.33	12.6	16,590,000	10,615,000
07/07/00	WIFA Series 2000 (ph 1)	Greenway water treatment plant construction	7/1/02-20	3.94	11.8	20,150,000	19,417,526
07/26/01	WIFA Series 2000 (ph 2)	Greenway water treatment plant expansion & water improvemts	7/1/02-21	3.94	11.7	14,500,000	14,010,025
07/26/02	WIFA Series 2000 (ph 3)	Water system improvements	7/1/03-22	3.94	11.8	1,964,789	1,964,789
Total Revenue Bonds						101,839,870	85,824,081
Total bonds payable recorded in business-type activities						88,583,940	
Less current portion						(5,867,216)	
Long-term portion of bonds payable recorded in governmental activities						\$82,716,724	
Total long-term portion of bonds payable						\$209,506,328	

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Reconciliation to total bonded debt principal:

Total long-term portion of bonds payable	\$209,506,328
Add:	
Current portion of bonds payable	12,666,483
Capital Appreciation Bonds 1993 unamortized discount as of 6/30/2003	90,611
Total bonded debt principal as of June 30, 2003	<u>\$222,263,422</u>

Contracts Payable

Other debt at June 30, 2003 consists of the following:

Agreement Date	Type	Nature of Improvements	Expiration Date	Interest Rate	Interes t Cap	Original Amount	Principal Outstandin g
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
05/22/90	Planned area retail project	Offsite improvements-Bell Rd-IDs 8801 and 8802	08/28/18	Prime	10.5	\$ 13,137,805	\$ 7,739,365
02/20/92	Planned area retail project	Offsite improvements-Bell Rd-ID 8802	01/20/11	Prime	9.0	5,305,975	3,977,887
06/01/94	Planned area retail project	Offsite improvements-Bell Rd & Paradise Ln-IDs 8802 and 9303	06/20/17	Prime	7.0	4,538,097	3,328,196
03/27/97	Planned area retail & restaurant projects	Bicycle path & infrastructure improvements related to development	02/01/06	-	-	222,716	116,323
12/30/96	Mixed-use development project	Offsite improvements & development and permit fees-IDs 9601 & 9603	11/30/03	-	-	4,100,000	951,100
11/21/00	Planned area retail project	Offsite improvements-83rd Ave & Thunderbird	11/21/07	-	-	122,323	118,778
01/02/01	Planned area retail project	Street & infrastructure improvements-91st Ave & Northern	10/09/08	-	-	900,000	733,015
01/02/01	Planned area retail project	Street & infrastructure improvements-91st Ave & Northern	(1) below	-	-	200,000	200,000
09/04/01	Restaurant project	Street improvements-83rd Ave & Bell Rd-ID 8802	01/08/07	-	-	67,534	61,046
08/17/01	Capital lease	Modular buildings at City Hall Complex	10/01/06	5.85	-	396,195	269,152
12/11/01	Planned area automotive dealership complex	Onsite improvements benefiting general public	(2) below	-	-	100,000	100,000
08/07/02	Capital lease	Modular buildings at Municipal Operations Center	10/01/07	4.95	-	122,925	105,928
	Total contracts payable						17,700,790
	Total contracts payable recorded in governmental activities						17,700,790
	Less estimated current portion						(2,402,410)
	Long-term portion of contracts payable						<u>15,298,380</u>
	Total contracts payable						<u>\$ 17,700,790</u>

(1) 5 yrs from opening dt of occupancy of at least 50,000 sq ft.

(2) 5 yrs from calendar yr-end in which certificate of occupancy issued for 1st dealership; 6 yrs if 2nd dealership built.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 44,484,200	27,750,189	3,605,000	68,629,389	3,740,000
MDA bonds	25,773,797	22,255,141	24,388,797	23,640,141	1,385,000
Highway user revenue bonds	4,925,000	-	300,000	4,625,000	320,000
Special assessment bonds	17,333,692	-	1,889,351	15,444,341	1,354,267
CFD bonds	-	21,250,000	-	21,250,000	-
Total bonds payable	92,516,689	71,255,330	30,183,148	133,588,871	6,799,267
Contracts payable	19,978,652	222,925	2,500,787	17,700,790	2,402,410
Compensated absences	2,473,640	418,640	-	2,892,280	2,667,950
Governmental activities totals	<u>\$ 114,968,981</u>	<u>71,896,895</u>	<u>32,683,935</u>	<u>154,181,941</u>	<u>11,869,627</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Bonds payable:					
MDA bonds	\$ 3,871,204	2,759,859	3,871,204	2,759,859	-
Sports Authority bonds	1,135,000	-	1,135,000	-	-
Revenue bonds	88,918,301	1,964,789	5,059,009	85,824,081	5,867,216
Total bonds payable	93,924,505	4,724,648	10,065,212	88,583,940	5,867,216
Contracts payable	114,957	-	114,957	-	-
Compensated absences	301,860	92,690	-	394,550	361,700
Business-type activities totals	\$ 94,341,322	4,817,338	10,180,169	88,978,490	6,228,916

The following is a summary of debt service requirements, including interest requirements and unamortized discount in the general obligation bonds (\$90,611 at June 30, 2003), to maturity for long-term debt at June 30, 2003:

Fiscal Year	General Obligation Bonds	Municipal Development Authority Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Community Facilities District Bonds	Total
2004	6,573,371	2,084,238	582,140	2,329,368	9,292,880	1,418,100	22,280,097
2005	12,427,617	3,453,700	472,190	2,402,812	7,694,342	1,315,763	27,766,424
2006	6,685,677	3,570,925	469,990	2,307,952	7,727,225	2,026,263	22,788,032
2007	5,714,798	3,810,300	469,525	2,346,231	7,705,189	2,020,825	22,066,868
2008	5,728,024	3,728,675	470,210	2,043,222	6,880,568	2,011,481	20,862,180
2009	5,452,704	3,780,300	469,810	2,061,801	6,842,281	2,022,450	20,629,346
2010	5,352,607	3,782,675	468,295	2,299,367	6,825,589	2,004,300	20,732,833
2011	5,343,009	4,010,800	470,574	2,341,364	6,065,047	2,031,106	20,261,900
2012	4,931,960	1,467,650	466,703	1,691,010	6,056,236	2,003,125	16,616,684
2013	4,539,455	1,464,000	466,663	1,077,820	6,044,054	1,996,563	15,588,555
2014	4,564,435	1,435,000	470,244	-	6,033,167	2,010,063	14,512,909
2015	4,570,128	-	467,531	-	6,019,021	1,989,844	13,046,524
2016	4,283,875	-	468,525	-	6,011,077	1,986,375	12,749,852
2017	3,893,848	-	468,081	-	6,288,927	1,977,844	12,628,700
2018	3,394,273	-	-	-	6,273,847	1,988,406	11,656,526
2019	3,399,800	-	-	-	5,361,912	1,992,219	10,753,931
2020	2,963,303	-	-	-	4,003,206	1,989,281	8,955,790
2021	1,698,550	-	-	-	4,019,855	1,979,594	7,697,999
2022	1,700,130	-	-	-	1,159,606	1,963,156	4,822,892
2023	1,707,575	-	-	-	138,354	1,964,125	3,810,054
Less interest	(26,205,139)	(6,188,263)	(2,055,481)	(5,456,606)	(30,618,302)	(17,440,883)	(87,964,674)
	\$ 68,720,000	26,400,000	4,625,000	15,444,341	85,824,081	21,250,000	222,263,422

A portion of the Municipal Development Authority bonds debt service balance includes amounts that are recorded in and paid by the business-type activities.

The following table discloses the debt service requirements as of June 30, 2003, segregating principal and interest, for the next five years and in five-year increments thereafter.

Fiscal year	Principal	Interest	Total
2004	\$ 12,666,483	9,613,614	22,280,097
2005	18,170,558	9,595,866	27,766,424
2006	13,953,628	8,834,404	22,788,032
2007	13,918,851	8,148,017	22,066,868
2008	13,368,403	7,493,777	20,862,180
2009-2013	66,410,108	27,419,210	93,829,318
2014-2018	50,945,662	13,648,849	64,594,511
2019-2023	32,829,729	3,210,937	36,040,666
Totals	\$222,263,422	87,964,674	310,228,096

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The City had no outstanding variable rate bonds at June 30, 2003. The City had \$15,045,449 in variable rate outstanding contracts payable at June 30, 2003. Interest on this debt is tied to the prime rate with an interest rate cap that varies per agreement. The City had no short-term debt activity during the year ended June 30, 2003.

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.

16. 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.

During fiscal year 2003 the City refunded \$23,650,000 in Municipal Development Authority Series 1993 bonds and \$1,005,000 in Municipal Sports Authority Series 1993B bonds by issuing Municipal Development Authority Series 2003 Refunding bonds in the principal amount of \$25,015,000. The City realized a net present value cash flow savings of \$2,469,880 as a result of the refinancing. The proceeds of the refunding bonds were placed in irrevocable trusts at a commercial bank and were invested in U.S. Government Securities.

In addition, the City defeased \$920,000 in Water and Sewer Revenue Series 1991 Bonds and \$1,955,000 in Municipal Development Authority Facilities Series 1994 Revenue Bonds through a cash defeasance on July 1, 2002. The bonds were immediately callable by the fiscal agent on July 1, 2002. Liability for the debt has been removed from the enterprise fund. Cash defeasance of the bonds resulted in \$972,470 in interest savings.

Prior Years Refundings

1993A	Municipal Sports Authority Bonds)	\$17,360,000
2000	Water/Sewer Revenue Bonds (partially defeased)	5,475,000

Fiscal Year 2003 Refundings

1993B	Municipal Sports Authority Bonds	1,015,000
1993	Municipal Development Authority Bonds	<u>23,650,000</u>
Total refunded bonds outstanding		<u>\$47,500,000</u>

17. RETIREMENT AND PENSION PLANS

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Arizona State Retirement System:

a. **Plan Description**

All of the City's full-time employees participate in the Arizona State Retirement System (System), a multiple-employer, cost-sharing pension plan. The System was established by the State of Arizona to provide pension 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 of the Arizona Revised Statutes. The System provides for retirement, disability, 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.

b. **Funding Policy**

Covered employees were required by state statute to contribute 2.49 percent of their salaries to the System during fiscal year 2002-2003 and the City was required to match it. The 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's contributions to the System for the years ended June 30, 2003, 2002 and 2001, were \$782,900, \$655,517, and \$598,537, respectively, which equal the required contributions for each year. The City's employees contributed equal amounts to the System for the same time periods.

Elected Officials Retirement Plan:

a. **Plan Description**

The City's Mayor and Council members participate in the Elected Officials Retirement System (EORP), a multiple-employer, cost sharing pension plan. The Fund Manager 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 as well as death and disability benefits. 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, 1020 E. Missouri Ave., Phoenix, Arizona, 85014, by calling 602-255-5575, or on the internet at www.psprs.com.

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 7 percent of their annual covered salary. The employer rate for fiscal year 2002-2003 was 6.97 percent. The City's contributions to EORP for the fiscal years ended June 30, 2003, 2002 and 2001 were \$8,787, \$8,783, and \$6,126, respectively, which equal the required contributions for each year. The City's employees contributed \$8,824, \$8,820, and \$4,196 for the same time periods.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Public Safety Personnel Retirement System:

a. Plan Description

The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 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 1020 East Missouri, Phoenix, Arizona, 85014, by calling 602-255-5575, or on the internet at www.psprs.com.

b. Funding Policy

PSPRS fire personnel are required to contribute 7.65 percent of their annual covered salary and police personnel are required to contribute 5.25 percent while the City is required to contribute an actuarially determined rate. The rate for fiscal year 2002-2003 was 4.31 percent for fire personnel and 10.27 percent for police members. 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. Annual Pension Cost

Police personnel contributed \$418,332 and fire personnel \$457,415 during fiscal year 2002-2003. For fiscal year 2002-2003, the City's annual pension cost of \$818,276 for police and \$257,738 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return, (b) projected salary increases of 6.5 percent per year compounded annually, attributable to inflation (5.5%) and other across-the-board factors (1%), and (c) additional projected salary increases ranging from 0 percent to 3 percent per year, depending on age, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PSPRS's actuarial gains/losses are amortized as level percents of payroll over an open period of 20 years from July 1, 2002.

d. Three Year Trend Information for PSPRS (Latest Available Information):

Police

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$503,437	100%	\$ 0
2001	749,766	100	0
2002	836,748	100	0

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fire

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$371,820	100%	\$ 0
2001	498,529	100	0
2002	473,108	100	0

e. **Required Supplementary Information (unaudited)**

Schedule of Funding Progress (Latest Information Available)

Police

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Funded Excess</u>	<u>Annual Covered Payroll</u>	<u>Funded Excess as a % of Covered Payroll</u>
2000	\$13,786,656	\$13,627,582	101.2%	\$159,074	\$4,868,526	3.3%
2001	16,228,821	14,568,475	111.4	1,660,346	5,808,395	28.6
2002	17,509,065	17,231,298	101.6	277,767	6,880,797	4.0

Fire

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Funded Excess</u>	<u>Annual Covered Payroll</u>	<u>Funded Excess as a % of Covered Payroll</u>
2000	\$12,597,573	\$10,351,973	121.7%	\$2,245,600	\$4,348,293	51.6%
2001	15,002,952	10,664,811	140.7	4,338,141	4,891,978	88.7
2002	16,152,081	12,847,367	125.7	3,304,714	5,491,083	60.2

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 nine individuals receiving annual benefits of \$2,400 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.

18. OPERATING LEASES

The City leases copiers 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 Assets. Current year lease costs for the fiscal year ended June 30, 2003 was \$38,012.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Year Ending June 30,	Amount
2004	\$ 25,341

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. Therefore, the deferred compensation assets are not included in the City's Basic Financial Statements.

20. 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, except as discussed in Note 23.

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.

21. PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2003, the City completed the retroactive infrastructure reporting requirements of GASB Statement #34 with the valuation of certain bridges built by other governmental entities on behalf of the City and the land under the City's streets and right-of-ways. Additionally, the City reclassified certain funds during fiscal year 2003 to better demonstrate their purpose, or because of a change in status. The streets and intersection impact fees funds were moved from inclusion within the Highway User Revenue Fund, to the Development Fee Fund. Neighborhood Pride, previously included in the Other Grants Fund, was moved to an Agency Fund, based on its new status as a separate not-for-profit organization under Internal Revenue Service rules. The following reflects the prior period adjustments to the financial statements:

Governmental activities:		
Highway user revenue fund	\$ (4,034,442)	Reclassify street & intersection impact fee funds
Development fee fund	4,034,442	Reclassify street & intersection impact fee funds
Other governmental funds	<u>(2,280)</u>	Reclassify Neighborhood Pride to Fiduciary Fund
Total governmental funds	<u>(2,280)</u>	
Government-wide	107,903,101	Capitalization of street & ROW land
Government-wide	<u>2,751,729</u>	Capitalization of bridges (net)
Total governmental activities	<u>\$110,652,550</u>	

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

22. OTHER MATTERS

In fiscal year 1990, the City entered into a development agreement with Westcor Company II Ltd. Partnership and Midcor Associates to facilitate the construction of various infrastructure improvements and acquisition of right-of-way parcels in a mixed-use planned area of the City. Pursuant to the agreement and amendments thereto, the City created the North Valley Power Center Improvement District No. 8801 and the Bell Road Improvement District No. 8802. Improvement District 8801 bonds in the amount of \$5,015,000 were issued in fiscal year 1992, and Improvement District 8802 bonds in the amount of \$5,610,000 were issued in fiscal year 1993. The improvements were financed with a portion of the proceeds from the two issues. The developer pays all special assessments levied on the property by the City through the improvement districts. The reimbursable portion of the assessments, as defined in the development agreement, plus interest at prime, is refunded to the developer semi-annually by the City. Payment amounts are based on sales tax revenues generated by various taxable activities within the defined area, and will continue until the reimbursable portion of all assessments paid by the developer are refunded or until the expiration of the agreement after 25 years. The cost of the infrastructure improvements was recorded in fiscal year 1994 at \$13,137,805. Principal payments made through June 30, 2003 totaled \$5,398,440.

The City entered into a development agreement with Bell-77 Properties Ltd. Partnership in fiscal year 1992. A master-planned retail project was developed by Bell-77. A portion of the proceeds from Bell Road Improvement District No. 8802 bonds financed the construction of the off-site improvements related to the project. The agreement provides that the developer will pay all special assessments against the property as the City bills them. The developer is repaid the assessments over time based on the sales tax revenues generated by various taxable activities within the defined area. The repayment amount is \$5,305,975, plus interest at prime. Principal repayments to the developer commenced in fiscal year 1995 and totaled \$1,328,088 through June 30, 2003. The agreement will expire when costs are paid in full or the date that is 16 years from the initial payment date.

A development agreement between the City and DMB Circle Road Partners was signed during fiscal year 1995. Offsite improvements for a planned area retail project were financed through Bell Road Improvement District 8802 and 75th Avenue and Paradise Lane Improvement District 9303. The developer will pay the special assessments and will be reimbursed by the City based on the sales tax revenues generated by the project. The reimbursement amount for improvements made through proceeds from Improvement Districts 8802 and 9303 total \$4,538,097. Repayments commenced in fiscal year 1997, with principal payments totaling \$1,209,901 through June 30, 2003.

The City signed an agreement with Jo-Bron Limited Partnership during fiscal year 1997. The agreement provides for reimbursement by the City for various infrastructure improvements made by the developer on property that will be utilized for one or more retail and restaurant projects. The repayment amount is set by the agreement at \$222,716. Repayments commenced in fiscal year 1998, and will expire when costs are paid in full or eight years and one month from the initial payment date. Principal payments through June 30, 2003 totaled \$106,393.

A development agreement was also signed with GRS, L.L.C. (Arrowhead Fountains Center, L.L.C.) during fiscal year 1997. A maximum of \$4,100,000 will be repaid to the developer for infrastructure improvements on 95 acres, including the acreage purchased from the City of Peoria. The development area is south of Bell Road and west of 83rd Avenue and will include some or all of the following: hotels, motels, office space, restaurants, research and development facilities, athletic facilities, recreation, entertainment, and multi-family development. The construction of the infrastructure was financed through the sale of Improvement District 9601 and 9603 bonds during fiscal year 1998. The developer agreed to participate in the improvement districts and to pay the assessment installations as the City bills them. The amounts of the assessments as well as various permit and fee amounts paid by the developer are

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

being reimbursed by the City in six yearly installments beginning on November 30, 1998, up to the maximum reimbursement amount. Payments are based on the square footage of all building permits issued by the City for construction of the developer's project during each annual period. As of June 30, 2003, principal payments totaling \$3,148,900 have been made.

During fiscal year 1998, the City entered into an agreement with Biddulph-Peoria, L.L.C. to reimburse the costs of certain onsite improvements made by the developer on property which was utilized for an automotive dealership complex (the project). The maximum repayment amount was set by the agreement at \$700,000. Payments were made to Biddulph-Peoria, L.L.C. in quarterly installments based on the sales tax generated by the business included in the project. The agreement expired during fiscal year 2003 prior to full payment. A total of \$560,042 was paid on the agreement.

A contract was signed by the City during fiscal year 1998 to purchase land for a well site. At that time, the City recorded \$157,200 in long-term debt in the Water Utility Fund. Monthly payments commenced in March 1998 with final payment of the principal balance of \$77,758 made by the City during fiscal year 2003.

A development agreement between the City and Kmart Corporation was signed during fiscal year 2001. The City agreed to reimburse Kmart \$169,267 for certain improvements related to development of a retail establishment within the City. Payments have been made in quarterly installments based on sales tax revenue generated by the project. The City completed payment on the agreement in fiscal year 2003.

The City entered into a development agreement with K & Y Thunderbird & 83rd L.L.C. (K & Y) and with Lowe's HIW, Inc. (Lowe's) during fiscal year 2001. The agreement specifies that the City will reimburse Lowe's and K & Y for offsite improvements with public benefit in semi-annual installments based on sales tax revenues generated by the retail project. The City agreed to reimburse K & Y \$122,323 and Lowe's \$277,677. Repayments terminate seven years from the effective date of the agreement. The City completed payment to Lowe's during fiscal year 2003. At June 30, 2003, \$3,545 had been paid on the City's agreement with K & Y.

The City signed a development agreement with Barclay Holdings XVI, L.L.C. during fiscal year 2001. The agreement calls for the City to reimburse the developer, Barclay Holdings, and the anchor tenant, Target Corporation, for certain infrastructure improvements related to a retail shopping center. Barclay Holdings will be reimbursed \$200,000 in quarterly installments based on sales tax revenues generated by the developer's parcels. These payments will commence four months from the date the first tenant occupies at least 50,000 square feet of gross leasable area, other than the anchor tenant Target. Payments will end on the date that is the earlier of the date the reimbursement amount is paid in full or five years from the initial payment date to Barclay Holdings. The City will reimburse the anchor tenant, Target Corporation, \$900,000 in quarterly installments based on sales tax revenues generated by Target. Payments commenced four months after Target opened for business to the public, and they will end on the date that is the earlier of the date the reimbursement amount is paid in full or seven years from the City's initial payment to Target. No principal payments had been made to Barclay Holdings through June 30, 2003. The City made \$107,186 in principal payments to Target during fiscal year 2003.

During fiscal year 2002 the City entered into a development agreement with In-N-Out Burger to encourage development of a restaurant within the City. Certain development fees were waived by the City. In addition, the City agreed to reimburse the developer an amount not to exceed \$67,534 for its required expenditures related to Bell Road Improvement District 8802. Payments will be made to the developer based on sales tax revenues generated by the restaurant. Payments commenced after the date the project is open for business and will terminate five years and one day after the issuance of the Certificate of Occupancy. \$6,488 was paid on the agreement during fiscal year 2003.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The City signed an agreement with BCC Development Limited Partnership during fiscal year 2002. The City agreed to pay \$100,000 in annual installments based on sales tax revenues generated by the project. In addition, the developer will be eligible for an additional \$100,000 reimbursement if a high line automobile dealership is opened within six years from the effective date of the agreement. During fiscal year 2003 the City recorded \$100,000 in long term debt related to the first dealership, which opened for business during the year. No payments had been made at June 30, 2003.

23. SUBSEQUENT EVENT

On October 4, 2003 the City was served with a complaint in Maricopa County Superior Court. This matter arises out of the death of two young children in October 2002. The plaintiffs allege that the young children died as the result of their nasal ingestion of a bacteria know as naegleria fowleri. The complaint alleges the bacteria was in a well operated by the City and that the City failed to adequately chlorinate the water prior to its delivery to the Rose Valley water system (a privately owned water company).

The initial claim indicates the parents believe their damages for both children are forty million dollars. Under Arizona Law, the parents are not bound by the claim; it serves only as an initial indication of the amount that the parents believe the litigation may be valued.

The City is self-insured for the first five hundred thousand dollars of any occurrence and then has additional coverage up to thirty million dollars. The City Attorney's Office believes the City has a significant chance of prevailing in this matter. However, should this matter go to a jury, a verdict could approach or exceed the City's maximum insurance coverage. At this point in time, the level of such a risk can not be accurately determined as the case is in the very initial phases.

NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

A special revenue fund is established to account for specific revenues, which are legally restricted to expenditure for particular purposes and is created out of receipts of specific taxes or other earmarked revenue.

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.

Section 8 Housing Fund

This fund is used to account for rental receipts and grant revenues and for expenditures for the administration, management, and maintenance of low cost housing for the elderly, handicapped, and low-income citizens of the City. The U.S. Department of Housing and Urban Development exercises indirect control over the activities of the City's housing programs.

Other Grant Funds

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

These funds are established to account for the accumulation of resources for payment of bond principal and interest payable from governmental resources and special assessment levies when the government is obligated in some manner for the payment. 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.

General Obligation 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.

Community Facilities District 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.

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 Bonds Capital Projects Fund

This fund accounts for the construction or purchase of facilities to be funded through the use of Community facilities District bonds. Upon completion of the construction projects, the Community Facilities District turns the capital assets over to the City.

Highway User Revenue Bonds Capital Project Fund

This fund accounts for the construction or purchase of City facilities to be funded through the use of Highway User Revenue Bonds.

Improvement District Bonds Capital Project Fund

This fund accounts for the construction or purchase of City facilities to be funded through the use of Special Improvement District Bonds. These facilities include streets, storm drains, traffic signals, bridges and water and wastewater lines within the boundaries of the Special Improvement Districts.

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 program. This fund provides the liability insurance coverage for claims over the self-insurance limit; claims under the limit are charged directly to the Self-Insurance Fund.

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
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2003

	<u>Special Revenue Funds</u>			<u>Debt Service</u>
	<u>Public Transit Fund</u>	<u>Section 8 Housing Fund</u>	<u>Other Grants Fund</u>	<u>Municipal Development Authority</u>
ASSETS				
Cash and cash equivalents	\$ 202,060	\$ 315,264	\$ 305,182	\$ 1,913
Cash with fiscal agents	-	-	-	1,432,872
Investments	337,975	-	510,462	3,200
Accounts receivable, net	3,500	982	-	-
Interest receivable	1,936	-	3,455	1,886
Due from other governments	34,880	252,251	477,272	-
Restricted cash and cash equivalents	-	-	-	2,458,867
Total assets	<u>\$ 580,351</u>	<u>\$ 568,497</u>	<u>\$ 1,296,371</u>	<u>\$ 3,898,738</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,823	\$ 6,752	\$ 200,372	\$ 72,921
Accrued payroll	4,896	-	7,736	-
Interest payable	-	-	-	32,033
Deferred revenue	75,016	272,830	6,510	-
Other liabilities	500	-	-	-
Compensated absences	5,890	-	3,680	-
Total liabilities	<u>\$ 94,125</u>	<u>\$ 279,582</u>	<u>\$ 218,298</u>	<u>\$ 104,954</u>
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ -	\$ 3,793,784
Capital projects	-	-	-	-
Encumbrances	-	-	209,903	-
Grant Purposes	486,226	288,915	222,450	-
Unreserved, designated (note 11)	-	-	617,785	-
Unreserved, undesignated, reported in:				
Special revenue funds	-	-	27,935	-
Total fund balance	<u>486,226</u>	<u>288,915</u>	<u>1,078,073</u>	<u>3,793,784</u>
Total liabilities and fund balance	<u>\$ 580,351</u>	<u>\$ 568,497</u>	<u>\$ 1,296,371</u>	<u>\$ 3,898,738</u>

The accompanying notes are an integral part of the financial statements

Debt Service Funds		Capital Projects Funds			Total
General Obligation Bonds	CFD Bonds	CFD Bonds	Highway User Revenue Bonds	Improvement District Bonds	Non-Major Governmental Funds
\$ 5,639,607	\$ -	\$ -	\$ -	\$ -	\$ 6,464,026
-	-	-	-	-	1,432,872
9,433,076	-	-	-	-	10,284,713
78,356	-	-	-	-	82,838
52,556	1,228	13,533	9	-	74,603
201,182	-	-	-	-	965,585
-	2,879,218	17,500,931	1,543,114	-	24,382,130
<u>\$ 15,404,777</u>	<u>\$ 2,880,446</u>	<u>\$ 17,514,464</u>	<u>\$ 1,543,123</u>	<u>\$ -</u>	<u>\$ 43,686,767</u>
\$ -	\$ -	\$ 791,909	\$ 62,503	\$ -	\$ 1,142,280
-	-	-	-	-	12,632
3,088	58,478	-	-	-	93,599
78,356	-	-	-	-	432,712
-	-	155,645	-	-	156,145
-	-	-	-	-	9,570
<u>\$ 81,444</u>	<u>\$ 58,478</u>	<u>\$ 947,554</u>	<u>\$ 62,503</u>	<u>\$ -</u>	<u>\$ 1,846,938</u>
\$ 15,323,333	\$ 2,821,968	\$ -	\$ -	\$ -	\$ 21,939,085
-	-	14,238,823	1,458,264	-	15,697,087
-	-	2,328,087	22,356	-	2,560,346
-	-	-	-	-	997,591
-	-	-	-	-	617,785
-	-	-	-	-	27,935
<u>15,323,333</u>	<u>2,821,968</u>	<u>16,566,910</u>	<u>1,480,620</u>	<u>-</u>	<u>41,839,829</u>
<u>\$ 15,404,777</u>	<u>\$ 2,880,446</u>	<u>\$ 17,514,464</u>	<u>\$ 1,543,123</u>	<u>\$ -</u>	<u>\$ 43,686,767</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, 2003

	<u>Special Revenue Funds</u>			<u>Debt Service</u>
	<u>Public Transit Fund</u>	<u>Section 8 Housing Fund</u>	<u>Other Grants Fund</u>	<u>Municipal Development Authority</u>
REVENUES:				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Local transportation aid	639,879	-	-	-
From federal government	34,175	1,148,250	2,369,576	-
Other	414,861	830,371	344,503	-
Charges for service	45,110	-	340,301	-
Fines and forfeitures	-	-	22,063	-
Investment earnings	10,415	2,293	20,319	13,809
Miscellaneous	9,341	-	17,113	91,408
Total revenues	<u>1,153,781</u>	<u>1,980,914</u>	<u>3,113,875</u>	<u>105,217</u>
EXPENDITURES:				
Current operating:				
General government	-	-	27,678	-
Culture and recreation	-	-	238,879	-
Police	-	-	184,435	-
Fire	-	-	11,139	-
Development services	-	-	506,665	-
Highways and streets	-	-	-	-
Public works	-	-	119,162	-
Human services	693,966	1,758,097	-	-
Other	-	-	-	-
Debt service:				
Principal payments	-	-	-	2,453,938
Interest and other charges	-	-	-	1,975,892
Capital outlay	371,808	-	1,667,508	-
Total expenditures	<u>1,065,774</u>	<u>1,758,097</u>	<u>2,755,466</u>	<u>4,429,830</u>
Excess (deficiency) of revenues over expenditures	<u>88,007</u>	<u>222,817</u>	<u>358,409</u>	<u>(4,324,613)</u>
OTHER FINANCING SOURCES (USES):				
Refunding bonds issued	-	-	-	24,613,603
Capital-related debt issued	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	(22,255,141)
Transfers in	-	-	10,000	3,246,582
Transfers out	(78,423)	(8,303)	(97,473)	-
Total other financing sources and uses	<u>(78,423)</u>	<u>(8,303)</u>	<u>(87,473)</u>	<u>5,605,044</u>
Net change in fund balances	<u>9,584</u>	<u>214,514</u>	<u>270,936</u>	<u>1,280,431</u>
Fund balances - beginning	476,642	74,401	809,417	2,513,353
Prior period adjustment (see note 21)	-	-	(2,280)	-
Fund balances - beginning - restated	476,642	74,401	807,137	2,513,353
Fund balances - ending	<u>\$ 486,226</u>	<u>\$ 288,915</u>	<u>\$ 1,078,073</u>	<u>\$ 3,793,784</u>

The accompanying notes are an integral part of the financial statements

Debt Service Funds		Capital Projects Funds			Total
General Obligation Bonds	CFD Bonds	CFD Bonds	Highway User Revenue Bonds	Improvement District Bonds	Non-Major Governmental Funds
\$ 8,746,730	\$ -	\$ -	\$ -	\$ -	\$ 8,746,730
-	-	-	-	-	639,879
-	-	-	-	-	3,552,001
-	-	-	-	-	1,589,735
-	-	-	-	-	385,411
-	-	-	-	-	22,063
169,564	8,656	70,859	23,156	1,266	320,337
-	756,537	-	-	-	874,399
<u>8,916,294</u>	<u>765,193</u>	<u>70,859</u>	<u>23,156</u>	<u>1,266</u>	<u>16,130,555</u>
-	-	-	-	-	27,678
-	-	-	-	-	238,879
-	-	-	-	-	184,435
-	-	-	-	-	11,139
-	-	-	-	-	506,665
-	-	-	15,563	-	15,563
-	-	500	-	-	119,662
-	-	-	-	-	2,452,063
2,920	-	-	-	-	2,920
3,605,000	-	-	-	-	6,058,938
2,152,817	-	844,931	-	-	4,973,640
-	-	-	700,847	13,566	2,753,729
<u>5,760,737</u>	<u>-</u>	<u>845,431</u>	<u>716,410</u>	<u>13,566</u>	<u>17,345,311</u>
<u>3,155,557</u>	<u>765,193</u>	<u>(774,572)</u>	<u>(693,254)</u>	<u>(12,300)</u>	<u>(1,214,756)</u>
-	-	-	-	-	24,613,603
-	-	21,250,000	-	-	21,250,000
-	2,056,775	-	-	-	(22,255,141)
-	-	(3,908,518)	(82,625)	-	5,313,357
-	2,056,775	17,341,482	(82,625)	-	(4,175,342)
<u>-</u>	<u>2,056,775</u>	<u>17,341,482</u>	<u>(82,625)</u>	<u>-</u>	<u>24,746,477</u>
<u>3,155,557</u>	<u>2,821,968</u>	<u>16,566,910</u>	<u>(775,879)</u>	<u>(12,300)</u>	<u>23,531,721</u>
12,167,776	-	-	2,256,499	12,300	18,310,388
-	-	-	-	-	(2,280)
12,167,776	-	-	2,256,499	12,300	18,308,108
<u>\$ 15,323,333</u>	<u>\$ 2,821,968</u>	<u>\$ 16,566,910</u>	<u>\$ 1,480,620</u>	<u>\$ -</u>	<u>\$ 41,839,829</u>

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2003

	Motor Pool Fund	Self Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,814,030	\$ 718,488	\$ 201,890	\$ 1,861,872	\$ 5,596,280
Investments	4,706,881	1,201,777	337,691	3,114,256	9,360,605
Accounts receivable, net	-	15,076	-	-	15,076
Interest receivable	40,023	9,805	3,281	25,867	78,976
Prepaid items	-	-	2,307	-	2,307
Supplies inventory	120,157	-	-	-	120,157
Total current assets	<u>7,681,091</u>	<u>1,945,146</u>	<u>545,169</u>	<u>5,001,995</u>	<u>15,173,401</u>
Non-current assets:					
Capital assets:					
Buildings and improvements	-	-	-	148,102	148,102
Equipment	1,912,040	-	81,342	10,271,227	12,264,609
Vehicles	11,947,083	-	-	-	11,947,083
Furniture	-	-	11,732	30,224	41,956
Less accumulated depreciation	(7,015,011)	-	(52,923)	(7,282,642)	(14,350,576)
Construction in progress	-	-	-	2,434,486	2,434,486
Total capital assets, net	<u>6,844,112</u>	<u>-</u>	<u>40,151</u>	<u>5,601,397</u>	<u>12,485,660</u>
Total assets	<u>14,525,203</u>	<u>1,945,146</u>	<u>585,320</u>	<u>10,603,392</u>	<u>27,659,061</u>
LIABILITIES					
Current liabilities:					
Accounts payable	149,617	64,062	56,642	537,777	808,098
Accrued payroll	13,574	1,518	24,003	43,456	82,551
Claims payable	-	3,000,000	-	-	3,000,000
Current portion of compensated absences	54,470	640	84,790	121,680	261,580
Total current liabilities	<u>217,661</u>	<u>3,066,220</u>	<u>165,435</u>	<u>702,913</u>	<u>4,152,229</u>
Non-current liabilities:					
Compensated absences	5,360	70	8,450	11,490	25,370
Total long-term liabilities	<u>5,360</u>	<u>70</u>	<u>8,450</u>	<u>11,490</u>	<u>25,370</u>
Total liabilities	<u>223,021</u>	<u>3,066,290</u>	<u>173,885</u>	<u>714,403</u>	<u>4,177,599</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,844,112	-	40,151	5,601,397	12,485,660
Unrestricted	7,458,070	(1,121,144)	371,284	4,287,592	10,995,802
Total net assets	<u>\$ 14,302,182</u>	<u>\$ (1,121,144)</u>	<u>\$ 411,435</u>	<u>\$ 9,888,989</u>	<u>\$ 23,481,462</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 ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<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	\$ 4,431,739	\$ 1,973,751	\$ 3,518,786	\$ 5,115,388	\$ 15,039,664
Miscellaneous	5,543	393,767	-	2,823	402,133
Total operating revenues	<u>4,437,282</u>	<u>2,367,518</u>	<u>3,518,786</u>	<u>5,118,211</u>	<u>15,441,797</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	999,967	83,802	1,767,654	2,449,887	5,301,310
Contractual services, materials and supplies	2,251,598	107,367	1,804,989	2,444,453	6,608,407
Insurance claims and expenses	-	3,331,293	-	-	3,331,293
Depreciation and amortization	1,529,920	-	8,421	1,209,795	2,748,136
Total operating expenses	<u>4,781,485</u>	<u>3,522,462</u>	<u>3,581,064</u>	<u>6,104,135</u>	<u>17,989,146</u>
Operating income (loss)	(344,203)	(1,154,944)	(62,278)	(985,924)	(2,547,349)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	119,330	52,738	17,639	91,160	280,867
Gain (loss) on sale of fixed assets	(24,443)	-	-	(129)	(24,572)
Total non-operating revenues	<u>94,887</u>	<u>52,738</u>	<u>17,639</u>	<u>91,031</u>	<u>256,295</u>
Income (loss) before transfers	(249,316)	(1,102,206)	(44,639)	(894,893)	(2,291,054)
Transfers in	1,011,003	339,890	309,951	1,696,562	3,357,406
Transfers out	(162,066)	(38,273)	(105,861)	(14,151)	(320,351)
Change in net assets	<u>599,621</u>	<u>(800,589)</u>	<u>159,451</u>	<u>787,518</u>	<u>746,001</u>
Total net assets - beginning	<u>13,702,561</u>	<u>(320,555)</u>	<u>251,984</u>	<u>9,101,471</u>	<u>22,735,461</u>
Total net assets - ending	<u>\$ 14,302,182</u>	<u>\$ (1,121,144)</u>	<u>\$ 411,435</u>	<u>\$ 9,888,989</u>	<u>\$ 23,481,462</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, 2003**

	Motor Pool Fund	Self Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,437,282	\$ 2,352,442	\$ 3,518,786	\$ 5,118,211	\$ 15,426,721
Payments to suppliers	(2,374,176)	(70,848)	(1,868,018)	(2,461,344)	(6,774,386)
Payments to employees	(984,381)	(84,936)	(1,760,018)	(2,408,123)	(5,237,458)
Self-insurance costs	-	(2,584,711)	-	-	(2,584,711)
Net cash provided (used) by operating activities	<u>1,078,725</u>	<u>(388,053)</u>	<u>(109,250)</u>	<u>248,744</u>	<u>830,166</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	1,011,003	339,890	309,951	1,696,562	3,357,406
Transfers out	(162,066)	(38,273)	(105,861)	(14,151)	(320,351)
Net cash provided (used) by non-capital financing activities	<u>848,937</u>	<u>301,617</u>	<u>204,090</u>	<u>1,682,411</u>	<u>3,037,055</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Net acquisition and construction of fixed assets	(2,449,741)	-	1	(1,468,346)	(3,918,086)
Net cash flows from capital and related financing activities	<u>(2,449,741)</u>	<u>-</u>	<u>1</u>	<u>(1,468,346)</u>	<u>(3,918,086)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments, net	-	-	(11,400)	-	(11,400)
Proceeds from sale of investments, net	1,294,075	279,888	-	240,302	1,814,265
Interest received on investments	143,413	56,257	15,215	97,425	312,310
Net cash provided (used) by investing activities	<u>1,437,488</u>	<u>336,145</u>	<u>3,815</u>	<u>337,727</u>	<u>2,115,175</u>
Net increase (decrease) in cash and cash equivalents	915,409	249,709	98,656	800,536	2,064,310
Cash and cash equivalents at beginning of year	1,898,621	468,779	103,234	1,061,336	3,531,970
Cash and cash equivalents at end of year	<u>\$ 2,814,030</u>	<u>\$ 718,488</u>	<u>\$ 201,890</u>	<u>\$ 1,861,872</u>	<u>\$ 5,596,280</u>
Classified as:					
Current assets	\$ 2,814,030	\$ 718,488	\$ 201,890	\$ 1,861,872	\$ 5,596,280
Totals	<u>\$ 2,814,030</u>	<u>\$ 718,488</u>	<u>\$ 201,890</u>	<u>\$ 1,861,872</u>	<u>\$ 5,596,280</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (344,203)	\$ (1,154,944)	\$ (62,278)	\$ (985,924)	\$ (2,547,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,529,920	-	8,421	1,209,795	2,748,136
(Increase) decrease in assets:					
Accounts receivable	-	(15,076)	-	-	(15,076)
Prepaid items	-	-	(2,307)	-	(2,307)
Supplies inventory	5,277	-	-	-	5,277
Increase (decrease) in liabilities:					
Accounts payable	(127,855)	36,519	(60,722)	(16,891)	(168,949)
Accrued payroll	1,826	286	2,066	16,144	20,322
Claims payable	-	746,582	-	-	746,582
Compensated absences	13,760	(1,420)	5,570	25,620	43,530
Total adjustments	<u>1,422,928</u>	<u>766,891</u>	<u>(46,972)</u>	<u>1,234,668</u>	<u>3,377,515</u>
Net cash provided (used) by operating activities	<u>\$ 1,078,725</u>	<u>\$ (388,053)</u>	<u>\$ (109,250)</u>	<u>\$ 248,744</u>	<u>\$ 830,166</u>
Non-cash investing, capital and financing activities:					
Increase in fair market value of investments	\$ 18,598	\$ 4,680	\$ 1,355	\$ 12,194	\$ 36,827
Total non-cash investing, capital and financing activities	<u>\$ 18,598</u>	<u>\$ 4,680</u>	<u>\$ 1,355</u>	<u>\$ 12,194</u>	<u>\$ 36,827</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, 2003

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Terramar Infrastructure Fund				
Assets:				
Cash and cash equivalents	\$ 424,255	\$ 1,540,871	\$ 1,964,387	\$ 739
Investments	1,340,940	-	1,339,703	1,237
Total Assets	<u>1,765,195</u>	<u>1,540,871</u>	<u>3,304,090</u>	<u>1,976</u>
Liabilities:				
Other liabilities	<u>1,765,195</u>	<u>201,168</u>	<u>1,964,387</u>	<u>1,976</u>
Neighborhood Pride NFP Fund				
Assets:				
Cash and cash equivalents	-	48,583	45,745	2,838
Investments	-	4,745	-	4,745
Total Assets	<u>-</u>	<u>53,328</u>	<u>45,745</u>	<u>7,583</u>
Liabilities:				
Accounts payable	-	26,275	25,447	828
Other liabilities	-	31,755	25,000	6,755
Total Liabilities	<u>-</u>	<u>58,030</u>	<u>50,447</u>	<u>7,583</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	424,255	1,589,454	2,010,132	3,577
Investments	1,340,940	4,745	1,339,703	5,982
Total Assets	<u>1,765,195</u>	<u>1,594,199</u>	<u>3,349,835</u>	<u>9,559</u>
Liabilities:				
Accounts payable	-	26,275	25,447	828
Other liabilities	1,765,195	232,923	1,989,387	8,731
Total Liabilities	<u>1,765,195</u>	<u>259,198</u>	<u>2,014,834</u>	<u>9,559</u>

The accompanying notes are an integral part of the financial statements



OTHER SUPPLEMENTARY INFORMATION

This section contains schedules which the City deems necessary to provide additional budgetary, debt service and capital asset information to enable the user of the financial statements to fully understand the financial position and results of operation of the City.

Description of Schedules

	<u>Page</u>
Budgetary Comparison Schedules – Other Major Governmental Funds	
Special Assessment Debt Service Fund	100
General Obligation Bond Capital Projects Fund	101
Non-Bond Capital Projects Fund	102
Budgetary Comparison Schedules – Non-Major Governmental Funds	
Public Transit Fund	103
Section 8 Housing Fund	104
Other Grants Fund	105
Municipal Development Authority Debt Service Fund	106
General Obligation Bonds Debt Service Fund	107
Community Facilities District (CFD) Bonds Debt Service Fund	108
Community Facilities District (CFD) Bonds Capital Projects Fund	109
Highway User Revenue Bonds Capital Projects Fund	110
Improvement District Bonds Capital Projects Fund	111
Schedule of Operations – Budget and Actual – Proprietary Funds	
Enterprise Funds:	
Water Utility Fund	112
Wastewater Utility Fund	113
Sanitation Utility Fund	114
Stadium Fund	115
Public Housing Fund	116
Internal Service Funds:	
Motor Pool Fund	117
Self Insurance Fund	118
Facilities Maintenance Fund	119
Information Technology Fund	120
Federal Financial Data Schedule	121
Debt Service Schedules	
Schedule of Changes in Debt – Governmental Activities	123
Schedule of Changes in Debt – Business-type Activities	124
Schedule of Debt Service Requirements to Maturity	125
Fixed Assets Schedules	
Schedule of Fixed Assets by Function and Classification	128
Schedule of Changes in Fixed Assets by Function – Governmental Activities	130
Schedule of Interfund Transfers	131

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SPECIAL ASSESSMENT DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 2,648,488	\$ 2,648,488	\$ 2,648,488	\$ -
RESOURCES (INFLOWS):				
Special assessments	2,436,699	2,436,699	3,168,599	731,900
Investment earnings	54,000	52,871	74,791	21,920
Total inflows	<u>2,490,699</u>	<u>2,489,570</u>	<u>3,243,390</u>	<u>753,820</u>
Amounts available for appropriation	<u>5,139,187</u>	<u>5,138,058</u>	<u>5,891,878</u>	<u>753,820</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	-	462	(2,545)	(3,007)
Debt service:				
Principal payments	1,492,250	1,892,250	1,889,351	(2,899)
Interest and other charges	1,097,909	1,103,899	1,100,078	(3,821)
Total charges to appropriations	<u>2,590,159</u>	<u>2,996,611</u>	<u>2,986,884</u>	<u>(9,727)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 2,549,028</u>	<u>\$ 2,141,447</u>	<u>\$ 2,904,994</u>	<u>\$ 763,547</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	\$ 5,891,878
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	(2,648,488)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(35,557)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,207,833</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,986,884
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	3,332
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,990,216</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION (GO) BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 189,654	\$ 189,654	\$ 189,654	\$ -
RESOURCES (INFLOWS):				
Capital-related debt issued	34,062,101	34,062,101	27,840,333	(6,221,768)
Investment earnings	<u>93,350</u>	<u>93,350</u>	<u>13,919</u>	<u>(79,431)</u>
Total inflows	<u>34,155,451</u>	<u>34,155,451</u>	<u>27,854,252</u>	<u>(6,301,199)</u>
Amounts available for appropriation	<u>34,345,105</u>	<u>34,345,105</u>	<u>28,043,906</u>	<u>(6,301,199)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	803,887	638,875	253,311	(385,564)
Interest and fiscal charges	-	-	476,874	476,874
Capital outlay	<u>32,027,264</u>	<u>30,005,276</u>	<u>8,015,413</u>	<u>(21,989,863)</u>
Total charges to appropriations	<u>32,831,151</u>	<u>30,644,151</u>	<u>8,745,598</u>	<u>(21,898,553)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 1,513,954</u>	<u>\$ 3,700,954</u>	<u>\$ 19,298,308</u>	<u>\$ 15,597,354</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	\$ 28,043,906
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	(189,654)
Capital-related debt issued is a budgetary resource, but is not a revenue for financial reporting purposes	(27,840,333)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(13,919)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,745,598
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(1,328,620)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,416,978</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
NON-BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 17,566,918	\$ 17,566,918	\$ 17,566,918	\$ -
RESOURCES (INFLOWS):				
Intergovernmental revenue:				
Other governmental revenue	-	-	1,711	1,711
Investment earnings	134,200	134,200	399,173	264,973
Miscellaneous	4,556,031	4,556,031	186,089	(4,369,942)
Transfers in	8,782,145	8,782,145	8,782,145	-
Total inflows	<u>13,472,376</u>	<u>13,472,376</u>	<u>9,369,118</u>	<u>(4,103,258)</u>
Amounts available for appropriation	<u>31,039,294</u>	<u>31,039,294</u>	<u>26,936,036</u>	<u>(4,103,258)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services:				
General government - non-departmental	109,460	103,426	103,439	13
Highways and streets	50,000	182,912	4,181	(178,731)
Capital outlay	29,851,086	31,695,051	8,827,735	(22,867,316)
Contingencies	500,000	846,703	-	(846,703)
Total charges to appropriations	<u>30,510,546</u>	<u>32,828,092</u>	<u>8,935,355</u>	<u>(23,892,737)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 528,748</u>	<u>\$ (1,788,798)</u>	<u>\$ 18,000,681</u>	<u>\$ 19,789,479</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	\$ 26,936,036
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	(17,566,918)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(183,682)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(8,782,145)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 403,291</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,935,355
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	1,132,213
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(33,261)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,034,307</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
PUBLIC TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 849,623	\$ 849,623	\$ 849,623	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
Local transportation aid	639,879	639,879	639,879	-
From federal government	52,000	52,000	142,597	90,597
Charges for services	37,000	37,000	43,376	6,376
Investment earnings	21,000	21,000	10,139	(10,861)
Miscellaneous	800	800	9,341	8,541
Total inflows	<u>750,679</u>	<u>750,679</u>	<u>845,332</u>	<u>94,653</u>
Amounts available for appropriation	<u>1,600,302</u>	<u>1,600,302</u>	<u>1,694,955</u>	<u>94,653</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	1,078,077	828,077	699,345	(128,732)
Capital outlay	-	250,000	371,808	121,808
Contingencies	50,000	50,000	-	(50,000)
Transfers out	78,423	78,423	78,423	-
Total charges to appropriations	<u>1,206,500</u>	<u>1,206,500</u>	<u>1,149,576</u>	<u>(56,924)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 393,802</u>	<u>\$ 393,802</u>	<u>\$ 545,379</u>	<u>\$ 151,577</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	\$ 1,694,955
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	(849,623)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	308,449
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,153,781</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,149,576
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	1,616
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(6,995)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(78,423)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,065,774</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SECTION 8 HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 217,320	\$ 217,320	\$ 217,320	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	1,869,143	1,869,143	1,443,986	(425,157)
Other	-	-	766,854	766,854
Investment earnings	4,200	4,200	2,293	(1,907)
Miscellaneous	-	-	(449)	(449)
Total inflows	<u>1,873,343</u>	<u>1,873,343</u>	<u>2,212,684</u>	<u>339,341</u>
Amounts available for appropriation	<u>2,090,663</u>	<u>2,090,663</u>	<u>2,430,004</u>	<u>339,341</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	1,869,143	2,235,520	1,751,597	(483,923)
Capital outlay	-	8,300	8,303	3
Total charges to appropriations	<u>1,869,143</u>	<u>2,243,820</u>	<u>1,759,900</u>	<u>(483,920)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 221,520</u>	<u>\$ (153,157)</u>	<u>\$ 670,104</u>	<u>\$ 823,261</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	\$ 2,430,004
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	(217,320)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(231,770)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,980,914</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,759,900
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	(139)
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	6,639
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(8,303)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,758,097</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
OTHER GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 525,584	\$ 525,584	\$ 525,584	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	3,099,420	3,099,420	2,256,862	(842,558)
Other	5,035,372	5,035,372	165,502	(4,869,870)
Charges for services	613,954	613,954	340,314	(273,640)
Fines and forfeitures	20,000	20,000	22,063	2,063
Investment earnings	707	707	21,501	20,794
Miscellaneous	165,000	165,000	17,113	(147,887)
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total inflows	<u>8,944,453</u>	<u>8,944,453</u>	<u>2,833,355</u>	<u>(6,111,098)</u>
Amounts available for appropriation	<u>9,470,037</u>	<u>9,470,037</u>	<u>3,358,939</u>	<u>(6,111,098)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government:				
Mayor and council	1,500	1,500	1,143	(357)
Attorney	29,258	30,080	12,994	(17,086)
Court	20,000	20,000	-	(20,000)
Non-departmental	15,000	15,000	14,162	(838)
Culture and recreation	276,313	290,047	326,521	36,474
Development services	981,050	931,981	418,933	(513,048)
Fire	1,500	13,680	5,449	(8,231)
Police	115,590	240,338	162,603	(77,735)
Public works	-	140,047	97,149	(42,898)
Capital outlay	6,890,453	7,074,701	1,779,766	(5,294,935)
Contingencies	800,000	191,832	-	(191,832)
Transfers out	-	-	97,473	97,473
Total charges to appropriations	<u>9,130,664</u>	<u>8,949,206</u>	<u>2,916,193</u>	<u>(6,033,013)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 339,373</u>	<u>\$ 520,831</u>	<u>\$ 442,746</u>	<u>\$ (78,085)</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	\$ 3,358,939
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	(525,584)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	290,520
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>\$ 3,113,875</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,916,193
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	5,649
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(21,886)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(47,017)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(97,473)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 2,755,466</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL DEVELOPMENT AUTHORITY (MDA) DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Budgetary fund balance, July 1, 2002	\$ 2,892,119	\$ 2,892,119	\$ 2,892,119	\$ -
RESOURCES (INFLOWS):				
Investment earnings	-	-	14,138	14,138
Miscellaneous	-	-	91,408	91,408
Refunding bonds issued	-	-	24,613,603	24,613,603
Transfers from other funds	3,007,205	3,007,205	3,246,582	239,377
Total inflows	<u>3,007,205</u>	<u>3,007,205</u>	<u>27,965,731</u>	<u>24,958,526</u>
Amounts available for appropriation	<u>5,899,324</u>	<u>5,899,324</u>	<u>30,857,850</u>	<u>24,958,526</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	1,784,150	2,453,938	2,453,938	-
Interest and other charges	1,223,055	1,993,012	1,870,938	(122,074)
Payment to bond refunding escrow agent	-	-	22,255,141	22,255,141
Total charges to appropriations	<u>3,007,205</u>	<u>4,446,950</u>	<u>26,580,017</u>	<u>22,133,067</u>
Budgetary fund balance, June 30, 2003	<u>\$ 2,892,119</u>	<u>\$ 1,452,374</u>	<u>\$ 4,277,833</u>	<u>\$ 2,825,459</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	\$ 30,857,850
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	(2,892,119)
Refunding debt issued is a budgetary resource, but is not a revenue for financial reporting purposes	(24,613,603)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(329)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(3,246,582)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 105,217</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 26,580,017
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	104,954
Payment to refunding debt is a budgetary use, but is not an expenditure for financial reporting purposes	(22,255,141)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 4,429,830</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 12,053,803	\$ 12,053,803	\$ 12,053,803	\$ -
RESOURCES (INFLOWS):				
Property taxes	8,630,805	8,630,805	8,679,799	48,994
Investment earnings	230,000	230,000	173,228	(56,772)
Total inflows	<u>8,860,805</u>	<u>8,860,805</u>	<u>8,853,027</u>	<u>(7,778)</u>
Amounts available for appropriation	<u>20,914,608</u>	<u>20,914,608</u>	<u>20,906,830</u>	<u>(7,778)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	35,000	35,000	2,920	(32,080)
Debt service:				
Principal payments	3,605,000	3,605,000	3,605,000	-
Interest and other charges	<u>4,206,609</u>	<u>4,206,609</u>	<u>2,149,729</u>	<u>(2,056,880)</u>
Total charges to appropriations	<u>7,846,609</u>	<u>7,846,609</u>	<u>5,757,649</u>	<u>(2,088,960)</u>
Budgetary fund balance, June 30, 2003	<u>\$ 13,067,999</u>	<u>\$ 13,067,999</u>	<u>\$ 15,149,181</u>	<u>\$ 2,081,182</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	\$ 20,906,830
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	(12,053,803)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	63,267
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 8,916,294</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,757,649
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	3,088
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,760,737</u>

**CITY OF PEORIA, ARIZONA
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY FACILITIES DISTRICT (CFD) BONDS DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Investment earnings	-	-	7,428	7,428
Miscellaneous	-	905,000	756,537	(148,463)
Transfers in	-	-	2,056,775	2,056,775
Total inflows	<u>-</u>	<u>905,000</u>	<u>2,820,740</u>	<u>1,915,740</u>
Amounts available for appropriation	<u>-</u>	<u>905,000</u>	<u>2,820,740</u>	<u>1,915,740</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	-	-	-	-
Interest and other charges	-	905,000	(58,478)	(963,478)
Total charges to appropriations	<u>-</u>	<u>905,000</u>	<u>(58,478)</u>	<u>(963,478)</u>
Budgetary fund balance, June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,879,218</u>	<u>\$ 2,879,218</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	\$ 2,820,740
Differences - budget to GAAP:	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	1,228
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(2,056,775)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 765,193</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ (58,478)
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	58,478
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ -</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT (CFD) BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Capital-related debt issued	-	21,345,000	21,250,000	(95,000)
Investment earnings	-		57,326	57,326
Miscellaneous	-	962,000	-	(962,000)
Total inflows	-	<u>22,307,000</u>	<u>21,307,326</u>	<u>(999,674)</u>
Amounts available for appropriation	-	<u>22,307,000</u>	<u>21,307,326</u>	<u>(999,674)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	-	500	500
Debt service:				
Interest and other charges	-	886,050	844,931	(41,119)
Capital outlay	-	19,301,000	1,851,743	(17,449,257)
Transfers to other funds	-	2,119,950	2,056,775	(63,175)
Total charges to appropriations	-	<u>22,307,000</u>	<u>4,753,949</u>	<u>(17,553,051)</u>
Budgetary fund balance, June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,553,377</u>	<u>\$ 16,553,377</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	\$ 21,307,326
Differences - budget to GAAP:	
Capital-related debt issued is a budgetary resource, but is not a revenue for financial reporting purposes	(21,250,000)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	13,533
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 70,859</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,753,949
Differences - budget to GAAP:	
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(1,851,743)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,056,775)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 845,431</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
HIGHWAY USER REVENUE BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ 2,539,000	\$ 2,539,000	\$ 2,539,000	\$ -
RESOURCES (INFLOWS):				
Investment earnings	<u>89,658</u>	<u>89,658</u>	<u>38,543</u>	<u>(51,115)</u>
Total inflows	<u>89,658</u>	<u>89,658</u>	<u>38,543</u>	<u>(51,115)</u>
Amounts available for appropriation	<u>2,628,658</u>	<u>2,628,658</u>	<u>2,577,543</u>	<u>(51,115)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	8,500	14,943	15,563	620
Capital outlay	2,620,158	2,148,256	515,930	(1,632,326)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(82,625)</u>	<u>(82,625)</u>
Total charges to appropriations	<u>2,628,658</u>	<u>2,163,199</u>	<u>448,868</u>	<u>(1,714,331)</u>
Budgetary fund balance, June 30, 2003	<u>\$ -</u>	<u>\$ 465,459</u>	<u>\$ 2,128,675</u>	<u>\$ 1,663,216</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	\$ 2,577,543
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	(2,539,000)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(15,387)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 23,156</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 448,868
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	184,917
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	82,625
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 716,410</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT DISTRICT BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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, 2002	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Intergovernmental participation	9,955,000	9,955,000	-	(9,955,000)
Investment earnings	-	-	1,266	1,266
Total inflows	<u>9,955,000</u>	<u>9,955,000</u>	<u>1,266</u>	<u>(9,953,734)</u>
Amounts available for appropriation	<u>9,955,000</u>	<u>9,955,000</u>	<u>1,266</u>	<u>(9,953,734)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	42,000	42,000	-	(42,000)
Capital outlay	1,913,000	2,202,724	(256,089)	(2,458,813)
Contingencies	8,000,000	3,947,018	-	(3,947,018)
Total charges to appropriations	<u>9,955,000</u>	<u>6,191,742</u>	<u>(256,089)</u>	<u>(6,447,831)</u>
Budgetary fund balance, June 30, 2003	<u>\$ -</u>	<u>\$ 3,763,258</u>	<u>\$ 257,355</u>	<u>\$ (3,505,903)</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	\$ 1,266
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,266</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ (256,089)
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	269,655
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 13,566</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2003

	<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	\$ 24,512,880	\$ 24,512,880	\$ 24,559,024	\$ 46,144
Miscellaneous	2,800	2,800	256,270	253,470
Total operating revenues	<u>24,515,680</u>	<u>24,515,680</u>	<u>24,815,294</u>	<u>299,614</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	3,415,586	3,415,586	3,122,700	(292,886)
Contractual services, materials and supplies	12,217,331	12,730,905	11,392,388	(1,338,517)
Insurance claims	-	917,000	922,473	5,473
Capital outlay	25,723,270	24,154,467	11,843,666	(12,310,801)
Contingencies	3,402,000	3,544,656	-	(3,544,656)
Total operating expenses	<u>44,758,187</u>	<u>44,762,614</u>	<u>27,281,227</u>	<u>(17,481,387)</u>
Operating income (loss)	<u>(20,242,507)</u>	<u>(20,246,934)</u>	<u>(2,465,933)</u>	<u>17,781,001</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	1,570,286	1,566,017	1,374,590	(191,427)
Proceeds from bonds or contracts payable	3,236,850	3,236,850	1,964,789	(1,272,061)
Interest expense	(4,259,265)	(4,259,265)	(2,528,884)	1,730,381
Debt principal payments	(4,359,852)	(4,359,852)	(4,915,763)	(555,911)
Total nonoperating revenues (expenses)	<u>(3,811,981)</u>	<u>(3,816,250)</u>	<u>(4,105,268)</u>	<u>(289,018)</u>
Income (loss) before contributions and transfers	<u>(24,054,488)</u>	<u>(24,063,184)</u>	<u>(6,571,201)</u>	<u>17,491,983</u>
Capital contributions	3,317,715	3,317,715	7,900,656	4,582,941
Transfers in	20,000	20,000	795,631	775,631
Transfers out	(181,032)	(181,032)	(833,458)	(652,426)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (20,897,805)</u>	<u>\$ (20,906,501)</u>	<u>\$ 1,291,628</u>	<u>\$ 22,198,129</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.	(66,540)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(544,578)
Proceeds from the sale of bonds or contracts payable are revenues for budgetary purposes but are increases in long-term debt, and therefore not revenues, for GAAP purposes.	(1,964,789)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(36,388)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	815,001
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	11,839,188
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	9,423,223
Interest is capitalized on construction of capital assets for GAAP purposes, but is not a budgeted item.	1,162,810
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.	4,915,763
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(2,743,718)
Bond issuance costs 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.	(98,246)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	12,116
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 24,005,470</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, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 10,494,941	\$ 10,494,941	\$ 10,654,546	\$ 159,605
Miscellaneous	300	300	991	691
Total operating revenues	<u>10,495,241</u>	<u>10,495,241</u>	<u>10,655,537</u>	<u>160,296</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	879,782	879,782	885,654	5,872
Contractual services, materials and supplies	7,525,068	7,775,805	7,574,686	(201,119)
Insurance claims	-	750,000	750,000	-
Capital outlay	13,485,786	12,519,650	4,218,312	(8,301,338)
Contingencies	6,720,000	7,429,768	-	(7,429,768)
Total operating expenses	<u>28,610,636</u>	<u>29,355,005</u>	<u>13,428,652</u>	<u>(15,926,353)</u>
Operating income (loss)	<u>(18,115,395)</u>	<u>(18,859,764)</u>	<u>(2,773,115)</u>	<u>16,086,649</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	1,048,300	1,048,300	1,057,452	9,152
Interest expense	(836,420)	(917,520)	(1,102,893)	(185,373)
Debt principal payments	(2,480,411)	(2,480,411)	(2,478,148)	2,263
Total nonoperating revenues (expenses)	<u>(2,268,531)</u>	<u>(2,349,631)</u>	<u>(2,523,589)</u>	<u>(173,958)</u>
Income (loss) before contributions and transfers	<u>(20,383,926)</u>	<u>(21,209,395)</u>	<u>(5,296,704)</u>	<u>15,912,691</u>
Capital contributions	1,796,400	1,796,400	4,786,965	2,990,565
Transfers in	-	-	1,789,305	1,789,305
Transfers out	(101,265)	(101,265)	(108,479)	(7,214)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (18,688,791)</u>	<u>\$ (19,514,260)</u>	<u>\$ 1,171,087</u>	<u>\$ 20,685,347</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.	(119,275)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(65,242)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(20,343)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	790,433
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	4,218,312
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	4,661,980
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.	2,478,148
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(2,752,170)
Bond issuance costs 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.	96,310
The loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	27,567
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 10,486,807</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
SANITATION UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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	\$ 8,302,838	\$ 8,302,838	\$ 8,343,601	\$ 40,763
Miscellaneous	-	-	1,295	1,295
Total operating revenues	<u>8,302,838</u>	<u>8,302,838</u>	<u>8,344,896</u>	<u>42,058</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,164,962	2,147,007	2,162,473	15,466
Contractual services, materials and supplies	5,749,562	5,793,322	4,824,385	(968,937)
Capital outlay	2,594,332	2,598,810	1,168,248	(1,430,562)
Contingencies	1,000,000	956,240	-	(956,240)
Total operating expenses	<u>11,508,856</u>	<u>11,495,379</u>	<u>8,155,106</u>	<u>(3,340,273)</u>
Operating income (loss)	<u>(3,206,018)</u>	<u>(3,192,541)</u>	<u>189,790</u>	<u>3,382,331</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	290,000	290,000	306,333	16,333
Total nonoperating revenues (expenses)	<u>290,000</u>	<u>290,000</u>	<u>306,333</u>	<u>16,333</u>
Income (loss) before contributions and transfers	<u>(2,916,018)</u>	<u>(2,902,541)</u>	<u>496,123</u>	<u>3,398,664</u>
Capital contributions	685,800	685,800	753,660	67,860
Transfers in	20,000	20,000	8,116	(11,884)
Transfers out	(225,464)	(225,464)	(206,291)	19,173
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (2,435,682)</u>	<u>\$ (2,422,205)</u>	<u>\$ 1,051,608</u>	<u>\$ 3,473,813</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.	(13,895)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(1,092,764)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(48,469)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	259,190
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	1,165,056
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(715,637)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	264,369
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 869,458</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, 2003

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 802,803	\$ 802,803	\$ 887,963	\$ 85,160
Rent	1,280,000	1,280,000	1,426,063	146,063
Miscellaneous	-	-	15,156	15,156
Total operating revenues	<u>2,082,803</u>	<u>2,082,803</u>	<u>2,329,182</u>	<u>246,379</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	807,405	827,319	779,244	(48,075)
Contractual services, materials and supplies	2,183,154	2,301,592	1,848,088	(453,504)
Capital outlay	449,871	505,460	183,195	(322,265)
Contingencies	25,000	365,330	-	(365,330)
Total operating expenses	<u>3,465,430</u>	<u>3,999,701</u>	<u>2,810,527</u>	<u>(1,189,174)</u>
Operating loss	<u>(1,382,627)</u>	<u>(1,916,898)</u>	<u>(481,345)</u>	<u>1,435,553</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	16,000	16,000	45,958	29,958
Intergovernmental	2,309,990	2,309,990	-	(2,309,990)
Interest expense	(1,466,520)	(1,453,912)	(85,269)	1,368,643
Debt principal payments	(1,080,000)	(1,080,000)	(65,000)	1,015,000
Total nonoperating revenues (expenses)	<u>(220,530)</u>	<u>(207,922)</u>	<u>(104,311)</u>	<u>103,611</u>
Income (loss) before transfers	<u>(1,603,157)</u>	<u>(2,124,820)</u>	<u>(585,656)</u>	<u>1,539,164</u>
Transfers in	1,513,821	1,513,821	1,634,446	120,625
Transfers out	(370,571)	(370,571)	(324,459)	46,112
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (459,907)</u>	<u>\$ (981,570)</u>	<u>\$ 724,331</u>	<u>\$ 1,705,901</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.	(12,512)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(93,940)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(7,363)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(429,071)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	183,195
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.	65,000
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(722,901)
Bond issuance costs 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.	(3,878)
The loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	13,422
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (283,717)</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
PUBLIC HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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	\$ 218,174	\$ 218,174	\$ -	\$ (218,174)
Rent	-	-	145,597	145,597
From federal government	-	-	120,070	120,070
Miscellaneous	-	-	3,028	3,028
Total operating revenues	<u>218,174</u>	<u>218,174</u>	<u>268,695</u>	<u>50,521</u>
OPERATING EXPENSES:				
Contractual services, materials and supplies	218,174	268,308	292,594	24,286
Contingencies	13,000	79,300	-	(79,300)
Total operating expenses	<u>231,174</u>	<u>347,608</u>	<u>292,594</u>	<u>(55,014)</u>
Operating income (loss)	<u>(13,000)</u>	<u>(129,434)</u>	<u>(23,899)</u>	<u>105,535</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	4,000	4,000	6,511	2,511
Total nonoperating revenues (expenses)	<u>4,000</u>	<u>4,000</u>	<u>6,511</u>	<u>2,511</u>
Income (loss) before transfers	<u>(9,000)</u>	<u>(125,434)</u>	<u>(17,388)</u>	<u>108,046</u>
Transfers in	-	-	8,303	8,303
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (9,000)</u>	<u>\$ (125,434)</u>	<u>\$ (9,085)</u>	<u>\$ 116,349</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.	(11,432)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	24,288
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(79,300)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (75,529)</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
MOTOR POOL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	<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	\$ 5,138,561	\$ 5,138,561	\$ 4,456,892	\$ (681,669)
Miscellaneous	10,000	10,000	5,543	(4,457)
Total operating revenues	<u>5,148,561</u>	<u>5,148,561</u>	<u>4,462,435</u>	<u>(686,126)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,081,467	1,081,467	999,967	(81,500)
Contractual services, materials and supplies	2,210,947	2,456,947	2,374,176	(82,771)
Capital outlay	3,432,062	3,532,062	2,643,626	(888,436)
Contingencies	100,000	-	-	-
Total operating expenses	<u>6,824,476</u>	<u>7,070,476</u>	<u>6,017,769</u>	<u>(1,052,707)</u>
Operating income (loss)	<u>(1,675,915)</u>	<u>(1,921,915)</u>	<u>(1,555,334)</u>	<u>366,581</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	262,000	262,000	143,413	(118,587)
Total nonoperating revenues (expenses)	<u>262,000</u>	<u>262,000</u>	<u>143,413</u>	<u>(118,587)</u>
Income (loss) before transfers	<u>(1,413,915)</u>	<u>(1,659,915)</u>	<u>(1,411,921)</u>	<u>247,994</u>
Transfers in	888,942	888,942	1,055,317	166,375
Transfers out	(59,633)	(59,633)	(162,066)	(102,433)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (584,606)</u>	<u>\$ (830,606)</u>	<u>\$ (518,670)</u>	<u>\$ 311,936</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.	(24,083)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(25,153)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	122,578
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,599,312
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,529,920)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	(24,443)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 599,621</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, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 1,974,801	\$ 1,974,801	\$ 1,977,270	\$ 2,469
Miscellaneous	10,000	10,000	378,691	368,691
Total operating revenues	<u>1,984,801</u>	<u>1,984,801</u>	<u>2,355,961</u>	<u>371,160</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	90,225	90,225	84,936	(5,289)
Contractual services, materials and supplies	469,518	779,384	70,848	(708,536)
Insurance claims and expense	1,415,560	2,931,081	2,584,845	(346,236)
Contingencies	50,000	-	-	-
Total operating expenses	<u>2,025,303</u>	<u>3,800,690</u>	<u>2,740,629</u>	<u>(1,060,061)</u>
Operating loss	<u>(40,502)</u>	<u>(1,815,889)</u>	<u>(384,668)</u>	<u>1,431,221</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	50,000	50,000	52,738	2,738
Total nonoperating revenues	<u>50,000</u>	<u>50,000</u>	<u>52,738</u>	<u>2,738</u>
Income (loss) before transfers	<u>9,498</u>	<u>(1,765,889)</u>	<u>(331,930)</u>	<u>1,433,959</u>
Transfers in	340,000	340,000	340,024	24
Transfers out	(110)	(110)	(38,273)	(38,163)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ 349,388</u>	<u>\$ (1,425,999)</u>	<u>\$ (30,179)</u>	<u>\$ 1,395,820</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.	11,557
The City budgets compensated absences on the cash basis, rather than the accrual basis.	1,134
The City budgets insurance claims on the cash basis, rather than the accrual basis.	(746,582)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(36,519)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (800,589)</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, 2003**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 3,506,545	\$ 3,506,545	\$ 3,518,786	\$ 12,241
Total operating revenues	<u>3,506,545</u>	<u>3,506,545</u>	<u>3,518,786</u>	<u>12,241</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,765,029	1,765,029	1,760,018	(5,011)
Contractual services, materials and supplies	1,907,769	1,804,219	1,868,018	63,799
Capital outlay	200,000	331,550	240,361	(91,189)
Contingencies	100,000	-	-	-
Total operating expenses	<u>3,972,798</u>	<u>3,900,798</u>	<u>3,868,397</u>	<u>(32,401)</u>
Operating income (loss)	<u>(466,253)</u>	<u>(394,253)</u>	<u>(349,611)</u>	<u>44,642</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	3,800	3,800	15,215	11,415
Interest expense	-	(3,770)	-	3,770
Debt principal payments	-	(16,998)	-	16,998
Total nonoperating revenues	<u>3,800</u>	<u>(16,968)</u>	<u>15,215</u>	<u>32,183</u>
Income (loss) before transfers	<u>(462,453)</u>	<u>(411,221)</u>	<u>(334,396)</u>	<u>76,825</u>
Transfers in	425,000	425,000	425,000	-
Transfers out	(74,831)	(74,831)	(105,861)	(31,030)
Deficit revenues over expenses - budgetary basis	<u>\$ (112,284)</u>	<u>\$ (61,052)</u>	<u>\$ (15,257)</u>	<u>\$ 45,795</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.	2,424
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(7,636)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	63,029
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	125,312
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(8,421)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 159,451</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, 2003**

	<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	\$ 5,315,045	\$ 5,315,045	\$ 5,115,388	\$ (199,657)
Miscellaneous	-	-	2,823	2,823
Total operating revenues	<u>5,315,045</u>	<u>5,315,045</u>	<u>5,118,211</u>	<u>(196,834)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,472,725	2,486,085	2,315,522	(170,563)
Contractual services, materials and supplies	3,523,817	3,071,540	2,461,344	(610,196)
Capital outlay	1,149,350	1,881,629	1,494,677	(386,952)
Contingencies	750,000	1,020,440	-	(1,020,440)
Total operating expenses	<u>7,895,892</u>	<u>8,459,694</u>	<u>6,271,543</u>	<u>(2,188,151)</u>
Operating loss	<u>(2,580,847)</u>	<u>(3,144,649)</u>	<u>(1,153,332)</u>	<u>1,991,317</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	81,900	81,900	97,425	15,525
Total nonoperating revenues	<u>81,900</u>	<u>81,900</u>	<u>97,425</u>	<u>15,525</u>
Income before transfers	<u>(2,498,947)</u>	<u>(3,062,749)</u>	<u>(1,055,907)</u>	<u>2,006,842</u>
Transfers in	1,519,542	1,519,542	1,910,827	391,285
Transfers out	(24,265)	(24,265)	(14,151)	10,114
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,003,670)</u>	<u>\$ (1,567,472)</u>	<u>\$ 840,769</u>	<u>\$ 2,408,241</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.	(6,265)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(134,365)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	16,891
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	1,280,412
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,209,795)
The gain/loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	(129)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 787,518</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
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Supplementary Information – Federal Financial Data Schedule

The following is the schedule of Federal Financial Data as required by the United States Department of Housing and Urban Development under the Uniform Financial Reporting Standards Rule implementing requirements of 24 CFR, Part 5, Subpart H.

Line #	Account Description:	Low Rent Public Housing #14.850a	CIAP #14.852	Housing Choice Vouchers #14.871	Public Housing Capital Fund Program #14.872
ASSETS:					
Current Assets:					
Cash:					
111	Cash – unrestricted	\$ 440,795	0	206,321	248,154
100	Total cash	440,795	0	206,321	248,154
Accounts receivable:					
121	Accounts receivable – PHA projects	-	24,676	-	-
122	Accounts receivable – HUD other projects	-	-	82,322	-
124	Accounts receivable – other government	-	-	6,042	-
125	Accounts receivable – miscellaneous	14,973	-	982	-
126	Accounts receivable – tenants-dwelling rents	26,772	-	-	-
126.1	Allowance for doubtful accts – dwelling rents	(26,704)	-	-	-
120	Total receivables, net	15,041	24,676	89,346	-
Other current assets:					
144	Interprogram due from	-	-	-	24,676
150	Total current assets	455,836	24,676	295,667	272,830
Non-current Assets:					
Fixed Assets:					
161	Land	410,350	-	-	-
162	Buildings	3,141,152	-	-	-
164	Furniture, equipment & machinery – admin.	8,303	-	-	-
165	Leasehold improvements	121,175	-	-	-
166	Accumulated depreciation	(1,391,000)	-	-	-
160	Total fixed assets, net	2,289,980	-	-	-
180	Total non-current assets	2,289,980	-	-	-
190	Total Assets	\$ 2,745,816	24,676	295,667	272,830
LIABILITIES AND EQUITY:					
LIABILITIES:					
Current Liabilities:					
312	Accounts payable < 90 days	\$ 5,120	-	6,752	-
341	Tenant security deposits	13,502	-	-	-
342	Deferred revenues	-	-	-	272,830
347	Interprogram due to	-	24,676	-	-
310	Total Current Liabilities	18,622	24,676	6,752	272,830
350	Total Noncurrent Liabilities	-	-	-	-
300	Total Liabilities	18,622	24,676	6,752	272,830
EQUITY:					
508.1	Invested in capital assets, net of related debt	2,289,980	-	-	-
511.1	Restricted net assets	-	-	-	-
512.1	Unrestricted net assets	437,214	-	288,915	-
513	Total Equity/Net Assets	2,727,194	-	288,915	-
600	Total Liabilities and Equity/Net Assets	\$ 2,745,816	24,676	295,667	272,830

CITY OF PEORIA, ARIZONA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Line #	Account Description	Low Rent Public Housing #14.850a	CIAP #14.852	Housing Choice Vouchers #14.871	Public Housing Capital Fund Program #14.872
REVENUE:					
703	Net tenant rental revenues	\$ 134,165	-	-	-
705	Total tenant revenue	134,165	-	-	-
706	HUD PHA grants	120,070	37,831	574,965	43,550
706.1	Capital grants	-	-	-	-
711	Investment income – unrestricted	6,511	-	2,293	-
715	Other revenue	1,212	-	89,456	-
716	Gain/loss on sale of fixed assets	1,816	-	-	-
700	Total revenue	263,774	37,831	666,714	43,550
EXPENDITURES:					
911	Administrative salaries	\$ 68,078	-	-	-
912	Audit fees	3,600	-	1,000	-
913	Outside management fees	14,531	59,128	126,908	23,440
915	Employee benefit contributions – administrative	18,525	-	-	-
916	Other operating – administrative	23,787	-	-	-
931	Water	12,305	-	-	-
932	Electricity	2,715	-	-	-
933	Gas	2,588	-	-	-
938	Other utilities expense	6,352	-	-	-
941	Ordinary maintenance and operations – labor	30,834	-	-	-
942	Ordinary maint. & oper. – materials and other	30,092	-	-	-
943	Ordinary maint. & oper. – contract costs	13,061	-	-	-
945	Employee benefit contributions – ordinary maint.	8,390	-	-	-
964	Bad debt – tenant rents	26,704	-	-	-
969	Total operating expenditures	261,562	59,128	127,908	23,440
970	Excess operating revenues over expenditures	2,212	(21,297)	538,806	20,110
973	Housing assistance payments	-	-	530,472	-
974	Depreciation expense-enterprise funds	79,300	-	-	-
900	Total expenditures	340,862	59,128	658,380	23,440
1001	Operating transfers in	8,303	11,807	-	-
1002	Operating transfers out	-	-	-	(20,110)
1010	Total other financing sources (uses)	8,303	11,807	-	(20,110)
1000	Excess (deficiency) of operating revenues over (under) expenses	\$ (68,785)	(9,490)	8,334	-
MEMO ACCOUNT INFORMATION:					
1103	Beginning equity	\$ 2,795,979	9,490	254,340	-
1104	Prior period adjustments, equity transfers, and correction of errors	-	-	26,241	-
1113	Maximum annual contributions commitment (Per ACC)	-	-	536,670	-
1115	Contingency reserve	-	-	80,494	-
1116	Total annual contributions available	-	-	617,164	-
1120	Unit months available	840	-	984	-
1121	Number of unit months leased	822	-	897	-

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN DEBT
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Exhibit 1

	Balances at	Issued	Retired	Non-Cash		Balances at
	June 30, 2002			Accretions	Additions	June 30, 2003
Compensated absences	\$ 2,473,640	-	-	-	418,640	2,892,280
Contracts payable	19,978,652	222,925	2,500,787	-	-	17,700,790
Total	22,452,292	222,925	2,500,787	-	418,640	20,593,070
General obligation bonds:						
Refunding bonds - series 1992	845,000	-	415,000	-	-	430,000
Series 1992B	390,000	-	190,000	-	-	200,000
Refunding bonds - series 1993	5,345,000	-	-	-	-	5,345,000
Capital appreciation bonds 1993	4,679,200	-	1,540,000	180,189	-	3,319,389
Series 1994	480,000	-	150,000	-	-	330,000
Series 1995	3,825,000	-	180,000	-	-	3,645,000
Series 1996	5,535,000	-	270,000	-	-	5,265,000
Series 1998A	5,400,000	-	200,000	-	-	5,200,000
Refunding bonds - series 1998B	3,975,000	-	185,000	-	-	3,790,000
Series 2000	14,010,000	-	475,000	-	-	13,535,000
Series 2003	-	27,570,000	-	-	-	27,570,000
Total	44,484,200	27,570,000	3,605,000	180,189	-	68,629,389
Municipal Development Authority:						
Series 1989	2,330,000	-	1,125,000	-	-	1,205,000
Series 1991	280,000	-	100,000	-	-	180,000
Series 1993	23,163,797	-	23,163,797	-	-	-
Refunding bonds - series 2003	-	22,255,141	-	-	-	22,255,141
Total	25,773,797	22,255,141	24,388,797	-	-	23,640,141
Highway user revenue:						
Series 1988	520,000	-	250,000	-	-	270,000
Series 1996	4,405,000	-	50,000	-	-	4,355,000
Total	4,925,000	-	300,000	-	-	4,625,000
Special assessment:						
Sunny Boy ID #9002	520,000	-	95,000	-	-	425,000
North Valley ID #8801	3,600,000	-	285,000	-	-	3,315,000
Bell Road ID #8802	4,175,000	-	335,000	-	-	3,840,000
New River ID #9102	75,000	-	75,000	-	-	-
Arrowhead Shores ID #9202	144,000	-	-	-	-	144,000
83rd Ave ID #9601	1,805,000	-	140,000	-	-	1,665,000
North Beardsley ID #9602	1,310,000	-	485,000	-	-	825,000
Arrowhead Fountains ID #9603	2,975,000	-	235,000	-	-	2,740,000
75th Ave & Paradise Ln ID #9303	2,236,692	-	194,641	-	-	2,042,051
83rd Ave & Thunderbird ID #9801	493,000	-	44,710	-	-	448,290
Total	17,333,692	-	1,889,351	-	-	15,444,341
Community Facilities District:						
Vistancia CFD	-	21,250,000	-	-	-	21,250,000
Total	-	21,250,000	-	-	-	21,250,000
Total bonds payable	92,516,689	71,075,141	30,183,148	180,189	-	133,588,871
Total governmental debt	\$ 114,968,981	71,298,066	32,683,935	180,189	418,640	154,181,941

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN DEBT
BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Exhibit 2

	<u>Balance at June 30, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balances at June 30, 2003</u>
Contracts payable	\$ 114,957	\$ -	\$ 114,957	\$ -
Compensated absences	301,860	92,690	-	394,550
Total	<u>416,817</u>	<u>92,690</u>	<u>114,957</u>	<u>394,550</u>
1991 Water and Sewer Refunding	920,000	-	920,000	-
1993B Municipal Sports Complex	1,135,000	-	1,135,000	-
1993 Municipal Development Authority	1,811,204	-	1,811,204	-
1994 Municipal Development Authority	2,060,000	-	2,060,000	-
1995 Wastewater Management Authority	8,691,424	-	503,460	8,187,964
1995A Water and Sewer Revenue	1,630,000	-	75,000	1,555,000
1997 Water Infrastructure Finance Authority	12,106,877	-	603,100	11,503,777
1998A Water and Sewer Revenue	16,170,000	-	595,000	15,575,000
1997B Water and Sewer Refunding	3,635,000	-	640,000	2,995,000
2000 Water and Sewer Revenue	11,115,000	-	500,000	10,615,000
2000 Water Infrastructure Finance Authority, Phase 1	20,150,000	-	732,474	19,417,526
2000 Water Infrastructure Finance Authority, Phase 2	14,500,000	-	489,975	14,010,025
2000 Water Infrastructure Finance Authority, Phase 3	-	1,964,789	-	1,964,789
2003 Municipal Development Authority Refunding	-	2,759,859	-	2,759,859
Total bonds	<u>93,924,505</u>	<u>4,724,648</u>	<u>10,065,213</u>	<u>88,583,940</u>
Total business-type debt	<u>94,341,322</u>	<u>4,817,338</u>	<u>10,180,170</u>	<u>88,978,490</u>
Less current portion of debt	<u>7,532,235</u>			<u>6,228,916</u>
Long-term portion of debt	<u>\$ 86,809,087</u>			<u>\$ 82,749,574</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2003

Exhibit 3

Fiscal Year	General Obligation								
	General Purpose 6% Limitation (1)			Utility Purpose 20% Limitation (1)			Total General Obligation		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	2,590,000	2,279,361	4,869,361	1,150,000	554,010	1,704,010	3,740,000	2,833,371	6,573,371
2005	9,100,000	2,329,264	11,429,264	500,000	498,353	998,353	9,600,000	2,827,617	12,427,617
2006	3,050,000	1,949,140	4,999,140	1,125,000	561,537	1,686,537	4,175,000	2,510,677	6,685,677
2007	2,220,000	1,696,908	3,916,908	1,175,000	622,890	1,797,890	3,395,000	2,319,798	5,714,798
2008	2,095,000	1,456,901	3,551,901	1,480,000	696,123	2,176,123	3,575,000	2,153,024	5,728,024
2009	1,905,000	1,365,654	3,270,654	1,565,000	617,050	2,182,050	3,470,000	1,982,704	5,452,704
2010	1,895,000	1,275,616	3,170,616	1,650,000	531,991	2,181,991	3,545,000	1,807,607	5,352,607
2011	1,530,000	903,949	2,433,949	2,175,000	734,060	2,909,060	3,705,000	1,638,009	5,343,009
2012	1,170,000	643,209	1,813,209	2,290,000	828,751	3,118,751	3,460,000	1,471,960	4,931,960
2013	1,070,000	584,009	1,654,009	2,150,000	735,446	2,885,446	3,220,000	1,319,455	4,539,455
2014	1,115,000	545,074	1,660,074	2,280,000	624,361	2,904,361	3,395,000	1,169,435	4,564,435
2015	350,000	151,802	501,802	3,210,000	858,326	4,068,326	3,560,000	1,010,128	4,570,128
2016	-	-	-	3,435,000	848,875	4,283,875	3,435,000	848,875	4,283,875
2017	-	-	-	3,200,000	693,848	3,893,848	3,200,000	693,848	3,893,848
2018	-	-	-	2,835,000	559,273	3,394,273	2,835,000	559,273	3,394,273
2019	-	-	-	2,970,000	429,800	3,399,800	2,970,000	429,800	3,399,800
2020	-	-	-	2,660,000	303,303	2,963,303	2,660,000	303,303	2,963,303
2021	-	-	-	1,520,000	178,550	1,698,550	1,520,000	178,550	1,698,550
2022	-	-	-	1,590,000	110,130	1,700,130	1,590,000	110,130	1,700,130
2023	-	-	-	1,670,000	37,575	1,707,575	1,670,000	37,575	1,707,575
	<u>\$ 28,090,000</u>	<u>15,180,887</u>	<u>43,270,887</u>	<u>40,630,000</u>	<u>11,024,252</u>	<u>51,654,252</u>	<u>68,720,000</u>	<u>26,205,139</u>	<u>94,925,139</u>

(1) Various purpose bonds limited to 20% of assessed valuation are those issued for water, sewer, artificial light, open space, preserves, parks, playgrounds and recreational areas. Other general obligation bonds are limited to 6% of assessed valuation. The general obligation bonds are categorized as follows:

Year of Issuance	General Obligation Bond		
	Original Issue Amount	6% Limitation	20% Limitation
1992R	\$ 3,775,000	-	3,775,000
1992B	2,485,000	-	2,485,000
1993R	9,900,000	5,475,000	4,425,000
1994	3,675,000	3,675,000	-
1995	4,695,000	1,900,000	2,795,000
1996	6,000,000	-	6,000,000
1998A	5,930,000	-	5,930,000
1998B	4,030,000	3,060,000	970,000
2000	14,860,000	5,740,000	9,120,000
2003	27,570,000	15,345,000	12,225,000
Total	<u>\$ 82,920,000</u>	<u>35,195,000</u>	<u>47,725,000</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2003

Exhibit 3

Fiscal Year	Municipal Development Authority (2)			Highway User Revenue			Special Assessment (3)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	1,385,000	699,238	2,084,238	320,000	262,140	582,140	1,354,267	975,101	2,329,368
2005	2,310,000	1,143,700	3,453,700	230,000	242,190	472,190	1,510,992	891,820	2,402,812
2006	2,525,000	1,045,925	3,570,925	245,000	224,990	469,990	1,508,580	799,372	2,307,952
2007	2,900,000	910,300	3,810,300	260,000	209,525	469,525	1,640,076	706,155	2,346,231
2008	2,965,000	763,675	3,728,675	275,000	195,210	470,210	1,437,538	605,684	2,043,222
2009	3,170,000	610,300	3,780,300	290,000	179,810	469,810	1,546,019	515,782	2,061,801
2010	3,335,000	447,675	3,782,675	305,000	163,295	468,295	1,880,582	418,785	2,299,367
2011	3,740,000	270,800	4,010,800	325,000	145,574	470,574	2,041,287	300,077	2,341,364
2012	1,310,000	157,650	1,467,650	340,000	126,703	466,703	1,520,000	171,010	1,691,010
2013	1,360,000	104,000	1,464,000	360,000	106,663	466,663	1,005,000	72,820	1,077,820
2014	1,400,000	35,000	1,435,000	385,000	85,244	470,244	-	-	-
2015	-	-	-	405,000	62,531	467,531	-	-	-
2016	-	-	-	430,000	38,525	468,525	-	-	-
2017	-	-	-	455,000	13,081	468,081	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023									
	<u>\$ 26,400,000</u>	<u>6,188,263</u>	<u>32,588,263</u>	<u>4,625,000</u>	<u>2,055,481</u>	<u>6,680,481</u>	<u>15,444,341</u>	<u>5,456,606</u>	<u>20,900,947</u>

(2) 2003 Revenue Refunding Bonds are partially paid by the Enterprise Fund (business-type activity).

(3) Includes Sunny Boy Water and Sewer Improvement District Bonds, Arrowhead Shores Improvement District Bonds, North Beardsley Improvement District Bonds, North Valley Power Center Improvement District Bonds, Bell Road Improvement District Bonds, Arrowhead Fountains Improvement District Bonds, 83rd Avenue Improvement District Bonds, 75th Avenue and Paradise Lane Improvement District Bonds, and 83rd Avenue and Thunderbird Improvement District Bonds.

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2003

Exhibit 3

Fiscal Year	Water and Sewer Revenue			Community Facilities District (4)			DEBT SERVICE REQUIREMENTS		
	Principal	Interest	Total	Principal	Interest	Total	GRAND TOTALS		
							Principal	Interest	Total
2004	5,867,216	3,425,664	9,292,880	-	1,418,100	1,418,100	12,666,483	9,613,614	22,280,097
2005	4,519,566	3,174,776	7,694,342	-	1,315,763	1,315,763	18,170,558	9,595,866	27,766,424
2006	4,775,048	2,952,177	7,727,225	725,000	1,301,263	2,026,263	13,953,628	8,834,404	22,788,032
2007	4,973,775	2,731,414	7,705,189	750,000	1,270,825	2,020,825	13,918,851	8,148,017	22,066,868
2008	4,340,865	2,539,703	6,880,568	775,000	1,236,481	2,011,481	13,368,403	7,493,777	20,862,180
2009	4,501,441	2,340,840	6,842,281	825,000	1,197,450	2,022,450	13,802,460	6,826,886	20,629,346
2010	4,690,629	2,134,960	6,825,589	850,000	1,154,300	2,004,300	14,606,211	6,126,622	20,732,833
2011	4,088,562	1,976,485	6,065,047	925,000	1,106,106	2,031,106	14,824,849	5,437,051	20,261,900
2012	4,245,376	1,810,860	6,056,236	950,000	1,053,125	2,003,125	11,825,376	4,791,308	16,616,684
2013	4,406,212	1,637,842	6,044,054	1,000,000	996,563	1,996,563	11,351,212	4,237,343	15,588,555
2014	4,576,219	1,456,948	6,033,167	1,075,000	935,063	2,010,063	10,831,219	3,681,690	14,512,909
2015	4,750,546	1,268,475	6,019,021	1,125,000	864,844	1,989,844	9,840,546	3,205,978	13,046,524
2016	4,939,354	1,071,723	6,011,077	1,200,000	786,375	1,986,375	10,004,354	2,745,498	12,749,852
2017	5,450,391	838,536	6,288,927	1,275,000	702,844	1,977,844	10,380,391	2,248,309	12,628,700
2018	5,679,152	594,695	6,273,847	1,375,000	613,406	1,988,406	9,889,152	1,767,374	11,656,526
2019	4,977,119	384,793	5,361,912	1,475,000	517,219	1,992,219	9,422,119	1,331,812	10,753,931
2020	3,781,171	222,035	4,003,206	1,575,000	414,281	1,989,281	8,016,171	939,619	8,955,790
2021	3,968,930	50,925	4,019,855	1,675,000	304,594	1,979,594	7,163,930	534,069	7,697,999
2022	1,154,155	5,451	1,159,606	1,775,000	188,156	1,963,156	4,519,155	303,737	4,822,892
2023	138,354	-	138,354	1,900,000	64,125	1,964,125	3,708,354	101,700	3,810,054
	<u>\$ 85,824,081</u>	<u>30,618,302</u>	<u>116,442,383</u>	<u>21,250,000</u>	<u>17,440,883</u>	<u>38,690,883</u>	<u>222,263,422</u>	<u>87,964,674</u>	<u>310,228,096</u>

(4) Vistancia Community Facilities District bonds

**CITY OF PEORIA, ARIZONA
SCHEDULE OF FIXED ASSETS
BY FUNCTION AND CLASSIFICATION
JUNE 30, 2003**

Governmental activities:						
Asset Type	Culture and Recreation	General Government	Police	Fire	Development Services	Highways and Streets
Work in progress (WIP)	\$ 4,707,118	\$ 2,427,817	\$ 9,618,112	\$ 1,701,876	\$ 71,161	\$ 8,765,939
Land	22,882,393	2,262,142		1,042,932	-	108,291,805
Buildings and Improvements	10,102,203	25,657,468	4,836,270	4,611,734	119,479	-
Furniture	180,236	1,015,592	198,509	133,494	131,805	7,619
Equipment	1,275,169	11,344,513	2,578,644	2,429,841	46,142	6,025,111
Vehicles	914,391	1,017,736	2,703,522	3,757,013	385,592	1,736,233
Storm Drain System	431,061	-	-	-	-	-
Street System	7,340,741	20,819	-	-	-	257,201,208
Park System	12,826,700	-	-	-	-	-
Sub-total	60,660,012	43,746,087	19,935,057	13,676,890	754,179	382,027,915
Less accumulated depreciation	(8,340,074)	(17,752,301)	(4,749,507)	(2,955,812)	(322,658)	(81,075,498)
Total governmental activities capital assets, net	\$ 52,319,938	\$ 25,993,786	\$ 15,185,550	\$ 10,721,078	\$ 431,521	\$ 300,952,417
Business-type activities:						
	Water Utility	Wastewater Utility	Sanitation Utility	Stadium	Housing Programs	Total
Work in progress (WIP)	\$ 24,075,524	\$ 6,365,713	\$ -	\$ 32,406	\$ -	\$ 30,473,643
Land	1,712,328	3,661,560	-	6,703,349	410,350	12,487,587
Buildings and Improvements	47,670	5,704		25,585,927	3,141,152	28,780,453
Furniture	33,236	-	8,013	-	-	41,249
Equipment	526,004	489,016	864,143	357,910	129,478	2,366,551
Vehicles	1,284,338	347,082	5,101,126	334,001	-	7,066,547
Water System	139,654,900	-	-	-	-	139,654,900
Wastewater System	-	110,409,333	-	-	-	110,409,333
Sub-total	167,334,000	121,278,408	5,973,282	33,013,593	3,680,980	331,280,263
Less accumulated depreciation	(22,142,725)	(26,436,121)	(2,376,447)	(6,416,992)	(1,391,000)	(58,763,285)
Total business-type activities capital assets, net	\$ 145,191,275	\$ 94,842,287	\$ 3,596,835	\$ 26,596,601	\$ 2,289,980	\$ 272,516,978

	Public Works	Human Services	Total
\$	1,687,102	\$ -	\$ 28,979,125
	6,302,014	307,757	141,089,043
	359,520	-	45,686,674
	90,665	5,592	1,763,512
	183,673	-	23,883,093
	993,345	439,250	11,947,082
	47,318,300	-	47,749,361
	8,773	-	264,571,541
	-	-	12,826,700
	<u>56,943,392</u>	<u>752,599</u>	<u>578,496,131</u>
	<u>(7,890,573)</u>	<u>(158,956)</u>	<u>(123,245,379)</u>
\$	<u>49,052,819</u>	<u>\$ 593,643</u>	<u>\$ 455,250,752</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN FIXED ASSETS BY FUNCTION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Exhibit 5

Department	Balances July 1, 2002	Additions and Transfers	Deletions and Transfers	Balances June 30, 2003
Culture and Recreation	\$ 56,698,542	\$ 4,076,617	\$ (115,145)	\$ 60,660,014
General Government	41,905,199	1,873,863	(32,976)	\$ 43,746,086
Police	11,854,238	9,839,505	(1,758,687)	\$ 19,935,056
Fire	10,959,627	2,954,750	(237,487)	\$ 13,676,890
Development Services	565,222	216,036	(27,079)	\$ 754,179
Highways & Streets	364,048,525	18,454,057	(474,667)	\$ 382,027,915
Public Works	54,262,020	2,741,081	(59,709)	\$ 56,943,392
Human Services	<u>864,173</u>	<u>-</u>	<u>(111,574)</u>	<u>\$ 752,599</u>
Sub-total governmental fixed assets	<u>\$ 541,157,546</u>	<u>\$ 40,155,909</u>	<u>\$ (2,817,324)</u>	<u>\$ 578,496,131</u>
Less accumulated depreciation				
Culture and Recreation	(7,143,572)	(1,303,108)	106,606	(8,340,074)
General Government	(15,810,827)	(1,974,450)	32,976	(17,752,301)
Police	(4,265,502)	(882,964)	398,959	(4,749,507)
Fire	(2,462,324)	(788,853)	295,365	(2,955,812)
Development Services	(280,350)	(69,387)	27,079	(322,658)
Highways & Streets	(73,546,717)	(7,818,854)	290,073	(81,075,498)
Public Works	(6,675,366)	(1,273,059)	57,852	(7,890,573)
Human Services	<u>(125,326)</u>	<u>(74,348)</u>	<u>40,718</u>	<u>(158,956)</u>
Sub-total accumulated depreciation	<u>\$ (110,309,984)</u>	<u>\$ (14,185,023)</u>	<u>\$ 1,249,628</u>	<u>\$ (123,245,379)</u>
Total governmental activities capital assets, net	<u>\$ 430,847,562</u>	<u>\$ 25,970,886</u>	<u>\$ (1,567,696)</u>	<u>\$ 455,250,752</u>

Note: Beginning balances are restated for prior period adjustments (see Note 21).

CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit 6

<u>Fund Out</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General	Non-Bond Capital Projects - streets projects subsidy	\$ -	\$ 4,842,145
	MDA Debt Service - debt payments	-	88,968
	Other Grants - Employee wellness committee subsidy	-	10,000
	Stadium - operating subsidy	-	1,172,811
	Sanitation Utility - capital assets	-	(3,192)
	Water Utility - capital assets	-	(4,478)
	ISF - Motor Pool - equipment purchases	-	819,362
	ISF - Self-Insurance - additional subsidy	-	228,960
	ISF - Facilities - projects	-	(5,049)
	ISF- IT Fund - projects	-	1,079,687
	ISF- IT Fund - computer equipment purchases	-	247,516
	Half-Cent - public safety equipment subsidy	500,000	-
	Half-Cent - economic development subsidy	279,888	-
	ISF - Facilities - capital lease	20,767	-
	Fund Totals	<u>800,655</u>	<u>8,476,730</u>
Half-Cent Sales Tax	General - public safety equipment subsidy	-	500,000
	General - economic development subsidy	-	279,888
	Highway User - streets subsidy	-	1,000,000
	Non-Bond Capital Projects - PSAB construction	-	3,396,000
	MDA Debt Service - debt payments	-	2,646,030
	Stadium - debt service subsidy	-	399,641
	ISF- IT Fund - capital assets	-	38,552
	Fund Totals	<u>-</u>	<u>8,260,111</u>
Highway User	MDA Debt Service - debt payments	-	154,819
	ISF - Motor Pool - equipment purchases	-	46,000
	ISF - Self-Insurance - additional subsidy	-	24,360
	ISF- IT Fund - projects	-	34,888
	ISF- IT Fund - computer equipment purchases	-	22,923
	Half-Cent - streets subsidy	1,000,000	-
	HURF Bonds Cap Proj - move non-bond cash	82,625	-
	Fund Totals	<u>1,082,625</u>	<u>282,990</u>
Development Fee	Non-Bond Capital Projects - PSAB construction	-	544,000
Non-Bond Capital Projects	Water Utility - capital assets	-	26,745
	Wastewater Utility - capital assets	-	6,516
	General - street projects subsidy	4,842,145	-
	Half-Cent - PSAB construction	3,396,000	-
	Development Fee - PSAB construction	544,000	-
	Fund Totals	<u>8,782,145</u>	<u>33,261</u>
Other Governmental			
Public Transit	ISF - Motor Pool - equipment purchases	-	65,000
	ISF - Self-Insurance - additional subsidy	-	1,240
	ISF- IT Fund - projects	-	10,466
	ISF- IT Fund - computer equipment purchases	-	1,717
	sub-totals	<u>-</u>	<u>78,423</u>
Section 8 Housing	Public Housing - capital assets	-	8,303
Other Grants	CDBG to ISF - IT Fund - capital assets	-	344
	Adult Day to ISF - IT Fund - capital assets	-	13,163
	LLEBG V to ISF - IT Fund - capital assets	-	36,140
	Commercial Veh Grant to ISF - Motor Pool - capital assets	-	46,673
	Comm Enhancement to Neighborhood Pride Agency Fund	-	1,153
	General to Employee Wellness - subsidy	10,000	-
	sub-totals	<u>10,000</u>	<u>97,473</u>

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2003**

Exhibit 6

<u>Fund Out</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Other Governmental (continued)			
MDA Debt Service	General - debt service	88,968	
	Half-Cent - debt service	2,646,030	
	Highway User - debt service	154,819	
	Water Utility - debt service	89,423	
	Wastewater Utility - debt service	66,533	
	Sanitation Utility - debt service	7,617	
	Stadium - debt service	143,908	
	ISF - Motor Pool - debt service	49,284	
	sub-totals	<u>3,246,582</u>	<u>-</u>
CFD Bonds Debt Service	CFD Bonds Capital Projects - bond proceeds for debt service	<u>2,056,775</u>	<u>-</u>
CFD Bonds Capital Proj	CFD Bonds Debt Service - bond proceeds for debt service	-	2,056,775
	Water Utility - capital assets	-	745,318
	Wastewater Utility - capital assets	-	1,106,425
	sub-totals	<u>-</u>	<u>3,908,518</u>
HURF Bond Capital Proj	Highway User Fund - move non-bond cash	-	82,625
	Fund Totals	<u>5,313,357</u>	<u>4,175,342</u>
Total Governmental Funds		<u>15,978,782</u>	<u>21,772,434</u>
Enterprise Funds:			
Water Utility	MDA Debt Service - debt service	-	89,423
	Wastewater Utility - capital assets	-	676,364
	IFS - Motor Pool - capital assets	-	(433)
	ISF - Self-Insurance - additional subsidy	-	15,550
	ISF- IT Fund - projects	-	43,609
	ISF- IT Fund - computer equipment purchases	-	8,945
	General -capital assets	(4,478)	-
	Non-Bond Capital Projects - capital assets	26,745	-
	CFD Bonds Capital Project - capital assets	745,318	-
	ISF - Motor Pool - capital assets	23,568	-
	Fund Totals	<u>791,153</u>	<u>833,458</u>
Wastewater Utility	MDA Debt Service - debt service	-	66,533
	ISF - Self-Insurance - additional subsidy	-	19,610
	ISF- IT Fund - projects	-	19,188
	ISF- IT Fund - computer equipment purchases	-	3,147
	Water Utility - capital assets	676,364	-
	Non-Bond Capital Projects - capital assets	6,516	-
	CFD Bonds Capital Project - capital assets	1,106,425	-
	Fund Totals	<u>1,789,305</u>	<u>108,478</u>
Sanitation Utility	MDA Debt Service - debt service	-	7,617
	ISF - Self-Insurance - additional subsidy	-	28,780
	ISF - Facilities - capital projects	-	150,000
	ISF- IT Fund - projects	-	13,955
	ISF- IT Fund - computer equipment purchases	-	5,939
	General -capital assets	(3,192)	-
	ISF - Motor Pool - capital assets	6,516	-
	ISF - Facilities - capital assets	1,600	-
	Fund Totals	<u>4,924</u>	<u>206,291</u>

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2003**

Exhibit 6

<u>Fund Out</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>	
Stadium	MDA Debt Service - debt service	-	143,908	
	ISF - Self-Insurance - additional subsidy	-	10,100	
	ISF - Motor Pool - capital assets	-	(110)	
	ISF - Facilities - capital projects	-	165,000	
	ISF- IT Fund - projects	-	4,417	
	ISF- IT Fund - computer equipment purchases	-	1,144	
	General - subsidy	1,172,811	-	
	Half-Cent - debt service subsidy	399,641	-	
	ISF - Motor Pool - capital assets	22,383	-	
	ISF - Self-Insurance - capital assets	38,139	-	
	ISF - Facilities - capital assets	1,471	-	
	Fund Totals	<u>1,634,445</u>	<u>324,459</u>	
	Public Housing	Section 8 Housing - capital assets	<u>8,303</u>	<u>-</u>
	Total Enterprise Funds		<u>4,228,130</u>	<u>1,472,686</u>
Internal Service Funds				
Motor Pool	MDA Debt Service - debt service	-	49,284	
	Water Utility - capital assets	-	23,568	
	Sanitation Utility - capital assets	-	6,516	
	Stadium - capital assets	-	22,383	
	ISF - Self-Insurance - additional subsidy	-	1,490	
	ISF- IT Fund - projects	-	12,210	
	ISF- IT Fund - computer equipment purchases	-	46,615	
	General - equipment purchases	819,362	-	
	Highway User - equipment purchases	46,000	-	
	Other Governmental - Transit - equipment purchases	65,000	-	
	Other Governmental - Other Grants - equipment purchases	46,673	-	
	Water Utility - capital assets	(433)	-	
	Stadium - capital assets	(110)	-	
	ISF - Facilities - equipment purchases	22,000	-	
	ISF - IT Fund - capital assets	12,511	-	
	Fund Totals	<u>1,011,003</u>	<u>162,066</u>	
Self-Insurance	Stadium - capital assets	-	38,139	
	ISF - IT Fund - capital assets	-	134	
	General - additional subsidy	228,960	-	
	Highway User - additional subsidy	24,360	-	
	Other Governmental - Transit - additional subsidy	1,240	-	
	Water Utility - additional subsidy	15,550	-	
	Wastewater Utility - additional subsidy	19,610	-	
	Sanitation Utility - additional subsidy	28,780	-	
	Stadium - additional subsidy	10,100	-	
	ISF - Motor Pool - additional subsidy	1,490	-	
	ISF - Facilities - additional subsidy	8,160	-	
	ISF - IT Fund - additional subsidy	1,640	-	
	Fund Totals	<u>339,890</u>	<u>38,273</u>	

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2003**

Exhibit 6

<u>Fund Out</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Facilities Maintenance	General - capital lease	-	20,767
	Sanitation Utility - capital assets	-	1,600
	Stadium - capital assets	-	1,471
	ISF - Motor Pool - equipment purchases	-	22,000
	ISF - Self-Insurance - additional subsidy	-	8,160
	ISF- IT Fund - projects	-	38,376
	ISF- IT Fund - computer equipment purchases	-	6,295
	ISF - IT Fund - capital assets	-	7,192
	General - capital assets	(5,049)	-
	Sanitation Utility - capital projects	150,000	-
	Stadium - capital projects	165,000	-
Fund Totals	<u>309,951</u>	<u>105,861</u>	
Information Technology	ISF - Self-Insurance - additional subsidy	-	1,640
	ISF - Motor Pool - capital assets	-	12,511
	General - computer projects	1,079,687	-
	General - computer equipment purchases	247,516	-
	Half-Cent - capital assets	38,552	-
	Highway User - computer projects	34,888	-
	Highway User - computer equipment purchases	22,923	-
	Other Governmental -Transit - computer projects	10,466	-
	Other Governmental -Transit - computer equipment purchases	1,717	-
	Other Governmental - Other Grants - capital assets	49,647	-
	Water Utility - computer projects	43,609	-
	Water Utility - computer equipment purchases	8,945	-
	Wastewater Utility - computer projects	19,188	-
	Wastewater Utility - computer equipment purchases	3,147	-
	Sanitation Utility - computer projects	13,955	-
	Sanitation Utility - computer equipment purchases	5,939	-
	Stadium - computer projects	4,417	-
	Stadium - computer equipment purchases	1,144	-
	ISF - Motor Pool - computer	12,210	-
	ISF - Motor Pool - computer	46,615	-
	ISF - Self-Insurance - capital assets	134	-
	ISF - Facilities - computer projects	38,376	-
	ISF - Facilities - computer equipment purchases	6,295	-
	ISF - Facilities - capital assets	7,192	-
	Fund Totals	<u>1,696,562</u>	<u>14,151</u>
	Total Internal Service Funds	<u>3,357,406</u>	<u>320,351</u>
Fiduciary Funds			
Neighborhood Pride (Agency)	Other Governmental - Other Grants - subsidy	1,153	-
Grand Totals	<u>23,565,471</u>	<u>23,565,471</u>	

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.

<u>Table</u>		<u>Page</u>
	Revenues, Expenses/Expenditures, Fund Balances/Net Assets	
I	Government-wide Revenues by Source	136
II	Government-wide Revenues by Function	138
III	Government-wide Expenses by Function	141
IV	Governmental Activities Expenditures by Function	144
V	Governmental Revenues by Source	146
VI	Tax Revenues by Source	148
VII	City Transaction Privilege Taxes by Category	149
VIII	Intergovernmental Revenues by Source	150
IX	Development/Expansion Fees by Type	152
X	Operating Fund Balance/Net Assets	154
XI	General Fund – Fund Balances	155
	Property Values, Taxes & Assessments	
XII	Property Tax Rates and Tax Levies – Direct & Overlapping Governments	156
XIII	Property Tax Levies and Collections	158
XIV	Assessed and Estimated Actual Value of Taxable Property	159
XV	Secondary Assessed Valuation by Property Classification	160
XVI	Principal Property Tax Payers	161
XVII	Special Assessment Collections	162
	Bonded Debt	
XVIII	Ration of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	163
XIX	Computation of Direct and Overlapping Debt	164
XX	Computation of Legal Debt Margin	165
XXI	Bond Authorizations – Issued and Unissued	166
XXII	Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total Governmental Expenditures	167
XXIII	Pledged Revenue, Debt Service Requirements and Estimated Coverage Municipal Development Authority Debt	169
XXIV	Schedule of Revenue Bond Coverage	170
XXV	Pledged Revenue, Debt Service Requirements and Estimated Coverage Utility Revenue Bonds	172
	Miscellaneous Data	
XXVI	Major Employers within the City	173
XXVII	Population & Unemployment Statistics	174
XXVIII	Building Permits & Home Sales	175
XXIX	Schedule of Insurance in Force	176
XXX	Property Insurance Schedule	178
XXXI	Miscellaneous Statistical Data	179
XXXII	Utility Statistical Data	181

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY SOURCE
LAST THREE FISCAL YEARS**

Fiscal Year	Charges for Service	Operating Grants & Contributions	Capital Grants & Contributions	Sales & Use Taxes	Property Taxes
2001	\$ 49,302,699	\$ 8,627,749	\$ 22,721,543	\$33,621,787	\$ 8,890,558
2002	51,894,770	9,832,568	26,331,637	33,711,972	10,418,523
2003	56,906,522	10,938,594	22,850,022	35,932,415	11,378,846

- NOTE - The City implemented GASB 34 for the fiscal year ended June 30, 2001. Prior statements have not been restated to comply with the new requirements.
- Unallocated General Revenues do not include transfers between governmental activities and business-type activities.
- These amounts are presented on the accrual basis of accounting.

Source - City financial records, Statement of Activities.

Table I

Franchise Taxes	State Shared Revenues	Donations of Capital Assets	Investment Earnings	Other	Total
\$ 2,022,335	\$ 18,917,473	\$ 12,550,323	\$ 14,785,818	\$ 394,823	\$ 171,835,108
2,327,874	23,247,280	27,217,425	10,752,661	18,930,154	214,664,864
2,291,179	24,129,802	24,297,191	5,329,867	1,578,537	195,632,975

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST THREE FISCAL YEARS**

Fiscal Year	Governmental Activities					
	General Government	Culture & Recreation	Police	Fire	Development Services	Highways & Streets
2001	\$ 2,168,542	\$ 6,345,709	\$ 1,357,792	\$ 542,501	\$ 4,814,347	\$ 12,647,320
2002	2,390,822	7,036,365	1,023,801	588,650	4,034,695	14,181,706
2003	2,502,453	7,017,008	1,147,435	1,375,502	4,735,581	9,227,910

- NOTE
- The City implemented GASB 34 for the fiscal year ended June 30, 2001. Prior statements have not been restated to comply with the new requirements.
 - Unallocated General Revenues do not include transfers between governmental activities and business-type activities.
 - These amounts are presented on the accrual basis of accounting.

Source - City financial records, Statement of Activities.

Table II

Governmental Activities (continued)				Business-type Activities		
<u>Public Works</u>	<u>Human Services</u>	<u>Other</u>	<u>Unallocated General Revenues</u>	<u>Total Governmental</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
\$ 930,258	\$ 1,758,596	\$ 2,029,139	\$ 78,381,852	\$ 110,976,056	\$ 22,324,603	\$ 13,026,693
1,558,305	1,684,086	3,804,290	93,186,874	129,489,594	27,163,353	13,505,843
3,063,471	2,463,319	973,285	88,156,046	120,662,010	32,265,011	15,410,509

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST THREE FISCAL YEARS**

Table II

<u>Fiscal Year</u>	<u>Business-type Activities (continued)</u>				<u>Total Business- type</u>	<u>Total Primary Government</u>
	<u>Sanitation Utility</u>	<u>Stadium</u>	<u>Housing</u>	<u>Unallocated General Revenues</u>		
2001	\$ 7,670,435	\$ 4,782,876	\$ 253,180	\$ 12,801,265	\$ 60,859,052	\$ 171,835,108
2002	7,633,584	3,174,210	279,265	33,419,015	85,175,270	214,664,864
2003	8,031,180	2,225,211	257,263	16,781,791	74,970,965	195,632,975

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST THREE FISCAL YEARS**

Table III

Fiscal Year	Governmental Activities					
	General Government	Culture & Recreation	Police	Fire	Development Services	Highways & Streets
2001	\$ 10,654,086	\$ 9,962,666	\$ 13,334,357	\$ 8,500,589	\$ 3,534,282	\$ 13,830,180
2002	12,510,874	11,926,736	15,018,206	9,155,641	3,447,617	14,507,609
2003	13,966,159	12,488,931	18,400,046	10,361,499	4,178,383	16,423,295

NOTE - The City implemented GASB 34 for the fiscal year ended June 30, 2001. Prior statements have not been restated to comply with the new requirements.
 - These amounts are presented on the accrual basis of accounting and include depreciation expense.

Source - City financial records, Statement of Activities.

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST THREE FISCAL YEARS**

Governmental Activities (continued)						
Fiscal Year	Public Works	Human Services	Other	Interest on LT Debt	Unallocated Depreciation	Total Governmental
2001	\$ 2,518,683	\$ 1,582,952	\$ 4,518	\$ 5,635,399	\$ 1,541,927	\$ 71,099,639
2002	3,630,838	1,597,081	8,025	5,542,309	604,962	77,949,898
2003	4,647,879	2,551,175	42,488	6,186,918	587,006	89,833,779

Table III

Business-type Activities						
Water Utility	Wastewater Utility	Sanitation Utility	Stadium	Housing	Total Business-type	Total Primary Government
\$ 14,222,685	\$ 9,237,170	\$ 6,564,782	\$ 5,378,906	\$ 281,411	\$ 35,684,954	\$ 106,784,593
18,106,642	10,880,229	6,896,802	5,673,177	345,064	41,901,914	119,851,812
18,886,650	12,274,198	7,787,634	3,916,869	347,606	43,212,957	133,046,736

**CITY OF PEORIA, ARIZONA
GOVERNMENTAL ACTIVITIES EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Development Services	Public Safety	Highways and Streets
1994	\$ 5,938,110	\$ 1,903,159	\$ 8,843,462	\$ 2,735,341
1995	4,919,456	2,574,664	10,427,139	3,731,266
1996	6,437,638	2,870,709	11,004,010	3,372,083
1997	8,881,480	3,852,944	12,995,499	3,441,970
1998	9,435,334	3,780,819	14,612,506	4,918,314
1999	13,333,772	4,042,788	15,751,383	4,548,800
2000	14,915,711	4,348,716	17,441,886	5,959,910
2001	10,206,091	5,192,403	20,797,534	6,704,977
2002	13,473,328	5,991,876	23,739,341	7,752,287
2003	13,098,033	7,312,693	27,096,246	8,740,707

NOTES - Includes all governmental funds including General, Special Revenue, Debt Service and Capital Projects fund types
 - With the implementation of GASB Statement #34 in fiscal year 2001, the reporting of some functions were changed on the Statement of Revenues, Expenditures and Changes in Fund Balances. General Government above includes Other from the Statement of Revenues, Expenditures, and Changes in Fund Balances; Development Services includes Public Works; Public Safety includes Fire and Police; Culture and Recreation includes Human Services.

Source - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Table IV

Culture and Recreation	Capital Outlay	Debt Service	Total
\$ 4,889,092	\$ 4,997,236	\$ 5,531,281	\$ 34,837,681
5,114,814	8,706,418	8,911,076	44,384,833
6,403,108	5,018,992	9,703,190	44,809,730
7,783,548	6,481,690	10,678,797	54,115,928
7,682,661	12,901,587	13,682,831	67,014,052
8,818,465	14,333,847	11,956,182	72,785,237
9,449,959	16,673,212	12,275,895	81,065,289
10,554,786	22,993,500	15,401,013	91,850,304
12,501,474	20,817,224	14,930,840	99,206,370
13,791,074	24,209,115	17,531,211	111,779,079

**CITY OF PEORIA, ARIZONA
GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Inter-governmental	Federal Government	Charges for Services	Licenses and Permits
1994	\$ 14,893,461	\$ 12,454,825	\$ 817,300	\$ 5,182,722	\$ 1,337,189
1995	17,730,925	13,609,860	704,193	5,463,686	1,182,923
1996	20,644,338	14,994,462	1,166,891	7,920,249	2,074,101
1997	23,644,010	19,402,731	2,063,524	9,962,667	2,074,897
1998	28,263,140	20,470,247	1,639,998	11,620,887	3,495,910
1999	33,085,735	22,585,043	1,772,901	12,537,838	3,406,197
2000	38,420,066	24,795,881	2,243,835	13,972,714	4,416,214
2001	44,534,680	29,832,060	2,251,373	12,384,749	2,847,785
2002	46,097,098	33,486,173	1,700,855	13,497,278	2,771,677
2003	49,675,987	33,524,593	3,552,001	14,719,159	3,022,495

Source - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Table V

Fines and Forfeitures	Rents	Investment Earnings	Special Assessments	Miscellaneous	Total
\$ 355,969	\$ 100,292	\$ 1,112,518	\$ 1,593,224	\$ 142,937	\$ 37,990,437
368,882	97,983	1,284,080	1,902,576	952,078	43,297,186
524,181	112,905	1,835,092	1,366,559	372,023	51,010,801
642,018	108,060	2,841,758	1,337,060	363,315	62,440,040
838,890	132,477	2,950,804	974,162	1,586,786	71,973,301
838,607	146,021	3,518,012	2,026,300	957,553	80,874,207
796,459	160,742	4,074,836	1,559,116	1,589,749	92,029,612
1,159,057	30,217	6,797,894	2,028,389	1,167,055	103,033,259
1,080,542	58,606	4,765,132	2,225,642	3,610,289	109,293,292
1,093,438	70,952	2,669,885	3,142,875	1,089,570	112,560,955

**CITY OF PEORIA, ARIZONA
TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Table VI

Fiscal Year	Transaction Taxes	Franchise Taxes	Property Taxes				Total Property Taxes	Total Taxes
			Primary Taxes	Secondary Taxes	Special Districts *	In Lieu Taxes		
1994	\$ 10,427,897	\$ 721,227	\$ 730,514	\$ 2,599,813	\$ 79,426	\$ 334,584	\$ 3,744,337	\$ 14,893,461
1995	12,595,123	760,817	917,957	2,968,355	110,896	377,777	4,374,985	17,730,925
1996	15,024,029	1,094,631	1,061,010	3,010,462	135,772	318,434	4,525,678	20,644,338
1997	17,870,399	1,021,146	1,124,120	3,197,343	130,900	300,102	4,752,465	23,644,010
1998	21,193,261	1,230,062	1,230,933	3,978,671	177,314	452,899	5,839,817	28,263,140
1999	24,999,105	1,446,562	1,196,827	4,947,844	205,678	289,719	6,640,068	33,085,735
2000	29,172,894	1,720,817	1,357,963	5,709,744	183,425	275,222	7,526,354	38,420,065
2001	33,621,787	2,022,335	1,580,367	6,689,726	384,380	236,085	8,890,558	44,534,680
2002	33,711,972	2,327,874	1,638,719	7,713,406	512,196	192,931	10,057,252	46,097,098
2003	35,932,415	2,291,179	1,838,829	8,603,538	834,891	175,135	11,452,393	49,675,987

NOTE - 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 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- City financial records and reports

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

Table VII

Fiscal Year	Retail Sales	Contracting	Rentals	Telecom/ Utilities	Restaurant/ Bars	Use Tax	Other	Total
1994	\$4,477,644	\$ 2,498,159	\$ 975,091	\$ 1,210,674	\$ 811,379	\$ 130,306	\$ 324,644	\$10,427,897
1995	5,979,044	2,430,872	1,041,618	1,473,269	986,157	212,170	471,993	12,595,123
1996	7,680,815	2,673,269	1,333,349	1,497,215	1,179,432	281,640	378,309	15,024,029
1997	8,877,601	3,485,712	1,665,035	1,589,205	1,471,208	333,794	447,844	17,870,399
1998	10,626,604	4,219,460	1,927,925	1,637,627	1,724,145	301,213	756,287	21,193,261
1999	12,345,170	5,554,362	2,244,361	1,878,456	2,070,678	454,945	451,133	24,999,105
2000	14,738,906	5,870,856	2,618,602	2,198,530	2,283,606	788,801	673,593	29,172,894
2001	15,148,939	6,433,978	3,099,174	2,327,243	2,789,325	2,754,177	1,068,951	33,621,787
2002	17,456,584	5,066,482	3,065,400	2,782,633	3,223,465	897,835	1,219,573	33,711,972
2003	18,284,743	5,372,308	3,315,297	2,975,342	3,944,702	602,119	1,437,904	35,932,415

NOTE - Includes all governmental fund types

Source - City financial records and reports

**CITY OF PEORIA, ARIZONA
INTERGOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	State Shared Sales Tax	Urban Revenue Sharing	HURF Revenues	Auto in-Lieu
1994	\$ 3,579,213	\$ 3,332,546	\$ 3,195,591	\$ 1,155,374
1995	3,903,484	3,670,977	3,367,207	1,438,537
1996	4,240,089	4,040,150	3,655,513	1,272,477
1997	5,262,978	5,710,921	4,847,374	1,990,487
1998	5,558,631	6,468,099	4,675,405	2,128,508
1999	5,958,570	7,513,864	5,091,160	2,516,193
2000	6,549,653	8,297,259	5,334,646	2,771,158
2001	6,971,235	8,891,990	5,606,104	3,054,248
2002	8,350,576	11,321,449	6,719,940	3,575,255
2003	8,474,910	11,386,513	7,020,920	4,268,379

NOTES - Includes all governmental fund types.
- All governmental revenues, including revenues from federal government

Source - City financial records and reports

Table VIII

Local Transportation Aid	Other	Federal	Total
\$ 430,801	\$ 761,300	\$ 817,300	\$ 13,272,125
450,464	779,192	704,193	14,314,053
473,654	1,312,578	1,166,891	16,161,353
486,126	1,104,845	2,063,524	21,466,255
511,915	1,127,689	1,639,998	22,110,245
528,376	976,880	1,772,901	24,357,944
551,269	1,291,896	2,243,835	27,039,716
598,664	4,709,819	2,251,373	32,083,433
615,115	2,903,838	1,700,855	35,187,028
639,879	1,733,992	3,552,001	37,076,594

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

Fiscal Year	Governmental					Total Governmental
	Streets	Parks/ Recreation	Library	Public Safety	General Government	
1994	\$ -	\$ 550,487	\$ 207,220	\$ 168,439	\$ -	\$ 926,146
1995	-	418,303	144,864	245,908	-	809,075
1996	-	655,470	229,325	308,901	-	1,193,696
1997	-	396,147	192,064	245,794	-	834,005
1998	-	997,702	372,611	440,991	-	1,811,304
1999	-	721,216	330,070	452,779	-	1,504,065
2000	215,358	1,110,776	436,814	531,464	112,669	2,407,081
2001	1,846,867	2,117,536	460,258	909,116	926,097	6,259,874
2002	1,911,146	2,346,030	476,734	929,164	941,436	6,604,510
2003	2,064,748	2,089,955	457,898	1,124,351	1,012,151	6,749,103

Source - City financial records

Table IX

Business-type					Grand Total
Water Expansion	Water Resource	Wastewater Expansion	Sanitation Expansion	Total Business-type	
\$ 1,214,292	\$ -	\$ 1,698,218	\$ 613,095	\$ 3,525,605	\$ 4,451,751
1,008,588	-	1,360,139	494,827	2,863,554	3,672,629
1,692,383	-	2,245,918	821,409	4,759,710	5,953,406
1,303,500	-	1,896,686	580,367	3,780,553	4,614,558
2,772,858	-	4,017,555	1,308,440	8,098,853	9,910,157
1,994,610	-	4,920,157	915,034	7,829,801	9,333,866
2,395,778	16,882	6,101,944	1,450,380	9,964,984	12,372,065
2,431,800	185,934	3,421,540	870,682	6,909,956	13,169,830
4,458,106	475,237	3,899,520	597,474	9,430,337	16,034,847
7,013,267	887,389	4,786,965	753,660	13,441,281	20,190,384

CITY OF PEORIA, ARIZONA
OPERATING FUND BALANCES/NET ASSETS
BY FUND TYPE
LAST TEN FISCAL YEARS

Table X

Fiscal Year	General Fund (1)	Special Revenue Funds (1)	Enterprise Funds (2)	Internal Service Funds (2)	Totals (3)
1994	\$ 8,782,945	\$ 2,947,517	\$ 17,849,884	\$ 3,388,716	\$ 32,969,062
1995	11,658,004	3,190,139	22,135,314	6,144,412	43,127,869
1996	16,945,587	3,896,960	33,279,648	7,890,519	62,012,714
1997	25,463,842	6,040,080	39,424,550	11,134,211	82,062,683
1998	35,994,395	3,889,240	46,217,661	16,692,819	102,794,115
1999	49,534,064	4,767,861	54,638,491	16,640,776	125,581,192
2000	65,040,369	5,271,326	68,759,123	16,542,596	155,613,414
2001	53,668,984	35,233,030	229,042,486	18,280,777	336,225,277
2002	44,312,805	38,699,945	273,918,544	22,735,461	379,666,755
2003	42,685,861	44,089,026	308,921,033	23,481,462	419,177,382

- (1) Prior to fiscal year 2001, the General Fund included the Half-Cent Sales Tax Fund and Development Fee Funds. With the implementation of GASB Statement #34 for FY2001, these other funds became special revenue funds, separate from the General Fund.
- (2) Prior to the implementation of GASB Statement #34, Retained Earning of Enterprise and Internal Service funds did not include contributed capital. With the implementation of GASB Statement #34 in FY01, Net Assets are now reported. Net Assets includes contributed capital.
- (3) This schedule does not include Debt Service Funds, Capital Project Funds or Fiduciary Funds.

**CITY OF PEORIA, ARIZONA
GENERAL FUND - FUND BALANCES
LAST TEN FISCAL YEARS**

Table XI

Fiscal Year	Unreserved/ Undesignated Fund Balance	Total Fund Balance	Undesignated as a % of current year revenues (1)
1994	\$ 3,765,945	\$ 8,782,946	14.1%
1995	4,976,434	11,658,004	16.0%
1996	9,297,328	16,945,587	24.8%
1997	14,917,363	25,463,842	32.3%
1998	19,543,680	35,994,395	35.2%
1999	25,139,606	49,534,064	40.5%
2000	33,214,289	65,040,369	47.1%
2001 (2)	25,064,665	53,668,984	43.4%
2002	18,471,697	44,312,805	29.7%
2003	16,425,424	42,685,861	25.2%

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

(2) Prior to fiscal year 2001, the General Fund included the Half-Cent Sales Tax Fund and Development Fee Funds. With the implementation of GASB Statement #34, these other funds became special revenue funds, separate from the General Fund.

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

Tax rates per \$100 assessed valuations

<u>Fiscal Year</u>	<u>Type</u>	<u>City</u>	<u>School District (1)</u>	<u>County (2)</u>	<u>State</u>	<u>Total</u>
1994	Primary	\$ 0.33	\$ 4.85	\$ 1.95	\$ 0.47	\$ 7.60
	Secondary	1.15	2.91	0.19		4.25
1995	Primary	0.40	5.22	2.66	0.47	8.75
	Secondary	1.28	3.08	0.56		4.92
1996	Primary	0.40	5.46	2.63	0.47	8.96
	Secondary	1.09	3.05	0.81		4.95
1997	Primary	0.40	5.28	2.61	-	8.29
	Secondary	1.11	3.50	0.76		5.37
1998	Primary	0.36	4.64	2.64	-	7.64
	Secondary	1.16	4.82	0.83		6.81
1999	Primary	0.32	4.82	2.66	-	7.80
	Secondary	1.30	5.16	0.78		7.24
2000	Primary	0.32	4.75	2.68	-	7.75
	Secondary	1.30	4.95	0.74		6.99
2001	Primary	0.32	4.87	2.64	-	7.83
	Secondary	1.30	4.63	0.70		6.63
2002	Primary	0.29	4.32	2.64	-	7.25
	Secondary	1.30	4.40	0.65		6.35
2003	Primary	0.29	4.41	2.66	-	7.36
	Secondary	1.30	4.28	0.62		6.20

(1) The school district tax rates are for the Peoria Unified School District, which serves the majority of the City of Peoria. Other areas of the City are served by the Dysart Unified School District and the Deer Valley Unified School District, whose most recent taxes rates are as follows:

	Dysart	Deer Valley
Primary	\$ 4.08	\$ 4.53
Secondary	1.30	3.06

(2) These tax rates include the rates for Maricopa County, Education Equalization, Maricopa Community College District, Maricopa County Flood Control District, Fire District Assistance, County Free Library and Central Arizona Water Conservation District. The various rates for the most recent year are as follows:

	Primary	Secondary
Maricopa County	\$ 1.21	\$ 0.08
Education Equalization	0.49	-
Community College District	0.96	0.15
County Flood Control District	-	0.21
Fire District Assistance	-	0.01
County Free Library	-	0.04
Central AZ Water Conservation	-	0.13
	<u>\$ 2.66</u>	<u>\$ 0.62</u>

Source - Maricopa County Assessor - Tax Rates and Levies publication

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

Tax Levies

Fiscal Year	Type	City	School District (1)	County (2)	State	Total
1994	Primary	\$ 730,568	\$ 19,928,620	\$ 324,158,100	\$ 62,492,117	\$ 407,309,405
	Secondary	2,617,523	24,164,878	88,635,571		115,417,972
1995	Primary	951,000	21,844,680	354,209,514	62,520,935	439,526,129
	Secondary	3,079,792	13,129,511	61,762,339		77,971,642
1996	Primary	1,046,458	25,229,130	355,357,558	63,420,563	445,053,709
	Secondary	2,925,930	14,614,253	103,076,048		120,616,231
1997	Primary	1,120,938	25,917,836	365,128,307	-	392,167,081
	Secondary	3,196,400	17,472,851	98,494,489		119,163,740
1998	Primary	1,230,590	28,610,974	394,837,918	-	424,679,482
	Secondary	4,180,220	28,494,091	119,207,803		151,882,114
1999	Primary	1,200,924	26,059,009	426,667,921	-	453,927,854
	Secondary	5,010,680	27,839,438	120,255,268		153,105,386
2000	Primary	1,367,471	31,023,072	469,465,347	-	501,855,890
	Secondary	5,761,359	33,823,043	129,292,449		168,876,851
2001	Primary	1,585,084	35,993,776	512,232,252	-	549,811,112
	Secondary	6,729,710	36,136,167	137,665,480		180,531,357
2002	Primary	1,675,077	36,367,657	563,545,711	-	601,588,445
	Secondary	7,901,877	38,874,484	141,844,666		188,621,027
2003	Primary	1,836,000	39,965,149	611,337,637	-	653,138,786
	Secondary	8,616,211	40,456,138	144,920,909		193,993,258

(1) The school district tax levies are for the Peoria Unified School District, which serves the majority of the City of Peoria. Other area of the City are served by the Dysart Unified School District and the Deer Valley Unified School District, whose most recent tax levies are as follows:

	Dysart (3)	Deer Valley (4)
Primary	\$ 15,662,417	\$ 52,972,569
Secondary	5,316,030	38,192,203

(2) These tax levies include the rates for Maricopa County, Education Equalization, Maricopa Community College District, Maricopa County Flood Control District, Fire District Assistance, County Free Library and Central Arizona Water Conservation District. The various levies for the most recent year are as follows:

	Primary	Secondary
Maricopa County	\$ 277,949,612	\$ 19,565,638
Education Equalization	112,231,223	-
Community College District	221,156,802	36,526,312
County Flood Control District	-	44,868,063
Fire District Assistance	-	1,859,466
County Free Library	-	10,296,417
Central AZ Water Conservation	-	31,805,013
	<u>\$ 611,337,637</u>	<u>\$ 144,920,909</u>

Sources - Maricopa County Assessor - Tax Rates and Levies publication

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

Table XIII

Fiscal Year	Current Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
1994	\$ 3,348,091	\$ 3,314,614	99.0%	\$ 15,713	\$ 3,330,327	99.5%
1995	4,030,792	3,871,000	96.0%	15,312	3,886,312	96.4%
1996	4,050,515	3,972,260	98.1%	20,957	3,993,217	98.6%
1997	4,317,338	4,300,683	99.6%	20,779	4,321,462	100.1%
1998	5,410,810	5,193,606	96.0%	15,998	5,209,604	96.3%
1999	6,211,604	6,120,026	98.5%	24,645	6,144,671	98.9%
2000	7,128,830	7,045,289	98.8%	22,418	7,067,707	99.1%
2001	8,314,794	8,120,403	97.7%	149,690	8,270,093	99.5%
2002	9,576,954	9,234,358	96.4%	117,765	9,352,123	97.7%
2003	10,452,211	10,209,517	97.7%	325,376	10,534,893	100.8%

Sources - Maricopa County Treasurer
- City financial records and reports

Notes - Prior to Fiscal Year 2001, secondary Tax Collections were not broken out between Current and Delinquent collections. All secondary taxes collected were reported as current collections.
- Collections include secured and unsecured levies.

CITY OF PEORIA, ARIZONA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table XIV

Fiscal Year	Type	Assessed Value	Percent Increase	Estimated Actual Value (1)	Percent of Assessed Value to Estimated Actual Value
1994	Primary	222,367,647	4.32%	1,923,049,910	11.6%
	Secondary	227,386,166	4.50%	1,967,964,467	11.6%
1995	Primary	235,813,105	6.05%	2,056,279,322	11.5%
	Secondary	240,679,009	5.85%	2,096,932,952	11.5%
1996	Primary	258,544,548	9.64%	2,315,639,312	11.2%
	Secondary	268,581,583	11.59%	2,384,168,747	11.3%
1997	Primary	281,790,138	8.99%	2,487,430,860	11.3%
	Secondary	287,258,125	6.95%	2,523,490,925	11.4%
1998	Primary	337,232,514	19.68%	2,966,435,756	11.4%
	Secondary	359,595,270	25.18%	3,157,894,607	11.4%
1999	Primary	369,628,826	9.61%	3,247,430,744	11.4%
	Secondary	384,697,103	6.98%	3,365,492,995	11.4%
2000	Primary	426,785,999	15.46%	3,744,729,205	11.4%
	Secondary	448,127,721	16.49%	3,910,651,859	11.5%
2001	Primary	492,232,405	15.33%	4,272,881,111	11.5%
	Secondary	521,704,006	16.42%	4,502,876,658	11.6%
2002	Primary	577,612,761	17.35%	5,067,038,129	11.4%
	Secondary	607,836,669	16.51%	5,405,768,822	11.2%
2003	Primary	633,103,381	9.61%	5,584,361,202	11.3%
	Secondary	662,785,441	9.04%	5,868,802,159	11.3%

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

(1) Actual full cash value net of estimated value of property exempt from taxation.

CITY OF PEORIA, ARIZONA
SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION
 LAST TEN FISCAL YEARS

Table XV

Fiscal Year	Property Classifications							Total
	Commercial, Industrial, Mines & Utilities	Agriculture & Vacant	Residential (Owner occupied)	Residential (Rental occupied)	Railroad	Historic & Environmental	Public Property Improvements	
1994	\$ 61,322,962	\$ 33,566,085	\$ 119,358,863	\$ 12,490,229	\$ 648,027	\$ -	\$ -	\$ 227,386,166
1995	64,628,763	30,676,663	131,554,878	13,119,480	676,200	23,025	-	240,679,009
1996	66,389,702	30,762,891	156,599,120	14,027,419	801,671	-	780	268,581,583
1997	76,286,117	29,194,770	166,038,625	14,867,302	758,676	112,235	400	287,258,125
1998	87,255,237	36,158,313	217,493,444	17,781,585	789,292	116,999	400	359,595,270
1999	95,383,002	37,217,844	229,616,621	21,328,181	1,063,094	86,391	1,970	384,697,103
2000	106,059,247	40,917,076	267,224,220	26,956,291	1,008,673	163,835	1,475	442,330,817
2001	128,361,247	43,750,084	316,200,286	32,258,579	1,073,870	58,510	1,430	521,704,006
2002	151,050,647	48,748,154	371,374,428	35,543,344	1,094,881	25,215	-	607,836,669
2003	170,508,040	50,351,826	403,937,371	37,003,847	955,802	28,555	-	662,785,441

Notes In 1968, a statewide re-appraisal program was completed in which property's value was assessed by usage classification on varying percentages of actual cash value. These percentages for the last ten years are as follows:

Property Classifications (a)

Fiscal Years	Mines (b)	Utilities (b)	Railroads, Private Car, and Airline Flight Property (c)	Commercial and Industrial (d)	Residential	Agriculture and Vacant Land (d)
1994	30%	30%	25%	25%	10%	16%
1995	29%	29%	27%	25%	10%	16%
1996	28%	28%	24%	25%	10%	16%
1997	27%	27%	23%	25%	10%	16%
1998	26%	26%	22%	25%	10%	16%
1999	25%	25%	21%	25%	10%	16%
2000	-	-	21%	25%	10%	16%
2001	-	-	21%	25%	10%	16%
2002	-	-	21%	25%	10%	16%
2003	-	-	21%	25%	10%	16%

- (a) Several additional classes of property exist, but seldom amount to a significant portion of an entity's total valuation.
- (b) Beginning with tax year 2000, mining and utility properties are included in the same class property as the commercial and industrial properties.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.
- (d) Beginning in 1995, an annually adjusted exemption exists for commercial, industrial and agricultural property. Any portion of the full cash value in excess of that exemption is assessed at 25% or 16% as applicable.

Source - Arizona Department of Revenue - Property Tax Division abstract of the assessment roll

**CITY OF PEORIA, ARIZONA
PRINCIPAL PROPERTY TAX PAYERS
JUNE 30, 2003**

Table XVI

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002-2003 Secondary Assessed Valuation</u>	<u>As a Percentage of City Total Secondary Assessed Valuation</u>
Arizona Public Service	Gas & Electric Utility	\$ 13,106,165	1.98%
Salt River Project	Electric Utility	11,014,769	1.66%
Qwest	Telecommunications	8,596,738	1.30%
Cox Communications	Cable & Telecommunications	5,459,036	0.82%
Developers Diversified Realty Corp	Shopping Center	5,384,272	0.81%
Target Corp	Shopping Center	3,778,690	0.57%
Sprint Spectrum L P	Communications	3,765,874	0.57%
Southwest Gas Corp.	Gas Utility	3,649,428	0.55%
Larry Miller Real Estate-Peoria LLC	Auto Sales	3,464,260	0.52%
Albertson's Inc.	Shopping Center	3,410,897	0.51%
Freedom Plaza LP	Nursing Homes	2,876,272	0.43%
North Valley Shopping Center LLC	Shopping Center	2,813,788	0.42%
Pivotal Realty Az I LLC	Vacant Land	2,668,314	0.40%
Lou Grubb Chevrolet	Auto Sales	2,454,418	0.37%
Peoria Sunset LLC	Shopping Center	2,437,551	0.37%
Harkins Phoenix Cinemas LLC	Entertainment	2,331,739	0.35%
Polar Ice Peoria Entertainment Inc	Entertainment	2,326,337	0.35%
Lowes HIW	Commercial Building	2,270,878	0.34%
		<u>\$ 81,809,426</u>	<u>12.34%</u>

Source - Maricopa County Treasurer's Office

**CITY OF PEORIA, ARIZONA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS**

Table XVII

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Assessments Collected (1)</u>	<u>Prepaid Assessments Collected (1)</u>	<u>Total Assessments Collected</u>	<u>Ratio of Current Collections to Amount Due (1)</u>	<u>Outstanding Assessment Principal (2)</u>
1994	\$ 1,729,599	\$ 2,263,261	\$ -	\$ 2,263,261	130.9%	\$ 14,792,614
1995	1,946,409	2,550,065	-	2,550,065	131.0%	13,366,566
1996	1,670,778	1,867,947	-	1,867,947	111.8%	11,940,722
1997	1,589,950	1,532,497	246,111	1,778,608	96.4%	13,269,396
1998	1,232,080	1,228,915	337,129	1,566,044	99.7%	19,109,042
1999	2,192,539	2,184,783	731,042	2,947,065	99.6%	17,174,620
2000	2,106,995	2,098,476	79,724	2,047,152	99.6%	16,140,436
2001	1,954,952	1,932,607	88,160	2,028,389	98.9%	14,675,529
2002	2,069,030	2,061,842	156,055	2,225,642	99.7%	16,256,194
2003	2,301,354	2,291,817	877,315	3,135,900	99.6%	14,086,246

(1) Current collection amounts through fiscal 1996 include prepaid assessments. Does not include delinquent collections.

(2) Principal only. Assessments receivable on statement of revenues, expenditures, and changes in fund balance - governmental funds also includes delinquent interest and penalties due.

Sources - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
- City financial records and reports

CITY OF PEORIA, ARIZONA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Table XVIII

Fiscal Year	Population	Secondary Assessed Value	Bonded Debt (2)	Less: Debt Service Reserves	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	65,029 (1)	\$ 227,386,166	\$ 29,060,301	\$ 3,512,192	\$ 25,548,109	11%	\$ 392.87
1995	74,565	240,651,961	28,086,086	4,289,105	23,796,981	10%	319.14
1996	78,310 (1)	268,581,583	37,556,903	4,706,163	32,850,740	12%	419.50
1997	81,900 (1)	287,258,125	36,043,571	4,784,783	31,258,788	11%	381.67
1998	89,930 (1)	359,595,270	34,088,060	5,158,417	28,929,643	8%	321.69
1999	95,000 (1)	384,697,103	38,123,080	6,340,080	31,783,000	8%	334.56
2000	108,364	448,127,721	50,598,318	8,076,539	42,521,779	9%	392.40
2001	115,432 (1)	521,704,006	47,669,600	9,749,163	37,920,437	7%	328.51
2002	122,655 (1)	607,836,669	44,484,200	12,167,776	32,316,424	5%	263.47
2003	127,807 (1)	662,785,441	68,629,389	15,323,333	53,306,056	8%	417.08

(1) Estimated by City's Community Development Department.

(2) Represents face value of general obligation debt outstanding (not including unamortized discount of capital appreciation bonds).

Sources - State of Arizona, Department of Revenue - Abstract of the Assessment Roll
- Debt Service Schedules
- U.S. Census or Community Development Department

CITY OF PEORIA, ARIZONA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2003

Table XIX

<u>Jurisdiction</u>	<u>Secondary Assessed Valuation</u>	<u>General Obligation Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Peoria</u>	<u>Amount Applicable to City of Peoria</u>	<u>Tax Rate per \$100 Assessed (2)</u>
Direct:					
City of Peoria	\$ 662,785,441	\$ 68,720,000	100.00%	\$ 68,720,000	\$ 1.59
Overlapping:					
State of Arizona	36,825,660,973	-	1.76%	-	-
Maricopa County	24,457,047,282	58,205,000	2.65%	1,542,433	1.29
Community College District	24,457,047,282	305,750,000	2.65%	8,102,375	1.11
County Flood Control District	21,174,168,674	-	-	-	0.21
County Free Library	24,457,047,282	-	-	-	0.04
Fire District Assistance	24,465,394,068	-	-	-	0.01
Education Equalization	24,457,047,282	-	-	-	0.49
Central AZ Water Conservation	24,465,394,068	-	-	-	0.13
Sub-total - City-wide overlapping				<u>9,644,808</u>	
Total City-wide levies				<u>\$ 78,364,808</u>	
Unified School Districts:					
Peoria No. 11	944,968,419	201,481,000	68.80%	138,618,928	8.69
Dysart No. 89	408,271,287	22,025,000	0.01%	2,203	5.38
Deer Valley No. 97	1,250,102,908	216,475,000	1.81%	<u>3,918,198</u>	7.59
				<u>142,539,329</u>	
Vistancia Community Facilities District	120,466	21,250,000	100.00%	<u>21,250,000</u>	N/A (3)
Total overlapping				<u>173,434,137</u>	
Total direct and overlapping general obligation bonded debt				<u>\$ 242,154,137</u>	

(1) Includes outstanding discount on Capital Appreciation Bonds.

(2) Maricopa County debt includes outstanding debt for the County Free Library District and Maricopa County Flood Control District.

(3) Property taxes for Vistancia Community Facilities District will not take effect until fiscal year 2004.

Sources - Exhibit 1 to the Financial Statements
- Maricopa County Treasurer
- Maricopa County Assessor

**CITY OF PEORIA, ARIZONA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003**

Table XX

Secondary Assessed value	<u>\$ 662,785,441</u>
Debt limit 6 percent of assessed value	\$ 39,767,126
Amount of debt applicable to debt limit:	
General purpose general obligation bonds (1)	<u>27,999,389</u>
Legal debt margin for creation of additional debt	<u>\$ 11,767,737</u>
Debt limit 20 percent of assessed value	\$ 132,557,088
Amount of debt applicable to debt limit:	
Water, sewer, lighting, parks, open space and recreational purpose general obligation bonds	<u>40,630,000</u>
Legal debt margin for creation of additional debt	<u>\$ 91,927,088</u>

(1) Outstanding debt is calculated according to a court ruling as to Capital Appreciation Bonds and does not include \$90,611 in unamortized discount on these bonds as of 6/30/03

Note - See footnote 15 (page 73) for discussion of 6% and 20% limitations.

Sources - Maricopa County Assessor
- Exhibit 3 to the Financial Statements

CITY OF PEORIA, ARIZONA
BOND AUTHORIZATIONS - ISSUED AND UNISSUED
June 30, 2003

Table XXI

<u>Authorization/Purpose</u>	<u>Authorization</u>	<u>Prior Issues</u>	<u>Current Year Issues</u>	<u>Remaining Authorization</u>
1990 Authorization				
Police, Fire & Public Service	\$ 4,145,000	\$ 4,025,500	\$ -	\$ 119,500
Streets & Traffic Control	17,935,000	13,327,500	2,398,034	2,209,466
Subtotal	<u>22,080,000</u>	<u>17,353,000</u>	<u>2,398,034</u>	<u>2,328,966</u>
1994 Authorization				
Police, Fire & Public Service	5,975,000	1,506,590	-	4,468,410
Storm Sewer, Flood Protection & Bridges	15,375,000	14,972,358	240,397	162,245
Streets & Traffic Control	23,700,000	11,547,498	1,216,010	10,936,492
Water System	14,820,000	13,404,454	-	1,415,546
Wastewater System	4,100,000	238,181	-	3,861,819
Solid Waste	1,000,000	-	-	1,000,000
Park & Library	10,180,000	6,353,929	2,034,103	1,791,968
Subtotal	<u>75,150,000</u>	<u>48,023,010</u>	<u>3,490,510</u>	<u>23,636,480</u>
1996 Authorization				
Water System	56,500,000	56,124,930	-	375,070
Wastewater System	19,050,000	2,167,224	-	16,882,776
Subtotal	<u>75,550,000</u>	<u>58,292,154</u>	<u>-</u>	<u>17,257,846</u>
1996 WIFA Authorization				
Water/Wastewater	42,480,000	16,294,789	-	26,185,211
2000 Authorization				
Police, Fire & Public Service	18,550,000	-	6,240,251	12,309,749
Storm Sewer & Flood Protection	22,300,000	-	6,964,992	15,335,008
Streets, Bridges & Traffic Control	47,150,000	-	5,488,318	41,661,682
Water System	99,000,000	-	-	99,000,000
Wastewater System	65,000,000	-	-	65,000,000
Parks & Open Space	30,000,000	-	2,987,895	27,012,105
Subtotal	<u>282,000,000</u>	<u>-</u>	<u>21,681,456</u>	<u>260,318,544</u>
Totals	<u>\$ 497,260,000</u>	<u>\$ 139,962,953</u>	<u>\$ 27,570,000</u>	<u>\$ 329,727,047</u>

Source - City financial records

CITY OF PEORIA, ARIZONA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Table XXII

Fiscal Year	Principal Payments	Interest and Other Charges	Total	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
1994	\$ 1,547,179	\$ 3,983,838	\$ 5,531,017	\$ 34,837,681	15.88%
1995	4,030,908	4,856,366	8,887,274	44,384,833	20.02%
1996	4,826,461	4,841,671	9,668,132	44,809,730	21.58%
1997	5,689,870	4,961,393	10,651,263	54,115,928	19.68%
1998	8,578,202	5,075,782	13,653,984	67,014,052	20.37%
1999	6,846,203	5,093,165	11,939,368	72,785,237	16.40%
2000	7,359,490	4,908,180	12,267,670	81,065,289	15.13%
2001	9,663,293	5,737,720	15,401,013	91,850,304	16.77%
2002	9,578,372	5,352,468	14,930,840	99,206,370	15.05%
2003	10,612,697	6,918,514	17,531,211	111,779,079	15.68%

Source - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.



**CITY OF PEORIA, ARIZONA
 PLEDGED REVENUE, DEBT SERVICE REQUIREMENTS
 AND ESTIMATED COVERAGE
 MUNICIPAL DEVELOPMENT AUTHORITY DEBT**

Table XXIII

FISCAL YEAR	Pledged Revenues (1)	Debt Service Requirements			Estimated Coverage (3)
		Principal (2)	Interest (2)	Total Annual Requirements (2)	
2003	\$ 75,109,187	\$ 2,453,938	\$ 1,864,812	4,318,750	17.39
2004	82,522,638 #	1,385,000	611,534	1,996,534	41.33
2005		2,055,142	1,017,518	3,072,660	26.86
2006		2,246,421	930,530	3,176,951	25.98
2007		2,580,048	809,868	3,389,916	24.34
2008		2,637,877	679,420	3,317,297	24.88
2009		2,820,260	542,967	3,363,227	24.54
2010		2,967,877	398,284	3,366,161	24.52
2011		3,327,373	240,923	3,568,296	23.13
2012		1,165,470	140,257	1,305,727	63.20
2013		1,209,954	92,526	1,302,480	63.36
2014		1,245,541	31,139	1,276,680	64.64
		<u>26,094,901</u>	<u>7,359,778</u>	<u>33,454,679</u>	

- Notes
- (1) Pledged revenues on the Municipal Development Authority (MDA) Bonds are the "Excise Taxes" and "State Shared Revenues". Excise Taxes are defined to include the transaction privilege and use taxes, business license and permit and franchise fees, user fees and charges and fines and forfeitures which the City imposes. State Shared Revenues are defined as any excise tax, transaction privilege and use taxes and income taxes imposed by the State of Arizona and allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes.
 - (2) Debt service requirements reflect the governmental portion of outstanding MDA issues. Sunnyboy Water and Sewer and Sports Complex allocations of MDA issues are excluded.
 - (3) Coverage for fiscal year 2003 based on actual revenues and debt service. All other years estimated based on fiscal year 2004 revenue estimates and debt service requirements at 6/30/03.
 - (4) Fiscal year 2004 revenue estimate per adopted budget.

- Source
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 - FY04 City budget
 - Debt service schedules, calculated for governmental portion only.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue (1)	Operating and Maintenance Expenses (2)	Net Revenue Available for Debt Service	Development Fee Revenue
1994	\$ 11,482,210	\$ 6,739,171	\$ 4,743,039	\$ 2,912,510
1995	13,389,793	7,767,616	5,622,177	2,358,727
1996	18,976,129	9,477,470	9,498,659	3,938,301
1997	19,979,583	10,352,073	9,627,510	3,200,186
1998	21,097,831	12,630,176	8,467,655	6,790,413
1999	25,000,981	16,473,188	8,527,793	6,914,767
2000	30,648,093	15,355,373	15,292,720	8,515,604
2001	35,656,995	15,245,886	20,411,109	6,039,274
2002	36,573,208	20,628,253	15,944,955	8,832,863
2003	37,049,975	22,922,451	14,127,524	12,687,621

(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 and amortization.

(3) Includes principal for Water and Sewer Revenue bonds, Water Infrastructure Finance Authority bonds, and the utility portion of the Municipal Development Authority bonds. FY03 includes a cash defeasance of \$2,875,000.

(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.

Sources - 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
SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Table XXIV

Total Net Revenue	Debt Service Requirements			Ratio of Total Net Revenue/ Total Bond Expense	Ratio of Net Available/ Total Bond Expense
	Principal (3)	Interest (4)	Total		
\$ 7,655,549	\$ 115,000	\$ 451,720	\$ 566,720	13.51	8.37
7,980,904	580,000	760,389	1,340,389	5.95	4.19
13,436,960	803,112	1,472,734	2,275,846	5.90	4.17
12,827,696	1,351,849	1,525,941	2,877,790	4.46	3.35
15,258,068	2,047,093	1,876,824	3,923,917	3.89	2.16
15,442,560	2,573,718	1,447,300	4,021,018	3.84	2.12
23,808,324	2,366,910	2,504,469	4,871,379	4.89	3.14
26,450,383	1,975,976	3,147,993	5,123,969	5.16	3.98
24,777,818	3,797,131	3,310,090	7,107,221	3.49	2.24
26,815,145	7,215,071	3,516,929	10,732,000	2.50	1.32

**CITY OF PEORIA, ARIZONA
 PLEDGED REVENUE, DEBT SERVICE REQUIREMENTS
 AND ESTIMATED COVERAGE
 UTILITY REVENUE BOND DEBT**

Table XXV

FISCAL YEAR	Pledged Revenues (1)	Debt Service Requirements			Estimated Coverage (3)
		Principal (2)	Interest (2)	Total Annual Requirements	
2003	\$ 26,815,145	7,215,071	3,516,929	10,732,000	2.50
2004	27,100,000	5,867,215	3,514,468	9,381,683	2.89
2005		4,680,263	3,251,928	7,932,191	3.42
2006		4,950,701	3,020,546	7,971,247	3.40
2007		5,175,516	2,789,696	7,965,212	3.40
2008		4,547,127	2,587,672	7,134,799	3.80
2009		4,721,964	2,377,783	7,099,747	3.82
2010		4,922,631	2,160,303	7,082,934	3.83
2011		4,348,738	1,988,819	6,337,557	4.28
2012		4,336,507	1,820,460	6,156,967	4.40
2013		4,500,821	1,642,712	6,143,533	4.41
2014		4,673,611	1,456,948	6,130,559	4.42
		<u>52,725,094</u>	<u>26,611,335</u>	<u>79,336,429</u>	

- Notes
- (1) Pledged revenues on Utility Revenue Bonds include operating revenue, investment income, and development fees, less operating expenses except depreciation and amortization.
 - (2) Debt service requirements include principal and interest for Water and Sewer Revenue bonds, Water Infrastructure Finance Authority bonds, and the utility portion of the Municipal Development Authority bonds. FY03 includes cash defeasance of \$2,875,000.
 - (3) Coverage for fiscal year 2003 based on actual revenues and debt service. All other years estimated based on fiscal year 2004 revenue estimates and debt service requirements at 6/30/03.
- Source
- Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
 - Exhibit 3 to the financial statements - Schedule of Debt Service Requirements to Maturity
 - Debt service schedules, calculated for utility portion only.

**CITY OF PEORIA, ARIZONA
MAJOR EMPLOYERS WITHIN THE CITY
FOR THE YEAR ENDED JUNE 30, 2003**

Table XXVI

<u>Employer</u>	<u>Product/Service</u>	<u># of Employees</u>
1. Peoria Unified School District	Education	4,100
2. City of Peoria	Municipal Government	832
3. Plaza Del Rio Campus	Healthcare/Convalescent Care Facility	609
4. Freedom Plaza Care Center	Healthcare/Convalescent Care Facility	520
5. Fry's Food Stores(3 Locations)	Grocery/Retail	415
6. Emmanuel Care Campus	Healthcare/Convalescent Care Facility	378
7. Arizona Training and Evaluation	Job Training	310
8. Target(2 Locations)	Retail/Consumer Goods	300
9. Alberson's (3 Locations)	Grocery/Retail	297
10. Wal-Mart	Retail/Consumer Goods	280
11. Good Shepherd Care Center	Healthcare/Convalescent Care Facility	230
12. Antigua	Apparel/Embroidery	210
13. OakCraft	Cabinets/Millwork	200
14. Forum at Desert Harbor	Healthcare/Convalescent Care Facility	188
15. Arizona Retirement Centers Inc d.b.a. Sierra Winds Lifecare	Healthcare/Convalescent Care Facility	170
16. Home Depot (9201 W Peoria Ave.)	Retail/Home Improvement	150
17. Lowes (8497 W Thunderbird Rd)	Retail/Home Improvement	140
18. Red Lobster Restaurant	Food and Beverage	140
19. Sun Grove Village Care Center	Healthcare/Convalescent Care Facility	130

Source: City of Peoria Economic Development Department

**CITY OF PEORIA, ARIZONA
POPULATION AND UNEMPLOYMENT STATISTICS**

Table XXVII

Population Statistics						
Year	City of Peoria	% of Growth	Maricopa County	% of Growth	State of Arizona	% of Growth
1960 Census	2,844	-	663,150	-	1,302,161	-
1970 Census	4,792	68.5%	971,228	46.5%	1,775,339	36.3%
1980 Census	12,351	157.7%	1,509,262	55.4%	2,718,425	53.1%
1985 Special Census	27,568	123.2%	1,837,856	21.8%	3,197,700	17.6%
1990 Census	50,618	83.6%	2,122,101	15.5%	3,665,228	14.6%
1995 Special Census	74,565	47.3%	2,528,700	19.2%	4,307,150	17.5%
2000 Census	108,364	45.3%	3,072,149	21.5%	5,130,632	19.1%
2001 Estimate	115,432	6.5%	3,192,000	3.9%	5,320,000	3.7%
2002 Estimate	122,665	6.3%	3,296,250	3.3%	5,472,750	2.9%
2003 Estimate	127,807	4.2%	3,404,000	3.3%	5,634,000	2.9%

Source: Arizona Department of Economic Security, Population and Statistical Unit, the Maricopa Association Of Governments, and City Planning Staff.

Unemployment Averages - Last Five Fiscal Years				
Fiscal Year	United States	State of Arizona	Maricopa County	City of Peoria
1999	4.3%	4.3%	2.9%	2.2%
2000	4.0%	3.9%	2.6%	2.0%
2001	4.8%	4.0%	3.9%	3.0%
2002	6.0%	5.6%	5.1%	3.8%
2003	6.4%	5.9%	5.2%	4.0%

Source: Arizona Department of Economic Security, Research Administration, Labor Market Information, Research and Analysis.

**CITY OF PEORIA, ARIZONA
BUILDING PERMITS AND HOME SALES
LAST TEN FISCAL YEARS**

Table XXVIII

Fiscal Year	Building Permits						Total Value
	Commercial		Residential		Other		
	Number of Permits	Value	Number of Dwelling Units	Value	Number of Permits	Value	
1993	278	\$ 6,893,572	1,650	\$ 143,506,938	711	\$ 13,637,802	\$ 164,038,312
1994	459	18,095,718	1,980	169,115,834	509	1,907,001	189,118,553
1995	61	13,047,459	990	87,787,738	999	2,755,082	103,590,279
1996	271	30,893,617	2,325	194,840,976	1,419	7,492,502	233,227,095
1997	79	32,303,543	1,878	189,104,992	1,728	8,288,369	229,696,904
1998	132	47,130,563	3,228	365,787,704	1,662	26,207,449	439,125,716
1999	76	32,467,463	2,867	307,835,122	3,251	90,972,372	431,274,957
2000	101	46,615,999	3,654	420,114,645	2,512	59,939,189	526,669,833
2001	74	35,619,783	1,740	243,314,533	2,254	19,001,442	297,935,758
2002	151	39,366,098	1,620	215,434,384	1,970	14,482,349	269,282,831
2003	180	69,627,621	1,525	199,491,258	1,399	13,399,434	282,518,313

Source: City Community Development Department

Year	Single Family Housing Sales				New Housing Starts	
	New		Resale		City of Peoria	Maricopa County
	# of Units	Average Sale Amount	# of Units	Average Sale Amount		
1998	3,105	\$ 127,708	2,001	\$ 118,707	4,463	47,801
1999	2,747	143,839	2,194	128,078	2,496	36,997
2000	2,822	158,987	2,275	136,615	3,227	43,908
2001	2,279	183,975	2,850	145,844	2,332	43,732
2002	1,810	202,365	2,945	153,360	2,183	43,826

Source: Arizona State University College of Business - AZ Real Estate Center. Data is for calendar years.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INSURANCE IN FORCE
JULY 1, 2002 THROUGH JUNE 30, 2003**

Type of Insurance	Annual Renewal Date	Insurance Carrier
1. Primary Public Liability & Automobile		
General & auto liability	N/A	Self-insured
Excess liability -Primary	7/1	Royal Indemnity
Public Entity E & O		Royal Indemnity Co.
Excess liability - 1st level		Evanston Insurance Co.
Excess liability - 2nd level		Gulf Company
Excess liability - 2nd level -Special Events		Great American Insurance
2. Property (Real & Personal)		
City buildings and contents	N/A	Self-insured
Automobile & Equipment	N/A	Self-insured
Excess buildings and contents (see Note)		St Paul Guardian Insurance
Storage Tank 3rd Party liability		Commerce & Industry
3. Boiler & Machinery		Travelers Property Insurance
4. Workers' Compensation	N/A	State Compensation
5. Public Official Bond		
Mayor, Council, City Manager & Directors		Hartford Fire Insurance Co.
6. Public Employee Bond		
Blanket employee dishonesty bond		Hartford Fire Insurance Co.
7. Broker Service Fee		

Source: City Risk Management and financial records

Note: For breakdown of property insurance policy, see Table XXX

(1) Vehicles with a value less than \$50,000 are self-insured by the City. Vehicles with a value in excess of \$50,000 are self-insured up to \$25,000.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INSURANCE IN FORCE
JULY 1, 2002 THROUGH JUNE 30, 2003**

Table XXIX

<u>Policy Number</u>	<u>Limits</u>	<u>Deductible Amount</u>	<u>Annual Premium</u>
N/A	\$500,000 per incident \$500,000 annual	N/A	N/A
RHJ090425	5 Million per occurrence	SIR above	301,733
RHJ090425	5 Million per occurrence	SIR above	Included with above
XONJ163102	10 Million per occurrence	SIR above	336,300
GA2857190	15 Million per occurrence	SIR above	149,000
PAC590721200	1,000,000		8,154
N/A	\$500,000 per incident \$500,000 annual	N/A	N/A
N/A	\$25,000/\$50,000 (1)	N/A	N/A
CF08900117	112,716,480	SIR above	119,054
ST504791	1,000,000	5,000	1,546
BMG443D2734	25,000,000	1,000	9,091
N/A	N/A	N/A	N/A
SUN405740	10,000	N/A	260
59PBEAL0472	250,000	5,000	7,543
			40,000

CITY OF PEORIA, ARIZONA
PROPERTY INSURANCE SCHEDULE
JUNE 30, 2003

Table XXX

Property

Building and contents - combined blanket limit - excluding earthquake and flooding	\$ 105,414,576
Valuable papers: City Hall	1,000,000
Contractors equipment (\$5,000 deductible)	1,301,904
Electronic data processing (\$5,000 deductible)	5,000,000
	<hr/> <u>\$ 112,716,480</u> <hr/>

Sources - Risk Management records

**CITY OF PEORIA, ARIZONA
MISCELLANEOUS STATISTICAL DATA**

Table XXXI

Date of incorporation:

June 6, 1954

Date of Charter adoption:

March 15, 1983

Form of government:

Council / City Manager

Annexed area:

1965	2.4
1975	7.6
1980	26.5
1985	31.5
1990	63.5
1995	100.0
1998	117.0
1999	139.0
2000	144.0
2001	156.0
2002	162.4
2003	162.6

Median household income:

1985 census	\$ 16,904
1990 census	34,195
1995 census	38,238
2000 census	52,199

Elections:

Registered voters:	
As of June 30, 2003	51,617
At last municipal election	50,939
Number of votes cast:	
Last municipal election	
March 2003	5,618
Last City-wide special election	
September 2000	10,054
Percentage of registered voters voting in:	
Last municipal election	
May 2001	11.00%
Last City-wide special election	
September 2000	24.87%

Sources - Various City of Peoria records
 - U.S. Census
 - Arizona Department of Economic Security
 - Peoria Unified School District

City employees as of June 30, 2003:

Full-time	880
Part-time FTE's	28
Total authorized FTE's	<u>908</u>

Age distribution of population:

Per 2000 Census - all persons

Age Group	Total
Under 5 yrs.	8,010
5 to 9 years	8,892
10 to 14 years	9,026
15 to 19 years	7,221
20 to 24 years	4,879
25 to 34 years	15,029
35 to 44 years	18,158
45 to 54 years	12,849
55 to 59 years	4,751
60 to 64 years	3,897
65 to 74 years	7,512
75 to 84 years	5,428
85 years and over	<u>2,712</u>
Totals	<u>108,364</u>

Median age:

Per 1990 census	32.5
Per 2000 census	35.6

Gross sales estimates: (from sales & use tax returns)

1994	\$ 1,086,198,256
1995	1,118,748,270
1996	1,208,248,132
1997	1,510,310,165
1998	1,785,941,770
1999	2,098,838,768
2000	2,399,518,200
2001	2,615,474,800
2002	2,618,351,822
2003	2,775,978,773

Peoria Unified School District:

Number of schools:	
Elementary schools (grades K - 8)	29
High schools (grades 9 - 12)	5
	<u>34</u>
Number of personnel:	
Administrative	113
Certified	2,200
Classified	1,900
	<u>4,213</u>
Number of students:	
Elementary	26,000
High school	10,200
	<u>36,200</u>

(continued)
179

**CITY OF PEORIA, ARIZONA
MISCELLANEOUS STATISTICAL DATA**

Table XXXI

Miles of streets maintained:

Arterial (paved)	62
Collectors (paved)	37
Local (paved)	332
Unpaved	13

Number of streetlights:

11,186

Recreation:

Number of parks/playgrounds	23
Park acreage	223
Playground & picnic areas	21
Ramadas	60
Tennis courts	21
Basketball courts	42
Ball fields	9
Swimming pools	2
Volleyball courts	8
Sports complex	1

Libraries:

Number of libraries	2
Number of items in collection	183,188
Annual circulation	604,933
Registered borrowers	69,776

Fire protection:

Number of stations	5
Number of employees	112
Average response time (minutes)	4.2
Number of incidents:	
Emergency medical support	8,364
Fire calls	992
Miscellaneous	912
Total incidents	10,268

Police protection:

Number of employees	199
Number of calls answered	56,430
Number of citations issued	19,771
Average personnel/shift	18.5
Vehicular patrol units	61
Number of reserves	1

**Utility Rate Increases & Average Bill
Last Ten Fiscal Years**

Fiscal Year	Water		Wastewater		Residential Sanitation	
	Average bill	% increase	Average bill	% increase	Average bill	% increase
1993	\$ 12.55	no change	\$ 14.30	no change		
1994	12.55	no change	14.30	no change		
1995	16.80	33.86%	16.60	16.08%		
1996	17.39	3.51%	17.16	3.37%		
1997	17.92	3.05%	18.93	10.31%		
1998	24.28	no change	17.60	no change	12.30	
1999	26.81	10.42%	17.14	no change	12.30	no change
2000	33.59	25.29%	17.49	no change	12.49	1.54%
2001	34.58	2.95%	18.10	no change	12.49	no change
2002	37.77	9.22%	17.32	-4.31%	12.49	no change
2003	39.61	4.87%	18.73	8.14%	12.49	no change

**Utility Service Connections
Last Ten Fiscal Years**

Fiscal Year	Water		Wastewater		Residential Sanitation	
	#	% increase	#	% increase	#	% increase
1993	17,970	5.00%	17,121	5.00%	18,515	12.13%
1994	22,369	24.48%	21,378	24.86%	19,871	7.32%
1995	23,711	6.00%	22,661	6.00%	20,954	5.45%
1996	23,885	0.73%	23,665	4.43%	22,197	5.93%
1997	26,035	9.00%	24,840	4.97%	24,230	9.16%
1998	29,300	12.54%	27,092	9.07%	26,393	8.93%
1999	31,020	5.87%	30,274	11.75%	29,517	11.84%
2000	31,810	2.55%	34,190	12.94%	32,615	10.50%
2001	34,900	9.71%	37,321	9.16%	35,320	8.29%
2002	36,221	3.79%	38,130	2.17%	36,978	4.69%
2003	37,664	3.98%	39,806	4.40%	38,546	4.24%

**Charges for Water Services
Base Minimum Monthly Bill
As of June 30, 2003**

Meter Size	Residential		Multiplex		Commercial	
	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
5/8"-3/4"	\$ 14.79	\$ 14.79	\$ 14.79	\$ 14.79	\$ 14.79	\$ 14.79
1"	17.59	17.59	17.59	17.59	17.59	17.59
1 1/2"	20.41	20.41	20.41	20.41	20.41	20.41
2"	28.17	28.17	28.17	28.17	28.17	28.17
3"	72.48	72.48	72.48	72.48	72.48	72.48
4"	102.40	102.40	102.40	102.40	102.40	102.40
6"	160.09	160.09	160.09	160.09	160.09	160.09

**CITY OF PEORIA, ARIZONA
UTILITY STATISTICAL DATA**

**Volume Charges for Water Services
Usage Per Month
As of June 30, 2003**

Volume Consumption (gallons)	Residential (per 1,000 gallons)	Multiplex (per 1,000 gallons)	Commercial (per 1,000 gallons)
First 1,000	Base Charge	Base Charge	Base Charge
1,001 - 5,000	\$ 1.56	\$ 1.56	\$ 1.56
5,001 - 10,000	2.81	2.14	2.14
10,001 - 25,000	3.38	2.60	2.60
25,001 - 50,000 (a)	4.03	3.11	3.11
50,001+	4.03	3.11	3.35

(a) Residential and Multiplex customers are charged this rate for all usage above 25,000 gallons

**Water Meter Charges
As of June 30, 2003**

Meter Size	Charge
3/4"	\$ 227
1"	286
1 1/2"	428
2"	534
3"	973 - 1,898
4"	1,380 - 2,890
6"	2,658 - 3,786
Hydrant meter	750
Commercial accounts	By meter size

**Charges for Wastewater Services
As of June 30, 2003**

Monthly	Residential		Multiplex		Commercial	
	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
Base (a)	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58
Volume (b)	1.95	1.95	1.95	1.95	1.95	1.95

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

(b) For residential & multiplex users, volume is measured as the rate per 1,000 gallons of a three month winter average (December - February). For commercial users, the volume charge is based on actual monthly water usage.

Sources: City customer service and billing records

Miscellaneous data on water utility at or for year ended

	6/30/00	6/30/01	6/30/02	6/30/03
Annual consumption (000's gal)	5,465,333	6,629,039	6,657,323	6,640,038
Average gallons/user/month	14,318	15,829	15,801	15,712
Average gallons/user/year	171,812	189,944	189,608	180,544
Average daily demand	16.23	16.78	19.32	18.19
Peak demand	NA	28.17	30.25	28.82
Number of wells in system	23	23	24	25
Available storage capacity	16.1 Mil Gal	16.1 Mil Gal	16.1 Mil Gal	22.2 Mil Gal

Miscellaneous data on wastewater utility for year ended:

	6/30/00	6/30/01	6/30/02	6/30/03
Treatment plant capacity:				
Beardsley treatment plant	2.0 Mil Gal/Day	2.0 Mil Gal/Day	2.0 Mil Gal/Day	4.0 Mil Gal/Day
Tolleson regional plant	9.4 Mil Gal/Day	9.4 Mil Gal/Day	9.4 Mil Gal/Day	9.4 Mil Gal/Day
Annual wastewater treated:				
Beardsley treatment plant	.312 Bil Gal	.424 Bil Gal	.485 Bil Gal	.531 Bil Gal
Tolleson regional plant	2.58 Bil Gal	2.58 Bil Gal	2.20 Bil Gal	2.18 Bil Gal
Average daily flow				
Beardsley treatment plant	0.85 MGD	1.16 MGD	1.45 MGD	1.461 MGD
Tolleson regional plant	6.87 MGD	7.07 MGD	6.54 MGD	7.123 MGD
Peak flow				
Beardsley treatment plant	0.97 MGD	1.27 MGD	1.58 MGD	1.87 MGD
Tolleson regional plant	7.70 MGD	7.60 MGD	7.60 MGD	8.11 MGD

Miscellaneous data on sanitation service for year ended:

	6/30/00	6/30/01	6/30/02	6/30/03
Residential tonnage processed	44,081	52,188	54,104	60,520
Commercial tonnage processed	25,016	19,958	19,866	19,642
Recycling tonnage processed	410	357	498	600
	69,507	72,503	74,468	80,762

**List of 10 Largest Water Users
For the Year Ended June 30, 2003**

<u>Entity</u>	<u>Type of User</u>	<u>Average Monthly Water Usage (last 24 months)</u>
Desert Harbor	Homeowner's Association	7,236
Greenway Water Treatment Plant	Water Treatment Plant	4,114
Padres Pump Station	Sports Complex	3,438
Arizona American Water Co.	Water Utility	2,413
Freedom Plaza Ltd. Partnership	Health Care	2,108
Sun Garden	Homeowner's Association	1,675
Polynesian Village	Homeowner's Association	1,624
Sun Garden Mobile Home Park	Homeowner's Association	1,565
MHC Operating Ltd. Partnership	Homeowner's Association	1,330
Desert Harbor sprinklers	Homeowner's Association	1,245