

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2005

City of Peoria, Arizona



City Council:
John Keegan, Mayor
Pat Dennis, Vice Mayor
Bob Barrett
Cathy Carlat
Joan Evans
Vicki Hunt
Carlo Leone

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



Core Values

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

Professional

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

Ethical

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

Open

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

Responsive

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

Innovative

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

Accountable

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

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2005

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	v-xiii
Certificate of Achievement for Excellence in Financial Reporting	xiv
City of Peoria Organizational Chart	xv
Principal Officials of the City	xvi
City Council pictures and biographies	xvii-xx
 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	45

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2005

	<u>Page</u>
C. SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS	
Non-Major Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	84
Internal Service Funds	
Combining Statement of Net Assets	86
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	87
Combining Statement of Cash Flows	88
Fiduciary Funds	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	89
D. OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules – Other Major Governmental Funds	
Special Assessment Debt Service Fund	92
General Obligation (GO) Bond Capital Projects Fund	93
Non-Bond Capital Projects Fund	94
Community Facilities District (CFD) Bonds Capital Projects Fund	95
Budgetary Comparison Schedules – Non-Major Governmental Funds	
Public Transit Fund	96
Section 8 Housing Fund	97
Other Grants Fund	98
Municipal Development Authority (MDA) Bonds Debt Service Fund	99
General Obligation Bonds Debt Service Fund	100
Community Facilities District (CFD) Bonds Debt Service Fund	101
Schedule of Operations – Budget and Actual – Proprietary Funds	
Enterprise Funds:	
Water Utility Fund	102
Wastewater Utility Fund	103
Sanitation Utility Fund	104
Stadium Fund	105
Public Housing Fund	106
Internal Service Funds:	
Motor Pool Fund	107
Self-Insurance Fund	108
Facilities Maintenance Fund	109
Information Technology Fund	110
Federal Financial Data Schedule	111

CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2005

	<u>Page</u>
Debt Service Schedules	
Schedule of Changes in Debt – Governmental Activities	113
Schedule of Changes in Debt – Business-type Activities	114
Schedule of Debt Service Requirements to Maturity	115
Fixed Assets Schedules	
Schedule of Fixed Assets by Function and Classification	118
Schedule of Changes in Fixed Assets by Function – Governmental Activities	120
Schedule of Interfund Transfers	121

III. STATISTICAL SECTION

	<u>Table</u>	
Government-wide Revenues by Source	I	126
Government-wide Revenues by Function	II	128
Government-wide Expenses by Function	III	131
Governmental Activities Expenditures by Function	IV	134
Governmental Revenues by Source	V	136
Tax Revenues by Source	VI	138
City Transaction Privilege Taxes by Category	VII	139
Intergovernmental Revenues by Source	VIII	140
Development/Expansion Fees by Type	IX	142
Operating Fund Balance/Net Assets by Fund Type	X	144
General Fund - Fund Balances	XI	145
Property Tax Rates and Tax Levies – Direct and Overlapping Governments	XII	146
Property Tax Levies and Collections	XIII	148
Assessed and Estimated Actual Value of Taxable Property	XIV	149
Secondary Assessed Valuation by Property Classification	XV	150
Principal Property Tax Payers	XVI	151
Special Assessment Collections	XVII	152
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	XVIII	153
Computation of Direct and Overlapping Debt	XIX	154
Computation of Legal Debt Margin	XX	155
Bond Authorizations – Issued and Unissued	XXI	156
Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total Governmental Expenditures	XXII	157
Pledged Revenue, Debt Service Requirements and Estimated Coverage Municipal Development Authority Debt	XXIII	159
Schedule of Revenue Bond Coverage	XXIV	160
Pledged Revenue, Debt Service Requirements and Estimated Coverage Utility Revenue Bond Debt	XXV	162
Major Employers within the City	XXVI	163
Population and Unemployment Statistics	XXVII	164
Building Permits and Home Sales	XXVIII	165
Schedule of Insurance in Force	XXIX	166
Property Insurance Schedule	XXX	168
Miscellaneous Statistical Data	XXXI	169
Utility Statistical Data	XXXII	171





City of Peoria

8401 West Monroe Street, Peoria, Arizona 85345

September 16, 2005

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Peoria, Arizona (the City) for the fiscal year ended June 30, 2005. 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.

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 178 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 approximately 138,700. 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 two community centers, three swimming pools, two libraries and 24 parks encompassing 240 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. The City opened its first large community park, Rio Vista Community Park, in the southern part of the City in fiscal year. This 50 plus acre facility has athletic fields, playgrounds, ramadas and other amenities for the citizens' enjoyment. Phase two of Rio Vista Park, to include a recreation center and additional fields was begun during fiscal year 2005. The City also continued preparation for construction of a community theater in the Old Town area of the City during fiscal year 2005.

This report includes financial statements on both a government-wide and fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No.14, *The Financial Reporting Entity*. 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, Inc., the City of Peoria Municipal Sports Complex Authority, Inc. and the Vistancia Community Facilities District as discussed further in Note 1.A of the notes to the financial statements. The Sports Complex Authority was disbanded during fiscal year 2005 but was in existence for part of the fiscal year.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For The Year

In 2005 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

- Implemented field reporting in patrol cars. This system allows officers to write reports on the computers (MDC) in their patrol cars.
- Implemented a document imaging system that allows staff to electronically scan all criminal records for access by field officers through their MDC.
- Reinstated the K-9 program with the purchase and training of two new police canines.
- Deployed the TASER to all sworn officers to increase the department's less lethal force options.
- Became one of Arizona's top five statewide Special Olympics law enforcement fundraising agencies.

Fire

- Developed a Company Officer Mentor Program to facilitate the transition from firefighter to supervisor/leader.
- Completed construction of the new Gene Mason Memorial Fire Station #191 in Peoria's downtown area.
- Sent firefighters and apparatus to assist the State Land Department with nine wildland fire deployments.
- Completed design and began construction of the new Vistancia Fire Station #196 in the northern part of the City.
- Received a Federal Emergency Management Agency (FEMA) Firefighters Grant as well as a Homeland Security Grant to initiate a specialized Mass Casualty Medical Response Program.

Engineering

- Continued construction of significant improvements at 83rd Avenue and Union Hills Road.
- Continued phases of Lake Pleasant Parkway to improve access to the northern areas of the city.
- Undertook major street improvements to improve traffic circulation. This includes Thunderbird Road and Cactus Road.

Public Works

- Completed the PM-10 dirt road chip seal project to help reduce airborne dust levels.
- Began a new sweeping route to assist in reducing dust emissions on targeted city streets, as mandated by the Arizona Department of Environmental Quality.
- Began a maintenance program on all City owned street lights.
- Completed the renovation of the old Police building into a state of the art Technology Center.
- Established a 4,300 square foot modular office building at the Beardsley Water Reclamation Plant for the Community Development and Engineering Department's inspectors.

Finance

- Continued the replacement of the utility billing system to insure high level service to our customers.
- Continued installation of electronic read water meters for increased accuracy and efficiency.

Community Development

- Kicked off the Loop 303 Specific Area Plan. The plan is expected to be completed in fiscal year 2006.
- Completed the Tierra del Rio annexation.
- Continued the highly successful Neighborhood Pride community improvement program with two major projects during fiscal year 2005 in the Peacock Village and Peoria Homes subdivisions.
- Began implementation of a mobile inspection system to enhance the inspection process by reducing time spent on manual report writing.

Community Services

- Spring Training 2005 was one of the most successful years ever in term of attendance figures and revenue generation.
- Began the design of phase II of Rio Vista Community Park to include a recreation center and additional lighted sports fields.
- Other parks projects included the grand reopening of Braewood Park and began construction of Paseo Verde, Sonoran Mountain Ranch and Vistancia parks.
- Selected by the Arizona Diamondbacks Charities for total renovation of the Varney Park north baseball field.
- Chosen as Gold Medal finalist by the National Parks and Recreation Association.
- Created new teen area ("Teen Scene" in the main library as part of library renovation.
- Received Special Olympics 2004 Outstanding Parks and Recreation Department award for the Adaptive recreation Program.

Utilities

- Began operation of the Jomax Water Reclamation Facility.
- Initiated the purchase of recharge capacity in the New River Agua Fria Recharge Project (NAUSP) for the effluent that will be produced by the proposed Butler Drive Water Reclamation Facility in the southern part of the City.
- Consolidated the drinking water and wastewater compliance activities and received state certification of a City microbiology laboratory.
- Completed development of a water reuse program. City Council adoption of a water reuse ordinance.

Information Technology

- Moved into the new state of the art Technology Center.
- Implemented new technology to insure successful daily, weekly and monthly data backups.
- Continued to enhance the City's websites for citizen and employee use, including business licensing and sales tax filing capabilities, and new websites for the Fire, Police and Economic Development Departments.

- Continued Geographic Information Systems (GIS) enhancements including the Global Positioning System (GPS) pilot project and Traffic Safety mapping software.

Economic Development

- Helped negotiate a development agreement for the Parke West development.
- Helped negotiate a lease agreement with MS Holdings for two downtown redevelopment projects.
- Opening of 240,000 square feet of speculative employment generating space.
- An additional 386,000 square feet of new speculative office space began construction.
- Helped negotiate a development agreement for a new Infiniti dealership.
- Construction began for a Lexus dealership in the Bell Road auto corridor.

For The Future

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 summarizes the goals identified by the City Council in the 12-Month Business Plan:

- Emphasize quality growth and development to result in a balanced and sustainable community.
- Maximize Peoria's economic development opportunities.
- Complete the loop 303 alignment area plan and economic development strategy.
- Continue programs for the redevelopment of the downtown area, including beginning construction of the Performing Arts Center.
- Prioritize transportation projects to be funded by the new transportation sales tax.
- Continue to address neighborhood issues throughout Peoria through programs like Neighborhood Pride, the Neighborhood Services Program and neighborhood revitalization efforts.
- Continue to provide for Peoria's long term water and wastewater needs, including the planned Butler Reclamation Facility in the southern area of the City.

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 2005 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 used by both teams. The teams have nine 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 Loop 101 corridor still dominates the level of new economic growth within the City of Peoria with a strong mix of new retail and employment generating projects. 250,000 square feet of new light industrial has been recently completed, 900,000 square feet of office and industrial space is currently under construction, and an additional 600,000 square feet is scheduled to be available by 2006. This activity will boost Peoria's employment base by an estimated 6,000 jobs. In addition, the Peoria Industrial Park is experiencing continued growth, and the new Empire Business Park at Cactus and the Loop 101 is scheduled to begin construction by the end of 2005 offering 60 acres of build-to-suit opportunities. Key retail projects include several new high line car dealers and the 60 acre mixed-use Parke West development at Northern and the Loop 101. These projects reflect the changing demographics of Peoria and the Northwest Valley, and provide a new level of retail services within the region.

It is anticipated that growth within the Loop 101 corridor will slow within 3 years due to a lack of available commercial and industrial land. However, efforts are already underway to secure Peoria's economic

future along the future Loop 303 corridor. The current general plan will provide enough employment growth opportunity to provide a job for every Peoria worker through the year 2030. Efforts will include areas that will attract large campus users, as well as, the development of large corporate business parks

Economic Outlook

During the past year Arizona's economic recovery has been firmly in place. Important local industries such as tourism, high technology manufacturing and transportation have continued strong. Employment and job growth have seen improvements. In June 2005, the state's unemployment rate was 4.7% while Maricopa County reported an unemployment rate of 4.1%. Specific revenues are described in further detail in the following paragraphs.

Retail Sales: The City of Peoria, like all Arizona cities, places significant reliance on City-collected sales tax. Overall, sales tax revenues comprise approximately 38% 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. Almost 50% of sales tax collection is derived through retail sales. Over the last few years, strong automobile sales along with commercial development along the Bell Road corridor have generated significant revenues for the City. Retail store and restaurant activity near the Peoria Sports Complex area, as well as the 91st Avenue and Northern area, have helped the City support its current service standards. With new retail projects, especially in the northern part of the City, on the horizon, management expects the City's sales tax revenues to increase about 5% annually over the next five years.

Dedicated City Sales Tax for Transportation: During fiscal year 2005, a Citizens' Bond Committee recommended to City Council that voters be asked to consider increasing the City sales tax rate by .03% (three-tenths of one percent) dedicated to transportation needs of the City. This would include construction and maintenance of streets as well as transit needs within the City. On September 13, 2005, the citizens adopted the sales tax increase by over 68% of the vote. The dedicated transportation sales tax is anticipated to bring in approximately \$10 million per year over the 20 year life of the tax.

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. The City projects an overall increase of 10% in these revenues in fiscal year 2006.

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 \$2.5 million for the General Fund in fiscal year 2005. 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 2006 projections, based on preliminary estimates from the Maricopa County Assessor's Office, are for a 15% growth in assessed value over fiscal year 2005 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 2006, but with the increasing assessed value, revenue projections for fiscal year 2006 are \$2.6 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 addition, the City has an Economic Development Department that is effectively pursuing economic development.

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 judgments by management.

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

Budgetary Controls

The City of Peoria, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. At a general election held in March 2003 the citizens of Peoria approved a permanent adjustment of the expenditure base from the original 1979-80 base of \$3,247,857 to a new base of \$18,247,857. After adjustment for inflation and population growth, the city's expenditure limitation for FY 2005 is \$507 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.

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 16 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 seven former members currently receive payments under the plan. The plan for volunteer firemen is sufficiently funded with assets of \$209,579 at June 30, 2005. For fiscal year 2005, investment income and other revenues were \$6,657 while expenditures for retirement payments and administrative expenses were \$27,199.

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, 2005, the City's general obligation debt of \$55,380,000 was below the combined legal limit of \$215,184,750. 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, 2005.

Percent of General Obligation Debt to Assessed Value:		
General Obligation Debt	\$	55,380,000
Secondary Assessed Value	\$	827,633,655
G.O. debt to assessed value		6.7%
Bonded Debt Per Capita:		
General Obligation Debt	\$	55,380,000
Estimated Population		132,487
G.O. debt per capita	\$	418.00

In January 2005, the City received an upgrade to its improvement district bond rating from Standard & Poor's from BBB+ to A-. With this rating upgrade all of the City's bonds are now rated in the "A" or better category. The City is diligent in its efforts to maintain and even improve its bond 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	4/5/2004	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
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)	A-	A+
Prior rating			A-
Date of current rating		1/13/2005	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 2.33% for the year ended June 30, 2005. The book value of the City's unrestricted investment portfolio at June 30, 2005 was \$267,454,875. 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 workers' compensation. Public liability includes public officials' errors and omissions, automobile and general liability. During fiscal year 2005 the City was self-insured for the first \$500,000 of each public liability claim with an annual aggregate limit of \$10,000,000. 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, 2005 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. Workers' 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

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, 2005, 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, 2005, 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, 2005 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.

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, 2004. This is the 20th consecutive year the City of Peoria has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. That report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

John F. Wenderski, CPA, CGFM, CIA
Chief Financial Officer/Deputy City Manager

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, 2004

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.



Nancy L. Zielke

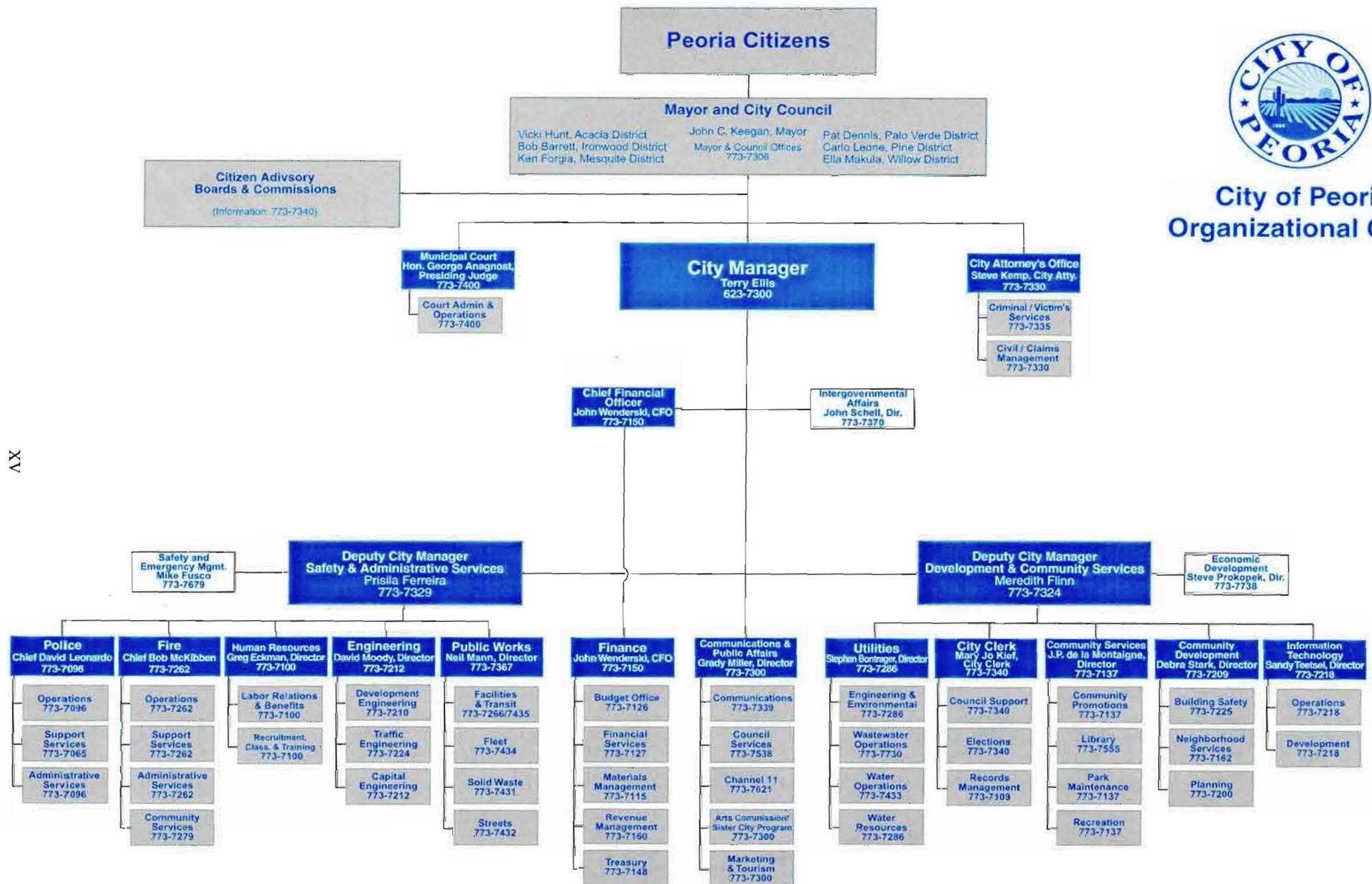
President

Jeffrey R. Emer

Executive Director



City of Peoria Organizational Chart



AX

City of Peoria Principal Officials of the City Fiscal Year 2005

John Keegan
Mayor



Pat Dennis
Vice-Mayor

Cathy Carlat
Councilmember

Vicki Hunt
Councilmember

Bob Barrett
Councilmember

Joan Evans
Councilmember

Carlo Leone
Councilmember

Terrence L. Ellis
City Manager

Meredith R. Flinn
Deputy City Manager – Development & Community Services
Prisila B. Ferreira
Deputy City Manager – Safety & Administrative Services

George Anagnost
Municipal Judge

J.P. de la Montaigne
Community Services Director

Greg A. Eckman
Human Resources Director

Robert McKibben
Fire Chief

Mary Jo Kief
City Clerk

Stephen Bontrager
Utilities Director

Neil Mann
Public Works Director

Sandy Teetsel
Information Technology Director

Stephen M. Kemp
City Attorney

David A. Moody
Engineering Director

Debra Stark
Community Development Director

David Leonardo
Chief of Police

John F. Wenderski
Chief Financial Officer

Grady Miller
Communications & Public Affairs
Director

Steve Prokopek
Economic Development Director

Mayor and City Council



Mayor John Keegan



Vicki Hunt
Acacia District



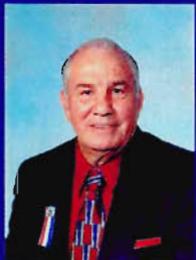
Cathy Carlat
Mesquite District



Bob Barrett
Ironwood District



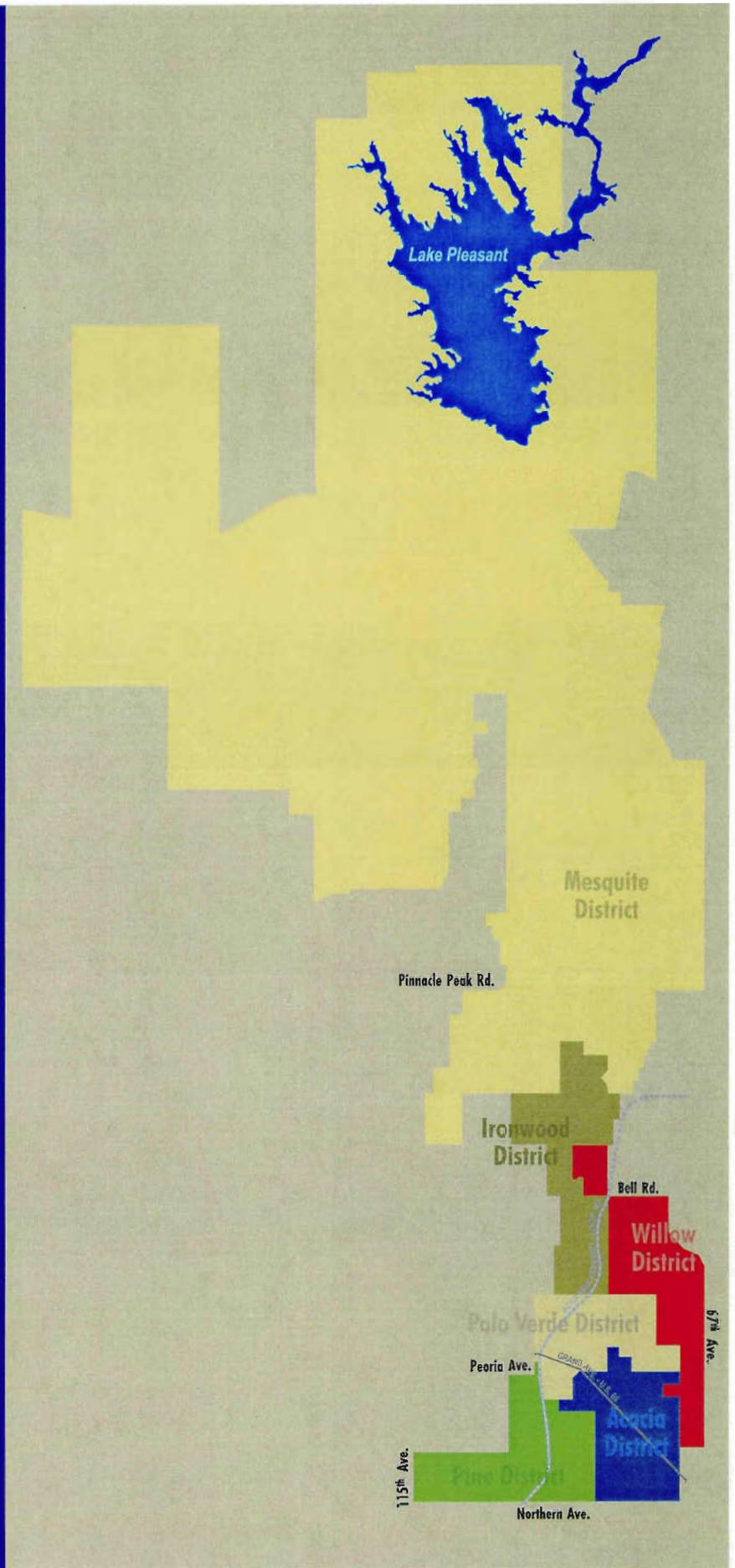
Pat Dennis
Palo Verde District



Carlo Leone
Pine District



Joan Evans
Willow District

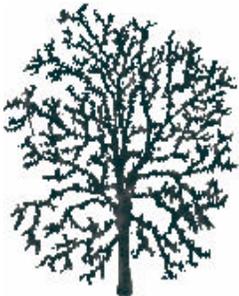




John C. Keegan

Mayor

John C. Keegan has served as Mayor of Peoria since 1997. During his tenure, has sought to improve the quality of life in Peoria through an increased emphasis on long-term planning, higher development standards, job creation through economic development, and expansion of cultural and recreational opportunities for our citizens. Recognizing that Luke Air Force Base is vital to both our nation's defense as well as our local economy, Mayor Keegan has led the effort to provide protection from encroachment and preserve the long term viability of the base. Previously, he served two terms in the AZ House of Representatives. In the legislature, John Keegan chaired the Criminal Justice Appropriations Subcommittee and was Vice Chair of the Judiciary Committee. He sponsored legislation on violent crime, domestic violence, juvenile crime and concealed weapons. Drawing on his experience as a federal law enforcement officer, Mr. Keegan took an active interest in promoting interagency cooperation between local, state, and federal agencies. Mayor Keegan is a retired military officer with 27 years of service in the US Army and the US Naval Reserve. In 2000 he retired with the rank of Commander. Most of his assignments were in special operations, counterintelligence, and as a criminal investigative agent. He has served on several boards and commissions at both the state and local level including the Governor's Juvenile Justice Advisory Commission, Peoria Youth Crime Coalition and as a court hearing officer. Citing truancy as a leading indicator of juvenile delinquency, John Keegan helped form a coalition of prosecutors, police agencies and school officials working toward proactive deterrence of youth crime. He has been recognized with the Champion of Decency Award from the American Families for decency; the Samuel Adams Award for Outstanding Leadership in Local Government from the Local Government Council; the AZ Planning Association's Distinguished Leadership Award; and the Maricopa Association of Governments Distinguished Service Award. In 2005, the National Council of the Boy Scouts of America presented Mayor Keegan with the Silver Beaver Award for "distinguished service to youth." He is a fourth generation Arizonan. Dating back to territorial days, the Keegan family was very active in the early formation of Arizona. For over twenty years, John ran a successful consulting business in the Northwest Valley. Mayor Keegan serves as the district chair for Western Maricopa County for the Boy Scouts of America Grand Canyon Council and on the Board of the Challenger Education Center. He is a member of the Episcopal Bishop's Strategic Planning committee and former Senior Warden of the Episcopal Church. Mr. Keegan is a life member of the National Eagle Scout Association and the American Legion. Mayor Keegan is married to Lisa Graham Keegan. Their children Annie, Justin, John, Mark, Kate, and her husband Sean, and grandson, Aidan all live in and near Peoria.



Pat Dennis

Vice-Mayor

Palo Verde District

A Peoria resident since 1985, Pat Dennis has been elected to three consecutive terms on the City Council since 1995. She currently serves as Vice-Mayor, the same role in which she previously served one year terms in 1999 and 2001. Councilmember Dennis graduated from Mercy College with a degree in Social Work and worked in early childhood education for 14 years. Currently, she works as a licensed real estate agent. Councilwoman Dennis is a member of the following boards and committees: Statewide Participation: AZ Women in Municipal Government (WiMG): 1996-Present, Treasurer: 2004 – Present. Regional Participation: Member-Valley Metro Transportation Board: 1999-Present, Chairperson (2004-Present) and past Chairperson (2001-2002); Member-Maricopa Association of Governments Transportation Policy Subcommittee (2002-Present). City Participation: Vice-Mayor (1999, 2001, Present); Ethics Committee Chairperson–2005; Member-Not-for-Profit Funding and CDBG Appropriation Committee (1998-Present); Chairperson-Subcommittee of Boards and Commissions Appointments (1995-2003) Member-Sports Complex Board (1999-2001); City Council Liaison-Education Committee 1996 – Present).



Bob Barrett
Councilmember
Ironwood District

Councilmember Barrett was first elected to represent the Ironwood District in 2001. He and his wife Rachelle came to Arizona in 1962, and subsequently moved to Peoria in 1993. He served in the US Army and was awarded the Bronze Star in Vietnam in 1971. Councilman Barrett graduated with honors from Arizona State University with a degree in Mass Communications-Journalism. For more than 20 years he worked for *The Arizona Republic*, first as a magazine writer, then reporter and finally as an editor. Currently, Councilman Barrett works in media relations for the Central Arizona Project. National Participation: Meritorious Service Medal–National Guard 2001; Media Relations Coordinator for the International Workshop for Emergency Response; Member-

Public Relations Society of America; Member-International Association of Business Communicators. State Participation: Chairman-Statewide Emergency Taskforce Media Relations; Member-Colorado River Water Users Association, Program Committee; Member, Valley Forward. City Participation: Vice-Mayor 2003-2004; Chairperson (2005) - Not-for-Profit Subcommittee, Member, Not-for-Profit Subcommittee (2001–Present); Member, Boards and Commission Subcommittee (2001–Present) Chairperson, 2003–Present; Member, Peoria Sunset Lions Club.



Carlo Leone
Councilmember
Pine District

First elected in 1999 as the Pine District representative to the Peoria City Council, Councilmember Leone was re-elected to a second term in 2003. He and his wife, Joan, have been residents of Peoria since 1988. He and Joan have been married since 1955 and have five children, 14 grandchildren, and one great grandchild. 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.

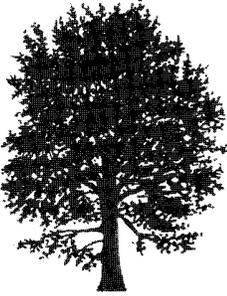
Councilmember Leone is a member of the City Council's Subcommittee on Ethics, a member of the Military Affairs Committee, and appointed to the Board of Manufactured Housing by Governor Napolitano. He has been a member of the Peoria Diamond Club at Peoria Sports Complex for the past 7 years. He is a member of the Country Meadows Lions Club and a former member of the Peoria Kiwanis Club. National Participation: National League of Cities: Human Development Committee; National League of Cities: Leadership Institute-Bronze & Silver certificates. State Participation: Member, Board of Manufactured Housing-appointed by Governor Napolitano. City Participation: Member, Boards and Commissions Subcommittee; Member, Ethics Subcommittee; Member, Impact Fee Ad-Hoc Committee; Member, Peoria Chamber of Commerce Military Affairs Committee. Volunteer: Volunteer Coach, City of Peoria Youth Basketball Program (2002-Present); Peoria Diamond Club-Peoria Sports Complex (1993–Present); Knights of Columbus; Habitat for Humanity of the West Valley; Country Meadows Lions Club; Peoria Kiwanis Club (former member).



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 (<http://peoriainmainstreet.com/>) (2000-Present); Co-chair, Central Peoria Revitalization Ad Hoc Committee (2001–Present); Board of Directors, Friends of Peoria Public Library (Present); Volunteer at Community-Justice Assistance Services (2000-Present); Peoria Women's Club (2001-Present); Peoria Historical Society (1998-Present); Arizona English Teachers Association (1989-Present).



**Joan Evans
Councilmember
Willow District**

Councilmember Evans was elected to her first four-year term on the Peoria City Council in November 2004. Education, personal growth and continuous learning are accurate words to describe the experience of Councilmember Joan Evans of the Willow District. With a bachelor's degree from Arizona State University in Elementary Education and a master's degree from Northern Arizona University in Educational Leadership, Councilmember Evans has devoted herself to education. After teaching 4th and 5th grades for 18 years in the Peoria Unified School District (PUSD), she served five years in educational administration as an Assistant Principal. Now retired from primary education and PUSD, Councilmember Evans is currently an Adjunct Professor of Group Dynamics at Grand Canyon University and is a certified Myers-Briggs Type Indicator Consultant. She is also involved with the Northwest Valley Young Life Committee, a faith based ministry for youth, as well as the Women's Ministry Team at Trinity Bible Church. Currently, Councilmember Evans serves on the Peoria City Council Ethics Committee. Now in her 36th year of marriage to husband David, Councilmember Evans enjoys spending time with her family which includes two married daughters and five grandchildren. Councilmember Evans has lived in the Phoenix area for the past 48 years, with the last 8 years being spent right here in Peoria.

**Cathy Carlat
Councilmember
Mesquite District**



Cathy Carlat was elected to the Peoria City Council representing the Mesquite District in 2005. She came to Arizona in 1968. Cathy and her husband Dennis have two children, Adam, 16 and Natalie, 9. The Carlat family has been home in Peoria since 2001. Councilmember Carlat has spent many years in business management, including positions as a District Manager for a Fortune 500 Company and Vice President of a real estate leasing firm. She was also the owner of her own business for six years in Dallas, Texas. She currently works in the Communications Department of Central Arizona Project. Councilmember Carlat previously served on the Mayor's Ad-Hoc Rose Valley Water Committee, and she begins her tenure with the City of Peoria serving as a member of the Subcommittee of Boards and Commissions Appointments.



From left to right: Councilor Carlo Leone -Pine District; Councilor Vicki Hunt-Acacia District; Councilor Joan Evans -Willow District; Honorable Mayor John Keegan; Vice-Mayor Pat Dennis-Palo Verde District; Councilor Bob Barrett-Ironwood District; Councilor Cathy Carlat-Mesquite District.



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

Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM

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Corey Arvizu, CPA
Scott W. Kies, CPA

3003 N. Central Avenue, Suite 1175
Phoenix, Arizona 85012
(602) 277-9449
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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, 2005, 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, 2005, 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, 2005, 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 to 15 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 supplemental information such as the introductory section, statistical section, and the 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.

Heinfeld, Meech & Co., P.C.

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

September 16, 2005

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, 2005. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

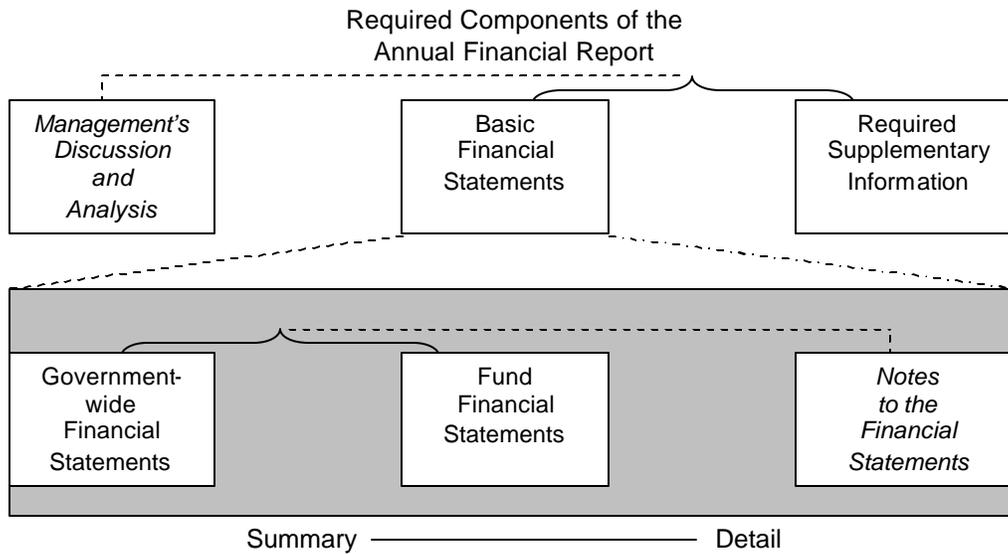
This discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter presented on pages v-xiii of this report and is designed to be read in conjunction with the transmittal letter as well as the financial statements beginning on page 17 and the accompanying notes to the financial statements.

Financial Highlights

- ◆ The City's total net assets increased \$102.8 million (11.7%) in fiscal year 2005, \$38.9 million (a 7.4% increase) in governmental activities and \$63.9 million (a 18.4% increase) in business-type activities.
- ◆ Total net assets of the City are \$978.3 million, of which \$173.9 million is unrestricted (up \$7.1 million, 4.3%, from last year's \$166.8 million unreserved net assets).
- ◆ The governmental activities program revenues increased by approximately \$12.1 million (31.6%) from the previous year.
- ◆ The business-type activities program revenues increased by approximately \$1.4 million (2.3%) over the previous year.
- ◆ At June 30, 2005, total fund balance of the governmental funds was \$156.3 million, up \$19 million (13.9%) from the previous year. Of this, \$24.1 million (15.4%) was unreserved (available for spending at the government's discretion).
- ◆ General Fund inflows (on a budgetary basis) exceeded budgeted inflows by \$9.8 million for fiscal year 2005. Additionally, budgetary basis outflows of the General Fund were only 79.8% (\$22.8 million in savings) of the final budgeted outflows.
- ◆ At June 30, 2005, unreserved/undesignated fund balance for the General Fund was \$17.4 million, or 22.6% of General Fund expenditures for fiscal year 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

As pictured below, 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. 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. There are also additional non-required combining schedules and other supplementary schedules presented after the basic financial statements (Combining Statements, Supplemental Information and Statistical Sections of this report).



Government-wide Financial Statements

The government-wide financial statements (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 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 the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Fund Financial Statements

Also presented are fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements focus on major funds of the City. A fund is a grouping of related

accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City.

Governmental funds – Governmental funds are used to account for most of the City's basic services. These are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental activities column on the government-wide financial statements, these fund financial statements (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 58-61).

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, Non-Bond Capital Projects Fund and Community Facilities District Bonds 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 82-85).

Proprietary funds – Proprietary funds are used to account for services 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 86-88). The internal service funds of the City include the Motor Pool, Self-Insurance, Facilities Maintenance, and Information Technology Funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of

those funds are not available to support programs of the City. The fiduciary fund statements (pages 42-43 and 89) 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 46-78) 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 16 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, 2005 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, 2005 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
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 207.1	\$ 183.1	\$ 150.8	\$ 145.1	\$ 357.9	\$ 328.2	9.1%
Capital assets	538.1	511.9	351.0	298.1	889.1	810.0	9.8
Total assets	<u>745.2</u>	<u>695.0</u>	<u>501.8</u>	<u>443.2</u>	<u>1,247.0</u>	<u>1,138.2</u>	9.6
Other liabilities	40.2	42.1	17.1	17.4	57.3	59.5	(3.7)
Long-term liabilities outstanding	138.6	125.4	72.8	77.8	211.4	203.2	4.0
Total liabilities	<u>178.8</u>	<u>167.5</u>	<u>89.9</u>	<u>95.2</u>	<u>268.7</u>	<u>262.7</u>	2.3
Net assets:							
Invested in capital assets, net of related debt	412.7	396.8	273.0	216.3	685.7	613.1	11.8
Restricted	35.7	22.0	83.0	73.6	118.7	95.6	24.2
Unrestricted	118.0	108.7	55.9	58.1	173.9	166.8	4.3
Total net assets	<u>\$ 566.4</u>	<u>\$ 527.5</u>	<u>\$ 411.9</u>	<u>\$ 348.0</u>	<u>\$ 978.3</u>	<u>\$ 875.5</u>	11.7

The net assets of the City increased \$102.8 million (11.7%) in fiscal year 2005. Of this increase, \$38.9 million was in the governmental activities, a 7.4% increase, and \$63.9 million was in the business-type activities, a 18.4% increase.

Net Assets consists of three components. The largest portion of net assets (\$685.7 million or 70.1%) 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 increased \$72.6 million in FY05 primarily as a result of the purchase, construction and donation of additional capital assets.

The second portion of the City's net assets (\$118.7 million or 12.1%) represents resources that are subject to external restrictions on how they may be used. The increase of \$23.1 million is primarily due to the increase of funds reserved for capital projects with the sale of \$23.6 million in new bonds during fiscal year 2005.

The third portion consists of Unrestricted Net Assets of \$173.9 million (17.8%). These net assets may be used to meet the City's ongoing obligations to citizens and creditors. This category increased \$7.1 million (4.3%) in FY05. Unreserved net assets is the balance of net assets remaining after calculating the other two categories discussed above. The increase in unreserved net assets results from higher than expected revenues during fiscal year 2005.

Changes in Net Assets

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
	2005	2004	2005	2004	2005	2004	
REVENUES:							
Program revenues:							
Charges for services	\$ 21.1	\$ 14.3	\$ 48.0	\$ 47.1	\$ 69.1	\$ 61.4	12.5%
Federal grants	2.8	2.3	.1	.1	2.9	2.4	20.8
Other grants and entitlements	26.5	21.7	15.1	14.6	41.6	36.3	14.6
General revenues:							
Property taxes	14.2	12.7	-	-	14.2	12.7	11.8
Sales and use taxes	45.5	40.6	-	-	45.5	40.6	12.1
Franchise taxes	2.5	2.5	-	-	2.5	2.5	-
State shared sales tax	10.1	9.1	-	-	10.1	9.1	11.0
Urban revenue sharing	10.1	9.8	-	-	10.1	9.8	3.1
Auto-in-lieu taxes	4.6	4.4	-	-	4.6	4.4	4.6
Donations of capital assets	19.1	13.7	33.1	20.2	52.2	33.9	54.0
Miscellaneous	2.6	.6	-	-	2.6	.6	333.3
Proceeds from eliminated debt	-	.8	-	-	-	.8	(100.0)
Investment earnings	2.9	1.7	2.8	1.4	5.7	3.1	83.9
Total revenues	<u>162.0</u>	<u>134.2</u>	<u>99.1</u>	<u>83.4</u>	<u>261.1</u>	<u>217.6</u>	20.0
EXPENSES:							
Program activities:							
Governmental activities:							
General government	18.8	16.8	-	-	18.8	16.8	11.9%
Culture and recreation	15.1	13.6	-	-	15.1	13.6	11.0
Police	21.9	19.5	-	-	21.9	19.5	12.3
Fire	12.7	11.0	-	-	12.7	11.0	15.5
Development services	4.6	4.3	-	-	4.6	4.3	7.0
Highways and streets	21.8	16.5	-	-	21.8	16.5	32.1
Public works	5.2	4.5	-	-	5.2	4.5	15.6
Human services	1.9	1.7	-	-	1.9	1.7	11.8
Interest expense on debt	6.0	6.9	-	-	6.0	6.9	87.0
Unallocated depreciation	.6	.6	-	-	.6	.6	-
Business-type activities:							
Water utility	-	-	23.8	21.3	23.8	21.3	11.7
Wastewater utility	-	-	12.5	11.0	12.5	11.0	13.6
Sanitation utility	-	-	8.5	7.8	8.5	7.8	8.9
Stadium	-	-	4.6	4.3	4.6	4.3	7.0
Housing	-	-	.3	.4	.3	.4	(25.0)
Total expenses	<u>108.6</u>	<u>95.4</u>	<u>49.7</u>	<u>44.8</u>	<u>158.3</u>	<u>140.2</u>	12.9
Excess before transfers	<u>53.4</u>	<u>38.8</u>	<u>49.4</u>	<u>38.6</u>	<u>102.8</u>	<u>77.4</u>	32.8
Transfers	(14.5)	(1.4)	14.5	1.4	-	-	-
Increase (decrease) in net assets	<u>\$ 38.9</u>	<u>\$ 37.4</u>	<u>\$ 63.9</u>	<u>\$ 40.0</u>	<u>\$ 102.8</u>	<u>\$ 77.4</u>	32.8

The program revenues (charges for services and grants and entitlements that are clearly identifiable to an operating function) of governmental activities increased \$12.1 million (31.6%) from the previous year. This increase is from increased charges for service revenues, especially in Development Services (residential building permits) and Public Works (inspection fees), and increased capital grants, especially

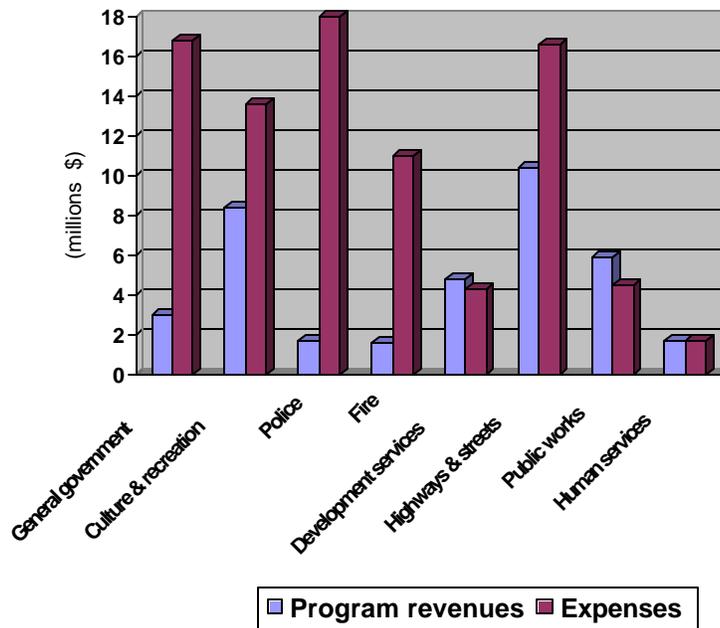
in culture and recreation (parks and library development fees) and streets and highways (streets and intersection development fees). The program revenues of business-type activities increased \$1.4 million (2.3%), due to increased charges for service revenues (\$.9 million) and increased capital grants and contributions (\$.5 million). The increase in charges for service revenues is from an increased customer base and rate increases in the Wastewater Utility (5%) and Sanitation Utility (13%) offset by a rate decrease in the Water Utility (5%). The increase in capital grants is due to increased impact fees revenues.

For fiscal year 2005, total governmental revenues increased \$27.8 million (20.7%) and total business-type revenues increased \$15.7 million (18.8%) while the expenses increased \$13.2 million (13.8%) and \$4.9 million (10.9%) for the governmental activities and business-type activities respectively.

The following graph shows the functional revenues and expenses of governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent full cost allocation to these 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 \$50.4 million are 46.4% of the governmental expenses for fiscal year 2005, up from 40.2% in fiscal year 2004. In the business-type activities, functional revenues of \$63.2 million are 127.2% of the business-type expense for fiscal year 2005. This compares to \$61.8 million and 137.9% in fiscal year 2004.

Governmental activities account for 62.1% of the total revenues of the City and 68.6% of the total expenses in fiscal year 2005. These percentages were 61.7% and 68.0% respectively in fiscal year 2004.

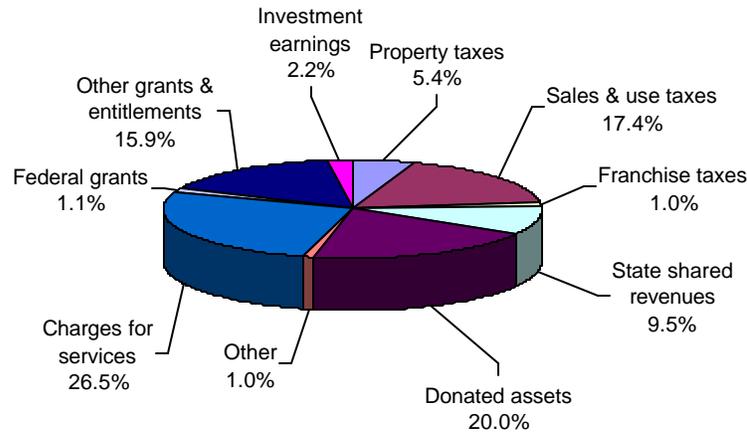
Governmental Activities Program Revenues & Expenses



As seen in the following graph, the largest financing source for the City is charges for services (26.5%), primarily because this is the major funding source of the business-type activities (48.4% of business-type revenues). The major funding sources of the governmental activities are taxes (23.8% of total revenues, 38.4% of governmental revenues) and state shared revenues (9.5% of total revenues, 15.3% of governmental revenues).

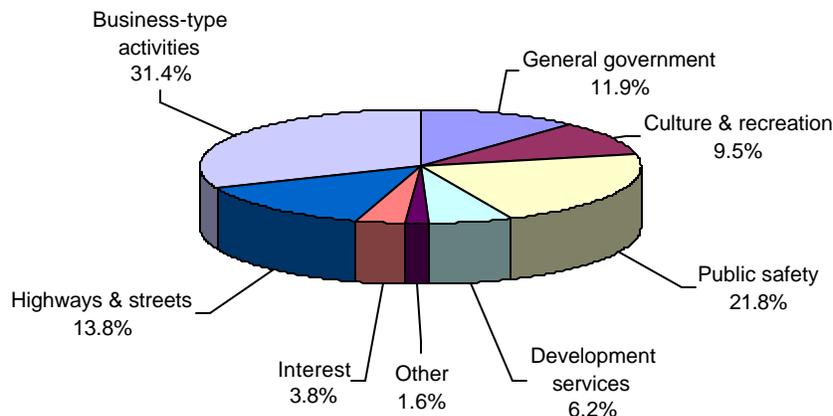
Taxes, including property, sales and use and franchise taxes, increased 11.5% from fiscal year 2004 to fiscal year 2005. Sales and use taxes increased 12.1% with a growing economy, while property taxes rose 11.8% and franchise taxes remained steady. The increase in property taxes was due to growth in the assessed value of the City, as the tax rate was unchanged from fiscal year 2004 to fiscal year 2005.

Government-Wide Revenue Sources Fiscal Year 2005



Business-type activities account for 31.4% of the functional expenses of the City for fiscal year 2005, while governmental activities account for 68.6% of the functional expenses. For the governmental activities, the largest users of resources are public safety (21.8% of total expense, 31.9% of governmental expenses), general government (11.9% of total expenses, 17.3% of governmental expenses), highways and streets (13.8% of total expenses, 20.1% of governmental expenses) and culture and recreation (9.5% of total expenses, 13.9% of governmental expenses).

Government-Wide Functional Expenses Fiscal Year 2005



Total government-wide expenses (not including transfers out) of the City increased \$18.1 million (12.9%) in fiscal year 2005. Expenses of the governmental activities increased \$13.2 million (13.8%). This includes \$5.3 million (32.1%) for streets and highways, \$2 million (11.9%) for general government, \$4.1 million (13.4%) for public safety (police and fire) and \$1.5 million (11%) for culture and recreation. These increases reflect the Council's goals of public safety, street improvements and customer service. Expenses in Business-type activities increased \$4.9 million (10.9%), 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

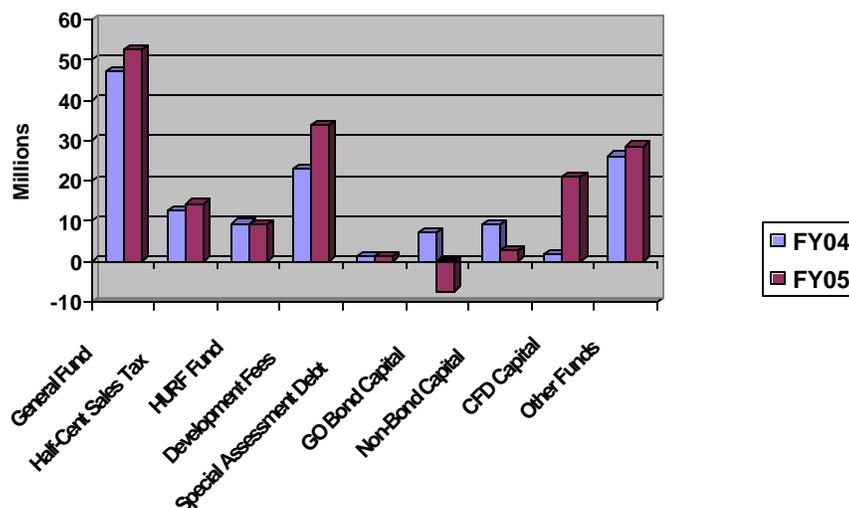
The focus of the governmental fund financial statements (pages 20-32) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are discreetly presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds may be found on pages 82-85.

The fund balance of the governmental funds is \$156.3 million, an increase of \$19 million, or 13.9%, from the previous year. Of this, \$90.6 million (up \$27.2 million (42.9%) from the previous year) is classified as "Reserved" because it is not appropriable for expenditure or is legally segregated for a specific future use. The increase in total fund balance and restricted fund balance is largely due to the issuance of \$23.6 million in additional Community Facilities District bonds during fiscal year 2005.

An additional \$41.6 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 67).

The remaining \$24.1 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 decreased 17.2% during fiscal year 2005, primarily due to cash funding of certain capital projects and other one-time needs.

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 \$11.6 million (16.5%) over the previous year. The City's sales and use tax revenues in the General Fund increased \$3.3 million (11.9%) and charges for services increased \$3.2 million (35.2%) as the City continued moderate growth during fiscal year 2005. General Fund expenditures increased \$11.8 million (18%) with most of the increase (\$9.2 million) in the functional expenditures. Approximately \$3.9 million of the increased expenditures is in personnel costs. The City had a 2.5% cost of living increase for employee salaries and wages in fiscal year 2005, and eligible employees received salary step increases. Additionally, health insurance and other employee benefit costs continued to increase. There were 61 additional employees approved in the General Fund for fiscal year 2005. Capital project expenditures in the General Fund increased by \$2.5 million, from \$2.8 million in 2004 to \$5.3 million in 2005. The remaining increase in expenditures is increased costs of ongoing programs. Funds designated for economic stabilization in the General Fund increased by \$1.6 million in 2005, while funds reserved for encumbrances decreased by \$2 million. Because of these changes, the unreserved/undesignated fund balance of the General Fund was 22.6% of expenditures at June 30, 2005, up from 20.2% at June 30, 2004.

The Half-Cent Sales Tax Fund tracks the revenues from certain sales taxes designated for specific purposes by Council policy. Revenues in this fund increased \$1.6 million (12.9%) from the previous year primarily due to increased sales tax revenues. Expenditures in this fund decreased \$2.2 million (32.7%) primarily due to a \$2.1 million decrease in capital outlay expenditures. The unreserved/undesignated fund balance increased by \$1.5 million in fiscal year 2005.

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. Revenues increased by \$.5 million (5.4%) due to increased sales tax and highway user revenues, and expenditures increased by \$1.1 million (11.4%) in fiscal year 2005. The increased expenditures include \$.4 million in increased capital outlay with the remainder in operational expenditures including personnel (three new staff in fiscal year 2005) and street maintenance costs. Unreserved fund balance decreased \$.6 million in fiscal year 2005.

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). The CFD Capital Projects Fund accounts for bond proceeds and developer contributions used to construct or acquire capital assets within the Vistancia Community Facilities District. All non-major governmental funds of the City are combined into one column on the governmental fund statements.

Proprietary funds

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

Net assets of the enterprise funds increased \$63.4 million (18.2%) in fiscal year 2005. The Water Utility, Wastewater Utility, Sanitation Utility and the Public Housing Fund experienced increases in net assets of \$33.6 million (19.9%), \$30 million (22.5%), \$1.2 million (6.4%) and \$.1 million (3.1%) respectively, while the Stadium Fund decreased \$1.4 million (5.4%). The unrestricted net assets of the enterprise funds decreased \$2.7 million (4.6%) from the previous year.

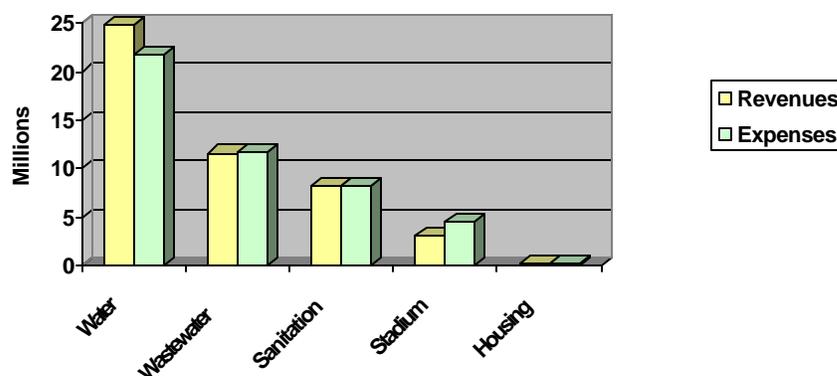
Operating revenues of the enterprise funds decreased \$1 million (2%) in fiscal year 2005, primarily due to one-time reimbursement revenue and developer contributions in 2004. Additionally, water rates were

reduced in January 2005 by 5%. The Wastewater and Sanitation Utility Funds, as well as the Housing Fund, all experienced increased revenues in fiscal year 2005. Both the wastewater (5%) and sanitation (13%) rates were increased in January 2005.

Operating expenses of the enterprise funds increased \$5.3 million (12.9%) in fiscal year 2005. In 2005 in the Water Utility Fund, contractual services/commodities expenditures increased by \$3 million, while insurance claims and expenses decreased by \$1.4 million. Operating income for the Water Utility Fund decreased \$4.9 million (61%) compared to 2004, due to the lower revenues and higher expenses in 2005.

The following graph shows the operating revenues and expenses for the enterprise funds for fiscal year 2005.

Fiscal year 2005 Enterprise Fund Operating Revenues and Expenses



BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 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 92-110.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.E on page 52 for more information on budget policies). Some of these amendments include transfers from contingency to cover approved carryovers from the previous budget, capital projects with budget overages (or whose timing was accelerated), and other unanticipated costs. Also, throughout the year, budget amendments are processed to provide expenditure authority from unanticipated revenue sources. These include new or increased grants and intergovernmental agreements.

It is generally the policy of the City to not include revenues and operational expenditure authority for these types of items in the operational budgets unless the funding is reasonably assured at the time of completion of the annual budget. Instead, the City budgets contingency accounts to allow for later transfer to operational budgets if and when the funding is received.

No amendments increasing the City's total adopted budget of \$375 million occurred during fiscal year 2005. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur.

General Fund inflows (revenues and other sources) of \$94.2 million, on a budgetary basis, exceeded budgeted inflows of \$84.4 million by \$9.8 million (11.6%) while budgetary basis outflows (expenditures and other uses) of \$90.3 million were only 79.9% of final budgeted outflows. The excess of General Fund inflows over budgeted amounts is primarily due to higher charges for services, licenses and permits, and sales tax collections than were planned for in the budget. Charges for services and licenses and permits revenues related to development saw the greatest increase over budgeted revenues. Sales tax collections, especially retail, construction contracting, and commercial rental, resulting from a growing local economy, and sales tax recoveries generated from sales tax audits also exceeded expectations. Reduced General Fund outflows resulted from delayed capital projects and unspent contingencies.

The original General Fund expenditures and other uses budget of \$107.2 million was increased by \$5.9 million to come to the final expenditure and other uses budget of \$113.1 million. This change was primarily due to contingency transfers for changes in capital projects in other funds. The only significant General Fund amendments were transfers between the General Fund and other funds. They are as follows:

- Carryover transfers from General Fund contingency for items budgeted in the prior year totaled \$9 million. Carryover reductions, i.e. transfers back to the General Fund contingency, totaled \$2 million, making a net carryover adjustment of \$1.1 million to the General Fund contingency from other funds. The majority of these funds were transferred from various capital project budgets in governmental funds.
- The postponement of a streets capital project funded by GO Bonds Capital Projects Fund, Other Capital Projects Fund, and the Development Fee Fund resulted in \$10.2 million being transferred back into the General Fund contingency.
- A transfer of \$1.2 million to GO Bonds Capital Projects to cover increased land costs and construction overages for a streets capital project.
- A General Fund contingency transfer of \$.7 million to Other Capital Projects Fund and Other Grants Fund resulted from changes to the community theater project.
- Contingency appropriation of \$2.1 million was transferred from the General Fund into the Development Fee Fund in order to reimburse developers in accordance with development agreements for impact fees previously paid to the city.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the City had \$85.7 million invested in various capital assets, net of accumulated depreciation and related debt, up 11.8% from the previous year. The capital assets of the City (net of depreciation, but not capital debt) are \$889.1 million. This is a net increase of \$79.2 million from June 30, 2004. Of the increase, \$26.2 million resulted from governmental activities and \$53 million resulted from business-type activities.

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

- ✓ The City began designing Phase II of the City's first large community park, Rio Vista Park. This 50 plus acre park will include additional lighted sports facilities, playgrounds, picnic armadas, a family recreational center and other facilities. Phase II is expected to cost \$10 million with construction to begin November 2005.
- ✓ Land was purchased, at a cost of \$155,000, for the Butler Drive Water Reclamation Facility. This 10 MGD reclamation facility is designed to redirect all of Peoria's wastewater flow from the Tolleason WTP to a city facility. It will also provide an additional 6 MGD of capacity for future growth.

- ✓ The City spent an additional \$1.6 million on construction of the Jomax Water Reclamation Facility. The facility began operations in late fiscal year 2005.
- ✓ Land was purchased, at a cost of \$644,237, for the city's third large community park, West Wing Park.

The following table provides a breakdown of the capital assets of the City at June 30, 2005 and 2004. Additional information on the City's capital assets may be found in Note 12 on pages 68-69.

	Governmental		Business-type		Total		Percent Change
	Activities		Activities		Primary Government		
	2005	2004	2005	2004	2005	2004	
Buildings and building improvements	\$ 55.6	\$ 47.7	\$ 20.3	\$ 20.9	\$ 75.9	\$ 68.6	10.6
Furniture	.9	.6	.1	-	1.0	.6	66.7
Equipment	11.4	11.4	1.1	.6	12.5	12.0	4.2
Vehicles	8.0	7.6	3.6	4.7	11.6	12.3	(5.7)
Storm drainage system	38.6	39.8	-	-	38.6	39.8	(3.0)
Street system	214.4	198.4	-	-	214.4	198.4	8.1
Park system	14.7	15.1	-	-	14.7	15.1	(2.7)
Water system	-	-	162.0	143.5	162.0	143.5	12.9
Wastewater system	-	-	120.0	91.9	120.0	91.9	30.6
Land	151.3	147.7	12.8	12.6	164.1	160.3	2.4
Work in progress	43.2	43.6	31.1	23.8	74.3	67.4	10.2
Total	<u>\$ 538.1</u>	<u>\$ 511.9</u>	<u>\$ 351.0</u>	<u>\$ 298.0</u>	<u>\$ 889.1</u>	<u>\$ 809.9</u>	9.8

The City has adopted a ten year capital improvement plan budgeted at \$752.4 million, including \$253.5 million in fiscal year 2006. Anticipated funding for this plan is through a combination of impact fees (30%), utility revenue bonds (8%), general obligation bonds (32%), operating revenues (13%), transportation sales tax (12%) and other outside funding sources (5%). The capital improvement plan is updated annually as part of the City's budget process.

Long-term Debt

The City's outstanding non-current long-term debt, including bonds, notes, contracts and compensated absences, was \$212.3 million at June 30, 2005. Of this total, \$139.3 million was in governmental activities and \$73 million was in business-type activities. The City's outstanding non-current debt increased \$8 million in fiscal year 2005. The City issued \$23.55 million in Community Facilities District bonds during fiscal year 2005.

Of the outstanding debt, \$55.3 million is general obligation bonds backed by the full faith and credit of the City. An additional \$11.4 million is special assessment bonds where the City is contingently liable in the event that the assessment revenues are insufficient to pay the debt payments. The outstanding debt also includes \$44.8 million in Community Facilities District bonds where the City has no obligation for payment. All other outstanding debt is secured by pledges of specific revenue sources of the City.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the assessed valuation of the City. The City's available debt margin at June 30, 2005 is \$33.3 million in the 6% category and \$126.5 million in the 20% category. Additional information on the debt limitations and capacities may be found in Note 14 (page 69) and also in Table XX in the statistical section of this report (page 155).

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2005 and 2004. Further detail on the City's outstanding debt may be found in Note 14 on pages 69-74.

Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2005	2004	2005	2004	2005	2004	
General obligation debt	\$ 55.3	\$ 65.0	\$ -	\$ -	\$ 55.3	\$ 65.0	(14.9)%
Municipal Development Authority debt	20.2	22.2	2.5	2.8	22.7	25.0	(9.2)
Highway User Revenue bonds	4.1	4.3	-	-	4.1	4.3	(4.7)
Special assessment debt	11.4	12.9	-	-	11.4	12.9	(11.6)
Water/Sewer Revenue bonds	-	-	75.5	80.0	75.5	80.0	(5.6)
Community Facilities District bonds	44.8	21.3	-	-	44.8	21.3	110.3
Contracts payable	13.6	15.2	-	-	13.6	15.2	(10.5)
Compensated absences	3.6	3.3	.5	.4	4.1	3.7	10.8
Total	\$ 153.0	\$ 144.2	\$ 78.5	\$ 83.2	\$ 231.5	\$ 227.4	1.8

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 2005 was 3.8%, which remains below both the state (4.4%) and national average (5.0%). The regional economy remains strong, fueled by a robust real estate market, strong population growth and increased personal income. The state's job market has also expanded over the past year, especially in the vital sectors of financial and health services, manufacturing and tourism. Within Peoria, the local economy has remained healthy as residential and commercial activity continues and expands the City's sales tax base. Local economists are predicting population growth of 1.3% for Arizona for the coming year, which in turn, will continue to have a positive effect on the state's housing and employment markets.

The adopted fiscal year 2006 budget is \$431 million, an increase of 15% over 2005. Much of this increase is a result of growth in the capital budget. The operating budget totals an estimated \$177.5 million, which is an increase of 7.2% over 2005. Given the continued commercial expansion, population growth, and inflationary pressures, this increase is reasonable and necessary for the city to maintain service levels and remain responsive to customer needs.

Overall, there are 49.50 new FTE (full-time equivalent) staff positions in the fiscal year 2006 budget (compared with 79 FTE positions approved in 2005). In addition to 24 positions in Police, 25.5 FTE were approved throughout various operating departments. Only 12 of these other positions require support by General Fund revenues. The other 13.50 FTE are fee-supported or funded by outside revenues.

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 \$25.9 million in the General Fund and \$4.2 million in the Half-Cent Sales Tax Fund at June 30, 2005. The City also maintains a working capital policy reserve in the Water Utility Fund and Wastewater Utility Fund. At June 30, 2005, those reserves were \$18.8 million in the Water Utility and \$8.7 million in the Wastewater Utility.

FINANCIAL CONTACT

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



CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 23,458,467	\$ 21,928,667	\$ 45,387,134
Investments	124,243,709	116,186,460	240,430,169
Accounts receivable, net	6,549,894	8,522,249	15,072,143
Interest receivable	491,192	431,472	922,664
Internal balances	581,908	(581,908)	-
Due from other governments	4,129,536	-	4,129,536
Prepaid items	178,207	71,618	249,825
Supply inventories	305,452	408,784	714,236
Deferred bond issuance costs, net	2,454,704	595,777	3,050,481
Restricted cash and cash equivalents	33,185,274	2,225,140	35,410,414
Restricted investments	663,521	-	663,521
Other assets	-	1,009,687	1,009,687
Special assessments receivable	10,854,214	-	10,854,214
Capital assets:			
Non-depreciable	194,456,668	43,867,887	238,324,555
Depreciable (net)	343,654,474	307,110,970	650,765,444
Total assets	<u>745,207,220</u>	<u>501,776,803</u>	<u>1,246,984,023</u>
LIABILITIES			
Accounts payable	8,079,502	4,385,808	12,465,310
Accrued payroll	1,301,292	161,014	1,462,306
Interest payable	2,939,462	1,646,185	4,585,647
Due to other governments	1,278,320	128,099	1,406,419
Claims payable	3,100,000	250,000	3,350,000
Customer deposits	2,707	722,354	725,061
Deferred revenue	1,954,645	3,880,376	5,835,021
Unamortized bond premium	2,184,808	232,045	2,416,853
Other liabilities	5,717,054	141,894	5,858,948
Non-current liabilities:			
Due within one year:			
Current portion of compensated absences	3,102,420	455,960	3,558,380
Current portion of contracts payable	1,826,778	-	1,826,778
Current portion of bonds payable	8,781,352	5,053,627	13,834,979
Due in more than one year:			
Noncurrent portion of compensated absences	470,560	70,510	541,070
Noncurrent portion of contracts payable	11,759,211	-	11,759,211
Noncurrent portion of bonds payable	127,105,200	72,888,675	199,993,875
Less: Deferred loss on bond refunding	(775,503)	(154,224)	(929,727)
Total liabilities	<u>178,827,808</u>	<u>89,862,323</u>	<u>268,690,131</u>
NET ASSETS			
Invested in capital assets, net of related debt	412,711,011	273,024,663	685,735,674
Restricted for:			
Capital projects	867,615	75,236,699	76,104,314
Development fees	33,318,749	-	33,318,749
Revenue bond retirement	-	7,347,509	7,347,509
Grant purposes	1,474,167	430,907	1,905,074
Unrestricted	118,007,870	55,874,702	173,882,572
Total net assets	<u>\$ 566,379,412</u>	<u>\$ 411,914,480</u>	<u>\$ 978,293,892</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, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 18,806,570	\$ 2,368,658	\$ 12,380	\$ 2,020,208
Culture and recreation	15,135,836	5,117,914	324,190	6,342,645
Police	21,844,025	1,123,337	230,410	1,226,070
Fire	12,731,478	1,557,835	4,835	1,513,318
Development services	4,557,154	5,840,631	705,016	-
Highways and streets	21,839,566	205,291	7,878,977	7,029,058
Public works	5,187,303	3,987,875	-	173,474
Human services	1,869,601	123,449	1,680,792	197,591
Other	3,849	753,983	-	-
Interest on long-term debt	6,017,664	-	-	-
Unallocated depreciation	576,719	-	-	-
Total governmental activities	<u>108,569,765</u>	<u>21,078,973</u>	<u>10,836,600</u>	<u>18,502,364</u>
Business-type activities:				
Water Utility	23,815,912	24,932,796	-	9,473,021
Wastewater Utility	12,469,667	11,608,902	-	4,391,622
Sanitation Utility	8,462,126	8,330,792	-	1,123,950
Stadium	4,623,886	2,961,792	-	-
Housing programs	344,030	128,141	136,736	-
Total business-type activities	<u>49,715,621</u>	<u>47,962,423</u>	<u>136,736</u>	<u>14,988,593</u>
Total primary government	<u>\$ 158,285,386</u>	<u>\$ 69,041,396</u>	<u>\$ 10,973,336</u>	<u>\$ 33,490,957</u>

General revenues:

 Taxes:

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

 Donations of capital assets

 Investment earnings

 Gain on sale of capital assets

 Miscellaneous

Transfers in (out)

 Total general revenues and transfers

 Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of the financial statements

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (14,405,324)	\$ -	\$ (14,405,324)
(3,351,087)	-	(3,351,087)
(19,264,208)	-	(19,264,208)
(9,655,490)	-	(9,655,490)
1,988,493	-	1,988,493
(6,726,240)	-	(6,726,240)
(1,025,954)	-	(1,025,954)
132,231	-	132,231
750,134	-	750,134
(6,017,664)	-	(6,017,664)
(576,719)	-	(576,719)
<u>(58,151,828)</u>	<u>-</u>	<u>(58,151,828)</u>
-	10,589,905	10,589,905
-	3,530,857	3,530,857
-	992,616	992,616
-	(1,662,094)	(1,662,094)
-	(79,153)	(79,153)
<u>-</u>	<u>13,372,131</u>	<u>13,372,131</u>
<u>\$ (58,151,828)</u>	<u>\$ 13,372,131</u>	<u>\$ (44,779,697)</u>
\$ 2,926,017	\$ -	\$ 2,926,017
11,240,627	-	11,240,627
45,535,559	-	45,535,559
2,498,995	-	2,498,995
10,038,874	-	10,038,874
10,076,455	-	10,076,455
4,639,457	-	4,639,457
19,097,368	33,132,456	52,229,824
2,930,923	2,846,925	5,777,848
148,518	-	148,518
2,480,978	-	2,480,978
(14,546,789)	14,546,789	-
<u>97,066,982</u>	<u>50,526,170</u>	<u>147,593,152</u>
<u>38,915,154</u>	<u>63,898,301</u>	<u>102,813,455</u>
<u>527,464,258</u>	<u>348,016,179</u>	<u>875,480,437</u>
<u>\$ 566,379,412</u>	<u>\$ 411,914,480</u>	<u>\$ 978,293,892</u>

**CITY OF PEORIA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Development Fee Fund
ASSETS				
Cash and cash equivalents	\$ 7,564,524	\$ 2,090,947	\$ 1,309,799	\$ 5,336,049
Investments	40,027,794	11,316,945	7,089,341	28,880,582
Accounts receivable, net	4,312,399	1,201,072	289,727	
Interest receivable	164,592	39,552	30,313	91,626
Due from other funds	7,755,640	-	-	-
Due from other governments	2,518,350	-	807,795	-
Prepaid items	83,528	9,902	-	-
Supply inventories	67,236	-	92,077	-
Restricted cash and cash equivalents	-	-	-	-
Restricted investments	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	\$ 62,494,063	\$ 14,658,418	\$ 9,619,052	\$ 34,308,257
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,591,035	\$ 298,540	\$ 406,332	\$ 305,794
Accrued payroll	1,089,602	-	50,588	-
Due to other funds	-	-	-	-
Due to other governments	1,272,901	-	-	-
Claims/deposits payable	2,707	-	-	-
Deferred revenue	257,267	-	-	-
Other liabilities	4,799,265	-	75,828	80,368
Compensated absences	777,000	-	39,360	-
Total liabilities	\$ 9,789,777	\$ 298,540	\$ 572,108	\$ 386,162
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Development fees	-	-	-	33,318,749
Grant purposes	-	-	-	-
Supply inventories	67,236	-	92,077	-
Prepaid items	83,528	9,902	-	-
Unreserved, designated (see note 11):				
General fund	35,133,298	-	-	-
Capital projects funds	-	-	-	-
Special revenue funds	-	6,200,818	370,198	603,346
Unreserved, undesignated, reported in:				
General fund	17,420,224	-	-	-
Capital projects funds	-	-	-	-
Special revenue funds	-	8,149,158	8,584,669	-
Total fund balance	52,704,286	14,359,878	9,046,944	33,922,095
Total liabilities and fund balance	\$ 62,494,063	\$ 14,658,418	\$ 9,619,052	\$ 34,308,257

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	CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 189,389	\$ -	\$ 722,760	\$ -	\$ 3,378,904	\$ 20,592,372
1,025,041	-	3,911,832	-	16,479,855	108,731,390
-	256,618	395,260	-	93,618	6,548,694
3,695	44	20,615	44,308	47,383	442,128
-	-	-	-	-	7,755,640
-	-	-	-	803,391	4,129,536
-	84,777	-	-	-	178,207
-	-	-	-	-	159,313
-	3,471,758	-	21,163,030	8,550,486	33,185,274
-	663,521	-	-	-	663,521
10,854,214	-	-	-	-	10,854,214
<u>\$ 12,072,339</u>	<u>\$ 4,476,718</u>	<u>\$ 5,050,467</u>	<u>\$ 21,207,338</u>	<u>\$ 29,353,637</u>	<u>\$ 193,240,289</u>
\$ 688	\$ 3,916,202	\$ 421,669	\$ 135,589	\$ 215,875	\$ 7,291,724
-	-	-	-	22,938	1,163,128
-	7,755,640	-	-	-	7,755,640
-	-	-	-	5,315	1,278,216
-	-	-	-	-	2,707
10,845,764	-	1,246,862	-	518,191	12,868,084
13,766	57,180	601,791	88,356	500	5,717,054
-	-	-	-	12,870	829,230
<u>\$ 10,860,218</u>	<u>\$ 11,729,022</u>	<u>\$ 2,270,322</u>	<u>\$ 223,945</u>	<u>\$ 775,689</u>	<u>\$ 36,905,783</u>
\$ 1,212,121	\$ -	\$ -	\$ -	\$ 26,162,407	\$ 27,374,528
-	-	9,581	20,983,393	-	20,992,974
-	-	-	-	-	33,318,749
-	-	-	-	958,357	958,357
-	-	-	-	-	159,313
-	84,777	-	-	-	178,207
-	-	-	-	-	35,133,298
-	-	2,770,564	-	-	2,770,564
-	-	-	-	1,336,016	8,510,378
-	-	-	-	-	17,420,224
-	(7,337,081)	-	-	-	(7,337,081)
-	-	-	-	121,168	16,854,995
1,212,121	(7,252,304)	2,780,145	20,983,393	28,577,948	156,334,506
<u>\$ 12,072,339</u>	<u>\$ 4,476,718</u>	<u>\$ 5,050,467</u>	<u>\$ 21,207,338</u>	<u>\$ 29,353,637</u>	<u>\$ 193,240,289</u>



**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

Fund balances - total governmental funds balance sheet \$ 156,334,506

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

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

Governmental capital assets	\$ 655,271,959	
Less accumulated depreciation	<u>(133,909,769)</u>	521,362,190

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

Deferred bond issuance costs	2,454,704	
Deferred loss on bond refunding	<u>775,503</u>	3,230,207

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

Governmental bonds payable	135,886,552	
Governmental contracts payable	13,585,989	
Compensated absences	<u>2,369,190</u>	(151,841,731)

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

10,845,764

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

(2,184,808)

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

67,675

Interest payable on long-term debt is not reported in the governmental funds.

(2,939,462)

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.

31,505,071

Net assets of governmental activities - statement of net assets

\$ 566,379,412

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds			
	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Development Fee Fund
REVENUES:				
Taxes:				
Sales and use taxes	\$ 30,829,195	\$ 13,418,036	\$ 1,288,328	\$ -
Property taxes	2,454,818	-	469,513	-
Franchise taxes	2,498,995	-	-	-
Intergovernmental:				
State shared sales taxes	10,038,874	-	-	-
Urban revenue sharing	10,076,455	-	-	-
Auto in-lieu taxes	4,639,457	-	-	-
Highway user revenue	-	-	7,878,977	-
Local transportation aid	-	-	-	-
From federal government	-	-	-	-
Other	267,847	-	-	-
Charges for services	12,268,595	-	182,137	17,854,129
Licenses and permits	5,035,680	-	6,000	-
Fines and forfeitures	1,794,776	-	-	-
Rents	174,662	-	-	-
Investment earnings	1,024,622	223,348	209,199	553,359
Special assessments	-	-	-	-
Miscellaneous	738,306	188	-	-
Total revenues	<u>81,842,282</u>	<u>13,641,572</u>	<u>10,034,154</u>	<u>18,407,488</u>
EXPENDITURES:				
Current:				
General government	17,683,717	411,090	-	15,950
Culture and recreation	13,318,293	-	-	259,131
Police	20,556,561	-	-	-
Fire	12,195,858	-	-	-
Development services	4,060,385	-	-	-
Highways and streets	-	-	9,240,034	4,142,516
Public works	3,904,739	-	-	-
Human services	-	-	-	-
Other	-	-	-	-
Debt service:				
Principal payments	32,910	1,879,784	230,000	-
Interest and other charges	-	49,521	242,490	-
Capital outlay	5,334,179	2,148,434	1,002,024	2,888,558
Total expenditures	<u>77,086,642</u>	<u>4,488,829</u>	<u>10,714,548</u>	<u>7,306,155</u>
Excess (deficiency) of revenues over expenditures	<u>4,755,640</u>	<u>9,152,743</u>	<u>(680,394)</u>	<u>11,101,333</u>
OTHER FINANCING SOURCES (USES):				
Capital-related debt issued	259,728	-	-	-
Premium on CFD bonds issued	-	-	-	-
Transfers in	4,163,280	50,016	1,033,441	-
Transfers out	(3,525,515)	(7,494,850)	(663,512)	-
Total other financing sources and uses	<u>897,493</u>	<u>(7,444,834)</u>	<u>369,929</u>	<u>-</u>
Net change in fund balances	<u>5,653,133</u>	<u>1,707,909</u>	<u>(310,465)</u>	<u>11,101,333</u>
Fund balances - beginning	47,051,153	12,651,969	9,357,409	22,820,762
Fund balances - ending	<u>\$ 52,704,286</u>	<u>\$ 14,359,878</u>	<u>\$ 9,046,944</u>	<u>\$ 33,922,095</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	CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,535,559
-	-	-	-	11,211,646	14,135,977
-	-	-	-	-	2,498,995
-	-	-	-	-	10,038,874
-	-	-	-	-	10,076,455
-	-	-	-	-	4,639,457
-	-	-	-	-	7,878,977
-	-	-	-	650,056	650,056
-	-	-	-	2,685,415	2,685,415
-	-	-	-	510,212	778,059
-	-	-	-	463,730	30,768,591
-	-	-	-	-	5,041,680
-	-	-	-	28,850	1,823,626
-	-	-	-	175	174,837
20,998	31,424	155,874	83,524	350,182	2,652,530
2,252,142	-	-	-	-	2,252,142
-	-	147,990	2,020	1,671,787	2,560,291
<u>2,273,140</u>	<u>31,424</u>	<u>303,864</u>	<u>85,544</u>	<u>17,572,053</u>	<u>144,191,521</u>
-	-	-	-	33,687	18,144,444
-	-	-	-	357,949	13,935,373
-	-	-	-	358,453	20,915,014
-	-	-	-	10,235	12,206,093
-	-	-	-	515,578	4,575,963
-	333,146	214,618	-	-	13,930,314
-	-	-	60,637	28,051	3,993,427
-	-	-	-	1,768,107	1,768,107
163	-	-	-	3,686	3,849
1,507,136	-	-	-	11,655,142	15,304,972
831,897	12,000	-	742,064	5,168,604	7,046,576
-	13,928,584	7,158,498	-	687,904	33,148,181
<u>2,339,196</u>	<u>14,273,730</u>	<u>7,373,116</u>	<u>802,701</u>	<u>20,587,396</u>	<u>144,972,313</u>
<u>(66,056)</u>	<u>(14,242,306)</u>	<u>(7,069,252)</u>	<u>(717,157)</u>	<u>(3,015,343)</u>	<u>(780,792)</u>
-	-	-	23,550,000	-	23,809,728
-	-	-	75,552	-	75,552
-	-	793,579	-	5,726,081	11,766,397
-	(84,047)	(26,099)	(3,807,744)	(225,536)	(15,827,303)
-	(84,047)	767,480	19,817,808	5,500,545	19,824,374
<u>(66,056)</u>	<u>(14,326,353)</u>	<u>(6,301,772)</u>	<u>19,100,651</u>	<u>2,485,202</u>	<u>19,043,582</u>
1,278,177	7,074,049	9,081,917	1,882,742	26,092,746	137,290,924
<u>\$ 1,212,121</u>	<u>\$ (7,252,304)</u>	<u>\$ 2,780,145</u>	<u>\$ 20,983,393</u>	<u>\$ 28,577,948</u>	<u>\$ 156,334,506</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, 2005**

Net change in fund balances - total governmental funds	\$ 19,043,582
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.	(295,519)
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.	(1,485,428)
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.	443,923
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 (\$33,304,289) exceeded depreciation (\$16,602,227) in the current period.	16,702,062
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 fixed 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.	(79,619)
Gains/losses on sales of capital assets are not shown in the governmental funds, but are revenues or expenses, on the statement of activities.	95,244
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	19,097,368
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.	(23,885,280)
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.	15,304,972
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.	584,989
The donation of governmental capital assets to Proprietary Funds is not shown in the governmental fund statements but is a transfer out in the statement of activities	(14,749,598)
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.	8,138,458
Change in net assets of governmental activities- statement of activities	<u>\$ 38,915,154</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, 2005**

	<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, 2004	\$ 44,673,829	\$ 44,673,829	\$ 44,673,829	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	28,001,500	28,001,500	29,995,288	1,993,788
Property taxes	2,410,607	2,410,607	2,449,217	38,610
Franchise taxes	2,640,000	2,640,000	2,699,994	59,994
Intergovernmental:				
State shared sales taxes	9,357,000	9,357,000	9,932,142	575,142
Urban revenue sharing	9,975,000	9,975,000	9,961,638	(13,362)
Auto in-lieu taxes	4,415,000	4,415,000	4,564,788	149,788
Other	158,340	158,340	280,571	122,231
Charges for services	18,766,457	18,766,457	22,356,026	3,589,569
Licenses and permits	3,363,000	3,363,000	5,035,680	1,672,680
Fines and forfeitures	1,065,000	1,065,000	1,794,776	729,776
Rents	113,835	113,835	131,152	17,317
Investment earnings	653,842	653,842	955,460	301,618
Miscellaneous	134,750	134,750	738,306	603,556
Capital-related debt issued	-	-	-	-
Transfers from other funds	3,307,478	3,307,478	3,278,468	(29,010)
Total inflows	<u>84,361,809</u>	<u>84,361,809</u>	<u>94,173,506</u>	<u>9,811,697</u>
Amounts available for appropriation	<u>129,035,638</u>	<u>129,035,638</u>	<u>138,847,335</u>	<u>9,811,697</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government:				
Mayor and council	722,654	722,654	714,693	(7,961)
City manager	2,122,689	2,098,089	2,027,118	(70,971)
Human resources	1,500,278	1,523,998	1,532,171	8,173
Attorney	1,745,868	1,785,868	1,715,363	(70,505)
City clerk	778,405	806,795	789,596	(17,199)
Court	1,084,923	1,084,923	874,801	(210,122)
Economic development	370,736	370,736	345,886	(24,850)
Finance	8,792,717	8,956,295	8,430,337	(525,958)
Non-departmental	11,784,428	11,869,363	11,059,520	(809,843)
Culture and recreation	13,710,836	13,938,240	13,371,723	(566,517)
Development services	4,464,070	4,910,127	4,076,674	(833,453)
Fire	12,861,488	12,946,959	12,244,784	(702,175)
Police	21,708,404	21,736,299	20,639,029	(1,097,270)
Public works	4,113,370	4,209,893	3,920,404	(289,489)
Debt service:				
Principal payments	-	-	-	-
Capital outlay	7,817,477	8,948,825	4,930,912	(4,017,913)
Contingencies	10,175,000	13,719,327	-	(13,719,327)
Transfers to other funds	3,434,183	3,434,588	3,618,814	184,226
Total charges to appropriations	<u>107,187,526</u>	<u>113,062,979</u>	<u>90,291,825</u>	<u>(22,771,154)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 21,848,112</u>	<u>\$ 15,972,659</u>	<u>\$ 48,555,510</u>	<u>\$ 32,582,851</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	\$ 138,847,335
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	(44,673,829)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(3,278,468)
Capital-related debt issued is a budgeted resource, but is not a revenue for financial reporting purposes	-
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules	(10,028,616)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	975,860
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 81,842,282</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 90,291,825
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	116,794
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(278,819)
Capital outlay recognized as expenditures in proprietary fund for budgetary purposes, but assets reclassified to expenditure in governmental funds for financial reporting purposes	172,272
Capital outlay for capital leases are expenditures for GAAP purposes, but not for budgetary purposes	259,728
Certain interdepartmental service charges are recognized as expenditures for budgetary purposes but are eliminated from the financial statements under GASB34's allocation rules	(9,856,344)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,618,814)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 77,086,642</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
HALF-CENT SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2004	\$ 11,884,705	\$ 11,884,705	\$ 11,884,705	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	12,451,167	12,451,167	13,083,871	632,704
Investment earnings	169,000	169,000	211,242	42,242
Miscellaneous	-	-	188	188
Total inflows	<u>12,620,167</u>	<u>12,620,167</u>	<u>13,295,301</u>	<u>675,134</u>
Amounts available for appropriation	<u>24,504,872</u>	<u>24,504,872</u>	<u>25,180,006</u>	<u>675,134</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government- non-departmental	471,916	726,037	494,837	(231,200)
Debt service:				
Principal payments	2,110,228	2,106,947	1,879,784	(227,163)
Interest and other charges	22,593	49,791	49,521	(270)
Capital outlay	5,994,285	5,506,565	2,877,268	(2,629,297)
Contingencies	2,000,000	1,233,293	-	(1,233,293)
Transfers to other funds	5,911,365	5,911,365	5,866,106	(45,259)
Total charges to appropriations	<u>16,510,387</u>	<u>15,533,998</u>	<u>11,167,516</u>	<u>(4,366,482)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 7,994,485</u>	<u>\$ 8,970,874</u>	<u>\$ 14,012,490</u>	<u>\$ 5,041,616</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	\$ 25,180,006
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(11,884,705)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	346,271
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 13,641,572</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,167,516
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(183,837)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(628,744)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,866,106)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,488,829</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2004	\$ 8,791,189	\$ 8,791,189	\$ 8,791,189	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	1,938,500	1,938,500	1,242,292	(696,208)
Property taxes	473,798	473,798	466,930	(6,868)
Intergovernmental:				
Highway user revenue	7,250,000	7,250,000	7,727,898	477,898
Charges for services	346,500	346,500	479,355	132,855
Licenses and permits	2,000	2,000	6,000	4,000
Investment earnings	150,185	150,185	198,630	48,445
Transfers from other funds	1,507,239	1,507,239	1,504,648	(2,591)
Total inflows	<u>11,668,222</u>	<u>11,668,222</u>	<u>11,625,753</u>	<u>(42,469)</u>
Amounts available for appropriation	<u>20,459,411</u>	<u>20,459,411</u>	<u>20,416,942</u>	<u>(42,469)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Highways and streets	10,052,695	10,312,412	9,665,707	(646,705)
Debt service:				
Principal payments	230,000	230,000	230,000	-
Interest and other charges	129,590	242,590	242,490	(100)
Capital outlay	2,532,211	3,181,622	991,869	(2,189,753)
Contingencies	600,000	-	-	-
Transfers to other funds	1,103,380	1,103,380	1,099,853	(3,527)
Total charges to appropriations	<u>14,647,876</u>	<u>15,070,004</u>	<u>12,229,919</u>	<u>(2,840,085)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 5,811,535</u>	<u>\$ 5,389,407</u>	<u>\$ 8,187,023</u>	<u>\$ 2,797,616</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	\$ 20,416,942
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(8,791,189)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(1,504,648)
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	203,049
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,034,154</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,229,919
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	9,222
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(133,013)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(1,727)
Certain interdepartmental service charges are recognized as expenditures for budgetary purposes but are eliminated from the financial statements under GASB34's allocation rules	(290,000)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,099,853)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,714,548</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, 2005**

	<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, 2004	\$ 21,056,563	\$ 21,056,563	\$ 21,056,563	\$ -
RESOURCES (INFLOWS):				
Impact/expansion fees	6,845,935	6,845,935	17,854,129	11,008,194
Investment earnings	319,670	319,670	511,543	191,873
Total inflows	<u>7,165,605</u>	<u>7,165,605</u>	<u>18,365,672</u>	<u>11,200,067</u>
Amounts available for appropriation	<u>28,222,168</u>	<u>28,222,168</u>	<u>39,422,235</u>	<u>11,200,067</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government	15,950	36,950	15,950	(21,000)
Culture and recreation	1,289,463	1,266,893	294,568	(972,325)
Police	-	9,600	-	(9,600)
Fire	-	9,600	-	(9,600)
Highways and streets	2,424,470	4,157,517	4,142,516	(15,001)
Capital outlay	8,933,184	8,081,682	3,746,340	(4,335,342)
Contingencies	925,000	987,943	-	(987,943)
Total charges to appropriations	<u>13,588,067</u>	<u>14,550,185</u>	<u>8,199,374</u>	<u>(6,350,811)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 14,634,101</u>	<u>\$ 13,671,983</u>	<u>\$ 31,222,861</u>	<u>\$ 17,550,878</u>

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 39,422,235
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	(21,056,563)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	41,816
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 18,407,488</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,199,374
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(893,219)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,306,155</u>

The accompanying notes are an integral part of the financial statements



CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,389,813	\$ 7,670,102	\$ 2,425,428	\$ 18,501
Restricted cash with fiscal agents	170,945	43,284	-	125,529
Investments	61,471,251	41,513,299	13,127,271	74,639
Accounts receivable, net	5,117,631	1,947,176	1,436,891	-
Interest receivable	227,327	155,570	46,525	2,050
Prepaid items	71,618	-	-	-
Supplies inventory	382,068	-	26,716	-
Total current assets	<u>78,830,653</u>	<u>51,329,431</u>	<u>17,062,831</u>	<u>220,719</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	1,640,282	245,100	-	-
Capital assets:				
Buildings and improvements	82,327	5,704	10,799	25,754,319
Distribution and collection systems	189,989,638	151,879,060	-	-
Equipment	998,585	370,121	35,861	609,298
Vehicles	1,563,832	616,539	5,564,834	366,945
Furniture	97,453	12,919	8,013	-
Less accumulated depreciation	(29,430,384)	(32,272,699)	(3,153,379)	(7,870,610)
Land and improvements	1,752,464	3,870,976	-	6,703,349
Construction in progress	20,793,301	10,306,512	-	30,935
Capital assets, net	<u>185,847,216</u>	<u>134,789,132</u>	<u>2,466,128</u>	<u>25,594,236</u>
Unamortized bonds costs	216,835	375,400	-	3,542
Other assets	775,042	234,645	-	-
Total non-current assets	<u>188,479,375</u>	<u>135,644,277</u>	<u>2,466,128</u>	<u>25,597,778</u>
Total assets	<u>267,310,028</u>	<u>186,973,708</u>	<u>19,528,959</u>	<u>25,818,497</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,624,436	2,435,186	239,242	86,944
Accrued payroll	83,446	17,483	40,557	19,528
Accrued interest payable	1,253,531	370,050	-	22,604
Due to other governments	127,819	19	-	261
Other current liabilities	138,184	-	-	3,710
Claims payable	250,000	-	-	-
Current portion of compensated absences	217,980	70,440	123,220	44,320
Current portion of bonds and contracts payable	2,981,917	1,968,785	-	102,925
Total current liabilities	<u>6,677,313</u>	<u>4,861,963</u>	<u>403,019</u>	<u>280,292</u>
Non-current liabilities:				
Deposits payable	707,887	-	-	-
Deferred revenue	3,856,352	-	-	24,024
Deferred bond premium	116,750	29,562	-	85,733
Compensated absences	34,430	10,980	17,630	7,470
Long-term portion of bonds payable	53,784,393	18,281,694	-	822,588
Less: Deferred loss on bond refunding	(53,088)	(48,353)	-	(52,783)
Total non-current liabilities	<u>58,446,724</u>	<u>18,273,883</u>	<u>17,630</u>	<u>887,032</u>
Total liabilities	<u>65,124,037</u>	<u>23,135,846</u>	<u>420,649</u>	<u>1,167,324</u>
NET ASSETS				
Invested in capital assets, net of related debt	129,069,016	114,538,651	2,466,128	24,668,723
Restricted:				
Capital projects	36,461,663	28,391,212	10,383,824	-
Revenue bond retirement	4,228,065	3,119,444	-	-
Grant purpose	-	-	-	-
Unrestricted	32,427,247	17,788,555	6,258,358	(17,550)
Total net assets	<u>\$ 202,185,991</u>	<u>\$ 163,837,862</u>	<u>\$ 19,108,310</u>	<u>\$ 24,651,173</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
\$ 424,823	\$ 21,928,667	\$ 2,866,095
-	339,758	-
-	116,186,460	15,512,319
20,551	8,522,249	1,200
-	431,472	49,064
-	71,618	-
-	408,784	146,139
<u>445,374</u>	<u>147,889,008</u>	<u>18,574,817</u>
-	1,885,382	-
3,276,922	29,130,071	148,102
-	341,868,698	-
136,523	2,150,388	17,744,700
-	8,112,150	14,578,818
9,613	127,998	72,701
(1,551,263)	(74,278,335)	(18,333,061)
410,350	12,737,139	-
-	31,130,748	2,537,692
<u>2,282,145</u>	<u>350,978,857</u>	<u>16,748,952</u>
-	595,777	-
-	1,009,687	-
<u>2,282,145</u>	<u>354,469,703</u>	<u>16,748,952</u>
<u>2,727,519</u>	<u>502,358,711</u>	<u>35,323,769</u>
-	4,385,808	787,778
-	161,014	138,164
-	1,646,185	-
-	128,099	104
-	141,894	-
-	250,000	3,100,000
-	455,960	319,570
-	5,053,627	-
<u>-</u>	<u>12,222,587</u>	<u>4,345,616</u>
14,467	722,354	-
-	3,880,376	-
-	232,045	-
-	70,510	54,990
-	72,888,675	-
-	(154,224)	-
<u>14,467</u>	<u>77,639,736</u>	<u>54,990</u>
<u>14,467</u>	<u>89,862,323</u>	<u>4,400,606</u>
2,282,145	273,024,663	16,748,952
-	75,236,699	-
-	7,347,509	-
430,907	430,907	-
-	56,456,610	14,174,211
<u>\$ 2,713,052</u>	<u>\$ 412,496,388</u>	<u>\$ 30,923,163</u>
	(581,908)	
	<u>\$ 411,914,480</u>	

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
OPERATING REVENUES				
Charges for services	\$ 24,629,880	\$ 11,573,976	\$ 8,326,625	\$ 1,410,335
Rents	-	-	-	1,550,002
From federal government	-	-	-	-
Miscellaneous	298,422	1,116	4,167	21
Total operating revenues	<u>24,928,302</u>	<u>11,575,092</u>	<u>8,330,792</u>	<u>2,960,358</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	4,229,078	1,109,295	2,646,226	890,015
Contractual services, materials and supplies	13,115,318	7,408,103	4,967,269	2,979,878
Insurance claims and expenses	290,000	-	-	-
Depreciation and amortization	4,130,194	3,187,225	711,425	754,312
Total operating expenses	<u>21,764,590</u>	<u>11,704,623</u>	<u>8,324,920</u>	<u>4,624,205</u>
Operating income (loss)	3,163,712	(129,531)	5,872	(1,663,847)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,511,916	1,022,057	294,610	10,391
Interest expense	(2,463,933)	(806,182)	-	(41,620)
Gain (loss) on sale of capital assets	4,493	33,810	(112,447)	1,434
Total non-operating revenues (expenses)	<u>(947,524)</u>	<u>249,685</u>	<u>182,163</u>	<u>(29,795)</u>
Income (loss) before contributions and transfers	2,216,188	120,154	188,035	(1,693,642)
Capital contributions	31,500,462	30,246,235	1,123,950	-
Transfers in	711,026	898,541	9,764	556,371
Transfers out	(869,469)	(1,223,722)	(169,020)	(268,727)
Change in net assets	<u>33,558,207</u>	<u>30,041,208</u>	<u>1,152,729</u>	<u>(1,405,998)</u>
Total net assets - beginning	168,627,784	133,796,654	17,955,581	26,057,171
Total net assets - ending	<u>\$ 202,185,991</u>	<u>\$ 163,837,862</u>	<u>\$ 19,108,310</u>	<u>\$ 24,651,173</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

Public Housing Fund	Total	Governmental Activities - Internal Service Funds
\$ -	\$ 45,940,816	\$ 20,338,422
126,312	1,676,314	-
136,736	136,736	183,614
1,829	305,555	351,747
<u>264,877</u>	<u>48,059,421</u>	<u>20,873,783</u>
-	8,874,614	6,497,558
263,482	28,734,050	8,178,293
-	290,000	2,130,651
80,548	8,863,704	3,477,491
<u>344,030</u>	<u>46,762,368</u>	<u>20,283,993</u>
(79,153)	1,297,053	589,790
7,951	2,846,925	278,393
-	(3,311,735)	-
-	(72,710)	110,302
<u>7,951</u>	<u>(537,520)</u>	<u>388,695</u>
(71,202)	759,533	978,485
-	62,870,647	-
152,427	2,328,129	5,404,103
-	(2,530,938)	(1,140,388)
<u>81,225</u>	<u>63,427,371</u>	<u>5,242,200</u>
2,631,827	349,069,017	25,680,963
<u>\$ 2,713,052</u>	<u>\$ 412,496,388</u>	<u>\$ 30,923,163</u>

470,930

\$ 63,898,301

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	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	\$ 24,917,592	\$ 11,342,133	\$ 8,056,872	\$ 3,266,826
Payments to suppliers	(11,913,460)	(5,127,862)	(3,008,298)	(2,685,713)
Payments to employees	(4,147,575)	(1,094,045)	(2,634,148)	(877,351)
Self-insurance costs	(1,740,000)	-	-	-
Payments to internal service funds	(1,962,814)	(351,999)	(2,547,842)	(556,602)
Net cash provided (used) by operating activities	<u>5,153,743</u>	<u>4,768,227</u>	<u>(133,416)</u>	<u>(852,840)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	711,026	898,541	9,764	556,371
Transfers out	(869,469)	(1,223,722)	(169,020)	(268,727)
Net cash provided (used) by non-capital financing activities	<u>(158,443)</u>	<u>(325,181)</u>	<u>(159,256)</u>	<u>287,644</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net acquisition and construction of capital assets	(11,019,253)	(17,299,673)	139,843	(225,069)
Capital contributions	13,200,468	15,413,773	1,123,950	-
Principal payments on capital debt	(2,830,516)	(1,849,747)	-	(94,161)
Interest paid on capital debt	(2,514,709)	(768,321)	-	(46,707)
Net cash provided (used) by capital and related financing activities	<u>(3,164,010)</u>	<u>(4,503,968)</u>	<u>1,263,793</u>	<u>(365,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments, net	-	-	(30,718)	-
Proceeds from sale of investments, net	2,695,621	2,829,289	-	888,703
Interest received on investments	1,419,466	965,238	276,954	10,723
Net cash provided (used) by investing activities	<u>4,115,087</u>	<u>3,794,527</u>	<u>246,236</u>	<u>899,426</u>
Net increase (decrease) in cash and cash equivalents	5,946,377	3,733,605	1,217,357	(31,707)
Cash and cash equivalents at beginning of year	7,254,663	4,224,881	1,208,071	175,737
Cash and cash equivalents at end of year	<u>\$ 13,201,040</u>	<u>\$ 7,958,486</u>	<u>\$ 2,425,428</u>	<u>\$ 144,030</u>
Classified as:				
Cash and cash equivalents	\$ 11,389,813	\$ 7,670,102	\$ 2,425,428	\$ 18,501
Restricted cash with fiscal agents	170,945	43,284	-	125,529
Non-current restricted cash and cash equivalents	1,640,282	245,100	-	-
Totals	<u>\$ 13,201,040</u>	<u>\$ 7,958,486</u>	<u>\$ 2,425,428</u>	<u>\$ 144,030</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>
\$ 261,945	\$ 47,845,368	\$ 20,872,583
(263,258)	(22,998,591)	(8,598,476)
-	(8,753,119)	(6,421,456)
-	(1,740,000)	(2,130,651)
<u>(277)</u>	<u>(5,419,534)</u>	<u>-</u>
<u>(1,590)</u>	<u>8,934,124</u>	<u>3,722,000</u>
152,427	2,328,129	5,404,103
-	(2,530,938)	(1,140,388)
<u>152,427</u>	<u>(202,809)</u>	<u>4,263,715</u>
(152,428)	(28,556,580)	(5,184,598)
-	29,738,191	-
-	(4,774,424)	-
-	(3,329,737)	-
<u>(152,428)</u>	<u>(6,922,550)</u>	<u>(5,184,598)</u>
-	(30,718)	(1,585,973)
-	6,413,613	97,090
7,951	2,680,332	260,292
<u>7,951</u>	<u>9,063,227</u>	<u>(1,228,591)</u>
6,360	10,871,992	1,572,526
418,463	13,281,815	1,293,569
<u>\$ 424,823</u>	<u>\$ 24,153,807</u>	<u>\$ 2,866,095</u>
\$ 424,823	\$ 21,928,667	\$ 2,866,095
-	339,758	-
-	1,885,382	-
<u>\$ 424,823</u>	<u>\$ 24,153,807</u>	<u>\$ 2,866,095</u>

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Major Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 3,163,712	\$ (129,531)	\$ 5,872	\$ (1,663,847)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,130,194	3,187,225	711,425	754,312
(Increase) decrease in assets:				
Accounts receivable	(335,853)	(232,959)	(273,920)	301,219
Prepaid items	(11,180)	-	-	14,000
Supplies inventory	(213,040)	-	10,531	-
Increase (decrease) in liabilities:				
Accounts payable	(219,630)	1,928,223	(599,402)	(276,783)
Accrued payroll	18,313	2,690	1,488	3,594
Due to other governments	127,819	19	-	261
Other liabilities	(444,925)	-	-	85
Deposits payable	218,791	-	-	-
Claims payable	(1,450,000)	-	-	-
Deferred revenue	106,352	-	-	5,249
Compensated absences	63,190	12,560	10,590	9,070
Total adjustments	<u>1,990,031</u>	<u>4,897,758</u>	<u>(139,288)</u>	<u>811,007</u>
Net cash provided (used) by operating activities	<u>\$ 5,153,743</u>	<u>\$ 4,768,227</u>	<u>\$ (133,416)</u>	<u>\$ (852,840)</u>
Non-cash investing, capital and financing activities:				
Capital assets acquired through contributions from developers	\$ 22,027,441	\$ 25,854,613	\$ -	\$ -
Decrease in fair value of investments	(253,946)	(168,548)	(53,035)	(3,047)
Total non-cash investing, capital and financing activities	<u>\$ 21,773,495</u>	<u>\$ 25,686,065</u>	<u>\$ (53,035)</u>	<u>\$ (3,047)</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>
\$ (79,153)	\$ 1,297,053	\$ 589,790
80,548	8,863,704	3,477,491
(2,943)	(544,456)	(1,200)
-	2,820	-
-	(202,509)	(23,787)
(53)	832,355	(396,500)
-	26,085	31,202
-	128,099	104
-	(444,840)	-
11	218,802	-
-	(1,450,000)	-
-	111,601	-
-	95,410	44,900
77,563	7,637,071	3,132,210
\$ (1,590)	\$ 8,934,124	\$ 3,722,000
\$ -	\$ 47,882,054	\$ -
-	(478,576)	(55,390)
\$ -	\$ 47,403,478	\$ (55,390)

**CITY OF PEORIA, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 45,168	\$ 62,211
Investments, at fair value	244,462	336,705
Interest receivable	949	-
Total assets	290,579	398,916
LIABILITIES		
Other liabilities	-	398,916
Total liabilities	-	398,916
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 290,579	

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, 2005**

	Firemen's Pension Fund
ADDITIONS	
Investment earnings:	
Interest and investment income	\$ 6,657
Total investment earnings	6,657
Less investment expenses:	
Investment management fees	199
Net investment earnings	6,458
Total additions	6,458
DEDUCTIONS	
Retirement payments	27,000
Total deductions	27,000
Change in net assets	(20,542)
Net assets - beginning of the year	311,121
Net assets - end of the year	\$ 290,579

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	45
2	Reconciliation of Governmental Fund Financial Statements to Government-wide Statements	57
3	Budget Basis of Accounting	60
4	Deposits and Investments	61
5	Property Taxes	63
6	Due from Other Governments	64
7	Accounts Receivable and Allowance for Doubtful Accounts	64
8	Interfund Transactions, Receivable and Payable Balances	65
9	Segment Information for Enterprise Funds	65
10	Deficits in Fund Equity/Excess of Expenditures Over Appropriations	66
11	Fund Balance/Net Assets Reservations and Designations	66
12	Capital Assets	67
13	Community Facilities District Debt	68
14	Long-Term Debt	69
15	Advance Refundings	73
16	Retirement and Pension Plans	74
17	Operating Leases	76
18	Deferred Compensation Plan	77
19	Contingencies	77
20	Other Matters	77

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, Inc. 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 Complex Authority debt was refinanced, and the City has no further obligation to the Municipal Sports Complex Authority, Inc. On April 11, 2005, the Municipal Sports Complex Authority board met and approved a resolution to formally dissolve. On June 21, 2005, the City of Peoria council approved the Articles of Dissolution for the City of Peoria Municipal Sports Complex Authority, Inc.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Vistancia Community Facilities District

The Vistancia Community Facilities District (the District) was formed by petition to the City Council in 2002. The district's purpose is to acquire or construct public infrastructure in a specified area of the City. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owned in the designated areas is assessed for the District's property taxes, and thus for the costs of operating the District. The City Council serves as the Board of Directors of the District. 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 are prepared for the Municipal Development Authority, Inc. or the Sports Complex Authority, Inc. Stand-alone financial statements are prepared for the Vistancia Community Facilities District. The accounting records of the District are maintained by the City and the financial statements for the District are available from the City of Peoria, Finance Department at 8401 West Monroe Street, Peoria, AZ 85345.

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.

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 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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. State shared revenues, such as sales taxes, urban revenue sharing and auto-in-lieu taxes, that are not restricted for use in any function, are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

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

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net 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 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 are included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund statements.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

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. Three capital projects funds are presented as major funds in the basic financial statements. The GO Bond Capital Projects Fund accounts 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. The CFD Capital Projects Fund accounts for the proceeds from the sales of Community Facilities District bonds and the expenditure of those monies for capital construction within the Vistancia Community Facilities District.

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:

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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:

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. The City maintains the following types of fiduciary funds:

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

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 collection 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*, 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.

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

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

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 2005.
- 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 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population growth and inflation to calculate the new expenditure limitations for the cities. Local governments may carry forward revenues which were not subject to the expenditure limitation, and which were not expended in the year of receipt, to later years.

The State Constitution also gives local jurisdictions several methods of seeking approval from their citizens to override the state expenditure limitation. One of these 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 2005-2006 after the expiration of the voter approved "Home rule" option. The City of Peoria's state calculated expenditure limitation for fiscal year 2004-2005 was \$90,284,094, as calculated without the permanent base adjustment. Including the permanent base adjustment, the limit was \$507,252,482.

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 designations of fund balances at June 30 in the fund financial statements, since they do not constitute expenditures or liabilities. 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. 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 City's investment policy was updated in May 2005 to be in compliance with GASB Statement #40 – Deposit and Investment Risk Disclosure.

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

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

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

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

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed. For the year ended June 30, 2005, the City capitalized net interest costs of \$67,087 (interest incurred of \$72,721 reduced by interest earned of \$5,634) 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 \$3,321,567.

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

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

K. 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").

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

L. Receivables

All receivables are shown net of an allowance for uncollectible accounts. 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.

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 Facilities District Bonds Debt Service Fund and Special Assessment Debt Service Fund are all specifically established to service those specific types of debt obligations of the City. The Highway User Revenue Fund services the highway user revenue bonds, 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 at a rate of 25% and the employees' sick leave is reduced to the allowable maximum.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 \$3,100,000 reported in the Self-Insurance Fund, as well as \$250,000 reported in the Water Utility Fund, at June 30, 2005 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 pages 166-167. 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, 2005, 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 Self-Insurance Fund's claims liability amount in fiscal years 2004 and 2005 were:

Years Ended, June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2004	\$3,000,000	\$1,826,233	\$(1,726,233)	\$3,100,000
2005	3,100,000	903,566	(903,566)	3,100,000

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.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	\$ 20,592,372	-	2,866,095	-	23,458,467
Investments	108,731,390	-	15,512,319	-	124,243,709
Accounts receivable, net	6,548,694	-	1,200	-	6,549,894
Interest receivable	442,128	-	49,064	-	491,192
Internal balances	7,755,640	-	581,908	(7,755,640)	581,908
Due from other governments	4,129,536	-	-	-	4,129,536
Prepaid items	178,207	-	-	-	178,207
Supply inventories	159,313	-	146,140	-	305,452
Deferred bond issuance costs, net	-	2,454,704	-	-	2,454,704
Restricted cash/cash equivalents	33,185,274	-	-	-	33,185,274
Restricted investments	663,521	-	-	-	663,521
Special assessment receivables	10,854,214	-	-	-	10,854,214
Capital assets	-	521,362,190	16,748,952	-	538,111,142
Total assets	<u>\$193,240,289</u>	<u>523,816,894</u>	<u>35,905,677</u>	<u>(7,755,640)</u>	<u>745,207,220</u>
Liabilities					
Accounts payable	\$ 7,291,724	-	787,778	-	8,079,502
Accrued payroll	1,163,128	-	138,164	-	1,301,292
Interest payable	-	2,939,462	-	-	2,939,462
Due to other funds	7,755,640	-	-	(7,755,640)	-
Due to other governments	1,278,216	-	104	-	1,278,320
Claims payable	-	-	3,100,000	-	3,100,000
Customer deposits	2,707	-	-	-	2,707
Deferred revenue	12,868,084	(10,913,439)	-	-	1,954,645
Other liabilities	5,717,054	-	-	-	5,717,054
Unamortized bond premium	-	2,184,808	-	-	2,184,808
Compensated absences-current	829,230	1,953,620	319,570	-	3,102,420
Current bonds/contracts payable	-	10,608,130	-	-	10,608,130
Long-term liabilities (net of deferred loss)	-	138,504,478	54,990	-	138,559,468
Total liabilities	<u>\$ 36,905,783</u>	<u>145,277,059</u>	<u>4,400,606</u>	<u>(7,755,640)</u>	<u>178,827,808</u>
Fund Balance/Net Assets					
Total fund balance/net assets	<u>\$156,334,506</u>	<u>378,539,835</u>	<u>31,505,071</u>	<u>-</u>	<u>566,379,412</u>
Total liabilities and fund balance/net assets	<u>\$193,240,289</u>	<u>523,816,894</u>	<u>35,905,677</u>	<u>(7,755,640)</u>	<u>745,207,220</u>

(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	\$ 655,271,959
Accumulated depreciation	<u>(133,909,769)</u>
	<u>\$ 521,362,190</u>

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

Interest payable	<u>\$ 2,939,462</u>
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CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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. \$ 2,454,704

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 \$ 2,184,808

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	\$ 13,585,989
Bonds payable	135,886,552
Compensated absences	<u>2,369,190</u>
Subtotal	<u>151,841,731</u>
Less: current compensated absences	1,953,620
current portion of bonds/contracts	<u>10,608,130</u>
	<u>\$ 139,279,981</u>

Loss on refunding bonds is expensed 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 \$ (775,503)

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	\$ (10,845,764)
Deferred grant revenue	<u>(67,675)</u>
	<u>\$ (10,913,439)</u>

- (2) Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor pool, information technology and facilities maintenance, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net 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	\$ 45,535,559	-	-	-	-	-	45,535,559
Property taxes	14,135,977	12,731	-	-	-	17,936	14,166,644
Franchise taxes	2,498,995	-	-	-	-	-	2,498,995
Intergovernmental:							
State shared sales taxes	10,038,874	-	-	-	-	-	10,038,874
Urban revenue sharing	10,076,455	-	-	-	-	-	10,076,455
Auto-in-lieu taxes	4,639,457	-	-	-	-	-	4,639,457
Highway user revenue	7,878,977	-	-	-	-	-	7,878,977
Local transportation aid	650,056	-	-	-	-	-	650,056
From federal government	2,685,415	-	-	-	-	-	2,685,415
Other	778,059	-	-	-	-	-	778,059
Charges for services	30,768,590	-	-	-	-	(159,682)	30,608,909
Licenses and permits	5,041,680	-	-	-	-	51	5,041,731
Fines and forfeitures	1,823,626	-	-	-	-	22,344	1,845,970
Rents	174,837	-	-	-	-	-	174,837
Investment earnings	2,652,530	-	-	278,393	-	-	2,930,923
Special assessments	2,252,142	(1,498,159)	-	-	-	-	753,983
Miscellaneous	2,560,291	-	(79,619)	-	-	306	2,480,978
Other sources:							
Gain on sale of capital assets	-	-	-	148,518	-	-	148,518
Capital contributions	-	-	19,097,368	-	-	-	19,097,368
Capital related debt issued	23,885,280	-	-	-	(23,885,280)	-	-
Transfers in	11,766,397	-	-	5,404,103	-	(14,827,616)	2,342,884
Total revenues and other sources	179,843,198	(1,485,428)	19,166,267	5,682,496	(23,946,661)	(14,946,661)	164,374,592

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	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
Expenditures/Expenses							
Current:							
General government	18,144,444	72,909	1,736,865	(1,165,584)	-	17,936	18,806,570
Culture and recreation	13,935,373	17,870	1,635,737	(248,853)	-	(204,291)	15,135,836
Police	20,915,014	132,150	1,443,154	(666,573)	-	20,280	21,844,025
Fire	12,206,093	43,460	1,027,578	(575,302)	-	29,649	12,731,478
Development services	4,575,963	8,510	69,749	(97,414)	-	346	4,557,154
Highways and streets	13,930,314	7,730	8,540,808	(656,320)	-	17,034	21,839,566
Public works	3,993,427	14,020	1,356,647	(176,792)	-	1	5,187,303
Human services	1,768,107	(1,130)	112,136	(9,512)	-	-	1,869,601
Other	3,849	-	-	-	-	-	3,849
Debt service:							
Principal payments	15,304,972	-	-	-	(15,304,972)	-	-
Interest and other charges	7,046,576	(443,923)	-	-	(584,989)	-	6,017,664
Capital outlay	33,148,181	-	(33,148,181)	-	-	-	-
Unallocated depreciation	-	-	576,719	-	-	-	576,719
Total expenditures/ expenses	<u>144,972,313</u>	<u>(148,404)</u>	<u>(16,648,788)</u>	<u>(3,596,350)</u>	<u>(15,889,961)</u>	<u>(119,045)</u>	<u>108,569,765</u>
Other financing uses/changes in net assets							
Transfers out	15,827,303	-	14,479,598	1,140,388	-	(14,827,616)	16,889,673
Total expenditures/expenses & other financing uses	<u>160,799,616</u>	<u>(148,404)</u>	<u>(1,899,190)</u>	<u>(2,455,962)</u>	<u>(15,889,961)</u>	<u>(14,946,661)</u>	<u>125,459,438</u>
Net change for the year	<u>\$ 19,043,582</u>	<u>(1,337,024)</u>	<u>21,065,457</u>	<u>8,138,458</u>	<u>(7,995,319)</u>	<u>-</u>	<u>38,915,154</u>

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

Accrual of long-term compensated absences \$ 295,519

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 \$ (292,265)
 Amortization of loss on refunding 96,938
 Amortization of bond premium (248,596)
\$ (443,923)

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.

\$ 12,731

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.

Current year principal payments received \$ (1,498,159)

- (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 \$ 33,148,181
 Other capital 156,108
 Depreciation expense (16,602,227)
\$ 16,702,062

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Cost of capital assets disposed of: \$ (79,619)

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 \$ 19,097,368

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	148,518
Losses	<u>(53,274)</u>
	<u>\$ 95,244</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	\$ 5,682,496
Expenditures and other uses	<u>(2,455,962)</u>
Change in net assets	<u>\$ 8,138,458</u>

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

Principal payments made \$ 15,304,972

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	\$ (23,625,552)
Additional contracts payable	<u>(259,728)</u>
	<u>\$ (23,885,280)</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 debt	\$ 724,064
Amortization of bond issuance costs	<u>(157,075)</u>
	<u>\$ 584,989</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	\$ 85,933
Bad debt expense	<u>(85,933)</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	\$ (204,978)
Interfund service charges	<u>204,978</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.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Transfers out	\$ 14,827,616
Transfers in	(14,827,616)
	<u>\$ -</u>

3. BUDGET BASIS OF ACCOUNTING

The City prepares the annual budget on a modified cash basis, which differs from GAAP, as discussed in Note 1. 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, 2005, the carrying amount of the City's deposits was \$17,110,530 and the bank balance was \$6,258,976. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name or in the Municipal Development Authority, Inc.'s trust name. The difference of \$10,851,554 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.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures (Statement 40) requires the City to disclose its deposit and investment policies regarding certain type of investment risks. The City's adopted investment policy was modified during fiscal year 2005 to be in compliance with Statement 40.

Interest rate risk: In order to limit interest rate risk from changes in interest rates, the City's investment policy sets a maximum weighted average maturity (WAM) not to exceed one year and a maximum maturity of five years.

Credit risk: State law and the City's investment policy limits the purchase of Commercial Paper to those securities rated A-1/P-1 or the equivalent by two nationally recognized rating agencies. The City's investment policy also limits the purchase of Banker's Acceptances to those securities rated Aa or better by two nationally recognized rating agencies and with a maximum maturity of 180 days. At June 30, 2005, the City's investments do not include any Commercial Paper or Banker's Acceptance securities.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Investment Type	Moody's Rating	S&P Rating	% of Investments
Federal Home Loan-Discount Notes	Aaa	AAA	.2%
Federal Farm Credit Bank-Agency Note	Aaa	AAA	1.3
Federal National Mortgage Assoc-Callable Agency Note	Aaa	AAA	4.1
Federal Home Loan Mortgage Corp-Callable Agency Note	Aaa	AAA	4.4
Federal Home Loan Bank-Agency Note	Aaa	AAA	4.6
Federal Home Loan Mortgage Corp-Agency Note	Aaa	AAA	5.9
Federal Home Loan Agency-Callable Agency Note	Aaa	AAA	7.3
Federal National Mortgage Assoc-Agency Note	Aaa	AAA	8.0
Federal Home Loan Mortgage Corp-Discount Note	Aaa	AAA	13.9
Federal National Mortgage Assoc-Discount Note	Aaa	AAA	20.2

Concentration of credit risk: The City's investment policy sets diversification limits on both security types and length of maturity. As of June 30, 2005 the City's investments include 36% invested in U.S. Agency Coupon securities, 34% in U.S. Agency Discount Notes, 19% in U.S. Treasury securities and 11% in City of Peoria Improvement District Bonds, money market funds and the Arizona State Investment Pool. The City's investment policy requires that a minimum of 35% be invested for a period of one year or less and no more than 20% of the City's portfolio be invested for a period greater than three years. At June 30, 2005, 84% of the City's investments have a maturity of less than one year and less than one percent has maturities greater than three years.

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

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

At June 30, 2005, the City's investments included the following:

	Investment Maturities in Years				Fair Value
	Less than 1	1-2	2-3	Over 3	
<u>Unrestricted Investments:</u>					
City of Peoria Bonds	\$ 259,931	275,148	291,262	980,211	\$ 1,806,552
U.S. Treasury notes and strips	53,562,160	-	-	-	53,562,160
Agency coupon securities	61,274,365	44,940,448	1,988,400	-	108,203,213
Agency discount notes	98,133,808	-	-	-	98,133,808
U.S. Treasury bills	3,546,411	-	-	-	3,546,411
					<u>265,252,144</u>
State of Arizona local government investment pool	2,156,103				2,156,103
Mutual fund-money market	46,628				46,628
Total unrestricted investments	218,979,406	45,215,596	2,279,662	980,211	267,454,875
Less: amount included in cash and cash equivalents					(26,443,539)
Unrestricted investments, net					<u>\$ 241,011,336</u>
Total investments per statement of net assets					\$ 240,430,169
Investments in Fiduciary Funds					581,167
Total unrestricted investments					<u>\$ 241,011,336</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Restricted Assets (1):

Agency discount notes	6,023,829			\$	6,023,829
Mutual fund-money market	30,050,106				30,050,106
Total Restricted Assets	36,073,935	-	-	- \$	<u>36,073,935</u>

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

Cash and cash equivalents at June 30, 2005 consisted of the following:

Investments included in cash and cash equivalents		\$	26,443,539
Carrying amount of City deposits			17,110,530
Amounts due from restricted cash			1,926,515
Petty cash on hand			<u>13,929</u>
Total cash and cash equivalents			45,494,513
Less: Cash and cash equivalents of Fiduciary funds			<u>107,379</u>
Total cash and cash equivalents per statement of net assets		\$	<u>45,387,134</u>

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

Investment income comprises the following for the year ended June 30, 2005:

Net interest and dividends		\$	6,763,756
Net decrease in the fair value of investments			<u>(979,450)</u>
Total net investment income			5,784,306
Less: net investment income of Fiduciary funds			<u>6,458</u>
Total net investment income per statement of activities		\$	<u>5,777,848</u>

The net decrease in the fair value of investments during fiscal year 2004-2005 was approximately \$979,450. 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, 2005 was approximately \$178,351.

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 2005 are \$791,529,236 and \$827,633,655 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.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 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, 2005:

Governmental activities:

General Fund:

Due from Maricopa County for:		
Property tax	\$	42,060
Due from State of Arizona for:		
State shared sales tax		885,490
State revenue sharing		945,113
Auto lieu tax		531,322
Miscellaneous other		55,892
Due from Peoria Unified School District		58,473
Subtotal		<u>2,518,350</u>

Highway User Revenue Fund:

Due from State of Arizona (Highway user revenue)		799,389
Due from Maricopa County – Property tax (SLIDS)		8,406
Subtotal		<u>807,795</u>

Non-major Governmental Fund:

Due from US Department of Housing & Urban Development		192,589
Due from US Department of Transportation		36,080
Due from US Department of Homeland Security		786
Due from other Federal agencies		13,752
Due from Maricopa County:		
Home grant		59,952
Property tax		199,078
Other		47,989
Due from State of Arizona		253,165
Subtotal		<u>803,391</u>
Total governmental activities	\$	<u><u>4,129,536</u></u>

7. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows at June 30, 2005:

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
General Fund	\$ 4,401,846	89,447	4,312,399
Half-Cent Sales Tax Fund	1,201,072	-	1,201,072
Highway User Revenue Fund	306,761	17,034	289,727
GO Bond Capital Projects Fund	256,618	-	256,618
Non-Bond Capital Projects Fund	395,260	-	395,260
Other Governmental Funds	266,026	172,408	93,618
Total governmental funds	6,827,583	278,889	6,548,694
Motor Pool Fund (Internal Service)	1,200	-	1,200
Total governmental activities	<u>\$ 6,828,783</u>	<u>278,889</u>	<u>6,549,894</u>
<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Business-type activities:			
Water Utility Fund	\$ 5,804,692	687,061	5,117,631
Wastewater Utility Fund	2,140,967	193,791	1,947,176
Sanitation Utility Fund	1,538,447	101,556	1,436,891
Public Housing Fund	20,551	-	20,551
Total business-type activities	<u>\$ 9,504,657</u>	<u>982,408</u>	<u>8,522,249</u>

8. INTERFUND TRANSACTIONS, RECEIVABLE AND PAYABLE BALANCES

Net interfund receivables and payables between governmental activities and business-type activities of \$581,908 are included in the government-wide financial statements at June 30, 2005. These internal balances are between the proprietary funds (business-type activities) and the internal service funds (governmental activities). At June 30, 2005, there is a short-term loan of \$7,755,640 from the General Fund to the GO Bond Capital Projects Fund to cover a temporary cash deficit until additional bonds are sold. It is expected that the loan will be repaid in fiscal year 2006. This transaction is shown in the fund financial statements as an interfund receivable (General Fund) and payable (GO Bond Capital Projects Fund).

The net transfers of \$14,546,789 from business-type activities to governmental activities on the government-wide statement of activities are primarily debt service and operational subsidies from the General Fund and Half-Cent Sales Tax Fund to the Stadium Fund as well as the transfer of capital assets with a net book value of \$14,749,598 from the Vistancia CFD Capital Projects Fund (a governmental fund) to the Water and Wastewater Utility Funds (Business-type funds). The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2005:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
Governmental funds:		
General Fund	\$ 3,525,515	4,163,280
Half-Cent Sales Tax Fund	7,494,850	50,016
Highway User Revenue Fund	663,512	1,033,441
GO Bond Capital Projects Fund	84,047	-
CFD Capital Projects	3,807,744	-
Non-Bond Capital Projects Fund	26,099	793,579
Non-Major Governmental Funds	225,536	5,726,081
Total governmental funds	<u>15,827,303</u>	<u>11,766,397</u>
Enterprise funds:		
Water Utility Fund	869,469	711,026
Wastewater Utility Fund	1,223,722	898,541
Sanitation Utility Fund	169,020	9,764
Stadium Fund	268,727	556,371
Public Housing	-	152,427
Total enterprise funds	<u>2,530,938</u>	<u>2,328,129</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Internal Service funds	<u>1,140,388</u>	<u>5,404,103</u>
Grand totals	\$ <u><u>19,498,629</u></u>	<u><u>19,498,629</u></u>

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; 3) transfers to fund internal service equipment replacement funds; or 4) capital assets purchased or constructed in one fund, but capitalized in another. There were no significant transfers during fiscal year 2005 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 121.

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, 2005:

<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Governmental	GO Bond Capital Projects Fund	\$ 7,252,304

The deficit in the GO Bond Capital Projects Fund arose due to capital expenditures that have not yet been funded by the sale of GO Bonds. The City plans to eliminate this deficit by the sale of GO Bonds.

For the year ended June 30, 2005, 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, 2005:

General Fund:	
Designated for economic stabilization reserve	\$ 25,900,000
Designated for encumbrances	943,080
Designated for capital construction	3,030,000
Designated for branch library equipment	153,049
Designated for economic development	783,494
Designated for municipal office complex reserve	<u>4,323,675</u>
	35,133,298
Half-Cent Sales Tax Fund:	
Designated for economic stabilization reserve	\$ 4,200,000
Designated for encumbrances	1,008,818
Designated for debt service retirement	<u>1,000,000</u>
	6,200,818
Highway User Revenue Fund:	
Designated for encumbrances	<u>\$ 370,198</u>

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Development Fee Fund:	
Designated for encumbrances	\$ <u>603,346</u>
Non-Bond Capital Projects Fund:	
Designated for encumbrances	1,401,792
Designated for capital construction	<u>1,368,772</u>
	2,770,564
Non-major Funds:	
Section 8 Housing Fund:	
Designated for encumbrances	<u>170,203</u>
Other Grants Fund:	
Designated for encumbrances	345,607
Reserved for arts capital	<u>820,206</u>
	<u>1,165,813</u>
	<u>1,336,016</u>
Total governmental funds	<u>\$ 46,414,240</u>
Water Utility Fund:	
Designated for working capital policy reserve	\$ 18,800,000
Designated for capital equipment replacement	1,950,261
Designated for capital construction	<u>2,044,739</u>
	22,795,000
Wastewater Utility Fund:	
Designated for working capital policy reserve	8,700,000
Designated for capital equipment replacement	712,753
Designated for capital construction	<u>4,502,216</u>
	13,914,969
Sanitation Utility Fund:	
Designated for working capital policy reserve	100,000
Designated for capital equipment replacement	<u>5,397,363</u>
	5,497,363
Stadium Fund:	
Designated for capital equipment replacement	<u>380,794</u>
Total proprietary funds	<u>\$ 42,668,360</u>
Internal Service Funds:	
Designated for capital equipment replacement	<u>\$ 9,953,137</u>

12. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2005 follows:

	<u>Balances</u> <u>June 30, 2004</u>	<u>Additions/</u> <u>Transfers in</u>	<u>Disposals/</u> <u>Transfers out</u>	<u>Balances</u> <u>June 30, 2005</u>
Governmental activities:				
Non-depreciable assets:				
Work in Progress – Parks	\$ 10,038,934	2,112,798	-	12,151,732
Work in Progress – Land	186,835	-	-	186,835
Work in Progress – Buildings	18,965,784	1,410,536	(18,854,478)	1,521,842
Work in Progress – Storm drains	1,836,232	3,914,543	-	5,750,775
Work in Progress – Streets	10,074,740	11,481,439	(1,506,811)	20,049,368
Work in Progress – Technology	2,441,453	1,329,381	(264,065)	3,506,769
Work in Progress – Vehicles	-	8,820	-	8,820
Land	<u>147,740,148</u>	<u>3,540,379</u>	-	<u>151,280,527</u>
Total non-depreciable assets	<u>191,284,126</u>	<u>23,797,896</u>	<u>(20,625,354)</u>	<u>194,456,668</u>
Depreciable assets:				
Buildings & Improvements	63,118,268	9,579,649	(165,211)	72,532,706

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Furniture	1,848,203	445,510	-	2,293,713
Equipment	28,616,383	3,221,328	(19,828)	31,817,883
Vehicles	13,851,777	2,178,282	(1,451,241)	14,578,818
Storm drain system	48,447,289	-	-	48,447,289
Street system	283,376,967	24,118,764	-	307,495,731
Park system	18,407,624	323,541	-	18,731,165
Total depreciable assets at historical cost	<u>457,666,511</u>	<u>39,867,074</u>	<u>(1,636,280)</u>	<u>495,897,305</u>
Less accumulated depreciation for:				
Buildings & Improvements	(15,388,507)	(1,619,412)	87,129	(16,920,790)
Furniture	(1,262,112)	(147,765)	-	(1,409,877)
Equipment	(17,241,969)	(3,174,725)	18,014	(20,398,680)
Vehicles	(6,226,458)	(1,676,403)	1,360,400	(6,542,461)
Storm drain system	(8,639,901)	(1,173,367)	-	(9,813,268)
Street system	(85,005,674)	(8,117,726)	-	(93,123,400)
Park system	(3,324,929)	(709,426)	-	(4,034,355)
Total accum. depreciation assets, net	<u>(137,089,550)</u>	<u>(16,618,824)</u>	<u>1,465,543</u>	<u>(152,242,831)</u>
Governmental activities capital assets, net	<u>\$ 511,861,087</u>	<u>47,046,146</u>	<u>(20,796,091)</u>	<u>538,111,142</u>

	Balances June 30, 2004	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2005
Business-type activities:				
Non-depreciable assets:				
Work in Progress - Baseball	\$ 30,935	-	-	30,935
Work in Progress - Water system	14,338,369	6,539,275	(84,343)	20,793,301
Work in Progress - Wastewater	9,475,993	4,017,985	(3,187,466)	10,306,512
Land	12,576,270	160,869	-	12,737,139
Total non-depreciable assets	<u>36,421,567</u>	<u>10,718,129</u>	<u>(3,271,809)</u>	<u>43,867,887</u>
Depreciable assets:				
Buildings & improvements	28,978,226	151,845	-	29,130,071
Furniture	58,327	69,671	-	127,998
Equipment	1,625,771	683,329	(158,712)	2,150,388
Vehicles	8,718,438	403,302	(1,009,590)	8,112,150
Water system	167,731,941	22,257,697	-	189,989,638
Wastewater system	120,753,268	31,125,792	-	151,879,060
Total depreciable assets at historical cost	<u>327,865,971</u>	<u>54,691,636</u>	<u>(1,168,302)</u>	<u>381,389,305</u>
Less accumulated depreciation for:				
Buildings & improvements	(8,061,645)	(725,295)	-	(8,786,940)
Furniture	(14,185)	(9,174)	-	(23,359)
Equipment	(1,001,754)	(239,289)	142,676	(1,098,367)
Vehicles	(3,993,748)	(989,484)	503,995	(4,479,237)
Water system	(24,296,474)	(3,726,776)	-	(28,023,250)
Wastewater system	(28,849,836)	(3,017,346)	-	(31,867,182)
Total accum. depreciation	<u>(66,217,642)</u>	<u>(8,707,364)</u>	<u>646,671</u>	<u>(74,278,335)</u>
Total depreciable assets, net	<u>261,648,329</u>	<u>45,984,272</u>	<u>(521,631)</u>	<u>307,110,970</u>
Business-type activities capital assets, net	<u>\$ 298,069,896</u>	<u>56,702,401</u>	<u>(3,793,440)</u>	<u>350,978,857</u>

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

General government	\$ 1,825,853
Culture and recreation	1,643,797
Police	1,458,899
Fire	1,042,273
Development services	69,749
Highways and streets	8,569,510
Public works	1,356,648
Human services	75,376

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Unallocated	576,719 Total
depreciation expense	<u>\$ 16,618,824</u>

13. COMMUNITY FACILITIES DISTRICT DEBT

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

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

14. LONG-TERM DEBT

A. General Obligation bonds

General: General obligation (GO) bonds are issued, after approval of the City of Peoria voters at an authorized bond election, to finance the purchase or construction of major capital facilities. While GO bonds may be issued for both governmental and business-type activities, at June 30, 2005, there are no outstanding GO bonds in the business-type activities.

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

Statutory Debt Limitation: Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, 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, 2005 was \$33,258,019 and \$126,546,731 for the 6 percent and 20 percent debt limits, respectively. Also see Table XX, page 155, 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.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2005, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate to meet the scheduled maturities of the bonds payable and related interest. Special assessment receivables that were delinquent at June 30, 2005 totaled \$1,750.

E. Community Facilities District bonds

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

F. Authorized and issued debt

The voters of the City authorized \$22,080,000 of general obligation bonds at a special bond election in March 1990, and \$75,150,000 in September 1994 of which \$2,328,966 and \$23,636,480, respectively, was unissued at June 30, 2005. 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 has 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 were issued against the 2000 authorization during fiscal year 2003, 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. \$28,150,000 remains available of this authorization at June 30, 2005.

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2005, 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. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement as of June 30, 2005. The City has no arbitrage liability at June 30, 2005.

Bonds payable at June 30, 2005 are comprised of the following:

Delivery Date	Description	Purpose	Maturity Dates	Net Interest Rate	Ave. Life (Yrs)	Original Principal Balance	Principal Balance Outstanding	
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:								
General Obligation Bonds								
03/30/93	Series 1993	Refunding portions of Series 1985, 1986, 1989, 1990A	7/1/93-11	5.84	10.5	\$ 9,900,000	\$ 5,345,000	
06/21/95	Series A (1995)	Various improvements	7/1/96-15	5.34	12.5	4,695,000	3,245,000	
07/02/96	Series B (1996)	Various improvements	7/1/97-16	5.52	13.2	6,000,000	4,685,000	
07/01/98	Series A (1998)	Various improvements	7/1/99-18	4.82	12.2	5,930,000	4,760,000	
07/01/98	Series B (1998)	Refunding portions of Series 1994, 1992A/B	7/1/99-14	4.64	9.8	4,030,000	3,165,000	
04/04/00	Series 2000	Various improvements	4/1/00-20	5.47	12.3	14,860,000	12,510,000	
04/02/03	Series A (2003)	Various improvements	7/1/04-22	4.04	9.5	27,570,000	21,670,000	
	Total General Obligation Bonds						72,985,000	55,380,000
Municipal Development Authority Bonds								
06/12/03	Series 2003	Refunding 1993 MDA & MSCA Series B	7/1/04-13	2.74	5.1	22,255,141	20,199,999	
Highway User Revenue Bonds								
07/10/96	Series C (1996)	Street, bridge, traffic signal improvements	7/1/97-16	5.81	14.1	4,600,000	4,075,000	
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	1/1/94-13	7.30	13.4	5,015,000	2,820,000	
12/30/92	ID# 8802	Bell Road ID-Street improvements	1/1/95-13	7.20	13.3	5,610,000	3,280,000	
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	205,000	
09/17/97	ID# 9601	83rd Ave ID-Water, wastewater & street improvements	1/1/99-12	5.30	8.7	2,285,000	1,115,000	
04/15/97	ID# 9602	North Beardsley ID-Water system improvements	1/1/99-07	5.60	6.1	2,125,000	490,000	
08/13/97	ID# 9603	Arrowhead Fountains ID-Water, wastewater & street improvements	1/1/99-12	5.20	8.7	3,800,000	1,715,000	
08/28/01	ID# 9303	75th Ave & Paradise Ln ID-Street & bridge improvements	1/1/03-11	6.00	5.7	2,270,000	1,549,746	
08/28/01	ID# 9801	83rd Ave & Thunderbird ID-Street improvements	1/1/03-11	5.00	5.7	493,000	256,807	
	Total Improvement District Bonds						24,173,000	11,431,553
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 infrastructure	7/15/05-22	6.69	12.7	21,250,000	21,250,000	
04/27/05	Series 2005	Vistancia Community Facilities District infrastructure	7/15/07-24	5.47	13.2	23,550,000	23,550,000	
							44,800,000	44,800,000
Total bonds payable recorded in governmental activities							135,886,552	
Less current portion							(8,781,352)	
Long-term portion of bonds payable recorded in governmental activities							\$127,105,200	
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	\$ 2,505,001	
Revenue Bonds								
08/24/95	WIFA Series 1995	Wastewater treatment facilities	7/1/96-15	3.15	11.5	11,405,081	7,132,938	
08/06/97	WIFA Series 1997	Beardsley wastewater treatment plant & assoc. improvements	7/1/98-17	2.95	11.5	14,330,000	10,243,713	

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

09/10/98	Series A (1998)	Water system improvements	7/1/01-18	4.73	12.7	16,730,000	14,255,000
09/10/98	Series B (1998)	Refunding portion of Series 1991	7/1/01-06	4.16	5.6	4,170,000	1,625,000
07/06/00	Series 2000	Water & wastewater system improvements	7/1/02-20	5.33	12.6	16,590,000	9,515,000
07/07/00	WIFA Series 2000 (ph 1)	Greenway water treatment plant construction	7/1/02-20	3.94	11.8	20,150,000	17,864,862
07/26/01	WIFA Series 2000 (ph 2)	Greenway water treatment plant expansion & water improvements	7/1/02-21	3.94	11.7	14,500,000	12,971,401
07/26/02	WIFA Series 2000 (ph 3)	Water system improvements	7/1/03-22	3.94	11.8	1,964,789	1,829,387
	Total Revenue Bonds					99,839,870	75,437,301

Total bonds payable recorded in business-type activities	77,942,302
Less current portion	(5,053,627)
Long-term portion of bonds payable recorded in business-type activities	72,888,675
Total long-term portion of bonds payable	\$199,993,875

Reconciliation to total bonded debt principal:	
Total long-term portion of bonds payable	\$199,993,875
Add:	
Current portion of bonds payable	13,834,979
Total bonded debt principal as of June 30, 2005	\$213,828,854

Contracts Payable

Other debt at June 30, 2005 consists of the following:

Agreement Date	Type	Nature of Improvements	Expiration Date	Interest Rate	Interest Cap	Original Amount	Principal Balance Outstanding
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	\$ 6,203,903
02/20/92	Planned area retail project	Offsite improvements-Bell Rd-ID 8802	01/20/11	Prime	9.0	5,305,975	3,661,509
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	2,543,347
03/27/97	Planned area retail & restaurant projects	Bicycle path & infrastructure improvements related to development	02/01/06	-	-	222,716	53,482
11/21/00	Planned area retail project	Offsite improvements-83rd Ave & Thunderbird	11/21/07	-	-	122,323	45,801
01/02/01	Planned area retail project	Street & infrastructure improvements-91st Ave & Northern	02/09/09	-	-	900,000	506,858
09/04/01	Restaurant project	Street improvements-83rd Ave & Bell Rd-ID 8802	01/08/07	-	-	67,534	39,226
08/17/01	Capital lease	Modular building at City Hall Complex	09/01/06	5.85	-	396,195	109,601
08/07/02	Capital lease	Modular building at Municipal Operations Center	09/01/07	4.95	-	122,925	58,842
03/17/04	Capital lease	Sixteen Copiers	03/01/09	-	-	164,548	123,411
01/21/05	Capital lease	Modular building at Beardsley Treatment Plant	01/21/10	4.00	-	259,728	240,009
	Total contracts payable						13,585,989
Total contracts payable recorded in governmental activities	13,585,989						
Less estimated current portion	(1,826,778)						
Long-term portion of contracts payable	11,759,211						
Total contracts payable	\$ 13,585,989						

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 64,980,000	-	9,600,000	55,380,000	4,175,000
MDA bonds	22,255,141	-	2,055,142	20,199,999	2,246,421
Highway user revenue bonds		4,305,000	-	230,000	4,075,000
245,000					

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Special assessment bonds	12,938,689	-	1,507,136	11,431,553	1,389,931
CFD bonds	<u>21,250,000</u>	<u>23,550,000</u>	-	<u>44,800,000</u>	<u>725,000</u>
Total bonds payable	125,728,830	23,550,000	13,392,278	135,886,552	8,781,352
Contracts payable	15,238,955	259,728	1,912,694	13,585,989	1,826,778
Compensated absences	<u>3,244,780</u>	<u>5,244,820</u>	<u>4,916,620</u>	<u>3,572,980</u>	<u>3,102,420</u>
Governmental activities totals	<u>\$ 144,212,565</u>	<u>29,054,548</u>	<u>20,221,592</u>	<u>153,045,521</u>	<u>13,710,550</u>
Business-type activities:					
Bonds payable:					
MDA bonds	\$ 2,759,859	-	254,858	2,505,001	278,579
Revenue bonds	<u>79,956,867</u>	-	<u>4,519,566</u>	<u>75,437,301</u>	<u>4,775,048</u>
Total bonds payable	82,716,726	-	4,774,424	77,942,302	5,053,627
Compensated absences	<u>431,060</u>	<u>703,103</u>	<u>607,693</u>	<u>526,470</u>	<u>455,960</u>
Business-type activities totals	<u>\$ 83,147,786</u>	<u>703,103</u>	<u>5,382,117</u>	<u>78,468,772</u>	<u>5,509,587</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2005:

Fiscal Year	General Obligation Bonds	Municipal Development Authority Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Community Facilities District Bonds	Total
2006	6,685,677	3,563,961	469,990	2,131,272	7,727,225	2,931,139	23,509,264
2007	5,714,798	3,802,301	469,525	2,169,757	7,705,189	3,283,444	23,145,014
2008	5,728,024	3,720,497	470,210	1,861,719	6,880,568	3,960,100	22,621,118
2009	5,452,704	3,771,556	469,810	1,880,793	6,842,281	3,967,025	22,384,169
2010	5,352,607	3,773,476	468,295	2,009,113	6,825,589	3,940,925	22,370,005
2011	5,343,009	4,000,484	470,574	2,059,111	6,065,047	3,956,763	21,894,988
2012	4,931,960	1,465,482	466,703	1,559,470	6,056,236	3,941,406	18,421,257
2013	4,539,455	1,460,249	466,662	1,077,820	6,044,054	3,943,844	17,532,084
2014	4,564,435	1,431,139	470,244	-	6,033,168	3,938,203	16,437,189
2015	4,570,127	-	467,531	-	6,019,021	3,921,781	14,978,460
2016	4,283,875	-	468,525	-	6,011,077	3,919,563	14,683,040
2017	3,893,847	-	468,081	-	6,288,927	3,931,469	14,582,324
2018	3,394,272	-	-	-	6,273,847	3,907,219	13,575,338
2019	3,399,800	-	-	-	5,361,912	3,923,469	12,685,181
2020	2,963,303	-	-	-	4,003,206	3,904,531	10,871,040
2021	1,698,550	-	-	-	4,019,856	3,900,406	9,618,812
2022	1,700,130	-	-	-	1,159,606	3,883,688	6,743,424
2023	1,707,575	-	-	-	138,354	3,878,438	5,724,367
2024	-	-	-	-	-	3,894,844	3,894,844
2025	-	-	-	-	-	3,883,531	3,883,531
Less interest	(20,544,148)	(4,284,145)	(1,551,150)	(3,317,502)	(24,017,862)	(32,011,788)	(85,726,595)
	<u>\$ 55,380,000</u>	<u>22,705,000</u>	<u>4,075,000</u>	<u>11,431,553</u>	<u>75,437,301</u>	<u>44,800,000</u>	<u>213,828,854</u>

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, 2005, segregating principal and interest, for the next five years and in five-year increments thereafter.

Fiscal year	Principal	Interest	Total
2006	13,834,980	9,674,284	23,509,264
2007	13,798,923	9,346,091	23,145,014
2008	13,937,127	8,683,991	22,621,118
2009	14,389,762	7,994,407	22,384,169
2010	15,102,012	7,267,993	22,370,005
2011-2015	62,612,423	26,651,555	89,263,978

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

2016-2020	53,287,187	13,109,736	66,396,923
2021-2025	<u>26,866,440</u>	<u>2,998,538</u>	<u>29,864,978</u>
Totals	<u>\$ 213,828,854</u>	<u>85,726,595</u>	<u>299,555,449</u>

The City had no outstanding variable rate bonds at June 30, 2005. The City had \$12,408,759 in variable rate outstanding contracts payable at June 30, 2005. 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, 2005.

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

15. ADVANCE REFUNDINGS

In prior years, the City refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded.

The City issued no refunding bonds during fiscal year 2005.

Prior Years Refundings

2000	Water/Sewer Revenue Bonds (partially defeased)	<u>\$5,475,000</u>
------	--	--------------------

16. 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.

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 5.7 percent of their salaries to the System during fiscal year 2004-2005 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

30, 2005, 2004, and 2003, were \$2,148,809, \$1,924,939, and \$782,900, 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 2004-2005 was 13.49 percent. The City's contributions to EORP for the fiscal years ended June 30, 2005, 2004 and 2003 were \$17,710, \$16,998, and \$8,787, respectively, which equal the required contributions for each year. The City's employees contributed \$9,190, \$8,820, and \$8,824 for the same time periods.

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 2004-2005 was 6.32 percent for fire personnel and 11.59 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 \$461,892 and fire personnel \$506,468 during fiscal year 2004-2005. For fiscal year 2004-2005, the City's annual pension cost of \$1,019,650 for police and \$418,414 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.75 percent investment rate of return, (b) projected salary increases of 6.25 percent per year compounded

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

annually, attributable to inflation (5.25%) 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, 2004.

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

Police

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$836,748	100%	\$ 0
2003	818,276	100	0
2004	993,927	100	0

Fire

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$473,108	100%	\$ 0
2003	356,693	100	0
2004	436,055	100	0

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

Schedule of Funding Progress (Latest Information Available)

Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Funded Excess / (Unfunded AAL)	Annual Covered Payroll	Funded Excess as a % of Covered Payroll
2002	\$17,509,065	\$17,231,298	101.6%	\$277,767	\$6,880,797	4.0%
2003	20,148,381	20,366,262	98.9	(217,881)	8,233,721	(2.6)
2004	21,457,844	22,856,426	93.9	(1,398,582)	8,026,120	(17.4)

Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Funded Excess	Annual Covered Payroll	Funded Excess as a % of Covered Payroll
2002	\$16,152,081	\$12,847,367	125.7%	\$3,304,714	\$5,491,083	60.2%
2003	17,933,498	15,218,667	117.8	2,714,831	5,908,093	46.0
2004	18,603,905	17,347,907	107.2	1,255,998	5,963,665	21.1

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 seven individuals receiving monthly benefits of \$300 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.

17. OPERATING LEASES

The City leases copiers, books, vehicles and land under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Lease costs for the fiscal year ended June 30, 2005 was \$205,396.

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

Year Ending June 30,	Amount
2006	\$ 111,554
2007	107,877
2008	28,168
2009	28,168
2010	28,168

The City is the lessor on several operating leases of land. The cost of the real property associated with these leases is \$2,218,519. Operating lease revenues for fiscal year 2005 were \$184,010.

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

Year Ending June 30,	Amount
2006	\$ 189,049
2007	193,393
2008	198,339
2009	204,004
2010	210,929

18. 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.

19. CONTINGENCIES

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

20. OTHER MATTERS

On July 1, 2003, the City entered into a development agreement with DIB Investment Group, LLC, to develop at least one luxury automotive dealership at the northwest corner of 92nd Avenue and Bell Road. The agreement specifies that construction of a Lexus dealership will commence no later than September 1, 2005, with the business opening by January 15, 2006. As a part of the project the dealer will construct all off-site improvements required by the City, including the development of a traffic signal and median improvements in the event these improvements have not previously been made. The City will contribute \$200,000 toward the construction of the median improvements if made by the developer. In addition, in consideration of the public benefit accruing from the project, the City will reimburse the dealer an amount not to exceed \$1,800,000. The reimbursement amount will be paid quarterly and will equal fifty percent of one percent of sales tax revenues from the project. Payments will begin within 30 days of the end of the first calendar quarter from the date the dealer receives the final certificate of occupancy. The agreement was amended to state that payments will end on the date that is ten years from the initial payment date to the dealer or the date on which the reimbursement amount is paid in full, whichever date is earlier.

On November 18, 2003, a development agreement was signed with Isbell Motor Company, Inc. for development of at least one luxury automotive dealership, including at least one Acura dealership, on the northeast corner of 92nd Avenue and Bell Road. The agreement calls for construction to begin by no later than August 1, 2004 with the dealer open for business by February 1, 2005. These dates were later revised to postpone the commencement of construction to June 1, 2005 and the open for business date to November 1, 2005, by request of the dealership. In the event the dealer constructs median improvements and a traffic signal at 92nd Avenue and Bell Road, the City will contribute \$200,000. The City also agrees to reimburse the dealer an amount not to exceed \$1,800,000. Payments will be made quarterly and will equal fifty percent of one percent of sales tax revenues from the project. The payments will begin within 30 days of the end of the first calendar quarter from the date the dealer receives the final certificate of occupancy and will expire on the date which is the earlier of the reimbursement amount being paid in full or seven years from the initial payment date.

The City approved a development agreement with Phoenix Motor Company on December 14, 2004, for the development of at least one luxury automotive dealership, including at least one Mercedes-Benz dealership, on ten acres located at 92nd Avenue and Bell Road. The agreement states that construction must commence no later than September 1, 2006, and the dealership must open for business no later than March 1, 2007. The City agreed to reimburse the dealer an amount not to exceed \$1,800,000. Payments will be made in quarterly installments commencing within 30 calendar days following the end of the first quarter from the date the dealer receives the final certificate of occupancy and opens for business to the general public. The quarterly payments will equal fifty percent of one percent of sales tax revenues from the project. The expiration date of the agreement is the earlier of the reimbursement amount being paid in full or ten years from the initial payment date.

The reimbursement amounts specified in these agreements will not be recorded as a liability of the City until such time as the dealerships open for business.

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 Grants Fund

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

Debt Service Funds

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.

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.

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, 2005

	<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 Bonds</u>
ASSETS				
Cash and cash equivalents	\$ 129,036	\$ 333,999	\$ 206,954	\$ -
Investments	698,391	-	1,119,861	-
Accounts receivable, net	5,296	5,203	24,170	-
Interest receivable	1,275	-	3,782	1,869
Due from other governments	36,080	86,555	481,679	-
Restricted cash and cash equivalents	-	-	-	2,739,770
Total assets	<u>\$ 870,078</u>	<u>\$ 425,757</u>	<u>\$ 1,836,446</u>	<u>\$ 2,741,639</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,775	\$ 33,569	\$ 179,531	\$ -
Accrued payroll	9,557	-	13,381	-
Due to other governments	-	5,203	112	-
Deferred revenue	303,122	96,934	59,186	-
Other liabilities	500	-	-	-
Compensated absences	6,810	-	6,060	-
Total liabilities	<u>\$ 322,764</u>	<u>\$ 135,706</u>	<u>\$ 258,270</u>	<u>\$ -</u>
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ -	\$ 2,741,639
Grant Purposes	547,314	119,848	291,195	-
Unreserved, designated (note 11)	-	170,203	1,165,813	-
Unreserved, undesignated, reported in:				
Special revenue funds	-	-	121,168	-
Total fund balance	<u>547,314</u>	<u>290,051</u>	<u>1,578,176</u>	<u>2,741,639</u>
Total liabilities and fund balance	<u>\$ 870,078</u>	<u>\$ 425,757</u>	<u>\$ 1,836,446</u>	<u>\$ 2,741,639</u>

The accompanying notes are an integral part of the financial statements

Debt Service Funds		Total
General	CFD	Non-Major
Obligation	Bonds	Governmental
Bonds		Funds
\$ 2,708,856	\$ 59	\$ 3,378,904
14,661,286	317	16,479,855
58,949	-	93,618
29,449	11,008	47,383
199,075	2	803,391
-	5,810,716	8,550,486
<u>\$ 17,657,615</u>	<u>\$ 5,822,102</u>	<u>\$ 29,353,637</u>
\$ -	\$ -	\$ 215,875
-	-	22,938
-	-	5,315
58,949	-	518,191
-	-	500
-	-	12,870
<u>\$ 58,949</u>	<u>\$ -</u>	<u>\$ 775,689</u>
\$ 17,598,666	\$ 5,822,102	\$ 26,162,407
-	-	958,357
-	-	1,336,016
-	-	121,168
<u>17,598,666</u>	<u>5,822,102</u>	<u>28,577,948</u>
<u>\$ 17,657,615</u>	<u>\$ 5,822,102</u>	<u>\$ 29,353,637</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, 2005

	Special Revenue Funds			Debt Service
	Public Transit Fund	Section 8 Housing Fund	Other Grants Fund	Municipal Development Authority Bonds
REVENUES:				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Local transportation aid	650,056	-	-	-
From federal government	65,982	1,063,185	1,556,248	-
Other	161,366	-	348,846	-
Charges for service	61,243	-	402,487	-
Fines and forfeitures	-	-	28,850	-
Rents	-	-	175	-
Investment earnings	8,675	4,919	21,857	1,678
Miscellaneous	32,172	-	29,658	-
Total revenues	<u>979,494</u>	<u>1,068,104</u>	<u>2,388,121</u>	<u>1,678</u>
EXPENDITURES:				
Current operating:				
General government	-	-	33,687	-
Culture and recreation	-	-	357,949	-
Police	-	-	358,453	-
Fire	-	-	10,235	-
Development services	-	-	515,578	-
Public works	-	-	28,051	-
Human services	857,062	911,045	-	-
Other	-	-	-	767
Debt service:				
Principal payments	-	-	-	2,055,142
Interest and other charges	-	-	-	1,019,439
Capital outlay	-	-	687,904	-
Total expenditures	<u>857,062</u>	<u>911,045</u>	<u>1,991,857</u>	<u>3,075,348</u>
Excess (deficiency) of revenues over expenditures	<u>122,432</u>	<u>157,059</u>	<u>396,264</u>	<u>(3,073,670)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,551	-	10,000	3,231,328
Transfers out	<u>(54,692)</u>	<u>(152,427)</u>	<u>(18,417)</u>	<u>-</u>
Total other financing sources and uses	<u>(47,141)</u>	<u>(152,427)</u>	<u>(8,417)</u>	<u>3,231,328</u>
Net change in fund balances	<u>75,291</u>	<u>4,632</u>	<u>387,847</u>	<u>157,658</u>
Fund balances - beginning	472,023	285,419	1,190,329	2,583,981
Fund balances - ending	<u>\$ 547,314</u>	<u>\$ 290,051</u>	<u>\$ 1,578,176</u>	<u>\$ 2,741,639</u>

The accompanying notes are an integral part of the financial statements

<u>Debt Service Funds</u>		<u>Total</u>
<u>General</u>		<u>Non-Major</u>
<u>Obligation</u>	<u>CFD</u>	<u>Governmental</u>
<u>Bonds</u>	<u>Bonds</u>	<u>Funds</u>
\$ 10,928,472	\$ 283,174	\$ 11,211,646
-	-	650,056
-	-	2,685,415
-	-	510,212
-	-	463,730
-	-	28,850
-	-	175
263,496	49,557	350,182
-	1,609,957	1,671,787
<u>11,191,968</u>	<u>1,942,688</u>	<u>17,572,053</u>
-	-	33,687
-	-	357,949
-	-	358,453
-	-	10,235
-	-	515,578
-	-	28,051
-	-	1,768,107
2,919	-	3,686
9,600,000	-	11,655,142
2,833,403	1,315,762	5,168,604
-	-	687,904
<u>12,436,322</u>	<u>1,315,762</u>	<u>20,587,396</u>
<u>(1,244,354)</u>	<u>626,926</u>	<u>(3,015,343)</u>
-	2,477,202	5,726,081
-	-	(225,536)
-	<u>2,477,202</u>	<u>5,500,545</u>
<u>(1,244,354)</u>	<u>3,104,128</u>	<u>2,485,202</u>
18,843,020	2,717,974	26,092,746
<u>\$ 17,598,666</u>	<u>\$ 5,822,102</u>	<u>\$ 28,577,948</u>

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005

	Motor Pool Fund	Self- Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,203,753	\$ 539,277	\$ 155,520	\$ 967,545	\$ 2,866,095
Investments	6,515,137	2,918,757	841,730	5,236,695	15,512,319
Accounts receivable, net	1,200	-	-	-	1,200
Interest receivable	25,346	7,835	2,744	13,139	49,064
Supplies inventory	146,139	-	-	-	146,139
Total current assets	<u>7,891,575</u>	<u>3,465,869</u>	<u>999,994</u>	<u>6,217,379</u>	<u>18,574,817</u>
Non-current assets:					
Capital assets:					
Buildings and improvements	-	-	-	148,102	148,102
Equipment	2,209,125	-	81,342	15,454,233	17,744,700
Vehicles	14,578,818	-	-	-	14,578,818
Furniture	-	-	11,732	60,969	72,701
Less accumulated depreciation	(7,969,265)	-	(69,764)	(10,294,032)	(18,333,061)
Construction in progress	8,820	-	-	2,528,872	2,537,692
Total capital assets, net	<u>8,827,498</u>	<u>-</u>	<u>23,310</u>	<u>7,898,144</u>	<u>16,748,952</u>
Total assets	<u>16,719,073</u>	<u>3,465,869</u>	<u>1,023,304</u>	<u>14,115,523</u>	<u>35,323,769</u>
LIABILITIES					
Current liabilities:					
Accounts payable	202,800	61,051	319,793	204,134	787,778
Accrued payroll	18,483	1,707	38,699	79,275	138,164
Due to other governments	-	-	-	104	104
Claims payable	-	3,100,000	-	-	3,100,000
Current portion of compensated absences	65,810	1,940	107,880	143,940	319,570
Total current liabilities	<u>287,093</u>	<u>3,164,698</u>	<u>466,372</u>	<u>427,453</u>	<u>4,345,616</u>
Non-current liabilities:					
Compensated absences	11,670	350	18,380	24,590	54,990
Total long-term liabilities	<u>11,670</u>	<u>350</u>	<u>18,380</u>	<u>24,590</u>	<u>54,990</u>
Total liabilities	<u>298,763</u>	<u>3,165,048</u>	<u>484,752</u>	<u>452,043</u>	<u>4,400,606</u>
NET ASSETS					
Invested in capital assets, net of related debt	8,827,498	-	23,310	7,898,144	16,748,952
Unrestricted	7,592,812	300,821	515,242	5,765,336	14,174,211
Total net assets	<u>\$ 16,420,310</u>	<u>\$ 300,821</u>	<u>\$ 538,552</u>	<u>\$ 13,663,480</u>	<u>\$ 30,923,163</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, 2005

	<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	\$ 5,205,495	\$ 2,998,859	\$ 4,945,532	\$ 7,188,536	\$ 20,338,422
From federal government	183,614	-	-	-	183,614
Miscellaneous	4,123	336,411	663	10,550	351,747
Total operating revenues	<u>5,393,232</u>	<u>3,335,270</u>	<u>4,946,195</u>	<u>7,199,086</u>	<u>20,873,783</u>
	6,647,059				
OPERATING EXPENSES					
Salaries, wages and employee benefits	1,044,915	88,320	2,284,967	3,079,356	6,497,558
Contractual services, materials and supplies	2,603,304	10,702	2,553,147	3,011,140	8,178,293
Insurance claims and expenses	-	2,130,651	-	-	2,130,651
Depreciation and amortization	1,901,663	-	8,421	1,567,407	3,477,491
Total operating expenses	<u>5,549,882</u>	<u>2,229,673</u>	<u>4,846,535</u>	<u>7,657,903</u>	<u>20,283,993</u>
Operating income (loss)	(156,650)	1,105,597	99,660	(458,817)	589,790
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	146,107	41,511	15,267	75,508	278,393
Gain on sale of fixed assets	110,302	-	-	-	110,302
Total non-operating revenues	<u>256,409</u>	<u>41,511</u>	<u>15,267</u>	<u>75,508</u>	<u>388,695</u>
Income (loss) before transfers	99,759	1,147,108	114,927	(383,309)	978,485
Transfers in	997,418	533,139	22,654	3,850,892	5,404,103
Transfers out	(99,784)	-	(38,356)	(1,002,248)	(1,140,388)
Change in net assets	<u>997,393</u>	<u>1,680,247</u>	<u>99,225</u>	<u>2,465,335</u>	<u>5,242,200</u>
Total net assets - beginning	<u>15,422,917</u>	<u>(1,379,426)</u>	<u>439,327</u>	<u>11,198,145</u>	<u>25,680,963</u>
Total net assets - ending	<u>\$ 16,420,310</u>	<u>\$ 300,821</u>	<u>\$ 538,552</u>	<u>\$ 13,663,480</u>	<u>\$ 30,923,163</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, 2005**

	<u>Motor Pool Fund</u>	<u>Self- Insurance Fund</u>	<u>Facilities Maintenance Fund</u>	<u>Information Technology Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,392,032	\$ 3,335,270	\$ 4,946,195	\$ 7,199,086	\$ 20,872,583
Payments to suppliers	(2,698,989)	(244,367)	(2,325,724)	(3,329,396)	(8,598,476)
Payments to employees	(1,034,657)	(87,192)	(2,256,535)	(3,043,072)	(6,421,456)
Self-insurance costs	-	(2,130,651)	-	-	(2,130,651)
Net cash provided (used) by operating activities	<u>1,658,386</u>	<u>873,060</u>	<u>363,936</u>	<u>826,618</u>	<u>3,722,000</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	997,418	533,139	22,654	3,850,892	5,404,103
Transfers out	(99,784)	-	(38,356)	(1,002,248)	(1,140,388)
Net cash provided (used) by non-capital financing activities	<u>897,634</u>	<u>533,139</u>	<u>(15,702)</u>	<u>2,848,644</u>	<u>4,263,715</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Net acquisition and construction of fixed assets	(2,195,351)	-	-	(2,989,247)	(5,184,598)
Net cash flows from capital and related financing activities	<u>(2,195,351)</u>	<u>-</u>	<u>-</u>	<u>(2,989,247)</u>	<u>(5,184,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments, net	-	(1,073,750)	(260,132)	(252,091)	(1,585,973)
Proceeds from sale of investments, net	97,090	-	-	-	97,090
Interest received on investments	136,060	36,638	13,770	73,824	260,292
Net cash provided (used) by investing activities	<u>233,150</u>	<u>(1,037,112)</u>	<u>(246,362)</u>	<u>(178,267)</u>	<u>(1,228,591)</u>
Net increase (decrease) in cash and cash equivalents	593,819	369,087	101,872	507,748	1,572,526
Cash and cash equivalents at beginning of year	609,934	170,190	53,648	459,797	1,293,569
Cash and cash equivalents at end of year	<u>\$ 1,203,753</u>	<u>\$ 539,277</u>	<u>\$ 155,520</u>	<u>\$ 967,545</u>	<u>\$ 2,866,095</u>
Classified as:					
Current assets	<u>\$ 1,203,753</u>	<u>\$ 539,277</u>	<u>\$ 155,520</u>	<u>\$ 967,545</u>	<u>\$ 2,866,095</u>
Totals	<u>\$ 1,203,753</u>	<u>\$ 539,277</u>	<u>\$ 155,520</u>	<u>\$ 967,545</u>	<u>\$ 2,866,095</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (156,650)	\$ 1,105,597	\$ 99,660	\$ (458,817)	\$ 589,790
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,901,663	-	8,421	1,567,407	3,477,491
(Increase) decrease in assets:					
Accounts receivable	(1,200)	-	-	-	(1,200)
Prepaid items	-	-	-	-	-
Supplies inventory	(23,787)	-	-	-	(23,787)
Increase (decrease) in liabilities:					
Accounts payable	(71,898)	(233,665)	227,423	(318,360)	(396,500)
Accrued payroll	1,518	(142)	4,862	24,964	31,202
Due to other governments	-	-	-	104	104
Compensated absences	8,740	1,270	23,570	11,320	44,900
Total adjustments	<u>1,815,036</u>	<u>(232,537)</u>	<u>264,276</u>	<u>1,285,435</u>	<u>3,132,210</u>
Net cash provided (used) by operating activities	<u>\$ 1,658,386</u>	<u>\$ 873,060</u>	<u>\$ 363,936</u>	<u>\$ 826,618</u>	<u>\$ 3,722,000</u>
Non-cash investing, capital and financing activities:					
Decrease in fair market value of investments	<u>\$ (26,321)</u>	<u>\$ (11,792)</u>	<u>\$ (3,401)</u>	<u>\$ (13,876)</u>	<u>\$ (55,390)</u>
Total non-cash investing, capital and financing activities	<u>\$ (26,321)</u>	<u>\$ (11,792)</u>	<u>\$ (3,401)</u>	<u>\$ (13,876)</u>	<u>\$ (55,390)</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, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Terramar Infrastructure Fund</u>				
Assets:				
Cash and cash equivalents	\$ 26,826	\$ 33,224	\$ -	\$ 60,050
Investments	290,644	56,970	22,694	324,920
Total Assets	<u>317,470</u>	<u>90,194</u>	<u>22,694</u>	<u>384,970</u>
Liabilities:				
Other liabilities	<u>317,470</u>	<u>67,500</u>	<u>-</u>	<u>384,970</u>
<u>Neighborhood Pride NFP Fund</u>				
Assets:				
Cash and cash equivalents	399	26,546	24,784	2,161
Investments	4,499	7,286	-	11,785
Total Assets	<u>4,898</u>	<u>33,832</u>	<u>24,784</u>	<u>13,946</u>
Liabilities:				
Accounts payable	280	17,219	17,499	-
Other liabilities	4,618	26,546	17,218	13,946
Total Liabilities	<u>4,898</u>	<u>43,765</u>	<u>34,717</u>	<u>13,946</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	27,225	59,770	24,784	62,211
Investments	295,143	64,256	22,694	336,705
Total Assets	<u>322,368</u>	<u>124,026</u>	<u>47,478</u>	<u>398,916</u>
Liabilities:				
Accounts payable	280	17,219	17,499	-
Other liabilities	322,088	94,046	17,218	398,916
Total Liabilities	<u>322,368</u>	<u>111,265</u>	<u>34,717</u>	<u>398,916</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	92
General Obligation Bond Capital Projects Fund	93
Non-Bond Capital Projects Fund	94
Community Facilities District (CFD) Bonds Capital Projects Fund	95
 Budgetary Comparison Schedules – Non-Major Governmental Funds	
Public Transit Fund	96
Section 8 Housing Fund	97
Other Grants Fund	98
Municipal Development Authority Bonds Debt Service Fund	99
General Obligation Bonds Debt Service Fund	100
Community Facilities District (CFD) Bonds Debt Service Fund	101
 Schedule of Operations – Budget and Actual – Proprietary Funds	
Enterprise Funds:	
Water Utility Fund	102
Wastewater Utility Fund	103
Sanitation Utility Fund	104
Stadium Fund	105
Public Housing Fund	106
Internal Service Funds:	
Motor Pool Fund	107
Self Insurance Fund	108
Facilities Maintenance Fund	109
Information Technology Fund	110
 Federal Financial Data Schedule	 111
 Debt Service Schedules	
Schedule of Changes in Debt – Governmental Activities	113
Schedule of Changes in Debt – Business-type Activities	114
Schedule of Debt Service Requirements to Maturity	116
 Fixed Assets Schedules	
Schedule of Fixed Assets by Function and Classification	118
Schedule of Changes in Fixed Assets by Function – Governmental Activities	120
 Schedule of Interfund Transfers	 121

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SPECIAL ASSESSMENT DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 2,103,669	\$ 2,103,669	\$ 2,103,669	\$ -
RESOURCES (INFLOWS):				
Special assessments	2,123,930	2,123,930	2,257,027	133,097
Investment earnings	31,556	31,556	22,899	(8,657)
Total inflows	<u>2,155,486</u>	<u>2,155,486</u>	<u>2,279,926</u>	<u>124,440</u>
Amounts available for appropriation	<u>4,259,155</u>	<u>4,259,155</u>	<u>4,383,595</u>	<u>124,440</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	1,750	1,750	163	(1,587)
Debt service:				
Principal payments	1,411,892	1,507,136	1,507,136	-
Interest and other charges	833,633	833,633	833,609	(24)
Contingencies	300,000	204,766	-	(204,766)
Total charges to appropriations	<u>2,547,275</u>	<u>2,547,285</u>	<u>2,340,908</u>	<u>(206,377)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 1,711,880</u>	<u>\$ 1,711,870</u>	<u>\$ 2,042,687</u>	<u>\$ 330,817</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	\$ 4,383,595
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	(2,103,669)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(6,786)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,273,140</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,340,908
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(1,712)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,339,196</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION (GO) BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 6,801,447	\$ 6,801,447	\$ 6,801,447	\$ -
RESOURCES (INFLOWS):				
Capital-related debt issued	38,119,043	38,119,043	-	(38,119,043)
Investment earnings	108,955	108,955	31,392	(77,563)
Total inflows	<u>38,227,998</u>	<u>38,227,998</u>	<u>31,392</u>	<u>(38,196,606)</u>
Amounts available for appropriation	<u>45,029,445</u>	<u>45,029,445</u>	<u>6,832,839</u>	<u>(38,196,606)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	490,381	338,587	333,146	(5,441)
Interest and fiscal charges	-	-	48,478	48,478
Capital outlay	44,539,064	40,351,620	10,927,938	(29,423,682)
Total charges to appropriations	<u>45,029,445</u>	<u>40,690,207</u>	<u>11,309,562</u>	<u>(29,380,645)</u>
Budgetary fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ 4,339,238</u>	<u>\$ (4,476,723)</u>	<u>\$ (8,815,961)</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	\$ 6,832,839
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(6,801,447)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	32
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 31,424</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,309,562
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	3,048,215
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 14,357,777</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
NON-BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 9,744,071	\$ 9,744,071	\$ 9,744,071	\$ -
RESOURCES (INFLOWS):				
Investment earnings	146,160	146,160	159,816	13,656
Miscellaneous	16,074,117	16,074,117	1,000,779	(15,073,338)
Total inflows	<u>16,220,277</u>	<u>16,220,277</u>	<u>1,160,595</u>	<u>(15,059,682)</u>
Amounts available for appropriation	<u>25,964,348</u>	<u>25,964,348</u>	<u>10,904,666</u>	<u>(15,059,682)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services:				
Highways and streets	60,665	153,868	214,618	60,750
Capital outlay	25,749,212	22,198,751	6,739,587	(15,459,164)
Total charges to appropriations	<u>25,809,877</u>	<u>22,352,619</u>	<u>6,954,205</u>	<u>(15,398,414)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 154,471</u>	<u>\$ 3,611,729</u>	<u>\$ 3,950,461</u>	<u>\$ 338,732</u>

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 10,904,666
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(9,744,071)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(856,731)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 303,864</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,954,205
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	418,911
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,373,116</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT (CFD) BONDS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 2,584,492	\$ 2,584,492	\$ 2,584,492	\$ -
RESOURCES (INFLOWS):				
Capital related debt issued	-	23,650,000	23,625,552	(24,448)
Investment earnings	-	-	41,145	41,145
Miscellaneous	-	-	2,020	2,020
Total inflows	<u>-</u>	<u>23,650,000</u>	<u>23,668,717</u>	<u>18,717</u>
Amounts available for appropriation	<u>2,584,492</u>	<u>26,234,492</u>	<u>26,253,209</u>	<u>18,717</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	-	60,637	60,637
Debt service:				
Interest and other charges	-	761,200	735,484	(25,716)
Capital outlay	2,584,492	23,108,292	1,976,015	(21,132,277)
Transfers to other funds	-	2,365,000	2,477,202	112,202
Total charges to appropriations	<u>2,584,492</u>	<u>26,234,492</u>	<u>5,249,338</u>	<u>(20,985,154)</u>
Budgetary fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,003,871</u>	<u>\$ 21,003,871</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	\$ 26,253,209
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	(2,584,492)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	42,379
Capital-related debt issued is a budgetary resource, but is not a revenue for financial reporting purposes	(23,625,552)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 85,544</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,249,338
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(638,893)
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(1,330,542)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,477,202)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 802,701</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
PUBLIC TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2004	\$ 420,674	\$ 420,674	\$ 420,674	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
Local transportation aid	650,326	650,326	650,056	(270)
From federal government	48,000	48,000	200,641	152,641
Other	-	-	303,122	303,122
Charges for services	42,000	42,000	55,947	13,947
Investment earnings	6,310	6,310	8,371	2,061
Miscellaneous	-	-	32,172	32,172
Transfers from other funds	7,551	7,551	7,551	-
Total inflows	<u>754,187</u>	<u>754,187</u>	<u>1,257,860</u>	<u>503,673</u>
Amounts available for appropriation	<u>1,174,861</u>	<u>1,174,861</u>	<u>1,678,534</u>	<u>503,673</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	939,152	989,153	852,625	(136,528)
Contingencies	50,000	-	-	-
Transfers out	121,043	121,043	54,692	(66,351)
Total charges to appropriations	<u>1,110,195</u>	<u>1,110,196</u>	<u>907,317</u>	<u>(202,879)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 64,666</u>	<u>\$ 64,665</u>	<u>\$ 771,217</u>	<u>\$ 706,552</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	\$ 1,678,534
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	(420,674)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(270,815)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(7,551)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 979,494</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 907,317
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	2,781
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	1,656
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(54,692)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 857,062</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SECTION 8 HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 860,748	\$ 860,748	\$ 860,748	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	1,513,425	1,513,425	1,006,666	(506,759)
Investment earnings	5,650	5,650	(284)	(5,934)
Total inflows	<u>1,519,075</u>	<u>1,519,075</u>	<u>1,006,382</u>	<u>(512,693)</u>
Amounts available for appropriation	<u>2,379,823</u>	<u>2,379,823</u>	<u>1,867,130</u>	<u>(512,693)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	1,727,500	1,591,730	902,818	(688,912)
Capital outlay	-	135,770	152,427	16,657
Total charges to appropriations	<u>1,727,500</u>	<u>1,727,500</u>	<u>1,055,245</u>	<u>(672,255)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 652,323</u>	<u>\$ 652,323</u>	<u>\$ 811,885</u>	<u>\$ 159,562</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	\$ 1,867,130
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	(860,748)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	61,722
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,068,104</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,055,245
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	8,227
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(152,427)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 911,045</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
OTHER GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2004	\$ 944,191	\$ 944,191	\$ 944,191	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	1,982,714	1,982,714	1,494,636	(488,078)
Other	7,500,584	7,500,584	452,951	(7,047,633)
Charges for services	967,665	967,665	378,007	(589,658)
Fines and forfeitures	20,000	20,000	28,850	8,850
Rents	-	-	175	175
Investment earnings	2,623	2,623	20,223	17,600
Miscellaneous	40,023	40,023	29,658	(10,365)
Transfers from other funds	10,000	10,000	10,000	-
Total inflows	<u>10,523,609</u>	<u>10,523,609</u>	<u>2,414,500</u>	<u>(8,109,109)</u>
Amounts available for appropriation	<u>11,467,800</u>	<u>11,467,800</u>	<u>3,358,691</u>	<u>(8,109,109)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government:				
Mayor and council	1,500	1,500	164	(1,336)
Attorney	33,062	33,244	19,083	(14,161)
Court	20,000	20,000	-	(20,000)
Non-departmental	15,000	20,000	14,279	(5,721)
Culture and recreation	460,147	507,585	452,286	(55,299)
Development services	1,575,347	1,595,521	514,584	(1,080,937)
Fire	1,500	60,924	10,105	(50,819)
Police	264,647	554,772	382,372	(172,400)
Public works	-	31,500	28,051	(3,449)
Capital outlay	6,726,965	7,208,595	576,742	(6,631,853)
Contingencies	750,000	104,596	-	(104,596)
Transfers out	-	-	200	200
Total charges to appropriations	<u>9,848,168</u>	<u>10,138,237</u>	<u>1,997,866</u>	<u>(8,140,371)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 1,619,632</u>	<u>\$ 1,329,563</u>	<u>\$ 1,360,825</u>	<u>\$ 31,262</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	\$ 3,358,691
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	(944,191)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(16,379)
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>\$ 2,388,121</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,997,866
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	5,373
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	6,243
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(17,425)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(200)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,991,857</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL DEVELOPMENT AUTHORITY (MDA) BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Budgetary fund balance, July 1, 2004	\$ 3,800,053	\$ 3,800,053	\$ 3,800,053	\$ -
RESOURCES (INFLOWS):				
Investment earnings	10,000	10,000	3,899	(6,101)
Transfers from other funds	<u>3,242,009</u>	<u>3,242,009</u>	<u>3,231,328</u>	<u>(10,681)</u>
Total inflows	<u>3,252,009</u>	<u>3,252,009</u>	<u>3,235,227</u>	<u>(16,782)</u>
Amounts available for appropriation	<u>7,052,062</u>	<u>7,052,062</u>	<u>7,035,280</u>	<u>(16,782)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	-	-	767	767
Debt service:				
Principal payments	2,055,142	2,055,142	2,055,142	-
Interest and other charges	<u>1,027,518</u>	<u>1,027,518</u>	<u>1,019,439</u>	<u>(8,079)</u>
Total charges to appropriations	<u>3,082,660</u>	<u>3,082,660</u>	<u>3,075,348</u>	<u>(7,312)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 3,969,402</u>	<u>\$ 3,969,402</u>	<u>\$ 3,959,932</u>	<u>\$ (9,470)</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	\$ 7,035,280
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	(3,800,053)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(2,221)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(3,231,328)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,678</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,075,348
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 3,075,348</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 18,703,733	\$ 18,703,733	\$ 18,703,733	\$ -
RESOURCES (INFLOWS):				
Property taxes	10,853,826	10,853,826	10,898,181	44,355
Investment earnings	280,556	280,556	252,529	(28,027)
Transfers in	-	-	-	-
Total inflows	<u>11,134,382</u>	<u>11,134,382</u>	<u>11,150,710</u>	<u>16,328</u>
Amounts available for appropriation	<u>29,838,115</u>	<u>29,838,115</u>	<u>29,854,443</u>	<u>16,328</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	-	-	2,919	2,919
Debt service:				
Principal payments	9,600,000	9,600,000	9,600,000	-
Interest and other charges	5,012,351	5,012,351	2,836,809	(2,175,542)
Total charges to appropriations	<u>14,612,351</u>	<u>14,612,351</u>	<u>12,439,728</u>	<u>(2,172,623)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 15,225,764</u>	<u>\$ 15,225,764</u>	<u>\$ 17,414,715</u>	<u>\$ 2,188,951</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	\$ 29,854,443
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	(18,703,733)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	41,258
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 11,191,968</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,439,728
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(3,406)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 12,436,322</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT (CFD) BONDS DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<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, 2004	\$ 2,717,974	\$ 2,717,974	\$ 2,717,974	\$ -
RESOURCES (INFLOWS):				
Property Taxes	283,174	283,174	283,172	(2)
Investment earnings	-	-	39,466	39,466
Miscellaneous	1,037,591	1,037,591	1,609,957	572,366
Transfers in	-	2,365,000	2,477,202	112,202
Total inflows	<u>1,320,765</u>	<u>3,685,765</u>	<u>4,409,797</u>	<u>724,032</u>
Amounts available for appropriation	<u>4,038,739</u>	<u>6,403,739</u>	<u>7,127,771</u>	<u>724,032</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Interest and other charges	<u>1,320,765</u>	<u>1,320,765</u>	<u>1,315,762</u>	<u>(5,003)</u>
Total charges to appropriations	<u>1,320,765</u>	<u>1,320,765</u>	<u>1,315,762</u>	<u>(5,003)</u>
Budgetary fund balance, June 30, 2005	<u>\$ 2,717,974</u>	<u>\$ 5,082,974</u>	<u>\$ 5,812,009</u>	<u>\$ 729,035</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	\$ 7,127,771
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	(2,717,974)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	10,093
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,942,688</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,315,762
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,315,762</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 25,435,892	\$ 25,435,892	\$ 25,259,862	\$ (176,030)
Miscellaneous	15,000	15,000	298,422	283,422
Total operating revenues	<u>25,450,892</u>	<u>25,450,892</u>	<u>25,558,284</u>	<u>107,392</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	4,440,803	4,583,044	4,147,575	(435,469)
Contractual services, materials and supplies	14,009,371	14,277,798	14,516,966	239,168
Insurance claims and expenses	-	290,000	1,740,000	1,450,000
Capital outlay	30,048,231	33,032,335	6,785,401	(26,246,934)
Contingencies	8,700,000	4,209,966	-	(4,209,966)
Total operating expenses	<u>57,198,405</u>	<u>56,393,143</u>	<u>27,189,942</u>	<u>(29,203,201)</u>
Operating income (loss)	<u>(31,747,513)</u>	<u>(30,942,251)</u>	<u>(1,631,658)</u>	<u>29,310,593</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	959,631	959,631	1,419,466	459,835
Proceeds from bonds or contracts payable	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-
Interest expense	(2,561,259)	(2,561,259)	(2,574,466)	(13,207)
Debt principal payments	(2,885,269)	(2,885,269)	(2,830,516)	54,753
Total nonoperating revenues (expenses)	<u>(4,486,897)</u>	<u>(4,486,897)</u>	<u>(3,985,516)</u>	<u>501,381</u>
Income (loss) before contributions and transfers	<u>(36,234,410)</u>	<u>(35,429,148)</u>	<u>(5,617,174)</u>	<u>29,811,974</u>
Capital contributions	5,682,300	5,682,300	9,473,021	3,790,721
Transfers in	144,731	144,731	166,731	22,000
Transfers out	(430,989)	(430,989)	(680,446)	(249,457)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (30,838,368)</u>	<u>\$ (30,033,106)</u>	<u>\$ 3,342,132</u>	<u>\$ 33,375,238</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.	103,160
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(640,692)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	640,692
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(81,503)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	2,277,826
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	6,785,401
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	22,027,441
Interest is capitalized on construction of capital assets for GAAP purposes, but is not a budgeted item.	59,757
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.	2,830,516
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(4,130,194)
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.	(16,094)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	4,493
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	355,272
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 33,558,207</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 11,755,769	\$ 11,755,769	\$ 11,431,211	\$ (324,558)
Miscellaneous	10,000	10,000	1,116	(8,884)
Total operating revenues	<u>11,765,769</u>	<u>11,765,769</u>	<u>11,432,327</u>	<u>(333,442)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,146,120	1,177,892	1,094,045	(83,847)
Contractual services, materials and supplies	6,990,768	7,056,563	5,570,055	(1,486,508)
Capital outlay	9,085,781	14,310,357	4,817,487	(9,492,870)
Contingencies	6,370,000	1,730,849	-	(1,730,849)
Total operating expenses	<u>23,592,669</u>	<u>24,275,661</u>	<u>11,481,587</u>	<u>(12,794,074)</u>
Operating income (loss)	<u>(11,826,900)</u>	<u>(12,509,892)</u>	<u>(49,260)</u>	<u>12,460,632</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	606,043	605,923	965,238	359,315
Proceeds from bonds or contracts payable	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-
Interest expense	(683,126)	(683,126)	(757,297)	(74,171)
Debt principal payments	(1,885,475)	(1,885,475)	(1,849,747)	35,728
Total nonoperating revenues (expenses)	<u>(1,962,558)</u>	<u>(1,962,678)</u>	<u>(1,641,806)</u>	<u>320,872</u>
Income (loss) before contributions and transfers	<u>(13,789,458)</u>	<u>(14,472,570)</u>	<u>(1,691,066)</u>	<u>12,781,504</u>
Capital contributions	3,131,900	3,131,900	4,391,622	1,259,722
Transfers in	15,101	15,101	15,102	1
Transfers out	(227,313)	(227,313)	(226,910)	403
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (10,869,770)</u>	<u>\$ (11,552,882)</u>	<u>\$ 2,488,748</u>	<u>\$ 14,041,630</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.	289,778
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(90,194)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	90,194
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(15,250)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(1,893,333)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	4,817,487
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	25,854,613
Interest is capitalized on construction of capital assets for GAAP purposes, but is not a budgeted item.	(7,330)
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.	1,849,747
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(3,187,225)
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.	(76,464)
The loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	33,810
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	(113,373)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 30,041,208</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 9,059,680	\$ 9,059,680	\$ 8,929,125	\$ (130,555)
Miscellaneous	70,000	70,000	4,167	(65,833)
Total operating revenues	<u>9,129,680</u>	<u>9,129,680</u>	<u>8,933,292</u>	<u>(196,388)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,557,078	2,588,850	2,634,148	45,298
Contractual services, materials and supplies	5,853,465	5,999,920	6,432,561	432,641
Capital outlay	2,620,132	1,663,560	406,638	(1,256,922)
Contingencies	500,000	1,177,000	-	(1,177,000)
Total operating expenses	<u>11,530,675</u>	<u>11,429,330</u>	<u>9,473,347</u>	<u>(1,955,983)</u>
Operating income (loss)	<u>(2,400,995)</u>	<u>(2,299,650)</u>	<u>(540,055)</u>	<u>1,759,595</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	205,715	205,715	276,954	71,239
Total nonoperating revenues (expenses)	<u>205,715</u>	<u>205,715</u>	<u>276,954</u>	<u>71,239</u>
Income (loss) before contributions and transfers	<u>(2,195,280)</u>	<u>(2,093,935)</u>	<u>(263,101)</u>	<u>1,830,834</u>
Capital contributions	720,090	720,090	1,123,950	403,860
Transfers in	1,508,630	1,508,630	1,008,630	(500,000)
Transfers out	(1,517,954)	(1,517,954)	(1,017,908)	500,046
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,484,514)</u>	<u>\$ (1,383,169)</u>	<u>\$ 851,571</u>	<u>\$ 2,234,740</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.	291,577
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(876,421)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	876,421
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(12,078)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	588,871
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	406,638
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(711,425)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	(112,447)
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	(149,978)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 1,152,729</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 1,429,849	\$ 1,429,849	\$ 1,804,154	\$ 374,305
Rents	1,699,000	1,699,000	1,550,002	(148,998)
Miscellaneous	-	-	21	21
Total operating revenues	<u>3,128,849</u>	<u>3,128,849</u>	<u>3,354,177</u>	<u>225,328</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	927,162	927,162	877,351	(49,811)
Contractual services, materials and supplies	2,867,003	2,898,718	3,340,686	441,968
Capital outlay	383,901	383,901	176,651	(207,250)
Contingencies	40,000	40,000	-	(40,000)
Total operating expenses	<u>4,218,066</u>	<u>4,249,781</u>	<u>4,394,688</u>	<u>144,907</u>
Operating loss	<u>(1,089,217)</u>	<u>(1,120,932)</u>	<u>(1,040,511)</u>	<u>80,421</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	23,196	23,196	10,723	(12,473)
Interest expense	(46,620)	(46,620)	(46,508)	112
Debt principal payments	(94,161)	(94,161)	(94,161)	-
Total nonoperating revenues (expenses)	<u>(117,585)</u>	<u>(117,585)</u>	<u>(129,946)</u>	<u>(12,361)</u>
Income (loss) before transfers	<u>(1,206,802)</u>	<u>(1,238,517)</u>	<u>(1,170,457)</u>	<u>68,060</u>
Transfers in	564,625	564,625	555,993	(8,632)
Transfers out	(267,803)	(267,803)	(266,933)	870
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (909,980)</u>	<u>\$ (941,695)</u>	<u>\$ (881,397)</u>	<u>\$ 60,298</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.	(296,302)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(97,849)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	97,849
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(12,664)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	264,371
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	176,651
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.	94,161
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(754,312)
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.	3,476
The loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	1,434
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	(1,416)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (1,405,998)</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, 2005**

	<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	\$ 224,938	\$ 224,938	\$ -	\$ (224,938)
Rent	-	-	123,380	123,380
From federal government	-	-	136,736	136,736
Miscellaneous	-	-	1,829	1,829
Total operating revenues	<u>224,938</u>	<u>224,938</u>	<u>261,945</u>	<u>37,007</u>
OPERATING EXPENSES:				
Contractual services, materials and supplies	<u>224,938</u>	<u>263,484</u>	<u>263,535</u>	<u>51</u>
Total operating expenses	<u>224,938</u>	<u>263,484</u>	<u>263,535</u>	<u>51</u>
Operating income (loss)	<u>-</u>	<u>(38,546)</u>	<u>(1,590)</u>	<u>36,956</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	<u>8,928</u>	<u>8,928</u>	<u>7,951</u>	<u>(977)</u>
Total nonoperating revenues (expenses)	<u>8,928</u>	<u>8,928</u>	<u>7,951</u>	<u>(977)</u>
Income (loss) before transfers	<u>8,928</u>	<u>(29,618)</u>	<u>6,361</u>	<u>35,979</u>
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ 8,928</u>	<u>\$ (29,618)</u>	<u>\$ 6,361</u>	<u>\$ 35,979</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.	2,932
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	53
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(80,548)
Certain transfers in/(out)out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	152,427
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 81,225</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 5,122,157	\$ 5,122,157	\$ 5,226,970	\$ 104,813
From federal government	-	-	183,614	183,614
Miscellaneous	100,000	100,000	4,123	(95,877)
Total operating revenues	<u>5,222,157</u>	<u>5,222,157</u>	<u>5,414,707</u>	<u>192,550</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,067,765	1,067,765	1,034,657	(33,108)
Contractual services, materials and supplies	2,097,875	2,677,566	2,721,664	44,098
Capital outlay	2,999,308	3,194,308	2,326,993	(867,315)
Contingencies	290,000	95,000	-	(95,000)
Total operating expenses	<u>6,454,948</u>	<u>7,034,639</u>	<u>6,083,314</u>	<u>(951,325)</u>
Operating income (loss)	<u>(1,232,791)</u>	<u>(1,812,482)</u>	<u>(668,607)</u>	<u>1,143,875</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	142,648	142,648	136,060	(6,588)
Total nonoperating revenues (expenses)	<u>142,648</u>	<u>142,648</u>	<u>136,060</u>	<u>(6,588)</u>
Income (loss) before transfers	<u>(1,090,143)</u>	<u>(1,669,834)</u>	<u>(532,547)</u>	<u>1,137,287</u>
Transfers in	2,281,703	2,281,703	2,224,103	(57,600)
Transfers out	(1,398,083)	(1,398,083)	(1,397,784)	299
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (206,523)</u>	<u>\$ (786,214)</u>	<u>\$ 293,772</u>	<u>\$ 1,079,986</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.	11,247
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(22,675)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	22,675
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(10,258)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	95,685
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,326,993
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,901,663)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	110,302
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	71,315
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 997,393</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, 2005

	<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	\$ 2,999,882	\$ 2,999,882	\$ 2,993,986	\$ (5,896)
Miscellaneous	-	-	336,411	336,411
Total operating revenues	<u>2,999,882</u>	<u>2,999,882</u>	<u>3,330,397</u>	<u>330,515</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	85,728	85,728	87,192	1,464
Contractual services, materials and supplies	903,079	903,079	244,367	(658,712)
Insurance claims and expenses	2,055,000	2,055,000	2,130,651	75,651
Total operating expenses	<u>3,043,807</u>	<u>3,043,807</u>	<u>2,462,210</u>	<u>(581,597)</u>
Operating loss	<u>(43,925)</u>	<u>(43,925)</u>	<u>868,187</u>	<u>912,112</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	20,000	20,000	41,511	21,511
Total nonoperating revenues	<u>20,000</u>	<u>20,000</u>	<u>41,511</u>	<u>21,511</u>
Income (loss) before transfers	<u>(23,925)</u>	<u>(23,925)</u>	<u>909,698</u>	<u>933,623</u>
Transfers in	500,000	500,000	500,000	-
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ 476,075</u>	<u>\$ 476,075</u>	<u>\$ 1,409,698</u>	<u>\$ 933,623</u>

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

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	4,873
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(1,128)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	233,665
Certain transfers in/(out)/out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	33,139
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 1,680,247</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, 2005**

	<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	\$ 5,113,029	\$ 5,113,029	\$ 5,117,804	\$ 4,775
Miscellaneous	-	-	663	663
Total operating revenues	<u>5,113,029</u>	<u>5,113,029</u>	<u>5,118,467</u>	<u>5,438</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	2,317,236	2,317,236	2,256,535	(60,701)
Contractual services, materials and supplies	2,758,602	2,662,913	2,325,724	(337,189)
Capital outlay	257,200	443,757	173,581	(270,176)
Total operating expenses	<u>5,333,038</u>	<u>5,423,906</u>	<u>4,755,840</u>	<u>(668,066)</u>
Operating income (loss)	<u>(220,009)</u>	<u>(310,877)</u>	<u>362,627</u>	<u>673,504</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	3,360	3,360	13,770	10,410
Total nonoperating revenues	<u>3,360</u>	<u>3,360</u>	<u>13,770</u>	<u>10,410</u>
Income (loss) before transfers	<u>(216,649)</u>	<u>(307,517)</u>	<u>376,397</u>	<u>683,914</u>
Transfers in	22,654	22,654	22,654	-
Transfers out	(13,130)	(13,130)	(37,047)	(23,917)
Deficit revenues over expenses - budgetary basis	<u>\$ (207,125)</u>	<u>\$ (297,993)</u>	<u>\$ 362,004</u>	<u>\$ 659,997</u>

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

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	1,497
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(172,272)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(28,432)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(227,423)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	173,581
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(8,421)
Certain transfers in/(out)out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	(1,309)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 99,225</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
OPERATING REVENUES:				
Charges for services	\$ 7,190,487	\$ 7,190,487	\$ 7,235,336	\$ 44,849
Miscellaneous	-	-	10,550	10,550
Total operating revenues	<u>7,190,487</u>	<u>7,190,487</u>	<u>7,245,886</u>	<u>55,399</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	3,239,051	3,239,051	3,043,072	(195,979)
Contractual services, materials and supplies	3,636,833	3,850,581	3,376,196	(474,385)
Capital outlay	2,807,904	3,309,018	1,662,818	(1,646,200)
Contingencies	300,000	287,179	-	(287,179)
Total operating expenses	<u>9,983,788</u>	<u>10,685,829</u>	<u>8,082,086</u>	<u>(2,603,743)</u>
Operating loss	<u>(2,793,301)</u>	<u>(3,495,342)</u>	<u>(836,200)</u>	<u>2,659,142</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income	66,312	66,312	73,824	7,512
Total nonoperating revenues	<u>66,312</u>	<u>66,312</u>	<u>73,824</u>	<u>7,512</u>
Income before transfers	<u>(2,726,989)</u>	<u>(3,429,030)</u>	<u>(762,376)</u>	<u>2,666,654</u>
Transfers in	2,346,100	2,346,100	2,563,549	217,449
Transfers out	<u>(1,032,578)</u>	<u>(1,032,578)</u>	<u>(1,032,578)</u>	<u>-</u>
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,413,467)</u>	<u>\$ (2,115,508)</u>	<u>\$ 768,595</u>	<u>\$ 2,884,103</u>

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

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	1,684
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(36,284)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(46,800)
The expenses associated with the interdepartmental service charges are expenses on a budgetary basis but are eliminated along with the revenues above under GASB34's allocation rules.	46,800
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	318,256
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	1,662,818
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,567,407)
Certain transfers in/(out)out are not budgeted items, but are other financing sources(uses) for GAAP purposes.	1,317,673
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 2,465,335</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, 2005

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	\$ 424,823	0	293,324	72,257
100	Total cash	424,823	0	293,324	72,257
Accounts receivable:					
121	Accounts receivable – PHA projects	-	24,676	-	-
122	Accounts receivable – HUD other projects	-	-	1,926	-
125	Accounts receivable – miscellaneous	20,551	-	5,203	-
126.2	Allowance for doubtful accts – other	-	-	-	-
120	Total receivables, net	20,551	24,676	7,129	-
Other current assets:					
144	Interprogram due from	-	-	-	24,676
150	Total current assets	445,374	24,676	300,453	96,933
Non-current Assets:					
Fixed Assets:					
161	Land	410,350	-	-	-
162	Buildings	3,276,922	-	-	-
164	Furniture, equipment & machinery – admin.	24,961	-	-	-
165	Leasehold improvements	121,175	-	-	-
166	Accumulated depreciation	(1,551,263)	-	-	-
160	Total fixed assets, net	2,282,145	-	-	-
180	Total non-current assets	2,282,145	-	-	-
190	Total Assets	\$ 2,727,519	24,676	300,453	96,933
LIABILITIES AND EQUITY:					
LIABILITIES:					
Current Liabilities:					
312	Accounts payable < 90 days	\$ -	-	5,199	-
332	Accounts payable – PHA projects	-	-	5,203	-
341	Tenant security deposits	14,467	-	-	-
342	Deferred revenues	-	-	-	96,933
347	Interprogram due to	-	24,676	-	-
310	Total Current Liabilities	14,467	24,676	10,402	96,933
350	Total Noncurrent Liabilities	-	-	-	-
300	Total Liabilities	14,467	24,676	10,402	96,933
EQUITY:					
508.1	Invested in capital assets, net of related debt	2,282,145	-	-	-
511.1	Restricted net assets	-	-	-	-
512.1	Unrestricted net assets	430,907	-	290,051	-
513	Total Equity/Net Assets	2,713,052	-	290,051	-
600	Total Liabilities and Equity/Net Assets	\$ 2,757,519	24,676	300,453	96,933

CITY OF PEORIA, ARIZONA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	\$ 126,312	-	-	-
705	Total tenant revenue	<u>126,312</u>	-	-	-
706	HUD PHA grants	136,736	-	591,463	197,591
711	Investment Income – unrestricted	7,951	-	4,919	-
715	Other revenue	1,829	-	62,206	-
700	Total revenue	<u>272,828</u>	-	<u>658,588</u>	<u>197,591</u>
EXPENSES:					
911	Administrative salaries	\$ 89,307	-	-	-
912	Audit fees	3,040	-	1,000	-
913	Outside management fees	41,356	-	103,742	-
915	Employee benefit contributions – administrative	7,765	-	-	-
916	Other operating – administrative	26,195	-	-	5,665
931	Water	23,926	-	-	-
932	Electricity	2,960	-	-	-
933	Gas	2,498	-	-	-
941	Ordinary maintenance and operations– labor	22,313	-	-	-
942	Ordinary maint. & oper. – materials and other	19,917	-	-	-
943	Ordinary maint. & oper. – contract costs	20,295	-	-	39,499
945	Employee benefit contributions – ordinary maint.	1,942	-	-	-
961	Insurance premiums	1,968	-	-	-
969	Total operating expenses	<u>263,482</u>	-	<u>104,742</u>	<u>45,164</u>
970	Excess operating revenues over expenses	<u>9,346</u>	-	<u>553,846</u>	<u>152,427</u>
973	Housing assistance payments	-	-	548,927	-
974	Depreciation expense	80,548	-	-	-
900	Total expenses	<u>344,030</u>	-	<u>653,669</u>	<u>45,164</u>
1001	Operating transfers in	152,427	-	-	-
1002	Operating transfers out	-	-	-	(152,427)
1010	Total other financing sources (uses)	<u>152,427</u>	-	-	<u>(152,427)</u>
1000	Excess (deficiency) of operating revenues over (under) expenses	<u>\$ 81,225</u>	-	<u>4,919</u>	-
MEMO ACCOUNT INFORMATION:					
1103	Beginning equity	\$ 2,631,827	-	285,419	-
1104	Prior period adjustments, equity transfers, and correction of errors	-	-	(287)	-
1113	Maximum annual contributions commitment (Per ACC)	-	-	568,464	-
1115	Contingency reserve	-	-	46,112	-
1116	Total annual contributions available	-	-	614,576	-
1120	Unit months available	840	-	984	-
1121	Number of unit months leased	828	-	858	-

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN DEBT
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 1

	<u>Balances at June 30, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balances at June 30, 2005</u>
Compensated absences	\$ 3,244,780	\$ 5,244,820	\$ 4,916,620	\$ 3,572,980
Contracts payable	15,238,955	259,728	1,912,694	13,585,989
Total	<u>18,483,735</u>	<u>5,504,548</u>	<u>6,829,314</u>	<u>17,158,969</u>
General obligation bonds:				
Refunding bonds - series 1993	5,345,000		-	5,345,000
Capital appreciation bonds 1993	1,875,000		1,875,000	-
Series 1994	170,000		170,000	-
Series 1995	3,450,000		205,000	3,245,000
Series 1996	4,960,000		275,000	4,685,000
Series 1998A	4,985,000		225,000	4,760,000
Refunding bonds - series 1998B	3,590,000		425,000	3,165,000
Series 2000	13,035,000		525,000	12,510,000
Series 2003	27,570,000		5,900,000	21,670,000
Total	<u>64,980,000</u>	<u>-</u>	<u>9,600,000</u>	<u>55,380,000</u>
Municipal Development Authority:				
Refunding bonds - series 2003	22,255,141		2,055,142	20,199,999
Total	<u>22,255,141</u>	<u>-</u>	<u>2,055,142</u>	<u>20,199,999</u>
Highway user revenue:				
Series 1996	4,305,000		230,000	4,075,000
Total	<u>4,305,000</u>	<u>-</u>	<u>230,000</u>	<u>4,075,000</u>
Special assessment:				
Sunny Boy ID #9002	205,000		-	205,000
North Valley ID #8801	3,075,000		255,000	2,820,000
Bell Road ID #8802	3,570,000		290,000	3,280,000
Arrowhead Shores ID #9202	108,000		108,000	-
83rd Ave ID #9601	1,240,000		125,000	1,115,000
North Beardsley ID #9602	665,000		175,000	490,000
Arrowhead Fountains ID #9603	1,915,000		200,000	1,715,000
75th Ave & Paradise Ln ID #9303	1,759,345		209,599	1,549,746
83rd Ave & Thunderbird ID #9801	401,344		144,537	256,807
Total	<u>12,938,689</u>	<u>-</u>	<u>1,507,136</u>	<u>11,431,553</u>
Community Facilities District:				
Vistancia CFD Series 2002	21,250,000			21,250,000
Vistancia CFD Series 2005	-	23,550,000		23,550,000
Total	<u>21,250,000</u>	<u>23,550,000</u>	<u>-</u>	<u>44,800,000</u>
Total bonds payable	<u>125,728,830</u>	<u>23,550,000</u>	<u>13,392,278</u>	<u>135,886,552</u>
Total governmental debt	<u>\$ 144,212,565</u>	<u>\$ 29,054,548</u>	<u>\$ 20,221,592</u>	<u>\$ 153,045,521</u>

**CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN DEBT
BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Exhibit 2

	<u>Balance at June 30, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balances at June 30, 2005</u>
Compensated absences	\$ 431,060	\$ 703,103	\$ 607,693	\$ 526,470
Total	<u>431,060</u>	<u>703,103</u>	<u>607,693</u>	<u>526,470</u>
1995 Wastewater Management Authority	7,668,637		535,699	7,132,938
1997 Water Infrastructure Finance Authority	10,882,896		639,183	10,243,713
1998A Water and Sewer Revenue	14,935,000		680,000	14,255,000
1997B Water and Sewer Refunding	2,325,000		700,000	1,625,000
2000 Water and Sewer Revenue	10,090,000		575,000	9,515,000
2000 Water Infrastructure Finance Authority, Phase 1	18,656,192		791,330	17,864,862
2000 Water Infrastructure Finance Authority, Phase 2	13,500,746		529,345	12,971,401
2000 Water Infrastructure Finance Authority, Phase 3	1,898,396		69,009	1,829,387
2003 Municipal Development Authority Refunding	2,759,859		254,858	2,505,001
Total bonds	<u>82,716,726</u>	<u>-</u>	<u>4,774,424</u>	<u>77,942,302</u>
Total business-type debt	<u>83,147,786</u>	<u>703,103</u>	<u>5,382,117</u>	<u>78,468,772</u>
Less current portion of debt	<u>5,142,054</u>			<u>5,509,587</u>
Long-term portion of debt	<u>\$ 78,005,732</u>			<u>\$ 72,959,185</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2005

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
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	858,325	4,068,325	3,560,000	1,010,127	4,570,127
2016	-	-	-	3,435,000	848,875	4,283,875	3,435,000	848,875	4,283,875
2017	-	-	-	3,200,000	693,847	3,893,847	3,200,000	693,847	3,893,847
2018	-	-	-	2,835,000	559,272	3,394,272	2,835,000	559,272	3,394,272
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
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
	<u>\$ 16,400,000</u>	<u>10,572,262</u>	<u>26,972,262</u>	<u>38,980,000</u>	<u>9,971,886</u>	<u>48,951,886</u>	<u>55,380,000</u>	<u>20,544,148</u>	<u>75,924,148</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
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>\$ 76,660,000</u>	<u>35,195,000</u>	<u>41,465,000</u>

(continued)

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2005

Exhibit 3

Fiscal Year	Municipal Development Authority (2)			Highway User Revenue			Special Assessment (3)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 2,525,000	\$ 1,038,961	\$ 3,563,961	\$ 245,000	\$ 224,990	\$ 469,990	\$ 1,389,932	\$ 741,340	\$ 2,131,272
2007	2,900,000	902,301	3,802,301	260,000	209,525	469,525	1,520,148	649,609	2,169,757
2008	2,965,000	755,497	3,720,497	275,000	195,210	470,210	1,306,262	555,457	1,861,719
2009	3,170,000	601,556	3,771,556	290,000	179,810	469,810	1,408,321	472,472	1,880,793
2010	3,335,000	438,476	3,773,476	305,000	163,295	468,295	1,626,383	382,730	2,009,113
2011	3,740,000	260,484	4,000,484	325,000	145,574	470,574	1,780,507	278,604	2,059,111
2012	1,310,000	155,482	1,465,482	340,000	126,703	466,703	1,395,000	164,470	1,559,470
2013	1,360,000	100,249	1,460,249	360,000	106,662	466,662	1,005,000	72,820	1,077,820
2014	1,400,000	31,139	1,431,139	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	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
	<u>\$ 22,705,000</u>	<u>4,284,145</u>	<u>26,989,145</u>	<u>4,075,000</u>	<u>1,551,150</u>	<u>5,626,150</u>	<u>11,431,553</u>	<u>3,317,502</u>	<u>14,749,055</u>

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

(3) Includes Sunny Boy Water and Sewer 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.

(continued)

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2005

Exhibit 3

Fiscal Year	Water and Sewer Revenue			Community Facilities District (4)			DEBT SERVICE REQUIREMENTS GRAND TOTALS		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 4,775,048	\$ 2,952,177	\$ 7,727,225	\$ 725,000	\$ 2,206,139	\$ 2,931,139	\$ 13,834,980	\$ 9,674,284	\$ 23,509,264
2007	4,973,775	2,731,414	7,705,189	750,000	2,533,444	3,283,444	13,798,923	9,346,091	23,145,014
2008	4,340,865	2,539,703	6,880,568	1,475,000	2,485,100	3,960,100	13,937,127	8,683,991	22,621,118
2009	4,501,441	2,340,840	6,842,281	1,550,000	2,417,025	3,967,025	14,389,762	7,994,407	22,384,169
2010	4,690,629	2,134,960	6,825,589	1,600,000	2,340,925	3,940,925	15,102,012	7,267,993	22,370,005
2011	4,088,562	1,976,485	6,065,047	1,700,000	2,256,763	3,956,763	15,339,069	6,555,919	21,894,988
2012	4,245,376	1,810,860	6,056,236	1,775,000	2,166,406	3,941,406	12,525,376	5,895,881	18,421,257
2013	4,406,212	1,637,842	6,044,054	1,875,000	2,068,844	3,943,844	12,226,212	5,305,872	17,532,084
2014	4,576,220	1,456,948	6,033,168	1,975,000	1,963,203	3,938,203	11,731,220	4,705,969	16,437,189
2015	4,750,546	1,268,475	6,019,021	2,075,000	1,846,781	3,921,781	10,790,546	4,187,914	14,978,460
2016	4,939,354	1,071,723	6,011,077	2,200,000	1,719,563	3,919,563	11,004,354	3,678,686	14,683,040
2017	5,450,391	838,536	6,288,927	2,350,000	1,581,469	3,931,469	11,455,391	3,126,933	14,582,324
2018	5,679,152	594,695	6,273,847	2,475,000	1,432,219	3,907,219	10,989,152	2,586,186	13,575,338
2019	4,977,119	384,793	5,361,912	2,650,000	1,273,469	3,923,469	10,597,119	2,088,062	12,685,181
2020	3,781,171	222,035	4,003,206	2,800,000	1,104,531	3,904,531	9,241,171	1,629,869	10,871,040
2021	3,968,931	50,925	4,019,856	2,975,000	925,406	3,900,406	8,463,931	1,154,881	9,618,812
2022	1,154,155	5,451	1,159,606	3,150,000	733,688	3,883,688	5,894,155	849,269	6,743,424
2023	138,354	-	138,354	3,350,000	528,438	3,878,438	5,158,354	566,013	5,724,367
2024	-	-	-	3,575,000	319,844	3,894,844	3,575,000	319,844	3,894,844
2025	-	-	-	3,775,000	108,531	3,883,531	3,775,000	108,531	3,883,531
	<u>\$ 75,437,301</u>	<u>24,017,862</u>	<u>99,455,163</u>	<u>44,800,000</u>	<u>32,011,788</u>	<u>76,811,788</u>	<u>213,828,854</u>	<u>85,726,595</u>	<u>299,555,449</u>

(4) Vistancia Community Facilities District bonds

**CITY OF PEORIA, ARIZONA
SCHEDULE OF FIXED ASSETS
BY FUNCTION AND CLASSIFICATION
JUNE 30, 2005**

Governmental activities:						
Asset Type	Culture and Recreation	General Government	Police	Fire	Development Services	Highways and Streets
Work in progress (WIP)	\$ 13,608,596	\$ 3,389,870	\$ 427,181	\$ 47,726	\$ 71,161	\$ 19,840,802
Land	28,172,122	2,732,117	-	1,048,451	-	112,573,742
Buildings and Improvements	10,281,553	29,558,324	19,651,678	12,562,152	119,479	-
Furniture	180,236	1,376,470	124,446	327,269	131,806	57,229
Equipment	1,609,196	16,510,475	4,626,381	2,737,322	71,620	6,062,574
Vehicles	993,404	1,002,374	3,482,274	4,397,278	386,443	2,685,736
Storm Drain System	431,061	-	-	-	-	-
Street System	7,340,741	20,819	-	-	-	300,125,397
Park System	18,731,165	-	-	-	-	-
Sub-total	81,348,074	54,590,449	28,311,960	21,120,198	780,509	441,345,480
Less accumulated depreciation	(11,086,583)	(22,031,013)	(6,665,080)	(4,054,968)	(326,450)	(97,347,629)
Total governmental activities capital assets, net	\$ 70,261,491	\$ 32,559,436	\$ 21,646,880	\$ 17,065,230	\$ 454,059	\$ 343,997,851
Business-type activities:						
	Water Utility	Wastewater Utility	Sanitation Utility	Stadium	Housing Programs	Total
Work in progress (WIP)	\$ 20,793,301	\$ 10,306,512	\$ -	\$ 30,935	\$ -	\$ 31,130,748
Land	1,752,464	3,870,976	-	6,703,349	410,350	12,737,139
Buildings and Improvements	82,327	5,704	10,799	25,754,319	3,276,922	29,130,071
Furniture	97,453	12,919	8,013	-	9,613	127,998
Equipment	998,585	370,121	35,861	609,298	136,523	2,150,388
Vehicles	1,563,832	616,539	5,564,834	366,945	-	8,112,150
Water System	189,989,638	-	-	-	-	189,989,638
Wastewater System	-	151,879,060	-	-	-	151,879,060
Sub-total	215,277,600	167,061,831	5,619,507	33,464,846	3,833,408	425,257,192
Less accumulated depreciation	(29,430,384)	(32,272,699)	(3,153,379)	(7,870,610)	(1,551,263)	(74,278,335)
Total business-type activities capital assets, net	\$ 185,847,216	\$ 134,789,132	\$ 2,466,128	\$ 25,594,236	\$ 2,282,145	\$ 350,978,857

Public Works	Human Services	Total
\$ 5,790,805	\$ -	\$ 43,176,141
6,446,338	307,757	151,280,527
359,520	-	72,532,706
90,665	5,592	2,293,713
200,315	-	31,817,883
1,179,273	452,036	14,578,818
48,016,228	-	48,447,289
8,774	-	307,495,731
-	-	18,731,165
<u>62,091,918</u>	<u>765,385</u>	<u>690,353,973</u>
<u>(10,530,181)</u>	<u>(200,927)</u>	<u>(152,242,831)</u>
<u>\$ 51,561,737</u>	<u>\$ 564,458</u>	<u>\$ 538,111,142</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN FIXED ASSETS BY FUNCTION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 5

Department	Balances July 1, 2004	Additions and Transfers	Deletions and Transfers	Balances June 30, 2005
Culture and Recreation	\$ 76,986,683	\$ 4,568,924	\$ (207,533)	\$ 81,348,074
General Government	61,370,659	13,931,795	(20,712,005)	\$ 54,590,449
Police	27,586,665	1,123,851	(398,556)	\$ 28,311,960
Fire	19,300,071	2,350,651	(530,524)	\$ 21,120,198
Development Services	793,166	38,807	(51,464)	\$ 780,509
Highways & Streets	404,008,169	37,491,675	(154,364)	\$ 441,345,480
Public Works	57,982,776	4,159,267	(50,125)	\$ 62,091,918
Human Services	922,448	-	(157,063)	\$ 765,385
Sub-total governmental fixed assets	<u>\$ 648,950,637</u>	<u>\$ 63,664,970</u>	<u>\$ (22,261,634)</u>	<u>\$ 690,353,973</u>
Less accumulated depreciation				
Culture and Recreation	(9,644,368)	(1,643,797)	201,582	(11,086,583)
General Government	(19,788,442)	(2,402,573)	160,002	(22,031,013)
Police	(5,511,648)	(1,458,899)	305,467	(6,665,080)
Fire	(3,448,543)	(1,042,272)	435,847	(4,054,968)
Development Services	(307,470)	(69,749)	50,769	(326,450)
Highways & Streets	(88,932,343)	(8,569,510)	154,224	(97,347,629)
Public Works	(9,223,658)	(1,356,648)	50,125	(10,530,181)
Human Services	(233,078)	(75,376)	107,527	(200,927)
Sub-total accumulated depreciation	<u>\$ (137,089,550)</u>	<u>\$ (16,618,824)</u>	<u>\$ 1,465,543</u>	<u>\$ (152,242,831)</u>
Total governmental activities capital assets, net	<u>\$ 511,861,087</u>	<u>\$ 47,046,146</u>	<u>\$ (20,796,091)</u>	<u>\$ 538,111,142</u>

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit 6

Fund Out	Purpose	Transfers In	Transfers Out
Governmental Funds:			
General	MDA Debt Service - debt payments	\$ -	\$ 163,200
	Other Grants - Employee wellness committee subsidy	-	10,000
	Other Grants - Anti Drug Grant - Police overtime	201	-
	Other Grants - Qwest Capital - excess funds	792	-
	Water Utility - capital assets	-	216
	Wastewater Utility - capital assets	-	13,583
	Stadium - operating subsidy	-	144,759
	ISF - Motor Pool - equipment purchases	-	582,922
	ISF - Motor Pool - capital assets	-	64,495
	ISF - Self-Insurance - additional subsidy	-	500,000
	ISF - IT Fund - capital assets	-	130,985
	ISF- IT Fund - projects	-	1,599,231
	ISF- IT Fund - computer equipment purchases	-	316,124
	ISF - IT Fund - computer equipment surplus	830,635	-
	Half-Cent - public safety equipment subsidy	1,700,000	-
	Half-Cent - economic development subsidy	631,652	-
	Half-Cent - office complex reserve	1,000,000	-
	Fund Totals	4,163,280	3,525,515
Half-Cent Sales Tax	General - public safety equipment subsidy	-	1,700,000
	General - economic development subsidy	-	631,652
	General - office complex reserve	-	1,000,000
	Highway User - streets subsidy	-	1,000,000
	Non-Bond Capital Projects - PSAB construction	26,099	-
	MDA Debt Service - debt payments	-	2,129,691
	Stadium - debt service subsidy	-	404,763
	ISF - Facilities - modular lease	23,917	-
	ISF - IT Fund - capital assets	-	628,744
	Fund Totals	50,016	7,494,850
Highway User	MDA Debt Service - debt payments	-	283,997
	ISF - Motor Pool - equipment purchases	-	325,000
	ISF- IT Fund - projects	-	7,223
	ISF- IT Fund - computer equipment purchases	-	12,426
	ISF - IT Fund - Capital assets	-	1,727
	ISF - IT Fund - computer equipment surplus	33,441	-
	ISF - Self-Insurance - reimbursement	-	33,139
	Half-Cent - streets subsidy	1,000,000	-
	Fund Totals	1,033,441	663,512
GO Bond Capital Projects	ISF - IT Fund - capital assets	-	84,047
		-	84,047
CFD Capital Projects	Other Govtl - CFD Debt Services - debt transfers	-	122,202
	Other Govtl - CFD Debt Services - bond issuance	-	2,355,000
	Water Utility - capital assets	-	572,505
	Wastewater Utility - capital assets	-	758,037
	Fund Totals	-	3,807,744
Non-Bond Capital Projects	Wastewater Utility - capital assets	793,579	-
	Half-Cent - PSAB construction	-	26,099
	Fund Totals	793,579	26,099
Other Governmental			
Public Transit	ISF - IT Fund - computer equipment surplus	7,551	-
	ISF- IT Fund - projects	-	52,880
	ISF- IT Fund - computer equipment purchases	-	1,812
	sub-totals	7,551	54,692
Section 8 Housing	Public housing - capital assets	-	152,427

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit 6

Fund Out	Purpose	Transfers In	Transfers Out
Other Governmental (continued)			
Other Grants	City Attorney State Forfeiture - IT Fund - capital assets	-	404
	GOHS Traffic - IT Fund - capital assets	-	8,200
	Gila River CNC - Motor Pool Fund - equipment purchases	-	8,820
	Anti Drug - General Fund - Police overtime	-	201
	Qwest Capital - General Fund - excess funds	-	792
	General to Employee Wellness - subsidy	10,000	-
	sub-totals	<u>10,000</u>	<u>18,417</u>
MDA Debt Service	General - debt service	163,200	-
	Half-Cent - debt service	2,129,691	-
	Highway User - debt service	283,997	-
	Water Utility - debt service	164,035	-
	Wastewater Utility - debt service	122,047	-
	Sanitation Utility - debt service	13,972	-
	Stadium - debt service	263,981	-
	ISF - Motor Pool - debt service	90,405	-
	sub-totals	<u>3,231,328</u>	<u>-</u>
CFD Debt Service	CFD Capital Projects - debt transfers	122,202	-
	CFD Capital Projects - bond issuance	2,355,000	-
	sub-totals	<u>2,477,202</u>	<u>-</u>
	Fund Totals	<u>5,726,081</u>	<u>225,536</u>
	Total Governmental Funds	<u>11,766,397</u>	<u>15,827,303</u>
Enterprise Funds:			
Water Utility	MDA Debt Service - debt service	-	164,035
	Wastewater Utility - capital assets	62,580	111,819
	Sanitation Utility - capital assets	13,654	-
	IFS - Motor Pool - capital assets	488	-
	ISF - IT Fund - computer equipment surplus	59,331	-
	ISF- IT Fund - projects	-	339,873
	ISF- IT Fund - computer equipment purchases	-	69,139
	ISF- IT Fund - capital assets	2,252	184,603
	General -capital assets	216	-
	CFD Capital Projects - capital assets	572,505	-
	Fund Totals	<u>711,026</u>	<u>869,469</u>
Wastewater Utility	MDA Debt Service - debt service	-	122,047
	ISF- IT Fund - projects	-	101,238
	ISF- IT Fund - computer equipment purchases	-	3,625
	ISF - IT Fund - capital assets	-	140,653
	ISF - IT Fund - computer equipment surplus	15,102	-
	General -capital assets	13,583	-
	Water Utility - capital assets	111,819	62,580
	CFD Capital Projects - capital assets	758,037	-
	Non-Bond Capital Projects - capital assets	-	793,579
	Fund Totals	<u>898,541</u>	<u>1,223,722</u>
Sanitation Utility	MDA Debt Service - debt service	-	13,972
	Water Utility - capital assets	-	13,654
	ISF- IT Fund - projects	-	1,864
	ISF- IT Fund - computer equipment purchases	-	2,072
	ISF - IT Fund - capital assets	-	137,458
	ISF - IT Fund - computer equipment surplus	8,630	-
	ISF - Motor Pool - equipment purchases	1,134	-
	Fund Totals	<u>9,764</u>	<u>169,020</u>

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit 6

Fund Out	Purpose	Transfers In	Transfers Out
Stadium	MDA Debt Service - debt service	-	263,981
	General Fund - operating subsidy	144,759	-
	Half-Cent - debt service subsidy	404,763	-
	ISF - Motor Pool - capital assets	378	-
	ISF - IT Fund - computer equipment surplus	6,471	-
	ISF - IT Fund - projects	-	1,398
	ISF - IT Fund - computer equipment purchases	-	1,554
	ISF - IT Fund - capital assets	-	1,794
	Fund Totals	556,371	268,727
Public Housing	Section 8 Housing - capital assets	152,427	-
	Total Enterprise Funds	2,328,129	2,530,938
Internal Service Funds			
Motor Pool	MDA Debt Service - debt service	-	90,405
	General Fund - equipment purchases	582,922	-
	General Fund - capital assets	64,495	-
	ISF - IT Fund - projects	-	3,495
	ISF - IT Fund - computer equipment purchases	-	3,884
	ISF - IT Fund - computer equipment surplus	16,181	-
	General - equipment purchases	-	-
	Highway User - equipment purchases	325,000	-
	Development Fee - capital assets	-	-
	Other Governmental - Transit - equipment purchases	-	-
	Other Governmental - Other Grants - equipment purchases	8,820	-
	Water Utility - capital assets	-	488
	Sanitation Utility - capital assets	-	1,134
	Stadium - capital assets	-	378
	Fund Totals	997,418	99,784
Self-Insurance	ISF - Motor Pool Fund - capital assets	-	-
	General - additional subsidy	500,000	-
	Highway User - reimbursement	33,139	-
	Fund Totals	533,139	-
Facilities Maintenance	Half-Cent - Modular lease	-	23,917
	ISF - IT Fund - projects	-	4,893
	ISF - IT Fund - computer equipment purchases	-	8,237
	ISF - IT Fund - capital assets	-	1,309
	ISF - IT Fund - computer equipment surplus	22,654	-
	Fund Totals	22,654	38,356
Information Technology	IT Equip surplus returned to funds - General Fund	-	830,635
	IT Equip surplus returned to funds - Highway User Fund	-	33,441
	IT Equip surplus returned to funds - Other Govtl - Transit	-	7,551
	IT Equip surplus returned to funds - Water Utility	-	59,331
	IT Equip surplus returned to funds - Wastewater Utility	-	15,102
	IT Equip surplus returned to funds - Sanitation Utility	-	8,630
	IT Equip surplus returned to funds - Sports Complex	-	6,471
	IT Equip surplus returned to funds - ISF Funds - Motor Pool	-	16,181
	IT Equip surplus returned to funds - ISF Funds - Facilities	-	22,654
	General - computer projects	1,599,231	-
	General - computer equipment purchases	316,124	-
	General - capital assets	130,985	-
	Highway User - computer projects	7,223	-
	Highway User - computer equipment purchases	12,426	-
	Highway User - capital assets	1,727	-
	Half-Cent - capital assets	628,744	-
	Other Governmental - Transit - computer projects	52,880	-
	Other Governmental - Transit - computer equipment purchases	1,812	-

(continued)

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit 6

<u>Fund Out</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Information Technology (continued)			
	Other Governmental - Other Grants - capital assets	8,604	-
	GO Bonds Capital Projects - capital assets	84,047	-
	Water Utility - computer projects	339,873	-
	Water Utility - computer equipment purchases	69,139	-
	Water Utility - capital assets	184,603	2,252
	Wastewater Utility - computer projects	101,238	-
	Wastewater Utility - computer equipment purchases	3,625	-
	Wastewater Utility - capital assets	140,653	-
	Sanitation Utility - computer projects	1,864	-
	Sanitation Utility - computer equipment purchases	2,072	-
	Sanitation Utility - capital assets	137,458	-
	Stadium - computer projects	1,398	-
	Stadium - computer equipment purchases	1,554	-
	Stadium - capital assets	1,794	-
	ISF - Motor Pool - computer projects	3,495	-
	ISF - Motor Pool - computer equipment purchases	3,884	-
	ISF - Facilities - computer projects	4,893	-
	ISF - Facilities - computer equipment purchases	8,237	-
	ISF - Facilities - capital assets	1,309	-
	Fund Totals	<u>3,850,892</u>	<u>1,002,248</u>
	Total Internal Service Funds	<u>5,404,103</u>	<u>1,140,388</u>
	Grand Totals	<u>19,498,629</u>	<u>19,498,629</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	126
II	Government-wide Revenues by Function	128
III	Government-wide Expenses by Function	131
IV	Governmental Activities Expenditures by Function	134
V	Governmental Revenues by Source	136
VI	Tax Revenues by Source	138
VII	City Transaction Privilege Taxes by Category	139
VIII	Intergovernmental Revenues by Source	140
IX	Development/Expansion Fees by Type	142
X	Operating Fund Balance/Net Assets by Fund Type	144
XI	General Fund – Fund Balances	145
	Property Values, Taxes & Assessments	
XII	Property Tax Rates and Tax Levies – Direct and Overlapping Governments	146
XIII	Property Tax Levies and Collections	148
XIV	Assessed and Estimated Actual Value of Taxable Property	149
XV	Secondary Assessed Valuation by Property Classification	150
XVI	Principal Property Tax Payers	151
XVII	Special Assessment Collections	152
	Bonded Debt	
XVIII	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	153
XIX	Computation of Direct and Overlapping Debt	154
XX	Computation of Legal Debt Margin	155
XXI	Bond Authorizations – Issued and Unissued	156
XXII	Ratio of Annual Debt Service Expenditures for General Bonded Debt To Total Governmental Expenditures	157
XXIII	Pledged Revenue, Debt Service Requirements and Estimated Coverage Municipal Development Authority Debt	159
XXIV	Schedule of Revenue Bond Coverage	160
XXV	Pledged Revenue, Debt Service Requirements and Estimated Coverage Utility Revenue Bond Debt	162
	Miscellaneous Data	
XXVI	Major Employers within the City	163
XXVII	Population and Unemployment Statistics	164
XXVIII	Building Permits and Home Sales	165
XXIX	Schedule of Insurance in Force	166
XXX	Property Insurance Schedule	168
XXXI	Miscellaneous Statistical Data	169
XXXII	Utility Statistical Data	171

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

<u>Fiscal Year</u>	<u>Charges for Service</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Sales & Use Taxes</u>	<u>Property Taxes</u>
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
2004	61,441,897	10,579,847	28,194,842	40,579,522	12,665,255
2005	69,051,820	10,962,912	33,490,957	45,535,559	14,166,644

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
2,495,803	23,294,333	33,874,090	3,047,660	1,443,908	217,617,157
2,498,995	24,754,786	52,229,824	5,777,848	2,629,496	261,098,841

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST FIVE 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
2004	2,982,712	8,427,932	1,697,650	1,553,178	4,756,969	10,434,552
2005	4,401,246	11,784,749	2,579,817	3,075,988	6,545,647	15,113,326

- 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		
Public Works	Human Services	Other	Unallocated General Revenues	Total Governmental	Water Utility	Wastewater Utility
\$ 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
5,887,194	1,726,236	859,781	95,822,429	134,148,633	35,376,653	14,629,609
4,161,349	2,001,832	753,983	111,613,771	162,031,708	34,405,817	16,000,524

(continued)

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST FIVE 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
2004	8,493,458	3,133,022	257,640	21,578,142	83,468,524	217,617,157
2005	9,454,742	2,961,792	264,877	35,979,381	99,067,133	261,098,841

**CITY OF PEORIA, ARIZONA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST FIVE 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
2004	16,762,082	13,580,663	19,519,868	11,025,133	4,280,766	16,554,235
2005	18,806,570	15,135,836	21,844,025	12,731,478	4,557,154	21,839,566

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 FIVE 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
2004	4,460,277	1,665,219	32,049	6,884,380	582,180	95,346,852
2005	5,187,303	1,869,601	3,849	6,017,664	576,719	108,569,765

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
21,344,055	11,049,354	7,798,343	4,341,127	357,785	44,890,664	140,237,516
23,815,912	12,469,667	8,462,126	4,623,886	344,030	49,715,621	158,285,386

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

Fiscal Year	General Government	Development Services	Public Safety	Highways and Streets
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
2004	15,403,431	7,361,497	29,103,682	8,825,795
2005	18,148,293	8,569,390	33,121,107	13,930,269

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
\$ 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
13,986,493	52,502,380	16,037,562	143,220,840
15,703,480	33,148,181	22,351,548	144,972,313

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter-governmental</u>	<u>Federal Government</u>	<u>Charges for Services</u>	<u>Licenses and Permits</u>
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
2004	55,774,213	32,500,445	2,340,738	18,430,649	3,597,522
2005	62,170,531	34,061,878	2,685,415	30,768,591	5,041,680

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

Table V

<u>Fines and Forfeitures</u>	<u>Rents</u>	<u>Investment Earnings</u>	<u>Special Assessments</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 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
1,086,327	89,829	1,467,703	2,598,445	3,293,560	121,179,431
1,823,626	174,837	2,652,530	2,252,142	2,560,291	144,191,521

**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		
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
2004	40,579,522	2,495,803	2,077,178	9,749,392	619,973	252,345	12,698,888	55,774,213
2005	45,535,559	2,498,995	2,285,792	10,688,571	868,197	293,417	14,135,977	62,170,531

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
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
2004	19,946,715	6,147,387	3,756,875	3,260,304	4,432,723	599,172	2,436,346	40,579,522
2005	21,861,810	7,871,565	4,297,474	3,497,126	5,052,224	570,265	2,385,095	45,535,559

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
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
2004	9,116,684	9,786,943	7,501,918	4,390,706
2005	10,038,874	10,076,455	7,878,977	4,639,457

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
\$ 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
650,734	1,053,460	2,340,738	34,841,183
650,056	778,059	2,685,415	36,747,293

**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	
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
2004	2,740,580	2,778,480	586,200	1,461,477	1,381,237	8,947,974
2005	7,029,058	5,045,791	1,028,504	2,730,568	2,020,208	17,854,129

Source - City financial records

Table IX

Business-type					
Water Expansion	Water Resource	Wastewater Expansion	Sanitation Expansion	Total Business- type	Grand Total
\$ 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
7,025,548	1,287,101	3,658,370	765,334	12,736,353	21,684,327
7,671,535	1,801,486	4,391,622	1,123,950	14,988,593	32,842,722

**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)
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
2004	47,051,153	46,777,911	349,069,017	25,688,757	468,586,838
2005	52,704,286	59,744,458	412,496,388	25,680,963	550,626,095

(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)
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%
2004	13,193,099	47,051,153	18.8%
2005	17,420,224	52,704,286	18.8%

(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>
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
2004	Primary	0.29	4.56	2.59	-	7.44
	Secondary	1.30	4.04	0.51		5.85
2005	Primary	0.29	4.46	2.59	-	7.34
	Secondary	1.30	3.90	0.51		5.71

(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	\$ 5.09	\$ 4.14
Secondary	1.30	2.83

(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	\$ -
Education Equalization	0.46	-
Community College District	0.92	0.12
County Flood Control District	-	0.21
Fire District Assistance	-	0.01
County Free Library	-	0.05
Central AZ Water Conservation	-	0.12
	<u>\$ 2.59</u>	<u>\$ 0.51</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
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
2004	Primary	2,077,622	45,718,267	726,446,055	-	774,241,944
	Secondary	9,755,580	42,454,023	145,100,016		197,309,619
2005	Primary	2,295,435	48,345,544	726,446,055	-	777,087,034
	Secondary	10,759,238	44,291,944	145,100,016		200,151,198

(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	Deer Valley
Primary	\$ 31,193,357	\$ 63,401,602
Secondary	8,624,555	46,984,483

(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	\$ 339,882,099	\$ -
Education Equalization	128,003,169	-
Community College District	258,560,787	34,904,190
County Flood Control District	-	56,334,141
Fire District Assistance	-	2,084,229
County Free Library	-	15,664,900
Central AZ Water Conservation	-	36,112,556
	<u>\$ 726,446,055</u>	<u>\$ 145,100,016</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
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%
2004	11,833,202	11,624,426	98.2%	251,331	11,875,757	100.4%
2005	13,054,673	12,817,287	98.2%	143,034	12,960,321	99.3%

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 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
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%
2004	Primary	716,421,283	13.16%	6,368,111,108	11.3%
	Secondary	750,429,221	13.22%	6,743,773,145	11.1%
2005	Primary	791,529,236	10.48%	7,089,638,535	11.2%
	Secondary	827,633,655	10.29%	7,525,637,782	11.0%

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	
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
2004	190,086,111	51,802,238	464,911,130	42,487,659	951,301	190,782	-	750,429,221
2005	218,209,727	58,949,534	497,294,057	51,436,849	1,712,708	30,780	-	827,633,655

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)
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%
2004	-	-	20%	25%	10%	16%
2005	-	-	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, 2005**

Table XVI

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003-2004 Secondary Assessed Valuation</u>	<u>As a Percentage of City Total Secondary Assessed Valuation</u>
Salt River Project	Electric Utility	\$18,453,923	2.23%
Arizona Public Service	Gas & Electric Utility	13,934,529	1.68%
Qwest Corporation	Telecommunications	11,024,328	1.33%
Sprint Spectrum LP	Telecommunications	6,161,851	0.74%
Developers Diversified Realty Corp	Shopping Center	6,114,746	0.74%
Cox Communications Phoenix	Cable and Telecommunications	5,957,645	0.72%
Larry Miller Real Estate-Dealerships	Auto/Light Truck Dealership	4,830,525	0.58%
Southwest Gas Corporation (T&D)	Gas Utility	4,086,766	0.49%
Target Corporation	Shopping Center	3,764,438	0.45%
Albertsons Inc	Grocery Stores	3,764,329	0.45%
Kimco Barclay Peoria Crossings	Shopping Center	3,615,061	0.44%
PDG America Properties LLC	Shopping Center	3,530,239	0.43%
Safeway Inc	Grocery Stores	3,213,113	0.39%
North Valley Shopping Center 01 LLC	Shopping Center	3,087,842	0.37%
Harkins Phoenix Cinemas LLC	Movie Theaters	2,952,946	0.36%
Plaza III LP	Nursing Home/Apartments	2,898,316	0.35%
Peoria Ni Industrial One LLC	Manufacturing	2,871,768	0.35%
Camden Operating Tr Arizona Inc	Multi-Family Housing	2,550,384	0.31%
Arizona Medical Clinic Ltd	Medical Clinic	2,312,726	0.28%
Lou Grubb Chevrolet Arrowhead	Auto/Light Truck Dealership	2,258,806	0.27%
		<u>\$ 107,384,281</u>	<u>12.97%</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>
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
2004	2,088,695	2,069,962	504,165	2,598,391	99.1%	12,345,284
2005	2,065,519	2,057,821	186,624	2,252,142	99.6%	12,345,284

(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	Less: Debt Service Reserves	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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
2004	129,632 (1)	750,429,221	64,980,000	18,843,020	46,136,980	6%	355.91
2005	132,487 (1)	827,633,655	55,380,000	17,598,666	37,781,334	5%	285.17

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

(2) Represents face value of general obligation debt outstanding

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, 2005

Table XIX

Jurisdiction	Secondary Assessed Valuation	General Obligation Debt Outstanding	Percentage Applicable to City of Peoria	Amount Applicable to City of Peoria	Secondary Tax Rate per \$100 Assessed (2)
Direct:					
City of Peoria	\$ 827,633,655	\$ 55,380,000	100.00%	\$ 55,380,000	\$ 1.59
Overlapping:					
State of Arizona	44,480,893,202	-	1.86%	-	-
Maricopa County	30,066,986,670	-	2.75%	-	1.21
Community College District	30,066,986,670	424,710,000	2.75%	11,690,706	1.04
County Flood Control District	26,585,248,023	-	-	-	0.21
County Free Library	30,066,986,670	-	-	-	0.05
Fire District Assistance	30,093,796,804	-	-	-	0.01
Education Equalization	28,070,870,413	-	-	-	-
Central AZ Water Conservation	30,093,796,804	-	-	-	0.04
Sub-total - City-wide overlapping				<u>11,690,706</u>	
Total City-wide levies				<u>\$ 67,070,706</u>	
Unified School Districts:					
Peoria No. 11	1,135,684,510	184,343,000	72.88%	134,340,540	3.90
Dysart No. 89	662,642,883	47,995,000	0.01%	4,800	1.30
Deer Valley No. 97	1,661,861,199	209,475,000	1.94%	4,063,815	2.83
				<u>138,409,155</u>	
Vistancia Community Facilities District	19,481,687	44,800,000	100.00%	44,800,000	2.10
Total overlapping				<u>194,899,861</u>	
Total direct and overlapping general obligation bonded debt				<u>\$ 250,279,861</u>	

Note: Secondary property taxes are restricted for debt service. For information on total tax rates, see Table XII.

- Sources - Exhibit 1 to the Financial Statements
 - Maricopa County Treasurer
 - Maricopa County Assessor
 - State of Arizona, Department of Revenue, Abstract of the Assessment Roll

**CITY OF PEORIA, ARIZONA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005**

Table XX

Secondary Assessed value	<u>\$ 827,633,655</u>
Debt limit 6 percent of assessed value	\$ 49,658,019
Amount of debt applicable to debt limit:	
General purpose general obligation bonds (1)	<u>16,400,000</u>
Legal debt margin for creation of additional debt	<u>\$ 33,258,019</u>
Debt limit 20 percent of assessed value	\$ 165,526,731
Amount of debt applicable to debt limit:	
Water, sewer, lighting, parks, open space and recreational purpose general obligation bonds	<u>38,980,000</u>
Legal debt margin for creation of additional debt	<u>\$ 126,546,731</u>

Note - See footnote 14 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, 2005

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	15,725,534	-	2,209,466
Subtotal	<u>22,080,000</u>	<u>19,751,034</u>	<u>-</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	15,212,755	-	162,245
Streets & Traffic Control	23,700,000	12,763,508	-	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	8,388,032	-	1,791,968
Subtotal	<u>75,150,000</u>	<u>51,513,520</u>	<u>-</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	14,330,000	-	28,150,000
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>21,681,456</u>	<u>-</u>	<u>260,318,544</u>
Totals	<u>\$ 497,260,000</u>	<u>\$ 165,568,164</u>	<u>\$ -</u>	<u>\$ 331,691,836</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

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest and Other Charges</u>	<u>Total</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Expenditures</u>
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%
2004	9,737,936	6,299,626	16,037,562	143,220,840	11.20%
2005	15,304,972	7,046,576	22,351,548	144,972,313	15.42%

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)	
2005	\$ 94,235,884	\$ 2,055,142	\$ 1,017,518	\$ 3,072,660	30.67
2006	103,925,879 (4)	2,246,421	930,530	3,176,951	32.71
2007		2,580,048	809,868	3,389,916	30.66
2008		2,637,877	679,420	3,317,297	31.33
2009		2,820,260	542,967	3,363,227	30.90
2010		2,967,055	398,284	3,365,339	30.88
2011		3,327,373	240,923	3,568,296	29.12
2012		1,165,470	140,257	1,305,727	79.59
2013		1,209,954	92,526	1,302,480	79.79
2014		1,245,541	31,139	1,276,680	81.40
		<u>22,255,141</u>	<u>4,883,432</u>	<u>27,138,573</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 2005 is based on actual revenues and debt service. All other years estimated based on fiscal year 2006 revenue estimates and debt service requirements at 6/30/05.
 - (4) Fiscal year 2006 revenue estimate per adopted budget.

- Source
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 - FY06 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
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
2004	39,176,675	22,617,415	16,559,260	11,971,020
2005	39,037,367	26,151,794	12,885,573	13,864,643

(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.

(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

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		
\$ 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
28,530,280	5,867,214	3,422,812	9,290,026	3.07	1.78
26,750,216	4,680,263	3,246,056	7,926,319	3.37	1.63

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

Table XXV

<u>FISCAL YEAR</u>	<u>Pledged Revenues (1)</u>	<u>Debt Service Requirements</u>		<u>Total Annual Requirements</u>	<u>Estimated Coverage (3)</u>
		<u>Principal (2)</u>	<u>Interest (2)</u>		
2005	26,750,216	4,680,263	3,246,056	7,926,319	3.37
2006	27,017,718	4,950,701	3,020,546	7,971,247	3.39
2007		5,175,516	2,789,696	7,965,212	3.39
2008		4,547,127	2,587,672	7,134,799	3.79
2009		4,721,964	2,377,783	7,099,747	3.81
2010		4,922,631	2,160,303	7,082,934	3.81
2011		4,348,738	1,988,819	6,337,557	4.26
2012		4,336,507	1,820,460	6,156,967	4.39
2013		4,500,821	1,642,712	6,143,533	4.40
2014		4,673,611	1,456,948	6,130,559	4.41
2015		4,750,546	1,268,475	6,019,021	4.49
		<u>51,608,425</u>	<u>24,359,470</u>	<u>75,967,895</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.
 - (3) Coverage for fiscal years 2005 based on actual revenues and debt service. All other years estimated based on fiscal year 2006 revenue estimates and debt service requirements as of 6/30/05.

- 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, 2005**

Table XXVI

Employer	Product/Service	# of Employees
1. Peoria Unified School District	Education	4,250
2. City of Peoria	Local Government	1,532
3. Plaza Del Rio Campus/Freedom Plaza & Care Center	Healthcare/Convalescent Care Facility	612
4. Fry's Food Stores(4 Locations)	Grocery/Retail	469
5. Emmanuel Care Campus	Healthcare/Convalescent Care Facility	354
6. Target (2 Locations)	Retail/Consumer Goods	340
7. Albertson's (3 Locations)	Grocery/Retail	297
8. Safeway (4 Locations)	Grocery/Retail	280
9. Antigua	Apparel/Embroidery	243
10. Good Shepherd Care Center	Healthcare/Convalescent Care Facility	240
11. Northern Pipeline	Natural Gas Contractors	230
12. OakCraft	Cabinets/Millwork	218
13. Forum at Desert Harbor	Healthcare/Convalescent Care Facility	208
14. Larry Miller Dodge/Hyundai	Auto Sales and Service	207
15. Wal-Mart	Retail/Consumer Goods	176
16. Bashas' (2 Locations)	Grocery/Retail	175
17. Sunset Ford	Auto Sales and Service	175
18. Peoria Pontiac-GMC	Auto Sales and Service	165
19. Lou Grubb Chevrolet	Auto Sales and Service	162
20. Arizona Retirement Centers Inc d.b.a. Sierra Winds Lifecare	Healthcare/Convalescent Care Facility	160
21. Home Depot (9201 W Peoria Ave.)	Retail/Home Improvement	150
22. Larry Miller Toyota	Auto Sales and Service	150
23. Sun Grove Village Care Center	Healthcare/Convalescent Care Facility	145
24. Liberty Buick	Auto Sales and Service	135
25. Lowe's	Retail/Home Improvement	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%
2004 Estimate	129,632	1.4%	3,475,500	2.1%	5,758,800	2.2%
2005 Estimate	138,732	7.0%	3,501,001	0.7%	5,743,834	-0.3%

Source: Center for Business Research. L. William Seidman Research Institute, College of Business, Arizona State University, and City Planning Staff.

Unemployment Averages - Last Five Fiscal Years					
Fiscal Year	United States	State of Arizona	Maricopa County	City of Peoria	
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%	
2004	5.6%	4.7%	3.9%	3.2%	
2005	5.3%	4.7%	4.1%	2.9%	

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	
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
2004	190	47,808,957	1,831	241,885,416	2,203	20,138,826	309,833,199
2005	177	73,892,753	2,927	373,716,048	2,000	21,512,846	469,121,647

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
2003	1,583	215,825	3,515	151,000	1,974	47,808
2004	1,395	270,000	4,575	175,000	2420	58,882

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

Note: Data only presented in CAFR since 1998.

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INSURANCE IN FORCE
JULY 1, 2004 THROUGH JUNE 30, 2005**

<u>Type of Insurance</u>	<u>Annual Renewal Date</u>	<u>Insurance Carrier</u>
1. Primary Public Liability & Automobile		
General & auto liability	N/A	Self-insured
Excess liability -Primary	7/1	St. Paul Companies
Public Entity E & O		St. Paul Companies
Excess liability - 1st level	7/1	Gulf Company
Excess liability - 2nd level	7/1	RSUI Indemnity Company
Excess liability - 2nd level -Special Events	4/1	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)	7/1	Travelers Property/Casualty
Storage Tank 3rd Party liability	1/6	Great American Insurance
3. Boiler & Machinery	7/1	Travelers Property Insurance
4. Workers' Compensation	N/A	State Compensation
5. Public Employee Bond		
Blanket employee dishonesty bond		Hartford Fire Insurance Co.
6. 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.

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
GP06301403	5 Million per occurrence	SIR above	680,505
GP06301403	5 Million per occurrence	SIR above	Included with above
GA3012200	10 Million per occurrence	SIR above	114,000
NHA026193	15 Million per occurrence	SIR above	36,225
GLP0000566241701	1,000,000		18,080
N/A	\$500,000 per incident \$500,000 annual	N/A	N/A
N/A	\$25,000/\$50,000 (1)	N/A	N/A
297T228803	199,747,242	SIR above	179,860
BTA557496100	1,000,000	5,000	1,427
7733A918BM21	25,000,000	1,000	14,264
N/A	N/A	N/A	N/A
83BPECE0389	250,000	5,000	8,383
			28,000

CITY OF PEORIA, ARIZONA
PROPERTY INSURANCE SCHEDULE
JUNE 30, 2005

Table XXX

Property

Building and contents - combined blanket limit - excluding earthquake and flooding	\$ 186,747,242
Valuable papers: City Hall	1,000,000
Contractors equipment (\$5,000 deductible)	2,000,000
Electronic data processing (\$5,000 deductible)	10,000,000
	<u>\$ 199,747,242</u>

Sources - Risk Management records

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

Table XXXI

<p>Date of incorporation: June 6, 1954</p> <p>Date of Charter adoption: March 15, 1983</p> <p>Form of government: Council / City Manager</p> <p>Annexed area:</p> <table border="0" style="width: 100%;"> <tr><td style="width: 15%;">1965</td><td style="width: 15%;">2.4</td></tr> <tr><td>1975</td><td>7.6</td></tr> <tr><td>1980</td><td>26.5</td></tr> <tr><td>1985</td><td>31.5</td></tr> <tr><td>1990</td><td>63.5</td></tr> <tr><td>1995</td><td>100.0</td></tr> <tr><td>1998</td><td>117.0</td></tr> <tr><td>1999</td><td>139.0</td></tr> <tr><td>2000</td><td>144.0</td></tr> <tr><td>2001</td><td>156.0</td></tr> <tr><td>2002</td><td>162.4</td></tr> <tr><td>2003</td><td>162.6</td></tr> <tr><td>2004</td><td>176.2</td></tr> <tr><td>2005</td><td>177.9</td></tr> </table> <p>Median household income:</p> <table border="0" style="width: 100%;"> <tr><td style="width: 15%;">1985 census</td><td style="width: 15%;">\$ 16,904</td></tr> <tr><td>1990 census</td><td>34,195</td></tr> <tr><td>1995 census</td><td>38,238</td></tr> <tr><td>2000 census</td><td>52,199</td></tr> </table> <p>Elections:</p> <table border="0" style="width: 100%;"> <tr><td style="width: 40%;">Registered voters:</td><td></td></tr> <tr><td style="padding-left: 20px;">As of June 30, 2005</td><td style="text-align: right;">65,998</td></tr> <tr><td style="padding-left: 20px;">At last municipal election</td><td style="text-align: right;">60,279</td></tr> <tr><td colspan="2">Number of votes cast:</td></tr> <tr><td style="padding-left: 20px;">Last municipal election</td><td></td></tr> <tr><td style="padding-left: 40px;">September 2004</td><td style="text-align: right;">20,379</td></tr> <tr><td style="padding-left: 20px;">Last City-wide special election</td><td></td></tr> <tr><td style="padding-left: 40px;">May 2005</td><td style="text-align: right;">9,704</td></tr> <tr><td colspan="2">Percentage of registered voters voting in:</td></tr> <tr><td style="padding-left: 20px;">Last municipal election</td><td></td></tr> <tr><td style="padding-left: 40px;">September 2004</td><td style="text-align: right;">33.81%</td></tr> <tr><td style="padding-left: 20px;">Last City-wide special election</td><td></td></tr> <tr><td style="padding-left: 40px;">May 2005</td><td style="text-align: right;">14.70%</td></tr> </table> <p>Sources - Various City of Peoria records - U.S. Census - Arizona Department of Economic Security - Peoria Unified School District</p>	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	2004	176.2	2005	177.9	1985 census	\$ 16,904	1990 census	34,195	1995 census	38,238	2000 census	52,199	Registered voters:		As of June 30, 2005	65,998	At last municipal election	60,279	Number of votes cast:		Last municipal election		September 2004	20,379	Last City-wide special election		May 2005	9,704	Percentage of registered voters voting in:		Last municipal election		September 2004	33.81%	Last City-wide special election		May 2005	14.70%	<p>City employees as of June 30, 2005</p> <table border="0" style="width: 100%;"> <tr><td style="width: 80%;">Full-time</td><td style="text-align: right;">968</td></tr> <tr><td>Part-time FTE's</td><td style="text-align: right;">31</td></tr> <tr><td>Total authorized FTE's</td><td style="text-align: right; border-top: 1px solid black;">999</td></tr> </table> <p>Age distribution of population: Per 2000 Census - all persons</p> <table border="0" style="width: 100%;"> <thead> <tr><th style="text-align: left; border-bottom: 1px solid black;">Age Group</th><th style="text-align: right; border-bottom: 1px solid black;">Total</th></tr> </thead> <tbody> <tr><td>Under 5 yrs.</td><td style="text-align: right;">8,010</td></tr> <tr><td>5 to 9 years</td><td style="text-align: right;">8,892</td></tr> <tr><td>10 to 14 years</td><td style="text-align: right;">9,026</td></tr> <tr><td>15 to 19 years</td><td style="text-align: right;">7,221</td></tr> <tr><td>20 to 24 years</td><td style="text-align: right;">4,879</td></tr> <tr><td>25 to 34 years</td><td style="text-align: right;">15,029</td></tr> <tr><td>35 to 44 years</td><td style="text-align: right;">18,158</td></tr> <tr><td>45 to 54 years</td><td style="text-align: right;">12,849</td></tr> <tr><td>55 to 59 years</td><td style="text-align: right;">4,751</td></tr> <tr><td>60 to 64 years</td><td style="text-align: right;">3,897</td></tr> <tr><td>65 to 74 years</td><td style="text-align: right;">7,512</td></tr> <tr><td>75 to 84 years</td><td style="text-align: right;">5,428</td></tr> <tr><td>85 years and over</td><td style="text-align: right;">2,712</td></tr> <tr><td>Totals</td><td style="text-align: right; 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border-top: 1px solid black;">35</td></tr> <tr><td colspan="2">Number of personnel:</td></tr> <tr><td style="padding-left: 20px;">Administrative</td><td style="text-align: right;">123</td></tr> <tr><td style="padding-left: 20px;">Certified</td><td style="text-align: right;">2,236</td></tr> <tr><td style="padding-left: 20px;">Classified</td><td style="text-align: right;">1,849</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">4,208</td></tr> <tr><td colspan="2">Number of students:</td></tr> <tr><td style="padding-left: 20px;">Elementary</td><td style="text-align: right;">25,016</td></tr> <tr><td style="padding-left: 20px;">High school</td><td style="text-align: right;">11,953</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">36,969</td></tr> </table>	Full-time	968	Part-time FTE's	31	Total authorized FTE's	999	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	2,712	Totals	108,364	Per 1990 census	32.5	Per 2000 census	35.6	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	2004		3,140,272,436	2005		3,538,279,430	Number of schools:		Elementary schools (grades K - 8)	29	High schools (grades 9 - 12)	6		35	Number of personnel:		Administrative	123	Certified	2,236	Classified	1,849		4,208	Number of students:		Elementary	25,016	High school	11,953		36,969
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**CITY OF PEORIA, ARIZONA
MISCELLANEOUS STATISTICAL DATA**

Table XXXI

Miles of streets maintained:		Fire protection:	
Arterial (paved)	71	Number of stations	5
Collectors (paved)	55	Number of part-time stations	2
Local (paved)	351	Number of employees	131
Unpaved	10	Average response time (minutes)	4.3
Number of streetlights:	12,000	Number of incidents:	
Recreation:		Emergency medical support	9,701
Number of parks/playgrounds	24	Fire calls	1,024
Park acreage	240	Miscellaneous	893
Restroom facilities	20	Total incidents	11,618
Basketball hoops	74	Police protection:	
Tennis courts	24	Number of employees (civilian & sworn)	226
Playground and picnic areas	24	Number of calls for service	142,319
Tot lot	7	Number of citations issued	21,885
Ramadas	78	Average uniform line-level personnel/shift	18.0
Walking/jog paths	18	Marked patrol vehicles (units)	86
Drinking fountains	32	Number of reserves	1
Volleyball	10		
Multi-purpose fields	37		
Urban lake	1		
Skate park	1		
Community center	2		
Swimming pools/aquatic centers	3		
Sports complex	1		
Libraries:			
Number of libraries	2		
Number of items in collection	202,148		
Annual circulation	659,069		
Registered borrowers	106,186		

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

Fiscal Year	Water		Wastewater		Residential Sanitation	
	Average bill	% increase	Average bill	% increase	Average bill	% increase
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
2004	39.06	-1.39%	18.53	-1.07%	12.49	no change
2005	35.53	-9.04%	19.47	5.07%	13.32	6.65%

**Utility Service Connections
Last Ten Fiscal Years**

Fiscal Year	Water		Wastewater		Residential Sanitation	
	#	% increase	#	% increase	#	% increase
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%
2004	38,818	3.06%	40,984	2.96%	39,747	3.12%
2005	42,673	9.93%	43,824	6.93%	42,467	6.84%

**Charges for Water Services
Base Minimum Monthly Bill
As of June 30, 2005**

Meter Size	Residential		Multiplex		Commercial	
	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
5/8"-3/4"	\$ 13.35	\$ 13.35	\$ 13.35	\$ 13.35	\$ 13.35	\$ 13.35
1"	15.87	15.87	15.87	15.87	15.87	15.87
1 1/2"	18.42	18.42	18.42	18.42	18.42	18.42
2"	25.42	25.42	25.42	25.42	25.42	25.42
3"	65.41	65.41	65.41	65.41	65.41	65.41
4"	92.42	92.42	92.42	92.42	92.42	92.42
6"	144.48	144.48	144.48	144.48	144.48	144.48

**Volume Charges for Water Services
Usage Per Month
As of June 30, 2005**

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	\$ 1.41	\$ 1.41	\$ 1.41
5,001 - 10,000	2.54	2.04	2.04
10,001 - 25,000	3.05	2.48	2.48
25,001 - 50,000 (a)	3.63	2.97	2.97
50,001+	3.63	2.97	3.02

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

**Water Meter Charges
As of June 30, 2005**

Meter Size	Charge
3/4"	\$ 180
1"	226
1 1/2"	380
2"	497
3"	965-1,812
4"	1,368-2,945
6"	2,792-4,025
Hydrant meter	1,223
Commercial accounts	By meter size

**Charges for Wastewater Services
As of June 30, 2005**

Monthly	Residential		Multiplex		Commercial	
	Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
Base (a)	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71
Volume (b)	2.05	2.05	2.05	2.05	2.05	2.05

(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.

**Charges for Storm Water
As of June 30, 2005**

Monthly	
Base Charge (All Customers)	\$0.25

Sources: City customer service and billing records

Miscellaneous data on water utility at or for year ended

	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005
Annual consumption (000's gal)	6,629,039	6,657,323	6,640,038	6,828,944	6,890,083
Average gallons/household/month	15,829	15,801	15,712	14,904	15,056
Average gallons/household/year	189,944	189,608	180,544	178,850	180,679
Average daily demand	16.78	19.32	18.19	20.43	20.10
Peak demand (MGD)	28.17	30.25	28.82	30.00	32.00
Number of wells in system	23	24	25	28	27
Available storage capacity	16.1 Mil Gal	16.1 Mil Gal	22.2 Mil Gal	37.3 Mil Gal	40.0 Mil Gal

Miscellaneous data on wastewater utility for year ended:

	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005
Treatment plant capacity:					
Beardsley treatment plant	2.0 Mil Gal/Day	2.0 Mil Gal/Day	4.0 Mil Gal/Day	4.0 Mil Gal/Day	4.0 Mil Gal/Day
Jomax treatment plant					.75 Mil Gal/Day
Tolleson regional plant	9.4 Mil Gal/Day				
Annual wastewater treated:					
Beardsley treatment plant	.424 Bil Gal	.485 Bil Gal	.531 Bil Gal	.606 Bil Gal	.674 Bil Gal
Jomax treatment plant					.0065 Bil Gal
Tolleson regional plant	2.58 Bil Gal	2.20 Bil Gal	2.18 Bil Gal	2.62 Bil Gal	2.731 Bil Gal
Average daily flow					
Beardsley treatment plant	1.16 MGD	1.45 MGD	1.46 MGD	1.67 MGD	1.85 MGD
Jomax treatment plant					.02 MGD
Tolleson regional plant	7.07 MGD	6.54 MGD	7.12 MGD	7.19 MGD	7.48 MGD
Peak flow					
Beardsley treatment plant	1.27 MGD	1.58 MGD	1.87 MGD	3.20 MGD	2.3 MGD
Jomax treatment plant					.278 MGD
Tolleson regional plant	7.60 MGD	7.60 MGD	8.11 MGD	11.8 MGD	10.88 MGD

Miscellaneous data on sanitation service for year ended:

	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005
Residential tonnage processed	52,188	55,081	60,516	64,358	65,950
Commercial tonnage processed	19,958	22,917	19,642	19,157	18,436
Recycling tonnage processed	357	498	600	1,133	1523
	72,503	78,496	80,758	84,648	85,909

List of 10 Largest Water Users
For the Year Ended June 30, 2005

Entity	Type of User	Average Monthly Water Usage (last 12 months)
Desert Vista/Pool/Clubhouse	Homeowner's Association	5,991
Desert Harbor	Homeowner's Association	5,394
City of Peoria Padre's Pump Station	Sports Complex	5,050
Sun Garden Park II H/O Assn	Homeowner's Association	2,739
Freedom Plaza LTD Partnership	Health Care Facility	1,579
Polynesian Village	Homeowner's Association	1,578
Sun Garden Mobile Home Park	Homeowner's Association	1,450
Equity Lifestyle Prop Inc Casa Del Sol	Multi-Family Residential	1,390
Equity Lifestyle Prop Inc Casa Del Sol	Multi-Family Residential	1,387
Parkridge Park	City Park	1,191