

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2002

City of Peoria, Arizona



City Council:

John Keegan, Mayor
Ella Makula, Vice Mayor
Bob Barrett
Pat Dennis
Ken Forgia
Carlo Leone
Michael Patino

Administrative Staff:

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

Prepared By:

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



VISION:

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

MISSION:

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

GOALS:

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

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

To develop and implement professional progressive management.

To expand citizen/government active partnerships.

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

To communicate positive community image through marketing methods.

Mayor and City Council



Mayor John Keegan



Michael Patino
Acacia District



Bob Barrett
Ironwood District



Ken Forgia
Mesquite District



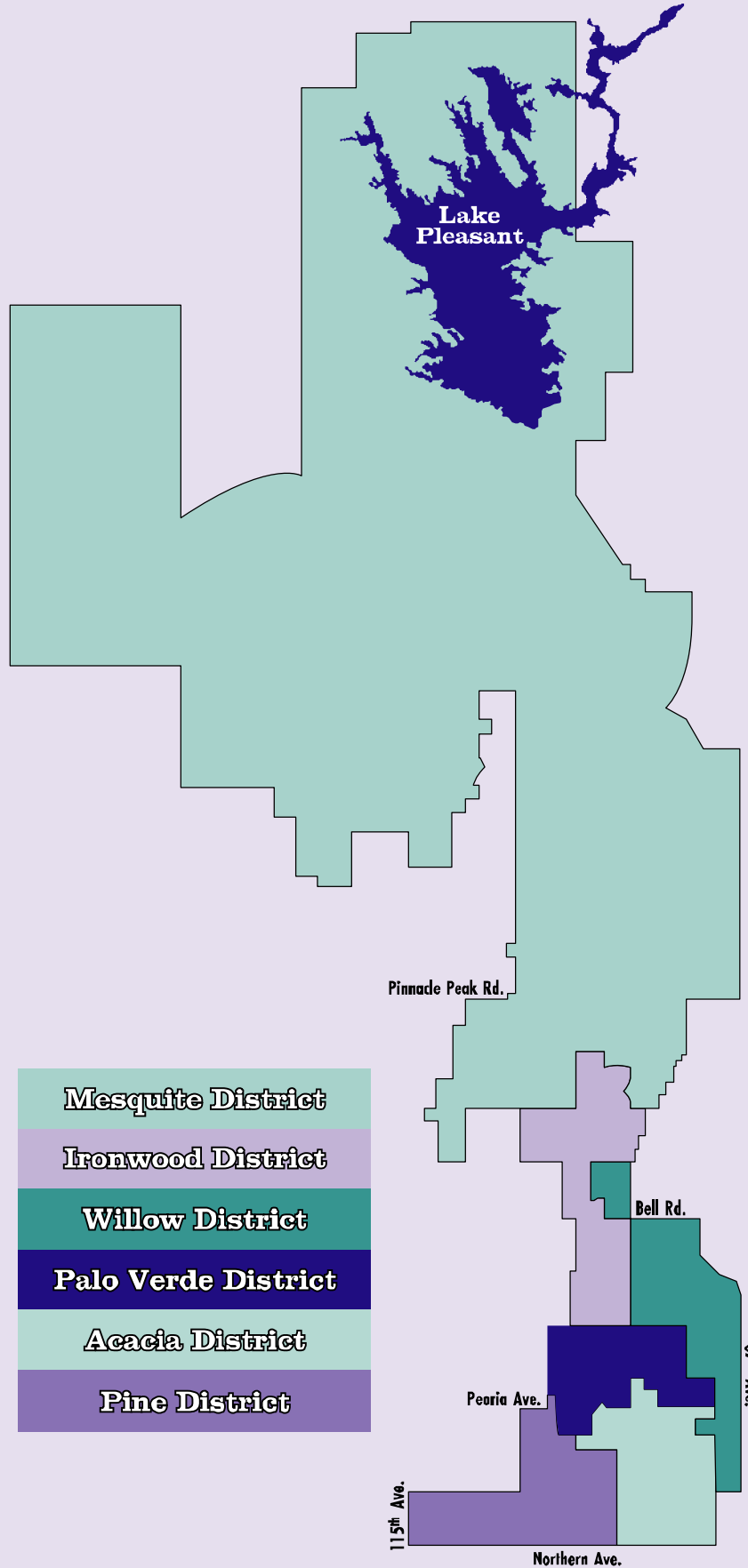
Pat Dennis
Palo Verde District



Carlo Leone
Pine District



Ella Makula
Vice Mayor
Willow





John Keegan **Mayor**

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



Ella Makula **Vice-Mayor** **Willow District**

As a resident of Arizona for over 30 years, Ella Makula has been elected to three consecutive terms on the Peoria City Council since 1993. She was selected as Vice-Mayor in June 2002. She had previously served as Vice-Mayor from June 1996 to June 1998. She is currently Assistant Vice President and Director of Community Relations for a major title company in the Phoenix metropolitan area with over 30 years of experience. Other community service activities include: Neighborhoods U.S.A. (NUSA) Member; Selective Service System Board Member; Constitutional Commemoration Committee Member; Greater Phoenix Economic Council Board Member, Arizona Board of Appraisal Member; Arizona Women in Municipal Government Member; Neighborhood Pride Board of Directors; Chairperson, Not-for-Profit Funding and CDBG Appropriation Committee; Lake Pleasant/North Peoria Area Project Steering Committee Member; Economic Development Subcommittee Member; and Ethics Subcommittee Member; and past affiliations MAG Regional Vision 2025 Committee; Northwest Regional Community Council



Pat Dennis **Councilmember** **Palo Verde District**

Councilwoman Pat Dennis was elected to her first four-year term on the Peoria City Council in May 1995. For the past 14 years, Mrs. Dennis has worked in the early childcare industry and currently runs a small consulting business in the childcare field. Councilwoman Dennis is involved in many areas within the city and is chairperson if the ad-hoc committee on Public Safety that reviews and makes recommendations on various community and municipal safety programs. She also serves on the Natural Resources Committee, Neighborhood Pride Committee, Not-for-Profit Funding and Community Development Block Grant (CDBG) Appropriation Committee.



Michael Patino
Councilmember
Acacia District

In May 1999, Michael R. Patino was elected to a four-year term as the City of Peoria Councilmember for the Acacia District. After graduating from Peoria High School in 1992, he attended Phoenix Community College and is continuing his education at Glendale Community College. A native Arizonan, Councilmember Patino was born in Phoenix, Arizona, and has been a resident of the Acacia District for twenty-four years. Currently, he is employed as a loan officer.

For the past nine summers, 1989-1998, he has worked in the Peoria Parks and Recreation Department, and the past four school years, 1995-1999, for the Peoria Unified School District. Councilmember Patino's current memberships include: Peoria Main Street Partnership, 1998 to present; Boards and Commission Subcommittee, 1999 to present; Latino Police Officers Association; National Association of Latino Elected Officials, 1999 to present; Sister Cities International, 1999 to present; and Western Maricopa Enterprise Zone.



Ken Forgia
Councilmember
Mesquite District

In 1991 Mr. Forgia was elected as Mayor of Peoria, serving three two-year terms through 1997. In the March 1997 primary election, Mayor Forgia was elected to a four-year term as the City of Peoria Councilmember for the Mesquite District, appointed Vice Mayor from June 2000-May 2001, and re-elected to a four-year term as Mesquite District Councilmember in June 2001. Mr. Forgia retired in 1983 as a Lieutenant Colonel with the Arizona Department of Public Safety, after more than twenty-six years of service. He also served as Assistant Director for the Arizona Department of Public Safety and commanded a Bureau that included three statewide crime labs, Fixed and Rotary Wing aircraft, all investigative support operations, and

selected licensing functions. Mr. Forgia was born in Oklahoma and moved to Arizona as a child. He graduated from Glendale Community College and the FBI National Academy. He attended the University of Virginia and Arizona State University. Mr. Forgia's current memberships include; Ethics Committee Chairman, Boswell Memorial Hospital Operating Board, Vice Chairman of Governmental Affairs Committee, Uniform Municipal Tax Code Commission, and member of the Transportation Infrastructure and Services (TIS) Policy Committee since 2001. Councilmember Forgia is also serving his fifth term as a member of the Executive Board of Arizona League of Cities and Towns. His past affiliations include Sports Complex Board Member, President of the Arizona Municipal Water Users Association (AMWUA), Treasurer of the Regional Public Transportation Authority (RPTA), Chairman of the RPTA, City of Peoria Personnel Board, MAG Youth Policy Advisory Board and former board member of the Arizona Medical Emergency System.



Bob Barrett
Councilmember
Ironwood District

Bob Barrett was elected to the Peoria City Council representing the Ironwood District in 2001. He came to Arizona in 1962 and moved to Peoria with his wife, Rachele, in 1994. Councilman Barrett graduated with honors from Arizona State University with a degree in Mass Communications - Journalism. He worked for more than 20 years for *The Arizona Republic* as a

magazine writer, reporter and editor. He currently works in the communications department of Central Arizona Project. Councilman Barrett served in the U.S. Army and was awarded the Bronze Star in Vietnam in 1971. He also received the Meritorious Service Medal awarded in 2001 by the Arizona National Guard for his work as the Media Relations Coordinator for the International Workshop for Emergency Response. He has also served as the Media Relations Chairman of the Statewide Emergency Taskforce and as a member of the program committee of the Colorado River Water Users Association and of Valley Forward. Councilman Barrett also is a member of WESTMARC, the International Association of Business Communicators and the Public Relations Society of America.



Carlo Leone
Councilmember
Pine District

Carlo Leone was elected to a four year term to Peoria City Council in May 1999, representing the Pine District. He has been a resident of Peoria for 10½ years. Councilmember Leone retired 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 and a member of the Military Affairs Committee. He has been a member of the Peoria Diamond Club at Peoria Sports Complex for 7 years and a former member of the Peoria Kiwanis Club.



CITY OF PEORIA, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2002

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City of Peoria

8401 West Monroe Street, Peoria, Arizona 85345

October 25, 2002

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

We are pleased to submit to you the 2002 Comprehensive Annual Financial Report (CAFR) of the City of Peoria, Arizona (the City). The report was prepared by the Financial Services Division of the Finance Department.

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

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

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

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, KPMG LLP, 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, 2002, 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, 2002, 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, 2002 found no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations with respect to major programs. The reports from KPMG LLP are available in the City of Peoria, Arizona's separately issued Single Audit Report.

Presentation

These financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (the new reporting model). The City first implemented this new reporting model with the financial statements for the fiscal year ended June 30, 2001. More information about this change can be found in Management's Discussion and Analysis (MD&A) beginning on page 3 and in the notes to the financial statements (See Note 1.B. on page 45). This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

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

THE FINANCIAL REPORTING ENTITY

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

The City encompasses approximately 165 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 122,655. The City's tremendous growth is attributable to the affordable housing, an excellent school district, and the expansion of the metropolitan freeway systems, allowing Peoria residents to commute effectively to other cities in the metropolitan area. Based on current projections, population growth trends are expected to continue, although at a slower pace. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, sanitation services, water and sewer services, construction and maintenance of streets, recreational and cultural events, library services, public transportation, planning and zoning services, and general administrative services. Peoria offers a wide range of community facilities including a community center, two swimming pools, two libraries and 22 parks encompassing 205 acres. In addition, the Peoria Sports Complex operated by the City is the nation's first two-team baseball spring training facility - home to the San Diego Padres and Seattle Mariners. Lake Pleasant, in northern Peoria, is the second largest lake in Arizona. During fiscal year 2001, the City purchased land for its first large community park, to be named Rio Vista

Community Park, in the southern part of the City. This 50 plus acre facility will have athletic fields, playgrounds, ramadas and other amenities for the citizens' enjoyment. The design phase of the community park has been completed and construction of phase 1 is scheduled to begin during fiscal year 2003. The City is also in the design phase for a community theater to be constructed in the Oldtown area of the City. This will be a joint project with a local theater company as the proposed main tenant in the City owned facility.

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

FINANCIAL CONTROLS

Internal Controls

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

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

Budgetary Controls

The City of Peoria, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation - Home Rule Option. This option allows the City Council to establish the budgetary limits locally. This option must be authorized by the voters every four years. The citizens of Peoria last authorized it in March 2000.

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

Peoria continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. This commitment has helped to make 2002 another successful year and will provide for continued success in the years to come.

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

The Power Center, the City's largest multi-retail shopping center, opened in 1993 and continues to expand with new commercial activities. The Arrowhead Fountain Center, directly west of the Power Center, is a mixed-use commercial development of hotels, restaurants, office buildings, an eighteen screen movie theater and luxury apartments. New construction continues to add to this development with the opening of Abuelo's, The Fox and Hound and Buca Di Beppo restaurants. Polar Ice, an 81,000 square foot state of the art ice skating facility, opened in October 1999. The large retail and commercial activities, as well as several existing car dealerships along Bell Road, continue to have a significant impact on the ad valorem and excise taxes of Peoria. New commercial projects continue to open around the City, including Tatum Motorsports, Terri's Consign and Design, Sonora Quest Lab/Fisher Medical Group, Capital Mortgage Bank, PetsMart, Greenbacks, Advance America, Northwest Pool and Spa, LA Fitness and several grocery stores and fast food locations, to name a few. Phase 1 of Arrowhead Crossings Power Center completed construction in the southwest corner of the City with Target as the anchor tenant. Additional construction continues at this site.

Employment opportunities in Peoria also continued to grow as Antigua Sportswear moved to Peoria as a major tenant in the 200,000 square foot Arrowhead Commerce Center. Antigua is expected to employ nearly 300 hundred people in this new facility. The new restaurants and retail establishments also continue to expand the employment opportunities in Peoria. Several of the large planned communities in the central and northern parts of the City contain commercial areas. Approximately 808 acres of commercial areas are planned in the developments of Saddleback Heights, Vistancia, Lake Pleasant Heights and West Wing Mountain.

A continued trend of new housing starts during the year increased the size of our community, now the ninth largest community in Arizona. Significant, although slower, development activities are continuing throughout the City. Several master planned communities have either begun construction or will in the near future. Quintero Golf and Country Club will contain two golf courses and 283 homes on 828 acres. Saddleback Heights covers 6,052 acres and is planned to contain 6,195 homes, a minimum of 600 acres of open space, 123 acres of commercial space and up to three golf courses. Vistancia will cover 7,106 acres with 17,334 houses, 386 acres of commercial space and 2,217 acres of open space, including four golf courses, seven neighborhood parks and two community parks. Lake Pleasant Heights consists of 3,264 acres to include 6,141 houses, 72 acres of commercial space and 1,105 acres of open space. Other projects include West Wing Mountain (2150 dwelling units), Sonoran Maintain Ranch (1,939 dwelling units) and Cibola Vista (465 dwelling units and a resort and spa).

In July 1999, the City annexed twenty-seven square miles of land surrounding the western and northern area of Lake Pleasant. This will allow the City of Peoria to control future growth and development around Lake Pleasant. The annexation included twenty-two square miles in Yavapai County and five square miles in Maricopa County. Bringing the entire area around Lake Pleasant into the City's boundaries means consistent zoning standards and administrative oversight of this tremendous recreational attraction. Lake Pleasant Regional Park remains a Maricopa County operated recreational area within the City. Annexations slowed during fiscal year 2002 with the annexation of approximately 9 additional square miles into the City.

Economic Outlook

After several years of notable gains in personal income and job growth, the metropolitan Phoenix region has experienced a slow down in the economy over the past year. In June 2002, the state's unemployment rate hit 6.0%, topping the national average, while Maricopa County reported an unemployment rate of 5.5%. Much of the past growth has been attributed to the strength in the state's construction and financial services sectors. With the slow down in the national and local economies and lower consumer confidence, this area has been impacted, but does continue to show slow growth. Moreover, the manufacturing sector, including high-tech component manufacturing in the valley, has realized moderate slowdowns in demand.

One of the past mainstays of the Arizona economy has been tourism. Arizona tourism, a \$29 billion industry employing more than 400,000 people, is still suffering from the impact of September 11, 2001. While tourism is showing signs of recovery, traffic at Sky Harbor International Airport in Phoenix remains 7% below a year ago. Local economists generally remain optimistic that the Arizona economy is showing indications of a recovery, although it remains behind the national averages in some indicators.

Peoria has been sheltered from some of the impact of the economic slowdown, due to the continued growth of the city. While some of the more built-out cities in the metropolitan area have seen dips in revenues, Peoria's revenues continued to grow, although at a slower rate than the past several years. Total City revenues grew approximately 25% from fiscal year 2001 to fiscal year 2002. Due to uncertainty of the slower economy the fiscal year 2003 projections are for approximately 15% growth from the fiscal 2002 levels.

Retail Sales. The City of Peoria, like all Arizona cities, places a heavy reliance on City-collected sales tax. Overall, sales tax revenues comprise approximately 36% 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. Overall, management expects the City's sales tax revenues to hold steady, or increase slightly over the next couple of years. The retail sales sector is expected to sustain slow growth while tax collections from contracting decline slightly over the same period.

State Shared Revenues. The City of Peoria receives significant revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, gas tax and motor vehicle in-lieu taxes. A significant portion of this revenue is placed in the City's General Fund, where it is used to support a large portion of the City's day-to-day activities. In recent years the state legislature has reduced the formula distribution of state-shared revenues to cities. Because the state shared revenue formulas generally allocate revenues based on official census data, Peoria experienced a 22.9% increase in these revenues in fiscal year 2002, due to the reallocation based on the 2000 census. Peoria grew 114 percent from the 1990 census number of 50,618 to the 2000 census of 108,364 compared to a statewide growth rate of 40 percent during that period.

With the economic slowdown in the state economy and the State facing a \$1 billion deficit, these revenues continue to be at risk for further state legislative action. The City currently projects a very slight increase in these revenues for fiscal year 2003 barring any legislative action to balance the state budget on the backs of the cities.

Property Tax. The City's property tax rate stands at \$1.59 per \$100 of assessed valuation for fiscal year 2002. Of this, \$.29, or less than 20% of the total, is levied for the primary property tax levy. The primary levy can be used for any general government purpose, but is limited in size by State statute. The primary tax raised \$1.6 million in fiscal year 2002. While this amounts to less than 3% of the General Fund revenues, it is nonetheless an important component for the stability of the fund.

Total assessed property value within the City has increased by approximately 37% since fiscal year 2000. The fiscal year 2003 projections, based on preliminary estimates from the Maricopa County Assessor's Office, are for a 10% growth in assessed value over fiscal year 2002 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 2003, but with the increasing assessed value, revenue projections for fiscal year 2003 are \$1.8 million. Based on current development patterns, as well as expected economic conditions, property tax revenue is expected to continue to increase over the next few years.

Labor Force. Peoria has a well-educated and available labor force. This economic resource is at the forefront of our economic development efforts. The City is a member of the Greater Phoenix Economic Council (GPEC) which has been successful introducing new businesses to the City. In July 2002, the City brought economic development “in-house” with the creation of an Economic Development Department. Previously, the City participated in the Peoria Economic Development Group (PEDG), a public-private partnership between the City and local businesses. While the public-private partnerships have been successful in the past, the Council and city management believed an increased emphasis on actively pursuing economic development could best be achieved by making this activity a part of the city’s management team.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For The Year

During fiscal year 2002, 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 fiscal year 2002:

Police

- Helped ensure prompt response to service calls through the addition of 14 new positions including a squad of six officers and one sergeant to operate out of the Pinnacle Peak substation to provide faster response throughout the City.
- Continued to receive federal grant dollars to hire new officers and purchase capital equipment to enhance services to Peoria citizens.
- Purchase upgraded mobile data computers for the patrol cars to enhance communications and report writing.

Fire

- Completed a comprehensive 20-year fire department master plan.
- Began the design phase to replace two older fire stations - Station #1 in the downtown area and Station #2 on Union Hills. Construction of these new facilities is scheduled to begin in fiscal year 2003.
- Conducted numerous fire and life-safety public education events such as the G.A.I.N. Public Safety Night.
- Implemented an increased level of emergency medical services by adding new equipment and procedures.
- Replaced equipment, and added new equipment, to enhance safety and capabilities. This includes replacing old self-contained breathing apparatus (SCBA’s) with new state-of-the-art units, purchasing portable radios for all on-duty department personnel to enhance communications and the purchase of six thermal imagers that allow firefighters to “see through smoke” to enhance search and rescue and also find fire “hot spots”.

Public Works

- Worked with an outside consultant to complete a program review of all phases of the City’s capital improvement program.
- Hired an Assistant Traffic Engineer to continue the Neighborhood Traffic Management Program that allows citizens to request traffic controls within their neighborhoods.
- Council continued their commitment toward improving street maintenance and new street construction with almost \$6.5 million in transfers to the Streets Fund for maintenance and construction.

- Completed a traffic circulation study of north central Peoria to develop both short-term (5 years) and long-term (20 years and beyond) solutions to traffic congestion problems in that area of the City.
- Completed phase I construction of Lake Pleasant Parkway which is a major access route to the far northern part of the City, including Lake Pleasant.

Finance

- Implemented an Interactive Voice Response (IVR) system for customer service. The IVR system allows customers to call 24 hours a day, seven days a week. By responding to voice options, they may request application for utility or sales tax accounts, inquire on their accounts or make payments on their accounts.
- Began the process of replacing the software for the utility billing and sales tax systems to ensure that the City is able to continue providing a high level of service to our utility and sales tax customers.
- Continued the installation of state-of-the-art electronic read water meters to increase accuracy and efficiency in billing water customers. The new electronic meters are being used in all new construction as well as in a replacement program for old water meters.
- A water meter testing facility with state-of-the-art testing equipment was constructed at the Municipal Operations Center. This facility will allow staff to more efficiently and accurately test water meters.

Community Development

- Completed several small annexations of land into the City, increasing the City to approximately 165 square miles.
- Continued to work with the Peoria Downtown Merchant's Association and the Central Peoria Revitalization Plan to revitalize the historic center of Peoria.
- Continued the highly successful Neighborhood Pride community improvement program.
- Instrumental in initiating a Regional Plan Review Program. This program allows a homebuilder that builds the same production homes in various jurisdictions to submit the standard plan to any one of the participating jurisdictions for review and approval in all the participating jurisdictions.

Community Services

- Implemented an Interactive Voice Response (IVR) system that allows Peoria residents to sign up for recreation classes, access their accounts and make payments over the telephone 24 hours a day, seven day a week.
- Continued the design of the City's first large community park in the central area of the City. Construction should begin in fiscal year 2003.
- Continued to expand the recreation programs offered to Peoria's citizens. Community Services also instituted a 100% satisfaction guarantee policy on recreation programs and events. This is another example of the City's commitment to excellent customer service.
- Updated the parks master plan.
- Implemented new web-based interactive software for the Peoria Libraries allowing anyone with a Peoria library card, 24/7 access to the library system. Cardholders can check availability of books, reserve books for checkout and access an online database of newspaper and magazine articles, as well as online encyclopedias, almanacs, and other reference materials.
- Continued to expand and improve the City's neighborhood park system with the opening of Sundance Park, improvements at Varney Park, Kiwanis Park and Braewood Park and the design of Peoria's 23rd neighborhood park -Terramar Park.

Utilities

- Completed construction of the \$32 million Greenway Water Treatment Plant to treat 16 million gallons of surface water per day. The state-of-the-art facility opened in June 2002.
- Completed 7 miles of 30" transmission mains which allows the City to increase the distribution of treated surface water from the Pyramid Peak Water Treatment Plant from 2.5 to 7.5 million gallons per day
- Completed the three-year program to replace plastic water pipes throughout the City to reduce water losses through leaking pipes. This program reduced the number of reported water leaks throughout the City from 100 per day to 4 per day.
- Purchased 80 acres south of the City's Beardsley Wastewater Treatment Plant to allow for expansion of that plant. The design phase of the expansion was also begun.

- Successfully worked with Peoria citizens to site a proposed Water Reclamation Plant in the southern part of the City.

Communications and Public Affairs

- Instituted the Peoria Leadership Institute to help residents become more informed about the city government and encourage them to become more engaged in their community.
- Continued to seek new uses of Peoria Channel 11 public access TV as a medium to communicate with the citizens of Peoria.

Information Technology

- Installation of a new voice-over IP technology phone system to replace the City's aging phone system.
- Formalized the project management methodology for technology projects

Department Focus

Several City departments worked together, with an outside consultant, in a study of the City's capital improvement program (CIP) process. The capital improvement program is a ten-year plan of all major construction projects for the City. It includes streets, traffic control, storm drainage, water and wastewater systems including pipes and facilities, parks and recreation facilities including libraries, public safety facilities and other government facilities.

The review included the entire CIP process, including the identification of potential projects, the estimating of project costs, and the process of prioritizing and funding projects, as well as the oversight, management and reporting for construction activities. Interviews were conducted with all levels of city staff involved in the program, from Council and City Management to Engineers and other staff, to ensure the entire process was reviewed.

Based on the recommendations of the review, a number of steps will be undertaken in fiscal year 2003. The Public Works Department will be split into two departments – Engineering and Public Works - to better facilitate the CIP process. A steering committee has been created to ensure that the recommendations of the program review are implemented. Staff from many of the City's departments will be involved in this process. Full implementation of all of the recommendations will occur over the next two years.

For The Future

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

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

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

OTHER MATTERS

Employee Pension Plans

The City maintains two employee pension plans and a pension plan for elected officials. The general employee plan is administered through the Arizona State Retirement System. The Public Safety Pension Plan and the Elected Officials Retirement Plan are administered by the Arizona Public Safety Personnel Retirement System. Both the employee and the employer make contributions directly to these organizations. Financial information about these plans can be found in Note 15 of the notes to the financial statements included in the Financial Section of this report. The City also administers a small pension fund that provides retirement income for volunteer firemen. The City no longer utilizes volunteer firemen, and only nine former members currently receive payments under the plan. The plan for volunteer firemen is sufficiently funded with assets of \$334,631 at June 30, 2002. For fiscal year 2002, investment income and other revenues were \$17,461 while expenditures for retirement payments and administrative expenses were \$21,600.

Debt Administration

Under current State Statutes, cities can issue general obligation bonds for purposes of water, sewer, artificial lighting, open space, parks, playground and recreational facilities up to an amount not exceeding 20 percent of the secondary assessed valuation. Cities can also issue general obligation bonds for all other purposes up to an amount not exceeding 6 percent of the secondary assessed valuation. As of June 30, 2002, the City's net general obligation debt of \$44,484,200 was below the combined legal limit of \$158,037,534. A detailed computation of this legal debt margin is included in Table XI 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, 2002.

Percent of General Obligation Debt to Assessed Value:		
General Obligation Debt	\$	44,484,200
Secondary Assessed Value	\$	607,836,669
G.O. debt to assessed value		7.3%
Bonded Debt Per Capita:		
General Obligation Debt	\$	44,484,200
Estimated Population		122,655
G.O. debt per capita	\$	362.68

The following table is a summary of the City's outstanding debt at June 30, 2002 of \$206.5 million (excluding unamortized bond discount of \$270,800).

General Obligation Bonds	\$	44,484,200
Municipal Development Authority Bonds		29,645,000
Highway User Revenue Bonds		4,925,000
Special Assessment Improvement District Debt		17,333,692
Revenue and Revenue Refunding Bonds		88,918,302
Municipal Sports Complex Bonds		1,135,000
Other Contracts		20,093,609
Total Outstanding Debt at June 30, 2002	\$	<u>206,534,803</u>

In 2000, the City received an upgrade to its credit ratings for its general obligation bonds and its water/wastewater bonds. The City's general credit was upgraded from an A rating to an AA- rating by Fitch Ratings from an A to an A+ by Standard and Poor's Corporation, and from an A rating to an A1 rating by Moody's Investor Service. The City's Water/Wastewater rating was upgraded from an A- to an A+ by Fitch Ratings, from an A- to an A by Standard and Poor's, and from an A3 to an A2 by Moody's Investor Service. The City is diligent in its efforts to maintain and even improve these ratings. General obligation debt is serviced by secondary property taxes. Revenue supported debt is serviced with the user fees associated with the particular fund activity.

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

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General Obligation Bonds			
Current rating	A1	A+	AA-
Prior rating	A2	A	A
Date of current rating	3/14/2000	3/16/2000	3/13/2000
Water & Wastewater Bonds			
Current rating	A2	A	A+
Prior rating	A3	A-	A-
Date of current rating	6/2/2000	6/19/2000	6/2/2000
Municipal Development Authority (Utility) Bonds			
Current rating	A2	A	A+
Prior rating	A3	A-	A-
Date of current rating	6/2/2000	6/19/2000	6/2/2000
Municipal Sports Complex Authority Bonds			
Current rating	(not rated)	BBB+	BBB
Date of current rating		5/1993	5/1993
Highway User Revenue Bonds			
Current rating	A	A-	A+
Prior rating			A-
Date of current rating	1/25/1988	2/10/1988	3/13/2000
Improvement District Bonds			
Current rating	(not rated)	BBB	A+
Prior rating			A-
Date of current rating		5/26/1997	3/13/2000

Cash Management

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

The City is permitted to invest in certificates of deposit, money market mutual funds, repurchase agreements, corporate securities, direct U.S. Treasury debt, securities guaranteed by the U.S.

Government or any of its agencies and instrumentalities, and the State of Arizona's Local Government Investment Pool.

Temporary idle cash during the year was invested in the State Treasurer's Investment Pool and overnight repurchase agreements collateralized by U.S. Government securities. The average yield on unrestricted investments was 4.05% for the year ended June 30, 2002. The book value of the City's unrestricted investment portfolio at June 30, 2002 was \$233,018,125. For further information on the City's investments please refer to Note 4 of the notes to the financial statements.

Risk Management

The City is exposed to various risks of loss related to public and property liability and worker's compensation. Public liability includes public officials' errors and omissions, automobile and general liability. During fiscal year 2002, the City was self-insured for the first \$250,000 of each public liability claim with an annual aggregate limit of \$1,500,000. Coverage in excess of these amounts up to \$25,000,000 was provided through the purchase of commercial insurance.

During the fiscal year ended June 30, 2002 there was no significant reduction in excess insurance coverage. The Risk Management Division of the City Attorney's Office administers the City's liability insurance program. Worker's compensation claims are reviewed by the Human Resources Department and handled through the State Compensation Fund.

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

OTHER INFORMATION

Award

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Peoria, Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This is the 17th consecutive year the City of Peoria has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. That report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Peoria,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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.



Imelda Aruete
President

Jeffrey L. Esser
Executive Director

City of Peoria Principal Officials Fiscal Year 2002

John Keegan
Mayor

Ella Makula
Vice-Mayor

Ken Forgia
Councilmember

Carlo Leone
Councilmember

Bob Barrett
Councilmember

Michael Patino
Councilmember

Pat Dennis
Councilmember

Terrence L. Ellis
City Manager

Meredith Flinn
Deputy City Manager – Development & Community Services

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

George Anagnost
Municipal Judge

Stephen M. Kemp
City Attorney

J.P. de la Montaigne 1954
Community Services Director

David A. Moody
Public Works Director

Greg A. Eckman
Human Resources Director

Debra Stark
Community Development Director

Robert McKibben
Fire Chief

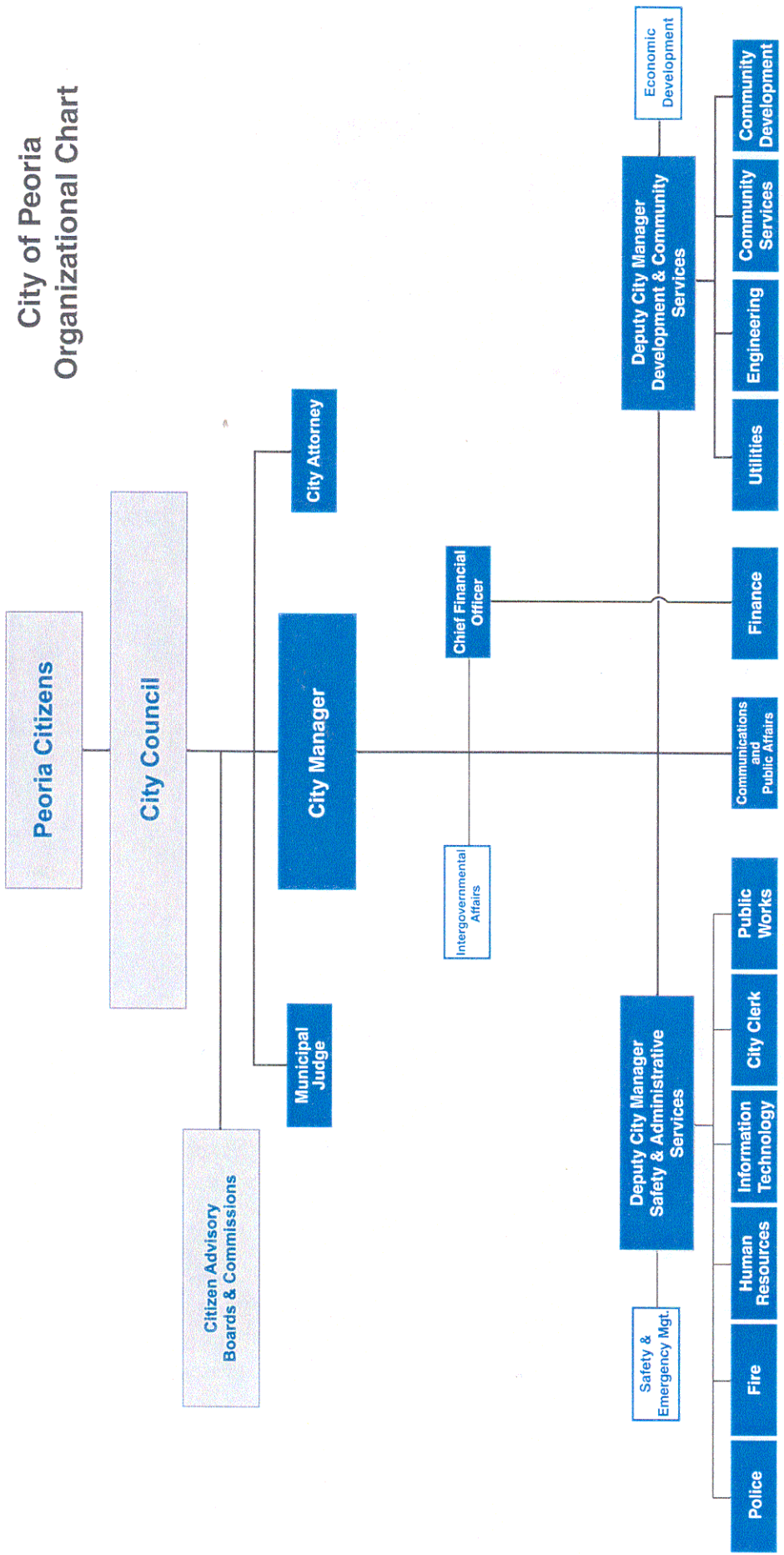
David Leonardo
Chief of Police

Janice L. Graziano
City Clerk

John F. Wenderski
Chief Financial Officer
Finance Director

Kevin J. Kadlec
Utilities Director

City of Peoria Organizational Chart





One Arizona Center
400 East Van Buren Street
Suite 1100
Phoenix, AZ 85004

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, 2002, which collectively comprise the City's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the City'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, 2002, 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 a report dated October 25, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

The management's discussion and analysis (pages 3-15) and budgetary comparison statements – general fund and major special revenue funds (pages 28-32) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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. The introductory section, combining fund financial statements, other supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 25, 2002

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, 2002. 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-xv 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 \$94.8 million (17.9%) in fiscal year 2002, \$50.0 million (a 16.6% increase) in governmental activities and \$44.8 million (a 19.6% increase) in business-type activities.
- ◆ Total net assets of the City are \$624.9 million, of which \$136.8 million is unrestricted (up .7% from last year's \$135.9 million unreserved net assets).
- ◆ The governmental activities functional revenues increased by approximately \$3.7 million (11.4%) over the previous year.
- ◆ The business-type activities functional revenues also increased by approximately \$3.7 million (7.7%) over the previous year.
- ◆ At June 30, 2002, total fund balances of the governmental funds was \$117.7 million, up \$8.9 million (8.2%) from the previous year. Of this, \$31.1 million (26.5%) was unreserved (available for spending at the government's discretion).
- ◆ General Fund revenues (on a budgetary basis) exceeded budgeted revenues by \$1.8 million for fiscal year 2002. Additionally, budgetary basis expenditures were only 81.2% (\$17.1 million (18.8%) in savings) of the final budget in the General Fund.
- ◆ At June 30, 2002, unreserved fund balance for the general fund was \$18.5 million, or 31.6% of general fund expenditures for fiscal year 2002.

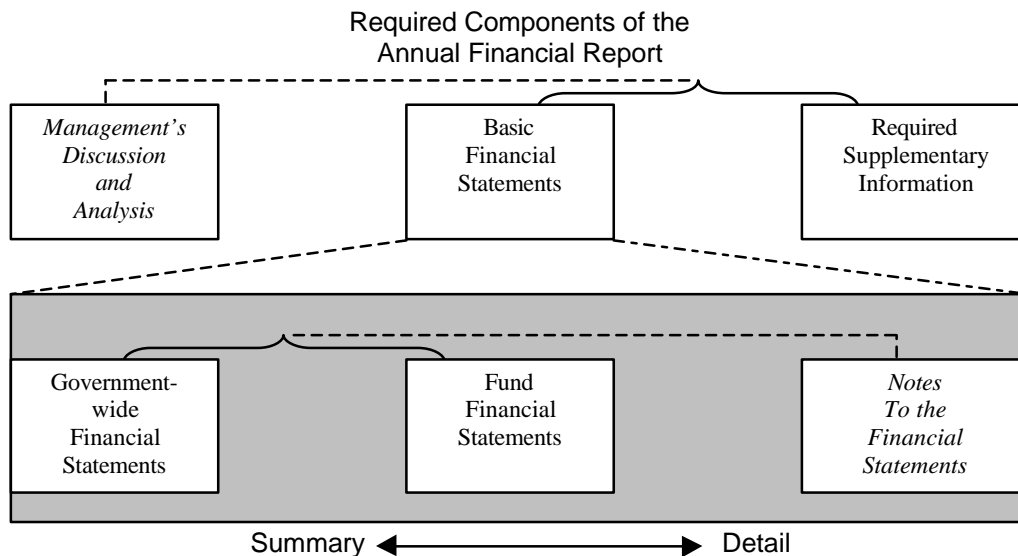
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.
- Fund financial statements – the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified

accrual basis of accounting are maintained for the governmental fund financial statements in the new model.

- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, street lighting, etc.). These assets are reported in the governmental activities on the government-wide financial statements. The City of Peoria has historically capitalized infrastructure assets for governmental activities that were reported in the General Fixed Assets Account Group and were not depreciated under the old reporting model.
- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.
- Required narrative analysis – The new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).



As pictured above, the financial section of the Comprehensive Annual Financial Report (CAFR) for the City of Peoria, Arizona consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required combining schedules and other supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (see pages 17-19) are designed to provide a broad overview of the City’s finances in a manner similar to those used by private businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements.

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

- The *governmental activities* include the basic services of the City including general government (administration), culture and recreation, police, fire, development services, highways and streets,

public works, and human services. These activities are generally supported by taxes and general revenues.

- The *business-type activities* include the private sector type activities such as the water, wastewater and sanitation utilities, the sports complex 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 the two reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of the whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of its infrastructure, should also be considered.

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

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements now focus on major funds of the City, rather than fund type used in the old model. 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. 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 is useful in looking at the City's near-term financing requirements. 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, a reconciliation of the differences between the two is provided with the fund financial statements and also in Note 2 (pages 58-63).

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Enterprise funds are used for activities that primarily serve customers outside the governmental unit, while internal service funds' 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 proprietary fund financial statements (pages 34-41) are prepared on the same long-term focus as the government-wide financial statements. 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 like cash flows. Any reconciliation necessary between the fund statements and the business-type activities column of the government-wide financial statements is provided with the fund statements. 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 96-98).

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) 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 46-87) 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 Footnote 15 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, 2002 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, 2002 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
	2002	2001	2002	2001	2002	2001	
Current and other assets	\$ 161.4	\$ 152.6	\$ 134.5	\$ 138.2	\$ 295.9	\$ 290.8	1.8%
Capital assets	<u>320.2</u>	<u>285.3</u>	<u>243.6</u>	<u>209.0</u>	<u>563.8</u>	<u>494.3</u>	14.1
Total assets	<u>481.6</u>	<u>437.9</u>	<u>378.1</u>	<u>347.2</u>	<u>859.7</u>	<u>785.1</u>	9.5
Other liabilities	27.3	28.6	17.8	14.9	45.1	43.5	3.7
Long-term liabilities outstanding	<u>103.0</u>	<u>108.0</u>	<u>86.8</u>	<u>103.6</u>	<u>189.8</u>	<u>211.6</u>	(10.3)
Total liabilities	<u>130.3</u>	<u>136.6</u>	<u>104.6</u>	<u>118.5</u>	<u>234.9</u>	<u>255.1</u>	(7.9)
Net assets:							
Invested in capital assets, net of related debt	230.8	196.0	158.1	115.1	388.9	311.1	25.0
Restricted	44.7	29.6	54.5	53.4	99.2	83.0	19.5
Unrestricted	<u>75.8</u>	<u>75.7</u>	<u>60.9</u>	<u>60.2</u>	<u>136.7</u>	<u>135.9</u>	0.6
Total net assets	<u>\$ 351.3</u>	<u>\$ 301.3</u>	<u>\$ 273.5</u>	<u>\$ 228.7</u>	<u>\$ 624.8</u>	<u>\$ 530.0</u>	17.9

The net assets of the City increased \$94.8 million (17.9%) in fiscal year 2002. Of this increase, \$50 million was in the governmental activities, a 16.6% increase, and \$44.8 was in the business-type activities, a 19.6% increase.

Net Assets consists of three components. The largest portion of net assets (\$388.9 million or 62.2%) 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 \$77.8 million in FY02 primarily as a result of assets donated to the City by

developers, non-bond funded capital asset construction, and a bond refunding in the Stadium Fund (see page 14).

The second portion of the City's net assets (\$99.2 million or 15.9%) represents resources that are subject to external restrictions on how they may be used. The increase of \$16.2 million is primarily due to the accumulated developer impact fees collected by the City and funds specifically reserved for debt service payments.

The third portion consists of Unrestricted Net Assets of \$136.7 million (21.9%). These net assets may be used to meet the City's ongoing obligations to citizens and creditors. This category increased only \$0.8 million in FY02.

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)

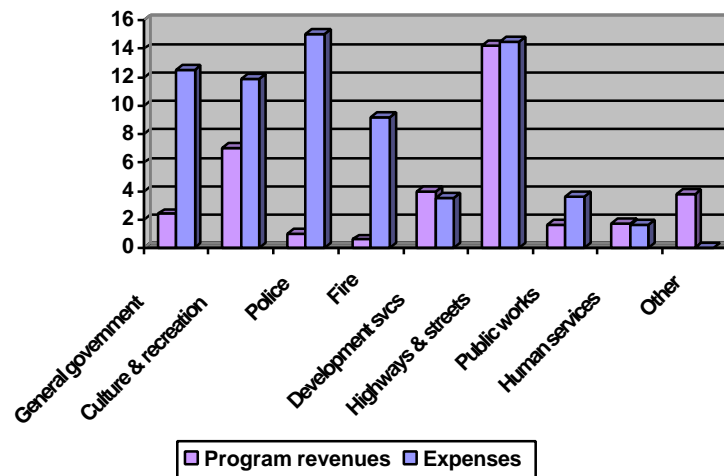
	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2002	2001	2002	2001	2002	2001	
REVENUES:							
Program revenues:							
Charges for service	\$ 10.4	\$ 10.6	\$ 41.5	\$ 38.7	\$ 51.9	\$ 49.3	5.3%
Federal grants	1.7	2.3	.1	.1	1.8	2.4	(25.0)
Other grants and entitlements	24.2	19.7	10.1	9.3	34.3	29.0	18.3
General revenues:							
Property taxes	10.4	8.9	-	-	10.4	8.9	16.9
Sales and use taxes	33.7	33.6	-	-	33.7	33.6	.3
Franchise taxes	2.3	2.0	-	-	2.3	2.0	15.0
State shared sales tax	8.4	7.0	-	-	8.4	7.0	20.0
Urban revenue sharing	11.3	8.9	-	-	11.3	8.9	27.0
Auto-in-lieu taxes	3.6	3.1	-	-	3.6	3.1	16.1
Donations of capital assets	17.6	7.0	9.6	5.5	27.2	12.5	117.6
Miscellaneous	.5	.2	.1	.1	.6	.3	100.0
Proceeds for refunding bonds	-	-	18.4	-	18.4	-	-
Investment earnings	5.4	7.7	5.3	7.1	10.7	14.8	(27.7)
Total revenues	129.5	111.0	85.1	60.8	214.6	171.8	24.9
EXPENSES:							
Program activities:							
Governmental activities:							
General government	12.5	10.7	-	-	12.5	10.7	16.8%
Culture and recreation	11.9	10.0	-	-	11.9	10.0	19.0
Police	15.0	13.3	-	-	15.0	13.3	12.8
Fire	9.2	8.5	-	-	9.2	8.5	8.2
Development services	3.5	3.5	-	-	3.5	3.5	-
Highways and streets	14.5	13.8	-	-	14.5	13.8	5.1
Public works	3.6	2.5	-	-	3.6	2.5	44.0
Human services	1.6	1.6	-	-	1.6	1.6	-
Interest expense on debt	5.5	5.6	-	-	5.5	5.6	(1.8)
Unallocated depreciation	.6	1.6	-	-	.6	1.6	(62.5)
Business-type activities:							
Water utility	-	-	18.1	14.2	18.1	14.2	27.5
Wastewater utility	-	-	10.9	9.2	10.9	9.2	18.5
Sanitation utility	-	-	6.9	6.6	6.9	6.6	4.6
Stadium	-	-	5.7	5.4	5.7	5.4	5.6
Housing	-	-	.3	.3	.3	.3	-
Total expenses	77.9	71.1	41.9	35.7	119.8	106.8	12.2
Excess before transfers	51.6	39.9	43.2	25.1	94.8	65.0	45.9
Transfers	(1.6)	(1.5)	1.6	1.5	-	-	-
Increase (decrease) in net assets	\$ 50.0	\$ 38.4	\$ 44.8	\$ 26.6	\$ 94.8	\$ 65.0	45.9

The program revenues (charges for services and grants and entitlements that are clearly identifiable to an operating function) of governmental activities increased \$3.7 million (11.4%) over the previous year, while the program revenues of business-type activities increased \$3.6 million (7.5%). For fiscal year 2002, total

governmental revenues increased \$18.5 million (16.7%) and total business-type revenues increased \$24.3 million (40%) while the expenses increased \$6.8 million (9.6%) and \$6.2 million (17.4%) for the governmental activities and business-type activities respectively. Included in the fiscal year 2002 revenues are one-time revenues of \$18.4 million for proceeds from bond refinancing and \$12.5 million in donations of capital assets for a piece of land donated to the City. Excluding these revenues, City revenues increased 7% in fiscal year 2002. The 7% revenue growth comes from a combination of the growth of the City and some user fee rate increases.

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 \$36.3 are 46.6% of the governmental expenses for fiscal year 2002, up from 45.9% in fiscal year 2001. In the business-type activities, functional revenues of \$51.7 million are 123.4% of the business-type expense for fiscal year 2002. This compares to \$48.1 million and 134.7% in fiscal year 2001.

Governmental Program Revenues & Expenses



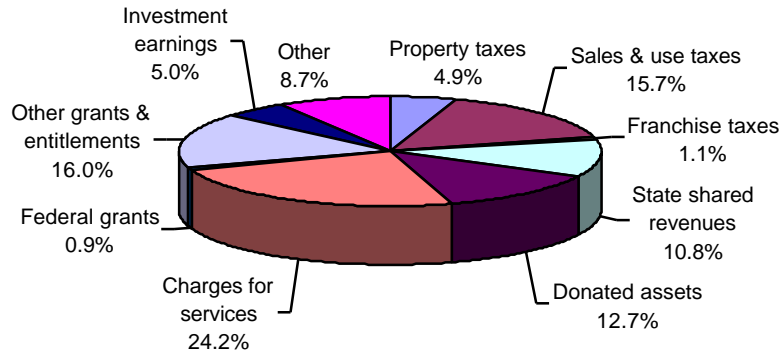
Governmental activities account for 60.3% of the total revenues of the City and 65.0% of the total expenditures in fiscal year 2002. This compares to 64.6% of total revenues and 66.6% of expenses in fiscal year 2001.

As seen in the following graph, the largest financing source for the City is charges for services (24.2%), primarily because this is the major funding source of the business-type activities (48.7% of business-type revenues). The major funding sources of the governmental activities are taxes (21.7% of total revenues, 35.8% of governmental revenues) and state shared revenues (10.8% of total revenues, 18% of governmental revenues).

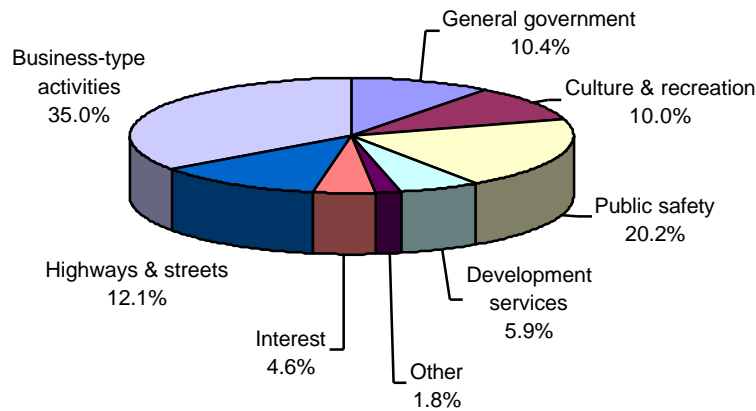
Taxes, including property, sales & use and franchise, increased 4.3% from fiscal year 2001 to fiscal year 2002. Sales & use taxes remained steady (.3% increase), while franchise taxes (15.1% increase) and property taxes (17.2% increase) rose. The increase in property taxes was due to growth in the assessed value of the City, as the tax rate was unchanged from fiscal year 2001 to fiscal year 2002.

Business-type activities account for 35% of the functional expenses of the City for fiscal year 2002, while governmental activities account for 65% of the functional expenses. For the governmental activities, the largest users of resources are public safety (20.2% of total expense, 31% of governmental expenses), highways and streets (12.1% of total expenses, 18.6% of governmental expenses), general government (10.4% of total expenses, 16% of governmental expenses) and culture and recreation (10% of total expenses, 15.3% of governmental expenses).

Fiscal Year 2002 Revenue Sources



Fiscal Year 2002 Functional Expenses



Total expenses (not including transfers out) of the City increased \$13 million (12.2%) in fiscal year 2002. Expenses of the governmental activities increased \$6.8 million (9.6%). This includes \$2.3 million (10.7%) for public safety, \$1.9 million (19.7%) for culture & recreation and \$1.8 million (17.4%) for general government. These increases reflect the Council's goals of public safety and customer service. Expenses in Business-type activities increased \$6.2 million (17.4%), due to both an increase in customers and increasing costs as the City continues to expand the water and wastewater systems and move from groundwater 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.

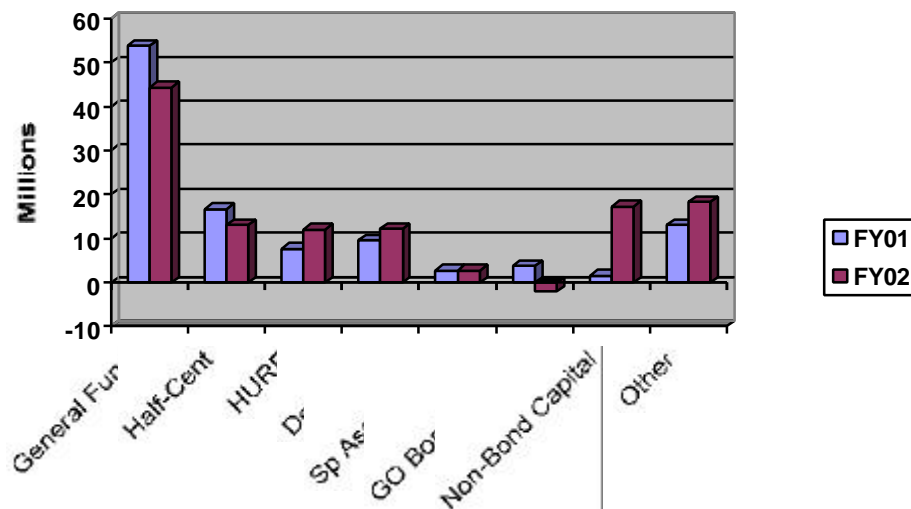
Governmental funds

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 92-94.

The fund balance of the governmental funds is \$117.7 million, an increase of \$8.9 million, or 8.2%, from the previous year. Of this, \$40.4 million is reserved because it is not appropriable for expenditure or is legally segregated for a specific future use. An additional \$46.2 million has been designated or committed for specific purposes by council policy or administrative action. These designations include certain economic stabilization reserves, debt service reserves or current capital projects. These designations are described in Note 10 to the financial statements (page 68). The remaining \$31.1 million is classified as "Undesignated, 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 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 \$4.4 million (7.6%) over the previous year, principally because the City's state shared revenues increased \$4.3 million (22.7%) with the reallocation of these revenues based on the 2000 census. General Fund expenditures increased \$10.9 million (23%). Although the City did add 53 new positions (18 in public safety) in the General Fund in fiscal year 2002, \$7 million of the increase in expenditures was for one-time capital outlay (\$4.4 million in fiscal year 2002 capital outlay and \$2.6 million transferred to a capital projects fund for the construction of a new public safety administration building). As a result of these one-time uses, the unreserved/undesignated fund balance of the general fund was 31.6% of expenditures at June 30, 2002, down from 52.7% at June 30, 2001.

Governmental Funds - Fund Balance



The Half-Cent Sales Tax Fund tracks the revenues from sales taxes designated for specific purposes by Council policy. Revenues in this fund held steady with the previous year (0.4% increase). The fund balance decreased \$3.5 million with the transfer of \$7.9 million to fund the construction of the new public safety administration building.

The Highway User Revenue 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. There are also City imposed transportation impact fees, a sales tax on utilities and property tax revenues from street light improvement districts included in this fund. Revenue in this fund increased \$1.2 million (12.3%) in fiscal year 2002 due to the reallocation of state shared revenues based on the 2000 census. Expenditures increased \$1.5 million with increased street maintenance costs.

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

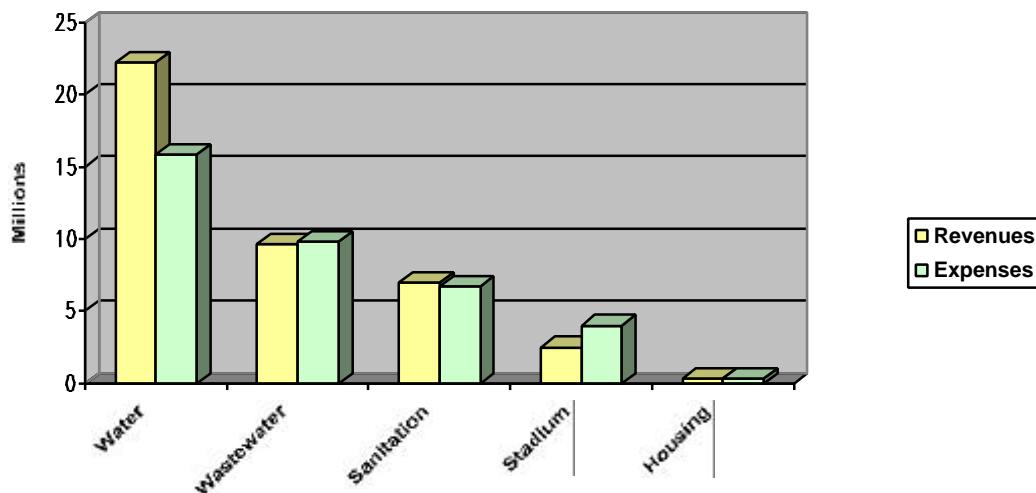
Proprietary funds

The proprietary 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 discreetly on the fund statements. The Public Housing Fund does not meet the GASB 34 criteria of a major fund, but is shown discreetly because it is the only non-major enterprise fund.

Net assets of the enterprise funds increased \$44.9 million (19.6%) in fiscal year 2002. The unrestricted net assets of the enterprise funds increased \$0.8 million (1.4%) from the previous year. These increases are described earlier in this report. Operating revenues of the enterprise funds increased \$2.9 million (7.4%) due to an increased customer base and a 7% rate increase in the water utility.

The following graph shows the operating revenues and expenditures for the enterprise funds for fiscal years 2002 and 2001.

**Fiscal year 2002 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 100-118.

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). No amendments increasing the City's total adopted budget of \$316 million occurred during fiscal year 2002. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur. Some of the significant amendments are as follows:

- Two functions of the City drew from contingency appropriation into operational line items. The Risk Management program, part of the Self-Insurance Fund (an Internal Service Fund), used \$420,500 from contingency funds to cover costs resulting from increased claims. The Police Department, part of the General Fund, was given an addition \$400,000 to cover overtime costs incurred. Police departments throughout the metro area have experienced a personnel shortage. Covering for those unfilled positions with overtime is more expensive than the salary savings of the vacant positions.
- Contingency appropriation of \$1.5 million was transferred into the Fire Department operating budget to purchase radio equipment to continue the City's participation in the upgraded computer aided dispatch (CAD) system operated by the City of Phoenix.
- Approximately \$1.2 million was moved from contingency accounts to fund the construction of a 10 million gallon water reservoir. Originally, this reservoir was to be constructed in two phases (each 5 million gallons) over a five year period. The City was able to save \$3.3 million by awarding the entire contract as a single project.
- Budget amendments occur throughout the year to cover approved carryovers from the previous budget, capital projects with budget overages or whose timing was accelerated and other unanticipated costs.
- Throughout the year, budget amendments are processed from contingency accounts to allow expenditure authority from unanticipated revenue sources. These include new or higher than expected grants and intergovernmental agreements. It is generally the policy of the City to not include revenues and operational expenditure authority for these types of items in the operational budgets unless the funding is reasonably assured at the time of completion of the annual budget. Instead, the City budgets contingency accounts to allow for later transfer to operational budgets if and when the funding is received.

General Fund revenues of \$74.1 million, on a budgetary basis, exceeded budgeted revenues of \$72.3 million by \$1.8 million (2.5%) while budgetary basis expenditures of \$73.8 million were only 81.2% of budgeted expenditures. The excess of revenues over budgeted revenues is primarily due to higher sales taxes, especially retail and restaurants, resulting from a stronger than anticipated local economy. Reduced expenditures resulted from delayed capital projects and unspent contingencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2002, the City had \$388.9 million invested in various capital assets, net of accumulated depreciation and related debt, up 25% from the previous year. The capital assets of the City (net of depreciation, but not capital debt) are \$563.8 million. This is a net increase of \$69.5 million from June 30,

2001. Of the increase, \$34.9 million resulted from governmental activities and \$34.6 million resulted from business-type activities.

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

- ✓ The City completed construction of the Greenway Water Treatment Plant with \$11.1 million spent during fiscal year 2002. This \$32 million facility is the City's first fully owned and operated surface water treatment facility. This facility is a major step in the City's plan for meeting state mandates to shift from dependency on ground water to surface water. Phase I of the plant will treat 16 million gallons per day (MGD), to be expanded to 32 MGD with Phase II budgeted for fiscal year 2004.
- ✓ The City spent \$1.5 million for design and miscellaneous preliminary costs for a new public safety administration building. The project will begin construction in early fiscal year 2003 and is anticipated to be complete, at a cost of \$18.5 million, in early fiscal year 2004. This facility will house the police department, fire department administration and a production studio for the City's public access television station, Channel 11.
- ✓ The City spent \$3.7 million in fiscal year 2002 on construction of the first phase of Lake Pleasant Parkway, a major access route to the northern part of the City including Lake Pleasant.
- ✓ An additional \$2.2 million was spent in fiscal year 2002 for a sewer intercept line to the Beardsley Wastewater Treatment Plant. The project will be completed in fiscal year 2003 at a total estimated cost of \$3.8 million.
- ✓ The 30 inch water transmission lines from the Pyramid Peak Water Treatment Plant were completed with \$4.8 million in fiscal year 2002 expenditures.
- ✓ Land was purchased, at a cost of \$3.3 million, for the next expansion of the Beardsley Wastewater Treatment Plant.
- ✓ The City spent an additional \$1.3 million on land acquisition and design services for the City's first large community park. This 50 plus acre park will contain lighted sports facilities, playgrounds, picnic ramadas and other recreational facilities. Construction of Phase I of the park is scheduled to start in 2003.

The following table provides a breakdown of the capital assets of the City at June 30, 2002. Additional information on the City's capital assets may be found in Note 11 on pages 69-70.

Capital Assets at June 30
(Net of depreciation)
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2002	2001	2002	2001	2002	2001	
Buildings and building improvements	\$ 32.3	\$ 31.9	\$ 22.1	\$ 21.3	\$ 54.4	\$ 53.2	2.3%
Equipment	10.0	6.3	.7	.4	10.7	4.7	127.7
Furniture	.6	.4	-	-	.6	.4	50.0
Vehicles	5.1	4.1	3.9	3.2	9.0	7.3	23.3
Street system	179.4	171.0	-	-	179.4	171.0	4.9
Storm drainage system	39.9	34.1	-	-	39.9	34.1	17.0
Park system	10.2	9.4	-	-	10.2	9.4	8.5
Water system	-	-	73.6	71.2	73.6	71.2	3.4
Wastewater system	-	-	81.6	71.9	81.6	71.9	13.5
Land	32.9	17.5	12.5	9.2	45.4	26.7	70.0
Work in progress	9.8	10.6	49.2	31.8	59.0	42.4	39.2
Total	<u>\$ 320.2</u>	<u>\$ 285.3</u>	<u>\$ 243.6</u>	<u>\$ 209.0</u>	<u>\$ 563.8</u>	<u>\$ 494.3</u>	14.1

The City has adopted a ten year capital improvement plan budgeted at \$423.1 million, including \$131.5 million in fiscal year 2003. Anticipated funding for this plan is through a combination of impact fees

(33%), utility revenue bonds (19%), general obligation bonds (19%), operating revenues (22%) and other outside funding sources (7%).

Long-term Debt

The City's outstanding non-current long-term debt, including bonds, notes, contracts and compensated absences, was \$209.3 million at June 30, 2002. Of this total, \$115.0 million was in governmental activities and \$94.3 million was in business-type activities. The City's outstanding non-current debt decreased \$15.7 million in fiscal year 2002. The City issued \$2.8 million in Special Assessment Bonds and entered into \$3.3 million in new development agreement contracts in governmental funds during fiscal year 2002. Additionally, \$14.5 million in new Water Infrastructure Financing Authority of Arizona loans were issued on behalf of the City. In May 2002, the Maricopa County Sports Authority refunded \$18.4 million in Sports Authority Bonds, relieving the City of any liability for this debt (see Notes 12 and 14 on pages 70 and 79). The City also defeased \$5.5 million in water and sewer revenue bonds with a cash defeasance during fiscal year 2002.

Of the outstanding debt, \$44.5 million is general obligation bonds backed by the full faith and credit of the City. An additional \$17.3 million are special assessment bonds where the City is contingently liable in the event that the assessment revenues are insufficient to pay the debt payments. All other outstanding debt is secured by pledges of specific revenue sources of the City.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2002 is \$21.5 million in the 6% capacity and \$92.1 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in Note 13 on page 71 and also in Table XI in the statistical section of this report (page 143).

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2002 and 2001. Further detail on the City's outstanding debt may be found in Note 13 on pages 71-79.

Outstanding Debt (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2002	2001	2002	2001	2002	2001	
General obligation debt	\$ 44.5	\$ 47.7	\$ -	\$ -	\$ 44.5	\$ 47.7	(6.7)%
Municipal Development Authority debt	25.8	27.9	3.9	4.1	29.7	32.0	(7.2)
Highway User Revenue bonds	4.9	5.2	-	-	4.9	5.2	(5.8)
Special assessment debt	17.3	15.8	-	-	17.3	15.8	9.5
Water/Sewer Revenue bonds	-	-	88.9	82.3	88.9	82.3	8.0
Municipal Sports Complex Authority	-	-	1.1	20.5	1.1	20.5	(94.6)
Contracts payable	20.0	19.2	.1	.1	20.1	19.3	4.2
Compensated absences	2.5	2.0	.3	.2	2.8	2.2	22.3
Total	<u>\$ 115.0</u>	<u>\$ 117.8</u>	<u>\$ 94.3</u>	<u>\$ 107.2</u>	<u>\$ 209.3</u>	<u>\$ 225.0</u>	(7.0)

The City currently maintains the following ratings on its general obligation debt: "A+" from Standard & Poor's, "A1" 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 2002 was 5.4%, which remains below both the state (6%) and national average (5.9%). While the regional economy remains strong, it is traditionally largely driven by construction, due to the continued population growth of the state and metropolitan area, as well as the financial services and tourism sectors. Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the economy. Fiscal year 2002 saw the state and regional economies struggle to recover from the effects of an ongoing recession, the events of September 11, 2001, and low consumer confidence.

Because of the continued growth of the community, Peoria's revenues have continued to increase, although at a slower rate than the past several years. Low interest rates have continued to fuel a steady, if slower, new housing market. Peoria continues to attract new retail businesses and restaurants, helping to increase the City's sales tax base. The adopted fiscal year 2003 budget expects General Fund operating revenues to increase \$1.8 million (2.5%).

The adopted fiscal year 2003 budget is \$335 million (up 6% from 2002), including a \$203.5 million operating budget (an increase of 5.4% from 2002) and \$131.5 million in capital projects (up 6.9% from 2002). The fiscal year 2003 budget includes 54 new staff positions to support City services.

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 \$20.2 million in the General Fund and \$3.3 million in the Half-Cent Sales Tax Fund at June 30, 2002. The fiscal year 2003 budget anticipates, while the revenues will continue to grow, the City will expend some of the beginning cash balances for capital needs and one-time operational needs. The fiscal year 2003 budget anticipates revenues of \$248.1 million. Since much of the excess of expenditures over revenues is targeted for capital expenditures, it is expected to have little impact on the net assets of the City.

FINANCIAL CONTACT

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



CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
June 30, 2002

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 31,111,672	\$ 25,546,488	\$ 56,658,160
Cash with fiscal agents	2,502,614	5,015,138	7,517,752
Investments	96,781,752	79,088,102	175,869,854
Accounts receivable, net	3,756,802	6,912,353	10,669,155
Interest receivable	986,394	964,728	1,951,122
Internal balances	477,824	(477,824)	-
Due from other governments	3,671,478	-	3,671,478
Prepaid items	70,108	-	70,108
Supply inventories	203,740	182,716	386,456
Deferred bond issuance costs, net	1,512,318	1,164,608	2,676,926
Restricted cash and cash equivalents	4,119,684	12,734,553	16,854,237
Restricted investments	-	1,895,782	1,895,782
Other assets	-	1,478,703	1,478,703
Special assessments receivable	16,259,365	-	16,259,365
Capital assets:			
Non-depreciable	42,668,514	61,634,699	104,303,213
Depreciable (net)	277,524,219	181,946,088	459,470,307
Total assets	<u>481,646,484</u>	<u>378,086,134</u>	<u>859,732,618</u>
LIABILITIES			
Accounts payable	4,873,446	3,870,844	8,744,290
Accrued payroll	685,267	85,579	770,846
Interest payable	2,468,871	1,665,826	4,134,697
Due to other governments	470,664	62,652	533,316
Claims payable	2,253,418	-	2,253,418
Customer deposits	2,572	386,673	389,245
Deferred revenue	1,586,617	3,754,000	5,340,617
Arbitrage liability	124,861	139,397	264,258
Other liabilities	2,870,557	259,084	3,129,641
Non-current liabilities:			
Due within one year:			
Current portion of compensated absences	2,369,570	289,250	2,658,820
Current portion of contracts payable	2,331,744	11,850	2,343,594
Current portion of bonds payable	7,222,226	7,231,135	14,453,361
Due in more than one year:			
Noncurrent portion of compensated absences	104,070	12,610	116,680
Noncurrent portion of contracts payable	17,646,908	103,107	17,750,015
Noncurrent portion of bonds payable	85,294,463	86,693,370	171,987,833
Total liabilities	<u>130,305,254</u>	<u>104,565,377</u>	<u>234,870,631</u>
NET ASSETS			
Invested in capital assets, net of related debt	230,785,628	158,071,050	388,856,678
Restricted for:			
Capital projects	-	48,919,975	48,919,975
Debt service	27,558,473	-	27,558,473
Development fees	16,264,406	-	16,264,406
Revenue bond retirement	-	5,143,612	5,143,612
Grant purposes	920,313	441,746	1,362,059
Unrestricted	75,812,410	60,944,374	136,756,784
Total net assets	<u>\$ 351,341,230</u>	<u>\$ 273,520,757</u>	<u>\$ 624,861,987</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, 2002**

<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	\$ 12,510,874	\$ 1,259,983	\$ 64,403	\$ 1,066,436
Culture and recreation	11,926,736	3,579,918	396,151	3,060,296
Police	15,018,206	173,678	293,090	557,033
Fire	9,155,641	216,299	220	372,131
Development services	3,447,617	3,380,947	653,748	-
Highways and streets	14,507,609	247,162	6,719,940	7,214,604
Public works	3,630,838	1,454,693	-	103,612
Human services	1,597,081	59,325	1,579,880	44,881
Other	8,025	2,000	-	3,802,290
Interest on long-term debt	5,542,309	-	-	-
Unallocated depreciation (Note 11)	604,962	-	-	-
Total governmental activities	<u>77,949,898</u>	<u>10,374,005</u>	<u>9,707,432</u>	<u>16,221,283</u>
Business-type activities:				
Water Utility	18,106,642	22,230,008	-	4,933,345
Wastewater Utility	10,880,229	9,606,324	-	3,899,519
Sanitation Utility	6,896,802	7,036,110	-	597,474
Stadium	5,673,177	2,494,194	-	680,016
Housing programs	345,064	154,129	125,136	-
Total business-type activities	<u>41,901,914</u>	<u>41,520,765</u>	<u>125,136</u>	<u>10,110,354</u>
Total primary government	<u>\$ 119,851,812</u>	<u>\$ 51,894,770</u>	<u>\$ 9,832,568</u>	<u>\$ 26,331,637</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
Urban revenue sharing
Auto in-lieu taxes
Donations of capital assets
Investment earnings
Gain on sale of capital assets
Elimination of Municipal Sports Authority Bonds
Miscellaneous
Transfers in (out)
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002**

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

Governmental Activites	Business-type Activites	Total
\$ (10,120,052)	\$ -	\$ (10,120,052)
(4,890,371)	-	(4,890,371)
(13,994,405)	-	(13,994,405)
(8,566,991)	-	(8,566,991)
587,078	-	587,078
(325,903)	-	(325,903)
(2,072,533)	-	(2,072,533)
87,005	-	87,005
3,796,265	-	3,796,265
(5,542,309)	-	(5,542,309)
(604,962)	-	(604,962)
<u>(41,647,178)</u>	<u>-</u>	<u>(41,647,178)</u>
-	9,056,711	9,056,711
-	2,625,614	2,625,614
-	736,782	736,782
-	(2,498,967)	(2,498,967)
-	(65,799)	(65,799)
-	9,854,341	9,854,341
<u>\$ (41,647,178)</u>	<u>\$ 9,854,341</u>	<u>\$ (31,792,837)</u>
\$ 2,261,947	\$ -	\$ 2,261,947
8,156,576	-	8,156,576
33,711,972	-	33,711,972
2,327,874	-	2,327,874
8,350,576	-	8,350,576
11,321,449	-	11,321,449
3,575,255	-	3,575,255
17,634,994	9,582,431	27,217,425
5,395,083	5,357,578	10,752,661
36,313	104,006	140,319
-	18,375,000	18,375,000
414,835	-	414,835
(1,563,008)	1,563,008	-
<u>91,623,866</u>	<u>34,982,023</u>	<u>126,605,889</u>
<u>49,976,688</u>	<u>44,836,364</u>	<u>94,813,052</u>
<u>301,364,542</u>	<u>228,684,393</u>	<u>530,048,935</u>
<u>\$ 351,341,230</u>	<u>\$ 273,520,757</u>	<u>\$ 624,861,987</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002**

	General Fund	Half-Cent Sales Tax Fund	Highway User Revenue Fund	Development Fee Fund
ASSETS				
Cash and cash equivalents	\$ 10,053,859	\$ 2,911,025	\$ 2,913,431	\$ 2,962,889
Cash with fiscal agents	-	-	-	-
Investments	30,927,757	9,200,855	9,208,460	9,364,781
Accounts receivable, net	2,526,413	874,231	171,154	-
Interest receivable	336,289	170,931	78,177	84,680
Due from other funds	3,986,266	-	-	-
Due from other governments	2,094,763	-	608,466	-
Prepaid items	62,513	7,595	-	-
Supply inventories	33,915	-	44,391	-
Restricted cash and cash equivalents	-	-	-	-
Restricted investments	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	<u>\$ 50,021,775</u>	<u>\$ 13,164,637</u>	<u>\$ 13,024,079</u>	<u>\$ 12,412,350</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,875,431	\$ 40,495	\$ 874,823	\$ 181,597
Accrued payroll	592,314	-	21,858	-
Due to other funds	-	-	-	-
Due to other governments	444,718	-	-	-
Claims/deposits payable	2,572	-	-	-
Deferred revenue	116,077	-	12,297	-
Arbitrage liability	-	-	-	-
Other liabilities	2,055,458	-	103,051	-
Compensated absences	622,400	-	27,460	-
Total liabilities	<u>\$ 5,708,970</u>	<u>\$ 40,495</u>	<u>\$ 1,039,489</u>	<u>\$ 181,597</u>
Fund balances (deficit):				
Reserved for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Development fees	-	-	3,846,576	11,937,993
Encumbrances	270,242	36,692	1,459,544	292,760
Grant purposes	-	-	-	-
Supply inventories	33,915	-	44,391	-
Prepaid items	62,513	7,595	-	-
Unreserved, designated (see note 10)	25,474,438	4,258,000	-	-
Unreserved, undesignated, reported in:				
General fund	18,471,697	-	-	-
Capital projects funds	-	-	-	-
Special revenue funds	-	8,821,855	6,634,079	-
Total fund balance	<u>44,312,805</u>	<u>13,124,142</u>	<u>11,984,590</u>	<u>12,230,753</u>
Total liabilities and fund balance	<u>\$ 50,021,775</u>	<u>\$ 13,164,637</u>	<u>\$ 13,024,079</u>	<u>\$ 12,412,350</u>

(continued)

**CITY OF PEORIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002**

Special Assessment Debt Service	GO Bond Capital Projects	Non-Bond Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 637,324	\$ 185	\$ 4,523,903	\$ 3,577,086	\$ 27,579,702
-	-	-	2,502,614	2,502,614
2,014,386	587	14,298,668	10,602,788	85,618,282
-	-	-	185,004	3,756,802
21,910	13,935	89,925	80,128	875,975
-	-	-	-	3,986,266
-	-	-	968,249	3,671,478
-	-	-	-	70,108
-	-	-	-	78,306
-	1,576,517	-	2,543,167	4,119,684
-	-	-	-	-
16,259,365	-	-	-	16,259,365
<u>\$ 18,932,985</u>	<u>\$ 1,591,224</u>	<u>\$ 18,912,496</u>	<u>\$ 20,459,036</u>	<u>\$ 148,518,582</u>
\$ 1,387	\$ 103,041	\$ 218,059	\$ 601,566	\$ 3,896,399
-	-	-	8,866	623,038
-	3,500,000	-	406,229	3,906,229
-	-	-	25,946	470,664
-	-	-	-	2,572
16,252,177	-	957,533	946,633	18,284,717
-	124,861	-	-	124,861
1,020	4,791	553,039	153,198	2,870,557
-	-	-	6,210	656,070
<u>\$ 16,254,584</u>	<u>\$ 3,732,693</u>	<u>\$ 1,728,631</u>	<u>\$ 2,148,648</u>	<u>\$ 30,835,107</u>
\$ 2,678,401	\$ -	\$ -	\$ 14,681,129	\$ 17,359,530
-	-	-	1,199,950	1,199,950
-	-	-	-	15,784,569
-	400,958	1,082,095	1,432,449	4,974,740
-	-	-	906,960	906,960
-	-	-	-	78,306
-	-	-	-	70,108
-	-	16,101,770	331,256	46,165,464
-	-	-	-	18,471,697
-	(2,542,427)	-	(277,423)	(2,819,850)
-	-	-	36,067	15,492,001
2,678,401	(2,141,469)	17,183,865	18,310,388	117,683,475
<u>\$ 18,932,985</u>	<u>\$ 1,591,224</u>	<u>\$ 18,912,496</u>	<u>\$ 20,459,036</u>	<u>\$ 148,518,582</u>

The accompanying notes are an integral part of the financial statements



**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2002**

Fund balances - total governmental funds balance sheet \$ 117,683,475

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	\$ 404,066,174	
Less accumulated depreciation	<u>(95,213,723)</u>	308,852,451

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

Deferred bond issue costs		1,512,318
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	92,516,689	
Governmental contracts payable	19,978,652	
Compensated absences	<u>1,574,150</u>	(114,069,491)

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

16,252,177

Grant revenue earned but not expected to be received within 6 months is deferred for the governmental statements, but is recognized for the government-wide statements

215,530

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

230,393

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

(2,468,871)

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.

23,133,248

Net assets of governmental activities - statement of net assets \$ 351,341,230

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Half-Cent Sales Tax Fund</u>	<u>Highway User Revenue Fund</u>	<u>Development Fee Fund</u>
REVENUES:				
Taxes:				
Sales and use taxes	\$ 22,317,667	\$ 10,316,228	\$ 1,078,077	\$ -
Property taxes	1,730,070	-	456,034	-
Franchise taxes	2,327,874	-	-	-
Intergovernmental:				
State shared sales taxes	8,350,576	-	-	-
Urban revenue sharing	11,321,449	-	-	-
Auto in-lieu taxes	3,575,255	-	-	-
Highway user revenue	-	-	6,719,940	-
Local transportation aid	-	-	-	-
From federal government	-	-	-	-
Other	178,160	-	-	-
Charges for services	6,375,219	-	2,017,633	4,693,364
Licenses and permits	2,768,777	-	2,900	-
Fines and forfeitures	1,061,438	-	-	-
Rents	58,606	-	-	-
Investment earnings	1,920,719	909,898	463,773	421,284
Special assessments	-	-	-	-
Miscellaneous	145,613	-	137,113	-
Total revenues	<u>62,131,423</u>	<u>11,226,126</u>	<u>10,875,470</u>	<u>5,114,648</u>
EXPENDITURES:				
Current:				
General government	12,823,640	566,109	-	9,700
Culture and recreation	10,333,157	-	-	342,930
Police	14,504,322	-	-	8,000
Fire	9,004,316	-	-	8,000
Development services	3,083,272	-	-	-
Highways and streets	-	-	7,221,080	-
Public works	2,571,543	-	-	-
Human services	-	-	-	-
Other	-	-	-	-
Debt service:				
Principal payments	1,727,004	750,860	280,000	-
Interest and other charges	59,342	14,370	305,140	-
Capital outlay	4,351,656	833,433	508,276	634,561
Total expenditures	<u>58,458,252</u>	<u>2,164,772</u>	<u>8,314,496</u>	<u>1,003,191</u>
Excess (deficiency) of revenues over expenditures	<u>3,673,171</u>	<u>9,061,354</u>	<u>2,560,974</u>	<u>4,111,457</u>
OTHER FINANCING SOURCES (USES):				
Capital-related debt issued	-	396,195	-	-
Transfers in	3,256,950	-	2,300,000	-
Transfers out	(16,286,300)	(13,006,305)	(551,310)	(1,526,355)
Total other financing sources and uses	<u>(13,029,350)</u>	<u>(12,610,110)</u>	<u>1,748,690</u>	<u>(1,526,355)</u>
Net change in fund balances	<u>(9,356,179)</u>	<u>(3,548,756)</u>	<u>4,309,664</u>	<u>2,585,102</u>
Fund balances - beginning	53,668,984	16,672,898	7,674,926	9,645,651
Fund balances - ending	<u>\$ 44,312,805</u>	<u>\$ 13,124,142</u>	<u>\$ 11,984,590</u>	<u>\$ 12,230,753</u>

(continued)

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

<u>Special Assessment Debt Service</u>	<u>GO Bond Capital Projects</u>	<u>Non-Bond Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 33,711,972
-	-	-	7,871,148	10,057,252
-	-	-	-	2,327,874
-	-	-	-	8,350,576
-	-	-	-	11,321,449
-	-	-	-	3,575,255
-	-	-	-	6,719,940
-	-	-	615,115	615,115
-	-	-	1,700,855	1,700,855
-	-	874,018	1,851,660	2,903,838
2,000	-	-	409,062	13,497,278
-	-	-	-	2,771,677
-	-	-	19,104	1,080,542
-	-	-	-	58,606
109,000	40,554	424,292	475,612	4,765,132
2,225,642	-	-	-	2,225,642
<u>2,336,642</u>	<u>40,554</u>	<u>3,176,206</u>	<u>151,357</u>	<u>3,610,289</u>
		<u>4,474,516</u>	<u>13,093,913</u>	<u>109,293,292</u>
-	-	31,698	34,156	13,465,303
-	-	-	288,204	10,964,291
-	-	-	214,703	14,727,025
-	-	-	-	9,012,316
-	-	-	337,061	3,420,333
-	401,626	68,345	61,236	7,752,287
-	-	-	-	2,571,543
-	-	-	1,537,183	1,537,183
8,025	-	-	-	8,025
1,243,308	-	-	5,577,200	9,578,372
1,066,554	-	-	3,907,062	5,352,468
-	5,580,571	6,194,789	2,713,938	20,817,224
<u>2,317,887</u>	<u>5,982,197</u>	<u>6,294,832</u>	<u>14,670,743</u>	<u>99,206,370</u>
<u>18,755</u>	<u>(5,941,643)</u>	<u>(1,820,316)</u>	<u>(1,576,830)</u>	<u>10,086,922</u>
-	-	-	2,763,000	3,159,195
-	-	18,658,970	4,297,834	28,513,754
-	-	(1,300,000)	(174,064)	(32,844,334)
-	-	<u>17,358,970</u>	<u>6,886,770</u>	<u>(1,171,385)</u>
<u>18,755</u>	<u>(5,941,643)</u>	<u>15,538,654</u>	<u>5,309,940</u>	<u>8,915,537</u>
2,659,646	3,800,174	1,645,211	13,000,448	108,767,938
<u>\$ 2,678,401</u>	<u>\$ (2,141,469)</u>	<u>\$ 17,183,865</u>	<u>\$ 18,310,388</u>	<u>\$ 117,683,475</u>

The accompanying notes are an integral part of the financial statements



**CITY OF PEORIA, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002**

Net change in fund balances - total governmental funds	\$ 8,915,537
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.	(161,130)
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.	1,807,040
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.	(157,818)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$21,453,458) exceeded depreciation (\$12,642,305) in the current period.	8,811,153
Gains on sales of fixed assets are not shown in the governmental funds, but are revenues on the statement of activities.	36,313
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	17,634,994
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,406
The issuance of debt is a revenue in the governmental funds, but creates a long-term liability in the statement of activities.	(3,159,195)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.	9,578,372
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.	(32,023)
Interfund transactions between governmental activities are eliminated in the statement of activities.	2,455,020
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.	4,247,019
Change in net assets of governmental activities- statement of activities	\$ 49,976,688

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, 2002**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Budgetary fund balance, July 1, 2001	\$ 40,895,927	\$ 40,895,927	\$ 40,895,927	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	21,847,950	21,847,950	22,859,990	1,012,040
Property taxes	1,772,484	1,772,484	1,705,852	(66,632)
Franchise taxes	2,135,900	2,135,900	2,289,148	153,248
Intergovernmental:				
State shared sales taxes	8,546,574	8,546,574	8,368,439	(178,135)
Urban revenue sharing	11,300,694	11,300,694	11,302,504	1,810
Auto in-lieu taxes	3,435,567	3,435,567	3,599,731	164,164
Other	102,200	102,200	218,475	116,275
Charges for services	14,087,010	14,087,010	14,519,117	432,107
Licenses and permits	2,297,500	2,297,500	2,768,777	471,277
Fines and forfeitures	1,143,000	1,143,000	1,061,438	(81,562)
Rents	11,000	11,000	62,592	51,592
Investment earnings	2,154,000	2,151,635	1,966,445	(185,190)
Miscellaneous	66,000	66,000	145,613	79,613
Transfers from other funds	3,313,322	3,422,868	3,256,950	(165,918)
Total inflows	<u>72,213,201</u>	<u>72,320,382</u>	<u>74,125,071</u>	<u>1,804,689</u>
Amounts available for appropriation	<u>113,109,128</u>	<u>113,216,309</u>	<u>115,020,998</u>	<u>1,804,689</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government:				
Mayor and council	565,769	565,846	501,452	(64,394)
City manager	1,280,395	1,297,905	1,226,019	(71,886)
Human resources	1,173,183	1,225,283	1,205,589	(19,694)
Attorney	1,364,371	1,281,080	1,213,393	(67,687)
City clerk	542,388	526,406	499,630	(26,776)
Court	875,585	815,392	759,289	(56,103)
Management services	7,187,085	7,380,792	6,342,086	(1,038,706)
Non-departmental	9,407,591	9,596,642	929,909	(8,666,733)
Culture and recreation	10,147,609	10,303,279	10,137,708	(165,571)
Development services	3,614,181	3,509,165	3,024,953	(484,212)
Fire	8,908,918	9,001,258	8,834,001	(167,257)
Police	14,137,671	14,472,666	14,229,976	(242,690)
Public works	3,286,590	3,373,937	2,522,903	(851,034)
Debt service:				
Principal payments	1,592,820	1,826,454	1,727,004	(99,450)
Interest and other charges	-	133,700	59,342	(74,358)
Capital outlay	9,839,252	8,338,376	5,002,330	(3,336,046)
Contingencies	9,000,000	1,728,711	-	(1,728,711)
Transfers to other funds	<u>11,730,422</u>	<u>15,604,168</u>	<u>15,615,705</u>	<u>11,537</u>
Total charges to appropriations	<u>94,653,830</u>	<u>90,981,060</u>	<u>73,831,289</u>	<u>(17,149,771)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 18,455,298</u>	<u>\$ 22,235,249</u>	<u>\$ 41,189,709</u>	<u>\$ 18,954,460</u>

(continued)
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**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 115,020,998
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	(40,895,927)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(3,256,950)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(6,041,243)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(2,695,455)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 62,131,423</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 73,831,289
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	309,099
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	604,164
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(670,595)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,615,705)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 58,458,252</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON STATEMENT
HALF-CENT SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 16,585,157	\$ 16,585,157	\$ 16,585,157	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	9,561,930	9,561,930	10,303,214	741,284
Proceeds from contracts payable	-	-	396,195	396,195
Investment earnings	645,050	645,050	938,618	293,568
Total inflows	<u>10,206,980</u>	<u>10,206,980</u>	<u>11,638,027</u>	<u>1,431,047</u>
Amounts available for appropriation	<u>26,792,137</u>	<u>26,792,137</u>	<u>28,223,184</u>	<u>1,431,047</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government- non-departmental	583,426	696,686	536,391	(160,295)
Capital outlay	8,010,564	985,387	849,465	(135,922)
Principal payments	700,000	753,985	750,860	(3,125)
Interest and other charges	-	14,370	14,370	-
Contingencies	800,000	711,413	-	(711,413)
Transfers to other funds	5,364,440	13,250,585	13,006,305	(244,280)
Total charges to appropriations	<u>15,458,430</u>	<u>16,412,426</u>	<u>15,157,391</u>	<u>(1,255,035)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 11,333,707</u>	<u>\$ 10,379,711</u>	<u>\$ 13,065,793</u>	<u>\$ 2,686,082</u>

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 28,223,184
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	(16,585,157)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(15,706)
Proceeds from contracts payable are a budgetary resource but are not revenues for financial reporting purposes	(396,195)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,226,126</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 15,157,391
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	29,718
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(16,032)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(13,006,305)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,164,772</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, 2002**

	<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, 2001	\$ 5,627,431	\$ 5,627,431	\$ 5,627,431	\$ -
RESOURCES (INFLOWS):				
Taxes:				
Sales and use taxes	894,400	894,400	1,045,009	150,609
Property taxes	526,210	526,210	429,729	(96,481)
Intergovernmental:				
Highway user revenue	6,900,000	6,900,000	6,702,531	(197,469)
Charges for services	3,326,019	3,326,019	2,325,340	(1,000,679)
Licenses and permits	-	-	2,900	2,900
Investment earnings	309,048	308,693	452,832	144,139
Miscellaneous	-	-	137,113	137,113
Transfers from other funds	2,826,210	2,826,210	2,300,000	(526,210)
Total inflows	<u>14,781,887</u>	<u>14,781,532</u>	<u>13,395,454</u>	<u>(1,386,078)</u>
Amounts available for appropriation	<u>20,409,318</u>	<u>20,408,963</u>	<u>19,022,885</u>	<u>(1,386,078)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current operating:				
Highways and streets	10,972,459	9,138,300	6,790,932	(2,347,368)
Debt service:				
Principal payments	280,000	280,000	280,000	-
Interest and other charges	310,090	310,090	305,140	(4,950)
Capital outlay	973,258	1,220,814	508,276	(712,538)
Contingencies	500,000	2,024,148	-	(2,024,148)
Transfers to other funds	1,135,296	1,135,296	551,310	(583,986)
Total charges to appropriations	<u>14,171,103</u>	<u>14,108,648</u>	<u>8,435,658</u>	<u>(5,672,990)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 6,238,215</u>	<u>\$ 6,300,315</u>	<u>\$ 10,587,227</u>	<u>\$ 4,286,912</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	\$ 19,022,885
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(5,627,431)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(2,300,000)
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB 34's allocation rules.	(320,000)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	100,016
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,875,470</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,435,658
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	12,629
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	417,519
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(551,310)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,314,496</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, 2002**

	<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, 2001	\$ 8,144,009	\$ 8,144,009	\$ 8,144,009	\$ -
RESOURCES (INFLOWS):				
Impact/expansion fees	4,938,680	4,938,680	4,693,364	(245,316)
Investment earnings	<u>125,183</u>	<u>125,183</u>	<u>421,790</u>	<u>296,607</u>
Total inflows	<u>5,063,863</u>	<u>5,063,863</u>	<u>5,115,154</u>	<u>51,291</u>
Amounts available for appropriation	<u>13,207,872</u>	<u>13,207,872</u>	<u>13,259,163</u>	<u>51,291</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Culture and recreation	392,765	382,114	342,930	(39,184)
Police	-	8,000	8,000	-
Fire	-	8,000	8,000	-
General government	-	9,700	9,700	-
Capital outlay	4,570,503	2,836,939	1,470,550	(1,366,389)
Contingencies	1,900,000	1,856,386	-	(1,856,386)
Transfers out	<u>-</u>	<u>1,526,355</u>	<u>1,526,355</u>	<u>-</u>
Total charges to appropriations	<u>6,863,268</u>	<u>6,627,494</u>	<u>3,365,535</u>	<u>(3,261,959)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 6,344,604</u>	<u>\$ 6,580,378</u>	<u>\$ 9,893,628</u>	<u>\$ 3,313,250</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	\$ 13,259,163
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	(8,144,009)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(506)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,114,648</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,365,535
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(835,989)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,526,355)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,003,191</u>

The accompanying notes are an integral part of the financial statements



CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2002

Business-type Activities - Enterprise Funds

	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,352,317	\$ 10,372,862	\$ 2,976,864	\$ 356,813
Restricted cash with fiscal agents	3,523,790	1,440,760	-	-
Investments	35,780,695	32,785,289	9,408,952	1,113,166
Accounts receivable, net	4,217,693	1,573,017	1,071,935	22,936
Interest receivable	474,866	378,181	101,046	10,635
Supplies inventory	149,884	-	32,832	-
Total current assets	<u>55,499,245</u>	<u>46,550,109</u>	<u>13,591,629</u>	<u>1,503,550</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	11,571,896	1,162,346	-	311
Investments	1,649,331	246,451	-	-
Capital assets:				
Buildings and improvements	47,670	5,704	-	25,528,285
Distribution and collection systems	92,367,202	105,036,573	-	-
Equipment	475,387	448,714	121,857	196,101
Vehicles	1,274,752	267,015	5,924,975	384,949
Furniture	7,710	-	8,013	-
Less accumulated depreciation	(19,571,824)	(23,855,693)	(2,915,605)	(5,756,324)
Land and improvements	1,712,328	3,661,560	-	6,690,371
Construction in progress	47,852,360	1,276,795	-	30,935
Capital assets, net	<u>124,165,585</u>	<u>86,840,668</u>	<u>3,139,240</u>	<u>27,074,317</u>
Unamortized bonds costs	437,952	675,098	-	51,558
Other assets	1,135,062	343,641	-	-
Total non-current assets	<u>138,959,826</u>	<u>89,268,204</u>	<u>3,139,240</u>	<u>27,126,186</u>
Total assets	<u>194,459,071</u>	<u>135,818,313</u>	<u>16,730,869</u>	<u>28,629,736</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,491,250	860,815	414,333	75,038
Accrued payroll	39,887	11,386	25,223	9,083
Accrued interest payable	1,171,106	452,545	-	42,175
Due to other funds	-	-	-	-
Due to other governments	62,652	-	-	-
Other current liabilities	214,848	39,614	-	4,622
Claims payable	-	-	-	-
Current portion of compensated absences	130,060	47,500	77,740	33,950
Current portion of bonds and contracts payable	4,733,852	2,444,133	-	65,000
Total current liabilities	<u>8,843,655</u>	<u>3,855,993</u>	<u>517,296</u>	<u>229,868</u>
Non-current liabilities:				
Deposits payable	372,872	-	-	-
Arbitrage liability	139,397	-	-	-
Deferred revenue	3,750,000	-	4,000	-
Compensated absences	5,710	1,970	3,510	1,420
Long-term portion of contracts payable	103,107	-	-	-
Long-term portion of bonds payable	61,766,536	23,856,834	-	1,070,000
Total non-current liabilities	<u>66,137,622</u>	<u>23,858,804</u>	<u>7,510</u>	<u>1,071,420</u>
Total liabilities	<u>74,981,277</u>	<u>27,714,797</u>	<u>524,806</u>	<u>1,301,288</u>
NET ASSETS				
Invested in capital assets, net of related debt	65,521,863	61,109,653	3,139,240	25,939,317
Restricted:				
Capital projects	15,733,873	24,604,204	8,581,898	-
Debt service	-	-	-	-
Revenue bond retirement	2,914,661	2,228,951	-	-
Grant purpose	-	-	-	-
Unrestricted	<u>35,307,397</u>	<u>20,160,708</u>	<u>4,484,925</u>	<u>1,389,131</u>
Total net assets	<u>\$ 119,477,794</u>	<u>\$ 108,103,516</u>	<u>\$ 16,206,063</u>	<u>\$ 27,328,448</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

**CITY OF PEORIA, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2002**

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Public Housing Fund	Total	
\$ 487,632	\$ 25,546,488	\$ 3,531,970
50,588	5,015,138	-
-	79,088,102	11,163,470
26,772	6,912,353	-
-	964,728	110,419
-	182,716	125,434
564,992	117,709,525	14,931,293
-	12,734,553	-
-	1,895,782	-
3,141,152	28,722,811	148,102
-	197,403,775	-
121,175	1,363,234	11,117,991
-	7,851,691	10,959,158
-	15,723	41,956
(1,311,700)	(53,411,146)	(12,840,005)
410,350	12,474,609	-
-	49,160,090	1,913,080
2,360,977	243,580,787	11,340,282
-	1,164,608	-
-	1,478,703	-
2,360,977	260,854,433	11,340,282
2,925,969	378,563,958	26,271,575
29,408	3,870,844	977,047
-	85,579	62,229
-	1,665,826	-
80,037	80,037	-
-	62,652	-
-	259,084	-
-	-	2,253,418
-	289,250	232,600
-	7,242,985	-
109,445	13,556,257	3,525,294
13,801	386,673	-
-	139,397	-
-	3,754,000	-
-	12,610	10,820
-	103,107	-
-	86,693,370	-
13,801	91,089,157	10,820
123,246	104,645,414	3,536,114
2,360,977	158,071,050	11,340,282
-	48,919,975	-
-	-	-
-	5,143,612	-
441,746	441,746	-
-	61,342,161	11,395,179
\$ 2,802,723	\$ 273,918,544	\$ 22,735,461
	\$ (397,787)	
	\$ 273,520,757	

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Business-type Activities - Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
OPERATING REVENUES				
Charges for services	\$ 22,175,812	\$ 9,602,496	\$ 7,034,964	\$ 930,737
Rents	-	-	-	1,563,405
From federal government	-	-	-	-
Miscellaneous	54,196	3,828	1,146	52
Total operating revenues	<u>22,230,008</u>	<u>9,606,324</u>	<u>7,036,110</u>	<u>2,494,194</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	2,599,268	764,906	1,983,755	732,450
Contractual services, materials and supplies	10,687,362	6,576,717	3,973,565	2,613,953
Insurance claims and expenses	-	-	-	-
Depreciation and amortization	2,532,373	2,426,151	794,153	678,827
Total operating expenses	<u>15,819,003</u>	<u>9,767,774</u>	<u>6,751,473</u>	<u>4,025,230</u>
Operating income (loss)	6,411,005	(161,450)	284,637	(1,531,036)
NON-OPERATING REVENUES (EXPENSES)				
Investment income	2,614,472	2,122,404	556,448	52,908
Intergovernmental participation	-	-	-	680,016
Interest expense	(2,339,135)	(1,114,246)	-	(1,697,574)
Gain (loss) on sale of fixed assets	7,328	-	96,678	-
Total non-operating revenues (expenses)	<u>282,665</u>	<u>1,008,158</u>	<u>653,126</u>	<u>(964,650)</u>
Income (loss) before contributions and transfers	6,693,670	846,708	937,763	(2,495,686)
Elimination of Municipal Sports Authority Bonds	-	-	-	18,375,000
Capital contributions	8,927,610	9,487,684	597,474	-
Transfers in	4,126	605	-	2,186,303
Transfers out	(232,348)	(120,564)	(128,772)	(146,342)
Change in net assets	<u>15,393,058</u>	<u>10,214,433</u>	<u>1,406,465</u>	<u>17,919,275</u>
Total net assets - beginning	104,084,736	97,889,083	14,799,598	9,409,173
Total net assets - ending	<u>\$ 119,477,794</u>	<u>\$ 108,103,516</u>	<u>\$ 16,206,063</u>	<u>\$ 27,328,448</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

(continued)

CITY OF PEORIA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

<u>Business-type Activities - Enterprise Funds</u>		Governmental Activities - Internal Service Funds
Public Housing Fund	Total	
\$ -	\$ 39,744,009	\$ 14,824,376
152,388	1,715,793	-
125,136	125,136	-
1,741	60,963	37,235
<u>279,265</u>	<u>41,645,901</u>	<u>14,861,611</u>
98,141	6,178,520	4,445,373
171,114	24,022,711	5,750,080
-	-	1,401,334
78,529	6,510,033	2,243,976
<u>347,784</u>	<u>36,711,264</u>	<u>13,840,763</u>
(68,519)	4,934,637	1,020,848
11,346	5,357,578	629,951
-	680,016	-
-	(5,150,955)	-
-	104,006	36,313
<u>11,346</u>	<u>990,645</u>	<u>666,264</u>
(57,173)	5,925,282	1,687,112
-	18,375,000	-
-	19,012,768	-
-	2,191,034	5,167,592
-	(628,026)	(2,400,020)
<u>(57,173)</u>	<u>44,876,058</u>	<u>4,454,684</u>
2,859,896	229,042,486	18,280,777
<u>\$ 2,802,723</u>	<u>\$ 273,918,544</u>	<u>\$ 22,735,461</u>
	(39,694)	
	<u>\$ 44,836,364</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Business-type Activities - Enterprise Funds			
	Water Utility Fund	Wastewater Utility Fund	Sanitation Utility Fund	Stadium Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 21,799,139	\$ 9,527,214	\$ 7,015,943	\$ 2,519,293
Payments to suppliers	(10,060,038)	(6,960,851)	(2,798,323)	(2,169,427)
Payments to employees	(2,559,515)	(752,732)	(1,959,902)	(729,086)
Self-insurance costs	-	-	-	-
Payments to internal service funds	(518,407)	(210,436)	(1,104,715)	(478,249)
Net cash provided (used) by operating activities	<u>8,661,179</u>	<u>1,603,195</u>	<u>1,153,003</u>	<u>(857,469)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in	4,126	605	-	2,186,303
Operating transfers out	(232,348)	(120,564)	(128,772)	(146,342)
Interfund loans payable	(96,273)	(29,147)	-	-
Net cash provided (used) by noncapital financing activities	<u>(324,495)</u>	<u>(149,106)</u>	<u>(128,772)</u>	<u>2,039,961</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net acquisition and construction of fixed assets	(20,607,433)	(8,443,088)	(1,465,145)	(721,943)
Capital contributions	3,339,446	5,493,417	597,474	-
Contribution from County for debt	-	-	-	680,016
Proceeds from sale of bonds	-	-	-	-
Principal payments on capital debt	8,793,137	(2,355,843)	-	(1,015,000)
Interest paid on capital debt	(2,242,714)	(1,116,189)	-	(1,496,691)
Net cash provided (used) by capital and related financing activities	<u>(10,717,564)</u>	<u>(6,421,703)</u>	<u>(867,671)</u>	<u>(2,553,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments, net	(603,828)	-	(1,161,626)	(324,330)
Proceeds from sale of investments, net	-	102,004	-	-
Interest received on investments	2,531,320	2,157,768	559,140	52,575
Net cash provided (used) by investing activities	<u>1,927,492</u>	<u>2,259,772</u>	<u>(602,486)</u>	<u>(271,755)</u>
Net increase (decrease) in cash and cash equivalents	(453,388)	(2,707,842)	(445,926)	(1,642,881)
Cash and cash equivalents at beginning of year	26,901,391	15,683,810	3,422,790	2,000,005
Cash and cash equivalents at end of year	<u>\$ 26,448,003</u>	<u>\$ 12,975,968</u>	<u>\$ 2,976,864</u>	<u>\$ 357,124</u>
Classified as:				
Cash and cash equivalents	\$ 11,352,317	\$ 10,372,862	\$ 2,976,864	\$ 356,813
Restricted cash with fiscal agents	3,523,790	1,440,760	-	-
Non-current restricted cash and cash equivalents	11,571,896	1,162,346	-	311
Totals	<u>\$ 26,448,003</u>	<u>\$ 12,975,968</u>	<u>\$ 2,976,864</u>	<u>\$ 357,124</u>

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Public Housing Fund	Total	
\$ 279,874	\$ 41,141,463	\$ 14,861,678
(137,993)	(22,126,632)	(5,271,912)
(101,880)	(6,103,115)	(4,365,971)
-	-	(1,548,124)
(9,385)	(2,321,192)	-
<u>30,616</u>	<u>10,590,524</u>	<u>3,675,671</u>
-	2,191,034	5,167,592
-	(628,026)	(2,400,020)
58,669	(66,751)	-
<u>58,669</u>	<u>1,496,257</u>	<u>2,767,572</u>
-	(31,237,609)	(5,568,689)
-	9,430,337	-
-	680,016	-
-	-	-
-	5,422,294	-
-	(4,855,594)	-
<u>-</u>	<u>(20,560,556)</u>	<u>(5,568,689)</u>
-	(2,089,784)	(2,077,550)
-	102,004	231,062
11,346	5,312,149	637,187
<u>11,346</u>	<u>3,324,369</u>	<u>(1,209,301)</u>
100,631	(5,149,406)	(334,747)
437,589	48,445,585	3,866,717
<u>\$ 538,220</u>	<u>\$ 43,296,179</u>	<u>\$ 3,531,970</u>
\$ 487,632	\$ 25,546,488	\$ 3,531,970
50,588	5,015,138	-
-	12,734,553	-
<u>\$ 538,220</u>	<u>\$ 43,296,179</u>	<u>\$ 3,531,970</u>

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Business-type Activities - 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)	\$ 6,411,005	\$ (161,450)	\$ 284,637	\$ (1,531,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,532,373	2,426,151	794,153	678,827
(Increase) decrease in assets:				
Accounts receivable	(450,743)	(79,110)	(24,167)	25,099
Supplies inventory	(68,588)	-	(32,832)	-
Other assets	8,650	37,099	-	-
Increase (decrease) in liabilities:				
Accounts payable	160,295	(574,854)	103,359	(33,753)
Accrued payroll	11,703	2,834	5,183	(1,956)
Due to other governments	62,652	(48)	-	-
Other liabilities	30,077	(47,397)	-	30
Deposits payable	19,874	-	-	-
Arbitrage liability	(84,169)	(9,370)	-	-
Claims payable	-	-	-	-
Deferred revenue	-	-	4,000	-
Compensated absences	28,050	9,340	18,670	5,320
Total adjustments	<u>2,250,174</u>	<u>1,764,645</u>	<u>868,366</u>	<u>673,567</u>
Net cash provided (used) by operating activities	<u>\$ 8,661,179</u>	<u>\$ 1,603,195</u>	<u>\$ 1,153,003</u>	<u>\$ (857,469)</u>
Noncash investing, capital and financing activities:				
Capital assets acquired through contributions from developers	\$ 3,994,267	\$ 5,588,164	\$ -	\$ -
Increase in fair value of investments	397,494	356,837	110,611	11,903
Total noncash investing, capital and financing activities	<u>\$ 4,391,761</u>	<u>\$ 5,945,001</u>	<u>\$ 110,611</u>	<u>\$ 11,903</u>

(continued)

**CITY OF PEORIA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Public Housing Fund	Total	
\$ (68,519)	\$ 4,934,637	\$ 1,020,848
78,529	6,510,033	2,243,976
1,158	(527,763)	67
-	(101,420)	4,873
-	45,749	-
23,736	(321,217)	473,295
(1,859)	15,905	18,332
-	62,604	-
-	(17,290)	-
223	20,097	-
-	(93,539)	-
-	-	(146,790)
(772)	3,228	-
(1,880)	59,500	61,070
99,135	5,655,887	2,654,823
<u>\$ 30,616</u>	<u>\$ 10,590,524</u>	<u>\$ 3,675,671</u>
\$ -	\$ 9,582,431	\$ -
-	876,845	119,373
<u>\$ -</u>	<u>\$ 10,459,276</u>	<u>\$ 119,373</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2002

	Firemen's Pension Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 78,876	\$ 424,255
Investments, at fair value	249,301	1,340,940
Due from other governments	3,685	-
Interest receivable	2,769	-
Total assets	334,631	1,765,195
LIABILITIES		
Other liabilities	-	1,765,195
Total liabilities	-	1,765,195
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 334,631	\$ 0

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, 2002**

	<u>Firemen's Pension Fund</u>
ADDITIONS	
Contributions:	
State insurance premium tax rebate	\$ 3,685
Total contributions	<u>3,685</u>
Investment earnings:	
Interest and investment income	14,008
Total investment earnings	<u>14,008</u>
Less investment expenses:	
Investment management fees	232
Net investment earnings	<u>13,776</u>
Total additions	<u>17,461</u>
 DEDUCTIONS	
Retirement payments	21,600
Total deductions	<u>21,600</u>
Change in net assets	(4,139)
Net assets - beginning of the year	<u>338,770</u>
Net assets - end of the year	<u><u>\$ 334,631</u></u>

The accompanying notes are an integral part of the financial statements



Notes to the Financial Statements

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

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CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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' proprietary 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, certain social services and general administrative services. In addition, the City owns and operates enterprise funds, which include water, wastewater, 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 two 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 relationship or financial relationship with the City.

Individual Component Units - Blended

City of Peoria Municipal Development Authority

City of Peoria Municipal Development Authority, Inc. (Authority), an Arizona not-for-profit corporation, was organized for the purpose of financing the construction of municipal facilities within the City through the issuance of bonds. Concurrent with these bond issues, the City entered into contracts with the Authority whereby the City will pay, to the Authority, amounts sufficient to retire the Authority's bonds and related interest. The outstanding Municipal Development Authority bonds are reported as a debt service fund in the City's financial statements.

City of Peoria Municipal Sports Complex Authority

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. The outstanding debt of the Municipal Sports Complex Authority is reported within the Stadium Fund (an Enterprise Fund) in the City's financial statements.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

B. Basic Financial Statements – GASB Statement #34

The City has implemented GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (the new model or Statement 34). Under the new model, the basic financial statements include both government-wide and fund financial statements.

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

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities.

The City does not currently employ an indirect cost allocation system. The General Fund and certain other funds charge administrative service fees to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration). These administrative fees are eliminated from the financial statements at both the government-wide and fund level like a reimbursement, by reducing revenues and expenditures/expenses in the allocating fund, as required by GASB Statement #34.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally 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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

government-wide financial statements. Note 10 discusses the internal reservations and designations of net assets in the various funds to demonstrate the government's intended use of those net assets.

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

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

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

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but be included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund statements.

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

C. Basis of Presentation

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

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

Governmental Funds

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

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

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

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 is a major fund presented in the basic financial statements. This fund accounts for the receipt of revenues from special assessment districts and the payment of the special assessment bonds.

Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds. Two capital project funds are presented as major funds in the basic financial statements. The GO Bond Capital Projects Fund account for the bond

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

proceeds from general obligation bonds and the expenditure of those monies. The Other Capital Projects Fund accounts for non-bond generated revenues, i.e. monies from developers or other governments, to be used for capital construction.

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

Proprietary Funds

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

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

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 expenditures 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 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.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs. GASB Statement #34 redefined fiduciary funds as follows:

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

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

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

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains one agency fund to account 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.

Non-Current Governmental Assets and Liabilities

GASB Statement #34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in the account groups for tracking purposes, but are presented with the governmental activities in the government-wide Statement of Net Assets.

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

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

Under Statement #33, property taxes and special assessments are susceptible to accrual when an enforceable legal claim has arisen. Sales taxes, Highway User revenues and State Shared Income taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

- According to the laws of the State of Arizona, all operating budgets must be approved by their governing board on or before the second Monday in August to allow sufficient time for legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August.

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- 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.
- 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 2002.
- The expenditure appropriations in the adopted budget are by department within individual funds. The maximum legal expenditure permitted for the year is the sum of all departmental expenditure appropriations. 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 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. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed by the City. In the governmental funds, encumbrances are reported as reservations of fund balances at June 30 in the fund financial statements, since they do not constitute expenditures or liabilities. Encumbrances outstanding at the beginning of a fiscal year which were recognized as budgetary expenditures (but not as GAAP basis expenditures) in the prior year are recognized as GAAP basis expenditures (but not as budgetary expenditures unless reappropriated) in the current

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year as such expenditures are incurred. No restrictions of net assets for encumbrances are shown in the government-wide financial statements.

Encumbrance accounting is employed in the proprietary fund types for budget purposes only, but is not shown as restricted net assets in the financial statements. Outstanding encumbrances in the proprietary funds at June 30, 2002 aggregated \$10,082,368.

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

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

Investment Valuation

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

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

The City's investment policy permits the City to invest in fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of securities underlying fixed coupon dollar repurchase agreements 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

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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 funds should be allocated to the General Fund. This is the case for certain Special Revenue Funds.

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.

H. 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.

I. Capital Assets

Prior to GASB Statement #34, capital assets for governmental funds were recorded in the General Fixed Assets Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

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

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
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asset constructed. For the year ended June 30, 2002, the City capitalized net interest costs of \$671,580 (interest incurred of \$750,085 reduced by interest earned of \$78,505) 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 \$5,822,535.

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

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

J. 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).

Activity 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". Also see Note 7 for further discussion of the interfund receivables/payables at June 30.

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").

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K. Receivables

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

L. 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.

M. 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 and Special Assessment Bonds 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 General Fund and Half-Cent Sales Tax Fund service debt obligations from development agreements. Each enterprise fund individually accounts for and services the applicable bonds and contracts payable that benefit that fund.

N. 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.

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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.

O. 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 \$2,253,418 reported in the fund at June 30, 2002 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. An excess coverage insurance policy covers individual claims in excess of \$250,000 or \$1,500,000 in the aggregate for general liability. 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. There have been no claims in excess of the City's insurance coverage during the past three fiscal years. Changes in the fund's claims liability amount in fiscal years 2001 and 2002 were:

Years Ended, June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2001	\$1,456,500	\$1,558,077	\$(614,369)	\$2,400,208
2002	2,400,208	511,666	(658,456)	2,253,418

P. 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.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net assets/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. Reconciliation of Governmental Fund Financial Statements to Government-wide Statements

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are

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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	\$ 27,579,702	-	3,531,970	-	31,111,672
Cash with fiscal agents	2,502,614	-	-	-	2,502,614
Investments	85,618,282	-	11,163,470	-	96,781,752
Accounts receivable, net	3,756,802	-	-	-	3,756,802
Interest receivable	875,975	-	110,419	-	986,394
Due from other funds	3,986,266	-	397,787	(3,906,229)	477,824
Due from other governments	3,671,478	-	-	-	3,671,478
Prepaid items	70,108	-	-	-	70,108
Supply inventories	78,306	-	125,434	-	203,740
Deferred bond issuance costs	-	1,512,318	-	-	1,512,318
Restricted cash & cash equivalents	4,119,684	-	-	-	4,119,684
Special assessment receivables	16,259,365	-	-	-	16,259,365
Capital assets	-	308,852,451	11,340,282	-	320,192,733
Total assets	<u>\$ 148,518,582</u>	<u>310,364,769</u>	<u>26,669,362</u>	<u>(3,906,229)</u>	<u>481,646,484</u>
Liabilities					
Accounts payable	\$ 3,896,399	-	977,047	-	4,873,446
Accrued payroll	623,038	-	62,229	-	685,267
Interest payable	-	2,468,871	-	-	2,468,871
Due to other funds	3,906,229	-	-	(3,906,229)	-
Due to other governments	470,664	-	-	-	470,664
Claims payable	-	-	2,253,418	-	2,253,418
Deposits payable	2,572	-	-	-	2,572
Deferred revenue	18,284,717	(16,698,100)	-	-	1,586,617
Arbitrage liability	124,861	-	-	-	124,861
Other liabilities	2,870,557	-	-	-	2,870,557
Compensated absences-current	656,070	1,480,900	232,600	-	2,369,570
Current bonds/contracts payable	-	9,553,970	-	-	9,553,970
Long-term liabilities	-	103,034,621	10,820	-	103,045,441
Total liabilities	<u>\$ 30,835,107</u>	<u>99,840,262</u>	<u>3,536,114</u>	<u>(3,906,229)</u>	<u>130,305,254</u>
Fund Balance/Net Assets					
Total fund balance/net assets	<u>\$ 117,683,475</u>	<u>210,524,507</u>	<u>23,133,248</u>	<u>-</u>	<u>351,341,230</u>
Total liabilities and fund balance/net assets	<u>\$ 148,518,582</u>	<u>310,364,769</u>	<u>26,669,362</u>	<u>(3,906,229)</u>	<u>481,646,484</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	\$ 404,066,174
Accumulated depreciation	<u>(95,213,723)</u>
	<u>\$ 308,852,451</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when paid.	Interest payable	<u>\$ 2,468,871</u>
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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.	Unamortized bond issuance costs	<u>\$ 1,512,318</u>
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CITY OF PEORIA, ARIZONA
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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	\$ 19,978,652
Bonds payable	92,516,689
Compensated absences	1,574,150
Subtotal	<u>114,069,491</u>
Less: current compensated absences	1,480,900
current portion of bonds/contracts	9,553,970
	<u>\$ 103,034,621</u>

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 under accrual accounting for the government-wide statements.

Deferred special assessment revenue	\$ (16,252,177)
Deferred grant revenue	(445,923)
	<u>\$ (16,698,100)</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	\$ 33,711,972	-	-	-	-	-	33,711,972
Property taxes	10,057,252	230,393	-	-	-	130,878	10,418,523
Franchise taxes	2,327,874	-	-	-	-	-	2,327,874
Intergovernmental:							
State shared sales taxes	8,350,576	-	-	-	-	-	8,350,576
Urban revenue sharing	11,321,449	-	-	-	-	-	11,321,449
Auto-in-lieu taxes	3,575,255	-	-	-	-	-	3,575,255
Highway user revenue	6,719,940	-	-	-	-	-	6,719,940
Local transportation aid	615,115	-	-	-	-	-	615,115
From federal government	1,700,855	-	-	1,700,855	-	-	1,700,855
Other	2,903,838	-	-	-	-	-	2,903,838
Charges for services	13,497,278	-	-	-	1,406	(58,939)	13,439,745
Licenses and permits	2,771,677	-	-	-	-	-	2,771,677
Fines and forfeitures	1,080,542	-	-	-	-	14,659	1,095,201
Rents	58,606	-	-	-	-	-	58,606
Investment earnings	4,765,132	-	-	629,951	-	-	5,395,083
Special assessments	2,225,642	1,576,648	-	-	-	-	3,802,290
Miscellaneous	4,436,018	-	-	-	-	-	4,436,018
Other sources:							
Gain on sale of capital assets	-	-	36,313	-	-	-	36,313
Capital contributions	-	-	17,634,994	-	-	-	17,634,994
Capital related debt issued	3,159,195	-	-	-	(3,159,195)	-	-
Transfers in	28,513,754	-	-	317,552	-	(28,208,011)	623,295
Total revenues and other sources	<u>140,966,241</u>	<u>1,807,041</u>	<u>17,671,307</u>	<u>947,503</u>	<u>(3,157,789)</u>	<u>(28,121,413)</u>	<u>130,112,890</u>

CITY OF PEORIA, ARIZONA
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	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	13,465,303	41,230	963,471	(2,083,630)	-	124,500	12,510,874
Culture and recreation	10,964,291	38,350	1,082,514	(98,174)	-	(60,245)	11,926,736
Police	14,727,025	55,940	641,581	(420,368)	-	14,028	15,018,206
Fire	9,012,316	(5,270)	401,893	(254,578)	-	1,280	9,155,641
Development services	3,420,333	17,060	59,326	(49,366)	-	264	3,447,617
Highways and streets	7,752,287	50	7,121,089	(372,588)	-	6,771	14,507,609
Public works	2,571,543	18,850	1,056,039	(15,594)	-	-	3,630,838
Human services	1,537,183	(5,080)	75,196	(10,218)	-	-	1,597,081
Other	8,025	-	-	-	-	-	8,025
Debt service:							
Principal payments	9,578,372	-	-	-	(9,578,372)	-	-
Interest and other charges	5,352,468	157,818	-	-	32,023	-	5,542,309
Capital outlay	20,817,224	-	(20,817,224)	-	-	-	-
Unallocated depreciation	-	-	604,962	-	-	-	604,962
Total expenditures/ expenses	<u>99,206,370</u>	<u>318,948</u>	<u>(8,811,153)</u>	<u>(3,304,516)</u>	<u>(9,546,349)</u>	<u>86,598</u>	<u>77,949,898</u>
Other financing uses/changes in net assets							
Transfers out	32,844,334	-	-	5,000	-	(30,663,031)	2,186,303
Total expenditures/expenses & other financing uses	<u>132,050,704</u>	<u>318,948</u>	<u>(8,811,153)</u>	<u>(3,299,516)</u>	<u>(9,546,349)</u>	<u>(30,576,433)</u>	<u>80,136,201</u>
Net change for the year	<u>\$ 8,915,537</u>	<u>1,488,093</u>	<u>26,482,460</u>	<u>4,247,019</u>	<u>6,388,560</u>	<u>2,455,019</u>	<u>49,976,688</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	\$ 161,130
	<u>\$ 161,130</u>

Interest expense on long-term debt is accrued for the statement of activities but is not accrued for the governmental fund statements. Amortization of the discount on Capital Appreciation Bonds (CAB's) is also included in the statement of activities, but not the governmental fund statements.

Accrued interest	\$ (106,782)
Amortization of CAB discount	264,600
	<u>\$ 157,818</u>

Property taxes revenues not received within 60 days of year0end are deferred for governmental fund reporting, but are not deferred for government-wide reporting. \$

230,393

Special assessment principal payments received are reported as revenue on the governmental fund statements, but are reductions to the outstanding special assessment debt for government-wide reporting. Also, the sale of additional special assessment bonds is reported as a receivable and deferred revenue in the governmental funds, but on the government-wide financial statements, it is reported as an increase in outstanding debt and the revenue is recognized.

Additional special assessment debt	\$ 2,763,000
Current year principal payments received	(1,186,352)
	<u>\$ 1,576,648</u>

(2) When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 20,817,224
Other capital	636,234
Depreciation expense	(12,642,305)
	<u>\$ 8,811,153</u>

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Donations of capital assets are not shown on the governmental funds, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contributions.

Capital contributions	\$ 17,634,994
	<u>\$ 17,634,994</u>

Gains on sales of fixed assets are not shown on the governmental fund statements, but are included in the statement of activities.

	<u>\$ 36,313</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	\$ 947,503
Expenditures and other uses	3,304,516
Transfers out	(5,000)
Change in net assets	<u>\$ 4,247,019</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	\$ 9,578,372
	<u>\$ 9,578,372</u>

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

Bonds issued	\$ 2,763,000
Additional contracts payable	396,195
	<u>\$ 3,159,195</u>

The costs of issuing bonds are reported as an expenditure in governmental funds in the year of bond issuance. For the City as a whole, however, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.

Issuance costs for new bonds	\$ 140,911
Amortization of bond issuance costs	(172,934)
	<u>\$ (32,023)</u>

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

Administrative fee on development agreements	\$ 1,406
	<u>\$ 1,406</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	\$ 147,549
Bad debt expense	(147,549)
	<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	\$ 60,951
Interfund service charges	(60,951)
	<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

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activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

	Transfers out	\$ 30,663,031
	Transfers in	(28,208,011)
		<u>\$ 2,455,020</u>

3. Budget Basis of Accounting

The City prepares the annual budget on a 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, 2002, the carrying amount of the City's deposits was \$4,194,179 and the bank balance was \$1,620,416. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name, in the Municipal Development Authority's trust name or in the Municipal Sports Complex Authority's trust name. The difference of \$2,573,763 represents deposits in transit, outstanding checks and other reconciling items.

B. Investments

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

City policy requires that securities underlying repurchase agreements must have a market value of at least 100 percent of the cost of the repurchase agreement. The market values of securities underlying repurchase agreements were at or above the required level during the year.

The City's investments at June 30, 2002 are summarized below to give an indication of risk assumed by the City at year-end. Category 1 included investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, but not in the City's name.

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

At June 30, 2002, the City's investments included the following:

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	Category			Carrying Value
	1	2	3	
<u>Unrestricted Investments:</u>				
City of Peoria Bonds	\$ 2,729,692	-	-	\$ 2,729,692
U.S. Treasury notes and strips	35,439,611	-	-	35,439,611
Agency coupon securities	116,351,173	-	-	116,351,173
Agency discount notes	49,128,346	-	-	52,544,074
U.S. Treasury Bills	23,447,342	-	-	23,447,342
	<u>227,096,164</u>	-	-	<u>227,096,164</u>
Unclassified Investments (1):				
State of Arizona local				
Government investment pool				5,879,942
Mutual fund-money market				<u>42,019</u>
Total unrestricted investments				<u>233,018,125</u>
Less: amount included in				
Restricted assets				(2,603,168)
Less: amount included in cash				
and cash equivalents				<u>(52,954,862)</u>
Unrestricted investments, net				<u>\$ 177,460,095</u>
Total investments per statement				
of net assets				\$ 175,869,854
Investments in Fiduciary Funds				<u>1,590,241</u>
Total unrestricted investments				<u>\$ 177,460,095</u>
<u>Restricted Assets (2):</u>				
Agency discount notes	<u>9,530,369</u>	-	-	\$ 9,530,369
	9,530,369	-	-	<u>9,530,369</u>
Unclassified Investments (1):				
Mutual fund-money market				<u>9,219,650</u>
Total Restricted Assets	<u>\$ 9,530,369</u>			<u>\$ 18,750,019</u>

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

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

Cash and cash equivalents at June 30, 2002 consisted of the following:

Investments included in cash and cash equivalents	\$52,954,862
Carrying amount of City deposits	4,194,179
Petty cash on hand	<u>12,250</u>
Total cash and cash equivalents	57,161,291
Less: Cash and cash equivalents of Fiduciary funds	<u>503,131</u>
Total cash and cash equivalents per statement of net assets	<u>\$56,658,160</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

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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, 2002:

Net interest and dividends	\$8,847,687
Net increase in the fair value of investments	<u>1,918,750</u>
Total net investment income	10,766,437
Less: net investment income of Fiduciary funds	<u>13,776</u>
Total net investment income per statement of activities	<u>\$10,752,661</u>

The net increase in the fair value of investments during fiscal year 2001-2002 was approximately \$1,918,750. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2002 was approximately \$774,075.

5. Taxes

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.

The City's property taxes are levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. 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 levied for current operation and maintenance expenses on residential property are limited to one percent of the primary full cash value of such property. In addition, taxes levied for current operation and maintenance expenses on all types of property are limited to a maximum increase of two percent over the prior year's levy, adjusted for new construction and annexations. Property taxes levied to pay principal and interest on bonded indebtedness are not limited.

6. Due from Other Governments

The following amounts are due from other governments at June 30, 2002:

Governmental activities:

General Fund:

Due from Maricopa County for:

Auto lieu tax	\$ 300,215
Property tax	28,081

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Due from State of Arizona for:	
State shared sales tax	699,066
State revenue sharing	961,260
Miscellaneous other	47,646
Due from Peoria Unified School District	58,495
Subtotal	<u>2,094,763</u>
Highway User Revenue Fund:	
Due from State of Arizona (Highway user revenue)	604,110
Due from Maricopa County (SLIDS)	4,356
Subtotal	<u>608,466</u>
Non-major Governmental Fund:	
Due from US Department of Housing & Urban Development	465,491
Due from Maricopa County:	
Property tax	134,250
Other	57,801
Due from State of Arizona	141,040
Due from Other Municipalities	169,667
Subtotal	<u>968,249</u>
 Total governmental activities	 \$ <u>3,671,478</u>

7. Accounts Receivable and Certain Interfund Transactions, Receivable and Payable Balances

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectibles as follows at June 30, 2002:

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
General Fund	\$ 2,564,467	38,054	2,526,413
Half-Cent Sales Tax Fund	874,231	-	874,231
Highway User Revenue Fund	177,925	6,771	171,154
Other Governmental Funds	287,728	102,724	185,004
Total governmental funds/activities	<u>\$ 3,904,351</u>	<u>147,549</u>	<u>3,756,802</u>
Business-type activities:			
Water Utility Fund	\$ 4,921,781	704,088	4,217,693
Wastewater Utility Fund	1,928,248	355,231	1,573,017
Sanitation Utility Fund	1,369,676	297,741	1,071,935
Stadium Fund	23,429	493	22,936
Public Housing Fund	26,772	-	26,772
Total business-type activities	<u>\$ 8,269,906</u>	<u>1,357,553</u>	<u>6,912,353</u>

Net interfund receivables and payables between governmental activities and business-type activities of \$477,824 are included in the government-wide financial statements at June 30, 2002. The following interfund receivables and payables are included in the fund financial statements at June 30, 2002:

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Fund	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 3,986,266	-
GO Bond Capital Projects Fund	-	3,500,000
Other Governmental Funds	-	406,229
Total governmental funds	<u>3,986,266</u>	<u>3,906,229</u>
Enterprise funds:		
Public Housing Fund	-	80,037
Total enterprise funds	-	<u>80,037</u>
Grand totals	<u>\$ 3,986,266</u>	<u>3,986,266</u>

The interfund balances at June 30, 2002 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding at June 30, 2002 are expected to be repaid within one year.

The net transfers of \$1,563,008 from governmental activities to business-type activities on the government-wide statement of activities is primarily debt service and operational subsidies from the General Fund and Half-Cent Sales Tax Fund to the Stadium Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2002:

Fund	Transfers out	Transfers in
Governmental funds:		
General Fund	\$ 16,286,300	3,256,950
Half-Cent Sales Tax Fund	13,006,305	-
Highway User Revenue Fund	551,310	2,300,000
Development Fee Fund	1,526,355	-
Other Capital Projects Fund	1,300,000	18,658,970
Other Governmental Funds	<u>174,064</u>	<u>4,297,834</u>
Total governmental funds	<u>32,844,334</u>	<u>28,513,754</u>
Enterprise funds:		
Water Utility Fund	232,348	4,126
Wastewater Utility Fund	120,564	605
Sanitation Utility Fund	128,772	-
Stadium Fund	146,342	2,186,303
Public Housing Fund	-	-
Total enterprise funds	<u>628,026</u>	<u>2,191,034</u>
Internal Service funds	<u>2,400,020</u>	<u>5,167,592</u>
Grand totals	<u>\$ 35,872,380</u>	<u>35,872,380</u>

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; or 3) transfers to fund internal service equipment replacement funds. There were no significant transfers during fiscal year 2002 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

8. 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.

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9. Deficits in Fund Equity/Excess of Expenditures Over Appropriations

The following funds had an accumulated fund deficit at June 30, 2002:

<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Capital Project	GO Bond Capital Projects	\$ 2,141,469
Internal Service	Self Insurance Fund	320,555

The accumulated deficit in the GO Bond Capital Projects fund arose because of starting the construction for various projects prior to the sale of bonds for those projects. The City plans to eliminate this deficit during fiscal year 2003 with the sale of additional General Obligation bonds.

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

For the year ended June 30, 2002, expenditures did not exceed budget at the department level (i.e. the controlled level of budgetary control) in any funds.

10. 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, 2002:

General Fund:	
Designated for economic stabilization reserve	\$ 20,235,000
Designated for branch library equipment	54,049
Designated for economic development	514,302
Designated for capital construction	2,125,000
Designated for municipal office complex reserve	<u>2,546,087</u>
	25,474,438
Half-Cent Sales Tax Fund:	
Designated for economic stabilization reserve	3,258,000
Designated for debt service retirement	<u>1,000,000</u>
	4,258,000
Non-Bond Capital Projects Fund:	
Designated for capital construction	<u>16,101,770</u>
Other Grants:	
Reserved for arts capital	<u>331,256</u>
Total governmental funds	<u>\$ 46,165,464</u>

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Water Utility Fund:	
Designated for capital equipment replacement	\$ 1,958,260
Designated for capital construction	<u>2,494,739</u>
	4,452,999
Wastewater Utility Fund:	
Designated for capital equipment replacement	953,568
Designated for capital construction	<u>5,267,569</u>
	6,221,137
Sanitation Utility Fund:	
Designated for capital equipment replacement	<u>4,484,924</u>
Stadium Fund:	
Designated for capital equipment replacement	<u>596,845</u>
Total proprietary funds	<u>\$ 15,755,905</u>
Internal Service Funds:	
Designated for capital equipment replacement	<u>\$ 11,322,777</u>

11. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2002 follows:

	<u>Balances June 30, 2001</u>	<u>Additions/ Transfers in</u>	<u>Disposals/ Transfers out</u>	<u>Balances June 30, 2002</u>
Governmental activities:				
Non-depreciable assets:				
Work in Progress – Parks	\$ 628,672	823,688	(573,904)	878,456
Work in Progress – Land	8,250	50,770	-	59,020
Work in Progress – Buildings	186,033	1,616,663	(76,353)	1,726,343
Work in Progress – Storm drains	5,816,752	177,956	(4,508,443)	1,486,265
Work in Progress – Streets	3,624,588	2,433,577	(2,657,544)	3,400,621
Work in Progress – Technology	293,511	1,974,538	(42,837)	2,225,212
Work in Progress - Vehicles	0	1,371	-	1,371
Land	<u>17,482,907</u>	<u>15,408,319</u>	-	<u>32,891,226</u>
Total non-depreciable assets	28,040,713	22,486,882	(7,859,081)	42,668,514
Depreciable assets:				
Buildings & Improvements	43,844,249	1,454,548	-	45,298,797
Furniture	1,316,939	271,672	-	1,588,611
Equipment	16,582,152	5,396,372	(21,212)	21,957,312
Vehicles	9,205,886	2,250,968	(497,697)	10,959,157
Storm drain system	39,364,052	6,868,940	-	46,232,992
Street system	231,607,799	15,432,566	-	247,040,365
Park system	<u>11,214,224</u>	<u>1,286,489</u>	-	<u>12,500,713</u>
Total depreciable assets at historical cost	<u>353,135,301</u>	<u>32,961,555</u>	<u>(518,909)</u>	<u>385,577,947</u>
Less accumulated depreciation for:				
Buildings	(11,897,973)	(1,116,833)	-	(13,014,806)
Furniture	(869,233)	(116,508)	-	(985,741)
Equipment	(10,299,658)	(1,668,586)	21,212	(11,947,032)
Vehicles	(5,155,588)	(1,128,133)	478,982	(5,804,739)
Storm drain system	(5,281,256)	(1,033,641)	-	(6,314,897)
Street system	(60,560,648)	(7,116,713)	-	(67,677,361)
Park system	<u>(1,847,261)</u>	<u>(461,891)</u>	-	<u>(2,309,152)</u>
Total accum. depreciation	<u>(95,911,617)</u>	<u>(12,642,305)</u>	<u>500,194</u>	<u>(108,053,728)</u>
Total depreciable assets, net	<u>257,223,684</u>	<u>20,319,250</u>	<u>(18,715)</u>	<u>277,524,219</u>
Governmental activities capital assets, net	<u>\$ 285,264,397</u>	<u>42,806,132</u>	<u>(7,877,796)</u>	<u>320,192,733</u>

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	Balances June 30, 2001	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2002
Business-type activities:				
Non-depreciable assets:				
Work in Progress - Baseball	\$ 826,731	-	(795,796)	30,935
Work in Progress – Water system	26,598,629	21,308,037	(54,306)	47,852,360
Work in Progress – Wastewater	4,369,986	1,077,549	(4,170,740)	1,276,795
Land	9,172,275	3,302,334	-	12,474,609
Total non-depreciable assets	<u>40,967,621</u>	<u>25,687,920</u>	<u>(5,020,842)</u>	<u>61,634,699</u>
Depreciable assets:				
Buildings & improvements	27,243,334	1,479,477	-	28,722,811
Furniture	15,723	-	-	15,723
Equipment	1,023,106	351,748	(11,620)	1,363,234
Vehicles	6,640,275	1,749,177	(537,761)	7,851,691
Water system	87,735,582	4,631,620	-	92,367,202
Wastewater system	92,990,405	12,046,168	-	105,036,573
Total depreciable assets at historical cost	<u>215,648,425</u>	<u>20,258,190</u>	<u>(549,381)</u>	<u>235,357,234</u>
Less accumulated depreciation for:				
Buildings & improvements	(5,939,659)	(682,377)	-	(6,622,036)
Furniture	(5,082)	(1,581)	-	(6,663)
Equipment	(592,302)	(104,714)	10,397	(686,619)
Vehicles	(3,456,065)	(964,387)	537,762	(3,882,690)
Water system	(16,506,665)	(2,248,017)	-	(18,754,682)
Wastewater system	(21,105,839)	(2,352,617)	-	(23,458,456)
Total accum. depreciation	<u>(47,605,612)</u>	<u>(6,353,693)</u>	<u>548,159</u>	<u>(53,411,146)</u>
Total depreciable assets, net	<u>168,042,813</u>	<u>13,904,497</u>	<u>(1,222)</u>	<u>181,946,088</u>
Business-type activities capital assets, net	<u>\$ 209,010,434</u>	<u>39,592,417</u>	<u>(5,022,064)</u>	<u>243,580,787</u>

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

General government	\$ 1,104,823
Culture and recreation	1,193,819
Police	652,108
Fire	401,893
Development services	59,326
Highways and streets	7,473,319
Public works	1,076,859
Human services	75,196
Unallocated	<u>604,962</u>
Total depreciation expense	<u>\$ 12,642,305</u>

Effective with these financial statements, the City has implemented the infrastructure reporting requirements of GASB Statement #34, including retroactive infrastructure, with the following exceptions: 1) the City is currently working with other governmental entities to obtain appropriate records to value certain bridges constructed by these governmental entities on behalf of the City, and 2) the City has not retroactively valued land that was not purchased by the City under streets and right-of-ways.

12. Municipal Sports Complex Authority Bonds

The City entered into contracts with the Municipal Sports Complex Authority (the Corporation), whereby the City will pay rental payments to the Corporation pursuant to a City lease, dated June 1, 1993. The payment of the rental payments with respect to the City lease is secured on a basis subordinate only to the senior party obligations. The payment pledge was based on (1) a pledge of all excise, transaction privilege, franchise and income taxes which the City collects now or in the future, (2) a pledge of the apportionments by the state or other government agency of the aforementioned taxes, with the exception

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of any which by state law must be expended for other purposes, and (3) for the Series 1993A bonds only, a pledge of certain receipts derived from the Maricopa County Stadium District from rental car surcharge fees. The City's scheduled rental payments to the Corporation are in amounts sufficient to pay debt service on the Corporation's bonds. In May 2002 the Series 1993A bonds were refinanced by an issue of the Maricopa County Stadium District, resulting in legal defeasance of the remaining principal of \$18,375,000. At June 30, 2002, \$1,135,000 remains outstanding on Series 1993B and is included in bonds payable in the accompanying statement of net assets.

13. Long-Term Debt

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, nor may outstanding general obligation bonded debt for all other purposes 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, 2002 was \$21,466,000 and \$92,087,334 for the 6 percent and 20 percent debt limits, respectively. The City had authorized \$22,080,000 of general obligation bonds approved by voters at a special bond election in March 1990, and \$75,150,000 in September 1994 of which \$4,272,000 and \$27,126,990, respectively, was unissued at June 30, 2002. 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, \$56,327,365 in utility revenue bonds have been issued against the 1996 authorization, leaving \$19,222,635 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. To date, the City has not issued any general obligation debt against this authorization.

Additionally, in March 1995, the citizens of Peoria approved \$27,000,000 Wastewater Management Authority of Arizona revolving fund loan for the acquisition and construction of wastewater treatment facilities. These projects are financed by utility rates for water and wastewater. \$15,954,919 remains available of this authorization at June 30, 2002.

General Obligation 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 General Obligation 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.

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.

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. As the trustee of the district, the City is responsible for collecting the assessments and

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paying the debt. The City is contingently liable for this debt, but does hold a lien on assessed property within the district and has the authority to foreclose on the property to satisfy any delinquent assessments.

The Municipal Sports Complex Authority (MSCA) is a non-profit corporation formed by the City for the purpose of constructing the Peoria Sports Complex. The MSCA issues its own bonds, which are repaid by the City through a lease purchase agreement funded by the City's excise tax and other unrestricted revenues.

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.

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, 2002, the City is in compliance with all such covenants.

Bonds payable at June 30, 2002 are comprised of the following:

Classified in Governmental activities on the government-wide financial statements:

General Obligation Bonds:

\$2,485,000 1992 general obligation serial bonds, due in annual principal installments ranging from \$115,000 to \$200,000, plus semiannual interest ranging from 5.00 percent to 7.50 percent (5.81 percent effective rate) through July 1, 2003.	\$ 390,000
\$3,775,000 1992 general obligation and general obligation refunding serial bonds, due in annual installments ranging from \$130,000 to \$605,000, plus semiannual interest ranging from 4.30 percent to 6.05 percent (5.75 percent effective rate) through July 1, 2003.	845,000
\$9,900,000 1993 general obligation refunding serial bonds, due in annual principal installments ranging from \$120,000 to \$1,520,000, plus semiannual interest ranging from 2.50 percent to 5.40 percent (5.84 percent effective rate) through July 1, 2011.	5,345,000
Capital appreciation refunding bonds, face amount of \$5,965,000 less unamortized discount of \$270,800 due in annual installments ranging from \$1,015,000 to \$1,875,000, commencing July 1, 2001 at an approximate yield of 5.25 percent to 5.55 percent through July 1, 2004.	4,679,200
\$3,675,000 1994 general obligation serial bonds, due in annual principal installments ranging from \$95,000 to \$170,000, plus semiannual interest ranging from 5.80 percent to 8.30 percent (6.44 percent effective rate) through July 1, 2004.	480,000
\$4,695,000 1995 general obligation serial bonds, due in annual principal installments ranging from \$120,000 to \$390,000, plus semiannual interest ranging from 4.75 percent to 7.25 percent (5.34 percent effective rate) through July 1, 2015.	3,825,000
\$6,000,000 1996 general obligation serial bonds, due in annual principal installments ranging from \$65,000 to \$520,000, plus semiannual interest ranging from 5.10 percent to 7.50 percent (5.52 percent effective rate) through July 1, 2016.	5,535,000

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\$5,930,000 1998 general obligation serial bonds, due in annual principal installments ranging from \$165,000 to \$460,000, plus semiannual interest ranging from 4.50 percent to 7.00 percent (4.82 percent effective rate) through July 1, 2018.	5,400,000
\$4,030,000 1998 general obligation refunding serial bonds, due in annual principal installments ranging from \$15,000 to \$470,000, plus semiannual interest ranging from 4.25 percent to 6.75 percent (4.64 percent effective rate) through July 1, 2014.	3,975,000
\$14,860,000 2000 general obligation serial bonds, due in annual principal installments ranging from \$400,000 to \$1,210,000, plus semiannual interest ranging from 5.00 percent to 7.50 percent (5.47 percent effective rate) through April 1, 2020.	<u>14,010,000</u>
Total General Obligation Bonds	<u>44,484,200</u>

Municipal Development Authority Bonds:

\$15,500,000 1989 Peoria Municipal Development Authority, Inc. (partially refunded with MDA series 1993 municipal facilities revenue bonds), due in annual principal installments ranging from \$180,000 to \$1,205,000, plus semiannual interest ranging from 6.00 percent to 6.90 percent (6.80 percent effective rate) through July 1, 2003.	2,330,000
\$9,500,000 1991 Peoria Municipal Development Authority, Inc. (partially refunded with MDA series 1993 municipal facilities revenue bonds), due in annual principal installments ranging from \$150,000 to \$370,000, plus semiannual interest ranging from 6.10 percent to 7.00 percent (6.69 percent effective rate) through July 1, 2003.	280,000
\$29,730,497 Peoria Municipal Development Authority, Inc. municipal facilities revenue bonds, due in annual principal installments ranging from \$231,875 to \$3,394,650, plus semiannual interest ranging from 2.80 percent to 5.20 percent (5.23 percent effective rate) through July 1, 2013.	<u>23,163,797</u>
Total Municipal Development Authority Bonds	<u>25,773,797</u>

Highway User Revenue Bonds:

\$2,500,000 1988 Street and Highway User Revenue Bonds, due in annual principal installments ranging from \$135,000 to \$270,000, plus semiannual interest ranging from 6.30 percent to 8.25 percent (7.02 percent effective rate) through July 1, 2003.	520,000
\$4,600,000 1996 Street and Highway User Revenue Bonds, due in annual principal installments ranging from \$25,000 to \$455,000, plus semiannual interest ranging from 5.30 percent to 7.50 percent (5.81 percent effective rate) through July 1, 2016.	<u>4,405,000</u>
Total Highway User Revenue Bonds	<u>4,925,000</u>

Special Assessment Bonds (collateralized by the special assessments levied on the property benefiting from the improvements):

\$5,015,000 North Valley Power Center Improvement District No. 8801 improvement bonds, due in annual principal installments ranging from \$115,000 to \$460,000, plus semiannual interest at 7.30 percent through January 1, 2013.	3,600,000
\$5,610,000 Bell Road Improvement District No. 8802 improvement bonds, due in annual principal installments ranging from \$135,000 to \$545,000, plus semiannual interest at 7.20 percent through January 1, 2013.	4,175,000

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\$2,575,000 Sunny Boy Water and Sewer Improvement District No. 9002 improvement bonds, due in annual principal installments ranging from \$70,000 to \$240,000, plus semiannual interest at 6.35 percent, through January 1, 2011.	520,000
\$570,000 New River District No. 9102 improvement bonds, due in annual principal installments ranging from \$45,000 to \$75,000, plus semiannual interest at 5.85 percent, through January 1, 2003.	75,000
\$832,000 Arrowhead Shores Improvement District No. 9202 improvement bonds, due in annual principal installments ranging from \$62,000 to \$108,000, plus semiannual interest at 5.40 percent through January 1, 2005.	144,000
\$2,285,000 83rd Avenue Improvement District No. 9601 improvement bonds, due in annual principal installments ranging from \$100,000 to \$225,000, plus semiannual interest at 5.30 percent through January 1, 2012.	1,805,000
\$2,125,000 North Beardsley Improvement District No. 9602 improvement bonds, due in annual principal installments ranging from \$185,000 to \$295,000, plus semiannual interest of 5.60 percent through January 1, 2007.	1,310,000
\$3,800,000 Arrowhead Fountains Improvement District No. 9603 improvement bonds, due in annual principal installments ranging from \$190,000 to \$370,000, plus semiannual interest at 5.20 percent through January 1, 2012.	2,975,000
\$2,270,000 75 th Avenue and Paradise Lane Improvement District No. 9303 improvement bonds, due in annual principal installments ranging from \$197,540 to \$314,850, plus semiannual interest of 6.00 percent through January 1, 2011.	2,236,692
\$493,000 83 rd Avenue and Thunderbird Improvement District No. 9801 improvement bonds, due in annual principal installments ranging from \$44,710 to \$66,057, plus semiannual interest at 5.00 percent through January 1, 2011.	<u>493,000</u>
Total Special Assessment Bonds	<u>17,333,692</u>
Total bonds payable recorded in governmental activities	92,516,689
Less current portion	<u>(7,222,226)</u>
Long-term portion of bonds payable recorded in governmental activities	<u>\$ 85,294,463</u>

Classified in Business-type activities on the government-wide financial statements:

Municipal Development Authority Bonds:

\$2,324,503 Peoria Municipal Development Authority, Inc. municipal facilities revenue bonds, due in annual principal installments ranging from \$18,125 to \$265,350, plus semiannual interest ranging from 2.80 percent to 5.20 percent (5.23 percent effective rate) through July 1, 2013.	\$ 1,811,203
\$2,660,000 Peoria Municipal Development Authority, Inc. municipal facilities (utilities) revenue bonds, due in principal installments ranging from \$75,000 to \$225,000, plus semiannual interest ranging from 5.50 percent to 7.00 percent (6.07 percent effective rate) through July 1, 2014.	<u>2,060,000</u>
Total Municipal Development Authority Bonds	<u>3,871,203</u>

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Municipal Sports Complex Authority Bonds:

\$1,520,000 1993 Peoria Municipal Sports Complex Authority, Inc. taxable stadium facilities bonds, due in annual principal installments ranging from \$40,000 to \$135,000, plus semiannual interest ranging from 4.60 percent to 7.70 percent (7.36 percent effective rate) through July 1, 2013.	<u>1,135,000</u>
Total Municipal Sports Complex Authority Bonds	<u>1,135,000</u>

Revenue Bonds:

\$9,520,000 1991 water and sewer revenue refunding serial bonds, due in annual principal installments ranging from \$460,000 to \$635,000, plus semiannual interest ranging from 4.50 percent to 6.63 percent (6.40 percent effective rate) through July 1, 2006.	920,000
\$11,405,081 1995 Wastewater Management Authority of Arizona revenue bonds, due in annual principal installments ranging from \$417,926 to \$753,659, plus semiannual interest of 3.152 percent through July 1, 2015.	8,691,427
\$2,000,000 1995 water and sewer revenue serial bonds, due in annual principal installments ranging from \$50,000 to \$165,000, plus semiannual interest ranging from 4.75 percent to 7.25 percent (5.31 percent effective rate) through July 1, 2015.	1,630,000
\$14,330,000 1997 Water Infrastructure Finance Authority of Arizona revenue bonds, due in annual principal installments ranging from \$515,480 to \$932,521, plus semiannual interest of 2.948 percent through July 1, 2017.	12,106,875
\$16,730,000 1998 water and sewer revenue serial bonds, due in annual principal installments ranging from \$560,000 to \$1,365,000, plus semiannual interest ranging from 4.00 percent to 6.50 percent (4.72 percent effective rate) through July 1, 2018.	16,170,000
\$4,170,000 1998 water and sewer revenue refunding serial bonds, due in annual principal installments ranging from \$535,000 to \$830,000, plus semiannual interest ranging from 4.00 percent to 6.25 percent (4.16 percent effective rate) through July 1, 2006.	3,635,000
\$16,590,000 2000 water and sewer revenue serial bonds, due in annual principal installments ranging from \$500,000 to \$1,390,000, plus semiannual interest ranging from 5.00 percent to 7.50 percent (5.329 percent effective rate) through July 1, 2020.	11,115,000
\$20,150,000 2000 Water Infrastructure Finance Authority of Arizona Phase 1 revenue bonds, due in annual principal installments ranging from \$732,474 to \$1,468,524, plus semiannual interest of 3.94% through July 1, 2020.	20,150,000
\$14,500,000 2000 Water Infrastructure Finance Authority of Arizona Phase 2 revenue bonds, due in annual principal installments ranging from \$489,975 to \$1,021,045, plus semiannual interest of 3.94% through July 1, 2021.	<u>14,500,000</u>
Total Revenue Bonds	<u>88,918,302</u>

Total bonds payable recorded in business-type activities	93,924,505
Less current portion	<u>(7,231,135)</u>
Long-term portion of bonds payable recorded in business-type activities	<u>86,693,370</u>
Total long-term portion of bonds payable	<u>\$171,987,833</u>

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Reconciliation to total long-term debt principal:	\$171,987,833
Add:	
Current portion of bonds payable	14,453,361
Capital Appreciation Bonds 1993 unamortized discount as of 6/30/2002	<u>270,800</u>
Total long-term debt principal as of June 30, 2002	<u>\$186,711,994</u>

Contracts Payable

Other debt at June 30, 2002 consists of the following:

Classified in the Governmental activities in the government-wide financial statements:

Contract payable for improvements made in assessment districts 8801 and 8802, relating to a planned area retail project, due in variable semiannual principal and interest installments as defined in the agreement, through August 28, 2018 or the date when all costs are paid in full, whichever is sooner. Interest calculated at the prime rate (4.75 percent at 6/30/02) but not to exceed 10.50 percent.	\$ 8,607,976
Contract payable for improvements made in assessment district 8802, relating to a planned area retail project; due in variable semiannual principal and interest installments as defined in the agreement, through January 20, 2011 or the date when all costs are paid in full, whichever is sooner. Interest calculated at prime rate (4.75 percent at 6/30/02) but not to exceed 9.00 percent.	4,135,447
Contract payable for construction of offsite improvements made in assessment districts 8802 and 9303, relating to a planned area retail project; due in variable quarterly principal and interest installments as defined in the agreement, through June 20, 2017 or the date when all costs are paid in full, whichever is sooner. Interest calculated at prime rate (4.75 percent at 6/30/02) but not to exceed 7.00 percent.	3,719,981
Contract payable for improvements relating to planned area retail and restaurant projects; due in quarterly reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through February 1, 2006 or the date when all costs are paid in full, whichever is sooner. No interest is calculated on this agreement.	138,998
Contract payable for improvements relating to a planned area automotive dealership complex; due in quarterly reimbursements of the privilege tax revenues received from the dealer operator, as defined in the agreement, through February 1, 2003 or the date when all costs are paid in full, whichever is sooner. No interest is calculated on this agreement.	236,172
Contract payable for improvements relating to a mixed-use development project, due in annual installments, as defined in the agreement, through November 30, 2003. No interest is calculated on this agreement.	1,403,124
Contract payable for improvements relating to a planned area retail project, due in quarterly reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through November 22, 2005. No interest is calculated on this agreement.	36,307

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Contract payable for improvements relating to a planned area retail project, due in semi-annual reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through November 21, 2007. No interest is calculated on this agreement.	128,379
Contract payable for improvements relating to a planned area retail project, due in semi-annual reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through November 21, 2007. No interest is calculated on this agreement.	122,323
Contract payable for improvements relating to a planned area retail project, due in quarterly reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through the date when all costs are paid in full or the date which is seven years from the initial payment date, whichever is sooner. No interest is calculated on this agreement.	840,201
Contract payable for improvements, relating to a planned area retail project, due in quarterly reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through the date when all costs are paid in full or the date which is five years from the initial payment date, whichever is sooner. No interest is calculated on this agreement.	200,000
Contract payable for improvements made in assessment district 8802, relating to a restaurant project, due in reimbursements of the privilege tax revenues received from the developer, as defined in the agreement, through the date that is four years from the date the project is open for business. No interest is calculated on this agreement.	67,534
Contract payable for a modular building, due in equal annual installments, including interest at 5.85 percent, as defined in the separate agreement, through September 1, 2006.	<u>342,210</u>
Total contracts payable recorded in governmental activities	19,978,652
Less estimated current portion	<u>2,331,744</u>
Long-term portion of contracts payable	<u>17,646,908</u>

Classified in the Business-type activities in the government-wide financial statements:

Contract payable for the purchase of real property; due in monthly principal and interest installments as defined in the agreement, through March 1, 2008, interest at 7.50%.	<u>114,957</u>
Total contracts payable recorded in business-type activities	114,957
Less estimated current portion	<u>11,850</u>
Long-term portion of contracts payable	<u>103,107</u>
Total Long-term Portion of Contracts Payable	<u>\$17,750,015</u>

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2002:

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	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 47,669,600	264,600	3,450,000	44,484,200	3,605,000
MDA bonds	27,900,997	-	2,127,200	25,773,797	1,827,875
Highway user revenue bonds	5,205,000	-	280,000	4,925,000	300,000
Special assessment bonds	15,814,000	2,763,000	1,243,308	17,333,692	1,489,351
Total bonds payable	96,589,597	3,027,600	7,100,508	92,516,689	7,222,226
Contracts payable	19,184,537	3,273,385	2,479,270	19,978,652	2,331,744
Compensated absences	2,003,860	469,780	-	2,473,640	2,369,570
Governmental activities totals	<u>\$ 117,777,994</u>	<u>6,770,765</u>	<u>9,579,778</u>	<u>114,968,981</u>	<u>11,923,540</u>
Business-type activities:					
Bonds payable:					
MDA bonds	\$ 4,064,004	-	192,801	3,871,203	2,107,125
Sports Authority bonds	20,525,000	-	19,390,000	1,135,000	65,000
Revenue bonds	82,277,210	14,500,000	7,858,908	88,918,302	5,059,010
Total bonds payable	106,866,214	14,500,000	27,441,709	93,924,505	7,231,135
Contracts payable	125,954	-	10,997	114,957	11,850
Compensated absences	242,360	59,500	-	301,860	289,250
Business-type activities totals	<u>\$ 107,234,528</u>	<u>14,559,500</u>	<u>27,452,706</u>	<u>94,341,322</u>	<u>7,532,235</u>

The following is a summary of debt service requirements, including interest requirements and unamortized discount in the general obligation bonds (\$270,800 at June 30, 2002), to maturity for long-term debt at June 30, 2002:

Fiscal Year	General Obligation Bonds	Municipal Development Authority Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Sports Complex Bonds	Total
2003	\$ 5,750,207	5,317,994	584,215	2,580,511	8,565,244	144,930	22,943,101
2004	5,739,659	3,322,161	582,140	2,439,233	7,633,747	140,380	19,857,320
2005	5,563,501	3,219,340	472,190	2,507,917	7,641,118	140,410	19,544,476
2006	4,953,011	3,280,911	469,990	2,403,297	7,679,495	140,010	18,926,714
2007	3,974,350	3,555,998	469,525	2,407,096	7,662,769	143,890	18,213,628
2008	3,979,596	3,522,320	470,210	2,105,467	6,843,264	142,365	17,063,222
2009	3,703,475	3,612,322	469,810	2,110,061	6,809,896	140,430	16,845,994
2010	3,704,429	3,671,747	468,295	2,299,367	6,797,922	137,730	17,079,490
2011	3,692,843	3,962,761	470,574	2,341,364	6,046,626	139,260	16,653,428
2012	3,281,716	1,478,250	466,703	1,691,010	6,041,908	140,020	13,099,607
2013	2,885,446	1,483,558	466,663	1,077,820	6,038,609	135,395	12,087,491
2014	2,904,361	1,484,967	470,244	-	6,031,893	135,000	11,026,465
2015	2,907,013	-	467,531	-	6,026,615	-	9,401,159
2016	2,615,500	-	468,525	-	6,027,240	-	9,111,265
2017	2,218,763	-	468,081	-	6,144,783	-	8,831,627
2018	1,710,988	-	-	-	6,134,535	-	7,845,523

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Fiscal Year	General Obligation Bonds	Municipal Development Authority Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Sports Complex Bonds	Total
2019	1,712,100	-	-	-	5,222,777	-	6,934,877
2020	1,270,500	-	-	-	3,864,255	-	5,134,755
2021	-	-	-	-	3,881,094	-	3,881,094
2022	-	-	-	-	1,021,046	-	1,021,046
Less interest	(17,812,458)	(8,267,329)	(2,339,696)	(6,629,451)	(33,196,534)	(544,820)	(68,790,288)
	<u>\$ 44,755,000</u>	<u>29,645,000</u>	<u>4,925,000</u>	<u>17,333,692</u>	<u>88,918,302</u>	<u>1,135,000</u>	<u>186,711,994</u>

The Municipal Development Authority bonds debt service balances include the debt service payments on the 1993 and 1994 Municipal Facilities Revenue Bonds which are recorded in and paid by the business-type activities.

The following table discloses the debt service requirements as of June 30, 2002, segregating principal and interest, for the next five years and in five-year increments thereafter.

Fiscal year	Principal	Interest	Total
2003	\$ 14,453,361	8,489,740	22,943,101
2004	11,950,090	7,907,230	19,857,320
2005	12,211,549	7,332,927	19,544,476
2006	12,196,900	6,729,814	18,926,714
2007	12,109,297	6,104,331	18,213,628
2008-2012	59,208,084	21,533,657	80,741,741
2013-2017	41,334,154	9,123,853	50,458,007
2018-2022	23,248,559	1,568,736	24,817,295
Totals	<u>\$186,711,994</u>	<u>68,790,288</u>	<u>255,502,282</u>

The City had no outstanding variable rate bonds at June 30, 2002. The City had \$16,463,404 in variable rate outstanding contracts payable at June 30, 2002. 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, 2002.

14. Advance Refundings

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

During fiscal year 2002 the City defeased \$5,475,000 in water and sewer revenue bonds through a cash defeasance. The funds were placed in irrevocable trust accounts at a commercial bank and invested in U.S. Government Securities for the purpose of generating resources for all future debt service payments on the defeased debt. Liability for the debt has been removed from the enterprise fund. Cash defeasance of the bonds resulted in \$2,850,750 in interest savings.

Also during fiscal year 2002 the City participated with the Maricopa County Stadium District in the refunding and redemption of the Municipal Sports Complex Authority revenue bonds, Series 1993A. The

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Maricopa County Stadium District issued refunding bonds sufficient to provide resources to pay all principal and interest on the bonds through July 1, 2003, and to redeem all outstanding Series 1993A bonds on July 1, 2003. The proceeds of the refunding bonds were placed in irrevocable trusts at a commercial bank and were invested in U.S. Government Securities. \$18,375,000 in debt liability has been eliminated from the enterprise fund with a resulting increase in net assets.

Prior Years Refundings

1994	General Obligation Bonds (partially refunded)	\$ 2,365,000
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Fiscal Year 2002 Refundings and Cash Defeasance

1993A	Municipal Sports Authority Bonds	18,375,000
2000	Water/Sewer Revenue Bonds (partially defeased)	<u>5,475,000</u>

Total refunded bonds outstanding	<u>\$26,215,000</u>
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15. 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 2.49 percent of their salaries to the System during fiscal year 2001-2002 and the City was required to match it. The Arizona Revised Statutes (A.R.S.) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to impose a contribution rate other than the actuarially determined rate. The City's contributions to the System for the years ended June 30, 2002, 2001 and 2000, were \$655,517, \$598,537, and \$550,628, respectively, which equal the

CITY OF PEORIA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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 or by calling 602-255-5575.

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 2001-2002 was 6.97 percent. The City's contributions to EORP for the fiscal years ended June 30, 2002, 2001 and 2000 were \$8,783, \$6,126, and \$5,764, respectively, which equal the required contributions for each year. The City's employees contributed \$8,820, \$4,196, and \$3,947 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 or 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 2001-2002 was 7.42 percent for fire personnel and 12.36 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).

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

c. **Annual Pension Cost**

Police personnel contributed \$355,415 and fire personnel \$419,814 during fiscal year 2001-2002. For fiscal year 2001-2002, the City's annual pension cost of \$836,748 for police and \$407,192 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return, (b) projected salary increases of 6.5 percent per year compounded annually, attributable to inflation (5.5%) and other across-the-board factors (1%), and (c) additional projected salary increases ranging from 0 percent to 3 percent per year, depending on age, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PSPRS's actuarial gains/losses are amortized as level percents of payroll over an open period of 20 years from July 1, 2000.

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

Police

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	\$555,722	100%	\$ 0
2000	503,437	100	0
2001	749,766	100	0

Fire

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	\$341,824	100%	\$ 0
2000	371,820	100	0
2001	301,645	100	0

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

Schedule of Funding Progress (Latest Information Available)

Police

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>(Unfunded AAL) or Excess</u>	<u>Annual Covered Payroll</u>	<u>(Unfunded AAL) or Excess as a % of Covered Payroll</u>
1999	\$11,494,690	\$12,139,987	94.7%	\$(645,297)	\$4,628,754	(13.9)%
2000	13,786,656	13,627,582	101.2	159,074	4,868,526	3.3
2001	16,228,821	14,568,475	111.4	1,660,346	5,808,395	28.6

CITY OF PEORIA, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Fire

<u>Valuation Date</u> <u>June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Funded Excess</u>	<u>Annual Covered Payroll</u>	<u>Funded Excess as a % of Covered Payroll</u>
1999	\$10,175,807	\$ 9,003,918	113.0%	\$1,171,889	\$3,975,700	29.5%
2000	12,597,573	10,351,973	121.7	2,245,600	4,348,293	51.6
2001	15,002,952	10,664,811	140.7	4,338,141	4,891,978	88.7

Volunteer Firemen's Pension Trust Fund

The Volunteer Firemen's Pension Trust plan covers participants in a volunteer firemen program formerly sponsored by the City. There are currently nine individuals receiving annual benefits of \$2,400 each. There are no potential additional demands upon the fund since the volunteer program has been discontinued. An actuarial valuation of this pension plan has not been performed. The City believes the unfunded liability, if any, is not material.

16. 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. The deferred compensation is not available to employees 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 plan assets be held in trust for employees. This means that employee assets held in Section 457 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.

17. Special Assessment Funds

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. At June 30, 2002, the special assessment receivables, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment receivables that were delinquent at June 30, 2002 totaled \$7,188.

18. 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.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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.

19. Other Matters

In fiscal year 1990, the City entered into a development agreement with Westcor Company II Ltd. Partnership and Midcor Associates to facilitate the construction of various infrastructure improvements and acquisition of right-of-way parcels in a mixed-use planned area of the City. Pursuant to the agreement and amendments thereto, the City created the North Valley Power Center Improvement District No. 8801 and the Bell Road Improvement District No. 8802. Improvement District 8801 bonds in the amount of \$5,015,000 were issued in fiscal year 1992, and Improvement District 8802 bonds in the amount of \$5,610,000 were issued in fiscal year 1993. The improvements were financed with a portion of the proceeds from the two issues. The developer pays all special assessments levied on the property by the City through the improvement districts. The reimbursable portion of the assessments, as defined in the development agreement, plus interest at prime, is refunded to the developer semi-annually by the City. Payment amounts are based on sales tax revenues generated by various taxable activities within the defined area, and will continue until the reimbursable portion of all assessments paid by the developer are refunded or until the expiration of the agreement after 25 years. The cost of the infrastructure improvements was recorded in fiscal year 1994 at \$13,137,805. Principal payments made through June 30, 2002 totaled \$4,529,829.

The City entered into a development agreement with Bell-77 Properties Ltd. Partnership in fiscal year 1992. A master-planned retail project was developed by Bell-77. A portion of the proceeds from Bell Road Improvement District No. 8802 bonds financed the construction of the off-site improvements related to the project. The agreement provides that the developer will pay all special assessments against the property as the City bills them. The developer is repaid the assessments over time based on the sales tax revenues generated by various taxable activities within the defined area. The repayment amount is \$5,305,975, plus interest at prime. Principal repayments to the developer commenced in fiscal year 1995 and totaled \$1,170,528 through June 30, 2002. The agreement will expire when costs are paid in full or the date that is 16 years from the initial payment date.

A development agreement between the City and DMB Circle Road Partners was signed during fiscal year 1995. Offsite improvements for a planned area retail project will be financed through Bell Road Improvement District 8802 and 75th Avenue and Paradise Lane Improvement District 9303. The developer will pay the special assessments and will be reimbursed by the City based on the sales tax revenues generated by the project. The reimbursement amount for improvements made through proceeds from Improvement Districts 8802 and 9303 total \$4,538,097. Repayments commenced in fiscal year 1997, with principal payments totaling \$818,116 through June 30, 2002.

The City signed an agreement with Jo-Bron Limited Partnership during fiscal year 1997. The agreement provides for reimbursement by the City for various infrastructure improvements made by the developer on property that will be utilized for one or more retail and restaurant projects. The repayment amount is set by the agreement at \$222,716. Repayments commenced in fiscal year 1998, and will expire when costs are paid in full or eight years and one month from the initial payment date. Principal payments through June 30, 2001 totaled \$83,718.

A development agreement was also signed with GRS, L.L.C. (Arrowhead Fountains Center, L.L.C.) during fiscal year 1997. A maximum of \$4,100,000 will be repaid to the developer for infrastructure

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

improvements on 95 acres, including the acreage purchased from the City of Peoria. The development area is south of Bell Road and west of 83rd Avenue and will include some or all of the following: hotels, motels, office space, restaurants, research and development facilities, athletic facilities, recreation, entertainment, and multi-family development. The construction of the infrastructure was financed through the sale of Improvement District 9601 and 9603 bonds during fiscal year 1998. The developer agreed to participate in the improvement districts and to pay the assessment installations as the City bills them. The amounts of the assessments as well as various permit and fee amounts paid by the developer are being reimbursed by the City in six yearly installments beginning on November 30, 1998, up to the maximum reimbursement amount. Payments are based on the square footage of all building permits issued by the City for construction of the developer's project during each annual period. As of June 30, 2002, principal payments totaling \$2,696,876 have been made.

During fiscal year 1998, the City entered into an agreement with Biddulph-Peoria, L.L.C. to reimburse the costs of certain onsite improvements made by the developer on property which will be utilized for an automotive dealership complex (the project). The repayment amount is set by the agreement at \$700,000. Payments are made to Biddulph-Peoria, L.L.C. in quarterly installments based on the sales tax generated by the business included in the project. Principal payments totaling \$463,828 have been made through June 30, 2002.

The City signed an agreement with Home Depot U.S.A. during fiscal year 1998 for the reimbursement of certain improvements with public benefit, which were needed to develop a retail establishment within the City. The repayments are based on sales tax revenues generated by the project. The reimbursement amount was set at \$700,000, plus interest at the prime rate. Repayments commenced during fiscal year 1999 and would expire when costs are paid in full, or ten years from the initial payment date. The City completed its obligations to Home Depot during fiscal year 2002, having made principal payments of \$700,000 over four years.

A contract was signed by the City during fiscal year 1998 to purchase land for a well site. At that time, the City recorded \$157,200 in long-term debt in the Water Utility Fund. Monthly payments commenced in March 1998 and will continue until March, 2008. Interest is calculated at 7.5% per annum on the contract. Principal payments through June 30, 2002 total \$42,243.

The City signed a development agreement with Bell-Melrose Partnership during fiscal year 2000. The agreement provided for reimbursement of an amount not to exceed \$45,000 for water and wastewater improvements in the area of 73rd Avenue and Bell Road. The City made the payment of \$45,000 during fiscal year 2001. The contract calls for a prorated amount to be repaid by the developer to the City during the next five years should the developer fail to meet the annual minimum taxable sales amount specified in the agreement. The minimum taxable sales amount was met during fiscal year 2002.

A development agreement between the City and Kmart Corporation was signed during fiscal year 2001. The City will reimburse Kmart \$169,267 for certain improvements related to development of a retail establishment within the City. Payments will be made in quarterly installments based on sales tax revenue generated by the project, terminating when the repayment amount is paid in full or five years from the opening date of the project, whichever time is earlier. Principal payments through June 30, 2001, totaled \$132,960.

The City entered into a development agreement with K & Y Thunderbird & 83rd L.L.C. (K & Y) and with Lowe's HIW, Inc. (Lowe's) during fiscal year 2001. The agreement specifies that the City will reimburse Lowe's and K & Y for offsite improvements with public benefit in semi-annual installments based on sales tax revenues generated by the retail project. The City agreed to reimburse K & Y \$122,323, with payments commencing thirty days following the end of the second consecutive full quarter after the first retail building on the property has been opened for business to the public. Lowe's will be reimbursed

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

\$277,677, with payments commencing thirty days following the end of the second consecutive full quarter after the home improvement store has been opened for business to the public. Repayments terminate seven years from the effective date of the agreement. At June 30, 2002, no payments had been made to K & Y. Principal payments of \$149,298 were made to Lowe's during fiscal year 2002.

The City signed a development agreement with Barclay Holdings XVI, L.L.C. during fiscal year 2001. The agreement calls for the City to reimburse the developer, Barclay Holdings, and the anchor tenant, Target Corporation, for certain infrastructure improvements related to a retail shopping center. Barclay Holdings will be reimbursed \$200,000 in quarterly installments based on sales tax revenues generated by the developer's parcels. These payments will commence four months from the date the first tenant occupies at least 50,000 square feet of gross leasable area, other than the anchor tenant Target. Payments will end on the date that is the earlier of the date the reimbursement amount is paid in full or five years from the initial payment date to Barclay Holdings. The City will reimburse the anchor tenant, Target Corporation, \$900,000 in quarterly installments based on sales tax revenues generated by Target. Payments commenced four months after Target opened for business to the public, and they will end on the date that is the earlier of the date the reimbursement amount is paid in full or seven years from the City's initial payment to Target. No principal payments had been made to Barclay Holdings through June 30, 2002. The City made \$59,798 in principal payments to Target during fiscal year 2002.

During fiscal year 2002 the City entered into a development agreement with In-N-Out Burger to encourage development of a restaurant within the City. Certain development fees were waived by the City. In addition, the City agreed to reimburse the developer an amount not to exceed \$67,534 for its required expenditures related to Bell Road Improvement District 8802. Payments will be made to the developer based on sales tax revenues generated by the restaurant. Payments will commence after the date the project is open for business and will terminate five years and one day after the issuance of the Certificate of Occupancy. No principal payments had been made on the agreement as of June 30, 2002.

The City signed an agreement with BCC Development Limited Partnership during fiscal year 2002. Contingent on the developer opening an automobile dealership by December 31, 2002, the City agreed to pay \$100,000 in annual installments based on sales tax revenues generated by the project. In addition, the developer will be eligible for an additional \$100,000 reimbursement if a high line automobile dealership is opened within six years from the effective date of the agreement. The City had not recorded this development agreement as a liability at June 30, 2002, as there is doubt that deadlines can be met by the developer.

20. Subsequent Events

On July 26, 2002, the Water Infrastructure Finance Authority of Arizona, a state agency, sold \$1,964,789 in bonds on behalf of the City. The proceeds of these bonds will be used for construction of the Greenway Water Treatment Plant and related infrastructure. The bonds will be repaid from future revenues of the water utility fund.

On July 1, 2002, the City called all outstanding bonds from the Water and Sewer Revenue Refunding Bonds, Series 1991, resulting in cash defeasance of \$920,000 in principal. In addition, the City called all outstanding bonds from the Municipal Development Authority Municipal Facilities Utilities Revenue Bonds, Series 1994. This call resulted in a cash defeasance of \$2,060,000 in principal.

On October 15, 2002 the City Council formed the Vistancia Community Facilities District pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes. The District is intended to provide the vehicle for financing certain public infrastructure necessary for the development of the land within the boundaries of the District.

CITY OF PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The District encompasses approximately 7,000 acres located within the northern portion of the City. It is being developed as a master planned, mixed use development known as "Vistancia" with a maximum allowable build out of approximately 17,000 residential units and 620 acres of commercial uses including neighborhood centers, a regional commercial and employment core, and five golf courses.

The District has the power to implement the District's general plan for public infrastructure primarily through the issuance of general obligation, assessment or revenue bonds. The District's current plan consists of financing only the acquisition or construction of certain public infrastructure (primarily water and wastewater infrastructure) through the issuance of general obligation bonds. Any general obligation bonds issued by the District will be payable from ad valorem property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. It is anticipated that debt service on any general obligation bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement and a Depository Agreement. The District Board has not held the required bond election, approved the feasibility report, authorized the sale of any such bonds, nor authorized the levy of any ad valorem taxes on behalf of the District.



NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

Public Transit Fund

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

Section 8 Housing Fund

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

Other Grant Funds

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

Debt Service Funds

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

Municipal Development Authority Bonds Debt Service Fund

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

General Obligation Bond Debt Service Fund

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

Capital Projects Funds

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

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

Improvement District Bonds Debt Service Fund

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

INTERNAL SERVICE FUNDS

Motor Pool Fund

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

Self-Insurance Fund

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

Facilities Maintenance Fund

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

Information Technology Fund

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



CITY OF PEORIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2002

	Special Revenue Funds		
	Public Transit Fund	Section 8 Housing Fund	Other Grant Funds
ASSETS			
Cash and cash equivalents	\$ 202,918	\$ 222,510	\$ 205,193
Cash with fiscal agents	-	-	-
Investments	641,361	-	648,552
Accounts receivable, net	1,766	533	-
Interest receivable	1,660	-	4,637
Due from other governments	143,302	427,169	263,528
Restricted cash and cash equivalents	-	-	-
Total assets	<u>\$ 991,007</u>	<u>\$ 650,212</u>	<u>\$ 1,121,910</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,818	\$ 113	\$ 222,258
Accrued payroll	4,670	139	4,057
Due to other funds	-	360,029	-
Due to other governments	-	-	25,946
Deferred revenue	489,877	215,530	58,522
Arbitrage liability	-	-	-
Other liabilities	500	-	-
Compensated absences	4,500	-	1,710
Total liabilities	<u>\$ 514,365</u>	<u>\$ 575,811</u>	<u>\$ 312,493</u>
Fund balances:			
Reserved for:			
Debt service	\$ -	\$ -	\$ -
Capital projects	-	-	-
Encumbrances	8,870	-	77,307
Grant Purposes	467,772	74,401	364,787
Unreserved, designated (note 10)	-	-	331,256
Unreserved, undesignated, reported in:			
Capital projects funds	-	-	-
Special revenue funds	-	-	36,067
Total fund balance	<u>476,642</u>	<u>74,401</u>	<u>809,417</u>
Total liabilities and fund balance	<u>\$ 991,007</u>	<u>\$ 650,212</u>	<u>\$ 1,121,910</u>

**CITY OF PEORIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2002**

Debt Service Funds		Capital Projects Funds		Total Other Governmental Funds
Municipal Development Authority	General Obligation Bonds	Highway User Revenue Bonds	Improvement District Bonds	
\$ 2	\$ 2,878,680	\$ 17	\$ 67,766	\$ 3,577,086
2,502,614	-	-	-	2,502,614
8	9,098,625	53	214,189	10,602,788
-	182,705	-	-	185,004
2,215	56,220	15,396	-	80,128
-	134,250	-	-	968,249
8,514	-	2,534,653	-	2,543,167
<u>\$ 2,513,353</u>	<u>\$ 12,350,480</u>	<u>\$ 2,550,119</u>	<u>\$ 281,955</u>	<u>\$ 20,459,036</u>
\$ -	\$ -	\$ 243,377	\$ 121,000	\$ 601,566
-	-	-	-	8,866
-	-	46,200	-	406,229
-	-	-	-	25,946
-	182,704	-	-	946,633
-	-	-	-	-
-	-	4,043	148,655	153,198
-	-	-	-	6,210
<u>\$ -</u>	<u>\$ 182,704</u>	<u>\$ 293,620</u>	<u>\$ 269,655</u>	<u>\$ 2,148,648</u>
\$ 2,513,353	\$ 12,167,776	\$ -		\$ 14,681,129
-	-	1,199,950		1,199,950
-	-	1,056,549	289,723	1,432,449
-	-			906,960
-	-			331,256
-	-		(277,423)	(277,423)
-	-			36,067
<u>2,513,353</u>	<u>12,167,776</u>	<u>2,256,499</u>	<u>12,300</u>	<u>18,310,388</u>
<u>\$ 2,513,353</u>	<u>\$ 12,350,480</u>	<u>\$ 2,550,119</u>	<u>\$ 281,955</u>	<u>\$ 20,459,036</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Special Revenue Funds		
	Public Transit Fund	Section 8 Housing Fund	Other Grant Funds
REVENUES:			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental:			
Local transportation aid	615,115	-	-
From federal government	107,423	572,231	1,021,201
Other	81,085	248,908	378,251
Charges for service	43,420	-	255,824
Fines and forfeitures	-	-	19,104
Investment earnings	8,260	6,760	25,514
Miscellaneous	15,905	-	135,452
Total revenues	<u>871,208</u>	<u>827,899</u>	<u>1,835,346</u>
EXPENDITURES:			
Current operating:			
General government	-	-	34,156
Culture and recreation	-	-	288,204
Police	-	-	214,703
Fire	-	-	-
Development services	-	-	337,061
Highways and streets	-	-	-
Human services	660,458	876,725	-
Debt service:			
Principal payments	-	-	-
Interest and other charges	-	-	-
Capital outlay	40,731	-	801,511
Total expenditures	<u>701,189</u>	<u>876,725</u>	<u>1,675,635</u>
Excess (deficiency) of revenues over expenditures	<u>170,019</u>	<u>(48,826)</u>	<u>159,711</u>
OTHER FINANCING SOURCES (USES):			
Capital-related debt issued	-	-	-
Transfers in	-	-	14,065
Transfers out	(113,599)	-	(60,465)
Total other financing sources and uses	<u>(113,599)</u>	<u>-</u>	<u>(46,400)</u>
Net change in fund balances	<u>56,420</u>	<u>(48,826)</u>	<u>113,311</u>
Fund balances - beginning	420,222	123,227	696,106
Fund balances - ending	<u>\$ 476,642</u>	<u>\$ 74,401</u>	<u>\$ 809,417</u>

(continued)

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Debt Service Funds		Capital Projects Funds		
Municipal Development Authority	General Obligation Bonds	Highway User Revenue Bonds	Improvement District Bonds	Other Governmental Funds
\$ -	\$ 7,871,148	\$ -	\$ -	\$ 7,871,148
-	-	-	-	615,115
-	-	-	-	1,700,855
-	-	-	1,143,416	1,851,660
-	-	-	109,818	409,062
-	-	-	-	19,104
21,421	339,212	73,173	1,272	475,612
-	-	-	-	151,357
<u>21,421</u>	<u>8,210,360</u>	<u>73,173</u>	<u>1,254,506</u>	<u>13,093,913</u>
-	-	-	-	34,156
-	-	-	-	288,204
-	-	-	-	214,703
-	-	-	-	-
-	-	-	-	337,061
-	-	61,236	-	61,236
-	-	-	-	1,537,183
2,127,200	3,450,000	-	-	5,577,200
1,424,405	2,341,747	-	140,910	3,907,062
-	-	804,764	1,066,932	2,713,938
<u>3,551,605</u>	<u>5,791,747</u>	<u>866,000</u>	<u>1,207,842</u>	<u>14,670,743</u>
<u>(3,530,184)</u>	<u>2,418,613</u>	<u>(792,827)</u>	<u>46,664</u>	<u>(1,576,830)</u>
-	-	-	2,763,000	2,763,000
3,139,329	-	-	1,144,440	4,297,834
-	-	-	-	(174,064)
<u>3,139,329</u>	<u>-</u>	<u>-</u>	<u>3,907,440</u>	<u>6,886,770</u>
<u>(390,855)</u>	<u>2,418,613</u>	<u>(792,827)</u>	<u>3,954,104</u>	<u>5,309,940</u>
2,904,208	9,749,163	3,049,326	(3,941,804)	13,000,448
<u>\$ 2,513,353</u>	<u>\$ 12,167,776</u>	<u>\$ 2,256,499</u>	<u>\$ 12,300</u>	<u>\$ 18,310,388</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEORIA, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002

	Motor Pool Fund	Self Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,898,621	\$ 468,779	\$ 103,234	\$ 1,061,336	\$ 3,531,970
Investments	6,000,956	1,481,665	326,291	3,354,558	11,163,470
Accounts receivable, net	-	-	-	-	-
Interest receivable	64,106	13,324	857	32,132	110,419
Supplies inventory	125,434	-	-	-	125,434
Total current assets	<u>8,089,117</u>	<u>1,963,768</u>	<u>430,382</u>	<u>4,448,026</u>	<u>14,931,293</u>
Non-current assets:					
Capital assets:					
Buildings and improvements	-	-	-	148,102	148,102
Equipment	1,716,677	-	81,342	9,319,972	11,117,991
Vehicles	10,959,158	-	-	-	10,959,158
Furniture	-	-	11,732	30,224	41,956
Less accumulated depreciation	(6,728,472)	-	(44,501)	(6,067,032)	(12,840,005)
Construction in progress	1,371	-	-	1,911,709	1,913,080
Total capital assets, net	<u>5,948,734</u>	<u>-</u>	<u>48,573</u>	<u>5,342,975</u>	<u>11,340,282</u>
Total assets	<u>14,037,851</u>	<u>1,963,768</u>	<u>478,955</u>	<u>9,791,001</u>	<u>26,271,575</u>
LIABILITIES					
Current liabilities:					
Accounts payable	277,472	27,543	117,364	554,668	977,047
Accrued payroll	11,748	1,232	21,937	27,312	62,229
Claims payable	-	2,253,418	-	-	2,253,418
Current portion of compensated absences	43,880	2,070	83,760	102,890	232,600
Total current liabilities	<u>333,100</u>	<u>2,284,263</u>	<u>223,061</u>	<u>684,870</u>	<u>3,525,294</u>
Non-current liabilities:					
Compensated absences	2,190	60	3,910	4,660	10,820
Total long-term liabilities	<u>2,190</u>	<u>60</u>	<u>3,910</u>	<u>4,660</u>	<u>10,820</u>
Total liabilities	<u>335,290</u>	<u>2,284,323</u>	<u>226,971</u>	<u>689,530</u>	<u>3,536,114</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,948,734	-	48,573	5,342,975	11,340,282
Unrestricted	7,753,827	(320,555)	203,411	3,758,496	11,395,179
Total net assets	<u>\$ 13,702,561</u>	<u>\$ (320,555)</u>	<u>\$ 251,984</u>	<u>\$ 9,101,471</u>	<u>\$ 22,735,461</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, 2002

	<u>Motor Pool Fund</u>	<u>Self Insurance Fund</u>	<u>Facilities Maintenance Fund</u>	<u>Information Technology Fund</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 4,090,171	\$ 1,286,252	\$ 3,542,809	\$ 5,905,144	\$ 14,824,376
Miscellaneous	3,744	23,323	2,127	8,041	37,235
Total operating revenues	<u>4,093,915</u>	<u>1,309,575</u>	<u>3,544,936</u>	<u>5,913,185</u>	<u>14,861,611</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	852,819	84,882	1,575,564	1,932,108	4,445,373
Contractual services, materials and supplies	2,031,982	109,709	1,549,120	2,059,269	5,750,080
Insurance claims and expenses	-	1,401,334	-	-	1,401,334
Depreciation and amortization	1,254,903	-	7,780	981,293	2,243,976
Total operating expenses	<u>4,139,704</u>	<u>1,595,925</u>	<u>3,132,464</u>	<u>4,972,670</u>	<u>13,840,763</u>
Operating income (loss)	(45,789)	(286,350)	412,472	940,515	1,020,848
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	351,574	66,287	4,264	207,826	629,951
Gain on sale of fixed assets	35,496	-	-	817	36,313
Total non-operating revenues	<u>387,070</u>	<u>66,287</u>	<u>4,264</u>	<u>208,643</u>	<u>666,264</u>
Income (loss) before transfers	341,281	(220,063)	416,736	1,149,158	1,687,112
Transfers in	3,178,416	-	-	1,989,176	5,167,592
Transfers out	<u>(2,062,800)</u>	<u>(25,485)</u>	<u>(286,735)</u>	<u>(25,000)</u>	<u>(2,400,020)</u>
Change in net assets	1,456,897	(245,548)	130,001	3,113,334	4,454,684
Total net assets - beginning	<u>12,245,664</u>	<u>(75,007)</u>	<u>121,983</u>	<u>5,988,137</u>	<u>18,280,777</u>
Total net assets - ending	<u>\$ 13,702,561</u>	<u>\$ (320,555)</u>	<u>\$ 251,984</u>	<u>\$ 9,101,471</u>	<u>\$ 22,735,461</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, 2002**

	Motor Pool Fund	Self Insurance Fund	Facilities Maintenance Fund	Information Technology Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,093,915	\$ 1,309,575	\$ 3,545,003	\$ 5,913,185	\$ 14,861,678
Payments to suppliers	(2,038,221)	(200,360)	(1,472,406)	(1,560,925)	(5,271,912)
Payments to employees	(842,919)	(83,236)	(1,549,225)	(1,890,591)	(4,365,971)
Self-insurance costs	-	(1,548,124)	-	-	(1,548,124)
Net cash provided (used) by operating activities	<u>1,212,775</u>	<u>(522,145)</u>	<u>523,372</u>	<u>2,461,669</u>	<u>3,675,671</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in	3,178,416	-	-	1,989,176	5,167,592
Operating transfers out	(2,062,800)	(25,485)	(286,735)	(25,000)	(2,400,020)
Net cash provided (used) by noncapital financing activities	<u>1,115,616</u>	<u>(25,485)</u>	<u>(286,735)</u>	<u>1,964,176</u>	<u>2,767,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Net acquisition and construction of fixed assets	(2,457,332)	-	(10,062)	(3,101,295)	(5,568,689)
Net cash flows from capital and related financing activities	<u>(2,457,332)</u>	<u>-</u>	<u>(10,062)</u>	<u>(3,101,295)</u>	<u>(5,568,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments, net	(578,106)	-	(186,518)	(1,312,926)	(2,077,550)
Proceeds from sale of investments, net	-	231,062	-	-	231,062
Interest received on investments	355,087	74,534	5,169	202,397	637,187
Net cash provided (used) by investing activities	<u>(223,019)</u>	<u>305,596</u>	<u>(181,349)</u>	<u>(1,110,529)</u>	<u>(1,209,301)</u>
Net increase (decrease) in cash and cash equivalents	(351,960)	(242,034)	45,226	214,021	(334,747)
Cash and cash equivalents at beginning of year	2,250,581	710,813	58,008	847,315	3,866,717
Cash and cash equivalents at end of year	<u>\$ 1,898,621</u>	<u>\$ 468,779</u>	<u>\$ 103,234</u>	<u>\$ 1,061,336</u>	<u>\$ 3,531,970</u>
Classified as:					
Current assets	\$ 1,898,621	\$ 468,779	\$ 103,234	\$ 1,061,336	\$ 3,531,970
Totals	<u>\$ 1,898,621</u>	<u>\$ 468,779</u>	<u>\$ 103,234</u>	<u>\$ 1,061,336</u>	<u>\$ 3,531,970</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (45,789)	\$ (286,350)	\$ 412,472	\$ 940,515	\$ 1,020,848
Adjustments not affecting cash:					
Depreciation and amortization	1,254,903	-	7,780	981,293	2,243,976
(Increase) decrease in assets:					
Accounts receivable	-	-	67	-	67
Supplies inventory	4,873	-	-	-	4,873
Increase (decrease) in liabilities:					
Accounts payable	(11,112)	(90,651)	76,714	498,344	473,295
Accrued payroll	2,820	(314)	5,829	9,997	18,332
Claims payable	-	(146,790)	-	-	(146,790)
Compensated absences	7,080	1,960	20,510	31,520	61,070
Total adjustments	<u>1,258,564</u>	<u>(235,795)</u>	<u>110,900</u>	<u>1,521,154</u>	<u>2,654,823</u>
Net cash provided (used) by operating activities	<u>\$ 1,212,775</u>	<u>\$ (522,145)</u>	<u>\$ 523,372</u>	<u>\$ 2,461,669</u>	<u>\$ 3,675,671</u>
Noncash investing, capital and financing activities:					
Increase in fair market value of investments	\$ 64,169	\$ 15,844	\$ 3,489	\$ 35,871	\$ 119,373
Total noncash investing, capital and financing activities	<u>\$ 64,169</u>	<u>\$ 15,844</u>	<u>\$ 3,489</u>	<u>\$ 35,871</u>	<u>\$ 119,373</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.

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**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SPECIAL ASSESSMENT DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 3,521,683	\$ 3,521,683	\$ 3,521,683	\$ -
RESOURCES (INFLOWS):				
Special assessments	2,018,761	2,018,761	2,237,389	218,628
Charges for services	-	-	2,000	2,000
Investment earnings	<u>138,340</u>	<u>137,835</u>	<u>136,581</u>	<u>(1,254)</u>
Total inflows	<u>2,157,101</u>	<u>2,156,596</u>	<u>2,375,970</u>	<u>219,374</u>
Amounts available for appropriation	<u>5,678,784</u>	<u>5,678,279</u>	<u>5,897,653</u>	<u>219,374</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services	9,250	9,425	6,651	(2,774)
Debt service:				
Principal payments	1,210,000	1,243,309	1,243,308	(1)
Interest and other charges	<u>1,033,825</u>	<u>1,088,301</u>	<u>1,066,554</u>	<u>(21,747)</u>
Total charges to appropriations	<u>2,253,075</u>	<u>2,341,035</u>	<u>2,316,513</u>	<u>(24,522)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 3,425,709</u>	<u>\$ 3,337,244</u>	<u>\$ 3,581,140</u>	<u>\$ 243,896</u>

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 5,897,653
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	(3,521,683)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(39,328)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,336,642</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,316,513
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	1,374
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,317,887</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 4,096,450	\$ 4,096,450	\$ 4,096,450	\$ -
RESOURCES (INFLOWS):				
Proceeds from issuance of bonds	11,368,499	11,368,499	-	(11,368,499)
Investment earnings	165,000	164,942	34,730	(130,212)
Total inflows	<u>11,533,499</u>	<u>11,533,441</u>	<u>34,730</u>	<u>(11,498,711)</u>
Amounts available for appropriation	<u>15,629,949</u>	<u>15,629,891</u>	<u>4,131,180</u>	<u>(11,498,711)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	200,000	474,356	542,892	68,536
Interest and fiscal charges	262,249	262,249	-	(262,249)
Capital outlay	13,551,705	12,418,375	5,310,940	(7,107,435)
Transfers out	-	2,192,187	-	(2,192,187)
Total charges to appropriations	<u>14,013,954</u>	<u>15,347,167</u>	<u>5,853,832</u>	<u>(9,493,335)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 1,615,995</u>	<u>\$ 282,724</u>	<u>\$ (1,722,652)</u>	<u>\$ (2,005,376)</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	\$ 4,131,180
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	(4,096,450)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	5,824
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 40,554</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,853,832
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	128,365
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,982,197</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
NON-BOND PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 1,646,113	\$ 1,646,113	\$ 1,646,113	\$ -
RESOURCES (INFLOWS):				
Intergovernmental revenue:				
Other governmental revenue	-	-	48,289	48,289
Investment earnings	6,000	6,000	395,957	389,957
Miscellaneous	9,270,711	9,270,711	1,456,865	(7,813,846)
Transfers in	<u>6,457,855</u>	<u>18,467,855</u>	<u>18,658,970</u>	<u>191,115</u>
Total inflows	<u>15,734,566</u>	<u>27,744,566</u>	<u>20,560,081</u>	<u>(7,184,485)</u>
Amounts available for appropriation	<u>17,380,679</u>	<u>29,390,679</u>	<u>22,206,194</u>	<u>(7,184,485)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Contractual services:				
General government - non-departmental	-	72,500	31,698	(40,802)
Highways and streets	-	101,260	68,345	(32,915)
Capital outlay	14,507,461	24,690,344	7,241,112	(17,449,232)
Contingencies	200,000	1,884,073	-	(1,884,073)
Transfers out	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>
Total charges to appropriations	<u>16,007,461</u>	<u>28,048,177</u>	<u>8,641,155</u>	<u>(19,407,022)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 1,373,218</u>	<u>\$ 1,342,502</u>	<u>\$ 13,565,039</u>	<u>\$ 12,222,537</u>

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

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 22,206,194
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,646,113)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	2,573,405
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(18,658,970)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,474,516</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,641,155
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(1,046,323)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,300,000)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,294,832</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
PUBLIC TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<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, 2001	\$ 712,019	\$ 712,019	\$ 712,019	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
Local transportation aid	623,198	623,198	615,115	(8,083)
From federal government	522,000	522,000	224,442	(297,558)
Other	-	330,000	173,912	(156,088)
Charges for services	37,000	37,000	42,993	5,993
Investment earnings	10,843	10,843	8,286	(2,557)
Miscellaneous	800	800	15,905	15,105
Total inflows	<u>1,193,841</u>	<u>1,523,841</u>	<u>1,080,653</u>	<u>(443,188)</u>
Amounts available for appropriation	<u>1,905,860</u>	<u>2,235,860</u>	<u>1,792,672</u>	<u>(443,188)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	636,578	673,578	644,587	(28,991)
Capital outlay	-	-	40,731	40,731
Contingencies	680,000	643,000	-	(643,000)
Transfers out	<u>149,321</u>	<u>149,321</u>	<u>113,599</u>	<u>(35,722)</u>
Total charges to appropriations	<u>1,465,899</u>	<u>1,465,899</u>	<u>798,917</u>	<u>(666,982)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 439,961</u>	<u>\$ 769,961</u>	<u>\$ 993,755</u>	<u>\$ 223,794</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	\$ 1,792,672
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	(712,019)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(209,445)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 871,208</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 798,917
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	2,666
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	13,205
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(113,599)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 701,189</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
SECTION 8 HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 123,462	\$ 123,462	\$ 123,462	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	876,750	876,760	419,647	(457,113)
Other	463,000	463,000	168,024	(294,976)
Investment earnings	5,100	5,100	6,884	1,784
Miscellaneous	1,300	1,300	(533)	(1,833)
Total inflows	<u>1,346,150</u>	<u>1,346,160</u>	<u>594,022</u>	<u>(752,138)</u>
Amounts available for appropriation	<u>1,469,612</u>	<u>1,469,622</u>	<u>717,484</u>	<u>(752,138)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Human services	1,332,520	1,332,520	888,726	(443,794)
Capital outlay	42,000	42,000	-	(42,000)
Total charges to appropriations	<u>1,374,520</u>	<u>1,374,520</u>	<u>888,726</u>	<u>(485,794)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 95,092</u>	<u>\$ 95,102</u>	<u>\$ (171,242)</u>	<u>\$ (266,344)</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	\$ 717,484
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	(123,462)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	233,877
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 827,899</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 888,726
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	(1,492)
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(10,509)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 876,725</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
OTHER GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 530,009	\$ 530,009	\$ 530,009	\$ -
RESOURCES (INFLOWS):				
Intergovernmental:				
From federal government	1,862,947	1,862,947	1,432,848	(430,099)
Other	985,556	985,556	656,634	(328,922)
Charges for services	-	-	254,911	254,911
Fines and forfeitures	20,000	20,000	19,104	(896)
Investment earnings	9,232	9,222	26,805	17,583
Miscellaneous	192,000	192,000	135,452	(56,548)
Transfers from other funds	-	-	14,065	14,065
Total inflows	<u>3,069,735</u>	<u>3,069,725</u>	<u>2,539,819</u>	<u>(529,906)</u>
Amounts available for appropriation	<u>3,599,744</u>	<u>3,599,734</u>	<u>3,069,828</u>	<u>(529,906)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government:				
Mayor and council	1,500	1,500	871	(629)
Attorney	26,715	28,821	12,952	(15,869)
Court	35,000	35,000	3,750	(31,250)
Non-departmental	1,250	22,150	19,289	(2,861)
Culture and recreation	255,420	366,624	281,073	(85,551)
Development services	931,333	973,604	295,117	(678,487)
Fire	1,500	1,500	-	(1,500)
Police	314,205	449,951	216,051	(233,900)
Highways and streets	-	-	-	-
Capital outlay	759,350	2,304,983	870,593	(1,434,390)
Contingencies	800,000	363,196	-	(363,196)
Transfers out	4,000	4,000	60,465	56,465
Total charges to appropriations	<u>3,130,273</u>	<u>4,551,329</u>	<u>1,760,161</u>	<u>(2,791,168)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 469,471</u>	<u>\$ (951,595)</u>	<u>\$ 1,309,667</u>	<u>\$ 2,261,262</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	\$ 3,069,828
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	(530,009)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(690,408)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(14,065)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,835,346</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,760,161
Differences - budget to GAAP:	
The City budgets for claims and compensated absences on the cash basis, rather than on the modified accrual basis	(395)
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	32,799
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(56,465)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(60,465)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,675,635</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
MDA DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 42,953	\$ 42,953	\$ 42,953	\$ -
RESOURCES (INFLOWS):				
Investment earnings	-	-	27,037	27,037
Transfers from other funds	3,548,320	3,548,000	3,139,329	(408,671)
Total inflows	<u>3,548,320</u>	<u>3,548,000</u>	<u>3,166,366</u>	<u>(381,634)</u>
Amounts available for appropriation	<u>3,591,273</u>	<u>3,590,953</u>	<u>3,209,319</u>	<u>(381,634)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	2,127,190	2,127,190	2,127,200	10
Interest and other charges	1,421,130	1,424,450	1,424,405	(45)
Total charges to appropriations	<u>3,548,320</u>	<u>3,551,640</u>	<u>3,551,605</u>	<u>(35)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 42,953</u>	<u>\$ 39,313</u>	<u>\$ (342,286)</u>	<u>\$ (381,599)</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	\$ 3,209,319
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	(42,953)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(5,616)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(3,139,329)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 21,421</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,551,605
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 3,551,605</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION BOND DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 4,914,674	\$ 4,914,674	\$ 4,914,674	\$ -
RESOURCES (INFLOWS):				
Property taxes	7,934,330	7,934,330	7,852,518	(81,812)
Investment earnings	230,000	230,000	367,050	137,050
Total inflows	<u>8,164,330</u>	<u>8,164,330</u>	<u>8,219,568</u>	<u>55,238</u>
Amounts available for appropriation	<u>13,079,004</u>	<u>13,079,004</u>	<u>13,134,242</u>	<u>55,238</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal payments	2,535,000	3,450,000	3,450,000	-
Interest and other charges	<u>3,736,266</u>	<u>2,821,266</u>	<u>2,341,747</u>	<u>(479,519)</u>
Total charges to appropriations	<u>6,271,266</u>	<u>6,271,266</u>	<u>5,791,747</u>	<u>(479,519)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 6,807,738</u>	<u>\$ 6,807,738</u>	<u>\$ 7,342,495</u>	<u>\$ 534,757</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	\$ 13,134,242
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	(4,914,674)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	(9,208)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 8,210,360</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,791,747
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,791,747</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
HIGHWAY USER REVENUE BOND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ 3,102,949	\$ 3,102,949	\$ 3,102,949	\$ -
RESOURCES (INFLOWS):				
Investment earnings	<u>124,100</u>	<u>124,100</u>	<u>57,777</u>	<u>(66,323)</u>
Total inflows	<u>124,100</u>	<u>124,100</u>	<u>57,777</u>	<u>(66,323)</u>
Amounts available for appropriation	<u>3,227,049</u>	<u>3,227,049</u>	<u>3,160,726</u>	<u>(66,323)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Highways and streets	110,791	75,560	61,236	(14,324)
Capital outlay	<u>3,097,615</u>	<u>3,164,318</u>	<u>1,046,367</u>	<u>(2,117,951)</u>
Total charges to appropriations	<u>3,208,406</u>	<u>3,239,878</u>	<u>1,107,603</u>	<u>(2,132,275)</u>
Budgetary fund balance, June 30, 2002	<u>\$ 18,643</u>	<u>\$ (12,829)</u>	<u>\$ 2,053,123</u>	<u>\$ 2,065,952</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	\$ 3,160,726
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	(3,102,949)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	15,396
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 73,173</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,107,603
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	(241,603)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 866,000</u>

**CITY OF PEORIA, ARIZONA
BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT DISTRICT CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<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, 2001	\$ (301,767)	\$ (301,767)	\$ (301,767)	\$ -
RESOURCES (INFLOWS):				
Proceeds from the sale of bonds	3,536,141	3,536,141	2,763,000	(773,141)
Intergovernmental participation	1,213,000	1,213,000	1,143,416	(69,584)
Investment earnings	-	-	1,272	1,272
Special assessments	-	-	109,818	109,818
Transfers from other funds	-	-	1,144,440	1,144,440
Total inflows	<u>4,749,141</u>	<u>4,749,141</u>	<u>5,161,946</u>	<u>412,805</u>
Amounts available for appropriation	<u>4,447,374</u>	<u>4,447,374</u>	<u>4,860,179</u>	<u>412,805</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Interest and other charges	-	82,200	140,910	58,710
Capital outlay	4,447,374	3,804,030	735,182	(3,068,848)
Contingencies	-	8,000,000	-	(8,000,000)
Total charges to appropriations	<u>4,447,374</u>	<u>11,886,230</u>	<u>876,092</u>	<u>(11,010,138)</u>
Budgetary fund balance, June 30, 2002	<u>\$ -</u>	<u>\$ (7,438,856)</u>	<u>\$ 3,984,087</u>	<u>\$ 11,422,943</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	\$ 4,860,179
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	301,767
Bond proceeds are a budgetary resource but are not revenues for financial reporting purposes	(2,763,000)
Transfers from other funds are a budgetary resource but are not revenues for financial reporting purposes	(1,144,440)
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,254,506</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 876,092
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	331,750
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,207,842</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2002

	<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	\$ 22,048,479	\$ 22,048,479	\$ 21,963,786	\$ (84,693)
Miscellaneous	2,329,388	2,329,388	54,196	(2,275,192)
Total operating revenues	<u>24,377,867</u>	<u>24,377,867</u>	<u>22,017,982</u>	<u>(2,359,885)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	3,117,706	3,117,706	2,559,515	(558,191)
Contractual services, materials and supplies	13,270,892	13,413,731	10,502,926	(2,910,805)
Capital outlay	45,450,557	36,754,821	21,538,301	(15,216,520)
Contingencies	11,900,000	12,468,197	-	(12,468,197)
Total operating expenses	<u>73,739,155</u>	<u>65,754,455</u>	<u>34,600,742</u>	<u>(31,153,713)</u>
Operating income (loss)	<u>(49,361,288)</u>	<u>(41,376,588)</u>	<u>(12,582,760)</u>	<u>28,793,828</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	2,524,300	2,520,300	2,447,151	(73,149)
Proceeds from bonds or contracts payable	19,630,000	19,630,000	14,500,000	(5,130,000)
Interest expense	(3,646,642)	(3,691,479)	(2,798,737)	892,742
Debt principal payments	(1,834,120)	(1,667,924)	(2,118,621)	(450,697)
Total nonoperating revenues (expenses)	<u>16,673,538</u>	<u>16,790,897</u>	<u>12,029,793</u>	<u>(4,761,104)</u>
Income (loss) before contributions and transfers	<u>(32,687,750)</u>	<u>(24,585,691)</u>	<u>(552,967)</u>	<u>24,032,724</u>
Capital contributions	6,482,430	6,482,430	4,933,343	(1,549,087)
Transfers in	2,535,500	2,535,500	4,126	(2,531,374)
Transfers out	(2,798,716)	(2,798,716)	(232,348)	2,566,368
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (26,468,536)</u>	<u>\$ (18,366,477)</u>	<u>4,152,154</u>	<u>\$ 22,518,631</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.	598,190
Interdepartmental service charges are revenue on a budgetary basis, but are eliminated from the financial statements under GASB34's allocation rules.	(218,843)
Proceeds from the sale of bonds or contracts payable are revenues for budgetary purposes but are increases in long-term debt, and therefore not revenues, for GAAP purposes.	(14,500,000)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(39,753)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(217,694)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	21,538,301
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	3,994,267
Interest is capitalized on construction of capital assets for GAAP purposes, but is not a budgeted item.	671,580
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.	2,118,621
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(2,532,373)
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.	(178,720)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	7,328
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 15,393,058</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, 2002**

	<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	\$ 9,799,977	\$ 9,799,977	\$ 9,523,386	\$ (276,591)
Miscellaneous	1,600	1,600	3,828	2,228
Total operating revenues	<u>9,801,577</u>	<u>9,801,577</u>	<u>9,527,214</u>	<u>(274,363)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	816,801	816,801	752,732	(64,069)
Contractual services, materials and supplies	6,424,557	7,042,844	6,049,308	(993,536)
Capital outlay	13,890,173	12,234,370	6,849,190	(5,385,180)
Contingencies	6,970,000	8,069,017	-	(8,069,017)
Total operating expenses	<u>28,101,531</u>	<u>28,163,032</u>	<u>13,651,230</u>	<u>(14,511,802)</u>
Operating income (loss)	<u>(18,299,954)</u>	<u>(18,361,455)</u>	<u>(4,124,016)</u>	<u>14,237,439</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	1,839,999	1,842,199	2,148,398	306,199
Proceeds from bonds or contracts payable	3,151,237	3,151,237	-	(3,151,237)
Interest expense	(1,322,851)	(1,340,379)	(1,098,922)	241,457
Debt principal payments	(1,678,930)	(1,678,930)	(1,667,513)	11,417
Total nonoperating revenues (expenses)	<u>1,989,455</u>	<u>1,974,127</u>	<u>(618,037)</u>	<u>(2,592,164)</u>
Income (loss) before contributions and transfers	<u>(16,310,499)</u>	<u>(16,387,328)</u>	<u>(4,742,053)</u>	<u>11,645,275</u>
Capital contributions	2,974,590	2,974,590	3,899,520	924,930
Transfers in	385,996	385,996	605	(385,391)
Transfers out	(522,967)	(522,967)	(120,564)	402,403
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (13,472,880)</u>	<u>\$ (13,549,709)</u>	<u>(962,492)</u>	<u>\$ 12,587,217</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.	53,116
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(12,174)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(476,136)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	6,849,190
Donations of capital assets are an other financing source for GAAP purposes, but are not a revenue for budget purposes.	5,588,164
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.	1,667,513
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(2,426,151)
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.	(66,597)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 10,214,433</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, 2002**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 8,126,509	\$ 8,126,509	\$ 7,010,797	\$ (1,115,712)
Miscellaneous	7,600	7,600	5,146	(2,454)
Total operating revenues	<u>8,134,109</u>	<u>8,134,109</u>	<u>7,015,943</u>	<u>(1,118,166)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,821,229	1,865,229	1,959,902	94,673
Contractual services, materials and supplies	5,321,620	5,397,142	3,903,038	(1,494,104)
Capital outlay	2,458,057	2,465,535	1,561,823	(903,712)
Contingencies	1,150,000	1,046,000	-	(1,046,000)
Total operating expenses	<u>10,750,906</u>	<u>10,773,906</u>	<u>7,424,763</u>	<u>(3,349,143)</u>
Operating income (loss)	<u>(2,616,797)</u>	<u>(2,639,797)</u>	<u>(408,820)</u>	<u>2,230,977</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	460,000	460,000	559,140	99,140
Total nonoperating revenues (expenses)	<u>460,000</u>	<u>460,000</u>	<u>559,140</u>	<u>99,140</u>
Income (loss) before contributions and transfers	<u>(2,156,797)</u>	<u>(2,179,797)</u>	<u>150,320</u>	<u>2,330,117</u>
Capital contributions	685,800	685,800	597,474	(88,326)
Transfers in	4,557	4,557	-	(4,557)
Transfers out	(135,685)	(135,685)	(128,772)	6,913
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,602,125)</u>	<u>\$ (1,625,125)</u>	<u>619,022</u>	<u>\$ 2,244,147</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.	17,475
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(23,853)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(70,527)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	1,561,823
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(794,153)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	96,678
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 1,406,465</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, 2002**

	<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	\$ 812,371	\$ 812,371	\$ 955,836	\$ 143,465
Rent	1,284,200	1,284,200	1,563,405	279,205
Miscellaneous	-	-	52	52
Total operating revenues	<u>2,096,571</u>	<u>2,096,571</u>	<u>2,519,293</u>	<u>422,722</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	760,166	760,166	729,086	(31,080)
Contractual services, materials and supplies	2,616,575	2,727,275	2,647,676	(79,599)
Capital outlay	587,361	747,621	721,943	(25,678)
Contingencies	25,000	25,000	-	(25,000)
Total operating expenses	<u>3,989,102</u>	<u>4,260,062</u>	<u>4,098,705</u>	<u>(161,357)</u>
Operating loss	<u>(1,892,531)</u>	<u>(2,163,491)</u>	<u>(1,579,412)</u>	<u>584,079</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	11,650	11,650	52,575	40,925
Intergovernmental	2,404,403	2,404,403	680,016	(1,724,387)
Interest expense	(1,539,153)	(1,539,153)	(781,683)	757,470
Debt principal payments	(1,015,000)	(1,015,000)	-	1,015,000
Total nonoperating revenues (expenses)	<u>(138,100)</u>	<u>(138,100)</u>	<u>(49,092)</u>	<u>89,008</u>
Income (loss) before transfers	<u>(2,030,631)</u>	<u>(2,301,591)</u>	<u>(1,628,504)</u>	<u>673,087</u>
Transfers in	2,193,140	2,193,140	2,186,303	(6,837)
Transfers out	(272,477)	(272,477)	(146,342)	126,135
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (109,968)</u>	<u>\$ (380,928)</u>	<u>411,457</u>	<u>\$ 792,385</u>

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

The City budgets certain revenues on the cash basis, rather than on the accrual basis.	(24,766)
Proceeds from the refunding of bonds were not budgeted, but are an other financing source for GAAP purposes.	18,375,000
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(3,364)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	33,723
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	721,943
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.	-
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(678,827)
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.	(915,891)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 17,919,275</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, 2002**

	<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	\$ 104,500	\$ 104,500	\$ 125,136	\$ 20,636
Rent	130,000	130,000	152,996	22,996
Miscellaneous	1,600	1,600	1,741	141
Total operating revenues	<u>236,100</u>	<u>236,100</u>	<u>279,873</u>	<u>43,773</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	128,042	128,042	101,880	(26,162)
Contractual services, materials and supplies	133,174	169,974	147,378	(22,596)
Contingencies	50,000	50,000	-	(50,000)
Total operating expenses	<u>311,216</u>	<u>348,016</u>	<u>249,258</u>	<u>(98,758)</u>
Operating income (loss)	<u>(75,116)</u>	<u>(111,916)</u>	<u>30,615</u>	<u>142,531</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	13,500	13,500	11,346	(2,154)
Total nonoperating revenues (expenses)	<u>13,500</u>	<u>13,500</u>	<u>11,346</u>	<u>(2,154)</u>
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (61,616)</u>	<u>\$ (98,416)</u>	<u>41,961</u>	<u>\$ 140,377</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.	(608)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	3,739
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(23,736)
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(78,529)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (57,173)</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, 2002

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
OPERATING REVENUES:				
Charges for services	\$ 4,735,432	\$ 4,735,432	\$ 4,090,171	\$ (645,261)
Miscellaneous	10,000	10,000	3,744	(6,256)
Total operating revenues	<u>4,745,432</u>	<u>4,745,432</u>	<u>4,093,915</u>	<u>(651,517)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,083,312	1,083,312	852,819	(230,493)
Contractual services, materials and supplies	2,126,780	2,126,780	2,038,221	(88,559)
Capital outlay	4,340,833	4,634,833	2,511,541	(2,123,292)
Contingencies	100,000	-	-	-
Total operating expenses	<u>7,650,925</u>	<u>7,844,925</u>	<u>5,402,581</u>	<u>(2,442,344)</u>
Operating income (loss)	<u>(2,905,493)</u>	<u>(3,099,493)</u>	<u>(1,308,666)</u>	<u>1,790,827</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	292,000	292,000	355,087	63,087
Total nonoperating revenues (expenses)	<u>292,000</u>	<u>292,000</u>	<u>355,087</u>	<u>63,087</u>
Income (loss) before transfers	<u>(2,613,493)</u>	<u>(2,807,493)</u>	<u>(953,579)</u>	<u>1,853,914</u>
Transfers in	3,381,851	3,401,851	3,178,416	(223,435)
Transfers out	(2,296,591)	(2,296,591)	(2,062,800)	233,791
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (1,528,233)</u>	<u>\$ (1,702,233)</u>	<u>162,037</u>	<u>\$ 1,864,270</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.	(3,513)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	6,239
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,511,541
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(1,254,903)
The gain on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	35,496
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 1,456,897</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, 2002

	<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	\$ 1,287,081	\$ 1,287,081	\$ 1,294,499	\$ 7,418
Miscellaneous	3,000	3,000	23,323	20,323
Total operating revenues	<u>1,290,081</u>	<u>1,290,081</u>	<u>1,317,822</u>	<u>27,741</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	86,044	86,044	83,236	(2,808)
Contractual services, materials and supplies	276,674	620,801	200,360	(420,441)
Insurance claims and expense	952,560	1,386,723	1,548,124	161,401
Contingencies	500,000	142,210	-	(142,210)
Total operating expenses	<u>1,815,278</u>	<u>2,235,778</u>	<u>1,831,720</u>	<u>(404,058)</u>
Operating loss	<u>(525,197)</u>	<u>(945,697)</u>	<u>(513,898)</u>	<u>431,799</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	32,000	32,000	66,287	34,287
Total nonoperating revenues	<u>32,000</u>	<u>32,000</u>	<u>66,287</u>	<u>34,287</u>
Income (loss) before transfers	<u>(493,197)</u>	<u>(913,697)</u>	<u>(447,611)</u>	<u>466,086</u>
Transfers out	(4,660)	(4,660)	(25,485)	(20,825)
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (497,857)</u>	<u>\$ (918,357)</u>	<u>(473,096)</u>	<u>\$ 445,261</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.	(8,247)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(1,646)
The City budgets insurance claims on the cash basis, rather than the accrual basis.	146,790
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	90,651
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (245,548)</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, 2002**

	<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	\$ 3,542,781	\$ 3,542,781	\$ 3,542,876	\$ 95
Miscellaneous	-	-	2,127	2,127
Total operating revenues	<u>3,542,781</u>	<u>3,542,781</u>	<u>3,545,003</u>	<u>2,222</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,623,699	1,623,699	1,549,225	(74,474)
Contractual services, materials and supplies	1,556,301	1,556,301	1,472,406	(83,895)
Capital outlay	70,450	70,450	10,061	(60,389)
Contingencies	100,000	100,000	-	(100,000)
Total operating expenses	<u>3,350,450</u>	<u>3,350,450</u>	<u>3,031,692</u>	<u>(318,758)</u>
Operating income (loss)	<u>192,331</u>	<u>192,331</u>	<u>513,311</u>	<u>320,980</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	5,000	5,000	5,169	169
Total nonoperating revenues	<u>5,000</u>	<u>5,000</u>	<u>5,169</u>	<u>169</u>
Income (loss) before transfers	<u>197,331</u>	<u>197,331</u>	<u>518,480</u>	<u>321,149</u>
Transfers out	(286,735)	(286,185)	(286,735)	(550)
Deficit revenues over expenses - budgetary basis	<u>\$ (89,404)</u>	<u>\$ (88,854)</u>	<u>231,745</u>	<u>\$ 320,599</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.	(972)
The City budgets compensated absences on the cash basis, rather than the accrual basis.	(26,339)
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(76,714)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	10,061
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(7,780)
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 130,001</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, 2002**

	<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	\$ 5,985,311	\$ 5,985,311	\$ 5,905,144	\$ (80,167)
Miscellaneous	-	-	8,041	8,041
Total operating revenues	<u>5,985,311</u>	<u>5,985,311</u>	<u>5,913,185</u>	<u>(72,126)</u>
OPERATING EXPENSES:				
Salaries, wages and benefits	1,917,517	1,976,978	1,983,192	6,214
Contractual services, materials and supplies	3,017,414	2,596,698	1,560,926	(1,035,772)
Capital outlay	2,443,610	3,316,088	2,494,493	(821,595)
Contingencies	500,000	-	-	-
Total operating expenses	<u>7,878,541</u>	<u>7,889,764</u>	<u>6,038,611</u>	<u>(1,851,153)</u>
Operating loss	<u>(1,893,230)</u>	<u>(1,904,453)</u>	<u>(125,426)</u>	<u>1,779,027</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	144,000	144,000	202,397	58,397
Total nonoperating revenues	<u>144,000</u>	<u>144,000</u>	<u>202,397</u>	<u>58,397</u>
Income before transfers	<u>(1,749,230)</u>	<u>(1,760,453)</u>	<u>76,971</u>	<u>1,837,424</u>
Transfers in	1,410,059	1,412,059	1,989,176	577,117
Transfers out	(55,500)	(55,500)	(25,000)	30,500
Excess (deficit) revenues over expenses - budgetary basis	<u>\$ (394,671)</u>	<u>\$ (403,894)</u>	<u>2,041,147</u>	<u>\$ 2,445,041</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.	5,429
The City budgets compensated absences on the cash basis, rather than the accrual basis.	51,084
The City budgets certain other expenditures on the cash basis, rather than the accrual basis.	(498,343)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes.	2,494,493
Depreciation and amortization are not budgeted expenses, but are expenses for GAAP purposes.	(981,293)
The gain/loss on sale of fixed assets is not a budgeted revenue/expense, but is a revenue/expense for GAAP purposes.	817
Change in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 3,113,334</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, 2002

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
ASSETS:				
Current Assets:				
Cash:				
111	Cash – unrestricted	\$ 43,845	2,920	26,353
100	Total cash	43,845	2,920	26,353
Accounts receivable:				
121	Accounts receivable – PHA projects	-	215,530	-
122	Accounts receivable – HUD other projects	-	-	118,494
125	Accounts receivable – miscellaneous	-	-	532
126	Accounts receivable – tenants-dwelling rents	26,772	-	-
129	Accrued interest receivable	-	-	124
120	Total receivables, net	26,772	215,530	119,150
Current investments:				
131	Investments – Unrestricted	407,595	90,149	108,950
Other current assets:				
150	Total Current Assets	478,212	308,599	254,453
Non-current Assets:				
Fixed Assets:				
161	Land	410,350	-	-
162	Buildings	3,141,152	-	-
165	Leasehold improvements	121,175	-	-
165	Accumulated depreciation	(1,311,701)	-	-
160	Total fixed assets, net	2,360,976	-	-
190	Total Assets	\$ 2,839,188	308,599	254,453
LIABILITIES AND EQUITY:				
LIABILITIES:				
Current Liabilities:				
312	Accounts payable < 90 days	\$ 29,408	-	113
333	Accounts payable – other government	-	299,109	-
341	Tenant security deposits	13,801	-	-
310	Total Current Liabilities	43,209	299,109	113
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	\$ 43,209	299,109	113
EQUITY:				
508.1	Invested in Capital Assets, Net of Related Debt	\$ 5,776,166	-	-
Reserved Fund Balance:				
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	(2,980,187)	9,490	254,340
513	Total Equity/Net Assets	2,795,979	-	254,340
600	Total Liabilities and Equity/Net Assets	\$ 2,839,188	308,599	254,453

CITY OF PEORIA, ARIZONA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Line #	Account Description	Low Rent Public Housing #14.850a	CIAP #14.852	Housing Choice Vouchers #14.871
REVENUE:				
703	Net tenant rental revenues	\$ 152,387	-	-
705	Total tenant revenue	<u>152,387</u>	-	-
706	HUD PHA grants	125,136	-	550,782
706.1	Capital Grants	-	13,710	-
711	Investment income – unrestricted	11,346	1,903	4,982
715	Other revenue	1,741	-	-
700	Total revenue	<u>290,610</u>	<u>15,613</u>	<u>555,764</u>
EXPENDITURES:				
911	Administrative salaries	80,231	8,373	24,847
912	Audit fees	4,600	-	1,000
913	Outside Management Fees	57,730	-	-
915	Employee benefit contributions – administrative	19,837	2,000	2,918
916	Other operating – administrative	15,144	3,337	-
931	Water	10,370	-	-
932	Electricity	3,887	-	-
933	Gas	2,656	-	-
938	Other Utilities Expense	7,860	-	-
941	Ordinary maintenance and operations – labor	29,551	-	-
942	Ordinary maint. & oper. – materials and other	34,385	-	-
945	Employee benefit contributions – ordinary maint.	7,462	-	-
962	Other general expenses	-	-	24,171
969	Total operating expenditures	<u>273,713</u>	<u>13,710</u>	<u>52,936</u>
970	Excess operating revenues over expenditures	<u>16,897</u>	<u>1,903</u>	<u>502,828</u>
973	Housing assistance payments	2,285	-	473,322
974	Depreciation expense-enterprise funds	78,529	-	-
900	Total expenditures	<u>354,527</u>	<u>13,710</u>	<u>526,258</u>
1000	Excess (deficiency) of total revenues over (under) total expenditures	<u>\$ (63,917)</u>	<u>1,903</u>	<u>29,506</u>
MEMO ACCOUNT INFORMATION:				
1103	Beginning equity	\$ 2,859,896	7,587	171,212
1104	Prior period adjustments and equity transfers	-	-	53,622
1113	Maximum Annual Contributions Commitment (Per ACC)	-	-	433,001
1115	Contingency Reserve	-	-	134,582
1116	Total Annual Contributions Available	-	-	567,583
1120	Unit Months Available	840	-	864
1121	Number of Unit Months Leased	840	-	864

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Exhibit 1

	Balances at	Issued	Retired	Non-Cash		Balances at
	June 30, 2001			Accretions	Additions	June 30, 2002
Compensated absences	\$ 2,003,860	-	-	-	469,780	2,473,640
Contracts payable	19,184,537	3,273,385	2,479,270	-	-	19,978,652
Total	21,188,397	3,273,385	2,479,270	-	469,780	22,452,292
General obligation bonds:						
Series 1990A	425,000	-	425,000	-	-	-
Refunding bonds - series 1992	1,450,000	-	605,000	-	-	845,000
Series 1992A	155,000	-	155,000	-	-	-
Series 1992B	570,000	-	180,000	-	-	390,000
Refunding bonds - series 1993	5,345,000	-	-	-	-	5,345,000
Capital appreciation bonds 1993	5,429,600	-	1,015,000	264,600	-	4,679,200
Series 1994	620,000	-	140,000	-	-	480,000
Series 1995	3,995,000	-	170,000	-	-	3,825,000
Series 1996	5,635,000	-	100,000	-	-	5,535,000
Series 1998A	5,590,000	-	190,000	-	-	5,400,000
Refunding bonds - series 1998B	3,995,000	-	20,000	-	-	3,975,000
Series 2000	14,460,000	-	450,000	-	-	14,010,000
Total	47,669,600	-	3,450,000	264,600	-	44,484,200
Municipal Development Authority:						
Series 1989	3,065,000	-	735,000	-	-	2,330,000
Series 1991	485,000	-	205,000	-	-	280,000
Series 1993	24,350,997	-	1,187,200	-	-	23,163,797
Total	27,900,997	-	2,127,200	-	-	25,773,797
Highway user revenue:						
Series 1988	750,000	-	230,000	-	-	520,000
Series 1996	4,455,000	-	50,000	-	-	4,405,000
Total	5,205,000	-	280,000	-	-	4,925,000
Special assessment:						
Sunny Boy ID #9002	645,000	-	125,000	-	-	520,000
North Valley ID #8801	3,805,000	-	205,000	-	-	3,600,000
Bell Road ID #8802	4,405,000	-	230,000	-	-	4,175,000
New River ID #9102	145,000	-	70,000	-	-	75,000
Arrowhead Shores ID #9202	144,000	-	-	-	-	144,000
83rd Ave ID #9601	1,940,000	-	135,000	-	-	1,805,000
North Beardsley ID #9602	1,530,000	-	220,000	-	-	1,310,000
Arrowhead Fountains ID #9603	3,200,000	-	225,000	-	-	2,975,000
75th Ave & Paradise Ln ID #9303	-	2,270,000	33,308	-	-	2,236,692
83rd Ave & Thunderbird ID #9801	-	493,000	-	-	-	493,000
Total	15,814,000	2,763,000	1,243,308	-	-	17,333,692
Total bonds payable	96,589,597	2,763,000	7,100,508	264,600	-	92,516,689
Total governmental long-term debt	\$ 117,777,994	6,036,385	9,579,778	264,600	469,780	114,968,981

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Exhibit 2

	<u>Balance at June 30, 2001</u>	<u>Issued</u>	<u>Retired</u>	<u>Balances at June 30, 2002</u>
Contracts payable	\$ 125,954	\$ -	\$ 10,997	\$ 114,957
Compensated absences	242,360	59,500	-	301,860
Total	<u>368,314</u>	<u>59,500</u>	<u>10,997</u>	<u>416,817</u>
1991 Water and Sewer Refunding	1,065,000	-	145,000	920,000
1993A Municipal Sports Complex	19,330,000	-	19,330,000	-
1993B Municipal Sports Complex	1,195,000	-	60,000	1,135,000
1993 Municipal Development Authority	1,904,004	-	92,800	1,811,204
1994 Municipal Development Authority	2,160,000	-	100,000	2,060,000
1995 Wastewater Treatment Revenue	9,179,503	-	488,079	8,691,424
1995A Water and Sewer Revenue	1,700,000	-	70,000	1,630,000
1997A Water Quality Revenue	12,692,707	-	585,830	12,106,877
1998A Water and Sewer Revenue	16,730,000	-	560,000	16,170,000
1997B Water and Sewer Refunding	4,170,000	-	535,000	3,635,000
2000 Water and Sewer Revenue	16,590,000	-	5,475,000	11,115,000
2000 Water Treatment Revenue, Phase 1	20,150,000	-	-	20,150,000
2000 Water Treatment Revenue, Phase 2	-	14,500,000	-	14,500,000
Total bonds	<u>106,866,214</u>	<u>14,500,000</u>	<u>27,441,709</u>	<u>93,924,505</u>
Total business-type debt	<u>107,234,528</u>	<u>14,559,500</u>	<u>27,452,706</u>	<u>94,341,322</u>
Less current portion of bonds and contracts payable	<u>3,653,774</u>			<u>7,532,235</u>
Long-term portion of bonds and contracts payable	<u>\$ 103,580,754</u>			<u>\$ 86,809,087</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2002

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
2003	\$ 2,530,000	1,519,126	4,049,126	1,075,000	626,081	1,701,081	3,605,000	2,145,207	5,750,207
2004	2,590,000	1,445,649	4,035,649	1,150,000	554,010	1,704,010	3,740,000	1,999,659	5,739,659
2005	3,200,000	1,365,148	4,565,148	500,000	498,353	998,353	3,700,000	1,863,501	5,563,501
2006	2,120,000	1,146,474	3,266,474	1,125,000	561,537	1,686,537	3,245,000	1,708,011	4,953,011
2007	1,255,000	921,460	2,176,460	1,175,000	622,890	1,797,890	2,430,000	1,544,350	3,974,350
2008	1,095,000	708,473	1,803,473	1,480,000	696,123	2,176,123	2,575,000	1,404,596	3,979,596
2009	875,000	646,425	1,521,425	1,565,000	617,050	2,182,050	2,440,000	1,263,475	3,703,475
2010	935,000	587,438	1,522,438	1,650,000	531,991	2,181,991	2,585,000	1,119,429	3,704,429
2011	535,000	248,783	783,783	2,175,000	734,060	2,909,060	2,710,000	982,843	3,692,843
2012	140,000	22,965	162,965	2,290,000	828,751	3,118,751	2,430,000	851,716	3,281,716
2013	-	-	-	2,150,000	735,446	2,885,446	2,150,000	735,446	2,885,446
2014	-	-	-	2,280,000	624,361	2,904,361	2,280,000	624,361	2,904,361
2015	-	-	-	2,400,000	507,013	2,907,013	2,400,000	507,013	2,907,013
2016	-	-	-	2,225,000	390,500	2,615,500	2,225,000	390,500	2,615,500
2017	-	-	-	1,935,000	283,763	2,218,763	1,935,000	283,763	2,218,763
2018	-	-	-	1,510,000	200,988	1,710,988	1,510,000	200,988	1,710,988
2019	-	-	-	1,585,000	127,100	1,712,100	1,585,000	127,100	1,712,100
2020	-	-	-	1,210,000	60,500	1,270,500	1,210,000	60,500	1,270,500
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
	<u>\$ 15,275,000</u>	<u>8,611,941</u>	<u>23,886,941</u>	<u>29,480,000</u>	<u>9,200,517</u>	<u>38,680,517</u>	<u>44,755,000</u>	<u>17,812,458</u>	<u>62,567,458</u>

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

Year of Issuance	General Obligation Bond		
	Original Issue Amount	6% Limitation	20% Limitation
1992R	\$ 3,775,000	-	3,775,000
1992B	2,485,000	-	2,485,000
1993R	9,900,000	5,475,000	4,425,000
1994	3,675,000	3,675,000	-
1995	4,695,000	1,900,000	2,795,000
1996	6,000,000	-	6,000,000
1998A	5,930,000	-	5,930,000
1998B	4,030,000	3,060,000	970,000
2000	14,860,000	5,740,000	9,120,000
Total	<u>\$ 55,350,000</u>	<u>19,850,000</u>	<u>35,500,000</u>

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2002

Exhibit 3

Fiscal Year	Municipal Development Authority (2)			Highway User Revenue			Special Assessment (3)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 3,935,000	1,382,994	5,317,994	300,000	284,215	584,215	1,489,351	1,091,160	2,580,511
2004	2,060,000	1,262,161	3,322,161	320,000	262,140	582,140	1,439,267	999,966	2,439,233
2005	2,075,000	1,144,340	3,219,340	230,000	242,190	472,190	1,595,992	911,925	2,507,917
2006	2,245,000	1,035,911	3,280,911	245,000	224,990	469,990	1,588,580	814,717	2,403,297
2007	2,645,000	910,998	3,555,998	260,000	209,525	469,525	1,690,076	717,020	2,407,096
2008	2,740,000	782,320	3,522,320	275,000	195,210	470,210	1,492,538	612,929	2,105,467
2009	2,970,000	642,322	3,612,322	290,000	179,810	469,810	1,591,019	519,042	2,110,061
2010	3,190,000	481,747	3,671,747	305,000	163,295	468,295	1,880,582	418,785	2,299,367
2011	3,660,000	302,761	3,962,761	325,000	145,574	470,574	2,041,287	300,077	2,341,364
2012	1,300,000	178,250	1,478,250	340,000	126,703	466,703	1,520,000	171,010	1,691,010
2013	1,375,000	108,558	1,483,558	360,000	106,663	466,663	1,005,000	72,820	1,077,820
2014	1,450,000	34,967	1,484,967	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	-	-	-	-	-	-	-	-	-
	<u>\$ 29,645,000</u>	<u>8,267,329</u>	<u>37,912,329</u>	<u>4,925,000</u>	<u>2,339,696</u>	<u>7,264,696</u>	<u>17,333,692</u>	<u>6,629,451</u>	<u>23,963,143</u>

(2) Includes 1993 and 1994 Municipal Facilities Revenue Bonds paid by the Enterprise Fund (business-type activity).

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

CITY OF PEORIA, ARIZONA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AS OF JUNE 30, 2002

Exhibit 3

Fiscal Year	Water and Sewer Revenue			Municipal Sports Complex Authority			DEBT SERVICE REQUIREMENTS		
	Principal	Interest	Total	Principal	Interest	Total	GRAND TOTALS		
							Principal	Interest	Total
2003	\$ 5,059,010	3,506,234	8,565,244	65,000	79,930	144,930	14,453,361	8,489,740	22,943,101
2004	4,325,823	3,307,924	7,633,747	65,000	75,380	140,380	11,950,090	7,907,230	19,857,320
2005	4,540,557	3,100,561	7,641,118	70,000	70,410	140,410	12,211,549	7,332,927	19,544,476
2006	4,798,320	2,881,175	7,679,495	75,000	65,010	140,010	12,196,900	6,729,814	18,926,714
2007	4,999,221	2,663,548	7,662,769	85,000	58,890	143,890	12,109,297	6,104,331	18,213,628
2008	4,368,374	2,474,890	6,843,264	90,000	52,365	142,365	11,540,912	5,522,310	17,063,222
2009	4,530,896	2,279,000	6,809,896	95,000	45,430	140,430	11,916,915	4,929,079	16,845,994
2010	4,721,911	2,076,011	6,797,922	100,000	37,730	137,730	12,782,493	4,296,997	17,079,490
2011	4,126,546	1,920,080	6,046,626	110,000	29,260	139,260	12,972,833	3,680,595	16,653,428
2012	4,284,931	1,756,977	6,041,908	120,000	20,020	140,020	9,994,931	3,104,676	13,099,607
2013	4,452,204	1,586,405	6,038,609	125,000	10,395	135,395	9,467,204	2,620,287	12,087,491
2014	4,623,506	1,408,387	6,031,893	135,000	-	135,000	8,873,506	2,152,959	11,026,465
2015	4,803,984	1,222,631	6,026,615	-	-	-	7,608,984	1,792,175	9,401,159
2016	4,998,791	1,028,449	6,027,240	-	-	-	7,653,791	1,457,474	9,111,265
2017	5,340,669	804,114	6,144,783	-	-	-	7,730,669	1,100,958	8,831,627
2018	5,565,106	569,429	6,134,535	-	-	-	7,075,106	770,417	7,845,523
2019	4,858,580	364,197	5,222,777	-	-	-	6,443,580	491,297	6,934,877
2020	3,657,962	206,293	3,864,255	-	-	-	4,867,962	266,793	5,134,755
2021	3,840,865	40,229	3,881,094	-	-	-	3,840,865	40,229	3,881,094
2022	1,021,046	-	1,021,046	-	-	-	1,021,046	-	1,021,046
	<u>\$ 88,918,302</u>	<u>33,196,534</u>	<u>122,114,836</u>	<u>1,135,000</u>	<u>544,820</u>	<u>1,679,820</u>	<u>186,711,994</u>	<u>68,790,288</u>	<u>255,502,282</u>

**CITY OF PEORIA, ARIZONA
SCHEDULE OF CAPITAL ASSETS
BY FUNCTIONS AND ACTIVITIES
JUNE 30, 2002**

Exhibit 4

Governmental activities:						
<u>Asset Type</u>	<u>Culture and Recreation</u>	<u>General Government</u>	<u>Police</u>	<u>Fire</u>	<u>Development Services</u>	<u>Highways and Streets</u>
Work in progress (WIP)	\$ 1,573,814	\$ 1,840,548	\$ 1,741,360	\$ 16,137	\$ 71,161	\$ 3,140,567
Land	22,880,516	2,262,142	-	1,024,631	-	114,165
Buildings and Improvements	10,079,704	25,657,468	4,836,270	4,506,213	-	-
Furniture	168,469	976,382	198,509	133,493	65,893	-
Equipment	844,365	10,136,395	2,425,378	2,322,802	33,336	6,044,231
Vehicles	879,159	1,011,445	2,652,721	2,956,351	394,832	2,168,444
Storm Drain System	431,061	-	-	-	-	-
Street System	7,340,741	20,819	-	-	-	239,670,032
Park System	12,500,713	-	-	-	-	-
Sub-total	<u>56,698,542</u>	<u>41,905,199</u>	<u>11,854,238</u>	<u>10,959,627</u>	<u>565,222</u>	<u>251,137,439</u>
Less accumulated depreciation	<u>(7,143,572)</u>	<u>(15,810,827)</u>	<u>(4,265,502)</u>	<u>(2,462,324)</u>	<u>(280,350)</u>	<u>(71,290,461)</u>
Total governmental activities capital assets, net	<u>\$ 49,554,970</u>	<u>\$ 26,094,372</u>	<u>\$ 7,588,736</u>	<u>\$ 8,497,303</u>	<u>\$ 284,872</u>	<u>\$ 179,846,978</u>
 Business-type activities:						
<u>Asset Type</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Sanitation Utility</u>	<u>Stadium</u>	<u>Housing Programs</u>	<u>Total</u>
Work in progress (WIP)	\$ 47,852,360	\$ 1,276,795	\$ -	\$ 30,935	\$ -	\$ 49,160,090
Land	1,712,328	3,661,560	-	6,690,371	410,350	12,474,609
Buildings and Improvements	47,670	5,704	-	25,528,285	3,141,152	28,722,811
Furniture	7,710	-	8,013	-	-	15,723
Equipment	475,387	448,714	121,857	196,101	121,175	1,363,234
Vehicles	1,274,752	267,015	5,924,975	384,949	-	7,851,691
Water System	92,367,202	-	-	-	-	92,367,202
Wastewater System	-	105,036,573	-	-	-	105,036,573
Sub-total	<u>143,737,409</u>	<u>110,696,361</u>	<u>6,054,845</u>	<u>32,830,641</u>	<u>3,672,677</u>	<u>296,991,933</u>
Less accumulated depreciation	<u>(19,571,824)</u>	<u>(23,855,693)</u>	<u>(2,915,605)</u>	<u>(5,756,324)</u>	<u>(1,311,700)</u>	<u>(53,411,146)</u>
Total business-type activities capital assets, net	<u>\$ 124,165,585</u>	<u>\$ 86,840,668</u>	<u>\$ 3,139,240</u>	<u>\$ 27,074,317</u>	<u>\$ 2,360,977</u>	<u>\$ 243,580,787</u>

**CITY OF PEORIA, ARIZONA
SCHEDULE OF CAPITAL ASSETS
BY FUNCTIONS AND ACTIVITIES
JUNE 30, 2001**

Exhibit 4

<u>Public Works</u>	<u>Human Services</u>	<u>Total</u>
\$ 1,393,701	\$ -	\$ 9,777,288
6,302,015	307,757	32,891,226
219,142	-	45,298,797
40,273	5,592	1,588,611
150,805	-	21,957,312
345,381	550,824	10,959,157
45,801,931	-	46,232,992
8,773	-	247,040,365
-	-	12,500,713
54,262,021	864,173	428,246,461
(6,675,366)	(125,326)	(108,053,728)
\$ 47,586,655	\$ 738,847	\$ 320,192,733

CITY OF PEORIA, ARIZONA
SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTIONS AND ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Exhibit 5

<u>Department</u>	<u>Balances July 1, 2001</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balances June 30, 2002</u>
Culture and Recreation	\$ 33,484,235	\$ 23,255,378	\$ (41,071)	\$ 56,698,542
General Government	37,343,284	4,637,876	(75,961)	41,905,199
Police	7,331,619	4,701,193	(178,574)	11,854,238
Fire	10,065,797	2,924,223	(2,030,393)	10,959,627
Development Services	455,318	136,983	(27,079)	565,222
Highways & Streets	241,162,706	16,971,470	(6,996,737)	251,137,439
Public Works	50,403,957	3,882,825	(24,761)	54,262,021
Human Services	<u>929,098</u>	<u>110,478</u>	<u>(175,403)</u>	<u>864,173</u>
Sub-total governmental fixed assets	<u>\$ 381,176,014</u>	<u>\$ 56,620,426</u>	<u>\$ (9,549,979)</u>	<u>\$ 428,246,461</u>
Less accumulated depreciation				
Culture and Recreation	\$ (5,981,452)	\$ (1,193,819)	\$ 31,699	\$ (7,143,572)
General Government	(14,177,003)	(1,709,785)	75,961	(15,810,827)
Police	(3,691,622)	(652,108)	78,228	(4,265,502)
Fire	(2,151,266)	(401,893)	90,835	(2,462,324)
Development Services	(248,103)	(59,326)	27,079	(280,350)
Highways & Streets	(63,817,142)	(7,473,319)	-	(71,290,461)
Public Works	(5,623,268)	(1,076,859)	24,761	(6,675,366)
Human Services	<u>(221,761)</u>	<u>(75,196)</u>	<u>171,631</u>	<u>(125,326)</u>
Sub-total accumulated depreciation	<u>\$ (95,911,617)</u>	<u>\$ (12,642,305)</u>	<u>\$ 500,194</u>	<u>\$ (108,053,728)</u>
Total governmental activities capital assets, net	<u>\$ 285,264,397</u>	<u>\$ 43,978,121</u>	<u>\$ (9,049,785)</u>	<u>\$ 320,192,733</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.

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

Fiscal Year	General Government	Development Services	Public Safety	Highways and Streets
1993	\$ 5,072,068	\$ 1,643,580	\$ 8,349,691	\$ 2,335,557
1994	5,938,110	1,903,159	8,843,462	2,735,341
1995	4,919,456	2,574,664	10,427,139	3,731,266
1996	6,437,638	2,870,709	11,004,010	3,372,083
1997	8,881,480	3,852,944	12,995,499	3,441,970
1998	9,435,334	3,780,819	14,612,506	4,918,314
1999	13,333,772	4,042,788	15,751,383	4,548,800
2000	14,915,711	4,348,716	17,441,886	5,959,910
2001	10,206,091	5,192,403	20,797,534	6,704,977
2002	13,473,328	5,991,876	23,739,341	7,752,287

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

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

Table I

<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 2,966,338	\$ 14,584,794	\$ 8,012,065	\$ 42,964,093
4,889,092	4,997,236	5,531,281	34,837,681
5,114,814	8,706,418	8,911,076	44,384,833
6,403,108	5,018,992	9,703,190	44,809,730
7,783,548	6,481,690	10,678,797	54,115,928
7,682,661	12,901,587	13,682,831	67,014,052
8,818,465	14,333,847	11,956,182	72,785,237
9,449,959	16,673,212	12,275,895	81,065,289
10,554,786	22,993,500	15,401,013	91,850,304
12,501,474	20,817,224	14,930,840	99,206,370

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

Fiscal Year	Taxes	Inter-governmental	Federal Government	Charges for Services	Licenses and Permits
1993	\$ 12,366,310	\$ 12,108,754	\$ 129,624	\$ 4,135,031	\$ 1,162,204
1994	14,893,461	12,454,825	817,300	5,182,722	1,337,189
1995	17,730,925	13,609,860	704,193	5,463,686	1,182,923
1996	20,644,338	14,994,462	1,166,891	7,920,249	2,074,101
1997	23,644,010	19,402,731	2,063,524	9,962,667	2,074,897
1998	28,263,140	20,470,247	1,639,998	11,620,887	3,495,910
1999	33,085,735	22,585,043	1,772,901	12,537,838	3,406,197
2000	38,420,066	24,795,881	2,243,835	13,972,714	4,416,214
2001	44,534,680	29,832,060	2,251,373	12,384,749	2,847,785
2002	46,097,097	32,660,444	1,700,855	13,497,278	2,771,677

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

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

Table II

<u>Fines and Forfeitures</u>	<u>Rents</u>	<u>Investment Earnings</u>	<u>Special Assessments</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 317,662	\$ 98,618	\$ 892,973	\$ 1,564,910	\$ 668,663	\$ 33,444,749
355,969	100,292	1,112,518	1,593,224	142,937	37,990,437
368,882	97,983	1,284,080	1,902,576	952,078	43,297,186
524,181	112,905	1,835,092	1,366,559	372,023	51,010,801
642,018	108,060	2,841,758	1,337,060	363,315	62,440,040
838,890	132,477	2,950,804	974,162	1,586,786	71,973,301
838,607	146,021	3,518,012	2,026,300	957,553	80,874,207
796,459	160,742	4,074,836	1,559,116	1,589,749	92,029,612
1,159,057	30,217	6,797,894	2,028,389	1,167,055	103,033,259
1,080,542	58,606	4,765,132	2,225,642	4,436,018	109,293,291

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

Table III

Fiscal Year	Transaction Privilege Taxes	Franchise Taxes	General Property Taxes	Other Property Taxes	In Lieu Property Taxes	Total Taxes
1993	\$ 8,077,528	\$ 749,460	\$ 3,206,119	\$ -	\$ 333,203	\$12,366,310
1994	10,427,897	721,227	3,330,327	79,426	334,584	14,893,461
1995	12,595,123	760,817	3,886,312	110,896	377,777	17,730,925
1996	15,024,029	1,094,631	4,071,472	135,772	318,434	20,644,338
1997	17,870,399	1,021,146	4,321,463	130,900	300,102	23,644,010
1998	21,193,261	1,230,062	5,209,604	177,314	452,899	28,263,140
1999	24,999,105	1,446,562	6,144,671	205,678	289,719	33,085,735
2000	29,172,894	1,720,817	7,067,707	183,425	275,222	38,420,065
2001	33,621,787	2,022,335	8,270,093	384,380	236,085	44,534,680
2002	33,711,971	2,327,874	9,352,125	512,196	192,931	46,097,097

NOTE - Includes all governmental fund types.

Source - City financial records and reports

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

Table IV

Fiscal Year	State Shared Sales Tax	Urban Revenue Sharing	HURF Revenues	Other	Federal	Total
1993	\$ 3,299,888	\$ 3,276,727	\$ 2,980,604	\$ 2,551,535	\$ 129,624	\$ 12,238,378
1994	3,579,213	3,332,546	3,195,591	2,347,475	817,300	13,272,125
1995	3,903,484	3,670,977	3,367,207	2,668,193	704,193	14,314,053
1996	4,240,089	4,040,150	3,655,513	3,058,709	1,166,891	16,161,353
1997	5,262,978	5,710,921	4,847,374	3,581,458	2,063,524	21,466,255
1998	5,558,631	6,468,099	4,675,405	3,768,112	1,639,998	22,110,245
1999	5,958,570	7,513,864	5,091,160	4,021,449	1,772,901	24,357,944
2000	6,549,653	8,297,259	5,334,646	4,616,213	2,243,835	27,041,606
2001	6,971,235	8,891,990	5,606,104	8,362,731	2,251,373	32,083,433
2002	8,350,576	11,321,449	6,719,940	6,268,479	1,700,855	34,361,299

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

Source - City financial records and reports

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

Table V

Fiscal Year	Current Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
1993	\$ 3,185,658	\$ 3,172,565	99.6%	\$ 33,554	\$ 3,206,119	100.6%
1994	3,348,091	3,314,614	99.0%	15,713	3,330,327	99.5%
1995	4,030,792	3,871,000	96.0%	15,312	3,886,312	96.4%
1996	3,972,260	4,050,515	102.0%	20,957	4,071,472	102.5%
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%

Sources - Maricopa County Treasurer
- City financial records and reports

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

Table VI

Fiscal Year	Type	Assessed Value	Estimated Actual Value	Percent of Assessed Value to Estimated Actual Value
1993	Primary	\$ 213,167,164	\$ 1,799,994,826	11.8%
	Secondary	218,530,363	1,811,051,977	12.1%
1994	Primary	222,367,647	1,923,049,910	11.6%
	Secondary	227,386,166	1,967,964,467	11.6%
1995	Primary	235,813,105	2,056,279,322	11.5%
	Secondary	240,651,961	2,096,932,952	11.5%
1996	Primary	258,544,548	2,315,639,312	11.2%
	Secondary	268,581,583	2,384,168,747	11.3%
1997	Primary	281,790,138	2,487,430,860	11.3%
	Secondary	287,258,125	2,523,490,925	11.4%
1998	Primary	337,232,514	2,966,435,756	11.4%
	Secondary	359,595,270	3,157,894,607	11.4%
1999	Primary	369,628,826	3,247,430,744	11.4%
	Secondary	384,697,103	3,365,492,995	11.4%
2000	Primary	420,889,932	3,744,729,205	11.2%
	Secondary	442,330,817	3,910,651,859	11.3%
2001	Primary	487,868,164	5,067,038,129	9.6%
	Secondary	516,676,367	5,405,768,822	9.6%
2002	Primary	577,612,761	5,584,361,202	10.3%
	Secondary	607,836,669	5,868,802,159	10.4%

Source - Maricopa County Treasurer
- Arizona Department of Revenue - Property Tax Division abstract

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

**Table VII
Page 1 of 2**

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>
1993	Primary	\$ 0.34	\$ 4.83	\$ 1.60	\$ 0.47	\$ 7.24
	Secondary	1.13	3.09	0.14		4.36
1994	Primary	0.33	4.85	1.95	0.47	7.60
	Secondary	1.15	2.91	0.19		4.25
1995	Primary	0.40	5.22	2.66	0.47	8.75
	Secondary	1.28	3.08	0.56		4.92
1996	Primary	0.40	5.46	2.63	0.47	8.96
	Secondary	1.09	3.05	0.81		4.95
1997	Primary	0.40	5.28	2.61	-	8.29
	Secondary	1.11	3.50	0.76		5.37
1998	Primary	0.36	4.64	2.64	-	7.64
	Secondary	1.16	4.82	0.83		6.81
1999	Primary	0.32	4.82	2.66	-	7.80
	Secondary	1.30	5.16	0.78		7.24
2000	Primary	0.32	4.75	2.68	-	7.75
	Secondary	1.30	4.95	0.74		6.99
2001	Primary	0.32	4.87	2.64	-	7.83
	Secondary	1.30	4.63	0.70		6.63
2002	Primary	0.29	4.32	2.64	-	7.25
	Secondary	1.30	4.40	0.65		6.35

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

	Dysart	Deer Valley
Primary	\$ 4.30	\$ 4.49
Secondary	1.26	3.62

(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	\$ 1.18	\$ 0.09
Education Equalization	0.50	-
Community College District	0.96	0.15
County Flood Control District	-	0.23
Fire District Assistance	-	0.01
County Free Library	-	0.04
Central AZ Water Conservation	-	0.13
	<u>\$ 2.64</u>	<u>\$ 0.65</u>

Source - Maricopa County Assessor

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

**Table VII
Page 2 of 2**

Tax Levies

Fiscal Year	Type	City	School District (1)	County (2)	State	Total
1993	Primary	\$ 725,000	\$ 19,684,326	\$ 218,224,368	\$ 63,945,919	\$ 302,579,613
	Secondary	2,460,657	12,847,637	19,461,200		34,769,494
1994	Primary	730,568	19,928,620	256,755,650	62,492,117	339,906,955
	Secondary	2,617,523	24,164,878	25,360,203		52,142,604
1995	Primary	951,000	21,844,680	164,865,317	62,520,935	250,181,932
	Secondary	3,079,792	13,129,511	428,377		16,637,680
1996	Primary	1,046,458	25,229,130	156,257,472	63,420,563	245,953,623
	Secondary	2,925,930	14,614,253	20,670,863		38,211,046
1997	Primary	1,120,938	25,917,836	154,487,036	-	181,525,810
	Secondary	3,196,400	17,472,851	22,590,472		43,259,723
1998	Primary	1,230,590	28,610,974	169,045,638	-	198,887,202
	Secondary	4,180,220	28,494,091	21,446,852		54,121,163
1999	Primary	1,200,924	26,059,009	183,750,071	-	211,010,004
	Secondary	5,010,680	27,839,438	22,058,679		54,908,797
2000	Primary	1,367,471	31,023,072	207,540,697	-	239,931,240
	Secondary	5,761,359	33,823,043	20,264,361		59,848,763
2001	Primary	1,585,084	35,993,776	225,396,514	-	262,975,374
	Secondary	6,729,710	36,136,167	24,051,128		66,917,005
2002	Primary	1,675,077	36,367,773	252,676,223	-	290,719,073
	Secondary	7,901,877	38,874,027	20,071,906		66,847,810

(1) The school district tax levies 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 tax levies are as follows:

	Dysart (3)	Deer Valley (4)
Primary	\$ 13,556,888	\$ 46,539,539
Secondary	4,268,862	39,952,226

Sources - (1) Peoria Unified School District
 - (2) Maricopa County Finance Department
 - (3) Dysart Unified School District
 - (4) Deer Valley Unified School District

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

Table VIII

Fiscal Year	Current Assessments Due	Assessments Collected (1)	Prepaid Assessments Collected (1)	Total Assessments Collected	Ratio of Current Collections to Amount Due	Outstanding Assessment Principal (2)
1993	\$ 1,479,570	\$ 2,340,216	\$ -	\$ 2,340,216	158.2%	\$ 15,551,195
1994	1,729,599	2,263,261	-	2,263,261	130.9%	14,792,614
1995	1,946,409	2,550,065	-	2,550,065	131.0%	13,366,566
1996	1,670,778	1,867,947	-	1,867,947	111.8%	11,940,722
1997	1,589,950	1,532,497	246,111	1,778,608	96.4%	13,269,396
1998	1,232,080	1,228,915	337,129	1,566,044	99.7%	19,109,042
1999	2,192,539	2,184,783	731,042	2,947,065	99.6%	17,174,620
2000	2,106,995	2,098,476	79,724	2,047,152	99.6%	16,140,436
2001	1,954,952	1,932,607	88,160	2,028,389	98.9%	14,675,529
2002	2,069,030	2,061,842	156,055	2,225,642	99.7%	16,259,365

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

(2) Long-term principal only. Assessments receivable on statement of revenues, expenditures, and changes in fund balance - governmental funds also includes current principal, interest and penalties.

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

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

Table IX

Fiscal Year	Principal	Interest	Total	Total General Expenditures	Ratio of Debt Service to General Expenditures
1993	\$ 2,882,374	\$ 4,262,351	\$ 7,144,725	\$ 42,964,093	16.63%
1994	1,547,179	3,983,838	5,531,017	34,837,681	15.88%
1995	4,030,908	4,856,366	8,887,274	44,384,833	20.02%
1996	4,826,461	4,841,671	9,668,132	44,809,730	21.58%
1997	5,689,870	4,961,393	10,651,263	54,115,928	19.68%
1998	8,578,202	5,075,782	13,653,984	67,014,052	20.37%
1999	6,846,203	5,093,165	11,939,368	72,785,237	16.40%
2000	7,359,490	4,908,180	12,267,670	81,065,289	15.13%
2001	9,663,293	5,737,720	15,401,013	91,850,304	16.77%
2002	9,578,372	5,352,468	14,930,840	99,206,370	15.05%

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

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

Table X

Fiscal Year	Population	Assessed Value	Net Bonded Debt (2)	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	60,375 (1)	\$ 218,530,363	\$ 21,520,000	10%	\$ 356.44
1994	65,029 (1)	227,386,166	29,060,301	13%	446.88
1995	74,565	240,651,961	28,086,086	12%	376.67
1996	78,310 (1)	268,581,583	37,556,903	14%	479.59
1997	81,900 (1)	287,258,125	36,043,571	13%	440.09
1998	89,930 (1)	359,595,270	34,088,060	9%	379.05
1999	95,000 (1)	384,697,103	38,123,080	10%	401.30
2000	108,364	442,330,817	50,598,318	11%	466.93
2001	115,432 (1)	516,676,367	47,669,600	9%	412.97
2002	122,655 (1)	607,836,669	44,484,200	7%	362.68

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

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

Sources - Maricopa County Assessor
- Debt Service Schedules
- U.S. Census or Community Development Department

**CITY OF PEORIA, ARIZONA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2002**

Table XI

Assessed value	<u>\$ 607,836,669</u>
Debt limit 6 percent of assessed value	\$ 36,470,200
Amount of debt applicable to debt limit:	
General purpose general obligation bonds (1)	<u>15,004,200</u>
Legal debt margin for creation of additional debt	<u>\$ 21,466,000</u>
Debt limit 20 percent of assessed value	\$ 121,567,334
Amount of debt applicable to debt limit:	
Water, sewer, lighting, parks, open space and recreational purpose general obligation bonds	<u>29,480,000</u>
Legal debt margin for creation of additional debt	<u>\$ 92,087,334</u>

(1) Outstanding debt is calculated according to a court ruling as to Capital Appreciation Bonds and does not include \$270,800 in unamortized discount on these bonds as of 6/30/02

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

CITY OF PEORIA, ARIZONA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2002

Table XII

<u>Jurisdiction</u>	<u>Secondary Assessed Valuation</u>	<u>General Obligation Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Peoria</u>	<u>Amount Applicable to City of Peoria</u>
Direct:				
City of Peoria	\$ 607,836,669	\$ 44,484,200	100.00%	\$ 44,484,200
Overlapping:				
State of Arizona	34,473,431,135	-	1.76%	-
Maricopa County (2)	22,913,134,480	58,205,000	2.65%	1,542,433
Maricopa Community College District	22,913,134,480	305,750,000	2.65%	8,102,375
Unified School Districts:				
Peoria No. 11	883,500,612	171,861,000	68.80%	118,240,368
Dysart No. 89	339,472,096	7,030,000	0.01%	703
Deer Valley No. 97	1,104,445,913	198,150,000	1.81%	<u>3,586,515</u>
Total overlapping				<u>131,472,394</u>
Total direct and overlapping general obligation bonded debt				<u>\$ 175,956,594</u>

(1) Includes outstanding discount on Capital Appreciation Bonds.

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

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

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

Table XIII

Fiscal Year	Gross Revenue (1)	Operating and Maintenance Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
1993	\$ 10,677,745	\$ 6,555,830	\$ 4,121,915	\$ 505,000	\$ 908,590	\$ 1,413,590	2.9
1994	11,482,210	6,739,171	4,743,039	115,000	451,720	566,720	8.4
1995	14,042,496	7,767,616	6,274,880	580,000	760,389	1,340,389	4.7
1996	19,477,517	9,477,470	10,000,047	803,112	1,472,734	2,275,846	4.4
1997	20,485,190	10,352,073	10,133,117	1,351,849	1,525,941	2,877,790	3.5
1998	21,689,670	12,630,176	9,059,494	2,047,093	1,876,824	3,923,917	2.3
1999	25,956,821	16,473,188	9,483,633	2,573,718	1,447,300	4,021,018	2.4
2000	31,169,154	15,355,373	15,813,781	2,366,910	2,504,469	4,871,379	3.2
2001	35,670,032	15,245,886	20,424,146	1,975,976	3,147,993	5,123,969	4.0
2002	36,580,536	20,628,253	15,952,283	3,797,131	3,310,090	7,107,221	2.2

(1) Includes total operating revenues and non-operating revenues 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.

(3) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net assets.

Sources - Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.
- Repayment schedules for debt serviced by the Water and Sewer Utility Enterprise Funds.

**CITY OF PEORIA, ARIZONA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Table XIV

Fiscal Year	Population (1) & (4)	Per Capita Income (4)	Median Age (4)	School Enrollment (2)	Unemployment Rate as a Percentage (3)
1993	60,375 (1)	\$ 13,763	32.5	23,036	6.3%
1994	65,029 (1)	13,763	32.5	25,375	3.7%
1995	74,565 (4)	14,943	35.4	25,348	3.5%
1996	78,310 (1)	14,943	35.4	28,173	3.7%
1997	81,900 (1)	14,943	35.4	27,782	3.1%
1998	89,930 (1)	14,943	35.4	31,217	2.4%
1999	95,000 (1)	14,943	35.4	32,022	2.9%
2000	108,364 (4)	14,943	35.4	33,500	2.7%
2001	115,432 (1)	14,943	35.6	34,500	3.7%
2002	122,655 (1)	22,726	35.6	35,000	5.5%

Sources (1) Estimate from City Planning Staff
(2) Peoria Unified School District
(3) Arizona Department of Economic Security. Unemployment rate is for Maricopa County.
(4) U.S. Census Bureau

CITY OF PEORIA, ARIZONA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Table XV

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits Maricopa County \$000 (2)	Property Value (3) & (4)		
	Number of Permits	Value	Number Dwelling Units	Value		Commercial	Residential	Nontaxable
1993	278	\$ 6,893,572	1,650	\$ 143,506,983	\$ 19,249,644	\$ 180,899,950	\$ 1,326,574,888	\$ 45,670,383
1994	459	18,095,718	1,980	169,115,834	20,598,522	334,401,390	1,329,167,172	45,011,140
1995	61	13,047,459	990	87,787,738	20,017,167	321,215,132	1,580,092,653	45,389,705
1996	271	30,893,617	2,325	194,840,976	21,124,505	398,416,971	2,112,434,154	45,874,912
1997	79	32,303,543	1,878	189,104,992	20,998,441	393,824,507	2,129,666,418	45,397,656
1998	132	47,130,563	3,228	365,787,704	20,296,620	438,756,473	2,719,138,134	44,059,251
1999	76	32,467,463	2,867	307,835,122	25,213,758	476,324,117	2,889,168,878	46,020,912
2000	101	46,615,999	3,654	420,114,645	26,490,225	928,376,827	2,982,275,032	46,185,504
2001	74	35,619,763	1,740	243,314,533	28,379,815	1,305,566,598	4,100,202,224	70,364,430
2002	151	39,366,098	1,620	215,434,384	29,293,209	1,429,891,910	4,438,910,249	77,687,211

Sources (1) City Development Services Department
(2) Arizona Bankers Association
(3) Abstract published by the Arizona State Department of Revenue
(4) Estimated actual value Secondary Assessed Valuation

**CITY OF PEORIA, ARIZONA
SCHEDULE OF INSURANCE IN FORCE
JULY 1, 2001 THROUGH JUNE 30, 2002**

Table XVI

Company	Policy Number	Annual Premium	Limit	Coverage
St. Paul Guardian Ins.	CF08900117	\$ 94,062	\$ 105,414,576	Property
Travelers Property Ins.	BMG443D2734	6,309	25,000,000	Boiler & Machinery \$1,000 Deductible
Commerce & Industry	ST7504791	2,433	1,000,000	Storage Tank 3rd Party Liability
Hartford Fire Ins Co	59PBEAL0472	5,006	250,000	Employee Dishonesty Bond
Hartford Fire Ins. Co	SUN405740	189	10,000	Public Official Bond
Royal Indemnity Co	RHJ090294	313,345	25,000,000	General Liability 250,000 SIR
Royal Indemnity Co	RHJ090294	Incl above	25,000,000	Auto Liability 250,000 SIR
Royal Indemnity Co	RHJ090294	Incl above	25,000,000	Public Entity E & O
Gulf Company	GA2857190	42,500	25,000,000	Excess 2nd level, SIR
TIG Insurance Co.	T700921419400	1,210	1,000,000	Excess 2nd level, SIR (Special Events)
Great American Ins.	PAC590721200	7,052	1,000,000	Excess 2nd level, SIR (Special Events)
Broker/Service Fee	-	25,527	-	

Source - Risk Management records

CITY OF PEORIA, ARIZONA
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
JUNE 30, 2002

Table XVII

<u>Official Title</u>	<u>Annual Salary</u>		<u>Bond</u>
	<u>Minimum</u>	<u>Maximum</u>	
City Manager	\$ 154,000	\$ 154,000	\$ 250,000
Chief Financial Officer	93,772	128,936	250,000
Judge	95,098	95,098	250,000
Public employees honesty and faithful performance bond - all employees	-	-	250,000

Sources - Risk Management records
- Human Resources records

**CITY OF PEORIA, ARIZONA
PRINCIPAL TAXPAYERS
JUNE 30, 2002**

Table XVIII

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2001-2002 Secondary Assessed Valuation</u>	<u>As a Percentage of City Total Secondary Assessed Valuation</u>
Arizona Public Service	Gas & Electric Utility	\$ 12,171,962	2.00%
Qwest	Telecommunications	8,524,699	1.40%
Developers Diversified Realty Corp	Shopping Center	5,165,729	0.85%
Cox Communications	Cable & Telcommunications	4,525,989	0.74%
Sprint Spectrum L P	TV System	4,060,307	0.67%
Southwest Gas Corp.	Gas Utility	3,343,932	0.55%
Larry Miller Real Estate-Peoria LLC	Auto Sales	3,256,922	0.54%
Freedom Plaza LP	Nursing Homes	2,874,635	0.47%
North Valley Shopping Center LLC	Shopping Center	2,848,845	0.47%
Harkins Phoenix Cinemas LLC	Entertainment	2,360,759	0.39%
Albertsons Inc.	Shopping Center	2,293,324	0.38%
Plaza Del Rio Properties LLC	Health Care	2,148,390	0.35%
Arizona Medical Clinic Ltd	Health Care	2,089,810	0.34%
Polar Ice Peoria Entertainment Inc	Entertainment	2,076,750	0.34%
Target Corp.	Shopping Center	1,919,388	0.32%
		<u>\$ 59,661,441</u>	<u>9.82%</u>

Source - Maricopa County Treasurer's Office

**CITY OF PEORIA, ARIZONA
PROPERTY INSURANCE SCHEDULE
JUNE 30, 2002**

Table XIX

Property

Building and contents - combined blanket limit - excluding earthquake and flooding	\$ 99,555,018
Extra expense:	
Public Safety Building	100,000
Community Center	100,000
City Hall	100,000
Total	<u>300,000</u>
Valuable papers:	
City Hall	1,000,000
Contractors equipment (\$5,000 deductible)	1,301,904
Electronic data processing (\$5,000 deductible)	5,000,000
Public employees faithful performance blanket position coverage	200,000

Sources - Risk Management records

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

**Table XX
Page 1 of 2**

Date of incorporation:

June 6, 1954

Form of government:

Council / City Manager

Annexed area:

1965	2.4
1975	7.6
1980	26.5
1982	30.1
1986	34.0
1991	63.5
1992	65.0
1994	99.0
1996	120.0
1999	139.0
2000	144.0
2001	156.0
2002	165.0

Population:

1965	3,802
1970	4,792
1980	12,351
1985	27,568
1990	50,618
1995	74,565
2000	108,364
2001	115,432
2002 (estimated)	122,655

Median household income:

2000 census \$ 52,199

Elections:

Number of votes cast:	
Last municipal election	
May 2001	11,217
Last City-wide special election	
September 2000	10,054
Percentage of registered voters voting in:	
Last municipal election	
May 2001	23.30%
Last City-wide special election	
September 2000	24.87%

City employees as of June 30, 2002:

Full-time	815
Part-time FTE's	22
Total authorized FTE's	<u>837</u>

Age distribution of population:

Per 2000 Census - all persons

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

Building permits:

Fiscal Year	Number	Value of Buildings
1993	2,428	\$ 127,861,432
1994	2,948	179,705,461
1995	2,050	103,590,279
1996	4,015	233,027,095
1997	3,685	229,694,904
1998	5,022	439,125,716
1999	6,194	431,274,957
2000	6,267	526,669,833
2001	4,068	297,935,758
2002	3,741	269,282,831

Gross sales:

1993	\$ 806,194,248
1994	1,086,198,256
1995	1,118,748,270
1996	1,208,248,132
1997	1,510,310,165
1998	1,785,941,770
1999	2,098,838,768
2000	2,399,518,200
2001	2,615,474,800
2002	2,618,351,822

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

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

**Table XX
Page 2 of 2**

Utilities:

Number of active customers at June 30, 2002:	
Water	35,111
Wastewater	37,529
Sanitation	36,880

Data on water utility at or for year ended

June 30, 2002:	
Annual consumption (000's gal)	6,657,323
Average gallons/user/month	15,801
Average gallons/user/year	189,608
Number of wells in system	24
Available storage capacity	16.1 Mil Gal

Data on wastewater utility at or for year ended

June 30, 2002:	
Miles of collection lines	450
Treatment plant capacity:	
Beardsley treatment plant	2.0 Mil Gal/Day
Tolleson regional plant	9.4 Mil Gal/Day
Annual wastewater treated:	
Beardsley treatment plant	.485 Bil Gal
Tolleson regional plant	2.2 Bil Gal

Data on sanitation service at or for the year ended

June 30, 2002:	
Residential tonnage processed	54,104
Commercial tonnage processed	19,866
Recycling tonnage processed	498
	<u>74,468</u>

Miles of streets maintained:

Arterial (paved)	58
Collectors (paved)	37
Local (paved)	316
Unpaved	3

Number of streetlights: 10,552

Recreation:

Number of parks/playgrounds	22
Park acreage	205
Playground & picnic areas	19
Ramadas	59
Tennis courts	21
Basketball courts	42
Ball fields	9
Swimming pools	2
Volleyball courts	8
Sports complex	1

Fire protection:

Number of stations	5
Number of employees	107
Average response time (minutes)	4.2
Number of incidents:	
Emergency medical support	8,128
Fire calls	959
Miscellaneous	890
Total incidents	<u>9,977</u>

Police protection:

Number of employees	181
Number of calls answered	50,099
Number of citations issued	18,398
Average personnel/shift	8.5
Vehicular patrol units	59
Number of reserves	1

Peoria Unified School District

Education:

Number of schools:	
Elementary schools (grades K - 8)	28
High schools (grades 9 - 12)	5
	<u>33</u>

Number of personnel:

Administrative	115
Certified	2,100
Classified	2,000
	<u>4,215</u>

Number of students:

Elementary	25,000
High school	10,000
	<u>35,000</u>