

**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, 2011**

Net change in fund balances - total governmental funds	\$ (22,985,519)
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.	221,862
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.	(773,493)
Special assessment principal payments received are revenues on the governmental operating statement, but are reductions in the outstanding special assessment debt for government-wide reporting.	(1,813,092)
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.	205,172
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 (\$29,078,493), plus other capital (\$86,912), is exceeded by depreciation (\$29,795,080) in the current period.	(629,675)
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold or disposed of. Also gains/losses on sales of capital assets are not shown in the governmental funds, but are revenues or expenses on the statement of activities.	(1,181,097)
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	17,244,967
A development agreement (long-term debt) expired during the year. This had no effect on the governmental financial statements, but creates a special item on the statement of activities.	801,394
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.	(7,920,000)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. No effect on net assets.	34,309,287
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.	(180,662)
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.	2,336,175
Change in net assets of governmental activities- statement of activities	\$ 19,635,319

The accompanying notes are an integral part of the financial statements