

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

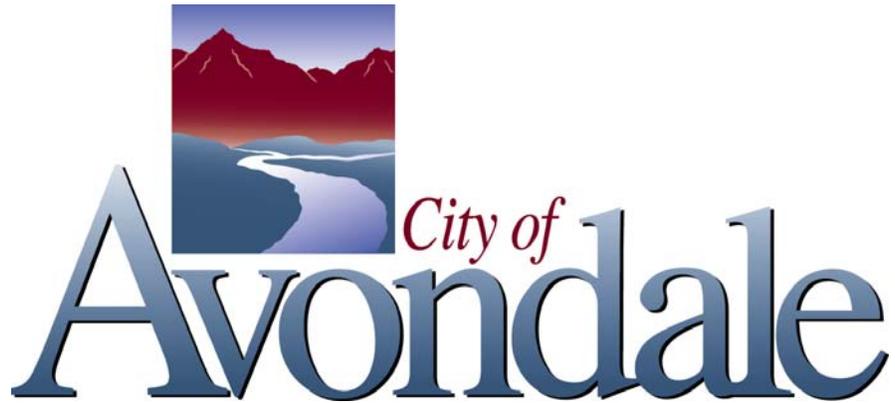


Building Our Community



CITY OF AVONDALE, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**



Prepared by the Finance and Budget Department



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	vii
Certificate of Achievement for Excellence in Financial Reporting	xiii
Organization Chart	xiv
Principal Officials	xv
FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	23
Government-wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	38
Highway User Revenue Fund	39
Dedicated Sales Tax Revenue Fund	40
Public Safety Sales Tax Revenue Fund	41
Proprietary Funds Financial Statements	43
Statement of Net Assets	44
Statement of Revenues, Expenses, and Changes in Fund Net Assets	45
Statement of Cash Flows	46
Fiduciary Fund Financial Statements	49
Statement of Fiduciary Net Assets	50
Statement of Changes in Fiduciary Net Assets	51
Notes to the Financial Statements	53

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

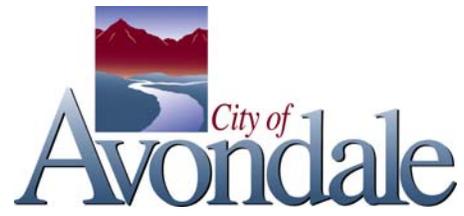
TABLE OF CONTENTS

	Page
SUPPLEMENTARY INFORMATION	
Combining Funds Financial Statements and Budgetary Comparison Schedules	
Major Governmental Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Development Fees Fund	86
General Obligation Bonds Fund	87
Dedicated Sales Tax Revenue Bonds Fund	88
Non-Major Governmental Funds	89
Combining Statements	
Combining Balance Sheet	91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Local Transportation Assistance Fund	100
Senior Programs Fund	101
Judicial Collection Enhancement Fund	102
Grants-in-Aid Fund	103
Family Advocacy Center Fund	104
Environmental Fees Fund	105
Vehicle Replacement Fund	106
Equipment Replacement Fund	107
Other Capital Projects Fund	108
Highway User Revenue Bonds Fund	109
Other Debt Service Fund	110
Internal Service Funds	111
Combining Statement of Net Assets	112
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	113
Combining Statement of Cash Flows	114
Other Supplementary Information	
Capital Assets Used in the Operation of Governmental Activities	
Schedule by Function and Activity	116
Schedule of Changes by Function and Activity	118
Schedule by Source	119

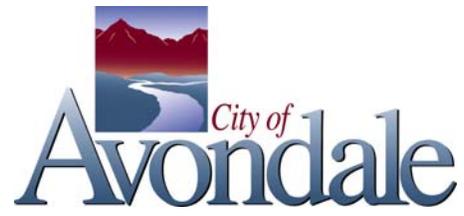
**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

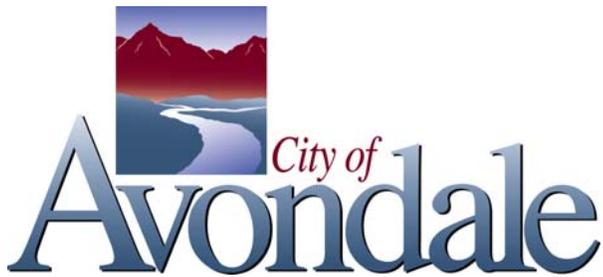
TABLE OF CONTENTS

	Page
STATISTICAL SECTION	121
Financial Trends Information	
Net Assets by Component - Last Ten Fiscal Years	122
Changes in Net Assets - Last Ten Fiscal Years	124
Fund Balances of Governmental Funds - Last Ten Fiscal Years	128
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	130
Revenue Capacity Information	
Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property - Last Ten Fiscal Years	132
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	134
Principal Property Taxpayers - Current Year and Nine Years Ago	136
Property Tax Levies and Collections - Last Ten Fiscal Years	137
Transaction Privilege Taxes by Industry Classification - Last Five Fiscal Years	138
Debt Capacity Information	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	139
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	140
Direct and Overlapping Governmental Activities Debt	141
Legal Debt Margin Information - Last Ten Fiscal Years	142
Avondale Water and Sewer Systems Pledged Revenue Coverage - Last Ten Fiscal Years	144
Municipal Development Corporation Bonds Debt Service Coverage	146
Highway User Revenue Fund Bonds Debt Service Coverage - Last Ten Fiscal Years	147
Street and Highway Revenue Receipts - Last Ten Fiscal Years	148
Actual Excise Tax Revenues - Last Ten Fiscal Years	150
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	152
Principal Employers - Current Year and Nine Years Ago	153
Operating Information	
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years	154
Operating Indicators by Function - Last Ten Fiscal Years	156
Capital Asset Statistics by Function - Last Ten Fiscal Years	158
SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	162
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	164
Schedule of Expenditures of Federal Awards	166
Notes to the Schedule of Expenditures of Federal Awards	168
Schedule of Findings and Questioned Costs	169



INTRODUCTORY SECTION





Finance and Budget Department

11465 W. Civic Center Drive

Avondale, AZ 85323

Phone: (623) 333-0200

Fax: (623) 333-2011

Website: www.avondale.org

December 18, 2012

Honorable Mayor and City Council, and Citizens of the City of Avondale:

In accordance with the requirements of the City of Avondale's (City) Charter, we are pleased to submit the City's Comprehensive Annual Financial Report for the fiscal year ended 2012. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The report consists of management's representations concerning the City's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, city management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, and misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Henry & Horne, LLP; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City as of and for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the 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 City's financial statements as of and for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated “Single Audit” designed to meet the special needs of federal grantor agencies. 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 audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Single Audit Report is included within this report. GAAP require that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Independent Auditors’ Report.

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 76,392. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

Avondale operates under the Council-Manager form of government in accordance with its Charter. Legislative authority is vested in a seven-member City Council consisting of a mayor and six council members elected at large for a term of four years. The Mayor and Council appoint the City Manager and such other officers deemed necessary and proper for the orderly administration of the City’s affairs. The City of Avondale provides a full range of services to its citizens. Services include police, fire, public transportation, library, social services, parks and recreation, street maintenance, and general administration. The City also operates a water, wastewater and sanitation utility.

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 legally separate entities that are included in the reporting entity due to the significance of their financial or operational relationship with the City. Blended component units, although legally separate entities, are in substance part of the City’s operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 –Summary of Significant Accounting Policies, page 54, of the notes to the financial statements.

The annual budget serves as the foundation for the City of Avondale's financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including a citizen appreciation and budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At a regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Environmental Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, Highway User Revenue Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these funds.

In addition to maintaining budgetary control through 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.

Local Economy

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having a direct impact on the City of Avondale. Revenues from building permits, development fees, state-shared revenues, and construction sales taxes have slowed significantly. City sales taxes have decreased by over 30 percent (30%) from 2007 to 2011.

For the first time in over 5 years, the City's excise tax revenues increased in fiscal year 2012. Total excise tax revenues increased over 6% from fiscal year 2011 to fiscal year 2012. The fiscal year 2013 budget reflected 6% growth in revenues in the General Fund. The City's fiscal year 2013 budget is structurally balanced.

Long-term financial planning

The City has established a two-tier stabilization fund in accordance with GASB Statement No. 54. The General Fund stabilization amount is 35% of the prior years budgeted expenditures and transfers. The budgeted stabilization fund for fiscal year 2013 is \$15,389,437.

The City also prepares a 5-year forward looking planning budget that incorporates on-going revenue projections, as well as operating impacts from capital projects and other projected operating costs. Summary information from the 5-year plan is presented to City Council during the budget preparation process.

On June 30, 1980, Arizona voters approved general propositions amending the Arizona Constitution to establish expenditure and revenue limitations for local governments. The purpose of the expenditure limitation is to control expenditures and to limit future increases in spending to adjustments for inflation, deflation, and population growth of the City.

On August 28, 2012, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures, of each yearly budget, become the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for an additional four years.

Commercial

The City of Avondale worked closely with retail developers in the following ways: To define the quality and types of retail best suited to the community, to consistently provide the information necessary to the decision making process, and to actively market Avondale to retailers and developers in order to establish the City as a key development location in the Phoenix Metropolitan Area. Specific activities included:

Gateway Pavilions (99th Avenue and McDowell Road)

This highly successful center is anchored by Costco, Harkins Theatres, Bed Bath & Beyond, Sports Authority, and Mor Furniture. Two new retailers are scheduled to open this year with a Ross and DSW shoe store. In addition to the anchors, there are numerous restaurants and specialty shops in the 650,000 square-foot center.

Gateway Crossing (99th Avenue and McDowell Road)

This power center is anchored by Best Buy, Hobby Lobby, and Old Navy. Numerous restaurants include Claim Jumper, Islands, Paradise Bakery, Smash Burger, and Chipotle Grill.

Coldwater Plaza (Dysart Road, North of Van Buren Street)

Coldwater Plaza includes Sam's Club, Home Depot, Ashley's Furniture and others to create a 450,000 square-foot shopping destination.

Alameda Crossing (Northeast corner of Dysart and McDowell)

Joining Kohl's is Sprouts, JoAnne's, Big 5 Sporting Goods, and numerous restaurants in this 313,000 square-foot retail center.

Avondale Auto Mall (99th Avenue to 107th Avenue, South of I-10)

The Avondale Auto Mall now boasts 12 new car dealerships and one motorcycle dealership. Two undeveloped lots remain in the auto mall.

Hilton Hotels (Avondale Boulevard and I-10)

Two Hilton Hotels with 246 rooms, conference facilities, restaurants, and a lounge opened for business in 2007. A Ruby Tuesdays and Culver's are also on the site.

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2012, 11 residential building permits were issued. Home values have dropped significantly across Arizona, resulting in the Maricopa County Assessor's Office adjusting assessed valuations. The City experienced a 14 percent (14%) decrease in secondary assessed valuation going from \$402,403,658 to \$345,672,132 for fiscal year 2012.

Major Accomplishments and Initiatives

Phoenix Children's Hospital – Phoenix Children's Hospital is the third largest children's hospital in the country and provides pediatric specialty care to children and families in Arizona and the Southwest. A 35,000 square-foot specialty and urgent care facility is under construction at the corner of McDowell Road and Avondale Blvd. The first phase of the project will create 75 new jobs with an annual payroll in excess of \$2.5 million, and a total capital investment of over \$16 million. It is scheduled to open in March 2013. Phase II of the project will add an additional 35,000 square-foot medical office complex, and phase III will add a full service hospital with 48 beds.

Single Audit

As a recipient of federal, state and county financial assistance, the City is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws, regulations, contracts, and grants related to those programs. Internal control is subject to periodic evaluation by management.

As part of the City's Single Audit described earlier, tests are made to determine the adequacy of the internal control, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

Certificate of Achievement

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

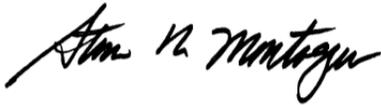
A Certificate of Achievement is valid for a one-year period only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2011-12 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Budget Department. We would like to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and Council for their continued support to help maintain the highest standards of professionalism in the management of the City of Avondale's finances.

Respectfully submitted,



Steven R. Montague, CPA, CGFM
Controller



Kevin H. Artz, CPA
Finance and Budget Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



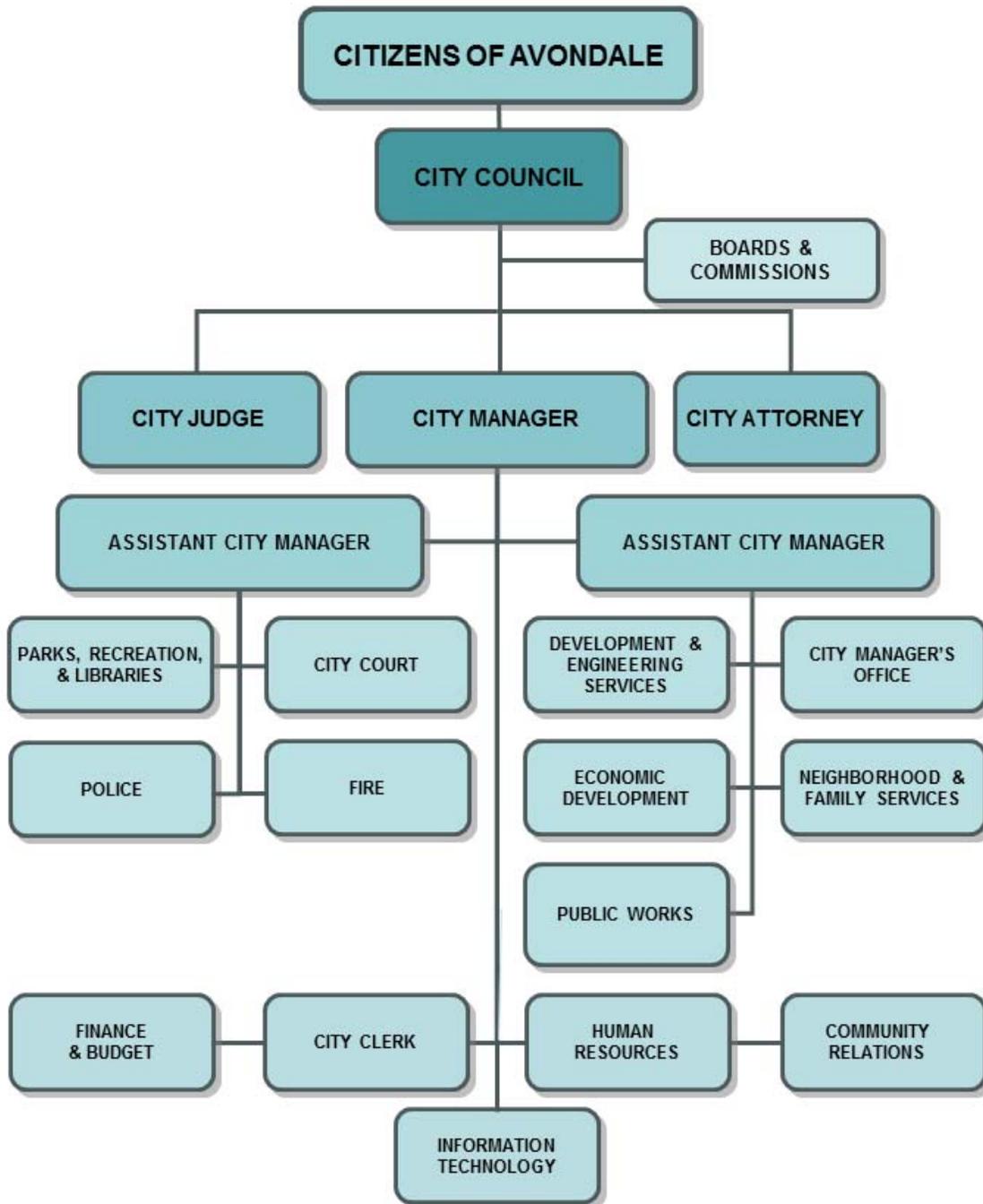
Linda C. Danison

President

Jeffrey R. Enos

Executive Director

**CITY OF AVONDALE, ARIZONA
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2012**



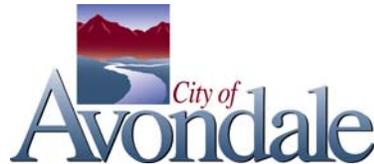
**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2012**

Marie Lopez-Rogers, Mayor

Stephanie Karlin, Vice Mayor

Ken Weise, Councilmember

Frank Scott, Councilmember



Jim Buster, Councilmember

Jim McDonald, Councilmember

Charles Vierhout, Councilmember

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

Richard Lynch, City Judge

Wayne Janis, Public Works Director

Cherlene Penilla, Human Resources Director

Kevin Artz, Finance and Budget Director

Carmen Martinez, City Clerk

**Chris Reams, Parks, Recreation and Libraries
Director**

Paul Adams, Fire Chief

Vacant, City Engineer

Robert Lloyd, Information Technology Director

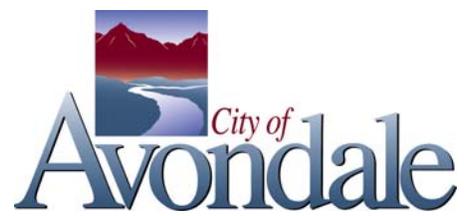
Dan Davis, Economic Development Director

Pier Simeri, Community Relations Director

Kevin Kotsur, Police Chief

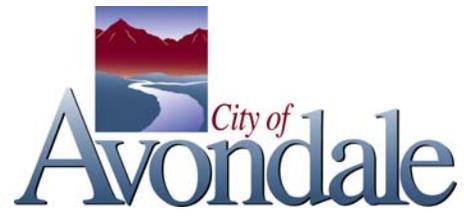
**Gina Montes, Neighborhood and Family
Services Director**

Finance and Budget Department Staff: Kevin Artz, Finance and Budget Director; Pilar Aguilar, Finance and Budget Assistant Director; Steven Montague, Controller; Lorisa Sjaaheim, Senior Accountant; Stephanie George, Senior Accountant; and Greg Luethje, Accountant.



**FINANCIAL
SECTION**

Independent Auditors' Report





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale, 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 Avondale, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in 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 of America. 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 Avondale, Arizona, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Avondale, Arizona failed to use highway user revenue fund monies received by the City of Avondale, Arizona pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Avondale, Arizona solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

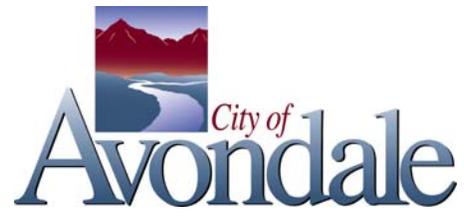
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Avondale, Arizona's financial statements as a whole. The introductory section, the accompanying financial information listed as supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is also not a required part of the financial statements. The financial information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Henry + Horne, LLP

Casa Grande, Arizona
December 18, 2012

FINANCIAL SECTION

Management's Discussion & Analysis (Required Supplementary Information)



**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

As management of the City of Avondale, Arizona (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2012. 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 City's Annual Budget & Financial Plan (the approved annual budget), and (5) identify individual fund issues and concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

The management's discussion and analysis (MD&A) has a different focus and purpose than the Transmittal Letter presented on pages vii-xii of this report and is designed to be read in conjunction with the Letter, as well as the basic financial statements on pages 23-51 and the accompanying notes to the financial statements on pages 53-83.

Financial Highlights

The following are some of the more significant financial highlights. Explanations for these changes are provided below or in the applicable sections that follow.

- The City's government-wide assets exceeded its liabilities at the close of the most recent fiscal year by \$1.1 billion (net assets). Of this amount, \$90.3 million was unrestricted, up \$0.7 million (0.8%) from last year's \$89.6 million, and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets decreased \$2.6 million (0.2%) in fiscal year 2011; \$2.1 million increase (0.4%) in governmental activities and \$4.6 million decrease (0.8%) in business-type activities.
- Governmental activities program revenues decreased by \$3.9 million (23.1%) and general revenues increased by \$3.1 million (5.8%) from the prior year, while expenses decreased by \$4.0 million (5.6%) during the same period.
- Business-type activities program revenues increased by about \$0.9 million (3.9%) and general revenues decreased by \$0.1 million (25.1%) from the previous year, while expenses decreased by \$1.1 million (3.4%) during the same period.
- City transfers from governmental activities to business-type activities remained unchanged from the prior year.
- The City's total government-wide liabilities decreased by \$12.2 million (9.4%) from the previous fiscal year. The key factors that contributed to this decrease were the retirement of \$10.4 million of long-term debt obligations and \$0.4 million of capital lease obligations, and a \$1.9 million decrease in accounts payables and accrued liabilities during the year.
- The City's total government-wide assets were \$14.8 million less than the prior year. Much of the decrease in assets was due to the liquidation of restricted investments of \$6.0 million and use of restricted cash reserves of \$5.2 million to service long-term debt obligations, and a net decrease in capital assets of \$12.4 million during the year, offset by an increase in unrestricted cash and cash equivalents of \$8.0 million. The decrease in capital assets was due primarily to acquisitions of about \$10.5 million, offset by an increase of accumulated depreciation by \$23.1 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70.4 million, a decrease of \$2.4 million (3.3%) from the previous year. Of this amount, \$1.3 million was not in spendable form (nonspendable) and \$42.3 million was either externally restricted or internally committed to specific purposes. Only \$26.8 million was either assigned to a specific purpose or unassigned, both of which are available for spending at the City's discretion.
- Total combined governmental fund revenues of \$69.2 million and expenditures of \$71.5 million decreased \$0.5 million (0.8%) and decreased \$17.1 million (19.3%) between years, respectively.
- General fund revenues exceeded budgeted revenues by \$2.7 million for fiscal year 2012, while expenditures were less than final budgeted expenditures by \$5.7 million. The result was a net budget savings of \$8.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to those used in private-sector businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements. The City's activities are presented in two columns on these statements; governmental activities and business-type activities. A total column for the City is also provided.

- **Governmental activities** include most of the City's basic services such as general government (administration), public safety (police and fire), highways and streets, health and welfare, economic and community development, culture and recreation, and transportation. These activities are generally supported by taxes and general revenues.
- **Business-type activities** include private sector-type activities provided by the City such as water, wastewater, and sanitation services. These activities are supported primarily through user charges and fees.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, both current and non-current, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City may be changing. Increases in net assets may indicate an improved financial position, but decreases in net assets may not necessarily indicate the City's financial position is deteriorating. Instead, decreases in net assets may reflect situations where the City has used previously accumulated funds to finance its operations or projects such as cash funding of capital projects. Accordingly, readers should also consider and evaluate other financial and nonfinancial indicators to effectively assess the City's overall financial health.

The *Statement of Activities* presents information showing how the City's net assets changed over the most recent fiscal year. Since the economic resources measurement focus and full accrual accounting are used for the government-wide financial statements, all changes in net assets are reported at the time the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Consequently, certain revenues and expenses reported in this statement will result in cash flows in future fiscal periods such as uncollected property taxes, unreimbursed grant expenditures, and long-term debt that has not matured. This statement also focuses on both the gross and net costs of various city functions based only on direct functional revenues and expenses. This focus is designed to show the extent to which the various functions are dependent on general taxes and revenues for support.

The government-wide financial statements can be found on pages 25-27 of this report.

Fund Financial Statements

A fund is a self-balancing set of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives. All of the City's funds are classified as governmental funds, proprietary funds, or fiduciary funds. The fund financial statements focus on the City's major funds.

Governmental funds account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand

the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are on pages 32 and 36, respectively.

The City maintains eighteen (18) governmental funds. Information is presented separately in the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, General Obligation Bonds Fund, and Dedicated Sales Tax Revenue Bonds Fund, all of which are considered to be major funds. The remaining governmental funds are combined into a single, aggregated presentation (Non-Major Governmental Funds). Individual fund data for each of these non-major governmental funds are provided in the form of combining financial statements and schedules. The basic governmental funds financial statements can be found on pages 29-31 and 34-35 of this report. The non-major governmental fund statements and schedules are presented as supplementary information after the basic financial statements on pages 89-110.

The City adopts an annual budget for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Development Fees Fund, General Obligation Bonds Fund, and Dedicated Sales Tax Revenue Bonds Fund, on pages 38-41. Budgetary comparison schedules are presented for the Development Fees Fund, General Obligation Bonds Fund, and Dedicated Sales Tax Revenue Bonds Fund and other governmental funds on pages 86-88 and 100-110, respectively.

Proprietary funds use the economic resources measurement focus and full accrual accounting, the same method used by private sector business. The City maintains six (6) proprietary funds.

- **Enterprise funds** account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detailed information such as cash flows. The City uses separate enterprise funds to account for its water, wastewater and sanitation services. These funds are considered to be major funds of the City. The proprietary funds financial statements can be found on pages 43-47.
- **Internal service funds** account for activities where the City is the primary customer. Because these funds primarily provide services for governmental activities, the internal service fund account balances and activities are reported in the governmental activities column on the government-wide financial statements. The internal service funds account balances and activities are presented in a single column on the proprietary funds financial statements. The operating income or loss of the internal service funds is allocated to the various user functions on the government-wide Statement of Activities. Since the City partially allocates the operating income or loss of the internal service funds to business-type activities on the government-wide financial statements, a reconciliation is provided on the face of the proprietary funds financial statements to reconcile total enterprise funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements. The City uses separate internal service funds to account for its risk management, printing services, and fleet management services. Additional information on the internal service funds is provided in combining statements. These statements are included as supplementary information after the basic financial statements on pages 111-114.

Fiduciary funds account for resources held for the benefit of parties outside of the City. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of these funds are *not available* to support city programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 49-51 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes can be found on pages 53-83 of this report.

Other information - Governments have the option of including budgetary comparison statements for the General Fund and major special revenue funds as part of the basic financial statements or required supplementary information after the notes to the financial statements. The City has elected to present the budgetary comparison statements as part of the basic financial statements. In addition, the City has elected to disclose employee pension fund information in the notes to the financial statements rather than separately presenting the information as required supplementary information (see Note 8 - Retirement Plans, pages 71-76).

Government-wide Financial Analysis

The following tables, graphs, and analysis discuss the financial position and changes in the financial position of the City as of the year ended June 30, 2012, with comparative information from June 30, 2011.

Net Assets

Over time, net assets may serve as a useful indicator of the City's financial position. The following table reflects the City's condensed Statement of Net Assets as of June 30, 2012, and June 30, 2011.

	Net Assets At June 30						Percent Change
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 82,573,854	\$ 86,485,611	\$ 64,019,844	\$ 62,455,331	\$ 146,593,698	\$ 148,940,942	(1.6) %
Capital assets	584,438,401	588,788,743	491,497,691	499,579,273	1,075,936,092	1,088,368,016	(1.1)
Total assets	667,012,255	675,274,354	555,517,535	562,034,604	1,222,529,790	1,237,308,958	(1.2)
Other liabilities	17,262,297	18,920,531	5,935,121	5,692,730	23,197,418	24,613,261	(5.8)
Long-term liabilities	87,409,057	96,087,242	6,545,318	8,658,875	93,954,375	104,746,117	(10.3)
Total liabilities	104,671,354	115,007,773	12,480,439	14,351,605	117,151,793	129,359,378	(9.4)
Net assets:							
Invested in capital assets, net of related debt	489,161,664	484,872,851	482,912,493	488,787,961	972,074,157	973,660,812	(0.2)
Restricted	27,637,885	30,174,849	15,358,409	14,520,330	42,996,294	44,695,179	(3.8)
Unrestricted	45,541,352	45,218,881	44,766,194	44,374,708	90,307,546	89,593,589	0.8
Total net assets	\$ 562,340,901	\$ 560,266,581	\$ 543,037,096	\$ 547,682,999	\$ 1,105,377,997	\$ 1,107,949,580	(0.2)

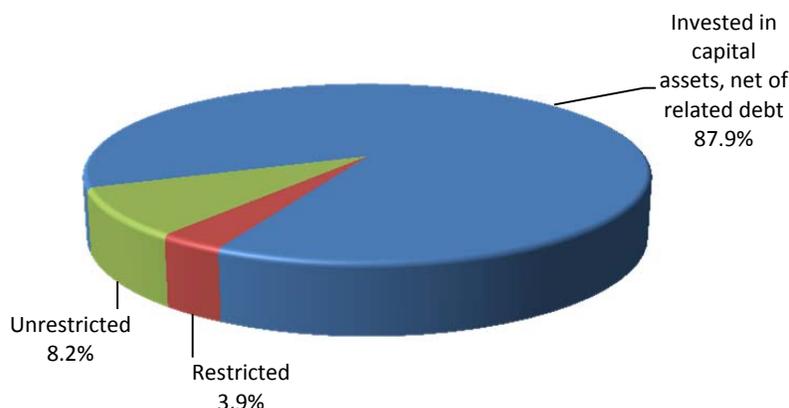
At the end of fiscal year 2012, the City is able to report positive balances in all three categories of net assets for the City, as a whole, and for its separate governmental and business-type activities.

The net assets of the City decreased \$2.5 million (0.2%) in fiscal year 2012. The largest portion of net assets, \$972.1 million or 87.9%, reflects the City's investment in capital assets, net of accumulated depreciation and related debt incurred to acquire those assets. The City uses these capital assets to provide services to its citizens. Accordingly, the City does not intend to sell these assets so they are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net assets decreased \$1.6 million (0.2%). The decrease was due to the retirement of \$10.4 million of long-term debt obligations and \$0.4 million of capital lease obligations during the year, offset by a decrease of government-wide capital assets by about \$12.4 million between years. This decrease was due primarily to acquisitions of about \$10.5 million, offset by an increase of accumulated depreciation by \$23.1 million.

The second component of the City's net assets, \$43.0 million or 3.9%, represents resources that are externally restricted to expenses for specified purposes. The decrease of \$1.7 million (3.8%) is largely due to the use of restricted resources to finance capital projects during the year. Of the \$43.0 million in restricted net assets, \$4.3 million is restricted by enabling legislation.

The third component consists of unrestricted net assets, \$90.3 million or 8.2%. The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed above. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$0.7 million or (0.8%) in fiscal year 2012.

**Government-wide Net Assets
At June 30, 2012**



Changes in Net Assets

The following table compares revenues and expenses for the current and previous fiscal years.

**Changes in Net Assets
As of June 30**

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues							
Charges for services ¹	\$ 2,862,166	\$ 3,033,250	\$ 24,846,105	\$ 23,626,858	\$ 27,708,271	\$ 26,660,108	3.9 %
Operating grants and contributions ¹	8,665,735	10,449,880	-	-	8,665,735	10,449,880	(17.1)
Capital grants and contributions ¹	1,642,679	3,639,920	444,983	719,803	2,087,662	4,359,723	(52.1)
General revenues							
Sales and use taxes	32,914,546	30,417,802	-	-	32,914,546	30,417,802	8.2
Property taxes	5,264,542	5,683,840	-	-	5,264,542	5,683,840	(7.4)
Franchise taxes	1,096,920	1,095,000	-	-	1,096,920	1,095,000	0.2
State-shared revenues	14,870,469	14,410,652	-	-	14,870,469	14,410,652	3.2
Investment income	282,485	318,931	196,973	166,893	479,458	485,824	(1.3)
Gain on sale of assets	33,435	7,794	-	-	33,435	7,794	329.0
Miscellaneous	1,646,489	1,084,568	213,772	381,724	1,860,261	1,466,292	26.9
Total revenues	69,279,466	70,141,637	25,701,833	24,895,278	94,981,299	95,036,915	(0.1)
Expenses:							
General government	12,194,735	15,364,915	-	-	12,194,735	15,364,915	(20.6)
Public safety	24,509,660	25,139,168	-	-	24,509,660	25,139,168	(2.5)
Highways and streets	12,514,335	13,246,764	-	-	12,514,335	13,246,764	(5.5)
Health and welfare	2,748,093	2,511,615	-	-	2,748,093	2,511,615	9.4
Economic and community development	5,015,366	5,091,504	-	-	5,015,366	5,091,504	(1.5)
Culture and recreation	3,675,781	3,268,540	-	-	3,675,781	3,268,540	12.5
Transportation	1,824,128	1,581,404	-	-	1,824,128	1,581,404	15.3
Interest on long-term debt	4,573,048	4,849,805	-	-	4,573,048	4,849,805	(5.7)
Water utility ¹	-	-	15,517,184	16,686,715	15,517,184	16,686,715	(7.0)
Wastewater utility ¹	-	-	11,232,156	11,361,012	11,232,156	11,361,012	(1.1)
Sanitation utility ¹	-	-	3,748,396	3,530,472	3,748,396	3,530,472	6.2
Total expenses	67,055,146	71,053,715	30,497,736	31,578,199	97,552,882	102,631,914	(4.9)
Increase (decrease) in net assets before transfers	2,224,320	(912,078)	(4,795,903)	(6,682,921)	(2,571,583)	(7,594,999)	> 100.0
Transfers	(150,000)	(150,000)	150,000	150,000	-	-	-
Increase (decrease) in net assets	\$ 2,074,320	\$ (1,062,078)	\$ (4,645,903)	\$ (6,532,921)	\$ (2,571,583)	\$ (7,594,999)	> 100.0

¹ In fiscal year 2011, \$0.7 million of bad debt expenses were included in business-type activities charges for services revenue and \$2.66 million of governmental activities capital grant and contribution revenues were classified as operating grants and contributions. The 2011 expenses and revenues were reclassified and presented in their respective categories for comparison purposes.

For fiscal year 2012, total revenues of \$95.0 million remained substantially unchanged from the previous year. Governmental activities revenues decreased by \$0.9 million (1.2%) and business-type activities revenues increased by \$0.8 million (3.2%), while expenses decreased \$4.0 million (5.6%) and \$1.1 million (3.4%) for governmental activities and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities increased the City's net assets before transfers by \$2.2 million during the fiscal year ended June 30, 2012. This increase between years was largely due to a decrease in expenses of \$4.0 million (5.6%) and an increase in general revenues of \$3.1 million (5.8%) from the prior year, offset by a decrease in program revenues of \$4.0 million (23.1%) during the same period. Transfers had no effect on the change in net assets between years.

The overall decrease in program revenues between years was due primarily to the following:

- Decrease in operating grants and contributions of \$1.8 million (17.1%) was largely due to decreases in transit operating assistance and community development grant spending of about \$1.6 million from the previous year, coupled with an overall decrease in the number and amount of operating grants and contributions received between years. These decreases were partially offset by new operating grants and contributions and increases in the amount of certain existing operating grants and contributions over the prior year.
- Decrease in capital grants and contributions of \$2.0 million (54.9%) was almost entirely due to the completion of grant-funded highway and street projects in fiscal year 2011 of about \$2.6 million, offset by the completion of grant-funded capital projects during the year of about \$0.6 million.

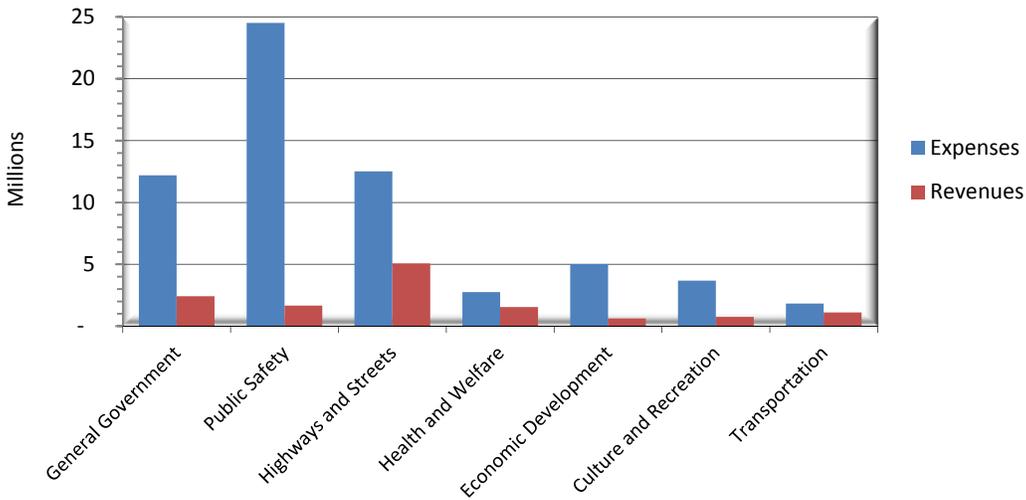
The overall increase in general revenues between years was largely due to the following:

- Increase in sales and use taxes by about \$2.6 million (8.5%) from the previous year. An increase in sales and use tax revenues in the range of 3% to 8% was expected based on a stable population, minimal development, and an increase in sales activity at retail centers reflecting the reports of economic recovery locally and nationally.
- Decrease in property taxes by about \$0.4 million (7.4%) from the prior year. This decrease was the result of about a \$0.1 million (3.4%) increase in primary property tax revenues, offset by a \$0.4 million (14.4%) decrease in secondary property tax revenues. Primary property taxes increased primarily as a result of an increase in the maximum allowable primary tax rate by 26.4% over the prior year, offset by an 18.0% decrease in the net primary assessed property values from the previous year. Secondary property taxes decreased largely as a result of a decline in the net secondary assessed property values from the prior year by 23.0%, offset by an increase the secondary tax rate by 9.8% over the same period. The ongoing downturn in the economy was the key factor contributing to these decreases in assessed property values.
- Increase in state-shared revenues of about \$0.5 million from the previous year. This increase was primarily the result of a \$0.3 million (4.9%) decrease in state-shared income tax revenues, offset by a \$0.6million (10.2%) increase in state-shared sales tax revenues and a \$0.2 million increase in auto lieu tax. The decrease in state-shared income tax revenues was expected based on income taxes collected by the Arizona Department of Revenue for the 2010 tax year. The 2010 state income tax collections continued to be affected by the downturn in the economy. An increase in state-shared sales tax revenues in the range of 3% to 8% was expected based on a stable population, minimal development, and an increase in sales activity at retail centers reflecting the reports of economic recovery locally and nationally.

The significant factors and activities affecting governmental activities expenses are addressed in the Governmental Funds section below.

The following graph shows the governmental activities functional expenses and revenues in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation to these functions. Expenses not covered by direct program revenues are covered by the City's general revenues which consist primarily of taxes and state-shared revenues.

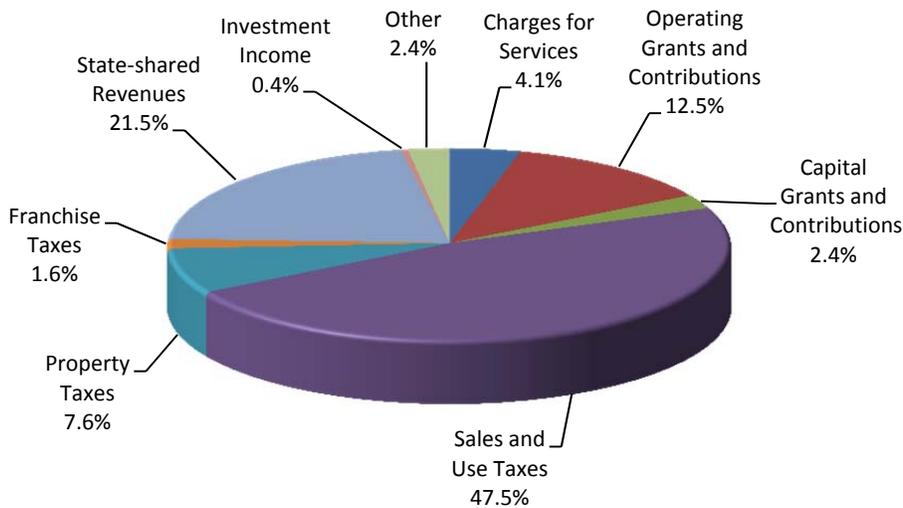
**Governmental Activities
Expenses and Program Revenues
Fiscal Year 2012**



Governmental activities accounted for 72.9% of the City’s total revenues and 68.7% of total expenses in fiscal year 2012. In addition, program revenues of \$13.2 million were 19.6% of governmental activities expenses during the year, compared to \$17.1 million, or 24.1%, of expenses in fiscal year 2011.

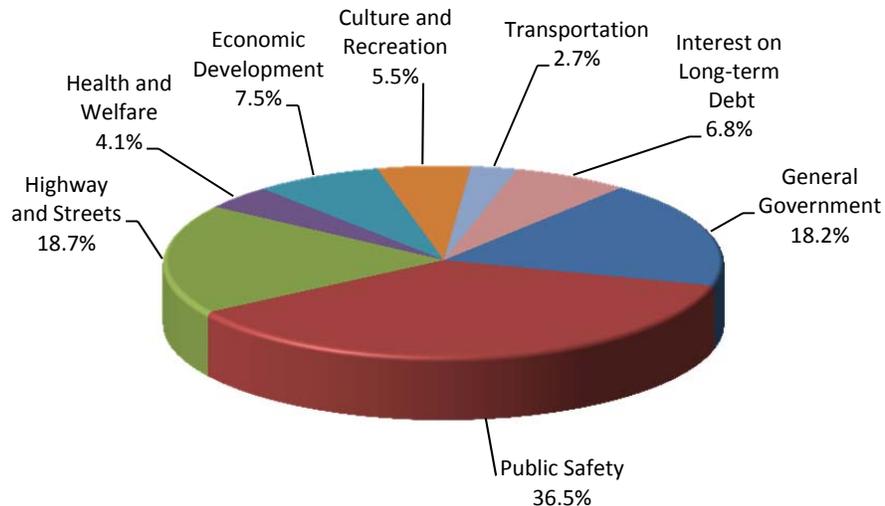
As seen in the following graph, the largest revenue sources for the City’s governmental activities are sales and use taxes of \$32.9 million (47.5%), followed by state-shared revenues of \$14.9 million (21.5%) and operating grants and contributions of \$8.7 million (12.5%).

**Governmental Activities
Revenues by Source
Fiscal Year 2012**



The City’s largest governmental activities expenses by function include public safety at \$24.5 million (36.5%), followed by highway and streets expenses at \$12.5 million (18.7%) and general government expenses at \$12.2 million (18.2%).

Governmental Activities
Expenses by Function
Fiscal Year 2012



Business-type Activities

Business-type activities decreased the City's net assets by \$4.6 million during the fiscal year ended June 30, 2012. The decrease in net assets occurred because utility program revenues (charges for services and capital grants and contributions) were not sufficient to cover the utility operating costs. This decrease in net assets between years was lower this year by \$1.9 million (28.2%) than in the prior year, which is due largely to an increase in program revenues of about \$0.9 million (3.9%) over the prior year and an overall decrease program expenses of \$1.1 million (3.4%) for all business-type activities from the prior year.

Program revenues increased due to increases in charges for services revenues for all business-type activities totaling \$1.2 million (5.3%) over the prior year, offset by decreases in capital contributions (which consists entirely of water, wastewater and sanitation development fees) by \$0.3 million (38.2%) for all business-type activities between year. The increase in program revenues was expected as the City projected about a 3% increase in utility fees due to projected small increases in the customer base, water consumption, sewer usage, and sanitation services over the prior year due to population growth, coupled with no utility rate changes between years. The decline in capital contributions was expected due to the effect that the economic slowdown has had on local development.

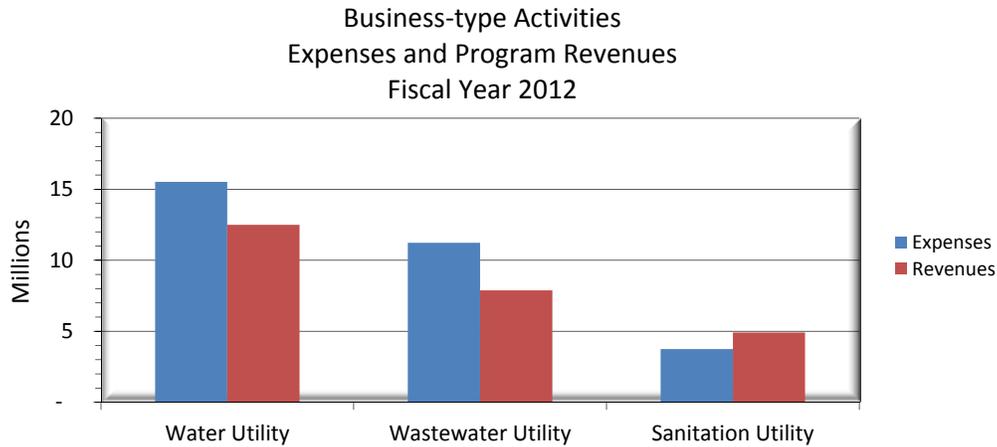
The decrease in business-type activities program expenses was largely attributable to the following:

- A significant decrease in the amount of uncollectible utility accounts receivable written off and charged to bad debt expenses between years. Accounts receivable write offs totaled \$0.7 million dollars last year compared to \$0.2 million this year. The changes in accounts receivable write offs between years were \$0.2 million, \$0.2 million, and \$0.1 million for the Water, Wastewater and Sanitation Utilities, respectively.
- An overall decrease in general staff and administrative costs allocated to the three utilities from the prior year. The changes in general staff and administrative costs between years resulted in decreases in costs of \$0.2 million and \$0.1 million for the Water and Wastewater Utilities, respectively, offset by an increase in costs of \$0.1 million for the Sanitation Utility.
- Water Utility water purchases from Central Arizona Project were about \$0.5 million less than in the prior year.
- Significant decreases in Water Utility water distribution system repair and maintenance costs by \$0.5 million and water meter costs by \$0.3 million between years. The costs incurred in the prior year were part of a city initiative to replace outdated water meters and lines.

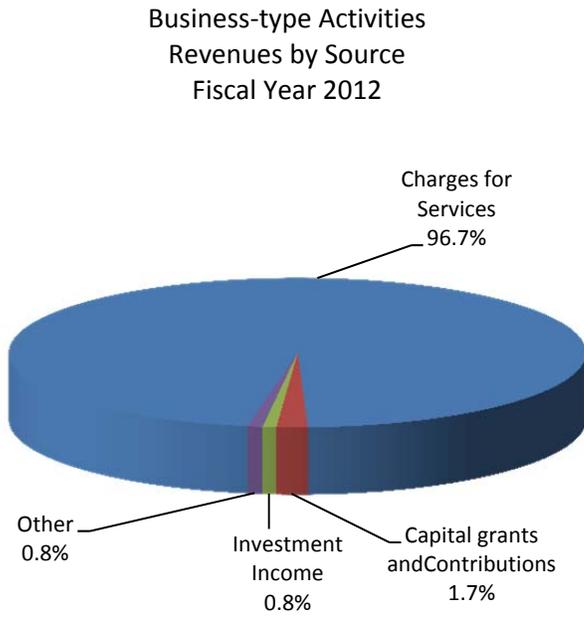
These decreases in expenses between years were offset by normal increases in operating expenses for all business-type activities. Transfers had no effect on the change in net assets between years.

Business-type activities accounted for 27.1% of the City’s total revenues and 31.3% of total expenses in fiscal year 2012. In addition, program revenues of \$25.3 million were 82.9% of business-type expenses during the year, compared to \$24.3 million, or 77.1%, of expenses in fiscal year 2011. This decrease is addressed by the changes discussed above.

The following graph shows the expenses and revenues of the business-type activities in order to demonstrate the extent to which the business-type activities produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation to these activities. Expenses not covered by direct program revenues are covered by the City’s general revenues which consist primarily of investment income and miscellaneous revenue.



The City’s largest business-type activity is water utilities with \$15.5 million and \$12.5 million in expenses and revenues, respectively, during the year, followed by wastewater utilities with expenses of \$11.2 million and revenues of \$7.9 million.



Charges for services, which consist almost entirely of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$24.8 million or 96.7%, followed by capital grants and contributions of \$0.4 million or 1.7%. Capital grants and contributions consisted entirely of development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

Governmental Funds

The focus of governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented in these financial statements, while non-major funds are combined into a single column. Combining statements for the non-major governmental funds can be found on pages 89-97.

At the end of the current fiscal year, the City reported combined ending fund balance of \$70.4 million, a decrease of \$2.4 million (3.3%) from the previous year. About \$7.9 million of the fund balance is unassigned and \$18.9 million is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of the following: (1) nonspendable of \$1.3 million, (2) restricted of \$25.4 million, and (3) committed of \$16.9 million. A detailed explanation of fund balance categories and classifications for the year ended June 30, 2012, can be found in Note 1 - Summary of Significant Accounting Policies on pages 63-65 and Note 7 - Fund Balances on page 70.

General Fund - accounts for all city financial resources not required to be accounted for in other funds. This fund is the City's chief operating fund and accounts for many major functions of the City such as general government, public safety, health and welfare, economic and community development, culture and recreation, and transportation. At June 30, 2012, fund balance of the General Fund was \$32.0 million compared to \$25.8 million in the previous year, an increase of \$6.2 million (24.0%). The overall increase in fund balance during the year was largely due to the following factors.

Revenues increased in all revenue categories except for charges for services. Overall, revenues increased by \$2.9 million (6.9%) over the previous year. The City's tax revenues and intergovernmental revenues increased \$1.9 million (8.3%) and \$0.8 million (5.1%), respectively, and accounted for most of the revenue increase between years.

- Increase in tax revenues was due mostly to an increase in sales tax revenues of about \$1.9 million (8.8%) over the previous year and a slight increase in primary property tax revenues of \$0.1 million (4.3%). An increase in sales tax revenues in the range of 3% to 8% was expected based on a stable population, minimal development, and an increase in sales activity at retail centers reflecting the reports of economic recovery locally and nationally. Primary property taxes increased largely as a result of an increase in the maximum allowable primary tax rate by 26.4% over the prior year, offset by an 18.0% decrease in the net primary assessed property values from the previous year.
- Increase in intergovernmental revenues was largely the result of increases in state-shared revenues of about \$0.5 million from the previous year. The increase in state-shared revenues was the result of a \$0.3 million (4.9%) decrease in state-shared income tax revenues, offset by a \$0.6 million (10.2%) increase in state-shared sales tax revenues and a \$0.2 million increase in auto lieu tax. The decrease in state-shared income tax revenues was expected based on income taxes collected by the Arizona Department of Revenue for the 2010 tax year. The 2010 state income tax collections continued to be affected by the downturn in the economy. An increase in state-shared sales tax revenues in the range of 3% to 8% was expected based on a stable population, minimal development, and an increase in sales activity at retail centers reflecting the reports of economic recovery locally and nationally.

Expenditures decreased by about \$4.5 million (11.3%) from the previous year primarily for two reasons. First, the City paid \$2.1 million less in sales tax incentive rebates to developers than in the prior year due to the expiration of significant rebate agreements. Second, the City purchased \$3.1 million of land last year as part of the City Center Retail Project. No significant capital purchases were made this year.

Highway User Revenue Fund - accounts for excise fuel taxes which are distributed to cities and towns based on a formula. A constitutional provision requires that these funds be used for highway and street purposes. Cities and towns receive 27.5% of highway user revenues based on population estimates acquired through the most recent census, or census survey, and excise fuel sales within each county. Excise fuel taxes are influenced by fluctuations in fuel prices and consumer behavior.

Revenues, which consist almost entirely of excise fuel tax revenues, decreased about \$0.2 million (5.3%) from the previous year. The slight decrease was expected with fuel prices increasing in Arizona. Expenditures decreased by less than \$0.1 million, transfers out remained substantially unchanged, and transfers in decreased about \$0.1 million between fiscal years. Decreases in overall expenditures and transfers in were expected as budgeted expenditures

had been reduced from the prior year since there was no growth expected in revenues. Transfers from other funds, which decreased from the prior year, consisted of grant funding to help finance street and highway projects. The net effect of these activities increased fund balance by \$0.1 million (3.0%) from the prior year.

Dedicated Sales Tax Revenue Fund - accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems and streets that serve city neighborhoods. The tax was approved by the voters and became effective in July 2001.

Revenues, which consist entirely of the half-cent sales tax revenues, except for interest income, increased about \$0.3 million (6.3%) over the previous year. An increase in sales tax revenues in the range of 3% to 8% was expected based on a stable population, minimal development, and an increase in sales activity at retail centers reflecting the reports of economic recovery locally and nationally. Expenditures remained substantially unchanged and transfers to other funds decreased \$0.1 million (1.7%) from the prior year. The decrease was due to reduced transfers to the Development Fees Fund to finance street projects. The net effect of these activities decreased fund balance by \$0.2 million (39.4%) from the previous year.

Public Safety Sales Tax Revenue Fund - accounts for the voter-approved 0.5-cent public safety sales tax revenues. The use of these revenues is restricted to providing increased public safety services for city neighborhoods. The tax was approved by the voters and became effective in January 2004.

Revenues, which consist entirely of the half-cent sales tax revenues, except for interest income, increased about \$0.3 million (6.3%) over the previous year. This increase was expected. Expenditures decreased about \$0.2 million (5.4%) and transfers to other funds remained substantially unchanged from the prior year. The decrease in expenditures was largely due to vacancy savings from employee retirements during the year. The net effect of these activities increased fund balance by \$0.9 million (69.4%) over the previous year.

Development Fees Fund - accounts for fees collected from developers for growth-related development and construction based on the impact the development will have on city services and infrastructure, as well as bonds proceeds, sales tax and grant revenues, and fund transfers that are restricted, committed or assigned to capital development and maintenance. The fee is allowable under A.R.S. §9-463.05. Development fees are collected with each new building permit issued. The City charges development fees for streets, libraries, parks and recreation, police and fire, and general government projects. The fund also accounts for other revenues received that are restricted to developing city infrastructure such as capital grants and developer contributions.

Revenues and expenditures decreased \$2.4 million (64.2%) and \$13.3 million (60.6%) from the previous year. The significant decrease in revenues was largely due to a \$2.4 million (74.3%) decrease in intergovernmental revenues between years. This decrease was largely due to the completion of prior year highway and street projects, such as the Avondale Boulevard widening project, for which the City received about \$2.6 million. The decrease in expenditures was largely due to decreases in capital outlay expenditures of \$12.2 million (62.9%) and highway and street expenditures of \$1.0 million (45.5%) between years. Capital outlay expenditures decreased primarily due to the completion of two significant capital projects in the prior year; the Avondale American Sports Center Complex and the Glendale Regional Public Safety Training Center, which is operated by multiple West Valley cities including Avondale. This decrease between years was only partially offset by new capital projects during the year. The decrease in highway and street expenditures was due to the City budgeting for and spending less on roadway improvements and routine and maintenance than in the prior year.

Transfers into the fund decreased about \$2.1 million between years, which was due to reduced capital project activity from the prior year. The net effect of these activities decreased fund balance by \$7.5 million (48.4%) from the prior year.

General Obligation Bonds Fund - accounts for the accumulation of resources and payment of principal and interest on the City's general obligation bonds. The principal and interest on general obligation bonds is normally paid with revenues generated from the secondary property tax levy sufficient to make required debt service payments.

Revenues, which consisted almost entirely of secondary property taxes, decreased by about \$0.4 million (10.7%) from the prior year. This decrease occurred primarily as a result of a decline in the net secondary assessed property values from the prior year by 23.0%, offset by an increase the secondary tax rate by 9.8% over the same period. The ongoing downturn in the economy was the key factor contributing to these decreases in assessed property values. Expenditures decreased by about \$0.3 million between years, which was expected as there were no new general obligation bond issues, refinancing, or refunding during the year.

Dedicated Sales Tax Revenue Bonds Fund - accounts for the accumulation of resources and payment of principal and interest on the Avondale Municipal Development Corporation Bonds issued by the City. The City has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes to make the required debt services payments for these series.

Revenues, which consisted entirely of interest income, did not change significantly from the prior year. This change was expected as there were no significant changes in cash and cash equivalents during the year. Expenditures were substantially unchanged between years, which was expected as there were no new revenue bond issues, refinancing, or refunding during the year.

Proprietary Funds – The proprietary fund financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Total unrestricted net assets of the enterprise funds were \$44.4 million and \$44.2 million for fiscal years 2012 and 2011, respectively. The decrease in total net assets between years was \$4.6 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed in the business-type activities section above.

Budgetary Highlights

The City's Annual Budget & Financial Plan (adopted budget) is the legally adopted expenditure control document of the City. Amendments to the adopted budget may occur throughout the year, in a legally permissible manner, between departments within the General Fund and between funds in all other funds (see Note 1 - Summary of Significant Accounting Policies, pages 59-60, for more information on the budget and budgetary accounting). During the year, no amendments increased the City's total budget of \$163,154,810 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expenditure accounts did occur, but none of them was significant.

On August 28, 2012, city voters approved an alternative expenditure limitation, the effect of which allowed the City's total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary comparison statements for the General Fund and major special revenue funds can be found on pages 38-41. Budgetary comparison schedules for all other governmental funds can be found on pages 86-88 and 100-110.

Actual General Fund revenues of \$44.5 million was more than budgeted inflows of \$41.8 million by \$2.7 million or 6.4%, while expenditures and other financing uses of \$38.3 million was only 87.1% of final budgeted outflows of \$43.9 million. A more detailed analysis of General Fund revenues, expenditures and other financing sources and use is outlined in the Governmental Funds section of this analysis.

The following outlines a summary budget analysis of General Fund expenditures by function for the current fiscal year.

General Government - Budgeted contingency appropriation was decreased due to transfers of contingency appropriation of about \$0.2 million to purchase human resource management software, fund unanticipated fire station building repairs, and fund a police homebuyer assistance program. The contingency transfers were offset by transfers of fiscal year 2011 carryover appropriation of about \$0.1 million. Expenditures in general government were less than budget largely due to \$2.8 million of contingency appropriation not being spent; incentive rebates and computer and software licensing costs being \$0.1 million and \$0.2 million less than projected, respectively; and savings from reduced electric usage to operate City Hall of about \$0.3 million.

Public Safety - There were no significant budget adjustments during the year except for transfers of budgeted personal service costs between public safety costs centers. Actual expenditures in public safety were less than the final budget largely due to savings from reduced expenditures for contractual maintenance costs on vehicles and radio and communication equipment of about \$0.1 million and savings from reduced employee health benefits costs of about \$0.2 million.

Health and Welfare - There were no significant budget adjustments during the year. Actual expenditures in health and welfare were less than the final budget primarily due to senior program cost savings, reductions in code enforcement overtime, savings from reduced expenditures for code enforcement activities such neighborhood

preservation and graffiti control, savings from reduced homebuyer assistance program expenditures, and reduced private donations and contributions totaling about \$240,000. About \$40,000 of homebuyer assistance program savings were carried forward to the fiscal year 2013 budget.

Economic and Community Development - There were no significant budget adjustments during the year. Actual expenditures in economic and community development were less than the final budget largely due to savings in contract plan review and consulting totaling about \$0.2 million. In addition, marketing and economic opportunities fund savings of approximately \$0.3 million were carried forward to the fiscal year 2013 budget.

Culture and Recreation - The budget decrease was primarily due to reductions in the leisure activity and after-school program services budgets due to anticipated declines in participation, donations and sponsorships. Actual expenditures in culture and recreation were less than the final budget largely due to the following:

- Savings from reduced expenditures for special event, leisure activity, and after school programs of about \$0.6 million due to decline in participation, donations and sponsorships, which also resulted in reduced library and recreation staffing costs totaling about \$60,000.
- Savings in annual contractual obligation payments made to American Sports Center of about \$46,000.

Capital Outlay - The budget was increased largely due to purchase human resource management software for about \$90,000, information technology hardware and software for about \$113,000, and building improvements and equipment for about \$21,000. Actual expenditures exceeded the final budget as information technology hardware and software costs exceeded estimates.

Capital Assets

The City's government-wide capital assets at June 30, 2012, totaled about \$1.1 billion. The following schedule presents capital asset balances for the fiscal years ended June 30, 2012, and June 30, 2011.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2012	2011	2012	2011	2012	2011	
Land	\$ 251,989,374	\$ 251,983,374	\$ 16,198,111	\$ 16,170,702	\$ 268,187,485	\$ 268,154,076	0.0 %
Buildings and improvements	54,681,337	56,036,171	-	-	54,681,337	56,036,171	(2.4)
Improvements other than building	1,229,569	1,201,812	684,101	724,541	1,913,670	1,926,353	-0.7
Vehicles, furniture and equipment	5,290,264	4,356,971	1,604,552	2,104,558	6,894,816	6,461,529	6.7
General infrastructure	256,902,361	256,904,163	-	-	256,902,361	256,904,163	(0.0)
Water system	-	-	229,130,687	231,779,965	229,130,687	231,779,965	(1.1)
Sewer system	-	-	169,104,891	173,510,008	169,104,891	173,510,008	(2.5)
Wastewater treatment system	-	-	69,230,522	70,832,184	69,230,522	70,832,184	(2.3)
Intangible assets	1,828,782	1,894,291	4,429,792	1,523,755	6,258,574	3,418,046	83.1
Construction in progress	12,516,714	16,411,961	1,115,035	2,933,559	13,631,749	19,345,520	(29.5)
Total	\$ 584,438,401	\$ 588,788,743	\$ 491,497,691	\$ 499,579,272	\$ 1,075,936,092	\$ 1,088,368,015	(1.1)

While the City's governmental and business-type activities capital assets balances changed between fiscal years, there was no substantive change in total government-wide capital assets from the prior year. The \$4.4 million decrease in governmental activities capital assets between years consisted primarily of \$7.2 million of new construction in progress (highway and street construction and improvements of \$4.0 million, bridge and highway overpass construction and improvements of \$1.5 million, street drainage projects of \$0.6 million, \$0.5 million of City Center Retail Project improvements, and \$0.6 million of other); \$9.8 million of infrastructure construction and improvements (roads of \$9.3 million, sidewalks of \$0.3 million and streetlights of \$0.2 million); \$0.6 million of building improvements related to the City Center Retail Project and Traffic Operation Center; and \$2.6 million of vehicles, machinery, and equipment purchases. These capital additions were offset by a \$13.2 million increase in accumulated depreciation during the year. The \$8.1 million decrease in business-type activities capital assets

between years consisted primarily of the purchase of a local water company totaling \$3.1 million, \$2.6 million of which was paid in fiscal year 2012, and water system-related construction and improvements of \$1.6 million, offset by \$12.9 million increase in accumulated depreciation during the year.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Additional information on the City's capital assets can be found in Note 6 - Capital Assets on pages 68-70.

The City has adopted a ten-year capital improvement plan for fiscal years 2013 through 2022, with budgeted capital outlays totaling \$303.7 million. The plan, which includes \$58.1 million of budgeted capital outlays for fiscal year 2013, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for fiscal year 2013 is through a combination of existing fund balances (45.6%), development (impact) fees (2.1%), bond proceeds (32.7%), outside funding sources such as grants and other intergovernmental cost-sharing agreements (2.0%), operating and non-operating revenues and other financing sources (17.6%). The capital improvement plan is updated annually as part of the City's formal budgetary process.

Long-term Debt

At June 30, 2012, the City had total long-term obligations outstanding of \$108.0 million, down \$10.6 million (8.9%) from the previous year. Of this total, \$99.0 million (91.7%) was in governmental activities and \$9.0 (8.3%) was in business-type activities. Of the total outstanding bonds of \$103.3 million, net of unamortized premiums and discounts, \$34.4 million (33.3%) were general obligation bonds backed by the full faith and credit of the City, and \$68.9 million (66.7%) were revenue bonds secured by pledges of specific revenue sources of the City. The City did not issue any long-term debt obligations during the year ended June 30, 2012. As a result, the change in long-term debt obligations between years was entirely due to payment of principal and interest and amortization of premiums, discounts, and deferred bond issue costs and charges during the year.

The Arizona Constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the City's net secondary assessed property valuation. The City's legal debt margin at June 30, 2012, and June 30, 2011, is \$19.6 million and \$22.8 million in the 6% capacity, respectively, and \$35.9 million and \$44.7 million in the 20% capacity, respectively. Additional debt limitation and capacity information may be found in the statistical section of this report on page 142-143.

The following schedule presents the City's outstanding long-term debt as of June 30, 2012, and June 30, 2011. Additional information on the City's outstanding debt can be found in Note 9 - Long-term Obligations on pages 76-80.

Outstanding Debt at June 30

	Governmental Activities		Business-type Activities		Total		Percent Change
	2012	2011	2012	2011	2012	2011	
Compensated absences	\$ 3,078,743	\$ 3,004,889	\$ 396,961	\$ 368,381	\$ 3,475,704	\$ 3,373,270	3.0 %
Capital leases payable	550,540	947,816	-	-	550,540	947,816	(41.9)
Claims payable	639,138	496,500	-	-	639,138	496,500	28.7
Municipal Development							
Corporation bonds	57,329,281	62,386,222	1,415,717	1,733,772	58,744,998	64,119,994	(8.4)
General obligation bonds	34,385,000	37,160,000	-	-	34,385,000	37,160,000	(7.5)
Highway user revenue bonds	2,140,000	2,465,000	-	-	2,140,000	2,465,000	(13.2)
Water and sewer revenue bonds	-	-	6,785,000	8,625,000	6,785,000	8,625,000	(21.3)
Unamortized premiums and discounts, net	871,923	956,854	384,481	432,534	1,256,404	1,389,388	(9.6)
Total	\$ 98,994,625	\$ 107,417,281	\$ 8,982,159	\$ 11,159,687	\$ 107,976,784	\$ 118,576,968	(8.9)

Economic Factors

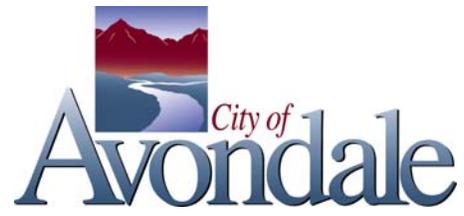
The City of Avondale, like other Arizona cities, remains dependent on sales taxes and other economically sensitive taxes and revenues. The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having an impact on the City of Avondale. Revenues from building permits, development fees, state-shared revenues, and construction sales taxes have slowed significantly. For example, city sales taxes have decreased by over 30 percent (30%) from 2007 to 2011.

For the first time in over 5 years, the City's excise tax revenues increased in fiscal year 2012. Total excise tax revenues increased over 6% from fiscal year 2011 to fiscal year 2012. The fiscal year 2013 budget reflects 6% growth in revenues in the General Fund. The City's fiscal year 2013 budget is structurally balanced. City management continues to closely monitor the City's budget and operations, as well as the national and local economies, to help ensure that the City takes appropriate corrective action in order to maintain service levels; meet Council goals, which include ensuring long-term financial stability of the City; and to ensure compliance laws and regulations.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please visit our website at <http://www.avondale.org> or contact:

City of Avondale
Finance and Budget Department
11465 W. Civic Center Drive, Suite 250
Avondale, Arizona 85323
(623) 333-2000



FINANCIAL SECTION

Basic Financial Statements

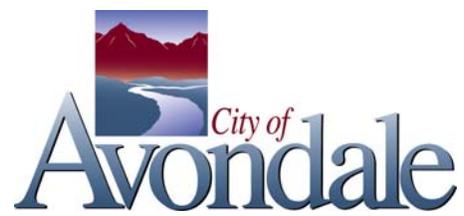
Government-wide Financial Statements include the Statement of Net Assets and Statement of Activities, which use the economic resource measurement focus and accrual basis of accounting for financial reporting.

Governmental Fund Financial Statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds, which use the current financial resources measurement focus and modified accrual basis of accounting for financial reporting.

Proprietary Fund Financial Statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the business-types activities, which use the economic resource measurement focus and accrual basis of accounting for financial reporting.

Fiduciary Fund Financial Statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets for assets being held for the benefit of parties outside of the City. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

Notes to the Financial Statements include a summary of significant accounting policies and other disclosures considered essential to the fair presentation of the financial statements.



CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 43,480,410	\$ 43,336,764	\$ 86,817,174
Receivables (net):			
Accounts	515,135	4,981,126	5,496,261
Taxes	3,402,131	149,270	3,551,401
Interest	48,688	32,460	81,148
Due from other governments	3,567,134	104,799	3,671,933
Internal balances	(323,856)	323,856	-
Inventories	372,452	423,053	795,505
Prepaid items	1,044,274	62,501	1,106,775
Restricted:			
Cash and cash equivalents with fiscal agents	11,070,238	2,235,439	13,305,677
Total current assets	<u>63,176,606</u>	<u>51,649,268</u>	<u>114,825,874</u>
Noncurrent assets:			
Investments	17,984,459	12,207,048	30,191,507
Deferred bond issue cost and charges	1,412,789	163,528	1,576,317
Capital assets:			
Non-depreciable	264,506,088	18,836,901	283,342,989
Depreciable (net)	319,932,313	472,660,790	792,593,103
Total noncurrent assets	<u>603,835,649</u>	<u>503,868,267</u>	<u>1,107,703,916</u>
Total assets	<u>667,012,255</u>	<u>555,517,535</u>	<u>1,222,529,790</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,909,886	1,161,626	3,071,512
Accrued payroll	721,468	73,098	794,566
Accrued liabilities	2,561,005	189,054	2,750,059
Construction contracts payable	62,807	85,667	148,474
Sales taxes payable	507	-	507
Due to other governments	217,864	-	217,864
Deposits held for others	85,575	1,685,973	1,771,548
Unearned revenue	117,617	302,862	420,479
Claims payable	360,330	-	360,330
Compensated absences	2,462,994	317,570	2,780,564
Capital leases payable	413,525	-	413,525
General obligation bonds	2,853,048	-	2,853,048
Revenue bonds	5,495,671	2,119,271	7,614,942
Total current liabilities	<u>17,262,297</u>	<u>5,935,121</u>	<u>23,197,418</u>
Noncurrent liabilities:			
Claims payable	278,808	-	278,808
Compensated absences	615,749	79,391	695,140
Capital leases payable	137,015	-	137,015
General obligation bonds	31,595,918	-	31,595,918
Revenue bonds	54,781,567	6,465,927	61,247,494
Total noncurrent liabilities	<u>87,409,057</u>	<u>6,545,318</u>	<u>93,954,375</u>
Total liabilities	<u>104,671,354</u>	<u>12,480,439</u>	<u>117,151,793</u>
NET ASSETS			
Invested in capital assets, net of related debt	489,161,664	482,912,493	972,074,157
Restricted for:			
Transit services	2,339,375	-	2,339,375
Highways and streets	4,025,591	-	4,025,591
Grant and contributor purposes	1,857,995	-	1,857,995
Community development	77,224	-	77,224
Public safety	2,663,307	-	2,663,307
Debt service	12,459,377	2,235,439	14,694,816
Capital projects	4,215,016	13,122,970	17,337,986
Unrestricted	45,541,352	44,766,194	90,307,546
Total net assets	<u>\$ 562,340,901</u>	<u>\$ 543,037,096</u>	<u>\$ 1,105,377,997</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,194,735	\$ 1,543,248	\$ 273,069	\$ 604,734
Public safety	24,509,660	290,321	1,218,527	155,185
Highways and streets	12,514,335	-	4,222,593	851,283
Health and welfare	2,748,093	-	1,547,602	-
Economic and community development	5,015,366	614,765	-	-
Culture and recreation	3,675,781	413,832	301,231	31,477
Transportation	1,824,128	-	1,102,713	-
Interest on long-term debt	4,573,048	-	-	-
Total governmental activities	67,055,146	2,862,166	8,665,735	1,642,679
Business-type activities:				
Water utility	15,517,184	12,241,675	-	255,898
Wastewater utility	11,232,156	7,695,007	-	185,741
Sanitation utility	3,748,396	4,909,423	-	3,344
Total business-type activities	30,497,736	24,846,105	-	444,983
Total primary government	\$ 97,552,882	\$ 27,708,271	\$ 8,665,735	\$ 2,087,662

General revenues:

Taxes:

Sales and use taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

State-shared revenues, unrestricted

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net assets

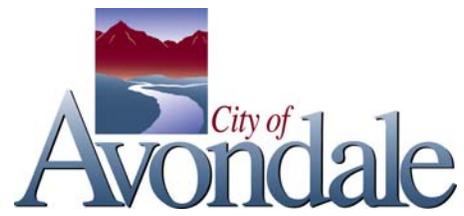
Net assets, beginning of year

Net assets, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Totals
\$ (9,773,684)	\$ -	\$ (9,773,684)
(22,845,627)	-	(22,845,627)
(7,440,459)	-	(7,440,459)
(1,200,491)	-	(1,200,491)
(4,400,601)	-	(4,400,601)
(2,929,241)	-	(2,929,241)
(721,415)	-	(721,415)
(4,573,048)	-	(4,573,048)
<u>(53,884,566)</u>	<u>-</u>	<u>(53,884,566)</u>
-	(3,019,611)	(3,019,611)
-	(3,351,408)	(3,351,408)
-	1,164,371	1,164,371
<u>-</u>	<u>(5,206,648)</u>	<u>(5,206,648)</u>
<u>(53,884,566)</u>	<u>(5,206,648)</u>	<u>(59,091,214)</u>
32,914,546	-	32,914,546
2,278,643	-	2,278,643
2,985,899	-	2,985,899
1,096,920	-	1,096,920
14,870,469	-	14,870,469
282,485	196,973	479,458
33,435	-	33,435
1,646,489	213,772	1,860,261
(150,000)	150,000	-
<u>55,958,886</u>	<u>560,745</u>	<u>56,519,631</u>
<u>2,074,320</u>	<u>(4,645,903)</u>	<u>(2,571,583)</u>
560,266,581	547,682,999	1,107,949,580
-	-	-
<u>\$ 562,340,901</u>	<u>\$ 543,037,096</u>	<u>\$ 1,105,377,997</u>



FINANCIAL SECTION

Governmental Fund Financial Statements

Major Funds

General Fund accounts for all financial resources of the City, except those required to be accounted for in other funds. This fund is the City's chief operating fund.

Highway User Revenue Fund accounts for excise fuel taxes which are distributed to cities and towns based on a formula. A constitutional provision requires that these funds be used for highway and street purposes.

Dedicated Sales Tax Revenue Fund accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems and streets that serve city neighborhoods.

Public Safety Sales Tax Revenue Fund accounts for the voter-approved 0.5-cent public safety sales tax revenues. The use of these revenues is restricted to providing increased public safety services for city neighborhoods.

Development Fees Fund accounts for fees collected from developers for growth-related development and construction based on the impact the development will have on city services and infrastructure, as well as bonds proceeds, sales tax and grant revenues, and fund transfers that are restricted, committed or assigned to capital development and maintenance.

General Obligation Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the City's general obligation bonds. The principal and interest on general obligation bonds is normally paid with revenues generated from the secondary property tax levy sufficient to make required debt service payments.

Dedicated Sales Tax Revenue Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the Avondale Municipal Development Corporation Bonds issued by the City. The city has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes to make the required debt services payments.

Non-Major Funds

All other governmental funds are non-major funds. These funds can be found on pages 89-97.

CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund
ASSETS			
Cash and cash equivalents	\$ 12,192,140	\$ 3,206,141	\$ -
Investments	17,984,459	-	-
Receivables:			
Taxes	2,320,510	-	478,406
Accounts	42,327	-	-
Interest	48,688	-	-
Due from other funds	162,943	-	-
Due from other governments	1,050,336	393,378	-
Inventories	3,176	215,684	-
Prepaid items	271,673	18,662	-
Restricted:			
Cash and cash equivalents with fiscal agents	-	-	-
Total assets	<u>\$ 34,076,252</u>	<u>\$ 3,833,865</u>	<u>\$ 478,406</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 970,218	\$ 203,918	\$ 194
Accrued payroll and employee benefits	590,516	17,500	-
Accrued liabilities	330,357	-	-
Construction contracts payable	1,481	-	-
Deposits held for others	83,077	-	-
Sales taxes payable	507	-	-
Due to other governments	-	20,800	-
Due to other funds	-	304	161,055
Deferred revenue	112,923	22,480	-
Total liabilities	<u>2,089,079</u>	<u>265,002</u>	<u>161,249</u>
Fund balances:			
Nonspendable	274,849	234,346	-
Restricted	349,992	3,334,517	317,157
Committed	16,192,523	-	-
Assigned	7,253,410	-	-
Unassigned	7,916,399	-	-
Total fund balances	<u>31,987,173</u>	<u>3,568,863</u>	<u>317,157</u>
Total liabilities and fund balances	<u>\$ 34,076,252</u>	<u>\$ 3,833,865</u>	<u>\$ 478,406</u>

The notes to the financial statements are an integral part of this statement.

Public Safety Sales Tax Revenue Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,694,034	\$ 8,281,841	\$ 254,884	\$ 1,911,382	\$ 11,959,110	\$ 39,499,532
-	-	-	-	-	17,984,459
478,381	-	124,833	-	-	3,402,130
-	-	-	-	508,042	550,369
-	-	-	-	-	48,688
-	-	-	-	-	162,943
-	405,000	-	-	1,774,670	3,623,384
-	-	-	-	5,153	224,013
43,958	-	640,000	-	68,893	1,043,186
-	-	3,206,186	5,908,659	1,955,393	11,070,238
<u>\$ 2,216,373</u>	<u>\$ 8,686,841</u>	<u>\$ 4,225,903</u>	<u>\$ 7,820,041</u>	<u>\$ 16,271,261</u>	<u>\$ 77,608,942</u>

\$ 52,450	\$ 185,902	\$ -	\$ -	\$ 326,402	\$ 1,739,084
73,765	-	-	-	27,127	708,908
-	-	1,006,186	1,108,561	155,525	2,600,629
-	31,199	-	-	30,127	62,807
-	-	-	-	-	83,077
-	-	-	-	-	507
-	-	-	-	197,064	217,864
11	-	-	-	36	161,406
-	529,922	93,030	-	868,967	1,627,322
<u>126,226</u>	<u>747,023</u>	<u>1,099,216</u>	<u>1,108,561</u>	<u>1,605,248</u>	<u>7,201,604</u>

-	43,958	640,000	-	74,046	1,267,199
2,090,147	3,026,618	2,486,687	6,711,480	7,032,228	25,348,826
-	668,344	-	-	77,694	16,938,561
-	4,200,898	-	-	7,482,045	18,936,353
-	-	-	-	-	7,916,399
<u>2,090,147</u>	<u>7,939,818</u>	<u>3,126,687</u>	<u>6,711,480</u>	<u>14,666,013</u>	<u>70,407,338</u>
<u>\$ 2,216,373</u>	<u>\$ 8,686,841</u>	<u>\$ 4,225,903</u>	<u>\$ 7,820,041</u>	<u>\$ 16,271,261</u>	<u>\$ 77,608,942</u>

CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances - total governmental funds balance sheet \$ 70,407,338

Amounts reported for governmental activities in the statements of net assets are different because:

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

Governmental capital assets	\$ 749,776,208	
Less accumulated depreciation	<u>(165,337,807)</u>	584,438,401

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	(93,854,281)	
Capital leases payable	(550,540)	
Compensated absences	<u>(3,078,743)</u>	(97,483,564)

Bond issuance costs and bond premiums are recognized at the time of issuance in the governmental funds, but are deferred and recognized over the life of the bonds on the government-wide financial statements.

Bond premiums and discounts, net	(871,923)	
Deferred bond issue cost and charges	<u>1,412,789</u>	540,866

Internal service funds are used by management to charge the costs of risk management, printing services, and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column on the statement of net assets.

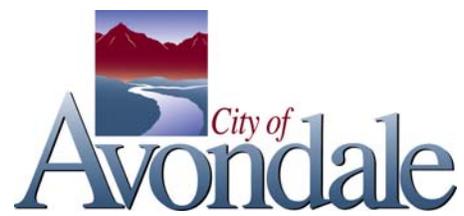
2,928,155

Other assets used in governmental activities are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Intergovernmental revenue	1,407,956	
Property tax revenue	<u>101,749</u>	<u>1,509,705</u>

Net assets of governmental activities - statement of net assets \$ 562,340,901

The notes to the financial statements are an integral part of this statement.



CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund
Revenues			
Taxes	\$ 25,325,953	\$ -	\$ 5,511,338
Licenses and permits	725,215	-	-
Intergovernmental	15,474,565	3,890,913	-
Charges for services	801,764	-	-
Fines, forfeitures, and penalties	1,175,041	-	-
Interest	254,701	2,069	828
Contributions	36,242	-	-
Miscellaneous	697,816	2,046	-
Total revenues	<u>44,491,297</u>	<u>3,895,028</u>	<u>5,512,166</u>
Expenditures			
Current:			
General government	10,302,994	-	8,263
Public safety	18,049,861	-	-
Highways and streets	-	1,326,964	-
Health and welfare	1,298,866	-	-
Economic and community development	3,074,115	1,783,275	-
Culture and recreation	2,238,181	-	-
Transportation	-	-	-
Debt service:			
Principal	337,470	-	-
Interest and other charges	29,242	-	-
Capital outlay	306,420	47,386	-
Total expenditures	<u>35,637,149</u>	<u>3,157,625</u>	<u>8,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,854,148</u>	<u>737,403</u>	<u>5,503,903</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(2,655,792)	(635,040)	(5,709,950)
Total other financing sources (uses)	<u>(2,655,792)</u>	<u>(635,040)</u>	<u>(5,709,950)</u>
Net change in fund balances	6,198,356	102,363	(206,047)
Fund balances, beginning of year	<u>25,788,817</u>	<u>3,466,500</u>	<u>523,204</u>
Fund balances, end of year	<u>\$ 31,987,173</u>	<u>\$ 3,568,863</u>	<u>\$ 317,157</u>

The notes to the financial statements are an integral part of this statement.

Public Safety Sales Tax Revenue Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,511,414	\$ -	\$ 3,035,184	\$ -	\$ -	\$ 39,383,889
-	514,159	-	-	103,624	1,342,998
-	817,689	-	-	3,560,505	23,743,672
-	-	-	-	90,013	891,777
-	-	-	-	-	1,175,041
658	10,307	1,403	1,800	8,233	279,999
-	-	-	-	1,006,054	1,042,296
-	236	652,418	-	12,132	1,364,648
<u>5,512,072</u>	<u>1,342,391</u>	<u>3,689,005</u>	<u>1,800</u>	<u>4,780,561</u>	<u>69,224,320</u>
137,706	-	-	-	600,889	11,049,852
4,084,128	-	-	-	1,226,397	23,360,386
-	1,191,300	-	-	-	2,518,264
-	-	-	-	1,468,008	2,766,874
-	-	-	-	157,857	5,015,247
-	182,113	-	-	64,535	2,484,829
-	-	-	-	1,823,627	1,823,627
-	59,806	2,775,000	3,225,408	2,156,533	8,554,217
-	4,681	2,130,540	2,226,501	315,637	4,706,601
300,973	7,236,135	-	-	1,332,152	9,223,066
<u>4,522,807</u>	<u>8,674,035</u>	<u>4,905,540</u>	<u>5,451,909</u>	<u>9,145,635</u>	<u>71,502,963</u>
<u>989,265</u>	<u>(7,331,644)</u>	<u>(1,216,535)</u>	<u>(5,450,109)</u>	<u>(4,365,074)</u>	<u>(2,278,643)</u>
-	-	-	-	38,369	38,369
-	1,025,000	-	5,461,750	3,869,812	10,356,562
(132,900)	(1,151,800)	-	-	(206,020)	(10,491,502)
<u>(132,900)</u>	<u>(126,800)</u>	<u>-</u>	<u>5,461,750</u>	<u>3,702,161</u>	<u>(96,571)</u>
856,365	(7,458,444)	(1,216,535)	11,641	(662,913)	(2,375,214)
<u>1,233,782</u>	<u>15,398,262</u>	<u>4,343,222</u>	<u>6,699,839</u>	<u>15,328,926</u>	<u>72,782,552</u>
<u>\$ 2,090,147</u>	<u>\$ 7,939,818</u>	<u>\$ 3,126,687</u>	<u>\$ 6,711,480</u>	<u>\$ 14,666,013</u>	<u>\$ 70,407,338</u>

CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds statement of revenues, expenditures, and changes in fund balances \$ (2,375,214)

Amounts reported for governmental activities in the statement of activities are different because:

Certain long-term capital asset activities provide or use current financial resources in the governmental funds, but create or reduce long-term assets in the statement of activities.

Expenditures for capital assets	\$ 9,223,066	
Less: Current year depreciation	<u>(13,587,855)</u>	(4,364,789)

Certain long-term debt activities provide or use current financial resources in the governmental funds, but create or reduce long-term liabilities in the statement of activities.

Principal payments on long-term debt	8,156,941	
Principal payments on capital leases	<u>397,276</u>	8,554,217

Internal service funds are used by management to charge the costs of risk management, printing services, and fleet management services to individual funds. A portion of the net income (loss) of these internal service funds is reported with governmental activities.

397,641

Some revenues and expenses reported in the statement of activities do not provide or use current financial resources. Therefore, they are not reported as revenues or expenditures in the governmental funds.

Amortization of bond premiums, discounts, and deferred debt issuance cost and charges	(122,181)	
Compensated absences benefits	(64,898)	
Property tax revenues	(75,603)	
Intergovernmental revenues	130,075	
Loss on disposal of capital assets	<u>(4,928)</u>	<u>(137,535)</u>

Change in net assets of governmental activities - statement of activities \$ 2,074,320

The notes to the financial statements are an integral part of this statement.

**FINANCIAL
SECTION**

**Major Governmental Funds
Budgetary Comparison Statements**

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 23,343,400	\$ 23,343,400	\$ 25,325,953	\$ 1,982,553
Licenses and permits	517,130	517,130	725,215	208,085
Intergovernmental	14,254,260	14,254,260	15,474,565	1,220,305
Charges for services	2,107,020	2,107,020	801,764	(1,305,256)
Fines, forfeitures, and penalties	1,185,230	1,185,230	1,175,041	(10,189)
Interest	24,610	24,610	254,701	230,091
Contributions	52,000	52,000	36,242	(15,758)
Miscellaneous	335,920	335,920	697,816	361,896
Total revenues	41,819,570	41,819,570	44,491,297	2,671,727
Expenditures				
Current:				
General government	13,949,600	13,877,685	10,302,994	3,574,691
Public safety	18,380,840	18,286,504	18,049,861	236,643
Health and welfare	1,550,910	1,611,510	1,298,866	312,644
Economic and community development	3,932,060	3,926,538	3,074,115	852,423
Culture and recreation	3,126,050	3,012,896	2,238,181	774,715
Debt service:				
Principal	366,910	366,910	337,470	29,440
Interest and other charges	-	-	29,242	(29,242)
Capital outlay	6,870	231,197	306,420	(75,223)
Total expenditures	41,313,240	41,313,240	35,637,149	5,676,091
Excess (deficiency) of revenues over (under) expenditures	506,330	506,330	8,854,148	8,347,818
Other financing sources (uses)				
Transfers out	(2,656,580)	(2,656,580)	(2,655,792)	788
Total other financing sources (uses)	(2,656,580)	(2,656,580)	(2,655,792)	788
Net change in fund balance	(2,150,250)	(2,150,250)	6,198,356	8,348,606
Fund balance, beginning of year	23,099,520	23,099,520	25,788,817	2,689,297
Fund balance, end of year	\$ 20,949,270	\$ 20,949,270	\$ 31,987,173	\$ 11,037,903

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,206,150	\$ 4,206,150	\$ 3,890,913	\$ (315,237)
Interest	3,140	3,140	2,069	(1,071)
Miscellaneous	140	140	2,046	1,906
Total revenues	<u>4,209,430</u>	<u>4,209,430</u>	<u>3,895,028</u>	<u>(314,402)</u>
Expenditures				
Current:				
Highways and streets	1,654,920	1,654,920	1,326,964	327,956
Economic and community development	2,050,970	2,042,582	1,783,275	259,307
Capital outlay	-	12,000	47,386	(35,386)
Total expenditures	<u>3,705,890</u>	<u>3,709,502</u>	<u>3,157,625</u>	<u>551,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>503,540</u>	<u>499,928</u>	<u>737,403</u>	<u>237,475</u>
Other financing sources (uses)				
Transfers out	(635,040)	(635,040)	(635,040)	-
Total other financing sources (uses)	<u>(635,040)</u>	<u>(635,040)</u>	<u>(635,040)</u>	<u>-</u>
Net change in fund balance	(131,500)	(135,112)	102,363	237,475
Fund balance, beginning of year	<u>2,912,891</u>	<u>2,912,891</u>	<u>3,466,500</u>	<u>553,609</u>
Fund balance, end of year	<u>\$ 2,781,391</u>	<u>\$ 2,777,779</u>	<u>\$ 3,568,863</u>	<u>\$ 791,084</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEDICATED SALES TAX REVENUE FUND
YEAR ENDED JUNE 30, 2012

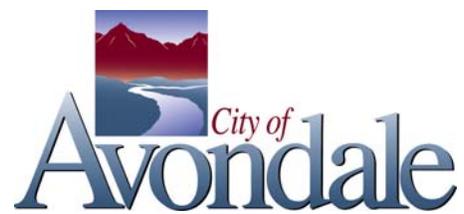
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,229,010	\$ 5,229,010	\$ 5,511,338	\$ 282,328
Interest	600	600	828	228
Total revenues	<u>5,229,610</u>	<u>5,229,610</u>	<u>5,512,166</u>	<u>282,556</u>
Expenditures				
Current:				
General government	4,000	4,000	8,263	(4,263)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>8,263</u>	<u>(4,263)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,225,610</u>	<u>5,225,610</u>	<u>5,503,903</u>	<u>278,293</u>
Other financing sources (uses)				
Transfers out	(5,709,950)	(5,709,950)	(5,709,950)	-
Total other financing sources (uses)	<u>(5,709,950)</u>	<u>(5,709,950)</u>	<u>(5,709,950)</u>	<u>-</u>
Net change in fund balance	(484,340)	(484,340)	(206,047)	278,293
Fund balance, beginning of year	<u>484,340</u>	<u>484,340</u>	<u>523,204</u>	<u>38,864</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,157</u>	<u>\$ 317,157</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY SALES TAX REVENUE FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,229,010	\$ 5,229,010	\$ 5,511,414	\$ 282,404
Interest	870	870	658	(212)
Total revenues	<u>5,229,880</u>	<u>5,229,880</u>	<u>5,512,072</u>	<u>282,192</u>
Expenditures				
Current:				
General government	230,750	230,896	137,706	93,190
Public safety	4,814,520	4,765,374	4,084,128	681,246
Capital outlay	-	49,000	300,973	(251,973)
Total expenditures	<u>5,045,270</u>	<u>5,045,270</u>	<u>4,522,807</u>	<u>522,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>184,610</u>	<u>184,610</u>	<u>989,265</u>	<u>804,655</u>
Other financing sources (uses)				
Transfers out	(132,900)	(132,900)	(132,900)	-
Total other financing sources (uses)	<u>(132,900)</u>	<u>(132,900)</u>	<u>(132,900)</u>	<u>-</u>
Net change in fund balance	51,710	51,710	856,365	804,655
Fund balance, beginning of year	<u>882,540</u>	<u>882,540</u>	<u>1,233,782</u>	<u>351,242</u>
Fund balance, end of year	<u>\$ 934,250</u>	<u>\$ 934,250</u>	<u>\$ 2,090,147</u>	<u>\$ 1,155,897</u>

The notes to the financial statements are an integral part of this statement.



Proprietary Fund Financial Statements

Major Funds

Water Utility Fund accounts for the operation, maintenance, and financing of the City's water services, which provide for the production, treatment, storage, and distribution of potable water supplies to city customers.

Wastewater Utility Fund accounts for the operation, maintenance, and financing of the City's wastewater services, which ensure the effective operation of the wastewater collection system and the water reclamation facility in compliance with application regulations, with an emphasis on the production of reclaimed water for recharge and reuse.

Sanitation Utility Fund accounts for the operation, maintenance, and financing of the City's solid waste and recycling services, which includes its solid waste collection, recycling and disposal system.

Non-Major Funds

These funds can be found on pages 111-114.

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 28,480,689	\$ 6,499,991	\$ 8,356,084	\$ 43,336,764	\$ 3,980,878
Receivables:					
Accounts (net)	2,569,819	1,469,110	942,197	4,981,126	-
State and county taxes	149,270	-	-	149,270	-
Interest	16,228	16,232	-	32,460	-
Due from other governments	104,799	-	-	104,799	-
Inventories	349,622	44,175	29,256	423,053	148,439
Prepaid items	30,229	17,994	14,278	62,501	1,080
Total current assets	<u>31,700,656</u>	<u>8,047,502</u>	<u>9,341,815</u>	<u>49,089,973</u>	<u>4,130,397</u>
Noncurrent assets:					
Restricted cash and cash equivalents with fiscal agents	141,549	2,093,890	-	2,235,439	-
Investments	6,212,228	5,994,820	-	12,207,048	-
Deferred bond issuance costs and charges	7,540	155,988	-	163,528	-
Capital assets:					
Non-depreciable	16,200,832	2,636,069	-	18,836,901	-
Depreciable (net)	233,551,389	238,581,615	527,786	472,660,790	231,235
Total noncurrent assets	<u>256,113,538</u>	<u>249,462,382</u>	<u>527,786</u>	<u>506,103,706</u>	<u>231,235</u>
Total assets	<u>287,814,194</u>	<u>257,509,884</u>	<u>9,869,601</u>	<u>555,193,679</u>	<u>4,361,632</u>
LIABILITIES					
Current liabilities:					
Accounts payable	655,281	367,192	139,153	1,161,626	189,909
Accrued payroll and employee benefits	39,930	18,315	14,853	73,098	12,560
Accrued liabilities	33,788	155,266	-	189,054	-
Construction contracts payable	85,667	-	-	85,667	-
Deposits held in custody for others	1,675,973	-	10,000	1,685,973	-
Claims payable	-	-	-	-	360,330
Due to other funds	967	458	72	1,497	40
Unearned revenue	302,862	-	-	302,862	-
Compensated absences	146,313	87,331	83,926	317,570	34,610
Revenue bonds	135,749	1,983,522	-	2,119,271	-
Total current liabilities	<u>3,076,530</u>	<u>2,612,084</u>	<u>248,004</u>	<u>5,936,618</u>	<u>597,449</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	278,808
Compensated absences	36,577	21,833	20,981	79,391	8,652
Revenue bonds	336,002	6,129,925	-	6,465,927	-
Total noncurrent liabilities	<u>372,579</u>	<u>6,151,758</u>	<u>20,981</u>	<u>6,545,318</u>	<u>287,460</u>
Total liabilities	<u>3,449,109</u>	<u>8,763,842</u>	<u>268,985</u>	<u>12,481,936</u>	<u>884,909</u>
NET ASSETS					
Invested in capital assets, net of related debt	249,280,470	233,104,237	527,786	482,912,493	231,235
Restricted for:					
Cash and cash equivalents with fiscal agents	141,549	2,093,890	-	2,235,439	-
Capital projects	8,269,061	4,853,909	-	13,122,970	-
Unrestricted	26,674,005	8,694,006	9,072,830	44,440,841	3,245,488
Total net assets	<u>\$ 284,365,085</u>	<u>\$ 248,746,042</u>	<u>\$ 9,600,616</u>	<u>542,711,743</u>	<u>\$ 3,476,723</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				325,353	
Net assets of business-type activities (page 25)				<u>\$ 543,037,096</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating revenues:					
Charges for services	\$ 12,241,675	\$ 7,695,007	\$ 4,909,423	\$ 24,846,105	\$ 3,931,886
Miscellaneous	46,612	1,534	165,626	213,772	25,221
Total operating revenues	<u>12,288,287</u>	<u>7,696,541</u>	<u>5,075,049</u>	<u>25,059,877</u>	<u>3,957,107</u>
Operating expenses:					
Salaries, wages and benefits	2,365,407	1,378,064	1,214,625	4,958,096	611,437
Contractual services, materials and supplies	6,809,013	3,297,774	2,460,792	12,567,579	2,017,583
Insurance claims and expenses	-	-	-	-	593,472
Depreciation and amortization	6,389,609	6,319,835	159,791	12,869,235	105,611
Total operating expenses	<u>15,564,029</u>	<u>10,995,673</u>	<u>3,835,208</u>	<u>30,394,910</u>	<u>3,328,103</u>
Operating income (loss)	<u>(3,275,742)</u>	<u>(3,299,132)</u>	<u>1,239,841</u>	<u>(5,335,033)</u>	<u>629,004</u>
Non-operating revenues (expenses):					
Interest income	105,242	86,916	4,815	196,973	2,488
Interest expense	(14,762)	(271,610)	-	(286,372)	-
Total non-operating revenues (expenses)	<u>90,480</u>	<u>(184,694)</u>	<u>4,815</u>	<u>(89,399)</u>	<u>2,488</u>
Income (loss) before development fees and transfers	<u>(3,185,262)</u>	<u>(3,483,826)</u>	<u>1,244,656</u>	<u>(5,424,432)</u>	<u>631,492</u>
Development fees	255,898	185,741	3,344	444,983	-
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(15,060)
Change in net assets	<u>(2,929,364)</u>	<u>(3,148,085)</u>	<u>1,248,000</u>	<u>(4,829,449)</u>	<u>616,432</u>
Net Assets, beginning of year	<u>287,294,449</u>	<u>251,894,127</u>	<u>8,352,616</u>	<u>547,541,192</u>	<u>2,860,291</u>
Net Assets, end of year	<u>\$ 284,365,085</u>	<u>\$ 248,746,042</u>	<u>\$ 9,600,616</u>		<u>\$ 3,476,723</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>183,546</u>	
Change in net assets of business-type activities (pages 26-27)				<u>\$ (4,645,903)</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 12,582,424	\$ 7,749,840	\$ 4,964,670	\$ 25,296,934	\$ 3,931,886
Payments to suppliers	(7,093,412)	(3,213,812)	(2,405,146)	(12,712,370)	(2,368,385)
Payments to employees	(2,314,272)	(1,390,941)	(1,213,138)	(4,918,351)	(598,154)
Miscellaneous	46,612	1,534	165,626	213,772	25,221
Net cash provided (used) by operating activities	<u>3,221,352</u>	<u>3,146,621</u>	<u>1,512,012</u>	<u>7,879,985</u>	<u>990,568</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	(28)	126	(2)	96	(239,949)
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(15,060)
Net cash provided (used) for noncapital financing activities	<u>(28)</u>	<u>150,126</u>	<u>(2)</u>	<u>150,096</u>	<u>(255,009)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(4,381,783)	(375,001)	(1,691)	(4,758,475)	(124,992)
Principal payments on capital debt	(123,292)	(2,060,342)	-	(2,183,634)	-
Interest paid on capital debt	(17,183)	(313,389)	-	(330,572)	-
Capital grants	-	3,222	-	3,222	-
Development fees	255,898	185,741	3,344	444,983	-
Net cash provided (used) for capital and related financing activities	<u>(4,266,360)</u>	<u>(2,559,769)</u>	<u>1,653</u>	<u>(6,824,476)</u>	<u>(124,992)</u>
Cash flows from investing activities:					
Purchase of investments	(11,180,484)	(11,180,484)	-	(22,360,968)	-
Proceeds from sales and maturities of investments	11,146,569	11,147,102	-	22,293,671	-
Investment income	117,287	98,957	4,815	221,059	2,488
Net cash provided by investing activities	<u>83,372</u>	<u>65,575</u>	<u>4,815</u>	<u>153,762</u>	<u>2,488</u>
Net increase (decrease) in cash and cash equivalents	(961,664)	802,553	1,518,478	1,359,367	613,055
Cash and cash equivalents, beginning of year	<u>29,583,902</u>	<u>7,791,328</u>	<u>6,837,606</u>	<u>44,212,836</u>	<u>3,367,823</u>
Cash and cash equivalents, end of year	<u>\$ 28,622,238</u>	<u>\$ 8,593,881</u>	<u>\$ 8,356,084</u>	<u>\$ 45,572,203</u>	<u>\$ 3,980,878</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,275,742)	\$(3,299,132)	\$ 1,239,841	\$ (5,335,033)	\$ 629,004
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,389,609	6,319,835	159,791	12,869,235	105,611
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(98,963)	54,833	55,247	11,117	-
(Increase) decrease in due from other governments	(104,799)	-	-	(104,799)	-
(Increase) decrease in inventories	158,149	(3,577)	(6,905)	147,667	70,608
(Increase) decrease in prepaid items	(28,798)	(15,494)	(13,880)	(58,172)	1,875
Increase (decrease) in accounts payable	(201,501)	133,432	76,431	8,362	29,594
Increase (decrease) in accrued payroll and employee benefits	11,295	1,759	(1,888)	11,166	4,325
Increase (decrease) in accrued liabilities	(60,914)	(30,399)	-	(91,313)	(2,028)
Increase (decrease) in sales taxes payable	(46,536)	-	-	(46,536)	(17)
Increase (decrease) in deposits held in custody for others	564,916	-	-	564,916	-
Increase (decrease) in unearned revenue	(125,204)	-	-	(125,204)	-
Increase (decrease) in compensated absences	39,840	(14,636)	3,375	28,579	8,958
Increase (decrease) in claims payable	-	-	-	-	142,638
Net cash provided (used) by operating activities	<u>\$ 3,221,352</u>	<u>\$ 3,146,621</u>	<u>\$ 1,512,012</u>	<u>\$ 7,879,985</u>	<u>\$ 990,568</u>

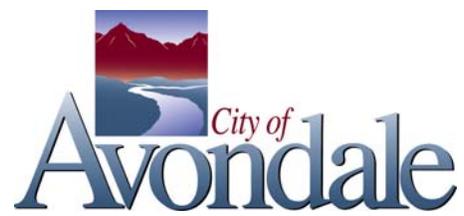
Continued

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at end of year to statement of net assets:					
Cash and cash equivalents	\$ 28,480,689	\$ 6,499,991	\$ 8,356,084	\$ 43,336,764	\$ 3,980,878
Restricted cash and cash equivalents with fiscal agents	141,549	2,093,890	-	2,235,439	-
Total cash and cash equivalents	<u>\$ 28,622,238</u>	<u>\$ 8,593,881</u>	<u>\$ 8,356,084</u>	<u>\$ 45,572,203</u>	<u>\$ 3,980,878</u>
Noncash capital, financing and investing activities:					
Amortization of bond premiums and discounts, deferred bond issuance costs and charges	\$ 4,105	\$ 66,434	\$ -	\$ 70,539	\$ -
Amortization of investment premium (net)	2,654	2,654	-	5,308	-
Increase in fair value of investments	16,498	16,498	-	32,996	-

The notes to the financial statements are an integral part of this statement.



FINANCIAL SECTION

Fiduciary Fund Financial Statements

Volunteer Firefighters Relief and Pension Fund accounts for the City's single-employer defined contribution plan that provides pension benefits to volunteer firefighters not covered under the Public Safety Personnel Retirement System.

CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
JUNE 30, 2012

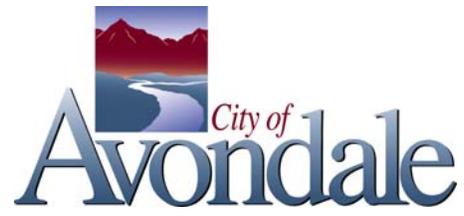
	<u>Volunteer Firefighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 249,077
Accounts receivable	<u>200</u>
Total assets	<u>249,277</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>249,277</u>
Total net assets	<u><u>\$ 249,277</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
YEAR ENDED JUNE 30, 2012

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ADDITIONS	
Contributions:	
Interest	\$ 182
Total additions	<u>182</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net assets	(4,618)
Total net assets, beginning of year	<u>253,895</u>
Total net assets, end of year	<u><u>\$ 249,277</u></u>

The notes to the financial statements are an integral part of this statement.



FINANCIAL SECTION

Notes to the Financial Statement

The notes to the financial statements include a summary of significant accounting policies and other disclosures considered essential to the fair presentation of the accompanying financial statements.

Note		Page
1	Summary of Significant Accounting Policies	54
2	Stewardship, Compliance and Accountability	65
3	Cash and Investments	65
4	Property Tax Revenues	67
5	Receivables	68
6	Capital Assets	68
7	Fund Balances	70
8	Retirement Plans	71
9	Long-Term Obligations	76
10	Interfund Payables, Receivables and Transfers	80
11	Segment Information	81
12	Risk Management	82
13	Contingent Liabilities	82
14	Commitments	82
15	Operating Leases	83

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Avondale (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.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and a six-member council and provides a wide range of services including fire and police protection, construction and maintenance of streets and infrastructure, health services and public assistance, economic and community development, culture and recreation, transportation, water, wastewater, and sanitation services. As required by GAAP, the accompanying financial statements present the City and its component unit; a legally-separate entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the City, the primary government. Discretely presented component units, on the other hand, are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the government. The City has no discretely presented component units.

Blended Component Unit – The Avondale Municipal Development Corporation (MDC), which is a nonprofit corporation organized under the laws of the State of Arizona, issues debt solely to purchase municipal facilities, which it then leases to the City. The City Council appoints MDC management, receives a financial benefit from a special financing relationship with the MDC, and is financially accountable for the MDC. Although it is legally separate from the City, the MDC is reported as part of the City because its sole purpose is to finance municipal facilities and lease them to the City. The MDC does not issue separately audited financial statements. However, it does file an annual report with the Arizona Corporation Commission. Copies of the report are available from the City's Finance and Budget Department. For financial reporting purposes, MDC transactions are presented as part of the City's governmental activities. The MDC is the only blended component unit and has a June 30 year-end.

B. Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements report on the City and its component units as a whole, excluding fiduciary activities, while the fund financial statements report on the City's governmental, proprietary and fiduciary fund activities with an emphasis on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide financial statements – The government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities, report all nonfiduciary activities of the City and its component unit. 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 charges and fees 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 long-term obligations.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The Statement of Net Assets reports all financial and capital resources of the City. It is presented in a format that displays assets less liabilities equals net assets, with assets and liabilities presented in order of their relative liquidity. The net assets are presented in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and amortization, 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 net assets with constraints placed on their use. These constraints are either imposed by external parties (e.g., creditors, debt covenants, grantors, contributors, or laws and regulations of other governments), or imposed by state constitutional provisions or enabling legislation. All other net assets not otherwise restricted are presented as unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of the City's various functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's interest on general long-term debt is not clearly identifiable with any programs and, therefore, it is reported separately as an indirect expense. Program revenues include 1) charges to customers or users who purchase, use, or directly benefit from the goods, services or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes, investment income, and other revenues that are not restricted for use, or identifiable with a particular function or segment, are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been eliminated 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. However, charges for interfund services provided and used were not eliminated if doing so would distort the direct costs and program revenues reported by the departments concerned. The "doubling up" effect of internal service fund activity has been removed from the government-wide financial statements with the expenses shown in the various functions and segments on the Statement of Activities.

The City does not currently have an indirect cost allocation system. However, the General Fund and certain other funds allocate administrative charges to other operating funds to support general services provided to these funds such as purchasing, accounting, and administration. These charges are included in the expenses column on the Statement of Activities.

Fund financial statements – The focus of the fund financial statements is upon the determination of financial position, changes in financial position, and cash flows (where applicable) of the governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Separate financial statements are presented for the governmental, proprietary, and fiduciary fund categories. The focus of fund financial statements is on major funds, each displayed in a separate column.

The City has elected to present some additional funds as major funds because of community focus. Other non-major governmental 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.

Governmental funds account for the City's general government activities. The acquisition, use, and balances of the City's expendable financial resources and related liabilities (except those accounted for in the proprietary

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

funds) are accounted for in the governmental funds. 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 allows the City to demonstrate 1) legal and covenant compliance, 2) the sources and uses of liquid resources, and 3) how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliations are provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to convert the governmental fund financial statements into the governmental activities column on the government-wide financial statements. The City uses the following governmental funds.

General Fund accounts for all city financial resources except those required to be accounted for in other funds.

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The restricted or committed proceeds comprise all, or a substantial portion, of the inflows reported in the funds. Restrictions may be imposed by state constitution, enabling legislation, or external parties, and commitments may be imposed by the City Council.

Capital Projects Funds account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds.

Debt Service Funds account for financial resources that are restricted, committed, or assigned to expenditure for principal, interest, and related costs not being financed by the proprietary funds. Debt service funds include principal and interest payable from highway user excise fuel tax revenues, unrestricted excise tax revenues, development fees, and property taxes levied by the City on property located within its boundaries. Debt service funds exclude those types of debt-related outflows financed by proprietary funds.

Proprietary funds account for the City's principal ongoing operations that are similar to those found in the private sector, where cost recovery and net income determination are useful for sound fiscal management. The proprietary fund financial statements are prepared on the same basis as the government-wide financial statements (economic resources measurement focus and accrual basis of accounting) and, therefore, the measurement focus is upon the determination of operating income, changes in net assets, financial position, and cash flows. Since the proprietary fund basis of accounting is the same as the government-wide financial statements, most enterprise fund financial statement lines on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

Enterprise funds account for the operations, including debt service, 1) that are financed and operated in a manner similar to private business enterprises where the intent of the City Council is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges and fees, or 2) where the City Council has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City currently operates the following enterprise funds: Water Utility, Wastewater Utility, and Sanitation Utility Funds.

Internal service funds account for the operations that provide services to other city departments or the City, as a whole, on a cost-reimbursement basis. The internal service funds are presented as one column on the

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

proprietary fund financial statements. Combining fund financial statements are also presented for the internal service funds, but they are not part of the basic financial statements. The City currently operates the following internal service funds: Risk Management, Printing Services, and Fleet Management Funds.

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others. The City excludes fiduciary funds from the government-wide financial statements because fiduciary fund assets 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 the proprietary funds.

Pension Trust Funds account for 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 administers a pension trust fund to account for the activities of the Volunteer Fire Fighters Relief and Pension Fund.

The City reports the following major governmental funds:

The *General Fund* is the City's chief operating fund. It accounts for all city financial resources, except those required to be accounted for in other funds.

The *Highway User Revenue Fund* accounts for excise fuel taxes which are distributed to cities and towns based on a formula. A constitutional provision requires that these funds be used for highway and street purposes.

The *Dedicated Sales Tax Revenue Fund* accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems and streets that serve city neighborhoods. The tax was approved by the voters and became effective in July 2001.

The *Public Safety Sales Tax Revenue Fund* accounts for the voter-approved 0.5-cent public safety sales tax revenues. The use of these revenues is restricted to providing increased public safety services for city neighborhoods. The tax was approved by the voters and became effective in January 2004.

The *Development Fees Fund* accounts for fees collected from developers for growth-related development and construction based on the impact the development will have on city services and infrastructure, as well as bonds proceeds, sales tax and grant revenues, and fund transfers that are restricted, committed, or assigned to capital development and maintenance.

The *General Obligation Bonds Fund* accounts for the accumulation of resources and payment of principal and interest on the City's general obligation bonds. The principal and interest on general obligation bonds is normally paid with revenues generated from the secondary property tax levy sufficient to make required debt service payments.

The *Dedicated Sales Tax Bonds Fund* accounts for the accumulation of resources and payment of principal and interest on Avondale Municipal Development Corporation Bonds issued by the City. The city has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes to make the required debt services payments.

The City reports the following major proprietary funds:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The *Water Utility Fund* accounts for the operation, maintenance, and financing of the City's water services, which provide for the production, treatment, storage, and distribution of potable water supplies to city customers.

The *Wastewater Utility Fund* accounts for the operation, maintenance, and financing of the City's wastewater services, which ensure the effective operation of the wastewater collection system and the water reclamation facility in compliance with application regulations and with a primary emphasis on the production of reclaimed water for recharge and reuse.

The *Sanitation Utility Fund* accounts for the operation, maintenance, and financing of the City's solid waste and recycling services, which includes its solid waste collection, recycling, and disposal system.

These utilities provide services to the City's residential and commercial users as well as the City.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the risk management, printing services, and fleet management services provided to city departments and the City, as a whole, on a cost-reimbursement basis.

The *Pension Trust Fund* accounts for the City's Volunteer Fire Fighters Relief and Pension Fund, a defined contribution plan for which assets are held by the City in a trustee capacity.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and contributions are recognized as revenue as soon as all eligibility requirements and time restrictions imposed by the provider have been met.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current period liabilities. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Revenues susceptible to accrual include property taxes, sales taxes, intergovernmental revenues, charges for services, investment income, and charges for services. Auto lieu taxes and urban revenue sharing taxes are considered available when in the hands of the intermediary collecting governments and are recognized as revenues at that time. Other revenues such as fines, forfeitures and penalties; license and permit fees, contributions and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received.

In applying the susceptible to accrual concept to intergovernmental revenues, the decision to accrue depends on the terms of the arrangement or agreement. Generally, these resources are recorded as revenue at the time of receipt or earlier if they meet the available criterion. Most grant revenues are recognized based on expenditures incurred provided that the available criterion is met.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Expenditures generally are recorded when the liabilities are incurred, as under accrual basis accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded as fund liabilities when due and payable. General capital asset acquisitions are reported as expenditures in governmental funds.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, for its business-type activities and enterprise funds. The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

On the proprietary fund financial statements, operating revenues are those that flow directly from the enterprise or internal service operations of that activity (charges to customers or users who purchase or use goods or services of that activity). Operating expenses are those that are incurred to provide those goods and services. Non-operating revenues and expenses are items, such as investment income and interest expense, that do not flow directly from the operations of that activity.

D. Budgets and Budgetary Accounting

On June 3, 1980, Arizona voters approved a constitutional amendment prescribing an expenditure limitation for each county, city, town, and community college district. This constitutional amendment was enacted to control expenditures and limit future increases in spending adjustments for inflation, deflation, and population growth of counties, cities and towns and student population growth of the community college districts. The constitutional amendments include provisions that require voter approval to establish an alternative expenditure limitation for cities and towns. The alternative expenditure limitation is valid for a period of two to seven years.

On August 28, 2012, city voters approved an alternative expenditure limitation, the effect of which allowed the total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

The City uses the following procedures in establishing the budget reflected in the financial statements.

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the following governmental funds: General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Bonds Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Environmental Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, Highway User Revenue Bonds Fund, and Other Debt Service Fund.

6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund or any transfers between funds.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. During the year ended June 30, 2012, the original budget has been amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.
8. All appropriations lapse at year-end.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly-liquid investments to be cash equivalents. Individual fund investments with a maturity of three months or less when purchased are considered cash equivalents.

F. Investments

Arizona Revised Statutes and the City Charter authorize the City to invest public monies in the State of Arizona local government investment pools; interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. Government that are guaranteed as to principal and interest by the U.S. Government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute.

The State Board of Deposit provides oversight for the State of Arizona local government investment pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest contracts with remaining maturities of one year or less at time of purchase are stated at amortized cost. All other investments are reported at fair value.

G. Restricted and Unrestricted Assets

The City has executed trust indentures for all bond series issued that require all cash and investments of each bond series to be held on deposit by fiscal agents (trustees). These assets are restricted to retirement of principal balances, for payment of interest and trustee fees associated with the bond issues, and to finance various capital projects. Additionally, under the terms of grants and other agreements, as well as enabling legislation such as state development fees statutes, the City funds programs and projects by a combination of restricted resources and unrestricted resources. When both restricted and unrestricted resources are available for use, the City's policy is to spend restricted resources first, then unrestricted resources, as they are required.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

H. Inventories

Inventories are reported using the consumption method. Inventories of the governmental and proprietary funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a periodic inventory system, and they are valued at cost using the first-in, first-out inventory flow assumption. At year-end, inventories are adjusted to the physical inventory counts and differences are recorded as expenditures in the governmental funds and expenses in the proprietary funds. In the government-wide and governmental fund financial statements, inventories are offset by nonspendable fund balance.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses/expenditures when consumed in the government-wide financial statements and fund financial statements. In the fund financial statements, prepaid items are offset by nonspendable fund balance.

J. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are reported as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All trade and other receivables are reported net of an allowance for uncollectible amounts.

K. Interfund Activity

Cash flows from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as "other financing sources (uses)" in governmental funds and after non-operating revenues and expenses in proprietary funds.

L. Capital Assets

Capital assets, including public domain infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, water and sewer systems, lighting systems, and other assets that are immovable and of value only to the City, and intangible assets such as water rights which lack physical substance, are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life more than one year. The City values capital assets at (1) cost or estimated historical cost if purchased or constructed, (2) estimated fair market value at the date of donation if donated or contributed, and (3) estimated fair market value at the grant or allotment date for water rights. The City's water rights have indefinite useful lives and, therefore, the City does not amortize these intangible assets. No long-term assets, depreciation or amortization are presented in the governmental fund financial statements.

The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems.

The cost of normal maintenance and repairs that do not significantly extend the useful lives of assets or increase their capacity are not capitalized. Major improvements are capitalized and depreciated over the remaining useful life of the related capital assets.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Capital assets are depreciated or amortized over the estimated useful lives of such assets using the straight-line method. The estimated useful lives follow:

Asset Category	Useful Life (Years)
Intangible assets	30-40
Buildings and improvements	40
Water and sewer systems and improvements	50
Storm drain system and improvements	50
Street system	30-40
Park facilities and streetscape	20
Streetlights and control devices	20
Machinery and equipment	5-15
Furniture and fixtures	5-10
Vehicles	3-15
Computers and software	3

M. Compensated Absences

Compensated absence liabilities consist of vacation and sick leave earned by employees based on services already rendered. Vacation leave vests with the employees as it is earned. Sick leave does not vest with the employees with certain exceptions. The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation accumulates up to 240 hours for regular full-time employee and 336 hours for regular full-time fire department employees. Sick leave accumulates without limit.

Upon resignation or retirement, leave balance compensation is calculated based on the employee's current hourly rate and accrued leave balances at the time of resignation or retirement. Upon resignation, employees receive compensation equal to 100 percent (100%) and 33.3 percent (33.3%) of their accrued vacation balance and sick leave balances, respectively. Upon retirement, all employees receive compensation equal to 100 percent (100%) of their accrued vacation balance, and vested employees with 10 years of continuous city service receive sick leave compensation equal to 100 percent (100%) of their balance up to 250 hours, or 33.3 percent (33.3%) of the total balance, whichever is larger. Employees with 20 years of continuous service receive 100 percent (100%) of their accrued sick leave balance up to 500 hours, or 33.3 percent (33.3%) of the total balance, whichever is larger.

The accumulated current and long-term compensated absence liabilities of the governmental funds are reported in the government-wide financial statements. The City only reports liabilities for these amounts in the governmental fund financial statements if they have matured due to employee leave, resignations and retirements. Compensated absence liabilities of the proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements.

N. Long-term Obligations

In the fund financial statements, governmental fund types recognize bond issuance proceeds, bond premiums and discounts, and bond issuance costs during the current period. The face amount of the 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type Statement of Net Assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

O. Transactions between Funds

Transactions that would be treated as revenue or expenses if they involved organizations external to the governmental unit are accounted for as revenue or expenditures/expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures/expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expense in the fund that is reimbursed.

P. Fund Balances

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts on those funds can be spent. The fund balance classifications and their definitions follow:

Nonspendable fund balance consists of funds that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted fund balance consists of funds that are restricted to specific purposes when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources from external resource providers (such as taxpayers) and includes legally enforceable requirements that those resources be used only for specific purposes stipulated in the legislation (e.g., secondary property taxes must be used solely for debt service).

Committed fund balance consists of funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority; the Mayor and Council (City Council). Once committed, these funds cannot be used for any other purpose unless the City Council removes or changes the specified uses by taking the same formal action it employed to previously commit the funds. The formal action to commit funds must occur prior to the end of the fiscal year. Committed fund balance also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Commitments may be established, modified, or rescinded only through resolutions approved by City Council.

Assigned fund balance consists of funds that are constrained by the City's intent to be used for specific purposes by the City Council or a body or official who has been given the authority to assign funds. Assigned fund balance consists of all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

specific purposes within the General Fund. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

On June 20, 2011, the City Council approved a resolution adopting a formal city fund balance policy and stabilization arrangement. The significant components of the policy and arrangement follow:

The City Council delegated authority to the City Manager to assign fund balances for specific purposes. Any fund balance assignments must be reported to the City Council at their next regular meeting, and the City Council has the authority to remove or change the assignments with a simple majority vote.

The City Council established a two-tiered fiscal stabilization arrangement as committed fund balance in the General Fund equal to 35 percent (35%) of budgeted General Fund expenditures and transfers out of the prior fiscal year in order to provide a comfortable margin of safety against natural disasters, urgent events, revenue shortfalls, and budget deficits. The two tiers include an emergency reserve of 25 percent (25%) and a rainy day reserve of 10 percent (10%).

The stabilization reserves shall be used only if:

- The City has exhausted all efforts to fund the natural disaster, urgent event, revenue shortfall, or budget deficit, as defined below, and there are no reasonable budget adjustments available to continue to provide essential services to the public.
- The City Manager, or his designee, is able to demonstrate the significance of the aforementioned events or conditions. This communication must be provided to the City Council in writing.

The City Council may approve the spending of the stabilization reserves by a simple majority vote.

Emergency Reserve

The emergency reserve shall be used only if (1) the City directly experiences a natural disaster or urgent event that jeopardizes public safety, (2) the federal government and/or the State of Arizona formally declares a disaster or emergency, and (3) there are no reasonable budget adjustments available to continue essential public services.

Emergency reserves shall be used only for the following reasons:

- Mitigate damage and expenditures caused by natural disasters.
- Address urgent events that jeopardize public safety.
- Provide and maintain essential public services during natural disasters or urgent events.

Rainy Day Reserve

The rainy day reserve shall be used to provide an operating margin of safety against the following revenue shortfalls or budget deficits:

- Sudden or unexpected decline in ongoing revenues or state-shared revenues that is greater than 10 percent (10%) of General Fund operating revenues of the prior fiscal year.
- Reduction in assessed valuations, resulting in secondary property tax revenue that falls below the City's general obligation debt service requirements.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

- Sudden or unexpected risk management loss that is greater than available reserves in the Risk Management Fund.

If the reserves are spent down below the minimum required reserve levels, the City shall develop and implement a reserve restoration plan to return the reserves to their respective balances. The City shall replenish the emergency and rainy day reserves within two (2) fiscal years and five (5) fiscal years following the fiscal year in which the event occurred, respectively. If the depletion of the reserve occurs during an ongoing economic downturn, the City shall replenish the reserves within two (2) or five (5) years of revenue stabilization, as applicable. The progress of replenishment shall be reported in the City's *Annual Budget & Financial Plan*.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within the unrestricted category, committed and assigned resources are considered spent (if available) before unassigned resources.

Q. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

For the year ended June 30, 2012, expenditures exceeded final budgeted amounts in the Dedicated Sales Tax Revenue Fund by \$4,263 and General Obligations Bonds Fund by \$1,470. The excess expenditures were funded by available fund balance.

NOTE 3 - CASH AND INVESTMENTS

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,770 at June 30, 2012.

Deposits

Cash in bank – The carrying amount of City's operating account deposits at June 30, 2012, excluding fiduciary cash, was \$5,752,784 and the bank balance was \$227,958. Deposits of \$6,311,556 were held in a sweep account, which purchases investments nightly. The difference between the book and bank balance was due to deposits held in the sweep account, outstanding checks, deposits, and other reconciling items. The City also held \$145,340 of operating cash deposits in a U.S. Government agency debt securities investment account at June 30, 2012. The City's operating deposits at June 30, 2012, were covered by the Federal Depository Insurance Corporation (FDIC) to the extent of \$227,958.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Restricted cash and cash equivalents – At June 30, 2012, the City had restricted cash and cash equivalents with fiscal agents of \$13,305,677. Of this balance, \$1,175,971 was restricted in reserve funds, and the remaining cash balance of \$12,129,706 reflected cash temporarily held by fiscal agents for the City’s July 1, 2012, debt service payments. Of the restricted cash and cash equivalents with fiscal agents, \$11,305,677 was uninsured or not collateralized with securities held by the pledging institution or by its trust department or agent.

Fiduciary cash and cash equivalents – At June 30, 2012, the Volunteer Fire Fighters Relief and Pension Fund had cash and cash equivalents of \$249,077. This balance consisted of deposits of \$2,059 and the bank balance was \$2,284, which was entirely covered by the FDIC. The remaining balance of \$247,018 consisted of investment in the State of Arizona Local Government Investment Pool 7 (State of Arizona LGIP 7), which invests solely in securities backed by the U.S. Government.

At June 30, 2012, the City had the following investments:

Investment Type	Fair Value	Maturities in Years		Moody's Investors Service	Standard & Poor's
		Less than 1	1-5		
U.S. Government Agency Debt Securities					
Federal Home Loan Mortgage Corp	\$ 7,298,436	\$ -	\$ 7,298,436	Aaa	AA+
Federal National Mortgage Association	22,675,663	-	22,675,663	Aaa	AA+
	<u>29,974,099</u>	-	<u>29,974,099</u>		
Certificates of Deposit	217,408	-	217,408	Unrated	Unrated
Total	<u>30,191,507</u>	<u>\$ -</u>	<u>\$ 30,191,507</u>		
State of Arizona LGIP 7					
Primary government	80,913,283		29	Unrated	Unrated
Fiduciary activities	247,018		29	Unrated	Unrated
Total	<u>81,160,301</u>				
Repurchase Agreements	6,311,556		Less than 1	Unrated	Unrated
Total investments	<u>\$ 117,663,364</u>				

Custodial Credit Risk

The City does not have a formal deposit or investment policy for custodial credit risk.

Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. At June 30, 2012, \$11,305,677 of the City’s bank balance of \$13,535,919 was exposed to custodial risk because it was uninsured or not collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name.

Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, \$217,408 of the City’s investments was covered by the Securities Investor Protection Corporation (SIPC). The balance also consisted of \$29,974,099 invested in U.S. Government agency debt securities, which were held by the City’s agent or by its trust department or agent, but not in the City’s name, and \$81,160,301 invested in the State of Arizona LGIP 7.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The U.S. Government agency debt securities carry the full faith and credit of the U.S. Government. Participation in investment pools of other governments is not subject to custodial credit risk. Finally, the deposits held in the operating sweep account were invested in fully-collateralized, over-night repurchase agreements, pledged at 102 percent of the principal investment, with bank-owned securities consisting of government sponsored entities and/or agency securities. The repurchase agreements and collateral were held by the pledging institution or by its trust department or agent, but not in the City's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of deposits or investments in a single depository institution or issuer. The City does not have a formal investment policy for concentration of credit risk, nor does state law specify any requirements for concentration of credit risk. In addition, the City does not limit the amount that may be deposited or invested with any one institution.

As of June 30, 2012, the City's investments included 69.0% invested in the State of Arizona LGIP 7, 25.5% in U.S. Government agency securities, and 5.3% in repurchase agreements, with the remaining 0.2% being invested in certificates of deposit.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.

The City does not have a formal investment policy that manages its exposure to declines in fair values in order to minimize its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. As of June 30, 2012, the City's investments in U.S. Government agency debt securities were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's. The City's investment in the State of Arizona LGIP 7 is limited solely to U.S. Government agency debt securities and, therefore, it does not carry a credit rating.

NOTE 4 - PROPERTY TAX REVENUES

The City levies taxes on real and personal property located within its boundaries. Property values are assessed by the Maricopa County Tax Assessor. The tax levy is then approved by the State of Arizona Property Tax Oversight Commission. The County Treasurer bills and collects property taxes and remits them to the City monthly.

Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and April 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date at

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

a rate of 16 percent (16%). A lien against property assessed attaches on the first day of January preceding the levy.

The Arizona Constitution and state law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

The primary tax levy is limited to an increase of 2 percent (2%) over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent (1%) of the market value of their homes. If the combined primary property tax (city, county, school district, etc.) exceeds 1 percent (1%) of the market value of the homes, the school districts must reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1979. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10% a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

Property tax revenues are recognized as revenues in the fund financial statements when levied to the extent that they are received in the current period, or soon enough thereafter (within 60 days after year-end) to pay liabilities of the current period. Remaining collectible taxes are accrued and reported as deferred revenue. Collectible taxes are recognized as revenue in the government-wide financial statements when levied.

NOTE 5 - RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water Utility, Wastewater Utility and Sanitation Utility Funds at June 30, 2012, are \$367,040, \$220,672, and \$137,628, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility Funds are \$82,691, \$53,745 and \$33,762, respectively.

NOTE 6 - CAPITAL ASSETS

A summary of capital asset activity for governmental activities on the government-wide financial statements for the year ended June 30, 2012, follows:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Governmental Activities	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Non-depreciable assets:				
Land	\$ 251,983,374	\$ 6,000	\$ -	\$ 251,989,374
Construction in progress	16,411,961	7,236,618	(11,131,865)	12,516,714
Total non-depreciable capital assets	268,395,335	7,242,618	(11,131,865)	264,506,088
Depreciable assets:				
Buildings and improvements	70,442,863	616,700	-	71,059,563
Improvements other than buildings	1,307,463	95,009	-	1,402,472
Vehicles, furniture, and equipment	27,392,227	2,640,290	(498,810)	29,533,707
Infrastructure	371,423,813	9,885,306	-	381,309,119
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	472,531,625	13,237,305	(498,810)	485,270,120
Less accumulated depreciation for:				
Buildings and improvements	14,406,692	1,971,534	-	16,378,226
Improvements other than buildings	105,651	67,252	-	172,903
Vehicles, furniture and equipment	23,035,256	1,702,063	(493,876)	24,243,443
Infrastructure	114,519,650	9,887,108	-	124,406,758
Intangible assets	70,968	65,509	-	136,477
Total accumulated depreciation	152,138,217	13,693,466	(493,876)	165,337,807
Total capital assets being depreciated, net	320,393,408	(456,161)	(4,934)	319,932,313
Total governmental activities capital assets, net	\$ 588,788,743	\$ 6,786,457	\$ (11,136,799)	\$ 584,438,401

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2012, follows:

Business-type activities:	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Non-depreciable assets:				
Land	\$ 16,170,702	\$ 27,409	\$ -	\$ 16,198,111
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	2,933,559	4,565,660	(6,384,184)	1,115,035
Total non-depreciable assets	20,628,016	4,593,069	(6,384,184)	18,836,901
Depreciable assets:				
Water system	291,763,895	3,262,166	-	295,026,061
Sewer system	222,769,610	141,467	-	222,911,077
Wastewater treatment system	81,853,310	-	-	81,853,310
Vehicles, furniture and equipment	8,251,608	194,585	(6,406)	8,439,787
Intangible Assets	-	2,980,551	-	2,980,551
Improvements other than buildings	808,883	-	-	808,883
Total depreciable capital assets	605,447,306	6,578,769	(6,406)	612,019,669
Less accumulated depreciation for:				
Water system	59,983,930	5,911,444	-	65,895,374
Sewer system	49,259,602	4,546,584	-	53,806,186
Wastewater treatment system	11,021,126	1,601,662	-	12,622,788
Vehicles, furniture and equipment	6,147,050	694,591	(6,406)	6,835,235
Intangible Assets	-	74,514	-	74,514
Improvements other than buildings	84,342	40,440	-	124,782
Total accumulated depreciation	126,496,050	12,869,235	(6,406)	139,358,879
Total business-type activities capital assets being depreciated, net	478,951,256	(6,290,466)	-	472,660,790
Total business-type activity capital assets, net	\$ 499,579,272	\$ (1,697,397)	\$ (6,384,184)	\$ 491,497,691

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 932,340
Public safety	1,361,306
Highways and streets	10,018,850
Health and welfare	20,368
Economic and community development	6,136
Culture and recreation	1,248,855
Internal services	105,611
Total	<u>\$ 13,693,466</u>
Business-type activities:	
Water utility	\$ 6,389,609
Wastewater utility	6,319,835
Sanitation utility	159,791
Total	<u>\$ 12,869,235</u>

NOTE 7 - FUND BALANCES

Fund balance classifications and categories are presented below as of June 30, 2012.

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund balances:									
Nonspendable:									
Inventory	\$ 3,176	\$ 215,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,153	\$ 224,013
Prepaid items	271,673	18,662	-	-	43,958	640,000	-	68,893	1,043,186
Restricted for:									
Transit services	-	-	-	-	-	-	-	1,688,441	1,688,441
Highway and streets	-	3,334,517	-	-	-	-	-	-	3,334,517
Court improvements and operations	-	-	-	-	-	-	-	554,471	554,471
Grant and contributor purposes	-	-	-	-	-	-	-	955,553	955,553
Public safety	349,992	-	-	2,090,147	-	-	-	-	2,440,139
Debt service	-	-	-	-	-	2,486,687	6,711,480	2,528,180	11,726,347
Capital projects	-	-	-	-	3,026,618	-	-	1,046,570	4,073,188
Water, sewer and street projects	-	-	317,157	-	-	-	-	103,624	420,781
Crime victim advocacy	-	-	-	-	-	-	-	155,389	155,389
Committed to:									
Budgetary stabilization	16,192,523	-	-	-	-	-	-	-	16,192,523
Capital projects	-	-	-	-	668,344	-	-	-	668,344
Crime victim advocacy	-	-	-	-	-	-	-	77,694	77,694
Assigned to:									
Vehicle replacement	-	-	-	-	-	-	-	7,062,662	7,062,662
Equipment replacement	-	-	-	-	-	-	-	331,294	331,294
Capital projects	-	-	-	-	4,200,898	-	-	88,089	4,288,987
Other purposes	7,253,410	-	-	-	-	-	-	-	7,253,410
Unassigned	7,916,399	-	-	-	-	-	-	-	7,916,399
Total fund balances	<u>\$ 31,987,173</u>	<u>\$ 3,568,863</u>	<u>\$ 317,157</u>	<u>\$ 2,090,147</u>	<u>\$ 7,939,818</u>	<u>\$ 3,126,687</u>	<u>\$ 6,711,480</u>	<u>\$ 14,666,013</u>	<u>\$ 70,407,338</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 - RETIREMENT PLANS

The City contributes to the four plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, death, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

Plan Descriptions

Arizona State Retirement System - The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Public Safety Personnel Retirement System - The *Public Safety Personnel Retirement System* (PSPRS) is an agent, multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Corrections Officer Retirement Plan - The *Corrections Officer Retirement Plan* (CORP) is an agent, multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers state, county and local corrections officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by The Board of Trustees of PSPRS and participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Elected Officials Retirement Plan - The *Elected Officials Retirement Plan* (EORP) is a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Board of Trustees of PSPRS and participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

Financial Reports

Each plan issues a publically available financial report that includes financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Avenue
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or (800) 621-3778
www.azasrs.gov

PSPRS, CORP & EORP
3010 E. Camelback Road, Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates for the ASRS, PSPRS, CORP, and EORP.

Cost-sharing plan - For the year ended June 30, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5% for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund	Total
2012	\$ 1,678,477	\$ 107,137	\$ 40,814	\$ 1,826,428
2011	1,577,624	103,307	43,774	1,724,705
2010	1,560,081	123,460	74,824	1,758,365

Agent plans

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is being reported as an agent multiple-employer plan.

The contribution requirements for the year ended June 30, 2012, were established by the June 30, 2010, actuarial valuations. For the year ended June 30, 2012, (1) active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute 13.64 percent (12.71 percent for retirement and 0.93 percent health insurance premium) of the covered payroll to the plan for the police and 13.79 percent (12.93 percent for retirement and 0.86 percent for the health insurance premium) of the covered payroll to the plan for the firefighters; (2) active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll, and the City was required to contribute 6.77 percent (6.15 percent for retirement and 0.62 percent health insurance premium) of the covered payroll to the plan; and (3) active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll, and the City was required to contribute 32.99 percent (31.20 percent for retirement and 1.79 percent health insurance premium) of the covered payroll to the plan. The City contributed the actuarially required amounts for all agent plans.

The significant actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements are the same for all plans and related benefits and, therefore, they have been combined in the following table.

Annual Pension Cost

The City's agent plans pension cost and significant actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements follow.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Contribution Rates:	<u>PSPRS – Police</u>	<u>PSPRS - Fire</u>	<u>CORP</u>	<u>EORP</u>
City – retirement	12.71%	12.93%	6.15%	31.20%
City – health insurance premium	0.93%	0.86%	0.62%	1.79%
Plan members	7.65%	7.65%	8.41%	7.00%
Annual pension cost				
Retirement	\$ 888,987	\$ 535,547	\$ 33,509	\$ 18,932
Health insurance premium	\$ 65,048	\$ 35,620	\$ 3,378	\$ 1,086
Pension contributions made				
Retirement	\$ 888,987	\$ 535,547	\$ 33,509	\$ 18,932
Health insurance premium	\$ 65,048	\$ 35,620	\$ 3,378	\$ 1,086
Actuarial valuation date	June 30, 2010			
Actuarial cost method	Projected Unit Credit			
Actuarial assumptions:				
Investment rate of return	8.5%			
Projected salary increases	5.5% - 8.5%			
Includes inflation at cost-of-living adjustment	5.50%			
Amortization method	Level Percent Closed			
Remaining amortization period	26 years underfunded, 20 years overfunded			
Asset valuation method	7-year smoothed market			
Post retirement benefit increases	Based on Income			

Trend information

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

<u>Plan</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Year ended June 30, 2012			
Pension:			
PSPRS (Police)	\$ 888,987	100.0%	\$ -
PSPRS (Fire)	535,547	100.0%	-
CORP	33,509	100.0%	-
EORP	18,932	100.0%	-
Health Insurance:			
PSPRS (Police)	65,048	100.0%	-
PSPRS (Fire)	35,620	100.0%	-
CORP	3,378	100.0%	-
EORP	1,086	100.0%	-
Year ended June 30, 2011			
Pension:			
PSPRS (Police)	773,051	100.0%	-
PSPRS (Fire)	493,274	100.0%	-
CORP	22,787	100.0%	-
EORP	16,907	100.0%	-
Health Insurance:			
PSPRS (Police)	49,601	100.0%	-
PSPRS (Fire)	28,414	100.0%	-
CORP	3,255	100.0%	-
EORP	1,068	100.0%	-
Year ended June 30, 2010			
Pension:			
PSPRS (Police)	706,063	100.0%	-
PSPRS (Fire)	523,523	100.0%	-
CORP	26,697	100.0%	-
EORP	13,717	100.0%	-
Health Insurance:			
PSPRS (Police)	40,913	100.0%	-
PSPRS (Fire)	26,686	100.0%	-
CORP	-	100.0%	-
EORP	1,064	100.0%	-

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Schedule of Funding Progress

The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information is not available solely for the City. Thus, the EORP information provided below and in the following annual required contribution section represents data for the entire plan group and includes all participating jurisdictions. An analysis of funding progress for each of the agent plans as most recent actuarial valuations; June 30, 2010 reporting period determines the rates for fiscal year 2012. For this valuation, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported, these benefits are disaggregated and reported separately.

Public Safety Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a)/c)
Police						
Pension						
June 30, 2010	\$ 12,607,771	\$ 16,407,340	\$ 3,799,569	76.84%	\$ 6,743,939	56.34%
June 30, 2009	11,317,174	15,297,882	3,980,708	73.98%	6,594,606	60.36%
June 30, 2008	10,060,791	13,744,757	3,683,966	73.20%	6,673,898	55.20%
Health Insurance						
June 30, 2010	\$ -	\$ 515,912	\$ 515,912	0.00%	\$ 6,743,939	7.65%
June 30, 2009	-	444,541	444,541	0.00%	6,594,606	6.74%
June 30, 2008	-	366,242	366,242	0.00%	6,673,898	5.49%
Firefighters						
Pension						
June 30, 2010	\$ 10,349,021	\$ 11,671,053	\$ 1,322,032	88.67%	\$ 3,968,803	33.31%
June 30, 2009	9,169,671	10,859,920	1,690,249	84.44%	4,026,999	41.97%
June 30, 2008	7,660,574	9,908,336	2,247,762	77.31%	4,218,295	53.29%
Health Insurance						
June 30, 2010	\$ -	\$ 298,665	\$ 298,665	0.00%	\$ 3,968,803	7.53%
June 30, 2009	-	253,129	253,129	0.00%	4,026,999	6.29%
June 30, 2008	-	254,816	254,816	0.00%	4,218,295	6.04%

Corrections Officers Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a)/c)
Pension						
June 30, 2010	\$ 611,591	\$ 659,034	\$ 47,443	92.80%	\$ 538,885	8.80%
June 30, 2009	510,860	481,065	(29,795)	106.20%	436,457	0.00%
June 30, 2008	-	-	-	0.00%	-	0.00%
Health Insurance						
June 30, 2010	\$ -	\$ 25,597	\$ 25,597	0.00%	\$ 538,885	4.75%
June 30, 2009	-	21,017	21,017	0.00%	436,457	4.82%
June 30, 2008	-	-	-	0.00%	-	0.00%

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Elected Officials Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a)/c)
Pension						
June 30, 2010	\$ 357,341,873	\$ 523,755,771	\$ 166,413,898	68.23%	\$ 66,442,072	250.46%
June 30, 2009	360,950,484	494,436,556	133,486,072	73.00%	67,776,690	196.95%
June 30, 2008	348,013,490	441,886,450	93,872,960	78.77%	62,183,699	150.96%
Health Insurance						
June 30, 2010	\$ -	\$ 12,014,810	\$ 12,014,810	0.00%	\$ 66,442,072	18.08%
June 30, 2009	-	11,754,076	11,754,076	0.00%	67,776,690	17.34%
June 30, 2008	-	12,454,201	12,454,201	0.00%	62,183,699	20.03%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Annual Required Contribution

Valuation Date June 30	Fiscal Year Ended June 30	Normal Cost (a)	Actuarial Accrued Liability (b)	Total (a+b)	Dollar Amount
Health Insurance Plan					
PSPRS (Police)					
2010	2012	0.54%	0.39%	0.93%	\$ 69,807
2009	2011	0.49%	0.33%	0.82%	\$ 60,188
2008	2010	0.40%	0.26%	0.66%	\$ 44,048
PSPRS (Firefighters)					
2010	2012	0.48%	0.38%	0.86%	\$ 37,989
2009	2011	0.44%	0.31%	0.75%	\$ 33,616
2008	2010	0.39%	0.29%	0.68%	\$ 28,684
CORP					
2010	2012	0.39%	0.23%	0.62%	\$ 3,719
2009	2011	0.42%	0.31%	0.73%	\$ 3,546
2008	2010	0.00%	0.00%	0.00%	\$ -
EORP					
2010	2012	0.83%	0.96%	1.79%	\$ 1,311,218
2009	2011	0.85%	0.82%	1.67%	\$ 1,322,611
2008	2010	0.85%	1.04%	1.89%	\$ 1,255,755

The Health Insurance Subsidy payments reported for valuation year 2010 were \$11,824 for the police plan, \$2,700 for the fire plan, \$0 for the corrections officers plan, and \$884,225 for the elected officials plan.

Volunteer Firefighters Relief and Pension Fund - The Fund is a single-employer defined contribution plan to provide pension benefits to volunteer firefighters not covered under PSPRS. The plan, which is administered by the City, was created and approved by the City Council under the A.R.S., Section 9-981. The authority to establish and amend plan benefit provisions rests with the City Council.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The assets of the plan are valued annually and the earnings or loss are distributed among participant accounts in the plan. The only deductions from the plan are to pay benefits to plan members. Firefighters who have served 20 years of service and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, are entitled to a monthly pension not to exceed \$400. This plan was fully vested as of June 30, 2012. At June 30, 2012, there was one eligible employee participating in the plan.

The plan has never had an actuarial valuation, but plan benefits cannot exceed plan assets. This employee benefit plan is not separately audited and, therefore, separate audited financial statements are not available.

The payroll for the firefighter covered by the plan for the year ended June 30, 2012, was \$0. Therefore, neither the City nor the firefighter made contributions to the plan for the same year ended.

NOTE 9 - LONG-TERM OBLIGATIONS

A summary of changes in governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2012, follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,004,889	\$ 273,887	\$ 200,033	\$ 3,078,743	\$ 2,462,994
Capital leases payable	947,816	-	397,276	550,540	413,525
Claims payable	496,500	489,940	347,302	639,138	360,330
Municipal Development					
Corporation bonds	62,386,222	-	5,056,941	57,329,281	5,088,788
General obligation bonds	37,160,000	-	2,775,000	34,385,000	2,840,000
Highway user revenue bonds	2,465,000	-	325,000	2,140,000	335,000
Unamortized premiums and discounts, net	956,854	-	84,931	871,923	84,931
Total	<u>\$ 107,417,281</u>	<u>\$ 763,827</u>	<u>\$ 9,186,483</u>	<u>\$ 98,994,625</u>	<u>\$ 11,585,568</u>

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year-end, internal service funds compensated absences of \$43,262 are included in the above liabilities. During the year, internal service fund compensated absence liabilities increased by \$8,956.

Compensated Absences - The compensated absences represent the portion of employee vacation and vested sick leave that will not be liquidated with current assets of the governmental funds. Compensated absences are generally liquidated by the General Fund.

Capital Leases Payable - The City has entered into lease agreements for a number of capital purchases, including a city hall heating, cooling and ventilation system and other heavy equipment. These leases provide bargain purchase options and transfer of title at the end of the lease term. The leases range from 5 to 10 years in length and vary in interest rates from 5.25% to 7.80%.

The assets have been capitalized at the present value of the future minimum lease payments as of the date of their inception. The assets acquired through capital leases follow:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Asset:		
Buildings and Improvements		\$ 2,174,449
Vehicles		927,040
Less: accumulated depreciation		<u>(1,261,204)</u>
Total		<u>\$ 1,840,285</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 413,525	\$ 17,374
2014	137,015	1,663
Total	<u>\$ 550,540</u>	<u>\$ 19,037</u>

Avondale Municipal Development Corporation (MDC) Bonds - MDC Bonds are issued for the purpose of constructing capital assets and related improvements. MDC bonds are backed by the City's general excise taxes. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2012</u>
2002 series bonds	3.00 - 4.25%	2015	\$ 5,375,000
2003 series bonds	2.00 - 3.75%	2015	4,315,000
2004 series bonds	2.50 - 4.30%	2020	7,895,000
2005 series bonds	3.00 - 4.00%	2020	10,799,281
2006 series bonds	4.00 - 5.00%	2027	15,420,000
2008 series bonds	4.00 - 5.00%	2029	13,525,000
			<u>\$ 57,329,281</u>

Annual debt service requirements to maturity for MDC Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 5,088,788	\$ 2,262,429
2014	5,171,470	2,069,865
2015	4,874,152	1,877,271
2016	5,041,834	1,674,988
2017	4,220,667	1,503,986
2018-2022	19,767,370	4,760,771
2023-2027	10,990,000	1,690,850
2028-2032	2,175,000	55,750
Total	<u>\$ 57,329,281</u>	<u>\$ 15,895,910</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Refunded MDC Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2012, totaled \$8,228,846.

The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2012
2002 series bonds	4.75 - 5.00%	2020	\$ 8,200,000
			<u>\$ 8,200,000</u>

General Obligation Bonds - General obligation bonds are issued for the purpose of constructing capital assets and related improvements. General obligation bonds are backed by the taxing authority of the City and are approved by the voters. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2012
2003 series A bonds	2.00 - 4.00%	2014	\$ 980,000
2005 series bonds	3.00 - 5.00%	2016	2,515,000
2006 series bonds	3.75 - 4.00%	2018	1,190,000
2009 series bonds	2.75 - 7.80%	2034	27,200,000
2010 series bonds	2.75 - 3.25%	2018	2,500,000
			<u>\$ 34,385,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,840,000	\$ 2,017,196
2014	2,985,000	1,895,548
2015	2,045,000	1,815,223
2016	1,765,000	1,739,785
2017	2,060,000	1,641,743
2018-2022	5,035,000	7,310,144
2023-2027	5,000,000	5,750,680
2028-2032	7,070,000	3,357,120
2033-2037	5,585,000	455,520
Total	<u>\$ 34,385,000</u>	<u>\$ 25,982,959</u>

Highway User Revenue Bonds - Highway user revenue bonds are issued for the specific purpose of constructing street and highway projects. The state-shared excise fuel tax revenues secure these bonds. The voters must approve these bonds. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2012</u>
2005 series bonds	3.00 - 3.875%	2017	\$ 2,140,000
			<u>\$ 2,140,000</u>

Annual debt service requirements to maturity for Highway User Revenue Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 335,000	\$ 68,150
2014	350,000	55,463
2015	360,000	41,963
2016	375,000	27,900
2017	390,000	12,788
2018-2022	330,000	-
Total	<u>\$ 2,140,000</u>	<u>\$ 206,264</u>

A summary of changes in long-term liabilities for the business-type activities reported in the government-wide financial statements for the year ended June 30, 2012, follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 368,382	\$ 72,378	\$ 43,799	\$ 396,961	\$ 317,570
Municipal Development					
Corporation bonds	1,733,772	-	318,055	1,415,717	56,212
Water and sewer revenue bonds	8,625,000	-	1,840,000	6,785,000	2,015,000
Unamortized premiums and discounts, net	432,540	-	48,059	384,481	48,059
Total	<u>\$ 11,159,694</u>	<u>\$ 72,378</u>	<u>\$ 2,249,913</u>	<u>\$ 8,982,159</u>	<u>\$ 2,436,841</u>

Water and Sewer Revenue Bonds - The revenue produced by the water and sewer facilities secures water and sewer revenue bonds. The voters must approve these bonds. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2012</u>
2010 series obligations	3.00 - 5.00%	2020	\$ 6,785,000
			<u>\$ 6,785,000</u>

Annual debt service requirements to maturity for the water and sewer revenue bonds are as follows:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,015,000	\$ 191,800
2014	1,580,000	128,600
2015	450,000	115,100
2016	460,000	101,300
2017	475,000	2,300
2018-2022	<u>1,805,000</u>	<u>105,550</u>
Total	<u>\$ 6,785,000</u>	<u>\$ 644,650</u>

Avondale Municipal Development Corporation (MDC) Bonds - MDC Bonds are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2012</u>
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	\$ 1,415,717
			<u>\$ 1,415,717</u>

Annual debt service requirements to maturity for MDC Bonds for business-type activities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 56,214	\$ 54,088
2014	58,530	52,039
2015	60,848	49,605
2016	63,166	47,079
2017	239,334	37,505
2018-2022	<u>937,625</u>	<u>51,784</u>
Total	<u>\$ 1,415,717</u>	<u>\$ 292,100</u>

NOTE 10 - INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Dedicated Sales Tax Revenue Fund	\$ 161,055
General Fund	Other Funds	1,888
		<u>\$ 162,943</u>

The \$162,943 in the General Fund is primarily attributable to temporary borrowing by the Dedicated Sales Tax Revenue Fund to offset a temporary cash deficit position. All other interfund payables and receivables were routine in nature

Interfund transfers for the year ended June 30, 2012, primarily consisted of the following activity:

General Fund transfers included \$0.4 million to the Development Fees Fund for street, library, parks and other capital projects, \$1.1 million to the Vehicle Replacement and Equipment Replacement Funds to accumulate reserves for the future replacement of vehicles and equipment, \$0.3 million to various funds in order to meet city grant and intergovernmental agreement matching requirements, and \$0.8 million to debt service funds to service debt.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Highway User Revenue Fund transfers included \$0.4 million to debt service funds to service debt and \$0.2 million to the Vehicle Replacement Fund to accumulate reserves for the future replacement of vehicles.

Dedicated Sales Tax Revenue Fund transfers included \$5.1 million to debt service funds to service debt, \$0.2 million to the Wastewater Utility Funds for sewer development, and \$0.4 million to the Development Fees Fund for street capital projects.

Public Safety Sales Tax Revenue Fund transfers included \$0.1 million to the Vehicle Replacement and Equipment Replacement Funds to accumulate reserves for the future replacement of vehicles and equipment.

Development Fees Fund transfers included \$1.2 million to debt service funds to service debt that financed city capital development projects and \$1.0 million from other funds to finance capital projects.

Dedicated Sales Tax Revenue Bonds Fund transfers included \$0.3 million and \$5.1 million from the Development Fees and Dedicated Sales Tax Revenue Funds to service debt that financed city capital development projects.

Non-Major Governmental Funds transfers included \$1.5 million from other governmental funds for vehicle and equipment replacement and \$2.0 million for debt service, and \$0.2 million to the Development Fees Fund for capital projects.

All other transfers between funds were routine in nature and consistent with the fund making the transfer.

Interfund transfers for the year ended June 30, 2012, were as follows:

Fund	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ -	\$ (2,655,792)
Highway User Revenue Fund	-	(635,040)
Dedicated Sales Tax Revenue Fund	-	(5,709,950)
Public Safety Sales Tax Revenue Fund	-	(132,900)
Development Fees Fund	1,025,000	(1,151,800)
Dedicated Sales Tax Revenue Bonds Fund	5,461,750	-
Non-major Governmental Funds	3,869,812	(206,020)
Total governmental funds	10,356,562	(10,491,502)
Enterprise funds:		
Water Utility Fund	-	-
Wastewater Utility Fund	150,000	-
Sanitation Utility Fund	-	-
Total enterprise funds	150,000	-
Internal service funds:	-	(15,060)
Grand total	\$ 10,506,562	\$ (10,506,562)

NOTE 11 - SEGMENT INFORMATION

The City's three identifiable business segments are discretely presented in the proprietary fund financial statements. As all required segment information is disclosed on the face of these statements, no additional segment information is provided in the notes to the financial statements.

**CITY OF AVONDALE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for property insurance, public employee fidelity bonds, crime insurance and miscellaneous insurance (such as surety bonds, special event insurance as needed, and fine arts coverage). City workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool (AMWCP). The City retains all risks not covered by commercial carriers and AMWCP and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the Risk Management Fund, an internal service fund. There have not been any settlements in excess of the insurance coverage provided by this fund since the inception of the City's self-insurance program in fiscal year 2005.

Annually, the City estimates the liabilities for unpaid claims using a historical cost information method. Claims and expenses are recognized when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported claims (IBNR). The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Unpaid claims liability amounts are reported gross (no discounting).

Changes in the Risk Management Fund's aggregate claims liability for the fiscal years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance at July 1	\$496,500	\$313,376
Current year claims and changes in estimates (including IBNR's)	489,940	475,725
Claim payments	<u>347,302</u>	<u>292,601</u>
Ending balance at June 30	<u>\$639,138</u>	<u>\$496,500</u>

NOTE 13 - CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2012. It is the opinion of city management and City Council that the amount of losses resulting from this litigation at June 30, 2012, if any, would not be material to the financial position of the City.

Federal and State Grants - The City has received a number of grants from both the federal and state governments. Some programs have been audited as of June 30, 2012. The City expects no material disallowance of expenditures except for any questioned costs, if any, that may result from a fiscal year 2011 finding contained in the Schedule of Findings and Questioned Costs contained in the Single Audit Section of this report.

NOTE 14 - COMMITMENTS

The City has active design and construction projects as of June 30, 2012. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

operating fund balances. The projects and remaining balances for work not completed as of June 30, 2012, were as follows.

	<u>Balance</u>
Street construction and improvements	\$ 681,658
Sewer construction and improvements	114,767
Water system construction and improvements	727,907
Park and recreation construction and improvements	4,892
Total	<u>\$ 1,529,224</u>

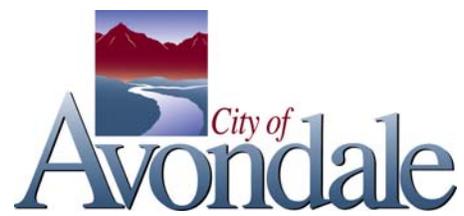
NOTE 15 - OPERATING LEASES

The cities of Avondale, Goodyear and Buckeye operate the Southwest Family Advocacy Center to serve victims in the region. The City leases office space under a noncancelable operating lease to operate the center, and all three cities share the cost of operations and maintenance.

Operating leases do not give rise to property rights or lease obligations and, therefore, no operating lease obligations have been included on the Statement of Net Assets. Operating lease costs for the fiscal year ended June 30, 2012, totaled \$375,806.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$119,204



SUPPLEMENTARY INFORMATION

Major Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 556,750	\$ 556,750	\$ 514,159	\$ (42,591)
Intergovernmental	754,500	754,500	817,689	63,189
Interest	33,700	33,700	10,307	(23,393)
Miscellaneous	-	-	236	236
Total revenues	<u>1,344,950</u>	<u>1,344,950</u>	<u>1,342,391</u>	<u>(2,559)</u>
Expenditures				
Current:				
Highway and streets	-	1,645,700	1,191,300	454,400
Culture and recreation	-	2,053,420	182,113	1,871,307
Debt service				
Principal	77,000	77,000	59,806	17,194
Interest and other charges	-	-	4,681	(4,681)
Capital outlay	<u>16,794,520</u>	<u>13,095,400</u>	<u>7,236,135</u>	<u>5,859,265</u>
Total expenditures	<u>16,871,520</u>	<u>16,871,520</u>	<u>8,674,035</u>	<u>8,197,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,526,570)</u>	<u>(15,526,570)</u>	<u>(7,331,644)</u>	<u>8,194,926</u>
Other financing sources (uses)				
Transfers in	1,025,000	1,025,000	1,025,000	-
Transfers out	<u>(1,151,800)</u>	<u>(1,151,800)</u>	<u>(1,151,800)</u>	-
Total other financing sources (uses)	<u>(126,800)</u>	<u>(126,800)</u>	<u>(126,800)</u>	-
Net change in fund balance	(15,653,370)	(15,653,370)	(7,458,444)	8,194,926
Fund balance, beginning of year	17,604,795	17,604,795	15,398,262	(2,206,533)
Fund balance, end of year	<u>\$ 1,951,425</u>	<u>\$ 1,951,425</u>	<u>\$ 7,939,818</u>	<u>\$ 5,988,393</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL OBLIGATION BONDS FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,652,410	\$ 3,652,410	\$ 3,035,184	\$ (617,226)
Interest	3,000	3,000	1,403	(1,597)
Miscellaneous	-	-	652,418	652,418
Total revenues	<u>3,655,410</u>	<u>3,655,410</u>	<u>3,689,005</u>	<u>33,595</u>
Expenditures				
Debt service:				
Principal	2,775,000	2,775,000	2,775,000	-
Interest and other charges	<u>2,129,070</u>	<u>2,129,070</u>	<u>2,130,540</u>	<u>(1,470)</u>
Total expenditures	<u>4,904,070</u>	<u>4,904,070</u>	<u>4,905,540</u>	<u>(1,470)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,248,660)</u>	<u>(1,248,660)</u>	<u>(1,216,535)</u>	<u>32,125</u>
Net change in fund balance	(1,248,660)	(1,248,660)	(1,216,535)	32,125
Fund balance, beginning of year	<u>4,324,186</u>	<u>4,324,186</u>	<u>4,343,222</u>	<u>19,036</u>
Fund balance, end of year	<u>\$ 3,075,526</u>	<u>\$ 3,075,526</u>	<u>\$ 3,126,687</u>	<u>\$ 51,161</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEDICATED SALES TAX REVENUE BONDS FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 2,500	\$ 2,500	\$ 1,800	\$ (700)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,800</u>	<u>(700)</u>
Expenditures				
Debt service:				
Principal	3,225,410	3,225,410	3,225,408	2
Interest and other charges	<u>2,227,120</u>	<u>2,227,120</u>	<u>2,226,501</u>	<u>619</u>
Total expenditures	<u>5,452,530</u>	<u>5,452,530</u>	<u>5,451,909</u>	<u>621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,450,030)</u>	<u>(5,450,030)</u>	<u>(5,450,109)</u>	<u>(79)</u>
Other financing sources (uses)				
Transfers in	<u>5,461,750</u>	<u>5,461,750</u>	<u>5,461,750</u>	<u>-</u>
Total other financing sources (uses)	<u>5,461,750</u>	<u>5,461,750</u>	<u>5,461,750</u>	<u>-</u>
Net change in fund balance	11,720	11,720	11,641	(79)
Fund balance, beginning of year	<u>2,409,917</u>	<u>2,409,917</u>	<u>6,699,839</u>	<u>4,289,922</u>
Fund balance, end of year	<u>\$ 2,421,637</u>	<u>\$ 2,421,637</u>	<u>\$ 6,711,480</u>	<u>\$ 4,289,843</u>

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Combining Financial Statements

Special Revenue Funds

Local Transportation Assistance Fund accounts for transit grants that provide resources to support public transportation services. This fund also accounts for special distributions of state lottery monies that are restricted for transit-related projects and programs.

Senior Programs Fund accounts for senior services provided to older adults within the community. These services are funded primarily by federal and state programs which provide resources to preserve and promote nutrition and health, prevent and reduce the risk of chronic diseases, and to promote and maintain independence and independent living.

Judicial Collection Enhancement Fund accounts for resources required to improve, maintain, and enhance the ability to collect and manage monies assessed or received by the courts including restitution, child support, fines and civil penalties, as well as to improve court automation projects likely to improve case processing or the administration of justice.

Grants-in-Aid Fund accounts for all other grant funding and private donations/contributions for specific purposes not accounted for in other special revenue funds or otherwise committed or restricted to capital projects. Such funds are generally accompanied by requirements and standards for how they are to be spent.

Family Advocacy Center Fund accounts for resources to operate the Southwest Family Advocacy Center which provides services to victims of domestic violence and other crimes. The Center is funded equally by three municipalities: Avondale, Buckeye and Goodyear.

Environmental Fees Fund accounts for environment fees collected and spent by the City to administer and enforce environmental programs such as the National Pollutant Discharge Elimination System Program and Particulate Matter Program. The City includes the fee in the monthly utility billing mailed to utility customers.

Capital Projects Funds

Vehicle Replacement Fund accounts for reserves set aside for the replacement of city vehicles other than those vehicles used in the City's enterprise activities. A consistent methodology is used to accumulate replacement reserves for operating department vehicle replacement needs. Vehicles are assigned replacement values and estimated useful lives. Operating

departments are then charged annual replacement charges such that the replacement reserves are available upon retirement of the vehicles.

Equipment Replacement Fund accounts for reserves set aside for the replacement of city computer equipment other than equipment used in the City's enterprise activities. A consistent methodology is used to accumulate replacement reserves for operating department replacement needs. Equipment is assigned replacement values and estimated useful lives. Operating departments are then charged annual replacement charges such that the replacement reserves are available upon retirement of the equipment.

Other Capital Projects accounts for capital resources and activities not accounted for in other capital project funds.

Debt Service Funds

Highway User Revenue Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the City's street and highway revenue bonds. The City has pledged excise fuel taxes to make the required debt service payments.

Other Debt Service Fund accounts for the accumulation of resources and payment of principal and interest on the City's general long-term bond indebtedness not accounted for in the other debt service funds. The City has pledged its general excise taxes to make the required debt service payments.

**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012**

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
ASSETS			
Cash and cash equivalents	\$ 1,643,965	\$ 274,074	\$ 554,485
Receivables:			
Accounts	-	78,542	-
Due from other governments	879,320	-	-
Inventories	5,153	-	-
Prepaid items	1,088	2,304	1,881
Restricted cash and cash equivalents with fiscal agents	-	-	-
Total assets	<u>\$ 2,529,526</u>	<u>\$ 354,920</u>	<u>\$ 556,366</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,426	\$ 5,432	\$ 14
Accrued payroll and employee benefits	922	2,632	-
Accrued liabilities	-	-	-
Construction contracts payable	-	-	-
Due to other governments	197,064	-	-
Due to other funds	-	-	-
Deferred revenues	347,994	56,584	-
Total liabilities	<u>549,406</u>	<u>64,648</u>	<u>14</u>
Fund balances:			
Nonspendable	6,241	2,304	1,881
Restricted	1,973,879	287,968	554,471
Committed	-	-	-
Assigned	-	-	-
Total fund balances	<u>1,980,120</u>	<u>290,272</u>	<u>556,352</u>
Total liabilities and fund balances	<u>\$ 2,529,526</u>	<u>\$ 354,920</u>	<u>\$ 556,366</u>

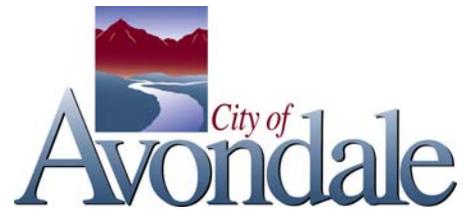
(continued on next page)

**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012**

	Special Revenue Funds		
	Grants-in-Aid	Family Advocacy Center	Environmental Fees
ASSETS			
Cash and cash equivalents	\$ 481,040	\$ 232,859	\$ 68,377
Receivables:			
Accounts	123,598	115	35,247
Due from other governments	816,226	79,124	-
Inventories	-	-	-
Prepaid items	8,238	55,382	-
Restricted cash and cash equivalents with fiscal agents	-	-	-
Total assets	<u>\$ 1,429,102</u>	<u>\$ 367,480</u>	<u>\$ 103,624</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 260,576	\$ 53,593	\$ -
Accrued payroll and employee benefits	18,783	4,790	-
Accrued liabilities	-	-	-
Construction contracts payable	30,127	-	-
Due to other governments	-	-	-
Due to other funds	36	-	-
Deferred revenues	443,757	20,632	-
Total liabilities	<u>753,279</u>	<u>79,015</u>	<u>-</u>
Fund balances:			
Nonspendable	8,238	55,382	-
Restricted	667,585	155,389	103,624
Committed	-	77,694	-
Assigned	-	-	-
Total fund balances	<u>675,823</u>	<u>288,465</u>	<u>103,624</u>
Total liabilities and fund balances	<u>\$ 1,429,102</u>	<u>\$ 367,480</u>	<u>\$ 103,624</u>

(continuation)

Capital Projects Funds			Debt Service Funds		Total
Vehicle Replacement	Equipment Replacement	Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	Non-Major Governmental Funds
\$ 7,060,535	\$ 334,655	\$ 844,350	\$ 121,344	\$ 343,426	\$ 11,959,110
2,127	-	4,871	-	263,542	508,042
-	-	-	-	-	1,774,670
-	-	-	-	-	5,153
-	-	-	-	-	68,893
-	-	-	374,938	1,580,455	1,955,393
<u>\$ 7,062,662</u>	<u>\$ 334,655</u>	<u>\$ 849,221</u>	<u>\$ 496,282</u>	<u>\$ 2,187,423</u>	<u>\$ 16,271,261</u>
\$ -	\$ 3,361	\$ -	\$ -	\$ -	326,402
-	-	-	-	-	27,127
-	-	-	39,937	115,588	155,525
-	-	-	-	-	30,127
-	-	-	-	-	197,064
-	-	-	-	-	36
-	-	-	-	-	868,967
-	3,361	-	39,937	115,588	1,605,248
-	-	-	-	-	74,046
-	-	761,132	456,345	2,071,835	7,032,228
-	-	-	-	-	77,694
7,062,662	331,294	88,089	-	-	7,482,045
<u>7,062,662</u>	<u>331,294</u>	<u>849,221</u>	<u>456,345</u>	<u>2,071,835</u>	<u>14,666,013</u>
<u>\$ 7,062,662</u>	<u>\$ 334,655</u>	<u>\$ 849,221</u>	<u>\$ 496,282</u>	<u>\$ 2,187,423</u>	<u>\$ 16,271,261</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
Revenues			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	787,042	293,864	-
Charges for services	-	-	90,013
Interest	1,627	161	197
Contributions	-	12,235	-
Miscellaneous	-	2,325	-
Total revenue	<u>788,669</u>	<u>308,585</u>	<u>90,210</u>
Expenditures			
Current:			
General government	-	-	51,721
Public safety	-	-	-
Health and welfare	-	353,203	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	1,823,627	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	8,907	-
Total expenditures	<u>1,823,627</u>	<u>362,110</u>	<u>51,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,034,958)</u>	<u>(53,525)</u>	<u>38,489</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(1,040)	-	-
Total other financing sources (uses)	<u>(1,040)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,035,998)	(53,525)	38,489
Fund balances, beginning of year	<u>3,016,118</u>	<u>343,797</u>	<u>517,863</u>
Fund balances, end of year	<u>\$ 1,980,120</u>	<u>\$ 290,272</u>	<u>\$ 556,352</u>

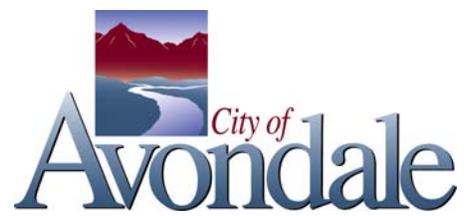
(continued on next page)

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		
	Grants-in-Aid	Family Advocacy Center	Environmental Fees
Revenues			
Licenses and permits	\$ -	\$ -	\$ 103,624
Intergovernmental	1,948,734	530,865	-
Charges for services	-	-	-
Interest	292	39	-
Contributions	157,858	42,009	-
Miscellaneous	9,151	656	-
Total revenue	<u>2,116,035</u>	<u>573,569</u>	<u>103,624</u>
Expenditures			
Current:			
General government	227,508	-	-
Public safety	553,773	672,624	-
Health and welfare	1,114,805	-	-
Economic and community development	157,857	-	-
Culture and recreation	64,535	-	-
Transportation	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	14,342	-	-
Total expenditures	<u>2,132,820</u>	<u>672,624</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,785)</u>	<u>(99,055)</u>	<u>103,624</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	96,012	250,780	-
Transfers out	(200,000)	(4,980)	-
Total other financing sources (uses)	<u>(103,988)</u>	<u>245,800</u>	<u>-</u>
Net change in fund balances	(120,773)	146,745	103,624
Fund balances, beginning of year	<u>796,596</u>	<u>141,720</u>	<u>-</u>
Fund balances, end of year	<u>\$ 675,823</u>	<u>\$ 288,465</u>	<u>\$ 103,624</u>

(continuation)

Capital Projects Funds			Debt Service Funds		Total Non-Major Governmental Funds
Vehicle Replacement	Equipment Replacement	Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,624
-	-	-	-	-	3,560,505
-	-	-	-	-	90,013
4,740	402	524	153	98	8,233
-	-	28,327	-	765,625	1,006,054
-	-	-	-	-	12,132
<u>4,740</u>	<u>402</u>	<u>28,851</u>	<u>153</u>	<u>765,723</u>	<u>4,780,561</u>
-	321,660	-	-	-	600,889
-	-	-	-	-	1,226,397
-	-	-	-	-	1,468,008
-	-	-	-	-	157,857
-	-	-	-	-	64,535
-	-	-	-	-	1,823,627
-	-	-	325,000	1,831,533	2,156,533
-	-	-	80,125	235,512	315,637
368,816	940,087	-	-	-	1,332,152
<u>368,816</u>	<u>1,261,747</u>	<u>-</u>	<u>405,125</u>	<u>2,067,045</u>	<u>9,145,635</u>
<u>(364,076)</u>	<u>(1,261,345)</u>	<u>28,851</u>	<u>(404,972)</u>	<u>(1,301,322)</u>	<u>(4,365,074)</u>
27,250	11,119	-	-	-	38,369
956,490	547,780	-	400,000	1,618,750	3,869,812
-	-	-	-	-	(206,020)
<u>983,740</u>	<u>558,899</u>	<u>-</u>	<u>400,000</u>	<u>1,618,750</u>	<u>3,702,161</u>
619,664	(702,446)	28,851	(4,972)	317,428	(662,913)
<u>6,442,998</u>	<u>1,033,740</u>	<u>820,370</u>	<u>461,317</u>	<u>1,754,407</u>	<u>15,328,926</u>
<u>\$ 7,062,662</u>	<u>\$ 331,294</u>	<u>\$ 849,221</u>	<u>\$ 456,345</u>	<u>\$ 2,071,835</u>	<u>\$ 14,666,013</u>



SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,211,270	\$ 1,211,270	\$ 787,042	\$ (424,228)
Interest	2,410	2,410	1,627	(783)
Total revenues	<u>1,213,680</u>	<u>1,213,680</u>	<u>788,669</u>	<u>(425,011)</u>
Expenditures				
Current:				
Transportation	2,072,120	2,072,120	1,823,627	248,493
Total expenditures	<u>2,072,120</u>	<u>2,072,120</u>	<u>1,823,627</u>	<u>248,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(858,440)</u>	<u>(858,440)</u>	<u>(1,034,958)</u>	<u>(176,518)</u>
Other financing sources (uses)				
Transfers out	(1,040)	(1,040)	(1,040)	-
Total other financing sources (uses)	<u>(1,040)</u>	<u>(1,040)</u>	<u>(1,040)</u>	<u>-</u>
Net change in fund balance	(859,480)	(859,480)	(1,035,998)	(176,518)
Fund balance, beginning of year	<u>2,355,679</u>	<u>2,355,679</u>	<u>3,016,118</u>	<u>660,439</u>
Fund balance, end of year	<u>\$ 1,496,199</u>	<u>\$ 1,496,199</u>	<u>\$ 1,980,120</u>	<u>\$ 483,921</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 259,090	\$ 319,554	\$ 293,864	\$ (25,690)
Interest	130	130	161	31
Contributions	11,700	13,130	12,235	(895)
Miscellaneous	-	-	2,325	2,325
Total revenues	<u>270,920</u>	<u>332,814</u>	<u>308,585</u>	<u>(24,229)</u>
Expenditures				
Current:				
Health and welfare	270,340	405,225	353,203	52,022
Capital outlay	-	16,235	8,907	7,328
Total expenditures	<u>270,340</u>	<u>421,460</u>	<u>362,110</u>	<u>59,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>580</u>	<u>(88,646)</u>	<u>(53,525)</u>	<u>35,121</u>
Net change in fund balance	580	(88,646)	(53,525)	35,121
Fund balance, beginning of year	<u>176,664</u>	<u>176,664</u>	<u>343,797</u>	<u>167,133</u>
Fund balance, end of year	<u>\$ 177,244</u>	<u>\$ 88,018</u>	<u>\$ 290,272</u>	<u>\$ 202,254</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JUDICIAL COLLECTION ENHANCEMENT FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 103,920	\$ 103,920	\$ 90,013	\$ (13,907)
Interest	270	270	197	(73)
Total revenues	<u>104,190</u>	<u>104,190</u>	<u>90,210</u>	<u>(13,980)</u>
Expenditures				
Current:				
General government	205,930	205,930	51,721	154,209
Total expenditures	<u>205,930</u>	<u>205,930</u>	<u>51,721</u>	<u>154,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,740)</u>	<u>(101,740)</u>	<u>38,489</u>	<u>140,229</u>
Net change in fund balance	(101,740)	(101,740)	38,489	140,229
Fund balance, beginning of year	<u>405,830</u>	<u>405,830</u>	<u>517,863</u>	<u>112,033</u>
Fund balance, end of year	<u>\$ 304,090</u>	<u>\$ 304,090</u>	<u>\$ 556,352</u>	<u>\$ 252,262</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,007,540	\$ 4,041,530	\$ 1,948,734	\$ (2,092,796)
Interest	-	-	292	292
Contributions	39,010	148,145	157,858	9,713
Miscellaneous	5,000,000	3,712,981	9,151	(3,703,830)
Total revenues	<u>8,046,550</u>	<u>7,902,656</u>	<u>2,116,035</u>	<u>(5,786,621)</u>
Expenditures				
Current:				
General government	5,062,490	3,273,195	227,508	3,045,687
Public safety	398,020	715,889	553,773	162,116
Health and welfare	2,314,790	3,200,915	1,114,805	2,086,110
Economic and community development	120,000	166,468	157,857	8,611
Culture and recreation	-	147,822	64,535	83,287
Capital outlay	79,550	233,829	14,342	219,487
Total expenditures	<u>7,974,850</u>	<u>7,738,118</u>	<u>2,132,820</u>	<u>5,605,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,700</u>	<u>164,538</u>	<u>(16,785)</u>	<u>(181,323)</u>
Other financing sources (uses)				
Transfers in	96,800	96,800	96,012	(788)
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	<u>(103,200)</u>	<u>(103,200)</u>	<u>(103,988)</u>	<u>(788)</u>
Net change in fund balance	(31,500)	61,338	(120,773)	(182,111)
Fund balance, beginning of year	<u>102,229</u>	<u>102,229</u>	<u>796,596</u>	<u>694,367</u>
Fund balance, end of year	<u>\$ 70,729</u>	<u>\$ 163,567</u>	<u>\$ 675,823</u>	<u>\$ 512,256</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FAMILY ADVOCACY CENTER FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 497,800	\$ 579,800	\$ 530,865	\$ (48,935)
Interest	-	-	39	39
Contributions	50,000	50,000	42,009	(7,991)
Miscellaneous	-	-	656	656
Total revenues	<u>547,800</u>	<u>629,800</u>	<u>573,569</u>	<u>(56,231)</u>
Expenditures				
Current:				
Public safety	<u>793,600</u>	<u>865,600</u>	<u>672,624</u>	<u>192,976</u>
Total expenditures	<u>793,600</u>	<u>865,600</u>	<u>672,624</u>	<u>192,976</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(245,800)</u>	<u>(235,800)</u>	<u>(99,055)</u>	<u>136,745</u>
Other financing sources (uses)				
Transfers in	250,780	250,780	250,780	-
Transfers out	<u>(4,980)</u>	<u>(4,980)</u>	<u>(4,980)</u>	-
Total other financing sources (uses)	<u>245,800</u>	<u>245,800</u>	<u>245,800</u>	-
Net change in fund balance	-	10,000	146,745	136,745
Fund balance, beginning of year	-	-	141,720	141,720
Fund balance, end of year	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 288,465</u>	<u>\$ 278,465</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL FEES FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 103,624	\$ 103,624
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>103,624</u>	<u>103,624</u>
Expenditures				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>103,624</u>	<u>103,624</u>
Net change in fund balance	-	-	103,624	103,624
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,624</u>	<u>\$ 103,624</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 7,200	\$ 7,200	\$ 4,740	\$ (2,460)
Total revenues	<u>7,200</u>	<u>7,200</u>	<u>4,740</u>	<u>(2,460)</u>
Expenditures				
Capital outlay	570,000	570,000	368,816	201,184
Total expenditures	<u>570,000</u>	<u>570,000</u>	<u>368,816</u>	<u>201,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(562,800)</u>	<u>(562,800)</u>	<u>(364,076)</u>	<u>198,724</u>
Other financing sources (uses)				
Sale of capital assets	-	-	27,250	27,250
Transfers in	956,490	956,490	956,490	-
Total other financing sources (uses)	<u>956,490</u>	<u>956,490</u>	<u>983,740</u>	<u>27,250</u>
Net change in fund balance	393,690	393,690	619,664	225,974
Fund balance, beginning of year	<u>4,869,591</u>	<u>4,869,591</u>	<u>6,442,998</u>	<u>1,573,407</u>
Fund balance, end of year	<u>\$ 5,263,281</u>	<u>\$ 5,263,281</u>	<u>\$ 7,062,662</u>	<u>\$ 1,799,381</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 1,200	\$ 1,200	\$ 402	\$ (798)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>402</u>	<u>(798)</u>
Expenditures				
Current:				
General government	437,770	437,770	321,660	116,110
Capital outlay	940,000	940,000	940,087	(87)
Total expenditures	<u>1,377,770</u>	<u>1,377,770</u>	<u>1,261,747</u>	<u>116,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,376,570)</u>	<u>(1,376,570)</u>	<u>(1,261,345)</u>	<u>115,225</u>
Other financing sources (uses)				
Sale of capital assets	-	-	11,119	11,119
Transfers in	547,780	547,780	547,780	-
Total other financing sources (uses)	<u>547,780</u>	<u>547,780</u>	<u>558,899</u>	<u>11,119</u>
Net change in fund balance	(828,790)	(828,790)	(702,446)	126,344
Fund balance, beginning of year	<u>923,108</u>	<u>923,108</u>	<u>1,033,740</u>	<u>110,632</u>
Fund balance, end of year	<u>\$ 94,318</u>	<u>\$ 94,318</u>	<u>\$ 331,294</u>	<u>\$ 236,976</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,400,000	\$ 2,400,000	\$ -	\$ (2,400,000)
Interest	-	-	524	524
Contributions	-	-	28,327	28,327
Total revenues	<u>2,400,000</u>	<u>2,400,000</u>	<u>28,851</u>	<u>(2,371,149)</u>
Expenditures				
Capital outlay	<u>27,400,000</u>	<u>27,400,000</u>	-	<u>27,400,000</u>
Total expenditures	<u>27,400,000</u>	<u>27,400,000</u>	-	<u>27,400,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000,000)</u>	<u>(25,000,000)</u>	<u>28,851</u>	<u>25,028,851</u>
Other financing sources (uses)				
Bonds issued	<u>25,000,000</u>	<u>25,000,000</u>	-	<u>(25,000,000)</u>
Total other financing sources (uses)	<u>25,000,000</u>	<u>25,000,000</u>	-	<u>(25,000,000)</u>
Net change in fund balance	-	-	28,851	28,851
Fund balance, beginning of year	<u>695,424</u>	<u>695,424</u>	<u>820,370</u>	<u>124,946</u>
Fund balance, end of year	<u>\$ 695,424</u>	<u>\$ 695,424</u>	<u>\$ 849,221</u>	<u>\$ 153,797</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY USER REVENUE BONDS FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 150	\$ 150	\$ 153	\$ 3
Total revenues	<u>150</u>	<u>150</u>	<u>153</u>	<u>3</u>
Expenditures				
Debt service:				
Principal	325,000	325,000	325,000	-
Interest and other charges	89,880	89,880	80,125	9,755
Total expenditures	<u>414,880</u>	<u>414,880</u>	<u>405,125</u>	<u>9,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(414,730)</u>	<u>(414,730)</u>	<u>(404,972)</u>	<u>9,758</u>
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(14,730)	(14,730)	(4,972)	9,758
Fund balance, beginning of year	<u>146,161</u>	<u>146,161</u>	<u>461,317</u>	<u>315,156</u>
Fund balance, end of year	<u>\$ 131,431</u>	<u>\$ 131,431</u>	<u>\$ 456,345</u>	<u>\$ 324,914</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 200	\$ 200	\$ 98	\$ (102)
Contributions	489,580	489,580	765,625	276,045
Total revenues	<u>489,780</u>	<u>489,780</u>	<u>765,723</u>	<u>275,943</u>
Expenditures				
Debt service:				
Principal	1,831,540	1,831,540	1,831,533	7
Interest and other charges	251,180	251,180	235,512	15,668
Total expenditures	<u>2,082,720</u>	<u>2,082,720</u>	<u>2,067,045</u>	<u>15,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,592,940)</u>	<u>(1,592,940)</u>	<u>(1,301,322)</u>	<u>291,618</u>
Other financing sources (uses)				
Transfers in	1,618,750	1,618,750	1,618,750	-
Total other financing sources (uses)	<u>1,618,750</u>	<u>1,618,750</u>	<u>1,618,750</u>	<u>-</u>
Net change in fund balance	25,810	25,810	317,428	291,618
Fund balance, beginning of year	<u>147,897</u>	<u>147,897</u>	<u>1,754,407</u>	<u>1,606,510</u>
Fund balance, end of year	<u>\$ 173,707</u>	<u>\$ 173,707</u>	<u>\$ 2,071,835</u>	<u>\$ 1,898,128</u>

SUPPLEMENTARY INFORMATION

Internal Service Funds Combining Financial Statements

Risk Management Fund accounts for the City's property and liability self-insurance program. Coverage is provided using a combination of self-insurance and private excess insurance. This fund provides liability insurance coverage for claims over the self-insurance limit; claims under the limit are charged directly to the fund. The fund charges city departments a premium. The premiums are intended to cover current claims, administration, and to establish and maintain a reserve to cover the risk that is being transferred to the fund.

Printing Services Fund accounts for the City's internal copier and printing fees with costs supported by billing user departments for print and copy services provided.

Fleet Management Fund accounts for the operation, maintenance, and repair of city-owned fleet vehicles and equipment with costs supported by billing user departments for administrative costs, labor, parts, and fuel charges when fleet services are provided.

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,556,160	\$ 403,266	\$ 21,452	\$ 3,980,878
Inventories	-	-	148,439	148,439
Prepaid items	881	-	199	1,080
Total current assets	<u>3,557,041</u>	<u>403,266</u>	<u>170,090</u>	<u>4,130,397</u>
Noncurrent assets:				
Capital assets, depreciable (net)	12,232	211,993	7,010	231,235
Total noncurrent assets	<u>12,232</u>	<u>211,993</u>	<u>7,010</u>	<u>231,235</u>
Total assets	<u>3,569,273</u>	<u>615,259</u>	<u>177,100</u>	<u>4,361,632</u>
LIABILITIES				
Current liabilities:				
Accounts payable	71,233	45,768	72,908	189,909
Accrued payroll and employee benefits	-	-	12,560	12,560
Claims payable	360,330	-	-	360,330
Due to other funds	40	-	-	40
Compensated absences	6,776	-	27,834	34,610
Total current liabilities	<u>438,379</u>	<u>45,768</u>	<u>113,302</u>	<u>597,449</u>
Noncurrent liabilities:				
Claims payable	278,808	-	-	278,808
Compensated absences	1,694	-	6,958	8,652
Total noncurrent liabilities	<u>280,502</u>	<u>-</u>	<u>6,958</u>	<u>287,460</u>
Total liabilities	<u>718,881</u>	<u>45,768</u>	<u>120,260</u>	<u>884,909</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,232	211,993	7,010	231,235
Unrestricted	2,838,160	357,498	49,830	3,245,488
Total net assets	<u>\$ 2,850,392</u>	<u>\$ 569,491</u>	<u>\$ 56,840</u>	<u>\$ 3,476,723</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,317,090	\$ 199,504	\$ 2,415,292	\$ 3,931,886
Miscellaneous	22,683	-	2,538	25,221
Total operating revenues	<u>1,339,773</u>	<u>199,504</u>	<u>2,417,830</u>	<u>3,957,107</u>
Operating expenses:				
Salaries, wages and benefits	161,007	-	450,430	611,437
Contractual services, materials and supplies	87,061	128,673	1,801,849	2,017,583
Insurance claims and expenses	593,472	-	-	593,472
Depreciation	50,752	52,941	1,918	105,611
Total operating expenses	<u>892,292</u>	<u>181,614</u>	<u>2,254,197</u>	<u>3,328,103</u>
Operating income	<u>447,481</u>	<u>17,890</u>	<u>163,633</u>	<u>629,004</u>
Non-operating revenues:				
Interest income	2,224	264	-	2,488
Total non-operating revenues	<u>2,224</u>	<u>264</u>	<u>-</u>	<u>2,488</u>
Income before transfers	449,705	18,154	163,633	631,492
Transfers out	<u>(3,610)</u>	<u>-</u>	<u>(11,450)</u>	<u>(15,060)</u>
Change in net assets	446,095	18,154	152,183	616,432
Net assets (deficit), beginning of year	<u>2,404,297</u>	<u>551,337</u>	<u>(95,343)</u>	<u>2,860,291</u>
Net assets, end of year	<u>\$ 2,850,392</u>	<u>\$ 569,491</u>	<u>\$ 56,840</u>	<u>\$ 3,476,723</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,317,090	\$ 199,504	\$ 2,415,292	\$ 3,931,886
Payments to suppliers	(524,389)	(145,562)	(1,698,434)	(2,368,385)
Payments to employees	(159,759)	-	(438,395)	(598,154)
Miscellaneous	22,683	-	2,538	25,221
Net cash provided (used) by operating activities	<u>655,625</u>	<u>53,942</u>	<u>281,001</u>	<u>990,568</u>
Cash flows from noncapital financing activities:				
Interfund borrowing	(3)	-	(239,946)	(239,949)
Transfers out	(3,610)	-	(11,450)	(15,060)
Net cash provided (used) for noncapital financing activities	<u>(3,613)</u>	<u>-</u>	<u>(251,396)</u>	<u>(255,009)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(116,839)	(8,153)	(124,992)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(116,839)</u>	<u>(8,153)</u>	<u>(124,992)</u>
Cash flows from investing activities:				
Investment income	2,224	264	-	2,488
Net cash provided by investing activities	<u>2,224</u>	<u>264</u>	<u>-</u>	<u>2,488</u>
Net increase (decrease) in cash and cash equivalents	654,236	(62,633)	21,452	613,055
Cash and cash equivalents, beginning of year	<u>2,901,924</u>	<u>465,899</u>	<u>-</u>	<u>3,367,823</u>
Cash and cash equivalents, end of year	<u>\$ 3,556,160</u>	<u>\$ 403,266</u>	<u>\$ 21,452</u>	<u>\$ 3,980,878</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 447,481	\$ 17,890	\$ 163,633	\$ 629,004
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	50,752	52,941	1,918	105,611
Change in assets and liabilities:				
(Increase) decrease in inventories	-	-	70,608	70,608
(Increase) decrease in prepaid items	(881)	-	2,756	1,875
Increase (decrease) in accounts payable	16,415	(16,889)	30,068	29,594
Increase (decrease) in accrued payroll and employee benefits	(369)	-	4,694	4,325
Increase (decrease) in accrued liabilities	(2,028)	-	-	(2,028)
Increase (decrease) in sales taxes payable	-	-	(17)	(17)
Increase (decrease) in compensated absences	1,617	-	7,341	8,958
Increase (decrease) in claims payable	142,638	-	-	142,638
Net cash provided (used) by operating activities	<u>\$ 655,625</u>	<u>\$ 53,942</u>	<u>\$ 281,001</u>	<u>\$ 990,568</u>
Reconciliation of cash and cash equivalents at end of year to statement of net assets:				
Cash and cash equivalents	<u>\$ 3,556,160</u>	<u>\$ 403,266</u>	<u>\$ 21,452</u>	<u>\$ 3,980,878</u>
Total cash and cash equivalents	<u>\$ 3,556,160</u>	<u>\$ 403,266</u>	<u>\$ 21,452</u>	<u>\$ 3,980,878</u>

SUPPLEMENTARY INFORMATION

Capital Assets Used in the Operation of Governmental Activities

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2012

Function and Activity ¹	Capital Asset Category		
	Land	Buildings and Improvements	Improvements Other Than Buildings
General government	\$ 11,591,252	\$ 16,549,484	\$ 16,005
Public safety	307,003	16,047,454	229,476
Highways and streets	233,145,997	1,224,863	488,034
Health and welfare	215,948	978,211	-
Economic and community development	51,711	134,540	-
Culture and recreation	6,677,463	36,125,011	668,957
Total	<u>\$ 251,989,374</u>	<u>\$ 71,059,563</u>	<u>\$ 1,402,472</u>

¹ At June 30, 2012, the City did not maintain any capital assets under the transportation function.

Capital Asset Category

Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	Total
\$ 13,618,028	\$ -	\$ -	\$ -	\$ 41,774,769
12,223,835	-	1,965,259	-	30,773,027
2,257,261	381,309,119	-	823,343	619,248,617
83,563	-	-	-	1,277,722
103,579	-	-	-	289,830
1,247,441	-	-	11,693,371	56,412,243
<u>\$ 29,533,707</u>	<u>\$ 381,309,119</u>	<u>\$ 1,965,259</u>	<u>\$ 12,516,714</u>	<u>\$ 749,776,208</u>

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2012

Function and Activity ¹	Capital Assets July 1, 2011	Additions	Deletions	Capital Assets June 30, 2012
General government	\$ 40,424,702	\$ 1,487,704	\$ 137,637	\$ 41,774,769
Public safety	30,572,758	561,443	361,174	30,773,027
Highways and streets	612,628,937	17,108,467	10,488,787	619,248,617
Health and welfare	1,268,814	8,908	-	1,277,722
Economic and community development	289,830	-	-	289,830
Culture and recreation	55,741,919	1,313,402	643,078	56,412,243
Totals	\$ 740,926,960	\$ 20,479,924	\$ 11,630,676	\$ 749,776,208

¹ At June 30, 2012, the City did not maintain or acquire any capital assets under the transportation function.

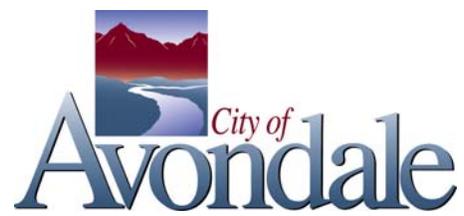
CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
JUNE 30, 2012

Governmental funds capital assets:

Land	\$ 251,989,374
Buildings and improvements	71,059,563
Improvements other than buildings	1,402,472
Vehicles, furniture and equipment	29,533,707
Infrastructure	381,309,119
Intangible assets	1,965,259
Construction in progress	12,516,714
Total	<u>\$ 749,776,208</u>

Investments in governmental activities capital assets by source:

General Fund	\$ 18,802,038
Special Revenue Funds	9,106,109
Capital Projects Funds	721,103,345
Internal Service Funds	764,716
Total	<u>\$ 749,776,208</u>



STATISTICAL SECTION

Financial presentations included in this section provide data and information on the financial, physical, and economic characteristics of the City. The following schedules cover multiple fiscal years and provide users with a broader and more complete understanding of the City and its financial affairs and economic condition. They also present detailed information as a context for understanding this year's financial statements, note disclosures, and required supplementary information.

	Schedule	Page
Financial Trends		
These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
Net Assets by Component - Last Ten Fiscal Years	1	122
Changes in Net Assets - Last Ten Fiscal Years	2	124
Fund Balances of Governmental Funds - Last Ten Fiscal Years	3	128
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	4	130
Revenue Capacity		
These schedules contain information to help users understand and assess the City's local revenue sources such as property taxes and transaction privilege taxes.		
Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property - Last Ten Fiscal Years	5	132
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	6	134
Principal Property Taxpayers - Current Year and Nine Years Ago	7	136
Property Tax Levies and Collections - Last Ten Fiscal Years	8	137
Transaction Privilege Taxes by Industry Classification - Last Five Years	9	138
Debt Capacity		
These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.		
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	10	139
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	11	140
Direct and Overlapping Governmental Activities Debt	12	141
Legal Debt Margin Information - Last Ten Fiscal Years	13	142
Avondale Water and Sewer Systems Pledged Revenue Coverage - Last Ten Fiscal Years	14	144
Municipal Development Corporation Bonds - Debt Service Coverage	15	146
Highway User Revenue Fund Bonds Debt Service Coverage - Last Ten Fiscal Years	16	147
Street and Highway Revenue Receipts - Last Ten Fiscal Years	17	148
Actual Excise Tax Revenues - Last Ten Fiscal Years	18	150
Demographic and Economic Information		
These schedules present economic and demographic indicators to help users understand the environment within which the City's financial activities take place.		
Demographic and Economic Statistics - Last Ten Fiscal Years	19	152
Principal Employers - Current Year and Nine Years Ago	20	153
Operating Information		
These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.		
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	21	154
Operating Indicators by Function - Last Ten Fiscal Years	22	156
Capital Assets Statistics by Function - Last Ten Fiscal Years	23	158

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

	Fiscal Year			
	2003	2004	2005	2006 ¹
Governmental activities				
Invested in capital assets, net of related debt	\$ (7,765,135)	\$ (728,546)	\$ (2,213,511)	\$ 196,509,921
Restricted	17,748,348	26,113,620	33,627,735	28,808,290
Unrestricted	7,079,459	13,854,820	20,756,092	31,939,142
Total governmental activities net assets	<u>\$ 17,062,672</u>	<u>\$ 39,239,894</u>	<u>\$ 52,170,316</u>	<u>\$ 257,257,353</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 49,659,313	\$ 65,140,765	\$ 76,032,966	\$ 382,500,757
Restricted	29,627,827	31,097,385	44,558,842	40,439,483
Unrestricted	15,485,880	16,450,395	24,462,385	28,749,995
Total business-type activities net assets	<u>\$ 94,773,020</u>	<u>\$ 112,688,545</u>	<u>\$ 145,054,193</u>	<u>\$ 451,690,235</u>
Primary government				
Invested in capital assets, net of related debt	\$ 41,894,178	\$ 64,412,219	\$ 73,819,455	\$ 579,010,678
Restricted	47,376,175	57,211,005	78,186,577	69,247,773
Unrestricted	22,565,339	30,305,215	45,218,477	60,689,137
Total primary government net assets	<u>\$ 111,835,692</u>	<u>\$ 151,928,439</u>	<u>\$ 197,224,509</u>	<u>\$ 708,947,588</u>

¹ In 2006, the City completed the retroactive infrastructure reporting requirements of GASB Statement No. 34 for infrastructure assets acquired prior to the fiscal year ended June 30, 2003. This restatement accounts for \$475.8 million of the increase in net assets between fiscal years 2005 and 2006.

² During fiscal year 2007, the City recorded adjustments to correct prior period errors which resulted in capital assets, net of accumulated depreciation, and net assets being understated by \$234.5 million in governmental activities and \$23.3 million in business-type activities on the government-wide financial statements. In total, the restatement accounts for \$257.8 million of the increase in net assets between fiscal years 2006 and 2007.

Source: Audited City of Avondale, Arizona, Comprehensive Annual Financial Reports.

Schedule 1

Fiscal Year					
2007 ²	2008	2009	2010	2011	2012
\$ 453,900,454	\$ 480,355,653	\$ 486,881,869	\$ 466,763,910	\$ 484,872,851	\$ 489,161,664
45,778,226	48,127,562	39,386,916	57,592,957	30,174,849	27,637,885
40,533,604	42,848,985	39,653,933	36,971,792	45,218,881	45,541,352
<u>\$ 540,212,284</u>	<u>\$ 571,332,200</u>	<u>\$ 565,922,718</u>	<u>\$ 561,328,659</u>	<u>\$ 560,266,581</u>	<u>\$ 562,340,901</u>
\$ 437,478,163	\$ 454,628,362	\$ 494,353,666	\$ 497,810,394	\$ 488,787,961	\$ 482,912,493
43,493,012	36,367,868	16,598,095	14,798,748	14,520,330	15,358,409
33,992,839	38,511,906	37,775,176	41,606,778	44,374,708	44,766,194
<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>	<u>\$ 548,726,937</u>	<u>\$ 554,215,920</u>	<u>\$ 547,682,999</u>	<u>\$ 543,037,096</u>
\$ 891,378,617	\$ 934,984,015	\$ 981,235,535	\$ 964,574,304	\$ 973,660,812	\$ 972,074,157
89,271,238	84,495,430	55,985,011	72,391,705	44,695,179	42,996,294
74,526,443	81,360,891	77,429,109	78,578,570	89,593,589	90,307,546
<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>	<u>\$ 1,114,649,655</u>	<u>\$ 1,115,544,579</u>	<u>\$ 1,107,949,580</u>	<u>\$ 1,105,377,997</u>

CITY OF AVONDALE, ARIZONA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 10,128,809	\$ 12,773,774	\$ 17,652,671	\$ 22,764,573
Public safety	11,107,465	12,309,510	14,797,695	14,935,013
Highways and streets	2,233,017	2,574,072	2,842,497	7,781,653
Sanitation ¹	2,746,075	3,047,585	-	-
Health and welfare	573,859	693,682	806,332	939,572
Economic and community development	2,078,521	2,718,598	3,356,334	5,213,085
Culture and recreation	945,473	1,013,654	1,157,280	1,816,712
Transportation	206,595	311,772	237,535	615,055
Interest on long-term debt	2,386,274	2,650,407	2,530,003	2,042,879
Total governmental activities expenses	<u>32,406,088</u>	<u>38,093,054</u>	<u>43,380,347</u>	<u>56,108,542</u>
Business-type activities:				
Water utility ²	5,364,526	6,137,470	6,939,975	11,818,914
East Avondale water utility ¹	501,732	701,085	-	-
Wastewater utility ²	5,054,347	4,589,305	4,733,439	8,296,298
Sanitation utility ^{1,2}	-	-	3,145,714	3,266,298
Total business-type activities expenses	<u>10,920,605</u>	<u>11,427,860</u>	<u>14,819,128</u>	<u>23,381,510</u>
Total primary government expenses	<u>\$ 43,326,693</u>	<u>\$ 49,520,914</u>	<u>\$ 58,199,475</u>	<u>\$ 79,490,052</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,486,404	\$ 513,754	\$ 918,596	\$ 1,267,440
Public safety	3,050	12,483	50,474	147,137
Highways and streets	-	-	-	-
Sanitation ¹	2,754,200	3,000,264	-	-
Economic and community development	-	4,940,363	5,589,855	5,817,266
Culture and recreation	28,440	100,390	135,916	254,323
Operating grants and contributions ²	1,860,947	2,078,204	4,462,062	5,085,797
Capital grants and contributions ²	12,183,730	11,151,696	7,924,999	10,699,397
Total governmental activities program revenues	<u>21,316,771</u>	<u>21,797,154</u>	<u>19,081,902</u>	<u>23,271,360</u>
Business-type activities:				
Charges for Services:				
Water utility ¹	6,283,314	5,847,391	8,485,789	9,336,905
East Avondale water utility ^{1,2}	1,308,192	1,770,151	-	-
Wastewater utility ²	5,296,408	6,315,059	6,907,659	6,946,157
Sanitation utility ^{1,2}	-	-	2,890,001	3,392,810
Capital grants and contributions	7,066,770	15,536,911	14,686,667	12,531,009
Total business-type activities program revenues	<u>19,954,684</u>	<u>29,469,512</u>	<u>32,970,116</u>	<u>32,206,881</u>
Total primary government program revenues	<u>\$ 41,271,455</u>	<u>\$ 51,266,666</u>	<u>\$ 52,052,018</u>	<u>\$ 55,478,241</u>

Schedule 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 18,346,534	\$ 17,792,047	\$ 14,968,809	\$ 12,862,710	\$ 15,364,915	\$ 12,194,735
22,873,912	25,841,680	26,634,975	24,168,796	25,139,168	24,509,660
10,347,480	10,898,173	11,069,079	12,322,104	13,246,764	12,514,335
-	-	-	-	-	-
1,787,162	2,404,144	2,545,061	2,470,031	2,511,615	2,748,093
6,542,881	8,665,232	6,808,330	7,985,413	5,091,504	5,015,366
3,474,717	2,665,257	3,327,765	3,190,869	3,268,540	3,675,781
594,823	2,701,817	867,173	1,902,347	1,581,404	1,824,128
2,810,763	2,921,420	3,246,602	5,129,250	4,849,805	4,573,048
<u>66,778,272</u>	<u>73,889,770</u>	<u>69,467,794</u>	<u>70,031,520</u>	<u>71,053,715</u>	<u>67,055,146</u>
13,630,207	14,797,982	15,542,394	15,442,478	16,686,715	15,517,184
-	-	-	-	-	-
9,371,087	9,850,598	10,555,903	10,252,684	11,361,012	11,232,156
4,192,462	4,361,538	4,117,318	3,613,617	3,530,472	3,748,396
<u>27,193,756</u>	<u>29,010,118</u>	<u>30,215,615</u>	<u>29,308,779</u>	<u>31,578,199</u>	<u>30,497,736</u>
<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>	<u>\$ 99,683,409</u>	<u>\$ 99,340,299</u>	<u>\$ 102,631,914</u>	<u>\$ 97,552,882</u>
\$ 1,638,662	\$ 1,924,171	\$ 1,787,153	\$ 1,656,665	\$ 1,465,160	\$ 1,543,248
403,696	716,940	665,937	407,961	415,243	290,321
14,846	-	-	-	-	-
-	-	-	-	-	-
3,728,984	2,354,229	805,550	576,436	895,233	614,765
507,118	402,105	492,988	575,046	257,614	413,832
7,877,600	9,004,224	8,386,128	12,712,420	10,449,880	8,665,735
41,453,780	25,442,212	8,855,743	1,795,711	3,639,920	1,642,679
<u>55,624,686</u>	<u>39,843,881</u>	<u>20,993,499</u>	<u>17,724,239</u>	<u>17,123,050</u>	<u>13,170,580</u>
11,277,850	11,689,072	10,903,178	11,097,099	11,315,015	12,241,675
-	-	-	-	-	-
7,431,247	7,720,602	7,124,168	7,220,779	7,466,785	7,695,007
3,915,823	4,346,931	4,414,342	4,732,011	4,845,058	4,909,423
30,783,194	14,128,878	8,216,300	1,648,926	719,803	444,983
<u>53,408,114</u>	<u>37,885,483</u>	<u>30,657,988</u>	<u>24,698,815</u>	<u>24,346,661</u>	<u>25,291,088</u>
<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>	<u>\$ 51,651,487</u>	<u>\$ 42,423,054</u>	<u>\$ 41,469,711</u>	<u>\$ 38,461,668</u>

(continued on next page)

CITY OF AVONDALE, ARIZONA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense) Revenue				
Governmental activities	\$ (11,089,317)	\$ (16,295,900)	\$ (24,298,445)	\$ (32,837,182)
Business-type activities	9,034,079	18,041,652	18,150,988	8,825,371
Total primary government net (expenses) revenues	<u>\$ (2,055,238)</u>	<u>\$ 1,745,752</u>	<u>\$ (6,147,457)</u>	<u>\$ (24,011,811)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Sales and use taxes	\$ 16,167,320	\$ 23,177,913	\$ 36,525,428	\$ 39,883,436
Property taxes, levied for general purposes	831,159	884,323	1,147,443	1,310,133
Property taxes, levied for debt service	1,192,297	1,452,584	1,941,381	2,319,060
Franchise taxes	558,196	640,293	682,292	876,224
State shared revenues, unrestricted	10,323,804	10,272,674	8,218,495	10,022,750
Investment income	534,050	378,780	1,093,019	2,331,224
Gain on sale of capital assets	31,114	372,845	286,400	61,289
Miscellaneous	676,905	709,802	407,388	358,317
Transfers	(16,924,196)	583,908	(13,072,979)	(800,000)
Total governmental activities	<u>13,390,649</u>	<u>38,473,122</u>	<u>37,228,867</u>	<u>56,362,433</u>
Business-type activities:				
Investment income	577,619	440,575	1,087,666	2,684,687
Gain on sale of capital assets	180,736	-	50,100	7,803
Miscellaneous	5,085	17,206	3,915	70,470
Transfers	16,924,196	(583,908)	13,072,979	800,000
Total business-type activities	<u>17,687,636</u>	<u>(126,127)</u>	<u>14,214,660</u>	<u>3,562,960</u>
Total primary government	<u>\$ 31,078,285</u>	<u>\$ 38,346,995</u>	<u>\$ 51,443,527</u>	<u>\$ 59,925,393</u>
Changes in Net Assets				
Governmental activities	\$ 2,301,332	\$ 22,177,222	\$ 12,930,422	\$ 23,525,251
Business-type activities	26,721,715	17,915,525	32,365,648	12,388,331
Total primary government	<u>\$ 29,023,047</u>	<u>\$ 40,092,747</u>	<u>\$ 45,296,070</u>	<u>\$ 35,913,582</u>

¹ Beginning in fiscal year 2005, sanitation services were reclassified from governmental activities to business-type activities. In addition, East Avondale water utility services activities were combined with Water utility services.

² In fiscal year 2011, \$0.7 million of bad debt expenses were included in business-type activities charges for services revenue and \$2.66 million of governmental activities capital grant and contribution revenues were classified as operating grants and contributions. The 2011 expenses and revenues were reclassified and presented in their respective categories for comparison purposes.

Source: Audited City of Avondale, Arizona, Comprehensive Annual Financial Reports.

Schedule 2
(continuation)

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (11,153,586)	\$ (34,045,889)	\$ (48,474,295)	\$ (52,307,281)	\$ (53,930,665)	\$ (53,884,566)
26,214,358	8,875,365	442,373	(4,609,964)	(7,231,538)	(5,206,648)
<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>	<u>\$ (48,031,922)</u>	<u>\$ (56,917,245)</u>	<u>\$ (61,162,203)</u>	<u>\$ (59,091,214)</u>
\$ 42,691,477	\$ 38,291,070	\$ 33,021,053	\$ 30,298,359	\$ 30,417,802	\$ 32,914,546
1,519,425	1,815,527	1,916,742	2,063,316	2,210,771	2,278,643
2,800,966	4,135,646	5,061,320	4,716,859	3,473,069	2,985,899
982,033	1,001,905	1,033,993	1,047,312	1,095,000	1,096,920
17,513,121	18,983,659	18,249,722	15,644,558	14,410,652	14,870,469
3,642,859	2,984,483	592,542	417,727	318,931	282,485
146,585	140,504	217,001	25,307	7,794	33,435
392,483	610,011	934,675	2,376,003	1,084,568	1,646,489
(10,123,583)	(2,800,000)	(17,962,235)	(8,876,219)	(150,000)	(150,000)
<u>59,565,366</u>	<u>65,162,805</u>	<u>43,064,813</u>	<u>47,713,222</u>	<u>52,868,587</u>	<u>55,958,886</u>
3,536,505	2,658,608	574,400	195,602	166,893	196,973
64,223	51,442	77,747	75,345	-	-
84,193	158,707	162,046	135,320	381,724	213,772
10,123,583	2,800,000	17,962,235	8,876,219	150,000	150,000
<u>13,808,504</u>	<u>5,668,757</u>	<u>18,776,428</u>	<u>9,282,486</u>	<u>698,617</u>	<u>560,745</u>
<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>	<u>\$ 53,567,204</u>	<u>\$ 56,519,631</u>
\$ 48,411,780	\$ 31,116,916	\$ (5,409,482)	\$ (4,594,059)	\$ (1,062,078)	\$ 2,074,320
40,022,862	14,544,122	19,218,801	4,672,522	(6,532,921)	(4,645,903)
<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>	<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>	<u>\$ (2,571,583)</u>

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

	Fiscal Year ¹			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 199,102	\$ 139,183	\$ 212,336	\$ 154,179
Unreserved	9,574,224	12,894,969	19,781,789	27,505,360
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Committed to:				
Budgetary stabilization	-	-	-	-
Assigned to:				
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 9,773,326</u>	<u>\$ 13,034,152</u>	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>
All other governmental funds				
Reserved	\$ 19,224,835	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955
Unreserved, reported in:				
Special Revenue Funds	2,280,820	5,590,870	10,831,027	12,260,058
Capital Projects Funds	9,599,629	17,673,575	18,186,566	11,923,289
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Transit services	-	-	-	-
Highway and streets	-	-	-	-
Court improvements and operations	-	-	-	-
Grant and contributor purposes	-	-	-	-
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Water, sewer and street projects	-	-	-	-
Crime victim advocacy	-	-	-	-
Committed to:				
Capital projects	-	-	-	-
Crime victim advocacy	-	-	-	-
Assigned to:				
Vehicle replacement	-	-	-	-
Equipment replacement	-	-	-	-
Capital projects	-	-	-	-
Transit services	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 31,105,284</u>	<u>\$ 31,570,286</u>	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>

¹ The City implemented GASB 54 in fiscal year 2011. Prior years' financial statements have not been restated to provide the five fund balance classifications.

Source: Audited City of Avondale, Arizona, Comprehensive Annual Financial Reports.

Schedule 3

Fiscal Year ¹					
2007	2008	2009	2010	2011	2012
\$ 77,994	\$ 51,796	\$ 12,435	\$ 77,125	\$ -	\$ -
37,381,040	35,854,897	32,285,521	29,013,029	-	-
-	-	-	-	3,783	3,176
-	-	-	-	164,012	271,673
-	-	-	-	326,879	349,992
-	-	-	-	20,107,819	16,192,523
-	-	-	-	2,150,250	7,253,410
-	-	-	-	3,036,074	7,916,399
<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>	<u>\$ 32,297,956</u>	<u>\$ 29,090,154</u>	<u>\$ 25,788,817</u>	<u>\$ 31,987,173</u>
\$ 13,459,405	\$ 13,221,123	\$ 16,565,285	\$ 30,429,893	\$ -	\$ -
14,493,602	11,769,069	9,383,952	9,323,672	-	-
18,261,268	28,023,908	18,585,349	22,958,296	-	-
-	-	-	-	225,904	220,837
-	-	-	-	612,457	771,513
-	-	-	-	61,744	1,688,441
-	-	-	-	3,249,085	3,334,517
-	-	-	-	516,711	554,471
-	-	-	-	1,139,954	955,553
-	-	-	-	1,233,782	2,090,147
-	-	-	-	12,648,785	11,726,347
-	-	-	-	8,810,461	4,073,188
-	-	-	-	523,204	420,781
-	-	-	-	93,903	155,389
-	-	-	-	2,871,197	668,344
-	-	-	-	46,951	77,694
-	-	-	-	6,442,998	7,062,662
-	-	-	-	1,033,740	331,294
-	-	-	-	4,536,974	4,288,987
-	-	-	-	2,945,885	-
-	-	-	-	-	-
<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>	<u>\$ 44,534,586</u>	<u>\$ 62,711,861</u>	<u>\$ 46,993,735</u>	<u>\$ 38,420,165</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306
Charges for services ¹	2,957,895	4,003,862	943,619	1,955,528
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969
Interest	545,722	385,013	1,093,019	2,331,223
Contributions	4,869,567	1,981,544	824,627	735,024
Miscellaneous	839,084	714,629	425,769	751,867
Total revenues	<u>51,513,961</u>	<u>59,335,350</u>	<u>69,120,428</u>	<u>80,592,405</u>
Expenditures				
General government	16,574,345	11,644,262	15,738,926	16,820,415
Public safety	10,209,532	10,995,415	13,859,897	17,254,476
Highways and streets	2,019,611	2,044,465	1,902,555	2,205,035
Sanitation ¹	2,454,368	2,406,162	-	-
Health and welfare	530,698	1,033,165	793,862	914,806
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363
Culture and recreation	768,906	890,534	969,467	1,232,332
Transportation	206,595	311,772	237,535	615,055
Debt Service				
Principal	1,196,220	2,890,843	3,882,461	4,914,723
Interest and other charges	2,387,562	2,650,407	2,957,914	2,909,515
Capital outlay	<u>32,262,324</u>	<u>22,595,576</u>	<u>12,704,572</u>	<u>25,180,046</u>
Total expenditures	<u>70,688,671</u>	<u>59,640,575</u>	<u>55,417,242</u>	<u>76,022,766</u>
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639
Other Financing Sources (Uses)				
Bond issuance	43,170,000	-	12,400,000	18,690,685
Issuance of refunding bonds	3,060,000	-	-	-
Bond premium (discount)	381,356	-	(45,989)	38,724
Payment to refunding bonds escrow agent	(3,977,913)	-	-	(18,337,174)
Sale of capital assets	707,553	909,196	436,574	85,724
Capital leases	387,435	2,537,949	-	927,040
Transfer in	18,255,356	11,226,148	13,551,582	14,234,220
Transfer out	(35,179,552)	(10,642,240)	(26,672,708)	(15,072,100)
Total other financing sources (uses)	<u>26,804,235</u>	<u>4,031,053</u>	<u>(330,541)</u>	<u>567,119</u>
Net change in fund balances	<u>\$ 7,629,525</u>	<u>\$ 3,725,828</u>	<u>\$ 13,372,645</u>	<u>\$ 5,136,758</u>
Debt service as a percentage of noncapital expenditures	9.3%	15.0%	16.0%	15.4%

¹ Beginning in fiscal year 2005, sanitation was reclassified from governmental activities to business-type activities.

Source: Audited City of Avondale, Arizona, Comprehensive Annual Financial Reports.

Schedule 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 48,059,641	\$ 45,103,331	\$ 40,966,295	\$ 38,227,410	\$ 37,206,864	\$ 39,383,889
7,673,913	8,640,183	3,134,769	1,996,430	1,073,233	1,342,998
24,790,367	28,703,206	27,035,675	27,626,462	26,755,077	23,743,672
1,624,541	1,726,235	1,179,405	944,332	1,322,030	891,777
1,280,434	1,467,011	1,357,050	1,262,853	1,152,077	1,175,041
3,603,941	2,946,716	580,422	415,395	315,685	279,999
1,278,270	874,006	1,137,849	942,440	813,886	1,042,296
1,575,441	377,544	261,427	2,431,170	1,117,621	1,364,648
<u>89,886,548</u>	<u>89,838,232</u>	<u>75,652,892</u>	<u>73,846,492</u>	<u>69,756,473</u>	<u>69,224,320</u>
16,774,809	16,334,100	10,970,755	9,477,910	12,077,265	11,049,852
20,729,479	23,478,075	23,939,534	22,881,143	23,717,192	23,360,386
2,359,925	1,833,928	2,177,687	2,605,224	3,472,183	2,518,264
-	-	-	-	-	-
1,719,404	2,120,063	2,719,779	4,931,655	2,660,252	2,766,874
5,083,707	7,312,754	6,588,345	5,528,640	4,886,947	5,015,247
4,081,600	3,379,661	4,021,204	3,396,173	3,409,346	2,484,829
588,627	2,693,561	870,662	1,895,324	1,580,838	1,823,627
5,718,590	6,547,759	7,684,563	8,620,474	8,585,695	8,554,217
3,529,618	3,264,547	3,855,789	5,427,681	5,023,373	4,706,601
<u>20,830,712</u>	<u>14,807,347</u>	<u>22,182,625</u>	<u>15,262,429</u>	<u>23,240,459</u>	<u>9,223,066</u>
<u>81,416,471</u>	<u>81,771,795</u>	<u>85,010,943</u>	<u>80,026,653</u>	<u>88,653,550</u>	<u>71,502,963</u>
8,470,077	8,066,437	(9,358,051)	(6,180,161)	(18,897,077)	(2,278,643)
21,000,000	-	15,000,000	29,800,000	-	-
-	-	-	2,815,000	-	-
945,767	-	91,235	(2,753,893)	-	-
-	-	-	48,388	-	-
252,296	224,347	223,770	-	7,794	38,369
-	-	-	116,358	-	-
28,055,659	19,867,345	18,277,333	41,785,235	12,859,860	10,356,562
<u>(38,164,331)</u>	<u>(22,910,645)</u>	<u>(36,322,538)</u>	<u>(50,661,454)</u>	<u>(12,990,040)</u>	<u>(10,491,502)</u>
<u>12,089,391</u>	<u>(2,818,953)</u>	<u>(2,730,200)</u>	<u>21,149,634</u>	<u>(122,386)</u>	<u>(96,571)</u>
<u>\$ 20,559,468</u>	<u>\$ 5,247,484</u>	<u>\$ (12,088,251)</u>	<u>\$ 14,969,473</u>	<u>\$ (19,019,463)</u>	<u>\$ (2,375,214)</u>
15.3%	14.7%	18.4%	21.7%	20.8%	21.3%

CITY OF AVONDALE, ARIZONA

ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY ²

LAST TEN FISCAL YEARS

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2012	\$ 134,867,886	\$ 67,361,870	\$ 132,735,913	\$ 102,602,512	\$ 358,763	\$ -	\$ -
2011	151,109,673	72,776,766	157,022,411	117,887,415	335,769	-	-
2010	196,235,454	85,274,561	212,453,689	149,830,377	364,145	-	-
2009	292,044,995	92,215,354	212,214,174	154,112,452	376,314	-	-
2008	373,154,615	92,685,824	186,089,522	135,969,538	415,276	-	-
2007	322,476,066	70,412,295	149,002,237	109,719,498	435,213	-	-
2006	200,052,758	35,937,301	117,241,485	89,720,469	326,959	-	-
2005	182,086,324	25,380,852	95,313,347	73,626,681	315,401	-	-
2004	151,090,125	16,748,041	71,796,337	74,293,583	297,703	-	-
2003	135,198,702	14,637,321	47,767,825	46,665,816	65,788	-	-

Assessment Ratios of Taxable Property ³

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2012	10.0 %	10.0 %	20.0 %	16.0 %	15.0 %	20.0 %	1.0 %
2011	10.0	10.0	20.0	16.0	15.0	20.0	1.0
2010	10.0	10.0	21.0	16.0	17.0	21.0	1.0
2009	10.0	10.0	21.0	16.0	18.0	21.0	1.0
2008	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2007	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2006	10.0	10.0	24.5	16.0	22.0	24.5	1.0
2005	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2004	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2003	10.0	10.0	25.0	16.0	20.0	25.0	1.0

¹ Includes tax-exempt property.

² Property in Maricopa County is required to be reassessed yearly. Upon meeting certain requirements, the County Assessor may value residential, agricultural, and vacant land at the same full cash valuation for up to three years. Tax rates are per \$100 of assessed value.

³ The assessment ratios for each property classification is applied to the primary and secondary full-cash value of the property to determine the respective assessed valuation for tax levy purposes.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Roll* and the Maricopa County Tax Rate Book web publication for the applicable years.

Schedule 5

Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value¹
\$ 437,926,944	\$ (92,254,812)	\$ 345,672,132	1.33	\$ 3,329,277,135	13.15 %
499,132,034	(96,728,376)	402,403,658	1.33	3,762,818,468	13.26
644,158,226	(119,852,877)	524,305,349	1.11	4,765,228,782	13.52
750,963,289	(109,200,312)	641,762,977	1.11	5,772,182,553	13.01
788,314,775	(84,159,774)	704,155,001	1.11	6,319,124,006	12.48
652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.45
443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.02
376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.90
314,225,789	(48,997,680)	265,228,109	1.17	2,430,772,423	12.93
244,335,452	(32,083,392)	212,252,060	1.27	1,981,422,235	12.33

CITY OF AVONDALE, ARIZONA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rate per \$100 of assessed valuation)

Fiscal Year ¹	Direct Rate		Overlapping Rates ¹				
	City of Avondale, Arizona	County-wide	County Community College	Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92	
2012 Primary	0.68	1.24	1.16	2.38	2.30	2.05	
2012 Secondary	0.66	0.00	0.22	1.67	2.54	4.33	
2011 Primary	0.58	1.24	1.01	2.47	1.96	1.82	
2011 Secondary	0.75	0.00	0.20	2.46	2.11	4.79	
2010 Primary	0.45	1.05	0.79	2.19	1.51	1.69	
2010 Secondary	0.65	0.00	0.18	3.11	1.21	4.11	
2009 Primary	0.36	0.99	0.72	0.98	1.06	1.77	
2009 Secondary	0.74	0.00	0.16	2.93	1.04	3.44	
2008 Primary	0.37	1.03	0.78	2.46	1.60	1.90	
2008 Secondary	0.73	0.00	0.16	1.69	1.01	3.02	
2007 Primary	0.41	1.10	0.82	2.06	1.62	1.99	
2007 Secondary	0.70	0.00	0.15	2.15	1.24	3.32	
2006 Primary	0.44	1.20	0.89	2.90	2.70	2.25	
2006 Secondary	0.73	0.00	0.14	2.34	1.09	3.79	
2005 Primary	0.46	1.21	0.92	4.01	3.15	2.35	
2005 Secondary	0.71	0.00	0.12	2.73	1.14	4.02	
2004 Primary	0.48	1.21	0.94	3.30	3.24	2.39	
2004 Secondary	0.69	0.07	0.14	2.31	1.03	3.98	
2003 Primary	0.54	1.21	0.96	3.06	3.59	2.81	
2003 Secondary	0.73	0.08	0.15	2.20	1.31	4.67	

¹ Overlapping rates are those of local and county governments that apply to the property owners within the City of Avondale. Not all overlapping rates apply to all Avondale property owners. For example, although county property tax rates apply to all city property owners, the school district rates apply only to those property owners whose property is located within the district's geographical boundaries.

Source: Arizona Research Foundation and Maricopa County Assessor's Office Property Tax Rates and Assessed Values (1998-2008) and Maricopa County Finance Department web publication, (2008-2012) Tax Rates Maricopa County, Arizona.

Schedule 6

Overlapping Rates ¹				
Litchfield Elementary School District No. 79	Avondale Elementary School District No. 44	Agua Fria Union High School District No. 216	Littleton Elementary School District No. 65	Liberty Elementary School District No. 25
2.31	2.02	2.04	2.45	2.07
1.58	2.31	1.13	1.93	1.47
1.94	2.77	1.69	1.33	1.87
1.32	2.03	0.99	2.47	1.33
1.62	1.51	1.62	1.60	1.96
1.30	1.43	0.83	1.87	1.34
1.62	1.96	2.04	2.51	1.49
1.01	1.36	0.65	1.26	1.18
1.76	1.87	1.88	2.38	1.70
0.77	1.76	0.52	1.39	1.00
1.82	1.91	1.62	2.33	2.28
0.90	1.89	1.01	1.61	1.34
1.89	2.38	2.24	2.74	2.22
1.46	1.89	1.36	1.85	1.73
2.50	2.61	3.38	2.12	2.50
1.61	1.85	1.37	1.72	0.58
2.38	3.45	2.42	3.90	2.26
1.89	0.79	1.37	2.02	1.83
2.13	2.25	2.83	2.33	2.50
2.14	0.77	1.39	1.56	1.64

**CITY OF AVONDALE, ARIZONA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO**

Schedule 7

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Inland Western Avondale McDowell, LLC	\$ 5,826,741	1	1.33 %	-	-	-
Phoenix Speedway Corp	5,305,398	2	1.21	\$ 3,101,426	1	1.27 %
Mirabella Avondale Apartments LLC	5,242,230	3	1.20	-	-	-
Raintree Pad 2, LLC	4,381,476	4	1.00	-	-	-
Arizona Public Service	3,942,889	5	0.90	2,159,746	3	0.88
Smith's Food & Drug Centers, Inc.	3,287,587	6	0.75	2,418,574	2	0.99
D H Ventures, LLC	3,080,000	7	0.70	-	-	-
Moreland Properties, LLC	2,969,176	8	0.68	1,761,193	9	0.72
Mechanic (AZ) QRS 15-41 INC	2,847,736	9	0.65	-	-	-
Alameda Avondale LLC ETAL	2,731,745	10	0.62	-	-	-
Weingarten Nostat Inc.	-	-	-	2,118,721	4	0.87
Costco Wholesale Corp	-	-	-	2,082,992	5	0.85
Wal-mart Stores Inc	-	-	-	2,050,000	6	0.84
Aventura Apatrments LLC	-	-	-	1,967,105	7	0.81
Bes Rio Santa Fe LLC	-	-	-	1,860,850	8	0.76
Harkins Phoenix Cinemas, LLC	-	-	-	1,743,405	10	0.71
Total	\$ 39,614,978		9.04 %	\$ 21,264,012		8.70 %

Source: Stone & Youngberg, LLC, Official Statements for the City of Avondale, Arizona, and Maricopa County Assessor records.

CITY OF AVONDALE, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS¹
LAST TEN FISCAL YEARS

Schedule 8

Fiscal Year	Original Property Tax Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 5,294,450	\$ 5,131,506	96.92 %	\$ 75,818	\$ 5,207,324	98.35 %
2011	5,632,413	5,413,477	96.11	150,073	5,563,550	98.78
2010	6,843,611	6,526,469	95.37	254,357	6,780,826	99.08
2009	7,102,059	6,710,295	94.48	303,826	7,014,121	98.76
2008	5,906,911	5,639,466	95.47	190,127	5,829,594	98.69
2007	4,389,587	4,225,998	96.27	132,590	4,358,588	99.29
2006	3,668,855	3,593,624	97.95	29,318	3,622,942	98.75
2005	2,977,361	2,906,636	97.62	37,154	2,943,790	98.87
2004	2,406,999	2,374,955	98.67	(2,308)	2,372,647	98.57
2003	2,014,427	1,976,098	98.10	4,318	1,980,416	98.31

¹ Property taxes are payable in two installments. The first installment becomes due on the first day of October and is delinquent after the first business day of November. The second installment is due on the first day of March and becomes delinquent after the first business day of May. Delinquent property taxes are subject to a penalty of 16% per annum, prorated at a monthly rate of 1.33%.

Source: Maricopa County Budget Department and Maricopa County Treasurer's Office, *Secured Levy Report Through June 30, 2012*.

**CITY OF AVONDALE, ARIZONA
TRANSACTION PRIVILEGE TAXES BY INDUSTRY CLASSIFICATION
LAST FIVE FISCAL YEARS**

Schedule 9

	Fiscal Year				
	2008	2009	2010	2011	2012
Retail	\$ 23,538,506	\$19,845,087	\$18,244,074	\$ 18,832,147	\$ 20,938,049
Construction	4,443,542	3,693,612	2,061,391	1,188,487	1,415,172
Real Estate & Rentals	3,507,850	3,477,613	3,487,130	3,890,097	4,131,206
Hotels & Other Lodging	217,293	174,643	229,818	200,151	181,968
Communication & Utilities	2,015,740	1,997,716	2,061,554	2,022,346	2,041,519
Restaurants & Bars	2,591,479	2,434,741	2,277,265	2,459,856	2,695,339
Amusement	868,406	751,050	661,557	592,433	590,559
Use Tax	247,415	212,186	204,191	201,255	249,884
All Others	95,776	122,837	123,663	102,139	102,988
Total	\$ 37,526,007	\$32,709,485	\$29,350,643	\$ 29,488,911	\$ 32,346,684

Year-over-Year Increase (Decrease)					
Retail	unavailable	(15.7) %	(8.1) %	3.2 %	11.2 %
Construction	unavailable	(16.9)	(44.2)	(42.3)	19.1
Real Estate & Rentals	unavailable	(0.9)	0.3	11.6	6.2
Hotels & Other Lodging	unavailable	(19.6)	31.6	(12.9)	(9.1)
Communication & Utilities	unavailable	(0.9)	3.2	(1.9)	0.9
Restaurants & Bars	unavailable	(6.0)	(6.5)	8.0	9.6
Amusement	unavailable	(13.5)	(11.9)	(10.4)	(0.3)
Use Tax	unavailable	(14.2)	(3.8)	(1.4)	24.2
All Others	unavailable	28.3	0.7	(17.4)	0.8
Total		(12.8) %	(10.3) %	0.5 %	9.7 %

¹ Totals may differ from governmental activities tax revenues by source due to differences in reporting periods.

Source: City records

CITY OF AVONDALE, ARIZONA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Schedule 10

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Capital Leases	Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans				
2012	\$ 34,385	\$ 2,140	\$ 57,329	\$ 551	\$ 6,785	\$ 1,416	\$ -	\$ 102,606	0.07 %	\$ 1,343	
2011	37,160	2,465	62,386	948	8,625	1,734	-	113,318	0.07	1,464	
2010	40,085	2,780	67,350	1,329	8,625	2,085	-	122,254	0.08	1,497	
2009	13,450	3,085	72,042	1,727	1,225	6,038	7,235	104,802	0.07	1,356	
2008	16,365	3,375	61,110	2,139	1,320	6,935	8,054	99,298	0.06	1,296	
2007	18,630	3,510	64,802	2,594	1,410	7,793	8,845	107,584	0.07	1,613	
2006	17,705	3,920	49,569	3,061	1,500	8,631	9,604	93,990	0.07	1,422	
2005	18,775	4,065	51,744	2,508	1,585	9,296	10,332	98,305	0.08	1,631	
2004	19,620	4,390	41,608	2,997	1,665	10,032	11,033	91,345	0.08	1,694	
2003	20,096	4,690	42,891	1,184	3,564	10,719	11,710	94,854	0.09	1,992	

¹ See Demographics and Economic Statistics Schedule on page 152 for personal income and population data.

Source: City records.

CITY OF AVONDALE, ARIZONA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Schedule 11

Fiscal Year	Secondary Assessed Valuation²	General Obligation Bonds	Less: Amounts available in Debt Service Fund	Net General Obligation Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property	Per Capita¹
2012	\$ 345,672,132	\$ 34,385,000	\$ 3,126,687	\$ 31,258,313	9.04 %	\$ 409
2011	402,403,658	37,160,000	4,343,222	32,816,778	8.16	424
2010	524,305,349	40,085,000	5,371,632	34,713,368	6.62	449
2009	641,762,977	13,450,000	5,406,716	8,043,284	1.25	104
2008	704,155,001	16,365,000	3,797,761	12,567,239	1.78	164
2007	586,169,088	18,630,000	2,546,201	16,083,799	2.74	241
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	240
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	347
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404

¹ See Demographics and Economic Statistics Schedule on page 152 for population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 132 for secondary assessed valuation data.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2012)* and city records.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF JUNE 30, 2012**

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable to City of Avondale	Amount Applicable to City of Avondale
State of Arizona	\$ NONE	0.65 %	\$ NONE
Maricopa County	NONE	1.04	NONE
Maricopa County Community College District	740,385,000	1.04	7,700,004
Maricopa County Flood Control District	NONE	1.15	NONE
Tolleson Elementary School District No. 17	12,240,000	10.57	1,293,768
Avondale Elementary School District No. 44	30,470,000	17.19	5,237,793
Littleton Elementary School District No. 65	17,050,000	53.49	9,120,045
Litchfield Elementary School District No. 79	38,250,000	12.45	4,762,125
Pendergast Elementary School District No. 92	16,265,000	32.18	5,234,077
Tolleson Union High School District No. 214	76,375,000	23.41	17,879,388
Agua Fria Union High School District No. 216	65,595,000	14.21	9,321,050
Total overlapping general obligation bonded debt	996,630,000		60,548,250
City of Avondale	34,385,000	100.00	34,385,000
Total direct and overlapping general obligation bonded debt	\$ 1,031,015,000		\$ 94,933,250

¹ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Avondale. The percentages presented in this schedule estimate the percent to which the jurisdictions' geographic boundaries overlap with those of the City. This schedule further estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering a City's ability to issue and repay long-term debt, the entire debt burden borne by residents should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

Source: The various jurisdictions.

**CITY OF AVONDALE, ARIZONA
LEGAL DEBT MARGIN INFORMATION¹
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Net secondary assessed valuation	\$ 212,252,060	\$ 265,228,109	\$ 322,603,779	\$ 386,790,640
<u>20% Limitation</u>				
Debt limit	42,450,412	53,045,622	64,520,756	77,358,128
Net debt applicable to limit	<u>10,576,000</u>	<u>10,270,000</u>	<u>9,565,000</u>	<u>8,930,000</u>
Legal 20% debt margin	<u>\$ 31,874,412</u>	<u>\$ 42,775,622</u>	<u>\$ 54,955,756</u>	<u>\$ 68,428,128</u>
Total net debt applicable to the limit as a percentage of debt limit	24.9%	19.4%	14.8%	11.5%
<u>6% Limitation</u>				
Debt limit	\$ 12,735,124	\$ 15,913,687	\$ 19,356,227	\$ 23,207,438
Net debt applicable to limit	<u>9,350,000</u>	<u>9,350,000</u>	<u>9,210,000</u>	<u>8,775,000</u>
Legal 6% debt margin	<u>\$ 3,385,124</u>	<u>\$ 6,563,687</u>	<u>\$ 10,146,227</u>	<u>\$ 14,432,438</u>
Total net debt applicable to the limit as a percentage of debt limit	73.4%	58.8%	47.6%	37.8%

¹ Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for water, sewer, light, open space preserves, parks, playgrounds and recreational facilities may not exceed 20% of the City's net secondary assessed valuation, nor may general obligation bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation. In fiscal year 2008, the State amended the law and moved streets and public safety to the 20% limitation from the 6% limitation.

Source: City records.

Schedule 13

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 586,169,088	\$ 704,155,001	\$ 641,762,977	\$ 524,305,349	\$ 402,403,658	\$ 345,672,132
117,233,818	140,831,000	128,352,595	104,861,070	80,480,732	69,134,426
16,130,000	14,185,000	11,785,000	38,570,000	35,805,000	33,195,000
<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>	<u>\$ 116,567,595</u>	<u>\$ 66,291,070</u>	<u>\$ 44,675,732</u>	<u>\$ 35,939,426</u>
13.8%	10.1%	9.2%	36.8%	44.5%	48.0%
\$ 35,170,145	\$ 42,249,300	\$ 38,505,779	\$ 31,458,321	\$ 24,144,219	\$ 20,740,328
2,500,000	2,180,000	1,665,000	1,515,000	1,355,000	1,190,000
<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>	<u>\$ 36,840,779</u>	<u>\$ 29,943,321</u>	<u>\$ 22,789,219</u>	<u>\$ 19,550,328</u>
7.1%	5.2%	4.3%	4.8%	5.6%	5.7%

CITY OF AVONDALE, ARIZONA
AVONDALE WATER AND SEWER SYSTEMS¹
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005 ⁵	2006 ⁵
Total operating revenues ²	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090
Total operating expenses ³	6,655,346	7,247,442	8,851,960	10,023,264
Net operating income	4,924,376	4,931,777	6,544,748	6,318,826
Other revenues	740,400	420,466	1,087,765	2,585,356
Net revenues before debt service	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>	<u>\$ 8,904,182</u>
Debt service ⁴	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293
Debt service coverage	2.23	1.76	3.10	3.63

¹ The information contained in this schedule excludes East Avondale Water Company revenues, expenses, and debt service.

² Includes all water and sewer operating revenues except for water and sewer development fees.

³ Excludes depreciation and interest expenses.

⁴ Debt Service includes all bonds having a water and sewer system revenue pledge including the following outstanding Municipal Development Corporation Revenue Bonds, Series 1999 (37% of total issue); Series 2005 (12% of total issue); and Series 2010.

⁵ In fiscal years 2005 and 2006, pledged revenues incorrectly included Sanitation Utilities Fund revenues. In fiscal year 2007, fiscal years 2005 and 2006 pledged revenues were adjusted to exclude the Sanitation Utilities Fund revenues.

Note: See Note 9 - Long-term Obligations on pages 76-80 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 14

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 18,749,786	\$ 19,436,132	\$ 18,073,444	\$ 18,357,018	\$ 18,416,763	\$ 19,984,828
12,473,104	13,259,794	14,419,200	13,843,483	14,591,625	13,850,258
6,276,682	6,176,338	3,654,244	4,513,535	3,825,138	6,134,570
3,687,234	2,785,829	2,092,810	1,595,269	874,992	633,797
\$ 9,963,916	\$ 8,962,167	\$ 5,747,054	\$ 6,108,804	\$ 4,700,130	\$ 6,768,367
\$ 2,469,394	\$ 2,444,879	\$ 2,441,059	\$ 2,437,250	\$ 775,518	\$ 2,486,512
4.03	3.67	2.35	2.51	6.06	2.72

**CITY OF AVONDALE, ARIZONA
MUNICIPAL DEVELOPMENT CORPORATION BONDS
DEBT SERVICE COVERAGE**

Schedule 15

Debt Service Payable During Year Ended June 30	Actual Excise tax Revenues²	Total Actual and Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 27,411,443	\$ 2,601,893	10.54
2004	34,943,465	4,079,119	8.57
2005	49,478,255	4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	51,190,101	7,955,796	6.43
2010	47,168,569	8,695,150	5.42
2011	45,119,070	8,021,765	5.88
2012	48,003,607	7,879,354	5.99
2013	—	7,461,517	6.32
2014	—	7,351,904	6.42
2015	—	6,861,876	6.87
2016	—	7,027,660	6.71
2017	—	6,001,492	7.86
2018	—	5,966,460	7.91
2019	—	5,966,985	7.90
2020	—	5,983,585	7.88
2021	—	5,045,876	9.35
2022	—	2,554,650	18.46
2023	—	2,549,100	18.50
2024	—	2,544,000	18.54
2025	—	2,534,500	18.61
2026	—	2,529,500	18.65
2027	—	2,523,750	18.69
2028	—	1,115,750	42.28
2029	—	1,115,000	42.30

¹ This schedule is used to meet the City's ongoing debt disclosure requirements as well as GASB reporting requirements. Therefore, estimated debt service requirements and debt service coverage ratios are presented for the term of the outstanding debt.

² The City has pledged excise taxes to secure Municipal Development Corporation bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage Schedule on page 144).

Note: See Note 9 - Long-term Obligations on pages 76-80 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

CITY OF AVONDALE, ARIZONA
HIGHWAY USER REVENUE FUND BONDS
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

Schedule 16

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2012	\$ 3,817,593	\$ 404,875	9.43
2011	4,020,214	405,844	9.91
2010	3,942,434	405,688	9.72
2009	4,161,313	399,838	10.41
2008	4,764,909	257,308	18.52
2007	4,948,541	537,827	9.20
2006	2,952,118	553,370	5.33
2005	2,608,891	563,249	4.63
2004	2,484,542	564,574	4.40
2003	2,323,982	563,746	4.12

¹ The Highway User Revenue Fund (HURF) Bonds are special revenue bonds specifically issued for the purpose of constructing street and highway projects. The bonds are secured by excise fuel tax revenues distributed by the State to the City based on a formula of population and motor fuel sales within the county of origin. The bonds must be voter-approved, and the amount of bonds the City may issue is limited by the annual amount of HURF revenues from the State. The annual total debt service must not exceed one-half of the annual revenues received by the City.

Note: See Note 9 - Long-term Obligations on pages 76-80 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

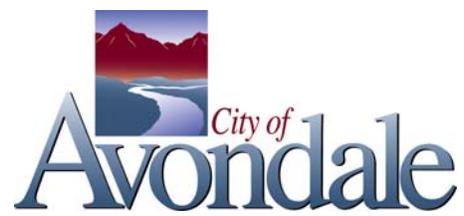
**CITY OF AVONDALE, ARIZONA
STREET AND HIGHWAY REVENUE
LAST TEN FISCAL YEARS**

Schedule 17

Fiscal Year	Street and Highway Revenue Receipts
2012	\$ 3,817,593
2011	4,109,134
2010	3,942,434
2009	4,161,313
2008	4,764,909
2007	4,948,541
2006	2,952,118
2005	2,608,891
2004	2,484,542
2003	2,323,982

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements.

Source: City records.



**CITY OF AVONDALE, ARIZONA
ACTUAL EXCISE TAX REVENUES
LAST TEN FISCAL YEARS**

<u>Source</u>	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City sales tax	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607	\$ 39,327,962
State sales tax	2,806,331	3,018,844	3,324,212	4,055,107
State revenue sharing	3,770,461	3,240,789	3,336,656	4,100,286
Utility and cable franchise fees	558,196	640,293	682,292	876,223
Licenses and permits	4,049,503	4,862,956	5,518,886	4,884,077
Fines and forfeitures	262,032	334,392	660,601	951,968
Totals	<u>\$ 27,411,444</u>	<u>\$ 34,972,840</u>	<u>\$ 49,478,254</u>	<u>\$ 54,195,623</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements.

Source: City records.

Schedule 18

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 42,619,823	\$ 37,549,019	\$ 32,618,773	\$ 29,664,531	\$ 30,079,230	\$ 32,639,353
6,592,077	6,374,091	5,518,183	5,089,719	5,351,475	5,957,260
8,031,441	9,806,105	10,195,604	8,208,394	6,750,611	6,434,543
982,032	1,001,905	1,033,993	1,067,061	1,095,000	1,096,920
3,974,976	2,405,938	972,685	1,810,205	810,508	827,949
1,249,998	1,387,841	850,862	1,328,659	1,032,246	1,047,582
<u>\$ 63,450,347</u>	<u>\$ 58,524,899</u>	<u>\$ 51,190,100</u>	<u>\$ 47,168,569</u>	<u>\$ 45,119,070</u>	<u>\$ 48,003,607</u>

**CITY OF AVONDALE, ARIZONA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Schedule 19

Fiscal Year	Population⁴	Personal Income (in thousands)	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2012	76,392	\$ 137,721,314	\$ 35,506	14,562	9.1 %	8.9 %
2011	77,388	140,269,226	36,417	15,091	8.4	9.6
2010	76,238	142,864,275	37,352	14,273	8.4	9.5
2009	77,276	139,623,617	36,707	13,980	6.1	7.0
2008	76,613	148,462,926	39,369	12,702	3.4	4.1
2007	66,678	145,880,680	39,300	12,619	3.2	3.9
2006	66,110	139,069,591	38,176	12,849	3.5	4.4
2005	60,255	126,010,741	35,606	13,357	3.9	4.7
2004	53,925	114,049,001	33,369	9,689	7.6	5.0
2003	47,610	104,665,923	31,446	9,040	9.4	5.7

- ¹ The City does not maintain personal income or per capita personal income information. Therefore, the information presented is based on Maricopa County figures. The source of this information is the U.S. Department of Commerce, Bureau of Economic Analysis. Information has been updated to reflect the most current data available from the U.S. Department of Commerce through 2009. Personal income and per capita personal income amounts presented for years 2010 forward are city-calculated estimates based on the average annual percentage change.
- ² Information provided by Estrella Mountain Community College, unduplicated headcount for combined total of credit, non-credit, and skill center students.
- ³ Information is based on the average of current fiscal year monthly data provided by the U.S. Department of Labor, Bureau of Labor Statistics. Arizona unemployment rates prior to fiscal year 2010 were obtained from the Arizona Department of Economic Security.
- ⁴ Fiscal year 2008 and 2009 city population projections are based on the Maricopa Association of Governments (MAG) figures for the prior fiscal year, adjusted by MAG figures for the net change in current year housing units, estimated population per housing unit, and occupancy rate. Fiscal year 2010 numbers were updated based on new census data. Fiscal year 2011 and 2012 population was based on the estimated per quarter change for the year between census and State of Arizona Data.
- ⁵ Since estimates from prior years may change as more current information becomes available, the amounts shown have been updated to provide the most recent data.

**CITY OF AVONDALE, ARIZONA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO**

Schedule 20

Employer	2012			2003		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Avondale Elementary School Dist. No. 44	800	1	2.18 %	395	2	1.45 %
Wal-Mart Stores, Inc	560	2	1.53	600	1	2.20
Estrella Mountain Community College	550	3	1.50	150	10	0.55
Agua Fria Union High School Dist. No. 216	400	4	1.09	300	4	1.10
City of Avondale	355	5	0.97	330	3	1.21
SunBridge Healthcare Corp.	200	6	0.55	160	8	0.59
Avondale Automotive Inc.	175	7	0.48	—	—	—
Costco Wholesale	150	8	0.41	155	9	0.57
Universal Technical Institute (UTI)	150	8	0.41	—	—	—
Home Depot	140	9	0.38	160	8	0.59
Earnhardt Auto Center	140	9	0.38	—	—	—
Avondale Nissan	90	10	—	—	—	—
West View High School	—	—	—	260	5	0.95
Avondal Dodge	—	—	—	190	6	0.70
Food City (Basha's)	—	—	—	170	7	0.62
Total	3,710		9.88 %	2,870		10.53 %

Source: Stone & Youngberg LLC, Official Statements, Maricopa Association of Governments Employer Database, and the U.S. Department of Labor, Bureau of Labor Statistics

CITY OF AVONDALE, ARIZONA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	As of June 30				
	2003	2004	2005	2006	2007
General government					
City administration	6.0	6.0	8.0	8.0	9.0
Finance and budget	18.5	18.5	21.5	23.5	29.5
City court	7.0	10.0	10.0	10.5	11.5
Planning and building services	18.0	18.0	19.0	22.0	22.0
Other	30.0	30.0	29.6	34.6	44.0
Public safety					
Police					
Civilians	24.5	34.0	42.5	45.0	49.5
Officers	76.0	81.0	92.0	94.0	100.5
Fire					
Fire fighters and officers	34.0	41.5	45.5	46.0	45.0
Civilians	8.0	12.0	13.0	17.5	12.0
Highways and streets					
Engineering and development services	14.0	14.0	14.0	17.0	22.0
Maintenance	17.0	17.0	15.3	13.3	14.0
Health and welfare	13.0	12.0	12.0	12.0	21.5
Economic and community development	4.0	4.0	3.0	2.0	3.0
Sanitation	18.0	18.0	19.1	21.1	19.0
Culture and recreation	26.5	27.5	27.0	26.0	48.0
Water resources	23.5	23.5	25.5	32.0	38.5
Sewer	12.5	12.5	12.5	15.0	16.5
Total	<u>350.5</u>	<u>379.5</u>	<u>409.5</u>	<u>439.5</u>	<u>505.5</u>

Source: City of Avondale, Arizona Annual Budget and Financial Plan for the applicable fiscal year.

Schedule 21

As of June 30				
2008	2009	2010	2011	2012
9.0	9.0	9.0	10.0	10.0
29.5	29.5	27.5	28.5	28.5
13.5	14.0	14.0	13.0	13.0
29.0	25.0	23.0	0.0	0.0
48.0	40.0	37.2	36.2	36.2
54.5	50.5	50.0	46.0	46.0
107.5	112.5	121.8	120.8	120.8
50.0	50.0	50.0	49.0	49.0
13.0	10.0	8.0	8.0	8.0
21.0	19.0	18.0	34.0	34.0
14.0	14.0	10.0	10.0	10.0
21.5	27.5	22.5	21.0	21.0
3.0	3.0	1.0	3.0	3.0
20.0	20.0	18.0	19.0	19.0
49.0	45.0	38.0	29.0	29.0
40.5	42.5	37.0	37.1	37.1
16.5	20.5	19.0	18.9	18.9
539.5	532.0	504.0	483.5	483.5
539.5	532.0	504.0	483.5	483.5

CITY OF AVONDALE, ARIZONA
OPERATING INDICATORS BY FUNCTION¹
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2003	2004	2005	2006
Police				
Calls for service	unavailable	46,552	53,476	52,419
Citations ²	unavailable	4,880	8,741	9,423
Physical arrests	unavailable	4,579	4,345	5,062
Fire				
Number of emergency responses	7,939	6,519	7,806	6,735
Inspections	unavailable	unavailable	3,238	4,900
Number of fires extinguished	15	26	10	-
Sanitation				
Refuse collected (tons per day)	86	87	68	72
Recyclables collected (tons per day)	9	12	14	14
Water				
New connections	16,200	18,417	20,545	21,459
Water mains breaks	unavailable	10	17	8
Average daily consumption (thousands of gallons)	8,305	9,185	9,301	10,285
Wastewater				
Average daily sewage treatment (thousands of gallons)	unavailable	3,507	3,825	4,080

¹ Indicators are unavailable for the general government function.

² Prior to 2009, Citations were broken down into 3 categories (moving, non-moving and all others). For fiscal year ended June 30, 2010, all figures were combined due to a change in recordkeeping.

Source: Various city departments.

Schedule 22

Fiscal Year					
2007	2008	2009	2010	2011	2012
68,364	72,872	74,929	73,884	78,961	77,800
10,550	7,239	4,950	6,167	6,487	7,348
3,373	4,121	4,113	3,080	4,234	3,461
6,843	5,583	6,002	5,965	6,057	6,601
4,460	4,479	3,881	3,077	3,296	3,041
148	49	503	493	451	241
126	143	146	134	141	132
49	49	49	46	52	48
21,821	22,600	22,925	22,992	23,251	23,616
16	17	26	12	10	14
11,850	11,850	11,664	11,850	11,300	13,992
4,602	4,974	4,883	4,886	5,159	5,310

CITY OF AVONDALE, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION¹
LAST TEN FISCAL YEARS

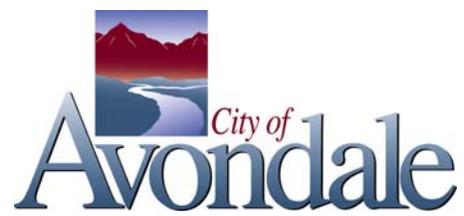
Function	Fiscal Year			
	2003	2004	2005	2006
Public Safety				
Police:				
Stations	2	2	2	2
Patrol units	28	47	53	64
Fire stations				
Stations	2	2	2	3
Regional training academy	0	0	0	1
Fire trucks	4	4	7	7
Fire vehicles (excl. fire trucks)	12	13	15	16
Sanitation				
Collection trucks	11	11	15	18
Highways and streets				
Streets (miles)	213	220	253	264
Streetlights	5,950	5,950	5,950	6,499
Traffic signals	24	26	28	29
Culture and recreation				
Parks acreage	118	118	130	265
Parks	11	11	11	11
Racquetball courts	0	0	0	0
Basketball courts	15	11	10	14
Volleyball courts	5	4	4	4
Baseball fields	0	3	3	3
Softball fields	0	3	3	3
Soccer fields	0	10	10	11
Swimming pools	0	0	0	0
Tennis courts	2	2	2	2
Community centers	2	2	2	2
Dog park	0	0	0	1
Playgrounds	4	5	5	7
Amphitheatre	3	3	3	3
Ramadas	5	6	6	8
Water				
Number of service connections	16,200	18,417	20,545	21,459
Water mains (miles)	315	335	335	406
Fire hydrants	unavailable	1,965	2,235	2,564
Sewer				
Number of service connections	16,150	18,417	20,100	19,970
Sanitary sewers (miles)	307	329	329	321
Storm sewers (miles)	unavailable	unavailable	31	26
Wastewater				
Treatment plants	1	1	1	1

¹ Indicators are unavailable for the general government function.

Source: Various city departments.

Schedule 23

Fiscal Year						
2007	2008	2009	2010	2011	2012	
2	2	4	4	4	5	
76	84	90	93	116	101	
3	3	3	3	3	3	
7	7	7	7	7	7	
19	17	16	16	16	16	
18	18	17	18	18	18	
279	284	284	285	285	286	
7,103	7,952	8,016	7,739	7,739	7,771	
33	36	42	42	46	46	
265	265	265	265	265	265	
11	11	11	11	11	11	
0	0	0	0	0	0	
14	14	14	14	18	18	
2	0	0	0	0	0	
3	4	4	4	4	4	
3	7	7	7	7	7	
11	12	12	12	14	14	
0	0	0	0	0	0	
2	2	2	2	2	2	
2	2	1	1	1	1	
1	1	1	1	1	1	
7	8	8	8	8	8	
3	2	2	2	2	2	
8	12	12	12	12	12	
21,821	22,600	22,925	22,992	23,251	23,616	
309	314	316	318	330	330	
2,581	2,624	2,686	2,703	2,711	2,714	
21,218	21,416	21,453	21,471	21,479	21,852	
232	235	235	235	235	235	
29	32	32	37	37	39	
1	1	1	1	1	1	



**SINGLE AUDIT
SECTION**



HENRY & HORNE, LLP
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale, Arizona, (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2012. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Henry + Horne, LLP

Casa Grande, Arizona
December 18, 2012



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council
City of Avondale, Arizona

Compliance

We have audited City of Avondale, Arizona's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

Internal Control Over Compliance

Management of the City of Avondale is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Henry + Horne, LLP

Casa Grande, Arizona
December 18, 2012

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Commerce			
ARRA-Broadband Technology Opportunities Program (BTOP)	11.557		\$ 15,229
Total U.S. Department of Commerce			<u>15,229</u>
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		589,062 *
Total CDBG - Entitlement Grants Cluster			<u>589,062</u>
Home Investment Partnerships Program, passed through the Arizona Department of Housing	14.239	303-11	183,729
Home Investment Partnerships Program, passed through the Maricopa County Human Services Department	14.239	M-10-DC-04-0227, M-11-DC-04-0227	74,725
Total Home Investment Partnerships Program			<u>258,454</u>
Total U.S. Department of Housing and Urban Development			<u>847,516</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2010-VA-GX-0064	40,847
Bulletproof Vest Partnership Program	16.607		12,889
ARRA-Public Safety Partnership and Community Policing Grants	16.710		316,800 *
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		38,442
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2011-DJ-BX-3298	8,070
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>46,512</u>
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants To Units Of Local Government, passed through Maricopa County	16.804	2009-SB-B9-2970	79,867
Total JAG Program Cluster			<u>126,379</u>
Total U.S. Department of Justice			<u>496,915</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2008-004107	25,486
	20.205	P001-2009-002154	6,484
	20.205	AVN-0(208)A	7,303
	20.205	IGA/JPA 11-181	280,000
Total Highway Planning and Construction Program Cluster			<u>319,273</u> *
Federal Transit Cluster			
Federal Transit_Formula Grants, Passed through the City of Phoenix	20.507	AZ-90-X109	298,503 *
Total Federal Transit Cluster			<u>298,503</u>
Transit Services Programs Cluster			
Job Access_Reverse Commute, passed through the Arizona Department of Transportation	20.516	AZ-37-X010, AZ-37-X011	210,000
Total Transit Services Programs Cluster			<u>210,000</u>
Highway Safety Cluster			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2011-AL-004	14,163
	20.600	2012-AL-027	14,157
Total Highway Safety Cluster			<u>28,320</u>
Total U.S. Department of Transportation			<u>856,096</u>
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	UNKNOWN	52
Total Institute of Museum and Library Services			<u>52</u>
U.S. Department of Energy			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		225,468
Total U.S. Department of Energy			<u>225,468</u>

(continued on next page)

See accompanying note to the schedule

* Denotes major program

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers, passed through the Area Agency on Aging, Region One, Inc.	93.044	2011-06-AVO	77,634
Special Programs for the Aging_ Title III, Part C_ Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2011-06-AVO	115,000
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2011-06-AVO	<u>23,439</u>
Total Aging Cluster			<u>216,073</u>
Immunization Cooperative Agreements , passed through Maricopa County Department of Public Health	93.268	C-86-08-045-2-00	9,505
Low-Income Home Energy Assistance, passed through the Maricopa County Department of Human Services	93.568	C-22-10-084-3-00	23,419
Community Services Block Grant, passed through the Maricopa County Department of Human Services	93.569	C-22-10-084-3-00	45,381
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-10-084-3-00	37,989
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2011-06-AVO	<u>15,298</u>
Total Social Services Block Grant			<u>53,287</u>
Total U.S. Department of Health and Human Services			<u>347,665</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program, passed through the World Hunger Education, Advocacy and Training	97.024	UNKNOWN	32,000
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	10-AZDOHS-HSGP-777801-01,	2,167
	97.067	888800-01	<u>3,353</u>
Total Homeland Security Grant Program			<u>5,520</u>
Total U.S. Department of Homeland Security			<u>37,520</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,826,461</u></u>

See accompanying note to the schedule

* Denotes major program

CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the City of Avondale, Arizona, federal grant activity during the fiscal year and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the 2012 *Catalog of Federal Domestic Assistance*.

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for each Major program listed below:

CDGB – Entitlement Grants Cluster	<u>Unqualified</u>
ARRA – Public Safety Partnership and Community Policing Grants	<u>Unqualified</u>
Highway Planning and Construction	<u>Unqualified</u>
Federal Transit Formula Grant	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	CDGB – Entitlement Grants Cluster
16.710	ARRA – Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction
20.507	Federal Transit Formula Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2011-1

Program Name: CDBG- Entitlement Grants Cluster

CFDA No. 14.218 & 14.253

Status: City management completed its work with local U.S. Department of Housing and Urban Development (HUD) representatives and the subrecipient to substantiate all amounts identified as overcharges in the U.S. Department of Housing and Urban Development, Office of the Inspector General (OIG) Report (Audit Report No. 2012-LA-1001), dated December 8, 2011. However, to date, HUD has not issued a formal management decision on the OIG finding and the amount of questioned costs, if any, that may have resulted from the overcharges identified in the OIG report.

In addition, the City made progress toward the following corrective actions as outlined in the prior year response:

- Develop a comprehensive monitoring schedule and procedures for all federal programs.
 - The City revised the monitoring procedures and implemented a monitoring schedule for federally funded programs.
- Explore using external monitoring resources such as an independent auditor, or conduct joint monitoring with other jurisdictions using the same subrecipients, as appropriate to assist with financial monitoring of larger federally funded programs.
 - The City, as part of the Maricopa County HOME Consortium, works with other jurisdictions within the Consortium to monitor non-profit subrecipient partners as well as participates in peer reviews of other jurisdictions.
- Conduct walk-throughs on all Construction projects to help ensure that the contracted services and goods are being provided according to the contract scope of work.
 - City staff performs walk-throughs of all housing rehabilitation projects to ensure work is being performed according to the scope of work. Walk-throughs are performed at various times throughout the rehabilitation project.
- Conduct programmatic and fiscal monitoring on all subrecipients and contractors receiving federal funding within the first 6 months of contract execution and annually thereafter.
 - City staff determined that the initial monitoring should be scheduled within the 6 months of the contract activity commencing. Some programs may not have activity with the first 6 months after contract execution and, therefore, made this change to the corrective action suggested.
 - City staff has updated/revised the monitoring procedures and schedule to include these criteria.
- Send customer surveys to all program recipients after project is completed and conduct telephone surveys, using sampling, to identify concerns.
 - Each client receives/completes a survey at the time of their final walk through. If any concerns are identified, they are addressed by program staff and resolved.

