



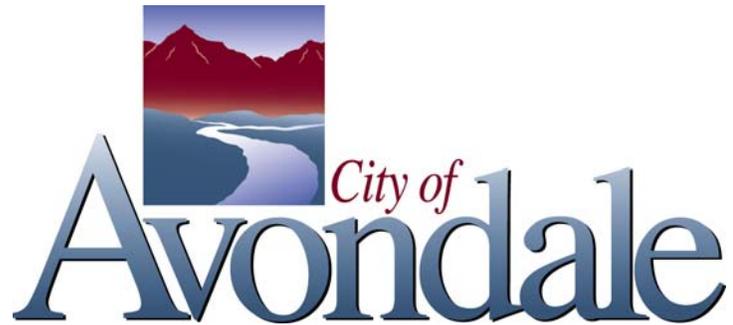
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

CITY OF AVONDALE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013
CITY OF AVONDALE, ARIZONA



MAYOR AND COUNCIL

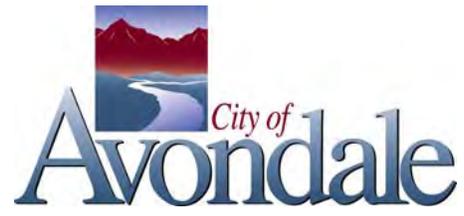
Marie Lopez-Rogers, Mayor
Frank Scott, Vice Mayor
Jim McDonald
Stephanie Karlin
Jim Buster
Ken Wiese
Charles Vierhout

MANAGEMENT STAFF

Charles McClendon, City Manager
David Fitzhugh, Assistant City Manager
Rogene Hill, Assistant City Manager

Prepared by: Finance and Budget Department

Kevin Artz, Finance and Budget Director
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Steven Montague, Controller
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Greg Luethje, Accountant
Jessica Archuleta, Accountant



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2013**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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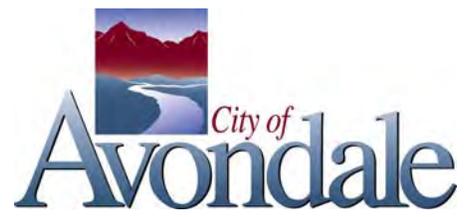
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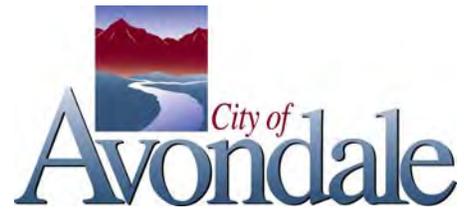
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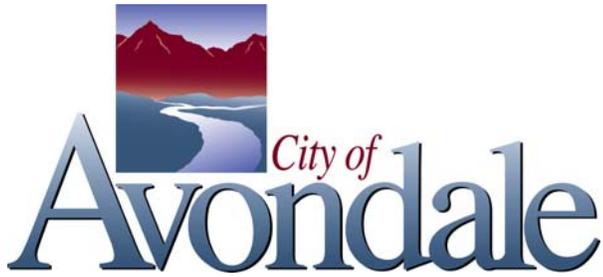
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INTRODUCTORY SECTION





Finance and Budget Department

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Avondale, AZ 85323

Phone: (623) 333-0200

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Website: www.avondale.org

December 16, 2013

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 2013. 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, 2013, 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, 2013, 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 requires 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 79,132. 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 City, the primary government, and all of its component units, entities for which the City is considered to be financially accountable. The Avondale Municipal Development Corporation (MDC), although a legally separate entity is, in substance, part of the City’s operations and so data from the MDC is combined with data of the City. The reporting entity is 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, Grants-in-Aid Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement 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

Fiscal year 2013 local revenues continued an upward trend and increased 6% from fiscal year 2012 to 2013. Retail sales tax collections have improved significantly over the past two years, and the City is fortunate to not have any “big box” retail stores that are vacant.

Construction sales tax collections continue to be at 10-year low, and are directly tied to housing starts, which continue to be at historical lows, but appear to be primed for some moderate growth in the near future.

Long-term financial planning

The City also prepares a 5-year forward-looking planning budget that incorporates ongoing 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 three years.

Relevant Financial Policies

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 2014 is \$18,934,773.

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, Ross, DSW shoe store and Mor Furniture. 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.

Coldwater Depot

Coldwater Depot is a 603,863 square-foot distribution facility, and is home to the 382,000 square-foot Conn's Southwest Logistics center. The City anticipates plans for tenant improvements in early 2014 for the balance of the building. The property also has space to build two additional 200,000 square-foot facilities that would bring the total building space to over a 1,000,000 square-foot facility with over 800 anticipated jobs.

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2013, 25 residential building permits were issued. Home values have stabilized and increased across Arizona, resulting in the Maricopa County Assessor's Office adjusting assessed valuations. However, adjustment of housing values typically takes two years to impact the tax rolls. The City experienced a 9% decrease in secondary assessed valuation going from \$345,672,132 to \$314,975,684 for fiscal year 2013. Initial projections for 2014 indicate the City will see moderate growth in assessed valuations.

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 facility has recently opened at the corner of McDowell Road and Avondale Blvd. The first phase of the project created 75 new jobs with an annual payroll in excess of \$2.5M, and a total capital investment of over \$16M. 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 and Canada (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, 2012. 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.

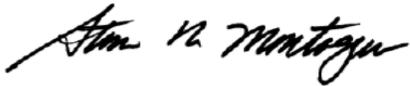
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2012-13 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

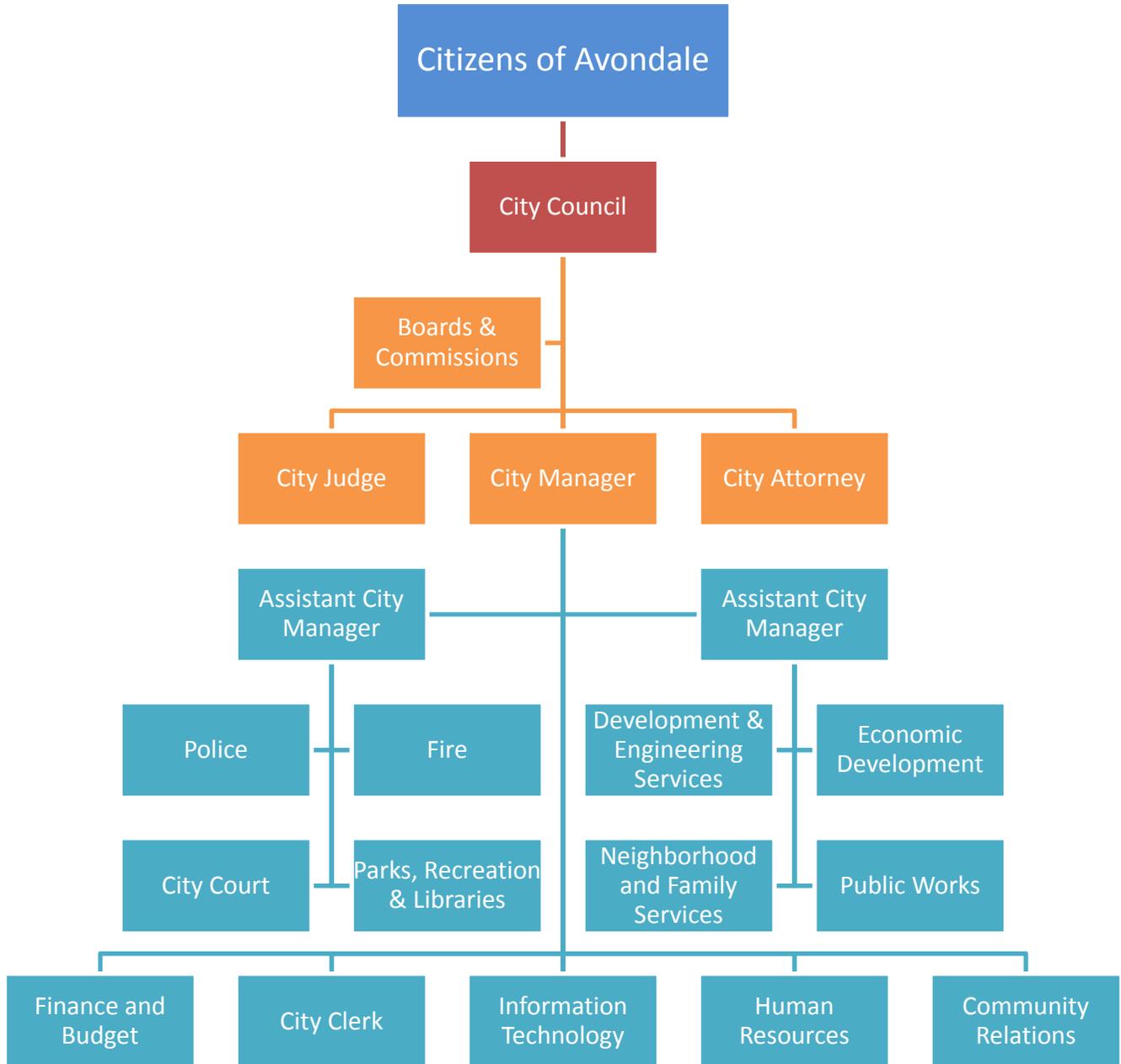
**City of Avondale
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF AVONDALE, ARIZONA
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2013**



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS OF THE CITY
YEAR ENDED JUNE 30, 2013**

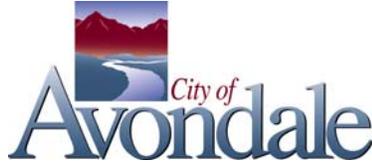
MAYOR AND COUNCIL

Marie Lopez-Rogers, Mayor

Frank Scott, Vice Mayor

Ken Weise, Councilmember

Jim Buster, Councilmember



Stephanie Karlin, Councilmember

Jim McDonald, Councilmember

Charles Vierhout, Councilmember

MANAGEMENT STAFF

Charles McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

DEPARTMENT HEADS

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**

**Tracy Stevens, Development and Engineering
Services Director**

Paul Adams, Fire Chief

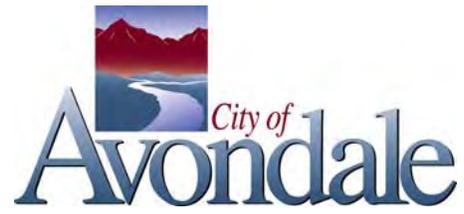
Kevin Kotsur, Chief of Police

Dan Davis, Economic Development Director

Pier Simeri, Community Relations Director

Robert Lloyd, Chief Information Officer

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





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale, Arizona

Report on the Financial Statements

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 City of Avondale, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Scottsdale
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Fax (480) 483-7126

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Major Special Revenue Funds, as listed in the table of contents, for the year then ended in accordance 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 failed to use highway user revenue fund monies received by the City of Avondale pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Avondale solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 65, Items Previously Reported as Assets and Liabilities that could have a material impact on the financial statements. For the City of Avondale, GASB Statements No. 61 and No. 62 have not impacted the financial statements; however, GASB Statement No. 63 has impacted what was previously identified as "Statement of Net Assets" and renamed it to "Statement of Net Position" and has impacted the presentation of the financial statements in the reclassification of deferred revenues from liabilities to deferred inflows of resources. As discussed in Note 16 to the financial statements, the adoption of GASB 65 resulted in the restatement of beginning net position. Our opinions are not modified with respect to those matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-22 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avondale, Arizona's basic financial statements. The introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

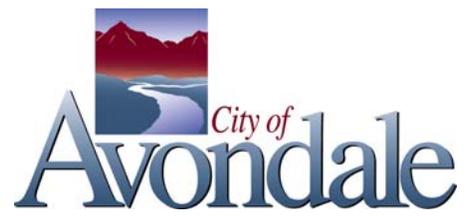
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avondale, Arizona's, internal control over financial reporting and compliance.

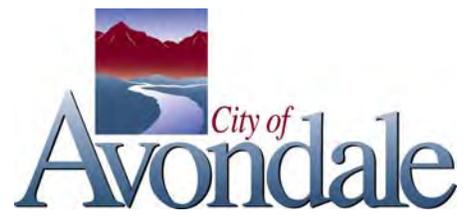
Henry + Horne LLP

Casa Grande, Arizona
December 16, 2013



FINANCIAL SECTION

Management's Discussion & Analysis (Required Supplementary Information)



MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

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 the fiscal year ended June 30, 2013. 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 significant deviations from the City's Annual Budget & Financial Plan (the council-adopted budget), and (5) identify individual fund issues or concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

This discussion and analysis (MD&A) has a different focus and purpose than the letter of transmittal presented on pages vii-xii of this report and is designed to be read in conjunction with the letter of transmittal, as well as the basic financial statements on pages 23-51 and the accompanying notes to the financial statements on pages 53-84.

Financial Highlights

The following are some of the more significant financial highlights. Explanations for these changes are provided below and in the following sections.

- Government-wide assets and deferred outflows of resources exceeded liabilities at the close of the most recent year by \$1.1 billion (net position). Of this amount, \$97.2 million represents unrestricted net position, up \$8.5 million (9.6%) from last year's \$88.7 million, which may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position decreased \$0.5 million during 2013, resulting from a \$4.7 million (128.6%) increase in governmental activities net position offset by a \$5.2 million (13.4%) decrease in business-type activities net position from the prior year.
- Governmental activities program revenues increased by \$1.8 million (13.8%) and general revenues increased by \$3.2 million (5.7%) over the prior year, while expenses increased by \$2.3 million (3.5%) during the same period.
- Business-type activities program revenues increased by about \$0.3 million (1.3%) and general revenues decreased by \$0.2 million (52.8%) from the previous year, while expenses increased by \$0.7 million (2.4%) over the previous year.
- Transfers between governmental activities and business-type activities remained unchanged from the prior year.
- Government-wide liabilities decreased by \$14.4 million (12.3%) from the previous year. This decrease was mainly due to the retirement or refunding of about \$24.4 million of long-term bonded debt, offset by the issuance of \$9.7 million (including premiums) of pledged revenue refunding obligations during the year.
- Government-wide assets were \$15.0 million (1.2%) less than the prior year. Much of the decrease was due to an increase in accumulated depreciation by \$26.9 million, offset by capital acquisitions of about \$12.6 million during the year.
- At year end, the governmental funds reported combined fund balance of \$69.7 million, a decrease of \$0.7 million (1.0%) from the previous year. Of this amount, \$2.3 million was nonspendable and \$38.4 million was either externally restricted or internally committed to specific purposes. Only \$29.0 million was either assigned to a specific purpose or unassigned, both of which are available for spending at the City's discretion.
- Combined governmental fund revenues of \$73.2 million and expenditures of \$74.0 million increased \$4.0 million (5.7%) and increased \$2.5 million (3.5%) between years, respectively.
- General Fund revenues exceeded budgeted revenues by \$0.9 million during the year, while expenditures were less than final budgeted expenditures by \$5.3 million, resulting in a net budgetary savings of \$6.2 million.
- In June 2013, the City issued \$9.3 million of Pledged Revenue Refunding Obligations, Series 2013, and contributed \$2.1 million of city funds to advance refund \$9.2 million of outstanding MDC Revenue Bonds, Series 2002 and 2004. The refunding was undertaken to reduce future debt service payments by \$2.6 million over the next seven years and resulted in an economic gain of about \$0.3 million. The City also retired \$2.9 million of outstanding MDC Revenue Bonds, Series 2003, during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to provide an introduction to the City's basic financial statements. The 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 includes supplementary information intended to furnish additional detail to support 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 a private-sector business. All of the City's activities, except those of a fiduciary nature, are included in these statements. The City's activities are presented in two columns; governmental activities and business-type activities. A total column is also presented for the City, the primary government.

- **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 mainly supported by taxes and intergovernmental revenues.
- **Business-type activities** include private sector-type activities provided by the City such as water, wastewater, and sanitation services. These activities are mainly supported by user charges and fees.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The focus on net position is designed to be similar to the emphasis for businesses. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Increases in net position may indicate an improved financial position, but decreases in net position may not necessarily indicate the City's financial position is deteriorating. Instead, decreases in net position 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 position changed during 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 position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods such as uncollected taxes, unreimbursed grant expenditures, and earned but unused vacation and sick leave. This statement also focuses on both the gross and net costs of city functions based only on direct functional revenues and expenses. This focus is designed to show the extent to which city 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 grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, as well as to establish managerial control over the city assets to demonstrate fiduciary responsibility. All of the City's funds are categorized 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 functions 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 the governmental fund 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, Dedicated Sales Tax Revenue Bonds Fund, and Grants-in-Aid Fund, all of which are considered to be major funds. Information from the other governmental funds is combined into a single, aggregated presentation, "Non-Major Governmental Funds". Individual fund data for each of these non-major governmental funds is 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 89-109.

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 38-42. Budgetary comparison schedules are presented for these funds and other governmental funds on pages 86-88 and 100-109, 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 basic proprietary fund 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, aggregated column on the proprietary fund 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 fund financial statements to reconcile total enterprise fund net position and changes in net position 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 program, 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 53-84 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 as 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 retirement plan information in the notes to the financial statements rather than separately presenting the information as required supplementary information (see Note 8 - Retirement Plans, pages 72-76).

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, 2013, with comparative information from June 30, 2012.

Net Position

Over time, net position may serve as a useful indicator of the City's financial position. The following table reflects the City's condensed Statement of Net Position as of June 30, 2013, and June 30, 2012.

	Net Position At June 30						Percent Change
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 81,267,176	\$ 81,161,065	\$ 63,083,709	\$ 63,856,316	\$ 144,350,885	\$ 145,017,381	(0.5) %
Capital assets	576,111,385	584,438,401	485,469,977	491,497,691	1,061,581,362	1,075,936,092	(1.3)
Total assets	657,378,561	665,599,466	548,553,686	555,354,007	1,205,932,247	1,220,953,473	(1.2)
Deferred outflows of resources							
Deferred loss on refunding	497,047	371,447	29,882	35,857	526,929	407,304	29.4
Total deferred outflows of resources	497,047	371,447	29,882	35,857	526,929	407,304	
Other liabilities	14,473,187	17,262,297	6,086,547	5,935,121	20,559,734	23,197,418	(11.4)
Long-term liabilities	77,361,616	87,409,057	4,858,328	6,545,318	82,219,944	93,954,375	(12.5)
Total liabilities	91,834,803	104,671,354	10,944,875	12,480,439	102,779,678	117,151,793	(12.3)
Net position:							
Net investment in capital assets	494,754,961	489,533,111	479,033,932	482,948,350	973,788,893	972,481,461	0.1
Restricted	20,548,326	27,637,885	12,092,990	15,358,409	32,641,316	42,996,294	(24.1)
Unrestricted	50,737,518	44,128,563	46,511,771	44,602,666	97,249,289	88,731,229	9.6
Total net position	\$ 566,040,805	\$ 561,299,559	\$ 537,638,693	\$ 542,909,425	\$ 1,103,679,498	\$ 1,104,208,984	(0.0)

¹ 2012 balances have been restated in accordance with GASB Statement Nos. 63 and 65 for comparative purposes.

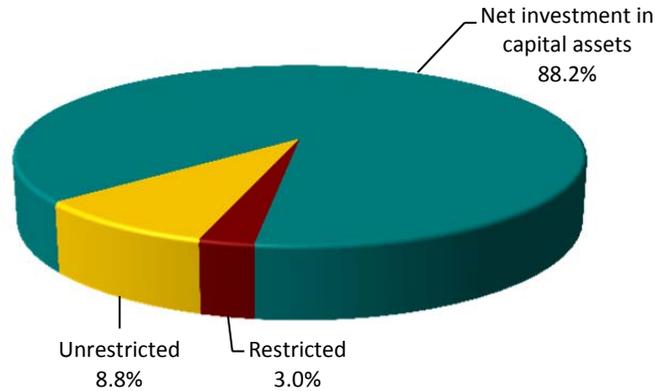
At year end, the City is able to report positive balances in all three categories of net position, as a whole, and for its separate governmental activities and business-type activities. Total net position remained substantially unchanged from the prior year, decreasing about \$0.5 million during the year.

The largest portion of net position, net investment in capital assets of \$973.8 million (88.2%), reflects the City's investment in capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources related to the debt also are included in this component of net position. 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 will not be used to liquidate these liabilities. This category of net position increased \$1.3 million (0.1%) between years. The net increase was mainly due to capital acquisitions of about \$12.6 million and the retirement or refunding of about \$24.9 million of net long-term bond debt, offset by an increase in accumulated depreciation of \$26.9 million and the issuance of \$9.7 million (including premiums) of pledged revenue refunding obligations during the year.

The second component of net position, restricted of \$32.6 million (3.0%), represents resources that are externally restricted to expenses for specified purposes. The decrease between years of \$10.4 million (24.1%) is mainly due to the use of restricted resources to service debt and finance capital projects during the year. Of the \$32.6 million in restricted net position, \$5.9 million is restricted by enabling legislation.

The third component of net position, unrestricted of \$97.2 million (8.8%), consists of net position remaining after calculating the other two categories discussed above. This portion of net position may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$8.5 million (9.6%) during the year.

**Government-wide Net Position
At June 30, 2013**



Changes in Net Position

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

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

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues							
Charges for services	\$ 3,644,908	\$ 2,862,166	\$ 24,583,085	\$ 24,846,105	\$ 28,227,993	\$ 27,708,271	1.9 %
Operating grants and contributions	9,373,853	8,665,735	-	-	9,373,853	8,665,735	8.2
Capital grants and contributions	1,973,402	1,642,679	1,042,780	444,983	3,016,182	2,087,662	44.5
General revenues							
Sales and use taxes	35,929,759	32,914,546	-	-	35,929,759	32,914,546	9.2
Property taxes	4,570,972	5,264,542	-	-	4,570,972	5,264,542	(13.2)
Franchise taxes	1,101,693	1,096,920	-	-	1,101,693	1,096,920	0.4
State-shared revenues	16,617,488	14,870,469	-	-	16,617,488	14,870,469	11.7
Investment income	(127,021)	282,485	(69,172)	196,973	(196,193)	479,458	(140.9)
Gain on sale of assets	19,498	33,435	-	-	19,498	33,435	(41.7)
Miscellaneous	1,170,396	1,646,489	263,193	213,772	1,433,589	1,860,261	(22.9)
Total revenues	74,274,948	69,279,466	25,819,886	25,701,833	100,094,834	94,981,299	5.4
Expenses:							
General government	12,769,952	12,194,735	-	-	12,769,952	12,194,735	4.7
Public safety	26,087,882	24,509,660	-	-	26,087,882	24,509,660	6.4
Highways and streets	12,144,322	12,514,335	-	-	12,144,322	12,514,335	(3.0)
Health and welfare	3,937,970	2,748,093	-	-	3,937,970	2,748,093	43.3
Economic and community development	5,036,147	5,015,366	-	-	5,036,147	5,015,366	0.4
Culture and recreation	3,813,472	3,675,781	-	-	3,813,472	3,675,781	3.7
Transportation	1,236,160	1,824,128	-	-	1,236,160	1,824,128	(32.2)
Interest on long-term debt	4,357,797	4,573,048	-	-	4,357,797	4,573,048	(4.7)
Water utility	-	-	15,879,676	15,517,184	15,879,676	15,517,184	2.3
Wastewater utility	-	-	11,500,364	11,232,156	11,500,364	11,232,156	2.4
Sanitation utility	-	-	3,860,578	3,748,396	3,860,578	3,748,396	3.0
Total expenses	69,383,702	67,055,146	31,240,618	30,497,736	100,624,320	97,552,882	3.1
Increase (decrease) in net position before transfers	4,891,246	2,224,320	(5,420,732)	(4,795,903)	(529,486)	(2,571,583)	(79.4)
Transfers	(150,000)	(150,000)	150,000	150,000	-	-	-
Increase (decrease) in net position	\$ 4,741,246	\$ 2,074,320	\$ (5,270,732)	\$ (4,645,903)	\$ (529,486)	\$ (2,571,583)	(79.4)

Total 2013 revenues of \$100.1 million increased about \$5.1 million (5.4%) over the previous year. Governmental activities revenues increased by \$5.0 million (7.2%) and business-type activities revenues remained substantially unchanged from the previous year, increasing only \$0.1 million (0.5%), while expenses increased \$2.3 million (3.5%) and \$0.7 million (2.4%) for governmental activities and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities increased the City's net position before transfers by \$4.9 million during the year. The increase between years was due to increases in both program revenues of \$1.8 million and general revenues of \$3.2 million over the prior year, offset by an increase in expenses of \$2.3 million over the same period. Governmental activities accounted for 74.2% of the City's total revenues and 69.0% of total expenses during the year. Program revenues of \$15.0 million were 21.6% of governmental activities expenses during the year, compared to \$13.2 million, or 19.6%, of expenses in 2012.

The increase in program revenues between years was due to the following:

- Operating grants and contributions increased \$0.7 million (8.2%). The increase was mainly due to increases in neighborhood stabilization and housing rehabilitation grant spending of about \$1.1 million over the prior year, offset by a decrease in the amount of other operating grants and contributions received between years.
- Charges for services increased \$0.8 million (27.3%). The increase was largely due to the following. Plan review and related permit and fees increased about \$0.2 million (28.7%) over the prior year. This increase was expected as local development and construction activities, while not fully recovered, have increased between years. Environmental fees increased about \$162,000 (67.4%) over the previous year. This increase was expected as the City's environmental fees program began in February 2012, resulting in less fees being collected in the prior year. Court fines and police impound fees increased about \$168,000 (15.5%) over the prior year. This increase was mainly due to increases in activity between prior years as there were no significant changes in fine or fee rates.

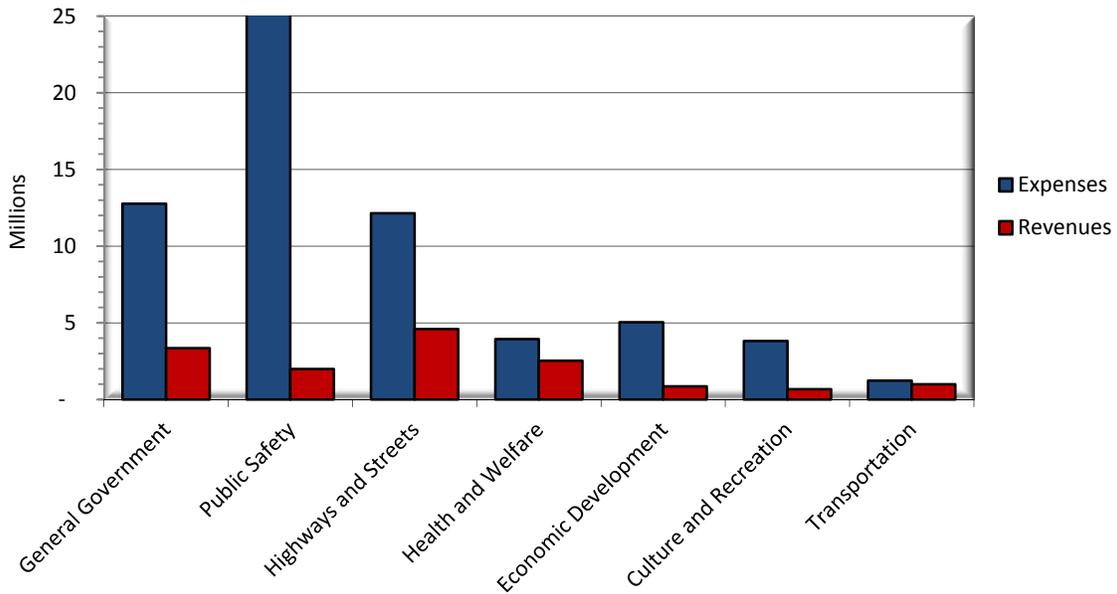
The increase in general revenues between years was due to the following:

- Sales and use tax revenue increased \$3.0 million (9.2%). An increase in sales and use tax revenues of 4% 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.
- Property tax revenue decreased \$0.7 million (13.2%). The decrease was largely due to declines in the primary assessed property values of 7% and secondary assessed property values of 32% from the prior year. Revenue was expected to be about 13% lower than the previous year due to declining assessed values.
- State-shared revenues increased \$1.7 million. The increase was due to a \$0.3 million (4.5%) increase in state-shared sales tax revenues and a \$1.4 million (17.4%) increase in state-shared income tax revenues between years. An increase in state-shared sales tax revenues of 4% - 8% was expected. The increase in state-shared income tax revenues of about 17% was expected based on income taxes collected by the Arizona Department of Revenue for the 2011 tax year.

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

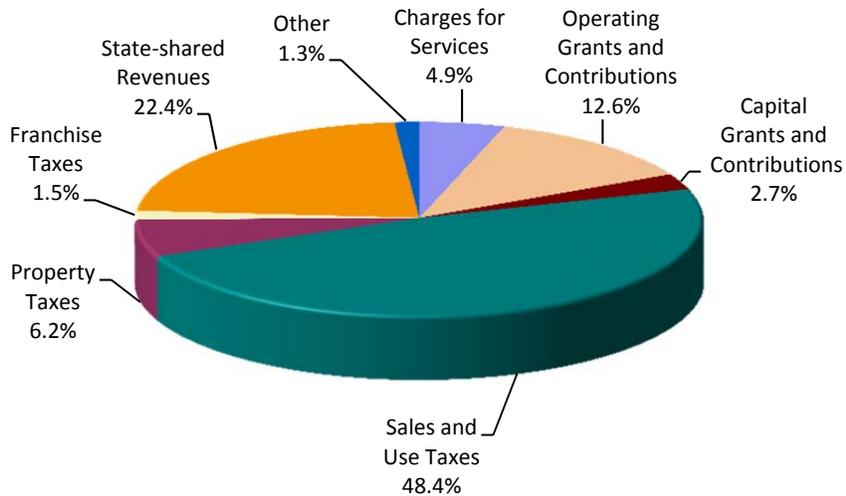
The following graph shows governmental activities functional expenses and revenues in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation 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 2013

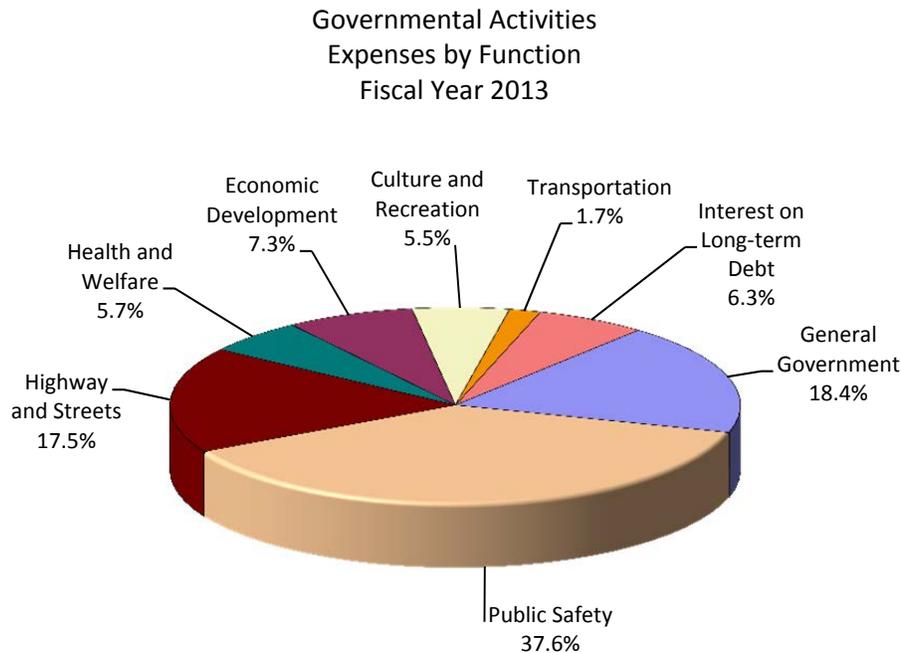


As seen in the following graph, the largest governmental activities revenue sources are sales and use taxes of \$35.9 million (48.4%), followed by state-shared revenues of \$16.6 million (22.4%) and operating grants and contributions of \$9.4 million (12.6%).

Governmental Activities
Revenues by Source
Fiscal Year 2013



The City's largest governmental activities expenses by function include public safety at \$26.1 million (37.6%), followed by general government expenses at \$12.8 million (18.4%) and highway and streets expenses at \$12.1 million (17.5%).



Business-type Activities

Business-type activities decreased net position before transfers by \$5.4 million during the year. The decrease in net position was higher this year by \$0.6 million (13.0%) than in the previous year. This change was mainly due to no revenue growth between years, coupled with an increase in operating expenses. Program revenues increased by \$0.3 million (1.3%) and general revenues decreased \$0.2 million (52.8%) from the previous year, resulting in only a \$0.1 (0.5%) million increase in total revenue between years. Program expenses increased \$0.7 million (2.4%) over the prior year. Business-type activities accounted for 25.8% of the City's total revenues and 31.0% of total expenses during the year. Program revenues of \$25.6 million were 82.0% of business-type expenses during the year, compared to \$25.3 million, or 82.9%, of expenses in 2012.

The changes in business-type activities program and general revenues between years were due to the following.

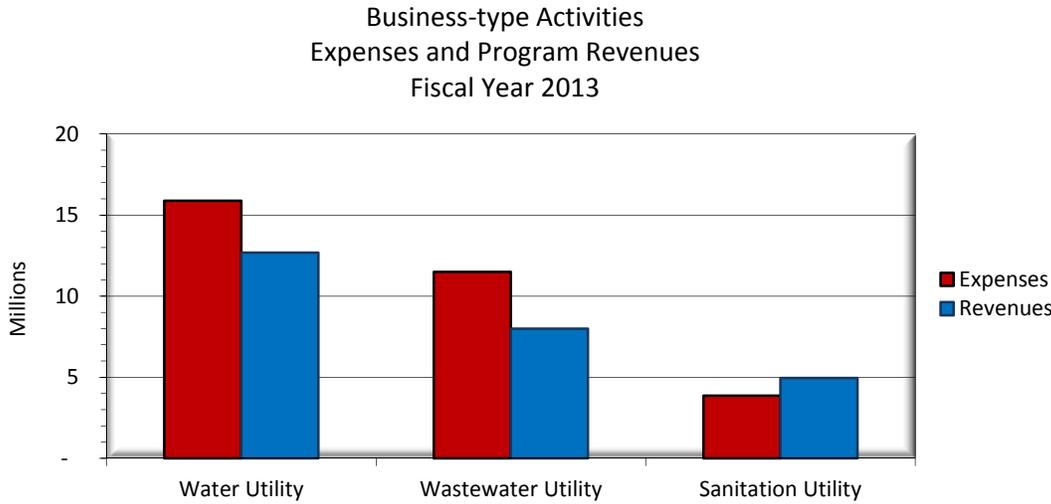
- Charges for services revenue remained substantially unchanged, decreasing about \$0.3 million (1.1%). This was expected as there were no significant changes in water, wastewater, and sanitation user rates or customer bases between years.
- Capital grants and contributions increased about \$0.6 million (134.3%). This change was entirely due to developer contributions of water and sewer system infrastructure to the City during the year.
- Investment income decreased about \$0.3 million (135.1%) due to a net decrease in the fair value of investments held by the Water and Wastewater Funds during the year.

The changes in business-type activities program expenses were due to the following.

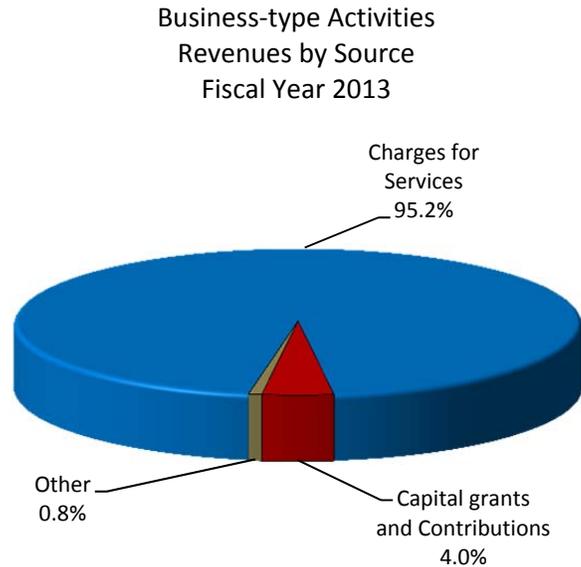
- Contractual services, materials and supplies expenses increased across all business-type activities about a \$0.2 million (2.9%) over the prior year (excludes contractual services, materials and supplies items below). The general increase was attributed to inflation, which averaged about 1.6% - 2% during the year.
- Salaries, wages and benefits expenses increased across all business-type activities by about \$50,000 due to a 3% employee compensation package given to employees in 2013. An increase of about \$0.2 million was expected; the difference was the result of vacancy savings.

- Wastewater utility contractual services expenses increased about \$0.1 million (41.0%). Most of this increase was due to consultant costs incurred to perform an operational and process evaluation of the City’s wastewater reclamation facility.
- Wastewater treatment costs, such as chemicals and related supplies, laboratory testing and fees, increased about \$0.3 million (39.3%).
- Water utility payments to Central Arizona Project for water increased about \$0.2 million.
- General fund administrative service fees charges to the enterprise funds to support general services decreased about \$0.4 million.

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 expenses of \$15.9 million and revenues of \$12.7 million, followed by wastewater utilities with expenses of \$11.5 million and revenues of \$8.0 million, during the year.



Charges for services, which consist almost entirely of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$24.6 million or 95.2%, followed by capital grants and contributions of \$1.0 million or

4.0%. Capital grants and contributions consisted of about \$0.6 million of dedicated water and sewer system infrastructure and \$0.4 million 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 year end, the City reported combined ending fund balance of \$69.7 million, a decrease of \$0.7 million (1.0%) from the previous year. About \$10.2 million (14.6%) of the fund balance is unassigned and \$18.8 million (27.0%) is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of nonspendable balances of \$2.3 million (3.3%), restricted balances of \$19.0 million (27.3%), and committed balances of \$19.4 million (27.8%). A detailed explanation of fund balance categories and classifications can be found in Note 1 - Summary of Significant Accounting Policies on pages 63-65 and Note 7 - Fund Balances on page 71.

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, and culture and recreation. At year end, fund balance of the General Fund was \$32.7 million compared to \$32.0 million in the prior year, an increase of \$0.7 million (2.3%). The overall increase in fund balance during the year was due to the following.

Revenues increased in all revenue categories except for investment income and miscellaneous revenue. Overall, revenues increased by \$3.3 million (7.4%) over the previous year. Tax revenues and intergovernmental revenues increased \$1.8 million (7.1%) and \$1.5 million (9.5%), respectively, and accounted for most of the revenue increase between years. The increase in revenues was offset by negative investment income of about \$0.2 million, which decreased about \$0.4 million from the prior year.

- Increase in taxes revenue was largely due to an increase in sales tax revenues of about \$1.6 million (7.0%). An increase in sales tax revenues of 4% to 8% was expected.
- Increase in intergovernmental revenue was mainly the result of increases in state-shared sales taxes of about \$0.3 million (4.5%) and state-shared income taxes of \$1.4 million (17.4 %). An increase in state-shared sales tax revenues in the range of about 4% - 8% was expected. The increase in state-shared income tax revenues was also expected based on income taxes collected by the Arizona Department of Revenue for the 2011 tax year.
- Decrease in investment income of about \$0.2 million was due to a net decrease in the fair value of investments held by the General Fund during the year.

Expenditures increased by about \$2.1 million (5.8%) from the previous year, increasing in all current functional categories. Overall, expenditures increased as a result of a 3% employee compensation package given to employees in 2013. This explained most of the expenditure changes by function except as noted below.

- General government - the actual increase in personal service costs during the year was about \$148,000. An increase of about \$0.2 million was expected; the difference was due to vacancy savings. The City paid about \$140,000 more in sales tax incentive rebates than in the prior year. The increase in rebates was due to increased sales tax collections over the prior year. The City also paid about \$175,000 more under a new professional services contract to maintain city buildings, common grounds, and parks. The increase in costs was due to expanded building, common ground, and park maintenance services required under the new contract. Finally, General Fund administrative service fees charged to the fund to support general services declined by about \$0.4 million from the previous year, thereby increasing the amount of expenditures reported over the prior year.
- Public safety - professional services contract expenditures increased about \$0.2 million over the prior year. The increase was almost entirely due to two new contracts. First, the Fire Department entered into a new vehicle maintenance contract to maintain its heavy-duty fire equipment. Previously, this equipment was maintained

internally by Fleet Management. The transfer of vehicle maintenance to an outside vendor accounted for about \$0.1 million of the increase. Second, the Federal Communications Commission has mandated a re-banding of radio frequencies for use by public safety, effective in 2017. The Avondale Police Department operates on the RWC radio system which must be upgraded to be able to work on the new public safety frequencies. The remaining \$0.1 million increase in contract expenditure between years was related to costs incurred to upgrade the RWC infrastructure.

Transfers out increased about \$6.7 million (251.4%) over the prior year. The increase was mainly due to \$4.5 million transferred to the Development Fees Fund to finance the completion of Avondale Fire Station 174 and various street construction projects and \$2.0 million transferred to the Other Capital Projects Fund to fund the development and construction of the Avondale Transit Center. Similar transfers were not made in the prior 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 motor 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 except for interest income, increased about \$0.4 million (10.0%) over the previous year. An increase in excise fuel tax revenues of 3% to 8% was expected. Expenditures remained substantially unchanged from the prior year and transfers out increased about \$0.1 million between fiscal years. The nominal change in expenditures between years was expected as budgeted expenditures were reduced from the previous year since little growth was expected in revenues. The net effect of these activities increased fund balance by \$0.3 million (8.5%) 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 \$0.6 million (10.7%) over the previous year. An increase in sales tax revenues of 4% to 8% was expected. Expenditures remained substantially unchanged, which was expected, and transfers to other funds decreased about \$0.1 million (1.6%) from the prior year. Transfers decreased due to declining annual debt service requirements of the MDC Revenue Bond, Series 2003. The net effect of these activities increased fund balance by \$0.5 million (151.9%) 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 investment income, increased about \$0.6 million (10.7%) over the prior year. An increase in sales tax revenues of 4% to 8% was expected. Expenditures remained substantially unchanged between years, increasing about \$52,000 (1.2%) from the prior year. The change in expenditures was expected. Transfers to other funds increased about \$0.1 million (93.0%) between years due to increases in transfers to the City's equipment and vehicle replacement funds between years. The net effect of these activities increased fund balance by \$1.3 million (60.8%) over the previous year.

Development Fees Fund - accounts for development 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, other revenues, and fund transfers that are restricted, committed or assigned to debt service or 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.

- Revenues decreased \$0.2 million (15.2%) from the previous year. The decrease in revenues was largely due to a \$0.7 million (81.6%) decline in intergovernmental revenue, offset by an increase in licenses and permits revenue of \$0.5 million (90.4%) between years. The decrease in intergovernmental revenue was mainly due to a decline in jointly-funded street projects for which the City was reimbursed by other municipalities between years. The increase in licenses and permits revenue was due primarily to increases in development fees collected over the previous year. Almost \$0.8 million of the \$1.0 million collected in development fees during the year were

attributable to the development and construction of the Coldwater Depot, a 603,863 square-foot industrial logistics center, in Avondale.

- Expenditures decreased \$6.3 million (72.6%) from the prior year. The decrease in expenditures was largely due to decreases in capital outlay expenditures of \$5.4 million (74.3%) and highway and street expenditures of \$0.7 million (62.2%) between years. Capital outlay expenditures decreased mainly due to the completion of several significant capital projects such as the Avondale Boulevard Bridge Widening – N. of I-10, 107th Avenue – 107th Avenue to RID Mill/Overlay, Thomas Road – 107th Ave. to 107 Avenue Mill/Overlay, Roosevelt Street – West of 99th Avenue Rehabilitation/Reconstruction, and Western Avenue Street Drainage – 6th to Dysart. The 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 maintenance and repair than in the prior year.
- Transfers into the fund increased about \$4.3 million (423.1%) over the prior year to fund the completion of Avondale Fire Station 174 and various street construction projects. Transfers out to debt service funds increased \$1.5 million (130.2%) over the previous year to retire the outstanding MDC Revenue Bonds, Series 2003.

The net effect of these activities increased fund balance by \$1.5 million (18.6%) 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 these bonds is normally paid with revenues generated from the secondary property tax levy sufficient to make required debt service payments.

Revenues, which consist largely of secondary property taxes, decreased \$0.8 million (21%) from the previous year. This decrease was expected and almost entirely due to a decline in net secondary assessed property values from the prior year by 32%. Expenditures remained substantially unchanged between years, which was expected as there were no general obligation bond issues or refunding during the year.

Dedicated Sales Tax Revenue Bonds Fund - accounts for the accumulation of resources and payment of principal and interest on MDC Revenue Bonds and Pledged Revenue Refunding Obligations issued by the City. The City has pledged the voter-approved 0.5-cent sales tax revenues and general excise tax revenues to make the required debt services payments for these long-term debt obligations.

Revenues, which consist entirely of investment income, did not change significantly from the prior year as there no significant changes in cash and cash equivalent balances held by the fund between years.

Expenditures increased \$2.6 million (47%) over the prior year. Other financing sources and uses also increased significantly from the prior year. In June 2013, the City issued \$9.3 million of Pledged Revenue Refunding Obligations, Series 2013, and contributed \$2.1 million of city funds to advance refund \$9.2 million of outstanding MDC Revenue Bonds, Series 2002 and 2004. The City incurred about \$0.2 million of bond issuance costs as part of the advance refunding. The increases in expenditures and other financing sources and uses were almost entirely due to the advance refunding.

Grants-in-Aid Fund - accounts for 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.

- Revenues, which consist almost entirely of intergovernmental revenues, increased about \$152,000 (7.2%) from the previous year. The increase was mainly due to increased spending of neighborhood stabilization and housing rehabilitation grants by about \$1.1 million over the prior year. This increase was offset by a general decrease in other grants and contributions received between years. Despite the significant increases in expenditures between years, intergovernmental revenues only increased about \$0.2 million (10.6%) over the prior year since the City deferred about \$970,000 of grant revenue earned as it was unavailable to pay current period expenditures.
- Expenditures increased about \$850,000 (39.9%) between years. Most of this increase was due to the increased spending of neighborhood stabilization and housing rehabilitation grants. These grants accounted for most of the health and welfare expenditures increase between years of \$0.9 million (84.3%). General government expenditures decreased about \$0.2 million between years mainly due to the winding down of the Energy Efficiency and Conservation Block Grant Program which ended this year. Capital outlay expenditures increased about \$164,000 between years mainly due to grant funded construction of the Avondale Solar Demonstration Project.

- Transfers did not change significantly between years.

The net effect of these activities decreased fund balance about \$0.9 million (127.4%) from the prior 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. The factors concerning the finances of these funds, as well as the changes in net position, have been addressed in the business-type activities section above.

Budgetary Highlights

The City's Annual Budget & Financial Plan (council-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 \$159,557,020 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expenditure accounts did occur in a legally permissible manner.

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 38-42. Budgetary comparison schedules for all other governmental funds can be found on pages 86-88 and 100-109.

Actual General Fund revenues of \$47.8 million was more than budgeted inflows of \$46.8 million by \$0.9 million or 2.0%, while expenditures and other financing uses of \$47.0 million was only 87.1% of final budgeted outflows of \$54.0 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.

General Fund Budgetary Analysis

The following outlines a summary analysis of General Fund budgeted expenditures by function for the current year. During the year, there were no significant changes to the original budget either by function or on a total fund basis. All budget amendments were routine in nature.

General Government – The original adopted budget was decreased \$256,690 during the year. There were no significant budget amendments. The final amended budget decreased mainly due to transfers of budgeted contingency appropriation of \$80,000 to fund Avondale Northwest Public Safety Facility building improvements and to purchase technology hardware for the Fire Department. Actual expenditures were less than final budgeted expenditures by about \$3.7 million largely due to \$3.4 million of contingency appropriation not being spent, vacancy savings of about \$0.4 million, and savings from lower than expected electric usage to operate City Hall of about \$0.2 million. These saving were offset by higher than expected sales tax incentive rebate payment by \$0.5 million and contractual buildings/grounds maintenance costs by \$0.3 million. The higher sales incentive rebate payments were mainly due to increased sales tax collections over the prior year. The higher maintenance costs were due to increases in building and grounds maintenance services required under a new maintenance contract.

Public Safety – The original adopted budget was decreased \$18,100 during the year. There were no significant budget amendments. Actual expenditures in public safety were less than the final budgeted expenditures by \$104,497. The difference was almost entirely due to vacancy savings.

Health and Welfare – The original adopted budget did not change during the year. There were no significant budget amendments. Actual expenditures were less than final budgeted expenditures by \$247,857. The difference was largely due to vacancy savings of about \$49,000, underspending of private donations and contributions by \$52,000, contractual savings of about \$45,000 for code enforcement activities such as neighborhood preservation and graffiti control, and awarding \$60,000 less police homebuyer program grants than anticipated. About \$40,000 of the police homebuyer program savings were carried forward to the 2014 budget.

Economic and Community Development – The original adopted budget was decreased \$16,000 during the year. There were no significant budget amendments. Actual expenditures were less than final budgeted expenditures by \$756,637. The difference was mainly due to vacancy savings of about \$0.2 million as well savings of about \$0.5 million in contract plan review and related consulting service costs. The contract review-related budgetary savings is the direct result of the ongoing slowdown in development and construction activity within the City. The City has carried over about \$0.3 million of these savings into the 2014 budget for economic development activities.

Culture and Recreation – The original adopted budget was increased \$36,800 during the year. There were no significant budget amendments. Actual expenditures were less than final budgeted expenditures by \$503,557. The difference was largely due to vacancy savings of about \$0.1 million, savings in annual contractual payments to American Sports Center of about \$78,000, and savings of about \$0.3 million from lower-than-expected recreation activities and program costs (special event, leisure activity, and after school programs). The lower recreation costs were due to an ongoing decline in citizen participation in these activities and programs, as well as an ongoing decline in the donations and sponsorships of them.

Debt Service – There were no budget amendments during the year. Actual expenditures exceeded the budget by \$424.

Capital Outlay – The original adopted budget was increased \$193,990 during the year. There were no significant budget amendments. The City used about \$107,000 (55%) of this increase to renovate its Information Technology Data Center and upgrade its utility billing/cashiering system software. The remainder of the increase was used to acquire technology hardware/software and equipment. Actual expenditures were less than final budgeted expenditures by about \$14,410.

Capital Assets

The City’s government-wide capital assets at June 30, 2013, totaled about \$1.1 billion. The following schedule presents capital asset balances for the years ended June 30, 2013, and June 30, 2012. Additional information on the City’s capital assets can be found in Note 6 - Capital Assets on pages 69-71.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2013	2012	2013	2012	2013	2012	
Land	\$ 253,951,778	\$ 251,989,374	\$ 16,255,356	\$ 16,198,111	\$ 270,207,134	\$ 268,187,485	0.8 %
Buildings and improvements Improvements other than building	52,817,807	54,681,337	-	-	52,817,807	54,681,337	(3.4)
Vehicles, furniture and equipment	1,198,610	1,229,569	643,661	684,101	1,842,271	1,913,670	(3.7)
General infrastructure	4,943,667	5,290,264	1,630,822	1,604,552	6,574,489	6,894,816	(4.6)
Water system	248,179,765	256,902,361	-	-	248,179,765	256,902,361	(3.4)
Sewer system	-	-	227,397,004	229,130,687	227,397,004	229,130,687	(0.8)
Wastewater treatment system	-	-	163,989,459	169,104,891	163,989,459	169,104,891	(3.0)
Intangible assets	-	-	68,252,940	69,230,522	68,252,940	69,230,522	(1.4)
Construction in progress	1,763,273	1,828,782	4,355,278	4,429,792	6,118,551	6,258,574	(2.2)
Total	13,256,485	12,516,714	2,945,457	1,115,035	16,201,942	13,631,749	18.9
	<u>\$ 576,111,385</u>	<u>\$ 584,438,401</u>	<u>\$ 485,469,977</u>	<u>\$ 491,497,691</u>	<u>\$ 1,061,581,362</u>	<u>\$ 1,075,936,092</u>	(1.3)

The City’s governmental and business-type activities capital assets balances both decreased between fiscal years. The changes in capital asset balances were due to the following.

Governmental Activities - The \$8.3 million decrease between years was due to \$5.6 million of capital additions, offset by a \$13.9 million increase in accumulated depreciation during the year. Capital additions included \$1.9 million of land purchases (including land for the Avondale Transit Center), \$1.7 million of new construction in progress (\$1.5 million of highway and street construction/improvements and \$0.2 million of other), \$1.5 million of general

infrastructure construction and improvements (\$0.9 million was moved from construction in progress and \$0.6 million was dedicated to the City), and \$1.2 million of vehicle, machinery and equipment purchases.

Business-type Activities - The \$6.0 million decrease between years resulted from \$7.0 million of capital additions, offset by \$13.0 million increase in accumulated depreciation during the year. Capital additions included \$5.5 million of new construction in progress (water, sewer, and wastewater system construction/improvements), \$4.4 million of water system infrastructure construction and improvements (\$3.7 million moved from construction in progress and \$0.6 million was dedicated to the City), and \$0.8 million of vehicle, machinery and equipment purchases.

The City has adopted a ten-year capital improvement plan for years 2014 through 2023, with budgeted capital outlays totaling \$318.8 million. The plan, which includes \$64.7 million of budgeted capital outlays for 2014, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for 2014 is through a combination of existing fund balances (47.5%), development (impact) fees (3.0%), bond proceeds (30.4%), outside funding sources such as grants and other intergovernmental cost-sharing agreements (5.5%), operating and non-operating revenues and other financing sources (13.6%). The capital improvement plan is updated annually as part of the City's formal budgetary process.

Long-term Debt

At June 30, 2013, the City had total long-term obligations outstanding of \$92.3 million, down \$15.7 million (14.5%) from the previous year. Of this total, \$85.4 million (92.6%) was in governmental activities and \$6.9 million (7.4%) was in business-type activities. Of the total outstanding bonds of \$88.2 million, net of unamortized premiums and discounts, \$31.5 million (35.7%) were general obligation bonds backed by the full faith and credit of the City, and \$56.7 million (64.3%) were revenue bonds secured by pledges of specific revenue sources of the City.

In addition to payment of normal principal and interest and amortization of premiums, discounts, and deferred losses on refunding during the year, the City also:

- Issued \$9.3 million of Pledged Revenue Refunding Obligations, Series 2013, and contributed \$2.1 million of city funds to advance refund \$9.2 million of outstanding MDC Revenue Bonds, Series 2002 and 2004.
- Retired \$2.9 million of outstanding MDC Revenue Bonds, Series 2003.

The Arizona Constitution imposes certain debt limitations 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, 2013, and June 30, 2012, is \$17.9 million and \$19.6 million in the 6% capacity, respectively, and \$32.5 million and \$35.9 million in the 20% capacity, respectively. Additional debt limitation information can 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, 2013, and June 30, 2012. Additional information on the City's outstanding debt can be found in Note 9 - Long-term Obligations on pages 77-81.

Outstanding Debt at June 30

	Governmental Activities		Business-type Activities		Total		Percent Change
	2013	2012	2013	2012	2013	2012	
Compensated absences	\$ 2,850,863	\$ 3,078,743	\$ 394,963	\$ 396,961	\$ 3,245,826	\$ 3,475,704	(6.6) %
Capital leases payable	137,015	550,540	-	-	137,015	550,540	(75.1)
Claims payable	737,915	639,138	-	-	737,915	639,138	15.5
Municipal Development							
Corporation bonds	38,010,492	57,329,281	1,359,505	1,415,717	39,369,997	58,744,998	(33.0)
General obligation bonds	31,545,000	34,385,000	-	-	31,545,000	34,385,000	(8.3)
Pledged Revenue Obligations	9,275,000	-	-	-	9,275,000	-	100.0
Highway user revenue bonds	1,805,000	2,140,000	-	-	1,805,000	2,140,000	(15.7)
Water and sewer revenue bonds	-	-	4,770,000	6,785,000	4,770,000	6,785,000	(29.7)
Unamortized premiums and discounts, net	1,080,964	871,923	336,422	384,481	1,417,386	1,256,404	12.8
Total	\$ 85,442,249	\$ 98,994,625	\$ 6,860,890	\$ 8,982,159	\$ 92,303,139	\$ 107,976,784	(14.5)

Economic Factors

The City remains dependent on sales taxes and other economically sensitive taxes and revenues. The tepid recovery of the national economy and ongoing slowdown in the local housing market continue to impact on the City. Local taxes hit a low point in 2011 due to the lack of consumer confidence coupled with depressed home values. Over the past two years, the trend in most local revenue and state-shared revenue sources indicate a pattern of moderate growth.

Current year local revenues continued an upward trend and increased about 6% over the previous year. Retail sales tax collections have improved significantly over the past two years, but construction sales tax collections, which are directly tied to housing starts, continue to be at a 10-year low. As the economy and local housing market continue to stabilize, construction appears poised for moderate growth in the near future.

The City's 2014 budget is structurally balanced and reflects about 6% growth in recurring General Fund revenues. City management continues to closely monitor the City's budget and operations, as well as the recovery of 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

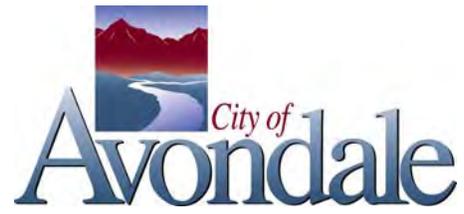
Government-wide Financial Statements include the Statement of Net Position and Statement of Activities, which use the economic resource measurement focus and accrual basis of accounting for financial reporting.

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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position and the Statement of Changes in Fiduciary Net Position for assets being held for the benefit of parties outside of the City. The reporting focus is upon net position and changes in net position 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 POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,134,848	\$ 43,397,093	\$ 88,531,941
Receivables (net):			
Accounts	342,661	4,833,758	5,176,419
Taxes	3,614,500	128,667	3,743,167
Interest	43,762	29,174	72,936
Due from other governments	2,967,341	-	2,967,341
Internal balances	(288,691)	288,691	-
Inventories	490,681	437,375	928,056
Prepaid items	842,921	37,630	880,551
Restricted cash with fiscal agents	6,628,834	1,761,473	8,390,307
Total current assets	<u>59,776,857</u>	<u>50,913,861</u>	<u>110,690,718</u>
Noncurrent assets:			
Restricted cash with fiscal agents	3,785,543	148,932	3,934,475
Investments	17,704,776	12,020,916	29,725,692
Capital assets:			
Non-depreciable	267,208,263	20,724,568	287,932,831
Depreciable (net)	308,903,122	464,745,409	773,648,531
Total noncurrent assets	<u>597,601,704</u>	<u>497,639,825</u>	<u>1,095,241,529</u>
Total assets	<u>657,378,561</u>	<u>548,553,686</u>	<u>1,205,932,247</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	497,047	29,882	526,929
Total deferred outflows of resources	<u>497,047</u>	<u>29,882</u>	<u>526,929</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,590,770	1,298,089	3,888,859
Accrued payroll	778,064	24,795	802,859
Accrued liabilities	2,638,833	127,554	2,766,387
Construction contracts payable	79,964	172,398	252,362
Sales taxes payable	863	103,036	103,899
Due to other governments	20,800	-	20,800
Deposits held for others	158,353	2,085,369	2,243,722
Unearned revenues	124,907	272,744	397,651
Claims payable	398,932	-	398,932
Compensated absences	2,280,690	315,973	2,596,663
Capital leases payable	137,015	-	137,015
General obligation bonds	2,998,047	-	2,998,047
Revenue bonds	2,265,949	1,686,589	3,952,538
Total current liabilities	<u>14,473,187</u>	<u>6,086,547</u>	<u>20,559,734</u>
Noncurrent liabilities:			
Claims payable	338,983	-	338,983
Compensated absences	570,173	78,990	649,163
General obligation bonds	28,597,871	-	28,597,871
Revenue bonds	47,854,589	4,779,338	52,633,927
Total noncurrent liabilities	<u>77,361,616</u>	<u>4,858,328</u>	<u>82,219,944</u>
Total liabilities	<u>91,834,803</u>	<u>10,944,875</u>	<u>102,779,678</u>
NET POSITION			
Net investment in capital assets	494,754,961	479,033,932	973,788,893
Restricted for:			
Transit services	2,100,144	-	2,100,144
Highways and streets	4,156,680	-	4,156,680
Grant and contributor purposes	1,677,740	-	1,677,740
Community development	88,127	-	88,127
Public safety	3,381,462	-	3,381,462
Debt service	6,546,565	1,910,405	8,456,970
Capital projects	2,597,608	10,182,585	12,780,193
Unrestricted	50,737,518	46,511,771	97,249,289
Total net position	<u>\$ 566,040,805</u>	<u>\$ 537,638,693</u>	<u>\$ 1,103,679,498</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,769,952	\$ 1,962,825	\$ 195,363	\$ 1,191,231
Public safety	26,087,882	458,799	1,208,468	322,501
Highways and streets	12,144,322	-	4,174,775	421,595
Health and welfare	3,937,970	-	2,528,961	-
Economic and community development	5,036,147	862,360	-	-
Culture and recreation	3,813,472	360,924	270,885	38,075
Transportation	1,236,160	-	995,401	-
Interest on long-term debt	4,357,797	-	-	-
Total governmental activities	<u>69,383,702</u>	<u>3,644,908</u>	<u>9,373,853</u>	<u>1,973,402</u>
Business-type activities:				
Water utility	15,879,676	11,882,083	-	797,570
Wastewater utility	11,500,364	7,746,807	-	245,210
Sanitation utility	3,860,578	4,954,195	-	-
Total business-type activities	<u>31,240,618</u>	<u>24,583,085</u>	<u>-</u>	<u>1,042,780</u>
Total primary government	<u>\$ 100,624,320</u>	<u>\$ 28,227,993</u>	<u>\$ 9,373,853</u>	<u>\$ 3,016,182</u>

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:

Interest Income

Net decrease in the fair value of investments

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net position

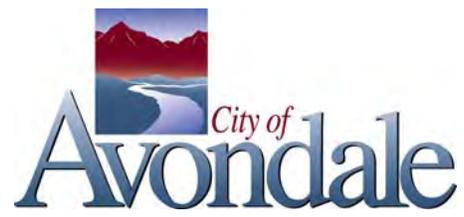
Net position, beginning of year as restated

Net position, end of year

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Totals
\$ (9,420,533)	\$ -	\$ (9,420,533)
(24,098,114)	-	(24,098,114)
(7,547,952)	-	(7,547,952)
(1,409,009)	-	(1,409,009)
(4,173,787)	-	(4,173,787)
(3,143,588)	-	(3,143,588)
(240,759)	-	(240,759)
(4,357,797)	-	(4,357,797)
(54,391,539)	-	(54,391,539)
-	(3,200,023)	(3,200,023)
-	(3,508,347)	(3,508,347)
-	1,093,617	1,093,617
-	(5,614,753)	(5,614,753)
(54,391,539)	(5,614,753)	(60,006,292)
35,929,759	-	35,929,759
2,302,649	-	2,302,649
2,268,323	-	2,268,323
1,101,693	-	1,101,693
16,617,488	-	16,617,488
124,831	98,729	223,560
(251,852)	(167,901)	(419,753)
19,498	-	19,498
1,170,396	263,193	1,433,589
(150,000)	150,000	-
59,132,785	344,021	59,476,806
4,741,246	(5,270,732)	(529,486)
561,299,559	542,909,425	1,104,208,984
-	-	-
\$ 566,040,805	\$ 537,638,693	\$ 1,103,679,498



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 certain MDC Revenue Bonds and Pledged Revenue Refunding Obligations 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.

Grants-in-Aid Fund accounts for 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.

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, 2013

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
ASSETS				
Cash and cash equivalents	\$ 9,621,557	\$ 3,453,796	\$ 266,058	\$ 3,040,604
Investments	17,704,776	-	-	-
Receivables:				
Taxes	2,472,695	-	533,485	533,462
Accounts	57,273	-	-	-
Interest	43,762	-	-	-
Due from other funds	4,301,919	-	-	-
Due from other governments	844,607	423,303	-	-
Inventories	2,202	268,418	-	-
Prepaid items	131,888	3,390	-	-
Restricted cash with fiscal agents	-	-	-	-
Total assets	\$ 35,180,679	\$ 4,148,907	\$ 799,543	\$ 3,574,066
LIABILITIES				
Accounts payable	\$ 1,144,830	\$ 225,391	\$ 624	\$ 151,092
Accrued payroll and employee benefits	669,253	334	-	60,250
Accrued liabilities	505,420	-	-	-
Construction contracts payable	-	-	-	-
Deposits held for others	83,427	-	-	-
Sales taxes payable	863	-	-	-
Due to other governments	-	20,800	-	-
Due to other funds	-	88	-	-
Unearned revenues	-	-	-	-
Total liabilities	2,403,793	246,613	624	211,342
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	47,022	-	-	-
Unavailable revenue - other	-	28,500	-	-
Total deferred inflows of resources	47,022	28,500	-	-
FUND BALANCES				
Nonspendable	1,334,090	271,808	-	-
Restricted	171,150	3,601,986	798,919	3,362,724
Committed	15,389,437	-	-	-
Assigned	5,453,049	-	-	-
Unassigned	10,382,138	-	-	-
Total fund balances (deficit)	32,729,864	3,873,794	798,919	3,362,724
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,180,679	\$ 4,148,907	\$ 799,543	\$ 3,574,066

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

Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Grants-In-Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 11,176,241	\$ -	\$ -	\$ -	\$ 13,864,298	\$ 41,422,554
-	-	-	-	-	17,704,776
-	74,858	-	-	-	3,614,500
-	-	-	168,439	116,949	342,661
-	-	-	-	-	43,762
-	-	-	-	-	4,301,919
280,000	-	-	1,105,839	313,592	2,967,341
-	-	-	-	12,800	283,420
-	665,000	-	-	2,702	802,980
-	3,284,848	6,301,951	-	827,578	10,414,377
<u>\$ 11,456,241</u>	<u>\$ 4,024,706</u>	<u>\$ 6,301,951</u>	<u>\$ 1,274,278</u>	<u>\$ 15,137,919</u>	<u>\$ 81,898,290</u>
\$ 417,673	\$ -	\$ -	\$ 142,224	\$ 357,258	\$ 2,439,092
-	-	-	19,470	9,952	759,259
-	964,848	1,041,112	-	127,453	2,638,833
19,287	-	-	60,677	-	79,964
-	-	-	74,926	-	158,353
-	-	-	-	-	863
-	-	-	-	-	20,800
1,200,000	1,850,030	1,057,288	193,391	-	4,300,797
404,922	-	-	-	-	404,922
<u>2,041,882</u>	<u>2,814,878</u>	<u>2,098,400</u>	<u>490,688</u>	<u>494,663</u>	<u>10,802,883</u>
-	51,053	-	-	-	98,075
-	-	-	969,122	280,784	1,278,406
-	51,053	-	969,122	280,784	1,376,481
-	665,000	-	-	15,502	2,286,400
1,462,094	493,775	4,203,551	-	4,928,637	19,022,836
3,956,556	-	-	-	51,393	19,397,386
3,995,709	-	-	-	9,366,940	18,815,698
-	-	-	(185,532)	-	10,196,606
<u>9,414,359</u>	<u>1,158,775</u>	<u>4,203,551</u>	<u>(185,532)</u>	<u>14,362,472</u>	<u>69,718,926</u>
<u>\$ 11,456,241</u>	<u>\$ 4,024,706</u>	<u>\$ 6,301,951</u>	<u>\$ 1,274,278</u>	<u>\$ 15,137,919</u>	<u>\$ 81,898,290</u>

CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Fund balances - total governmental funds balance sheet \$ 69,718,926

Amounts reported for governmental activities in the statements of net position 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	\$ 755,252,553	
Less accumulated depreciation	<u>(179,141,168)</u>	576,111,385

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	(80,635,492)	
Capital leases payable	(137,015)	
Compensated absences	<u>(2,850,863)</u>	(83,623,370)

Certain activities related to the issuance of long-term debt are recognized at the time of issuance in the governmental funds, but are deferred and recognized over the life of the debt in the government-wide statements.

Bond premiums and discounts, net	(1,080,964)	
Deferred loss on refunding	<u>497,047</u>	(583,917)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities on the statement of net position.

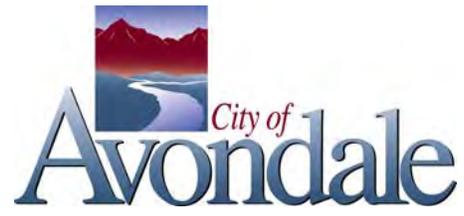
2,761,285

Other long-term assets are not available to pay current period expenditures. Those assets are offset by deferred revenue in the governmental funds.

Intergovernmental revenue	1,558,421	
Property tax revenue	<u>98,075</u>	<u>1,656,496</u>

Net position of governmental activities - statement of net position \$ 566,040,805

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, 2013

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
Revenues				
Taxes	\$ 27,130,540	\$ -	\$ 6,102,086	\$ 6,102,084
Licenses and permits	831,813	-	-	-
Intergovernmental	16,937,867	4,280,235	-	-
Charges for services	1,024,595	-	-	-
Fines, forfeitures, and penalties	1,357,243	-	-	-
Investment income				
Interest Income	89,010	2,963	1,010	1,925
Net decrease in the fair value of investments	(251,852)	-	-	-
Contributions	38,829	-	-	-
Miscellaneous	616,957	1,395	-	-
Total revenues	<u>47,775,002</u>	<u>4,284,593</u>	<u>6,103,096</u>	<u>6,104,009</u>
Expenditures				
Current:				
General government	11,086,553	-	934	215,862
Public safety	19,102,643	-	-	4,225,784
Highways and streets	-	1,315,735	-	-
Health and welfare	1,352,433	-	-	-
Economic and community development	3,213,533	1,813,365	-	-
Culture and recreation	2,336,283	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	351,422	-	-	-
Interest and other charges	14,564	-	-	-
Capital outlay	241,450	62,812	-	133,336
Total expenditures	<u>37,698,881</u>	<u>3,191,912</u>	<u>934</u>	<u>4,574,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,076,121</u>	<u>1,092,681</u>	<u>6,102,162</u>	<u>1,529,027</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-
Bond premium (discount)	-	-	-	-
Sale of capital assets	140	-	-	-
Transfers in	-	-	-	-
Transfers out	(9,333,570)	(787,750)	(5,620,400)	(256,450)
Total other financing sources (uses)	<u>(9,333,430)</u>	<u>(787,750)</u>	<u>(5,620,400)</u>	<u>(256,450)</u>
Net change in fund balances	742,691	304,931	481,762	1,272,577
Fund balances, beginning of year	31,987,173	3,568,863	317,157	2,090,147
Fund balances (deficit), end of year	<u>\$ 32,729,864</u>	<u>\$ 3,873,794</u>	<u>\$ 798,919</u>	<u>\$ 3,362,724</u>

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

Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Grants-In-Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,310,300	\$ -	\$ -	\$ -	\$ 41,645,010
979,077	-	-	-	265,709	2,076,599
150,068	-	-	2,154,368	2,084,512	25,607,050
-	-	-	-	105,187	1,129,782
-	-	-	-	-	1,357,243
9,848	1,792	2,719	300	11,647	121,214
-	-	-	-	-	(251,852)
-	-	-	113,092	116,478	268,399
-	603,684	-	-	133	1,222,169
<u>1,138,993</u>	<u>2,915,776</u>	<u>2,719</u>	<u>2,267,760</u>	<u>2,583,666</u>	<u>73,175,614</u>
-	-	-	44,429	331,343	11,679,121
-	-	-	533,669	948,179	24,810,275
450,568	-	-	-	-	1,766,303
-	-	-	2,054,855	558,955	3,966,243
-	-	-	28,309	-	5,055,207
-	-	-	143,766	-	2,480,049
-	-	-	-	1,234,845	1,234,845
62,103	2,840,000	5,713,923	-	4,744,866	13,712,314
2,385	2,043,688	2,301,585	-	259,599	4,621,821
1,859,016	-	-	178,037	2,181,385	4,656,036
<u>2,374,072</u>	<u>4,883,688</u>	<u>8,015,508</u>	<u>2,983,065</u>	<u>10,259,172</u>	<u>73,982,214</u>
<u>(1,235,079)</u>	<u>(1,967,912)</u>	<u>(8,012,789)</u>	<u>(715,305)</u>	<u>(7,675,506)</u>	<u>(806,600)</u>
-	-	9,275,000	-	-	9,275,000
-	-	(9,469,388)	-	-	(9,469,388)
-	-	427,048	-	-	427,048
-	-	-	-	19,358	19,498
5,361,420	-	5,272,200	96,200	8,097,579	18,827,399
(2,651,800)	-	-	(242,250)	(69,149)	(18,961,369)
<u>2,709,620</u>	<u>-</u>	<u>5,504,860</u>	<u>(146,050)</u>	<u>8,047,788</u>	<u>118,188</u>
1,474,541	(1,967,912)	(2,507,929)	(861,355)	372,282	(688,412)
7,939,818	3,126,687	6,711,480	675,823	13,990,190	70,407,338
<u>\$ 9,414,359</u>	<u>\$ 1,158,775</u>	<u>\$ 4,203,551</u>	<u>\$ (185,532)</u>	<u>\$ 14,362,472</u>	<u>\$ 69,718,926</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 - GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds statement of revenues, expenditures, and changes in fund balances \$ (688,412)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 4,656,036	
Less current year depreciation	<u>(13,800,917)</u>	(9,144,881)

Contributions of infrastructure assets are not recorded as revenues in governmental funds.		929,435
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Certain long-term debt activities provide or use current financial resources in governmental funds, but create or reduce long-term liabilities in the statement of activities.

Bond issuance	(9,275,000)	
Payments to refunded bonds escrow agent	9,469,388	
Principal payments on long-term debt	13,298,789	
Principal payments on capital leases	413,525	
Bond premium	<u>(427,048)</u>	13,479,654

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		(285,185)
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Some revenues and expenses reported in the statement of activities do not provide or use current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

Amortization of bond premiums and discounts	161,241	
Amortization of deferred loss on refunding	(92,016)	
Compensated absences	234,626	
Property tax revenues	(3,674)	
Intergovernmental revenues	<u>150,458</u>	<u>450,635</u>

Change in net position of governmental activities - statement of activities		<u><u>\$ 4,741,246</u></u>
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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 26,315,810	\$ 26,315,810	\$ 27,130,540	\$ 814,730
Licenses and permits	636,200	636,200	831,813	195,613
Intergovernmental	16,879,640	16,879,640	16,937,867	58,227
Charges for services	1,037,430	1,037,430	1,024,595	(12,835)
Fines, forfeitures, and penalties	1,194,340	1,194,340	1,357,243	162,903
Investment income	363,030	363,030	(162,842)	(525,872)
Contributions	62,000	62,000	38,829	(23,171)
Miscellaneous	357,490	357,490	616,957	259,467
Total revenues	46,845,940	46,845,940	47,775,002	929,062
Expenditures				
Current:				
General government	15,025,250	14,768,560	11,086,553	3,682,007
Public safety	19,225,240	19,207,140	19,102,643	104,497
Health and welfare	1,600,290	1,600,290	1,352,433	247,857
Economic and community development	3,986,170	3,970,170	3,213,533	756,637
Culture and recreation	2,803,040	2,839,840	2,336,283	503,557
Debt service:				
Principal	320,380	320,380	351,422	(31,042)
Interest and other charges	46,030	46,030	14,564	31,466
Capital outlay	61,870	255,860	241,450	14,410
Total expenditures	43,068,270	43,008,270	37,698,881	5,309,389
Excess (deficiency) of revenues over (under) expenditures	<u>3,777,670</u>	<u>3,837,670</u>	<u>10,076,121</u>	<u>6,238,451</u>
Other financing sources (uses)				
Transfers out	(11,031,080)	(11,031,080)	(9,333,570)	1,697,510
Sale of capital assets	-	-	140	140
Total other financing sources (uses)	(11,031,080)	(11,031,080)	(9,333,430)	1,697,650
Net change in fund balance	(7,253,410)	(7,193,410)	742,691	7,936,101
Fund balance, beginning of year	<u>29,977,133</u>	<u>29,977,133</u>	<u>31,987,173</u>	<u>2,010,040</u>
Fund balance, end of year	<u>\$ 22,723,723</u>	<u>\$ 22,783,723</u>	<u>\$ 32,729,864</u>	<u>\$ 9,946,141</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
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,844,240	\$ 3,844,240	\$ 4,280,235	\$ 435,995
Investment income	-	-	2,963	2,963
Miscellaneous	420	420	1,395	975
Total revenues	<u>3,844,660</u>	<u>3,844,660</u>	<u>4,284,593</u>	<u>439,933</u>
Expenditures				
Current:				
Highways and streets	1,658,100	1,658,100	1,315,735	342,365
Economic and community development	1,941,340	1,877,340	1,813,365	63,975
Capital outlay	-	64,000	62,812	1,188
Total expenditures	<u>3,599,440</u>	<u>3,599,440</u>	<u>3,191,912</u>	<u>407,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>245,220</u>	<u>245,220</u>	<u>1,092,681</u>	<u>847,461</u>
Other financing sources (uses)				
Transfers out	<u>(787,750)</u>	<u>(787,750)</u>	<u>(787,750)</u>	-
Total other financing sources (uses)	<u>(787,750)</u>	<u>(787,750)</u>	<u>(787,750)</u>	-
Net change in fund balance	(542,530)	(542,530)	304,931	847,461
Fund balance, beginning of year	<u>3,288,439</u>	<u>3,288,439</u>	<u>3,568,863</u>	<u>280,424</u>
Fund balance, end of year	<u>\$ 2,745,909</u>	<u>\$ 2,745,909</u>	<u>\$ 3,873,794</u>	<u>\$ 1,127,885</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,760,620	\$ 5,760,620	\$ 6,102,086	\$ 341,466
Investment income	600	600	1,010	410
Total revenues	<u>5,761,220</u>	<u>5,761,220</u>	<u>6,103,096</u>	<u>341,876</u>
Expenditures				
Current:				
General government	4,000	4,000	934	3,066
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>934</u>	<u>3,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,757,220</u>	<u>5,757,220</u>	<u>6,102,162</u>	<u>344,942</u>
Other financing sources (uses)				
Transfers out	(5,620,400)	(5,620,400)	(5,620,400)	-
Total other financing sources (uses)	<u>(5,620,400)</u>	<u>(5,620,400)</u>	<u>(5,620,400)</u>	<u>-</u>
Net change in fund balance	136,820	136,820	481,762	344,942
Fund balance, beginning of year	<u>380,190</u>	<u>380,190</u>	<u>317,157</u>	<u>(63,033)</u>
Fund balance, end of year	<u>\$ 517,010</u>	<u>\$ 517,010</u>	<u>\$ 798,919</u>	<u>\$ 281,909</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,760,620	\$ 5,760,620	\$ 6,102,084	\$ 341,464
Investment income	870	870	1,925	1,055
Total revenues	<u>5,761,490</u>	<u>5,761,490</u>	<u>6,104,009</u>	<u>342,519</u>
Expenditures				
Current:				
General government	213,030	213,030	215,862	(2,832)
Public safety	4,648,080	4,546,580	4,225,784	320,796
Capital outlay	149,000	250,500	133,336	117,164
Total expenditures	<u>5,010,110</u>	<u>5,010,110</u>	<u>4,574,982</u>	<u>435,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>751,380</u>	<u>751,380</u>	<u>1,529,027</u>	<u>777,647</u>
Other financing sources (uses)				
Transfers out	(256,450)	(256,450)	(256,450)	-
Total other financing sources (uses)	<u>(256,450)</u>	<u>(256,450)</u>	<u>(256,450)</u>	<u>-</u>
Net change in fund balance	494,930	494,930	1,272,577	777,647
Fund balance, beginning of year	<u>1,922,010</u>	<u>1,922,010</u>	<u>2,090,147</u>	<u>168,137</u>
Fund balance, end of year	<u>\$ 2,416,940</u>	<u>\$ 2,416,940</u>	<u>\$ 3,362,724</u>	<u>\$ 945,784</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
GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,782,100	\$ 4,174,265	\$ 2,154,368	\$ (2,019,897)
Investment income	2,800	2,800	300	(2,500)
Contributions	29,580	205,701	113,092	(92,609)
Miscellaneous	5,000,000	3,324,046	-	(3,324,046)
Total revenues	<u>7,814,480</u>	<u>7,706,812</u>	<u>2,267,760</u>	<u>(5,439,052)</u>
Expenditures				
Current:				
General government	5,068,900	2,911,958	44,429	2,867,529
Public safety	134,920	570,755	533,669	37,086
Health and welfare	2,400,970	3,223,589	2,054,855	1,168,734
Economic and community development	18,500	73,325	28,309	45,016
Culture and recreation	-	159,155	143,766	15,389
Capital outlay	96,800	242,373	178,037	64,336
Total expenditures	<u>7,720,090</u>	<u>7,181,155</u>	<u>2,983,065</u>	<u>4,198,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,390</u>	<u>525,657</u>	<u>(715,305)</u>	<u>(1,240,962)</u>
Other financing sources (uses)				
Transfers in	96,200	95,412	96,200	788
Transfers out	(244,740)	(244,740)	(242,250)	2,490
Total other financing sources (uses)	<u>(148,540)</u>	<u>(149,328)</u>	<u>(146,050)</u>	<u>3,278</u>
Net change in fund balance	(54,150)	376,329	(861,355)	(1,237,684)
Fund balance, beginning of year	<u>474,655</u>	<u>474,655</u>	<u>675,823</u>	<u>201,168</u>
Fund balance (deficit), end of year	<u>\$ 420,505</u>	<u>\$ 850,984</u>	<u>\$ (185,532)</u>	<u>\$ (1,036,516)</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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Wastewater Utility	Sanitation Utility	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 27,908,776	\$ 6,234,596	\$ 9,253,721	\$ 43,397,093	\$ 3,712,294
Receivables:					
Accounts (net)	2,504,128	1,423,269	906,361	4,833,758	-
State and county taxes	128,667	-	-	128,667	-
Interest	14,587	14,587	-	29,174	-
Inventories	342,564	59,876	34,935	437,375	207,261
Prepaid items	29,010	128	8,492	37,630	39,941
Restricted cash with fiscal agents	110,274	1,651,199	-	1,761,473	-
Total current assets	<u>31,038,006</u>	<u>9,383,655</u>	<u>10,203,509</u>	<u>50,625,170</u>	<u>3,959,496</u>
Noncurrent assets:					
Restricted cash with fiscal agents	-	148,932	-	148,932	-
Investments	6,119,324	5,901,592	-	12,020,916	-
Capital assets:					
Non-depreciable	16,431,871	4,292,697	-	20,724,568	-
Depreciable (net)	231,382,792	232,509,633	852,984	464,745,409	154,909
Total noncurrent assets	<u>253,933,987</u>	<u>242,852,854</u>	<u>852,984</u>	<u>497,639,825</u>	<u>154,909</u>
Total assets	<u>284,971,993</u>	<u>252,236,509</u>	<u>11,056,493</u>	<u>548,264,995</u>	<u>4,114,405</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	29,882	-	29,882	-
Total deferred outflows of resources	<u>-</u>	<u>29,882</u>	<u>-</u>	<u>29,882</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	645,363	586,053	66,673	1,298,089	151,678
Accrued payroll and employee benefits	13,312	7,462	4,021	24,795	18,805
Accrued liabilities	10,920	116,634	-	127,554	-
Construction contracts payable	143,420	28,978	-	172,398	-
Sales taxes payable	102,778	258	-	103,036	-
Deposits held in custody for others	2,075,369	-	10,000	2,085,369	-
Claims payable	-	-	-	-	398,932
Due to other funds	717	346	21	1,084	38
Unearned revenues	272,744	-	-	272,744	-
Compensated absences	140,969	85,713	89,291	315,973	40,008
Revenue bonds	107,126	1,579,463	-	1,686,589	-
Total current liabilities	<u>3,512,718</u>	<u>2,404,907</u>	<u>170,006</u>	<u>6,087,631</u>	<u>609,461</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	338,983
Compensated absences	35,241	21,427	22,322	78,990	10,000
Revenue bonds	228,876	4,550,462	-	4,779,338	-
Total noncurrent liabilities	<u>264,117</u>	<u>4,571,889</u>	<u>22,322</u>	<u>4,858,328</u>	<u>348,983</u>
Total liabilities	<u>3,776,835</u>	<u>6,976,796</u>	<u>192,328</u>	<u>10,945,959</u>	<u>958,444</u>
NET POSITION					
Net investment in capital assets	247,478,661	230,702,287	852,984	479,033,932	154,909
Restricted for:					
Cash with fiscal agents	110,274	1,800,131	-	1,910,405	-
Capital projects	6,543,685	3,638,900	-	10,182,585	-
Unrestricted	27,062,538	9,148,277	10,011,181	46,221,996	3,001,052
Total net position	<u>\$ 281,195,158</u>	<u>\$ 245,289,595</u>	<u>\$ 10,864,165</u>	<u>537,348,918</u>	<u>\$ 3,155,961</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				289,775	
Net position of business-type activities (page 25)				<u>\$ 537,638,693</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 POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Wastewater Utility	Sanitation Utility	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 11,882,083	\$ 7,746,807	\$ 4,954,195	\$ 24,583,085	\$ 3,818,489
Miscellaneous	35,105	51,300	176,788	263,193	5,706
Total operating revenues	<u>11,917,188</u>	<u>7,798,107</u>	<u>5,130,983</u>	<u>24,846,278</u>	<u>3,824,195</u>
Operating expenses:					
Salaries, wages and benefits	2,416,912	1,361,178	1,229,108	5,007,198	611,792
Contractual services, materials and supplies	6,931,005	3,592,537	2,439,184	12,962,726	1,947,588
Insurance claims and expenses	-	-	-	-	1,496,840
Depreciation and amortization	6,493,172	6,330,434	207,706	13,031,312	76,324
Total operating expenses	<u>15,841,089</u>	<u>11,284,149</u>	<u>3,875,998</u>	<u>31,001,236</u>	<u>4,132,544</u>
Operating income (loss)	<u>(3,923,901)</u>	<u>(3,486,042)</u>	<u>1,254,985</u>	<u>(6,154,958)</u>	<u>(308,349)</u>
Non-operating revenues (expenses):					
Investment income					
Interest Income	57,352	32,813	8,564	98,729	3,617
Net decrease in the fair value of investments	(83,950)	(83,951)	-	(167,901)	-
Interest expense	(9,458)	(194,346)	-	(203,804)	-
Total non-operating revenues (expenses)	<u>(36,056)</u>	<u>(245,484)</u>	<u>8,564</u>	<u>(272,976)</u>	<u>3,617</u>
Income (loss) before development fees and transfers	<u>(3,959,957)</u>	<u>(3,731,526)</u>	<u>1,263,549</u>	<u>(6,427,934)</u>	<u>(304,732)</u>
Capital contributions	555,955	32,827	-	588,782	-
Development fees	241,615	212,383	-	453,998	-
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(16,030)
Change in net position	<u>(3,162,387)</u>	<u>(3,336,316)</u>	<u>1,263,549</u>	<u>(5,235,154)</u>	<u>(320,762)</u>
Net position, beginning of year as restated	<u>284,357,545</u>	<u>248,625,911</u>	<u>9,600,616</u>	<u>542,584,072</u>	<u>3,476,723</u>
Net position, end of year	<u>\$ 281,195,158</u>	<u>\$ 245,289,595</u>	<u>\$ 10,864,165</u>		<u>\$ 3,155,961</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				<u>(35,578)</u>	
Change in net position of business-type activities (pages 26-27)				<u>\$ (5,270,732)</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, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Wastewater Utility	Sanitation Utility	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 12,337,655	\$ 7,792,648	\$ 4,990,031	\$ 25,120,334	\$ 3,818,489
Payments to suppliers	(6,745,286)	(3,371,253)	(2,511,557)	(12,628,096)	(3,481,563)
Payments to employees	(2,450,210)	(1,374,055)	(1,233,234)	(5,057,499)	(598,801)
Miscellaneous	35,105	51,300	176,788	263,193	5,706
Net cash provided (used) by operating activities	<u>3,177,264</u>	<u>3,098,640</u>	<u>1,422,028</u>	<u>7,697,932</u>	<u>(256,169)</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	(250)	(112)	(51)	(413)	(2)
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(16,030)
Net cash provided (used) for noncapital financing activities	<u>(250)</u>	<u>149,888</u>	<u>(51)</u>	<u>149,587</u>	<u>(16,032)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(3,941,906)	(1,853,275)	(532,904)	(6,328,085)	-
Principal payments on capital debt	(135,749)	(1,983,522)	-	(2,119,271)	-
Interest paid on capital debt	(12,110)	(227,003)	-	(239,113)	-
Development fees	241,615	212,383	-	453,998	-
Net cash provided (used) for capital and related financing activities	<u>(3,848,150)</u>	<u>(3,851,417)</u>	<u>(532,904)</u>	<u>(8,232,471)</u>	<u>-</u>
Cash flows from investing activities:					
Purchase of investments	(7,824,441)	(7,824,441)	-	(15,648,882)	-
Proceeds from sales and maturities of investments	7,917,345	7,917,669	-	15,835,014	-
Investment income	(24,956)	(49,493)	8,564	(65,885)	3,617
Net cash provided by investing activities	<u>67,948</u>	<u>43,735</u>	<u>8,564</u>	<u>120,247</u>	<u>3,617</u>
Net increase (decrease) in cash and cash equivalents	(603,188)	(559,154)	897,637	(264,705)	(268,584)
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 28,019,050</u>	<u>\$ 8,034,727</u>	<u>\$ 9,253,721</u>	<u>\$ 45,307,498</u>	<u>\$ 3,712,294</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,923,901)	\$ (3,486,042)	\$ 1,254,985	\$ (6,154,958)	\$ (308,349)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,493,172	6,330,434	207,706	13,031,312	76,324
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	86,294	45,841	35,836	167,971	-
(Increase) decrease in due from other governments	104,798	-	-	104,798	-
(Increase) decrease in inventories	7,058	(15,701)	(5,679)	(14,322)	(58,822)
(Increase) decrease in prepaid items	1,219	17,866	5,786	24,871	(38,861)
Increase (decrease) in accounts payable	(9,918)	218,861	(72,480)	136,463	(38,229)
Increase (decrease) in accrued payroll and employee benefits	(26,618)	(10,853)	(10,832)	(48,303)	6,245
Increase (decrease) in accrued liabilities	(20,216)	-	-	(20,216)	-
Increase (decrease) in sales taxes payable	102,778	258	-	103,036	-
Increase (decrease) in deposits held in custody for others	399,396	-	-	399,396	-
Increase (decrease) in unearned revenue	(30,118)	-	-	(30,118)	-
Increase (decrease) in compensated absences	(6,680)	(2,024)	6,706	(1,998)	6,746
Increase (decrease) in claims payable	-	-	-	-	98,777
Net cash provided (used) by operating activities	<u>\$ 3,177,264</u>	<u>\$ 3,098,640</u>	<u>\$ 1,422,028</u>	<u>\$ 7,697,932</u>	<u>\$ (256,169)</u>

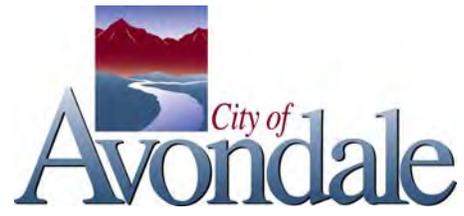
Continued

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, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Wastewater Utility	Sanitation Utility	Total	Internal Service Funds
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at end of year to statement of net position:					
Cash and cash equivalents	\$ 27,908,776	\$ 6,234,596	\$ 9,253,721	\$ 43,397,093	\$ 3,712,294
Restricted cash with fiscal agents	110,274	1,800,131	-	1,910,405	-
Total cash and cash equivalents	<u>\$ 28,019,050</u>	<u>\$ 8,034,727</u>	<u>\$ 9,253,721</u>	<u>\$ 45,307,498</u>	<u>\$ 3,712,294</u>
Noncash capital, financing and investing activities:					
Capital contributions	\$ 555,955	\$ 32,827	\$ -	\$ 588,782	\$ -
Amortization of bond premiums, discounts, and deferred loss on refunding	3,162	50,873	-	54,035	-
Amortization of investment premium (net)	15,647	15,647	-	31,294	-
Decrease in fair value of investments	108,894	108,570	-	217,464	-
Restatement of deferred bond issuance costs	7,540	120,131	-	127,671	-

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 POSITION
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
JUNE 30, 2013

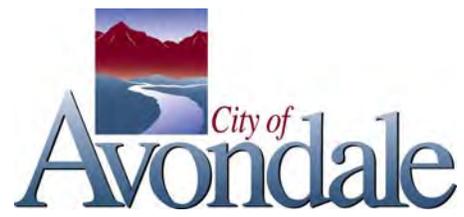
	<u>Volunteer Firefighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 244,535
Accounts receivable	<u>200</u>
Total assets	<u>244,735</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>244,735</u>
Total net position	<u><u>\$ 244,735</u></u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
YEAR ENDED JUNE 30, 2013

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ADDITIONS	
Contributions:	
Investment income	<u>\$ 258</u>
Total additions	<u>258</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net position	(4,542)
Total net position, beginning of year	<u>249,277</u>
Total net position, end of year	<u><u>\$ 244,735</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
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CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the significant accounting principles and practices of the City of Avondale (City) are discussed in subsequent sections of this note. The accounting policies of the City conform to U.S. generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

A. Reporting Entity

The City was incorporated in 1946. Avondale operates under the Council-Manager form of government in accordance with its Charter and has the authority to provide municipal services, as limited by the State Constitution. Legislative authority is vested in a seven-member City Council consisting of a mayor and six councilmembers elected at large for a term of four years. The City Council appoints the City Manager and such other officers deemed necessary and proper for the orderly administration of the City's affairs.

The accompanying financial statements include the City, the primary government, and all of its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has no discretely presented component units.

Blended Component Unit – The Avondale Municipal Development Corporation (MDC) is a nonprofit corporation established for the purpose of issuing debt to purchase or construct municipal facilities, which it leases to the City. The City Council appoints the MDC governing board and exercises significant oversight authority over the MDC. The MDC also provides financial benefits to, and imposes financial burdens on, the City through its special financing relationship with the City. For financial reporting purposes, MDC transactions are included in the financial statements as if it were part of the City's operations. The MDC does not issue separately audited financial statements, but 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. The MDC is the only blended component unit and has a June 30 year-end.

B. Basis of Presentation

GASB Statement Implementation

For the year ended June 30, 2013, the City implemented the provisions of the following GASB Statements.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of U.S. generally accepted accounting principles for state and local governments so that they derive from a single source.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes criteria for reporting the consumption and acquisition of net position that is applicable to future reporting periods.

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- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB Statement Nos. 61 - 63 had no effect on the financial statement amounts so no additional note disclosures were required. The implementation of GASB Statement No. 65 required a restatement of beginning net position in the government-wide statement of activities and proprietary funds statement of revenues, expenses and changes in fund net position. Additional note disclosure is presented in Note 16 – Beginning Balances Restated on page 84.

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 position and 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.

The *statement of net position* reports all financial and capital resources of the City. It is presented in a format that displays assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, with assets and liabilities presented in order of their relative liquidity. The net position is presented in three components—net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to acquisition, construction, or improvement of those assets or related debt also are included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

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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 to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if doing so would distort the direct costs and program revenues reported by the departments concerned. The General Fund charges administrative service fees to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration). These administrative fees are not eliminated from the government-wide or fund financial statements.

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 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 secondary property taxes levied by the City on property located within its boundaries.

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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 and, therefore, the measurement focus is upon the determination of operating income, changes in net position, net 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 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 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 position and changes in net position 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 the Volunteer Firefighters Relief and Pension Fund that provides pension benefits to volunteer firefighters not covered under the Public Safety Personnel Retirement System.

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.

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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, bond 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 Revenue Bonds Fund* accounts for the accumulation of resources and payment of principal and interest on the certain MDC Revenue Bonds and Pledged Revenue Refunding Obligations issued by the City. The City has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes, including city sales tax, franchise tax, state-shared sales tax, and auto lieu tax, to make the required debt services payments.

The *Grants-in-Aid Fund* accounts for grant funding and private donations/contributions for specific purposes that are not accounted for in other special revenue funds or otherwise committed or restricted to capital projects.

The City reports the following major proprietary funds:

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 ensures 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.

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, and investment income.

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State-shared revenues are considered available when in the hands of the intermediary collecting governments and are recognized as revenues at that time. Other revenues such as licenses and permits; fines, forfeitures and penalties; 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.

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.

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 another three 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 Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, General Obligation Bonds Fund,

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Dedicated Sales Tax Revenue Bonds Fund, Grants-in-Aid Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement 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 any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within a department or fund. At the request of the City Manager, the City Council may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures from one department or fund to another.
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, 2013, 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 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.

Cash equivalents include and all highly-liquid investments with an original maturity of 90 days or less. Investments are stated at fair value at June 30. Fair value typically is the quoted market price for securities.

Investment income includes interest and dividend earnings and changes in fair value of investments during the fiscal year. Except for specific non-pooled investments held by the General Fund, Water Utility Fund, and Wastewater Utility Fund, the City maintains pooled cash and investments. All pooled investments are considered cash equivalents. Interest income from pooled cash and investments is allocated to the individual funds based on the fund's month-end cash balance in relation to the total pooled investments. Each fund's equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end. Investment income from non-pooled investments, which includes changes in fair value of investments during the fiscal year, is recorded based on the specific investments held by the fund.

F. Restricted 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.

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G. 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 governmental fund financial statements, inventories are offset by nonspendable fund balance.

H. 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 governmental fund financial statements, prepaid items are offset by nonspendable fund balance.

I. 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.

J. Interfund Activity

Cash flows from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental activities and business-type activities 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.

K. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City does not capitalize interest costs incurred during the construction of capital assets.

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

Asset Category	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	5-15
Computers and software	3

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. It is unavailable revenue reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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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, resignation and retirement. 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.

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 position. Bond premiums, discounts, prepaid insurance, and deferred loss on refunding 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 Balance Policies

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 City Council. Once

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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 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-tier 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.

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- Respond to 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.
- 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 required 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. The progress of replenishment shall be reported in the City's *Annual Budget & Financial Plan*.

Q. Net position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

R. Fund balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

S. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

At June 30, 2013, the City had expenditures in funds that exceeded the budget; however, this does not constitute a violation of any legal provisions.

<u>Fund</u>	<u>Excess</u>
Dedicated Sales Tax Revenue Bonds Fund	\$ 2,297,898
Family Advocacy Center Fund	113,029
General Obligations Bond Fund	16,488

Expenditures exceeded appropriations for the following reasons.

Dedicated Sales Tax Revenue Bonds Fund – During the year, the City issued \$9.3 million of Pledged Revenue Refunding Obligations, Series 2013, and contributed \$2.1 million of city funds to advance refund \$9.2 million of outstanding MDC Revenue Bonds, Series 2002 and 2004. In addition, bond issuance costs resulting from the refunding totaled about \$0.2 million.

Family Advocacy Center Fund – The City jointly funds and administers the Southwest Family Advocacy Center with the municipalities and police departments of Avondale, Buckeye, Goodyear and the Maricopa County Sheriff's Office through the County of Maricopa. During the year, the Center relocated to a new, leased facility that required unforeseen leasehold improvements consisting of technology hardware and audio-visual equipment of about \$0.2 million.

General Obligation Bonds Fund – The City incurred unexpected finance fees during the year.

Deficit fund balance

At June 30, 2013, the Grants-in-Aid Fund had a deficit fund balance of \$185,532. When cash is spent from the fund to administer grants and fund grant-eligible activities and projects, expenditures are reported and fund balance is reduced. The deficit occurred because grantors had not reimbursed the City for about \$969,122 of grant expenditures as of June 30, nor had the grantors reimbursed the City for these expenditures within 60 days after year-end. The City considers revenues available only if they are collected within 60 days after year-end. As a result, the City deferred the \$969,122 of unavailable revenue at June 30, 2013. Because grantor reimbursements are the main source of resources for the fund, the result was an overall fund deficit. The deficit will be eliminated as grantors reimburse the City during the upcoming year.

NOTE 3 - CASH AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the City to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, 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 statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments. The State Board of Investment provides oversight for the State Treasurer’s pools.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013.

Deposits

Cash in bank – The carrying amount of City’s operating account deposits at June 30, 2013, excluding fiduciary cash, was \$7,195,843 and the bank balance was \$415,504. Deposits of \$7,036,871 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 \$79,711 of operating cash deposits in a U.S. Government securities investment account at June 30, 2013. The City’s operating deposits at June 30, 2013, were entirely covered by the Federal Depository Insurance Corporation (FDIC).

Restricted cash with fiscal agents – At June 30, 2013, the City had restricted cash with fiscal agents of \$12,324,782. Of this balance, \$3,934,475 was restricted in reserve funds, and the remaining cash balance of \$8,390,306 reflected cash temporarily held by fiscal agents for the City’s July 1, 2013, debt service payments. Of the restricted cash with fiscal agents, \$10,515,620 was uninsured or not collateralized with securities held by the pledging institution or by its trust department or agent.

Fiduciary cash – The carrying amount of the fiduciary deposits at June 30, 2013, was \$2,059, and the bank balance was \$2,059. The bank balance was entirely covered by the FDIC.

Investments

At June 30, 2013, the City had the following investments:

Investment Type	Fair Value	Maturities		Moody's Investors Service	Standard & Poor's
		Less than 90 Days	1-5 Years		
Federal Farm Credit Banks Funding Corp.	3,449,740	-	3,449,740	Aaa	AA+
Federal Home Loan Bank	5,658,909	-	5,658,909	Aaa-A2	AA-
Federal Home Loan Mortgage Corp.	3,929,800	-	3,929,800	Aaa	AA+
Federal National Mortgage Association	16,469,510	-	16,469,510	Aaa	AA+
Private Export Funding Corporation	251,475	251,475	-	Aaa	AA+
	<u>29,759,434</u>	<u>251,475</u>	<u>29,507,959</u>		
Certificates of Deposit	217,732	-	217,732	Unrated	Unrated
Total	<u>29,977,166</u>	<u>\$ 251,475</u>	<u>\$ 29,725,691</u>		
		Maturities in Days			
State of Arizona LGIP 7					
Primary government	80,999,143		15	Unrated	Unrated
Fiduciary activities	242,476		15	Unrated	Unrated
Total	<u>81,241,619</u>				
Repurchase Agreements	7,036,871		Less than 1	Unrated	Unrated
Total investments	<u>\$ 118,255,656</u>				

During the year, the fair value of non-pooled investments decreased \$419,753. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on these investments held at June 30, 2013, was \$540,850. The calculation of realized gains and losses on

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

investments is independent of the calculation of the change in fair value of investments. In addition, gains and losses of the current period include unrealized amounts from the prior period.

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, 2013, \$10,515,620 of the City’s bank balance of \$12,822,055 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.

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, 2013, investments consisted of (1) \$29,759,434 invested in securities back by the U.S. Government; (2) \$217,732 invested in certificates of deposit that were covered by the Securities Investor Protection Corporation; (3) \$81,241,619 invested in the State of Arizona LGIP 7, which is not subject to custodial credit risk; and (4) \$7,036,871 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, 2013, the City’s investments included 68.7% invested in the State of Arizona LGIP 7, 25.2% in securities back by the U.S. Government, and 5.9% 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, 2013, the City’s investments in securities backed by the U.S. Government were rated Aaa or A2 by Moody’s Investors Service and AA+ or AA- by Standard & Poor’s. The City’s investment in the State of Arizona LGIP 7, which only invests in securities backed by full faith and credit of the U.S. Government, does not carry a credit rating.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The State 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 general obligation 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 one percent (1%). The State will then subsidize the school districts for the reduced revenue. This one percent (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 ten percent (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, 2013, are \$238,780 \$136,944, and \$84,720, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility Funds are \$79,825, \$79,362 and \$49,191, 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, 2013, follows:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Non-depreciable assets:				
Land	\$ 251,989,374	\$ 1,962,404	\$ -	\$ 253,951,778
Construction in progress	12,516,714	1,684,739	(944,968)	13,256,485
Total non-depreciable capital assets	<u>264,506,088</u>	<u>3,647,143</u>	<u>(944,968)</u>	<u>267,208,263</u>
Depreciable assets:				
Buildings and improvements	71,059,563	125,065	-	71,184,628
Improvements other than buildings	1,402,472	41,117	-	1,443,589
Vehicles, furniture, and equipment	29,533,707	1,217,872	(73,880)	30,677,699
Infrastructure	381,309,119	1,463,996	-	382,773,115
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	<u>485,270,120</u>	<u>2,848,050</u>	<u>(73,880)</u>	<u>488,044,290</u>
Less accumulated depreciation for:				
Buildings and improvements	16,378,226	1,988,595	-	18,366,821
Improvements other than buildings	172,903	72,076	-	244,979
Vehicles, furniture and equipment	24,243,443	1,564,469	(73,880)	25,734,032
Infrastructure	124,406,758	10,186,592	-	134,593,350
Intangible assets	136,477	65,509	-	201,986
Total accumulated depreciation	<u>165,337,807</u>	<u>13,877,241</u>	<u>(73,880)</u>	<u>179,141,168</u>
Total capital assets being depreciated, net	<u>319,932,313</u>	<u>(11,029,191)</u>	<u>-</u>	<u>308,903,122</u>
Total governmental activities capital assets, net	<u>\$ 584,438,401</u>	<u>\$ (7,382,048)</u>	<u>\$ (944,968)</u>	<u>\$ 576,111,385</u>

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2013, follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-type activities:				
Non-depreciable assets:				
Land	\$ 16,198,111	\$ 57,245	\$ -	\$ 16,255,356
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	1,115,035	5,524,992	(3,694,570)	2,945,457
Total non-depreciable assets	<u>18,836,901</u>	<u>5,582,237</u>	<u>(3,694,570)</u>	<u>20,724,568</u>
Depreciable assets:				
Water system	295,026,061	4,250,527	-	299,276,588
Sewer system	222,911,077	32,827	-	222,943,904
Wastewater treatment system	81,853,310	24,043	-	81,877,353
Vehicles, furniture and equipment	8,439,787	808,534	-	9,248,321
Intangible Assets	2,980,551	-	-	2,980,551
Improvements other than buildings	808,883	-	-	808,883
Total depreciable capital assets	<u>612,019,669</u>	<u>5,115,931</u>	<u>-</u>	<u>617,135,600</u>
Less accumulated depreciation for:				
Water system	65,895,374	5,984,210	-	71,879,584
Sewer system	53,806,186	5,148,259	-	58,954,445
Wastewater treatment system	12,622,788	1,001,625	-	13,624,413
Vehicles, furniture and equipment	6,835,235	782,264	-	7,617,499
Intangible Assets	74,514	74,514	-	149,028
Improvements other than buildings	124,782	40,440	-	165,222
Total accumulated depreciation	<u>139,358,879</u>	<u>13,031,312</u>	<u>-</u>	<u>152,390,191</u>
Total business-type activities capital assets being depreciated, net	<u>472,660,790</u>	<u>(7,915,381)</u>	<u>-</u>	<u>464,745,409</u>
Total business-type activity capital assets, net	<u>\$ 491,497,691</u>	<u>\$ (2,333,144)</u>	<u>\$ (3,694,570)</u>	<u>\$ 485,469,977</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Depreciation expense was charged to functions and programs of the primary government as follows:

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 846,042
Public safety	1,244,392
Highways and streets	10,374,476
Health and welfare	21,852
Economic and community development	6,135
Culture and recreation	1,308,020
Internal services	76,324
Total	<u>\$ 13,877,241</u>
Business-type activities:	
Water utility	\$ 6,493,172
Wastewater utility	6,330,434
Sanitation utility	207,706
Total	<u>\$ 13,031,312</u>

NOTE 7 - FUND BALANCES

Fund balance classifications and categories are presented below as of June 30, 2013.

	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	Grants-in-Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund balances:										
Nonspendable:										
Inventory	\$ 2,202	\$ 268,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,800	\$ 283,420
Prepaid items	131,888	3,390	-	-	-	665,000	-	-	2,702	802,980
Due from other funds	1,200,000	-	-	-	-	-	-	-	-	1,200,000
Restricted for:										
Transit services	-	-	-	-	-	-	-	-	1,627,956	1,627,956
Highway and streets	-	3,601,986	-	-	-	-	-	-	-	3,601,986
Courts	-	-	-	-	-	-	-	-	613,134	613,134
Grant and contributor purposes	-	-	-	-	-	-	-	-	119,721	119,721
Public safety	171,150	-	-	3,362,724	-	-	-	-	-	3,533,874
Debt service	-	-	-	-	-	493,775	4,203,551	-	1,133,186	5,830,512
Capital projects	-	-	-	-	1,462,094	-	-	-	979,942	2,442,036
Water, sewer and street projects	-	-	798,919	-	-	-	-	-	300,520	1,099,439
Crime victim advocacy	-	-	-	-	-	-	-	-	154,178	154,178
Committed to:										
Budgetary stabilization	15,389,437	-	-	-	-	-	-	-	-	15,389,437
Capital projects	-	-	-	-	3,956,556	-	-	-	-	3,956,556
Crime victim advocacy	-	-	-	-	-	-	-	-	51,393	51,393
Assigned to:										
Vehicle replacement	-	-	-	-	-	-	-	-	8,438,757	8,438,757
Equipment replacement	-	-	-	-	-	-	-	-	335,328	335,328
Capital projects	-	-	-	-	3,995,709	-	-	-	592,855	4,588,564
Other purposes	5,453,049	-	-	-	-	-	-	-	-	5,453,049
Unassigned	10,382,138	-	-	-	-	-	-	(185,532)	-	10,196,606
Total fund balances	<u>\$ 32,729,864</u>	<u>\$ 3,873,794</u>	<u>\$ 798,919</u>	<u>\$ 3,362,724</u>	<u>\$ 9,414,359</u>	<u>\$ 1,158,775</u>	<u>\$ 4,203,551</u>	<u>\$ (185,532)</u>	<u>\$ 14,362,472</u>	<u>\$ 69,718,926</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, calling, or emailing 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
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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, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent 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 11.14 percent (10.25 percent for retirement, 0.65 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
2013	\$ 1,831,533	\$ 116,146	\$ 42,885	\$ 1,990,564
2012	1,678,477	107,137	40,814	1,826,428
2011	1,577,624	103,307	43,774	1,724,705

Agent plans

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

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011, actuarial valuations. For the year ended June 30, 2013, (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 16.58 percent (15.57 percent for retirement and 1.01 percent health insurance premium) of the covered payroll to the plan for the police and 14.74 percent (13.85 percent for retirement and 0.89 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 8.58 percent (7.89 percent for retirement and 0.69 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 36.44 percent (34.64 percent for retirement and 1.80 percent health insurance premium) of the covered payroll to the plan. The City contributed the actuarially required amounts for all agent plans.

Annual Pension Cost

The City's agent plans annual pension cost and significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements follow. The significant actuarial methods and assumptions used to establish these contributions requirements are substantially the same for all agent plans and related benefits and, therefore, they have been combined in the following table except as noted.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	PSPRS Police	PSPRS Fire Fighters	CORP	EORP
Contribution Rates:				
City-retirement	15.57 %	13.85 %	7.89 %	34.64 %
City-health insurance premium	1.01	0.89	0.69	1.80
Plan members	7.65	7.65	8.41	7.00
Annual pension cost				
Retirement	\$ 1,082,668	\$ 559,010	\$ 42,320	\$ 21,569
Health insurance premium	70,231	35,922	3,701	1,121
Pension contributions made				
Retirement	\$ 1,082,668	\$ 559,010	\$ 42,320	\$ 21,569
Health insurance premium	70,231	35,922	3,701	1,121
Actuarial valuation date	June 30, 2011			
Actuarial cost method	Entry Age Normal			
Amortization method	Level percent-of-pay closed			
Remaining amortization period	25 years			
Asset valuation method	7-year smoothed market			
Cost-of-living adjustments	None			
Actuarial assumptions:				
Investment rate of return	8.25%			
Projected salary increases	5.0% - 8.0%	5.0% - 8.0%	5.0% - 8.0%	4.5%
Payroll growth	5.0%	5.0%	5.0%	4.5%

Trend information

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

Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year ended June 30, 2013			
Pension:			
PSPRS (Police)	\$ 1,082,668	100.0 %	\$ -
PSPRS (Firefighters)	559,010	100.0	-
CORP	42,320	100.0	-
EORP	21,569	100.0	-
Health Insurance:			
PSPRS (Police)	\$ 70,231	100.0 %	\$ -
PSPRS (Firefighters)	35,922	100.0	-
CORP	3,701	100.0	-
EORP	1,121	100.0	-
Year ended June 30, 2012			
Pension:			
PSPRS (Police)	\$ 888,987	100.0 %	\$ -
PSPRS (Firefighters)	535,547	100.0	-
CORP	33,509	100.0	-
EORP	18,932	100.0	-
Health Insurance:			
PSPRS (Police)	\$ 65,048	100.0 %	\$ -
PSPRS (Firefighters)	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 (Firefighters)	493,274	100.0	-
CORP	22,787	100.0	-
EORP	16,907	100.0	-
Health Insurance:			
PSPRS (Police)	\$ 49,601	100.0 %	\$ -
PSPRS (Firefighters)	28,414	100.0	-
CORP	3,255	100.0	-
EORP	1,068	100.0	-

CITY OF AVONDALE, ARIZONA
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Schedule of Funding Progress

The Board of Trustees obtains an actuarial valuation for the EORP as a cost-sharing plan, its statutory basis, so actuarial information is not available solely for the City. As a result, 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 of the most recent actuarial valuations, the June 30, 2011 reporting period, determines the rates for fiscal year 2013.

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]
<i>Public Safety Retirement System</i>						
<u>Police</u>						
Pension						
June 30, 2011	\$ 14,242,919	\$ 19,065,895	\$ 4,822,976	74.70 %	\$ 6,716,207	71.80 %
June 30, 2010	12,607,771	16,407,340	3,799,569	76.80	6,743,939	56.34
June 30, 2009	11,317,174	15,297,882	3,980,708	74.00	6,594,606	60.36
Health Insurance						
June 30, 2011	\$ -	\$ 711,132	\$ 711,132	0.00 %	\$ 6,716,207	10.59 %
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
<u>Firefighters</u>						
Pension						
June 30, 2011	\$ 11,125,806	\$ 12,669,687	\$ 1,543,881	87.80 %	\$ 3,896,182	39.60 %
June 30, 2010	10,349,021	11,671,053	1,322,032	88.70	3,968,803	33.31
June 30, 2009	9,169,671	10,859,920	1,690,249	84.40	4,026,999	41.97
Health Insurance						
June 30, 2011	\$ -	\$ 403,234	\$ 403,234	0.00 %	\$ 3,896,182	10.35 %
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
<i>Corrections Officers Retirement Plan</i>						
Pension						
June 30, 2011	\$ 782,276	\$ 977,378	\$ 195,102	80.00 %	\$ 529,057	36.90 %
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
Health Insurance						
June 30, 2011	\$ -	\$ 46,826	\$ 46,826	0.00 %	\$ 529,057	8.85 %
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
<i>Elected Officials Retirement Plan</i>						
Pension						
June 30, 2011	\$ 366,429,302	\$ 577,826,717	\$ 211,397,415	63.40 %	\$ 66,637,032	317.20 %
June 30, 2010	357,341,873	523,755,771	166,413,898	68.20	66,442,072	250.46
June 30, 2009	360,950,484	494,436,556	133,486,072	73.00	67,776,690	196.95
Health Insurance						
June 30, 2011	\$ -	\$ 12,494,791	\$ 12,494,791	0.00 %	\$ 66,637,032	18.75 %
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

CITY OF AVONDALE, ARIZONA
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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)					
2011	2013	0.44 %	0.57 %	1.01 %	\$ 74,787
2010	2012	0.54	0.39	0.93	69,807
2009	2011	0.49	0.33	0.82	60,188
PSPRS (Firefighters)					
2011	2013	0.33 %	0.56 %	0.89 %	\$ 38,230
2010	2012	0.48	0.38	0.86	37,989
2009	2011	0.44	0.31	0.75	33,616
CORP					
2011	2013	0.21 %	0.48 %	0.69 %	\$ 4,025
2010	2012	0.39	0.23	0.62	3,719
2009	2011	0.42	0.31	0.73	3,546
EORP					
2011	2013	0.74 %	1.06 %	1.80 %	\$ 1,309,847
2010	2012	0.83	0.96	1.79	1,311,218
2009	2011	0.85	0.92	1.77	1,322,611

The health insurance subsidy payments reported for valuation year 2011 were \$16,673 for the police plan, \$3,453 for the firefighter plan, \$0 for the corrections officers plan, and \$926,378 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.

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, 2013. At June 30, 2013, 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, 2013, was \$0. Therefore, neither the City nor the firefighter made contributions to the plan during the year.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,078,743	\$ 2,871,341	\$ 3,099,221	\$ 2,850,863	\$ 2,280,690
Capital leases payable	550,540	-	413,525	137,015	137,015
Claims payable	639,138	934,422	835,645	737,915	398,932
MDC Revenue Bonds	57,329,281	-	19,318,789	38,010,492	1,806,471
General obligation bonds	34,385,000	-	2,840,000	31,545,000	2,985,000
Pledged revenue refunding obligations	-	9,275,000	-	9,275,000	2,045,000
Highway user revenue bonds	2,140,000	-	335,000	1,805,000	350,000
Unamortized premiums and discounts, net	871,923	427,048	218,007	1,080,964	122,525
Total	<u>\$ 98,994,625</u>	<u>\$ 13,507,811</u>	<u>\$ 27,060,187</u>	<u>\$ 85,442,249</u>	<u>\$ 10,125,633</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 \$50,008 are included in the above liabilities. During the year, internal service fund compensated absence liabilities increased by \$6,746.

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 two lease agreements for capital purchases including the City Hall heating, cooling and ventilation system and firefighting equipment. These leases provide bargain purchase options and transfer of title at the end of the lease term. The firefighting equipment lease ended in fiscal year 2013, and the remaining lease ends in fiscal year 2014. The interest rate on the remaining lease is 3.99%.

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:

Asset:	
Buildings and Improvements	\$ 2,174,449
Vehicles	927,040
Less: accumulated depreciation	<u>(1,448,001)</u>
Total	<u>\$ 1,653,488</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Principal	Interest
2014	\$ 137,015	\$ 1,663
Total	<u>\$ 137,015</u>	<u>\$ 1,663</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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MDC Revenue Bonds – These bonds were issued for the purpose of constructing capital assets and related improvements. These 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, 2013</u>
2005 series bonds (88% of total issue)	3.00 - 4.00%	2021	\$ 10,370,492
2006 series bonds	4.00 - 5.00%	2027	14,675,000
2008 series bonds	4.00 - 5.00%	2029	12,965,000
			<u>\$ 38,010,492</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,806,470	\$ 1,630,448
2015	1,874,152	1,555,482
2016	1,946,835	1,475,521
2017	3,350,667	1,339,320
2018	3,468,713	1,191,471
2019-2023	14,393,655	3,863,695
2024-2028	10,055,000	1,192,500
2029-2033	1,115,000	-
Total	<u>\$ 38,010,492</u>	<u>\$ 12,248,437</u>

Refunded MDC Revenue Bonds

On June 26, 2013, the City issued \$9,275,000 of Pledged Revenue Refunding Obligations, Series 2013, with an average interest rate of 2.97%, and contributed \$2,090,000 of city funds to advance refund \$9,195,000 of outstanding MDC Revenue Bonds, Series 2002 and 2004, with an average interest rate of 4.20%, and to pay related bond issuance costs. The City deposited the net bond proceeds of \$9,469,388 (includes bond premium of \$427,048, less bond issuance costs of \$232,660) in an irrevocable trust with an escrow agent. The proceeds are invested in securities back by the U.S. Government that are designed to meet all future debt service requirements of the refunded bonds. Trust account assets and liabilities for the defeased bonds are not included in the City’s financial statements. The refunding was undertaken to reduce future debt service payments by \$2,606,896 over the next seven years and resulted in an economic gain of \$279,791 (based upon the net present value of debt service payments on the old and new bonds).

Pledged Revenue Refunding Obligations – These obligations were issued for the purpose of refunding outstanding MDC Revenue Bonds. These obligations 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, 2013</u>
2013 series obligations	2.00 - 4.00%	2020	\$ 9,275,000
			<u>\$ 9,275,000</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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Annual debt service requirements to maturity for the pledged revenue refunding obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ 239,126
2015	2,045,000	194,950
2016	2,350,000	147,950
2017	920,000	129,550
2018	935,000	101,500
2019-2023	3,025,000	123,800
Total	<u>\$ 9,275,000</u>	<u>\$ 936,876</u>

General Obligation Bonds - General obligation bonds are issued for the purpose of constructing capital assets and related improvements. These 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>	<u>Outstanding Principal June 30, 2013</u>
2003 series A bonds	2.00 - 4.00%	2014	\$ 670,000
2005 series bonds	3.00 - 5.00%	2016	2,090,000
2006 series bonds	3.75 - 4.00%	2018	1,015,000
2009 series bonds	2.75 - 7.80%	2034	25,600,000
2010 series bonds	2.75 - 3.25%	2018	2,170,000
			<u>\$ 31,545,000</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>
2014	\$ 2,985,000	\$ 1,895,547
2015	2,045,000	1,815,223
2016	1,765,000	1,739,785
2017	2,060,000	1,641,743
2018	1,400,000	1,574,438
2019-2023	4,500,000	7,032,814
2024-2028	5,360,000	5,345,113
2029-2033	7,580,000	2,765,880
2034-2038	3,850,000	155,220
Total	<u>\$ 31,545,000</u>	<u>\$ 23,965,763</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.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2013</u>
2005 series bonds	3.00 - 3.875%	2017	\$ 1,805,000
			<u>\$ 1,805,000</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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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>
2014	\$ 350,000	\$ 55,463
2015	360,000	41,963
2016	375,000	27,900
2017	390,000	12,788
2018	330,000	-
Total	<u>\$ 1,805,000</u>	<u>\$ 138,114</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, 2013, follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>	<u>One Year</u>
Business-type activities:					
Compensated absences	\$ 396,961	\$ 373,173	\$ 375,171	\$ 394,963	\$ 315,973
Municipal Development					
Corporation bonds	1,415,717	-	56,212	1,359,505	58,530
Water and sewer revenue bonds	6,785,000	-	2,015,000	4,770,000	1,580,000
Unamortized premiums and discounts, net	384,481	-	48,059	336,422	48,059
Total	<u>\$ 8,982,159</u>	<u>\$ 373,173</u>	<u>\$ 2,494,442</u>	<u>\$ 6,860,890</u>	<u>\$ 2,002,562</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</u> <u>Principal</u> <u>June 30, 2013</u>
2010 series obligations	3.00 - 5.00%	2020	<u>\$ 4,770,000</u>
			<u>\$ 4,770,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,580,000	\$ 128,600
2015	450,000	115,100
2016	460,000	101,300
2017	475,000	82,300
2018	495,000	57,550
2019-2023	1,310,000	48,000
Total	<u>\$ 4,770,000</u>	<u>\$ 532,850</u>

CITY OF AVONDALE, ARIZONA
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MDC Revenue Bonds – These bonds are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2013
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	\$ 1,359,505
			<u>\$ 1,359,505</u>

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

Year Ending June 30	Principal	Interest
2014	\$ 58,530	\$ 52,039
2015	60,848	49,605
2016	63,166	47,079
2017	239,334	37,505
2018	246,288	27,654
2019-2023	691,339	24,130
Total	<u>\$ 1,359,505</u>	<u>\$ 238,012</u>

NOTE 10 - INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2013, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Development Fees Fund	\$ 1,200,000
General Fund	General Obligation Bonds Fund	1,850,030
General Fund	Dedicated Sales Tax Revenue Bonds Fund	1,057,288
General Fund	Grants-in-Aid Fund	193,391
General Fund	Other Funds	1,210
		<u>\$ 4,301,919</u>

About \$3.1 million of the \$4.3 million General Fund interfund receivables is due to temporary borrowing by the General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, and Grants-in-Aid Fund to offset temporary cash deficit positions at June 30, 2013. The remaining \$1.2 million is due to borrowing by the Development Fees Fund to pay debt service on debt-financed capital projects where development fees had been pledged to repay the debt, but where insufficient development fees had been collected to service the debt. All other interfund receivables and payables were routine in nature.

Interfund transfers for the year ended June 30, 2013, primarily consisted of the following activity:

General Fund transfers included \$4.6 million to the Development Fees Fund to complete the construction of Avondale Fire Station 174 and to fund various street construction projects, \$2.0 million to the Other Capital Projects Fund to fund Avondale Transit Center construction, \$1.6 million to the Vehicle Replacement and Equipment Replacement Funds to accumulate reserves for the future replacement of vehicles and equipment, and \$0.8 million to debt service funds to service debt.

Highway User Revenue Fund transfers included \$0.4 million to debt service funds to service debt and about \$0.3 million to the Vehicle Replacement Fund to accumulate reserves for the future replacement of vehicles.

CITY OF AVONDALE, ARIZONA
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Dedicated Sales Tax Revenue Fund transfers included \$5.0 million to debt service funds to service debt, \$0.4 million to the Development Fees Fund for street construction projects, and about \$0.2 million to the Wastewater Utility Fund for sewer development.

Public Safety Sales Tax Revenue Fund transfers included about \$0.2 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 \$4.6 million from the General Fund and \$0.7 million from other funds to finance capital projects, including the Avondale Fire Station 174 and various street construction projects, and \$2.6 million to debt service funds used to finance city capital development projects.

Dedicated Sales Tax Revenue Bonds Fund transfers included \$5.0 million and \$0.2 million from the Dedicated Sales Tax Revenue and Development Fees Funds to service debt service fund used to finance city capital development projects.

Grants-in-Aid Fund transfers included about \$0.1 million from the General Fund to meet grant cost-sharing requirements and \$0.2 million to the Development Fees Fund to fund grant-eligible capital projects.

Non-Major Governmental Fund transfers included \$3.3 million from the General Fund and Development Fees Fund for debt service, \$2.3 million from other governmental funds for vehicle and equipment replacement, and \$2.0 million from the General Fund to finance 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, 2013, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ (9,333,570)
Highway User Revenue Fund	-	(787,750)
Dedicated Sales Tax Revenue Fund	-	(5,620,400)
Public Safety Sales Tax Revenue Fund	-	(256,450)
Development Fees Fund	5,361,420	(2,651,800)
General Obligation Bonds Fund	-	-
Dedicated Sales Tax Revenue Bonds Fund	5,272,200	-
Grants-in-Aid Fund	96,200	(242,250)
Non-major Governmental Funds	<u>8,097,579</u>	<u>(69,149)</u>
Total governmental funds	<u>18,827,399</u>	<u>(18,961,369)</u>
Enterprise funds:		
Water Utility Fund	-	-
Wastewater Utility Fund	150,000	-
Sanitation Utility Fund	-	-
Total enterprise funds	<u>150,000</u>	<u>-</u>
Internal service funds:	-	(16,030)
Grand total	<u>\$ 18,977,399</u>	<u>\$ (18,977,399)</u>

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, 2013

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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, 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, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance at July 1	\$639,138	\$496,500
Current year claims and changes in estimates (includes IBNR)	934,422	489,940
Claim payments	<u>835,645</u>	<u>347,302</u>
Ending balance at June 30	<u>\$737,915</u>	<u>\$639,138</u>

NOTE 13 - CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2013. It is the opinion of city management and City Council that the amount of losses resulting from this litigation at June 30, 2013, 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, 2013. The City expects no material disallowance of expenditures.

NOTE 14 - COMMITMENTS

The City has active design and construction projects as of June 30, 2013. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The projects and remaining balances for work not completed as of June 30, 2013, were as follows.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	<u>Balance</u>
Street construction and improvements	\$ 3,952,430
Water system construction and improvements	2,297,021
Park and recreation construction and improvements	<u>4,126</u>
Total	<u><u>\$ 6,253,577</u></u>

NOTE 15 - OPERATING LEASES

The City jointly funds and administers the Southwest Family Advocacy Center (SWAC) with the municipalities and police departments of Avondale, Buckeye, Goodyear, and the Maricopa County Sheriff's Office through the County of Maricopa. The City leases office space under a noncancelable operating lease to operate the SWAC, and the partnering agencies equally 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 position. Operating lease costs for the fiscal year ended June 30, 2013, totaled \$288,546.

The following schedule presents the future minimum lease payments on the operating lease.

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 291,816
2015	300,657
2016	306,972
2017	315,813
2018	322,128
2019	214,752
Total	<u><u>\$ 1,752,138</u></u>

NOTE 16 – BEGINNING BALANCES RESTATED

During the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires certain debt issuance costs to be expensed in the period incurred. Previously, U.S. generally accepted accounting principles allowed these costs to be deferred and amortized over the duration of the related debt. The following schedule summarizes the cumulative effect of this change in accounting principle on net position of the government-wide statement of activities and proprietary fund statement of revenues, expenses and changes in fund net position.

	<u>Primary Government</u>		<u>Business-type Activities</u> <u>Enterprise Funds</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Water</u> <u>Utility</u>	<u>Wastewater</u> <u>Utility</u>
Net position at June 30, 2012, as previously reported	562,340,901	543,037,096	284,365,085	248,746,042
Unamortized deferred bond issuance costs at June 30, 2012	<u>(1,041,342)</u>	<u>(127,671)</u>	<u>(7,540)</u>	<u>(120,131)</u>
Net position at July 1, 2012, as restated	<u><u>561,299,559</u></u>	<u><u>542,909,425</u></u>	<u><u>284,357,545</u></u>	<u><u>248,625,911</u></u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 555,400	\$ 555,400	\$ 979,077	\$ 423,677
Intergovernmental	1,554,000	1,554,000	150,068	(1,403,932)
Investment income	37,030	37,030	9,848	(27,182)
Total revenues	<u>2,146,430</u>	<u>2,146,430</u>	<u>1,138,993</u>	<u>(1,007,437)</u>
Expenditures				
Current:				
Highways and streets	-	(45,000)	450,568	(495,568)
Culture and recreation	-	45,000	-	45,000
Debt service				
Principal	62,100	62,100	62,103	(3)
Interest and other charges	2,390	2,390	2,385	5
Capital outlay	9,996,380	9,511,380	1,859,016	7,652,364
Total expenditures	<u>10,060,870</u>	<u>9,575,870</u>	<u>2,374,072</u>	<u>7,201,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,914,440)</u>	<u>(7,429,440)</u>	<u>(1,235,079)</u>	<u>(8,209,235)</u>
Other financing sources (uses)				
Transfers in	5,561,420	5,561,420	5,361,420	(200,000)
Transfers out	(1,151,800)	(1,151,800)	(2,651,800)	(1,500,000)
Total other financing sources (uses)	<u>4,409,620</u>	<u>4,409,620</u>	<u>2,709,620</u>	<u>(1,700,000)</u>
Net change in fund balance	(3,504,820)	(3,019,820)	1,474,541	4,494,361
Fund balance, beginning of year	<u>6,686,962</u>	<u>6,686,962</u>	<u>7,939,818</u>	<u>1,252,856</u>
Fund balance, end of year	<u>\$ 3,182,142</u>	<u>\$ 3,667,142</u>	<u>\$ 9,414,359</u>	<u>\$ 5,747,217</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,417,760	\$ 2,417,760	\$ 2,310,300	\$ (107,460)
Intergovernmental	631,140	631,140	-	(631,140)
Investment income	1,700	1,700	1,792	92
Miscellaneous	-	-	603,684	603,684
Total revenues	<u>3,050,600</u>	<u>3,050,600</u>	<u>2,915,776</u>	<u>(134,824)</u>
Expenditures				
Debt service:				
Principal	2,840,000	2,840,000	2,840,000	-
Interest and other charges	2,027,200	2,027,200	2,043,688	(16,488)
Total expenditures	<u>4,867,200</u>	<u>4,867,200</u>	<u>4,883,688</u>	<u>(16,488)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,816,600)</u>	<u>(1,816,600)</u>	<u>(1,967,912)</u>	<u>(151,312)</u>
Net change in fund balance	(1,816,600)	(1,816,600)	(1,967,912)	(151,312)
Fund balance, beginning of year	<u>3,244,744</u>	<u>3,244,744</u>	<u>3,126,687</u>	<u>(118,057)</u>
Fund balance, end of year	<u>\$ 1,428,144</u>	<u>\$ 1,428,144</u>	<u>\$ 1,158,775</u>	<u>\$ (269,369)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 2,000	\$ 2,000	\$ 2,719	\$ 719
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,719</u>	<u>719</u>
Expenditures				
Debt service:				
Principal	3,623,930	3,623,930	5,713,923	(2,089,993)
Interest and other charges	2,093,680	2,093,680	2,301,585	(207,905)
Total expenditures	<u>5,717,610</u>	<u>5,717,610</u>	<u>8,015,508</u>	<u>(2,297,898)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,715,610)</u>	<u>(5,715,610)</u>	<u>(8,012,789)</u>	<u>(2,297,179)</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	9,275,000	9,275,000
Payments to refunded bonds escrow agent	-	-	(9,469,388)	(9,469,388)
Bond premium (discount)	-	-	427,048	427,048
Transfers in	5,272,200	5,272,200	5,272,200	-
Total other financing sources (uses)	<u>5,272,200</u>	<u>5,272,200</u>	<u>5,504,860</u>	<u>232,660</u>
Net change in fund balance	(443,410)	(443,410)	(2,507,929)	(2,064,519)
Fund balance, beginning of year	<u>6,711,059</u>	<u>6,711,059</u>	<u>6,711,480</u>	<u>421</u>
Fund balance, end of year	<u>\$ 6,267,649</u>	<u>\$ 6,267,649</u>	<u>\$ 4,203,551</u>	<u>\$ (2,064,098)</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.

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 City jointly funds and administers the Center with the municipalities and police departments of Avondale, Buckeye, Goodyear, and the Maricopa County Sheriff's Office through the County of Maricopa.

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.

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, 2013**

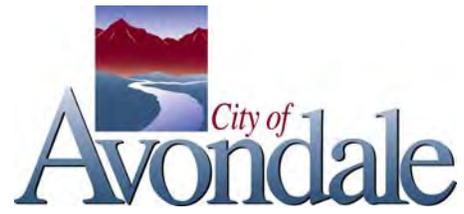
	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
ASSETS			
Cash and cash equivalents	\$ 1,825,280	\$ 124,853	\$ 613,161
Receivables:			
Accounts	-	66,470	-
Due from other governments	274,156	-	-
Inventories	12,800	-	-
Prepaid items	-	-	502
Restricted cash with fiscal agents	-	-	-
Total assets	<u>\$ 2,112,236</u>	<u>\$ 191,323</u>	<u>\$ 613,663</u>
LIABILITIES			
Accounts payable	\$ 9,927	\$ 24,416	\$ 27
Accrued payroll and employee benefits	1,406	2,360	-
Accrued liabilities	-	-	-
Total liabilities	<u>11,333</u>	<u>26,776</u>	<u>27</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - other	235,958	44,826	-
Total deferred inflows of resources	<u>235,958</u>	<u>44,826</u>	<u>-</u>
FUND BALANCES			
Nonspendable	12,800	-	502
Restricted	1,852,145	119,721	613,134
Committed	-	-	-
Assigned	-	-	-
Total fund balances	<u>1,864,945</u>	<u>119,721</u>	<u>613,636</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,112,236</u>	<u>\$ 191,323</u>	<u>\$ 613,663</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

(continuation)	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement
ASSETS				
Cash and cash equivalents	\$ 195,974	\$ 271,011	\$ 8,688,754	\$ 335,328
Receivables:				
Accounts	-	37,028	-	-
Due from other governments	39,436	-	-	-
Inventories	-	-	-	-
Prepaid items	200	2,000	-	-
Restricted cash with fiscal agents	-	-	-	-
Total assets	<u>\$ 235,610</u>	<u>\$ 310,039</u>	<u>\$ 8,688,754</u>	<u>\$ 335,328</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 25,596	\$ 5,576	\$ 249,997	\$ -
Accrued payroll and employee benefits	4,243	1,943	-	-
Accrued liabilities	-	-	-	-
Total liabilities	<u>29,839</u>	<u>7,519</u>	<u>249,997</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	200	2,000	-	-
Restricted	154,178	300,520	-	-
Committed	51,393	-	-	-
Assigned	-	-	8,438,757	335,328
Total fund balances	<u>205,771</u>	<u>302,520</u>	<u>8,438,757</u>	<u>335,328</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 235,610</u>	<u>\$ 310,039</u>	<u>\$ 8,688,754</u>	<u>\$ 335,328</u>

Debt Service Funds			
Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ 1,384,920	\$ 118,122	\$ 306,895	\$ 13,864,298
5,407	-	8,044	116,949
-	-	-	313,592
-	-	-	12,800
-	-	-	2,702
-	384,075	443,503	827,578
<u>\$ 1,390,327</u>	<u>\$ 502,197</u>	<u>\$ 758,442</u>	<u>\$ 15,137,919</u>
\$ 41,719	\$ -	\$ -	\$ 357,258
-	-	-	9,952
-	34,075	93,378	127,453
<u>41,719</u>	<u>34,075</u>	<u>93,378</u>	<u>494,663</u>
-	-	-	280,784
-	-	-	280,784
-	-	-	15,502
755,753	468,122	665,064	4,928,637
-	-	-	51,393
592,855	-	-	9,366,940
<u>1,348,608</u>	<u>468,122</u>	<u>665,064</u>	<u>14,362,472</u>
<u>\$ 1,390,327</u>	<u>\$ 502,197</u>	<u>\$ 758,442</u>	<u>\$ 15,137,919</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

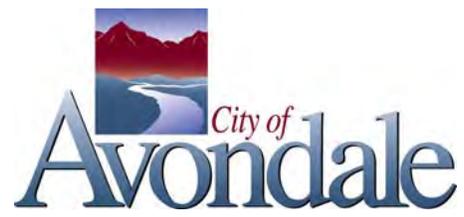
	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
Revenues			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	1,118,698	331,922	-
Charges for services	-	-	105,187
Interest income	1,802	177	290
Contributions	-	11,194	-
Miscellaneous	-	-	-
Total revenue	<u>1,120,500</u>	<u>343,293</u>	<u>105,477</u>
Expenditures			
Current:			
General government	-	-	48,193
Public safety	-	-	-
Health and welfare	-	492,142	-
Transportation	1,234,845	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	17,432	-
Total expenditures	<u>1,234,845</u>	<u>509,574</u>	<u>48,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,345)</u>	<u>(166,281)</u>	<u>57,284</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(830)	(4,270)	-
Total other financing sources (uses)	<u>(830)</u>	<u>(4,270)</u>	<u>-</u>
Net change in fund balances	(115,175)	(170,551)	57,284
Fund balances, beginning of year	<u>1,980,120</u>	<u>290,272</u>	<u>556,352</u>
Fund balances, end of year	<u>\$ 1,864,945</u>	<u>\$ 119,721</u>	<u>\$ 613,636</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, 2013

(continuation)	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement
Revenues				
Licenses and permits	\$ -	\$ 265,709	\$ -	\$ -
Intergovernmental	633,892	-	-	-
Charges for services	-	-	-	-
Interest income	30	-	7,537	387
Contributions	-	-	-	-
Miscellaneous	133	-	-	-
Total revenue	<u>634,055</u>	<u>265,709</u>	<u>7,537</u>	<u>387</u>
Expenditures				
Current:				
General government	-	-	-	283,150
Public safety	948,179	-	-	-
Health and welfare	-	66,813	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	249,996	382,357
Total expenditures	<u>948,179</u>	<u>66,813</u>	<u>249,996</u>	<u>665,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(314,124)</u>	<u>198,896</u>	<u>(242,459)</u>	<u>(665,120)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	9,734	9,624
Transfers in	250,780	-	1,608,820	659,530
Transfers out	(19,350)	-	-	-
Total other financing sources (uses)	<u>231,430</u>	<u>-</u>	<u>1,618,554</u>	<u>669,154</u>
Net change in fund balances	(82,694)	198,896	1,376,095	4,034
Fund balances, beginning of year	<u>288,465</u>	<u>103,624</u>	<u>7,062,662</u>	<u>331,294</u>
Fund balances, end of year	<u>\$ 205,771</u>	<u>\$ 302,520</u>	<u>\$ 8,438,757</u>	<u>\$ 335,328</u>

Debt Service Funds			
Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 265,709
-	-	-	2,084,512
-	-	-	105,187
771	177	476	11,647
30,216	-	75,068	116,478
-	-	-	133
<u>30,987</u>	<u>177</u>	<u>75,544</u>	<u>2,583,666</u>
-	-	-	331,343
-	-	-	948,179
-	-	-	558,955
-	-	-	1,234,845
-	335,000	4,409,866	4,744,866
-	68,400	191,199	259,599
1,531,600	-	-	2,181,385
<u>1,531,600</u>	<u>403,400</u>	<u>4,601,065</u>	<u>10,259,172</u>
<u>(1,500,613)</u>	<u>(403,223)</u>	<u>(4,525,521)</u>	<u>(7,675,506)</u>
-	-	-	19,358
2,044,699	415,000	3,118,750	8,097,579
(44,699)	-	-	(69,149)
<u>2,000,000</u>	<u>415,000</u>	<u>3,118,750</u>	<u>8,047,788</u>
499,387	11,777	(1,406,771)	372,282
<u>849,221</u>	<u>456,345</u>	<u>2,071,835</u>	<u>13,990,190</u>
<u>\$ 1,348,608</u>	<u>\$ 468,122</u>	<u>\$ 665,064</u>	<u>\$ 14,362,472</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 873,690	\$ 873,690	\$ 1,118,698	\$ 245,008
Investment income	2,410	2,410	1,802	(608)
Total revenues	<u>876,100</u>	<u>876,100</u>	<u>1,120,500</u>	<u>244,400</u>
Expenditures				
Current:				
Transportation	1,439,330	1,439,330	1,234,845	204,485
Total expenditures	<u>1,439,330</u>	<u>1,439,330</u>	<u>1,234,845</u>	<u>204,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(563,230)</u>	<u>(563,230)</u>	<u>(114,345)</u>	<u>448,885</u>
Other financing sources (uses)				
Transfers out	(830)	(830)	(830)	-
Total other financing sources (uses)	<u>(830)</u>	<u>(830)</u>	<u>(830)</u>	<u>-</u>
Net change in fund balance	(564,060)	(564,060)	(115,175)	448,885
Fund balance, beginning of year	<u>1,156,769</u>	<u>1,156,769</u>	<u>1,980,120</u>	<u>823,351</u>
Fund balance, end of year	<u>\$ 592,709</u>	<u>\$ 592,709</u>	<u>\$ 1,864,945</u>	<u>\$ 1,272,236</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 205,810	\$ 311,948	\$ 331,922	\$ 19,974
Investment income	130	130	177	47
Contributions	9,790	12,108	11,194	(914)
Miscellaneous	2,320	2,320	-	(2,320)
Total revenues	<u>218,050</u>	<u>326,506</u>	<u>343,293</u>	<u>16,787</u>
Expenditures				
Current:				
Health and welfare	337,900	516,727	492,142	24,585
Capital outlay	-	33,108	17,432	15,676
Total expenditures	<u>337,900</u>	<u>549,835</u>	<u>509,574</u>	<u>40,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,850)</u>	<u>(223,329)</u>	<u>(166,281)</u>	<u>57,048</u>
Other financing sources (uses)				
Transfers out	<u>(4,270)</u>	<u>(4,270)</u>	<u>(4,270)</u>	-
Total other financing sources (uses)	<u>(4,270)</u>	<u>(4,270)</u>	<u>(4,270)</u>	-
Net change in fund balance	(124,120)	(227,599)	(170,551)	57,048
Fund balance, beginning of year	<u>245,699</u>	<u>245,699</u>	<u>290,272</u>	<u>44,573</u>
Fund balance, end of year	<u>\$ 121,579</u>	<u>\$ 18,100</u>	<u>\$ 119,721</u>	<u>\$ 101,621</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 95,110	\$ 95,110	\$ 105,187	\$ 10,077
Investment income	270	270	290	20
Total revenues	<u>95,380</u>	<u>95,380</u>	<u>105,477</u>	<u>10,097</u>
Expenditures				
Current:				
General government	210,510	210,510	48,193	162,317
Total expenditures	<u>210,510</u>	<u>210,510</u>	<u>48,193</u>	<u>162,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(115,130)</u>	<u>(115,130)</u>	<u>57,284</u>	<u>172,414</u>
Net change in fund balance	(115,130)	(115,130)	57,284	172,414
Fund balance, beginning of year	<u>562,422</u>	<u>562,422</u>	<u>556,352</u>	<u>(6,070)</u>
Fund balance, end of year	<u>\$ 447,292</u>	<u>\$ 447,292</u>	<u>\$ 613,636</u>	<u>\$ 166,344</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 490,400	\$ 490,400	\$ 633,892	\$ 143,492
Investment income	-	-	30	30
Contributions	56,010	56,010	-	(56,010)
Miscellaneous	1,440	1,440	133	(1,307)
Total revenues	<u>547,850</u>	<u>547,850</u>	<u>634,055</u>	<u>86,205</u>
Expenditures				
Current:				
Public safety	756,760	835,150	948,179	(113,029)
Total expenditures	<u>756,760</u>	<u>835,150</u>	<u>948,179</u>	<u>(113,029)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208,910)</u>	<u>(287,300)</u>	<u>(314,124)</u>	<u>(26,824)</u>
Other financing sources (uses)				
Transfers in	250,780	250,780	250,780	-
Transfers out	(19,350)	(19,350)	(19,350)	-
Total other financing sources (uses)	<u>231,430</u>	<u>231,430</u>	<u>231,430</u>	<u>-</u>
Net change in fund balance	22,520	(55,870)	(82,694)	(26,824)
Fund balance, beginning of year	<u>200,888</u>	<u>200,888</u>	<u>288,465</u>	<u>87,577</u>
Fund balance, end of year	<u>\$ 223,408</u>	<u>\$ 145,018</u>	<u>\$ 205,771</u>	<u>\$ 60,753</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL FEES FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 230,000	\$ 230,000	\$ 265,709	\$ 35,709
Total revenues	<u>230,000</u>	<u>230,000</u>	<u>265,709</u>	<u>35,709</u>
Expenditures				
Current:				
General government	138,280	138,280	66,813	71,467
Capital Outlay	140,000	140,000	-	140,000
Total expenditures	<u>278,280</u>	<u>278,280</u>	<u>66,813</u>	<u>211,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,280)</u>	<u>(48,280)</u>	<u>198,896</u>	<u>247,176</u>
Net change in fund balance	(48,280)	(48,280)	198,896	247,176
Fund balance, beginning of year	<u>120,000</u>	<u>120,000</u>	<u>103,624</u>	<u>(16,376)</u>
Fund balance, end of year	<u>\$ 71,720</u>	<u>\$ 71,720</u>	<u>\$ 302,520</u>	<u>\$ 230,800</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 6,200	\$ 6,200	\$ 7,537	\$ 1,337
Total revenues	<u>6,200</u>	<u>6,200</u>	<u>7,537</u>	<u>1,337</u>
Expenditures				
Capital outlay	1,252,000	1,252,000	249,996	1,002,004
Total expenditures	<u>1,252,000</u>	<u>1,252,000</u>	<u>249,996</u>	<u>1,002,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,245,800)</u>	<u>(1,245,800)</u>	<u>(242,459)</u>	<u>1,003,341</u>
Other financing sources (uses)				
Sale of capital assets	-	-	9,734	9,734
Transfers in	1,608,820	1,608,820	1,608,820	-
Total other financing sources (uses)	<u>1,608,820</u>	<u>1,608,820</u>	<u>1,618,554</u>	<u>9,734</u>
Net change in fund balance	363,020	363,020	1,376,095	1,013,075
Fund balance, beginning of year	<u>6,775,119</u>	<u>6,775,119</u>	<u>7,062,662</u>	<u>287,543</u>
Fund balance, end of year	<u>\$ 7,138,139</u>	<u>\$ 7,138,139</u>	<u>\$ 8,438,757</u>	<u>\$ 1,300,618</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 610	\$ 610	\$ 387	\$ (223)
Total revenues	<u>610</u>	<u>610</u>	<u>387</u>	<u>(223)</u>
Expenditures				
Current:				
General government	801,030	360,030	283,150	76,880
Capital outlay	-	441,000	382,357	58,643
Total expenditures	<u>801,030</u>	<u>801,030</u>	<u>665,507</u>	<u>135,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,420)</u>	<u>(800,420)</u>	<u>(665,120)</u>	<u>135,300</u>
Other financing sources (uses)				
Sale of capital assets	-	-	9,624	9,624
Transfers in	<u>659,530</u>	<u>659,530</u>	<u>659,530</u>	<u>-</u>
Total other financing sources (uses)	<u>659,530</u>	<u>659,530</u>	<u>669,154</u>	<u>9,624</u>
Net change in fund balance	(140,890)	(140,890)	4,034	144,924
Fund balance, beginning of year	<u>639,111</u>	<u>639,111</u>	<u>331,294</u>	<u>(307,817)</u>
Fund balance, end of year	<u>\$ 498,221</u>	<u>\$ 498,221</u>	<u>\$ 335,328</u>	<u>\$ (162,893)</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, 2013

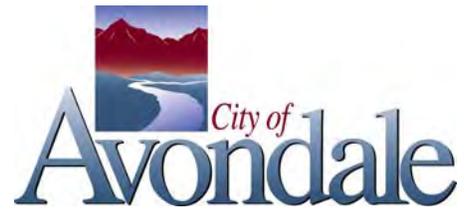
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 771	\$ 771
Contributions	-	-	30,216	30,216
Total revenues	<u>-</u>	<u>-</u>	<u>30,987</u>	<u>30,987</u>
Expenditures				
Capital outlay	<u>27,000,000</u>	<u>27,500,000</u>	<u>1,531,600</u>	<u>25,968,400</u>
Total expenditures	<u>27,000,000</u>	<u>27,500,000</u>	<u>1,531,600</u>	<u>25,968,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,000,000)</u>	<u>(27,500,000)</u>	<u>(1,500,613)</u>	<u>25,999,387</u>
Other financing sources (uses)				
Bonds issued	25,000,000	25,000,000	-	(25,000,000)
Transfers in	2,000,000	2,000,000	2,044,699	44,699
Transfers out	-	-	(44,699)	(44,699)
Total other financing sources (uses)	<u>27,000,000</u>	<u>27,000,000</u>	<u>2,000,000</u>	<u>(25,000,000)</u>
Net change in fund balance	-	(500,000)	499,387	999,387
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>849,221</u>	<u>849,221</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ 1,348,608</u>	<u>\$ 1,848,608</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 10	\$ 10	\$ 177	\$ 167
Total revenues	<u>10</u>	<u>10</u>	<u>177</u>	<u>167</u>
Expenditures				
Debt service:				
Principal	335,000	335,000	335,000	-
Interest and other charges	78,150	78,150	68,400	9,750
Total expenditures	<u>413,150</u>	<u>413,150</u>	<u>403,400</u>	<u>9,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(413,140)</u>	<u>(413,140)</u>	<u>(403,223)</u>	<u>9,917</u>
Other financing sources (uses)				
Transfers in	415,000	415,000	415,000	-
Total other financing sources (uses)	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>-</u>
Net change in fund balance	1,860	1,860	11,777	9,917
Fund balance, beginning of year	<u>446,452</u>	<u>446,452</u>	<u>456,345</u>	<u>9,893</u>
Fund balance, end of year	<u>\$ 448,312</u>	<u>\$ 448,312</u>	<u>\$ 468,122</u>	<u>\$ 19,810</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 100	\$ 100	\$ 476	\$ 376
Contributions	527,080	527,080	75,068	(452,012)
Total revenues	<u>527,180</u>	<u>527,180</u>	<u>75,544</u>	<u>(451,636)</u>
Expenditures				
Debt service:				
Principal	1,464,870	1,464,870	4,409,866	(2,944,996)
Interest and other charges	206,760	206,760	191,199	15,561
Total expenditures	<u>1,671,630</u>	<u>1,671,630</u>	<u>4,601,065</u>	<u>(2,929,435)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,144,450)</u>	<u>(1,144,450)</u>	<u>(4,525,521)</u>	<u>(3,381,071)</u>
Other financing sources (uses)				
Transfers in	<u>3,118,750</u>	<u>3,118,750</u>	<u>3,118,750</u>	<u>-</u>
Total other financing sources (uses)	<u>3,118,750</u>	<u>3,118,750</u>	<u>3,118,750</u>	<u>-</u>
Net change in fund balance	1,974,300	1,974,300	(1,406,771)	(3,381,071)
Fund balance, beginning of year	<u>1,792,619</u>	<u>1,792,619</u>	<u>2,071,835</u>	<u>279,216</u>
Fund balance, end of year	<u>\$ 3,766,919</u>	<u>\$ 3,766,919</u>	<u>\$ 665,064</u>	<u>\$ (3,101,855)</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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,252,542	\$ 349,784	\$ 109,968	\$ 3,712,294
Inventories	-	-	207,261	207,261
Prepaid items	-	39,941	-	39,941
Total current assets	<u>3,252,542</u>	<u>389,725</u>	<u>317,229</u>	<u>3,959,496</u>
Noncurrent assets:				
Capital assets, depreciable (net)	-	149,686	5,223	154,909
Total noncurrent assets	<u>-</u>	<u>149,686</u>	<u>5,223</u>	<u>154,909</u>
Total assets	<u>3,252,542</u>	<u>539,411</u>	<u>322,452</u>	<u>4,114,405</u>
LIABILITIES				
Current liabilities:				
Accounts payable	74,295	6,034	71,349	151,678
Accrued payroll and employee benefits	-	-	18,805	18,805
Claims payable	398,932	-	-	398,932
Due to other funds	38	-	-	38
Compensated absences	5,694	-	34,314	40,008
Total current liabilities	<u>478,959</u>	<u>6,034</u>	<u>124,468</u>	<u>609,461</u>
Noncurrent liabilities:				
Claims payable	338,983	-	-	338,983
Compensated absences	1,423	-	8,577	10,000
Total noncurrent liabilities	<u>340,406</u>	<u>-</u>	<u>8,577</u>	<u>348,983</u>
Total liabilities	<u>819,365</u>	<u>6,034</u>	<u>133,045</u>	<u>958,444</u>
NET POSITION				
Net investment in capital assets	-	149,686	5,223	154,909
Unrestricted	2,433,177	383,691	184,184	3,001,052
Total net position	<u>\$ 2,433,177</u>	<u>\$ 533,377</u>	<u>\$ 189,407</u>	<u>\$ 3,155,961</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,317,750	\$ 157,195	\$ 2,343,544	\$ 3,818,489
Miscellaneous	5,045	-	661	5,706
Total operating revenues	<u>1,322,795</u>	<u>157,195</u>	<u>2,344,205</u>	<u>3,824,195</u>
Operating expenses:				
Salaries, wages and benefits	153,461	-	458,331	611,792
Contractual services, materials and supplies	78,984	131,358	1,737,246	1,947,588
Insurance claims and expenses	1,496,840	-	-	1,496,840
Depreciation	12,231	62,306	1,787	76,324
Total operating expenses	<u>1,741,516</u>	<u>193,664</u>	<u>2,197,364</u>	<u>4,132,544</u>
Operating income (loss)	<u>(418,721)</u>	<u>(36,469)</u>	<u>146,841</u>	<u>(308,349)</u>
Non-operating revenues:				
Investment income	3,246	355	16	3,617
Total non-operating revenues	<u>3,246</u>	<u>355</u>	<u>16</u>	<u>3,617</u>
Income before transfers	(415,475)	(36,114)	146,857	(304,732)
Transfers out	<u>(1,740)</u>	-	<u>(14,290)</u>	<u>(16,030)</u>
Change in net position	<u>(417,215)</u>	<u>(36,114)</u>	<u>132,567</u>	<u>(320,762)</u>
Net position, beginning of year	<u>2,850,392</u>	<u>569,491</u>	<u>56,840</u>	<u>3,476,723</u>
Net position, end of year	<u>\$ 2,433,177</u>	<u>\$ 533,377</u>	<u>\$ 189,407</u>	<u>\$ 3,155,961</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,317,750	\$ 157,195	\$ 2,343,544	\$ 3,818,489
Payments to suppliers	(1,473,103)	(211,032)	(1,797,428)	(3,481,563)
Payments to employees	(154,814)	-	(443,987)	(598,801)
Miscellaneous	5,045	-	661	5,706
Net cash provided (used) by operating activities	<u>(305,122)</u>	<u>(53,837)</u>	<u>102,790</u>	<u>(256,169)</u>
Cash flows from noncapital financing activities:				
Interfund borrowing	(2)	-	-	(2)
Transfers out	(1,740)	-	(14,290)	(16,030)
Net cash provided (used) for noncapital financing activities	<u>(1,742)</u>	<u>-</u>	<u>(14,290)</u>	<u>(16,032)</u>
Cash flows from investing activities:				
Investment income	3,246	355	16	3,617
Net cash provided by investing activities	<u>3,246</u>	<u>355</u>	<u>16</u>	<u>3,617</u>
Net increase (decrease) in cash and cash equivalents	(303,618)	(53,482)	88,516	(268,584)
Cash and cash equivalents, beginning of year	3,556,160	403,266	21,452	3,980,878
Cash and cash equivalents, end of year	<u>\$ 3,252,542</u>	<u>\$ 349,784</u>	<u>\$ 109,968</u>	<u>\$ 3,712,294</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (418,721)	\$ (36,469)	\$ 146,841	\$ (308,349)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	12,231	62,306	1,787	76,324
Change in assets and liabilities:				
(Increase) decrease in inventories	-	-	(58,822)	(58,822)
(Increase) decrease in prepaid items	881	(39,941)	199	(38,861)
Increase (decrease) in accounts payable	3,063	(39,733)	(1,559)	(38,229)
Increase (decrease) in accrued payroll and employee benefits	-	-	6,245	6,245
Increase (decrease) in compensated absences	(1,353)	-	8,099	6,746
Increase (decrease) in claims payable	98,777	-	-	98,777
Net cash provided (used) by operating activities	<u>\$ (305,122)</u>	<u>\$ (53,837)</u>	<u>\$ 102,790</u>	<u>\$ (256,169)</u>
Reconciliation of cash and cash equivalents at end of year to statement of net position:				
Cash and cash equivalents	\$ 3,252,542	\$ 349,784	\$ 109,968	\$ 3,712,294
Total cash and cash equivalents	<u>\$ 3,252,542</u>	<u>\$ 349,784</u>	<u>\$ 109,968</u>	<u>\$ 3,712,294</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
YEAR ENDED JUNE 30, 2013

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings
General government	\$ 11,591,252	\$ 16,674,550	\$ 16,005
Public safety	307,003	16,047,454	229,476
Highways and streets	233,619,762	1,224,863	488,033
Health and welfare	215,948	978,211	-
Economic and community development	51,711	134,540	-
Culture and recreation	6,677,463	36,125,010	710,075
Transportation	1,488,639	-	-
Total	\$ 253,951,778	\$ 71,184,628	\$ 1,443,589

Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	Total
\$ 14,602,973	\$ -	\$ -	\$ 84,091	\$ 42,968,871
12,299,146	-	1,965,259	43,902	30,892,240
2,320,074	382,773,115	-	1,343,226	621,769,073
83,563	-	-	-	1,277,722
103,579	-	-	-	289,830
1,268,364	-	-	11,742,306	56,523,218
-	-	-	42,960	1,531,599
<u>\$ 30,677,699</u>	<u>\$ 382,773,115</u>	<u>\$ 1,965,259</u>	<u>\$ 13,256,485</u>	<u>\$ 755,252,553</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, 2013

Function and Activity	Capital Assets July 1, 2012	Additions	Deletions	Capital Assets June 30, 2013
General government	\$ 41,774,769	\$ 1,206,889	\$ 12,787	\$ 42,968,871
Public safety	30,773,027	180,305	61,092	30,892,240
Highways and streets	619,248,617	3,433,933	913,477	621,769,073
Health and welfare	1,277,722	-	-	1,277,722
Economic and community development	289,830	-	-	289,830
Culture and recreation	56,412,243	142,467	31,492	56,523,218
Transportation	-	1,531,599	-	1,531,599
Total	\$ 749,776,208	\$ 6,495,193	\$ 1,018,848	\$ 755,252,553

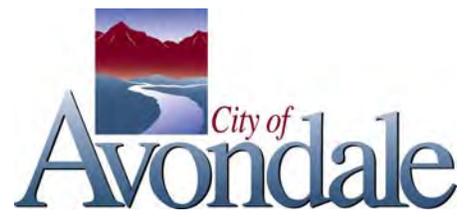
CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
YEAR ENDED JUNE 30, 2013

Governmental funds capital assets:

Land	\$ 253,951,778
Buildings and improvements	71,184,628
Improvements other than buildings	1,443,589
Vehicles, furniture and equipment	30,677,699
Infrastructure	382,773,115
Intangible assets	1,965,259
Construction in progress	13,256,485
Total	<u>\$ 755,252,553</u>

Investments in governmental activities capital assets by source:

General Fund	\$ 19,102,146
Special Revenue Funds	9,372,895
Capital Projects Funds	726,012,796
Internal Service Funds	764,716
Total	<u>\$ 755,252,553</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.

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

	<u>2004</u>	<u>2005</u>	<u>2006¹</u>	<u>2007²</u>
Governmental activities				
Net investment in capital assets	\$ (728,546)	\$ (2,213,511)	\$ 196,509,921	\$ 453,900,454
Restricted	26,113,620	33,627,735	28,808,290	45,778,226
Unrestricted	13,854,820	20,756,092	31,939,142	40,533,604
Total governmental activities net position	<u>\$ 39,239,894</u>	<u>\$ 52,170,316</u>	<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>
Business-type activities				
Net investment in capital assets	\$ 65,140,765	\$ 76,032,966	\$ 382,500,757	\$ 437,478,163
Restricted	31,097,385	44,558,842	40,439,483	43,493,012
Unrestricted	16,450,395	24,462,385	28,749,995	33,992,839
Total business-type activities net position	<u>\$ 112,688,545</u>	<u>\$ 145,054,193</u>	<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>
Primary government				
Net investment in capital assets	\$ 64,412,219	\$ 73,819,455	\$ 579,010,678	\$ 891,378,617
Restricted	57,211,005	78,186,577	69,247,773	89,271,238
Unrestricted	30,305,215	45,218,477	60,689,137	74,526,443
Total primary government net position	<u>\$ 151,928,439</u>	<u>\$ 197,224,509</u>	<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</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 position 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 position 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 position between fiscal years 2006 and 2007.

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

Schedule 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 480,355,653	\$ 486,881,869	\$ 466,763,910	\$ 484,872,851	\$ 489,161,664	\$ 494,754,961
48,127,562	39,386,916	57,592,957	30,174,849	27,637,885	20,548,326
42,848,985	39,653,933	36,971,792	45,218,881	45,541,352	50,737,518
<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>	<u>\$ 566,040,805</u>
\$ 454,628,362	\$ 494,353,666	\$ 497,810,394	\$ 488,787,961	\$ 482,912,493	\$ 479,033,932
36,367,868	16,598,095	14,798,748	14,520,330	15,358,409	12,092,990
38,511,906	37,775,176	41,606,778	44,374,708	44,766,194	46,511,771
<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>	<u>\$ 537,638,693</u>
\$ 934,984,015	\$ 981,235,535	\$ 964,574,304	\$ 973,660,812	\$ 972,074,157	\$ 973,788,893
84,495,430	55,985,011	72,391,705	44,695,179	42,996,294	32,641,316
81,360,891	77,429,109	78,578,570	89,593,589	90,307,546	97,249,289
<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>	<u>\$ 1,103,679,498</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental activities:				
General government	\$ 12,773,774	\$ 17,652,671	\$ 22,764,573	\$ 18,346,534
Public safety	12,309,510	14,797,695	14,935,013	22,873,912
Highways and streets	2,574,072	2,842,497	7,781,653	10,347,480
Sanitation ¹	3,047,585	-	-	-
Health and welfare	693,682	806,332	939,572	1,787,162
Economic and community development	2,718,598	3,356,334	5,213,085	6,542,881
Culture and recreation	1,013,654	1,157,280	1,816,712	3,474,717
Transportation	311,772	237,535	615,055	594,823
Interest on long-term debt	2,650,407	2,530,003	2,042,879	2,810,763
Total governmental activities expenses	<u>38,093,054</u>	<u>43,380,347</u>	<u>56,108,542</u>	<u>66,778,272</u>
Business-type activities:				
Water utility	6,137,470	6,939,975	11,818,914	13,630,207
East Avondale water utility ¹	701,085	-	-	-
Wastewater utility	4,589,305	4,733,439	8,296,298	9,371,087
Sanitation utility ¹	-	3,145,714	3,266,298	4,192,462
Total business-type activities expenses	<u>11,427,860</u>	<u>14,819,128</u>	<u>23,381,510</u>	<u>27,193,756</u>
Total primary government expenses	<u>\$ 49,520,914</u>	<u>\$ 58,199,475</u>	<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 513,754	\$ 918,596	\$ 1,267,440	\$ 1,638,662
Public safety	12,483	50,474	147,137	403,696
Highways and streets	-	-	-	14,846
Sanitation ¹	3,000,264	-	-	-
Economic and community development	4,940,363	5,589,855	5,817,266	3,728,984
Culture and recreation	100,390	135,916	254,323	507,118
Operating grants and contributions	2,078,204	4,462,062	5,085,797	7,877,600
Capital grants and contributions	11,151,696	7,924,999	10,699,397	41,453,780
Total governmental activities program revenues	<u>21,797,154</u>	<u>19,081,902</u>	<u>23,271,360</u>	<u>55,624,686</u>
Business-type activities:				
Charges for Services:				
Water utility ¹	5,847,391	8,485,789	9,336,905	11,277,850
East Avondale water utility ¹	1,770,151	-	-	-
Wastewater utility	6,315,059	6,907,659	6,946,157	7,431,247
Sanitation utility ¹	-	2,890,001	3,392,810	3,915,823
Capital grants and contributions	15,536,911	14,686,667	12,531,009	30,783,194
Total business-type activities program revenues	<u>29,469,512</u>	<u>32,970,116</u>	<u>32,206,881</u>	<u>53,408,114</u>
Total primary government program revenues	<u>\$ 51,266,666</u>	<u>\$ 52,052,018</u>	<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>

Schedule 2

2008	2009	2010	2011	2012	2013
\$ 17,792,047	\$ 14,968,809	\$ 12,862,710	\$ 15,364,915	\$ 12,194,735	\$ 12,769,952
25,841,680	26,634,975	24,168,796	25,139,168	24,509,660	26,087,882
10,898,173	11,069,079	12,322,104	13,246,764	12,514,335	12,144,322
-	-	-	-	-	-
2,404,144	2,545,061	2,470,031	2,511,615	2,748,093	3,937,970
8,665,232	6,808,330	7,985,413	5,091,504	5,015,366	5,036,147
2,665,257	3,327,765	3,190,869	3,268,540	3,675,781	3,813,472
2,701,817	867,173	1,902,347	1,581,404	1,824,128	1,236,160
2,921,420	3,246,602	5,129,250	4,849,805	4,573,048	4,357,797
<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>	<u>69,383,702</u>
14,797,982	15,542,394	15,442,478	16,686,715	15,517,184	15,879,676
-	-	-	-	-	-
9,850,598	10,555,903	10,252,684	11,361,012	11,232,156	11,500,364
4,361,538	4,117,318	3,613,617	3,530,472	3,748,396	3,860,578
<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>31,240,618</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>	<u>\$ 100,624,320</u>
\$ 1,924,171	\$ 1,787,153	\$ 1,656,665	\$ 1,465,160	\$ 1,543,248	\$ 1,962,825
716,940	665,937	407,961	415,243	290,321	458,799
-	-	-	-	-	-
-	-	-	-	-	-
2,354,229	805,550	576,436	895,233	614,765	862,360
402,105	492,988	575,046	257,614	413,832	360,924
9,004,224	8,386,128	12,712,420	10,449,880	8,665,735	9,373,853
25,442,212	8,855,743	1,795,711	3,639,920	1,642,679	1,973,402
<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>	<u>14,992,163</u>
11,689,072	10,903,178	11,097,099	11,315,015	12,241,675	11,882,083
-	-	-	-	-	-
7,720,602	7,124,168	7,220,779	7,466,785	7,695,007	7,746,807
4,346,931	4,414,342	4,732,011	4,845,058	4,909,423	4,954,195
14,128,878	8,216,300	1,648,926	719,803	444,983	1,042,780
<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>25,625,865</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>	<u>\$ 40,618,028</u>

(continued on next page)

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

(Continuation)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense) Revenue				
Governmental activities	\$ (16,295,900)	\$ (24,298,445)	\$ (32,837,182)	\$ (11,153,586)
Business-type activities	18,041,652	18,150,988	8,825,371	26,214,358
Total primary government net (expenses) revenues	<u>\$ 1,745,752</u>	<u>\$ (6,147,457)</u>	<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Sales and use taxes	\$ 23,177,913	\$ 36,525,428	\$ 39,883,436	\$ 42,691,477
Property taxes, levied for general purposes	884,323	1,147,443	1,310,133	1,519,425
Property taxes, levied for debt service	1,452,584	1,941,381	2,319,060	2,800,966
Franchise taxes	640,293	682,292	876,224	982,033
State shared revenues, unrestricted	10,272,674	8,218,495	10,022,750	17,513,121
Investment income	378,780	1,093,019	2,331,224	3,642,859
Gain on sale of capital assets	372,845	286,400	61,289	146,585
Miscellaneous	709,802	407,388	358,317	392,483
Transfers	583,908	(13,072,979)	(800,000)	(10,123,583)
Total governmental activities	<u>38,473,122</u>	<u>37,228,867</u>	<u>56,362,433</u>	<u>59,565,366</u>
Business-type activities:				
Investment income	440,575	1,087,666	2,684,687	3,536,505
Gain on sale of capital assets	-	50,100	7,803	64,223
Miscellaneous	17,206	3,915	70,470	84,193
Transfers	(583,908)	13,072,979	800,000	10,123,583
Total business-type activities	<u>(126,127)</u>	<u>14,214,660</u>	<u>3,562,960</u>	<u>13,808,504</u>
Total primary government	<u>\$ 38,346,995</u>	<u>\$ 51,443,527</u>	<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>
Changes in Net Position				
Governmental activities	\$ 22,177,222	\$ 12,930,422	\$ 23,525,251	\$ 48,411,780
Business-type activities	17,915,525	32,365,648	12,388,331	40,022,862
Total primary government	<u>\$ 40,092,747</u>	<u>\$ 45,296,070</u>	<u>\$ 35,913,582</u>	<u>\$ 88,434,642</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.

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

Schedule 2

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ (34,045,889)	\$ (48,474,295)	\$ (52,307,281)	\$ (53,930,665)	\$ (53,884,566)	\$ (54,391,539)
8,875,365	442,373	(4,609,964)	(7,231,538)	(5,206,648)	(5,614,753)
<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>	<u>\$ (60,006,292)</u>
\$ 38,291,070	\$ 33,021,053	\$ 30,298,359	\$ 30,417,802	\$ 32,914,546	\$ 35,929,759
1,815,527	1,916,742	2,063,316	2,210,771	2,278,643	2,302,649
4,135,646	5,061,320	4,716,859	3,473,069	2,985,899	2,268,323
1,001,905	1,033,993	1,047,312	1,950,000	1,096,920	1,101,693
18,983,659	18,249,722	15,644,558	14,410,652	14,870,469	16,617,488
2,984,483	592,542	417,727	318,931	282,485	(127,021)
140,504	217,001	25,307	7,794	33,435	19,498
610,011	934,675	2,376,003	1,084,568	1,646,489	1,170,396
(2,800,000)	(17,962,235)	(8,876,219)	(150,000)	(150,000)	(150,000)
<u>65,162,805</u>	<u>43,064,813</u>	<u>47,713,222</u>	<u>53,723,587</u>	<u>55,958,886</u>	<u>59,132,785</u>
2,658,608	574,400	195,602	166,893	196,973	(69,172)
51,442	77,747	75,345	-	-	-
158,707	162,046	135,320	381,724	213,772	263,193
2,800,000	17,962,235	8,876,219	150,000	150,000	150,000
<u>5,668,757</u>	<u>18,776,428</u>	<u>9,282,486</u>	<u>698,617</u>	<u>560,745</u>	<u>344,021</u>
<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>	<u>\$ 54,422,204</u>	<u>\$ 56,519,631</u>	<u>\$ 59,476,806</u>
\$ 31,116,916	\$ (5,409,482)	\$ (4,594,059)	\$ (1,062,078)	\$ 2,074,320	\$ 4,741,246
14,544,122	19,218,801	4,672,522	(6,532,921)	(4,645,903)	(5,270,732)
<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>	<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>	<u>\$ (2,571,583)</u>	<u>\$ (529,486)</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 139,183	\$ 212,336	\$ 154,179	\$ 77,994
Unreserved	12,894,969	19,781,789	27,505,360	37,381,040
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Committed to:				
Budgetary stabilization	-	-	-	-
Assigned to:				
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 13,034,152</u>	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>	<u>\$ 37,459,034</u>
All other governmental funds				
Reserved	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955	\$ 13,459,405
Unreserved, reported in:				
Special Revenue Funds	5,590,870	10,831,027	12,260,058	14,493,602
Capital Projects Funds	17,673,575	18,186,566	11,923,289	18,261,268
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Transit services	-	-	-	-
Highway and streets	-	-	-	-
Court	-	-	-	-
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>\$ 31,570,286</u>	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>	<u>\$ 46,214,275</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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 51,796	\$ 12,435	\$ 77,125	\$ -	\$ -	\$ -
35,854,897	32,285,521	29,013,029	-	-	-
-	-	-	3,783	3,176	2,202
-	-	-	164,012	271,673	131,888
-	-	-	-	-	1,200,000
-	-	-	326,879	349,992	171,150
-	-	-	20,107,819	16,192,523	15,389,437
-	-	-	2,150,250	7,253,410	5,453,049
-	-	-	3,036,074	7,916,399	10,382,138
<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>	<u>\$ 32,729,864</u>
\$ 13,221,123	\$ 16,565,285	\$ 30,429,893	\$ -	\$ -	\$ -
11,769,069	9,383,952	9,323,672	-	-	-
28,023,908	18,585,349	22,958,296	-	-	-
-	-	-	225,904	220,837	281,218
-	-	-	612,457	771,513	671,092
-	-	-	61,744	1,688,441	1,627,956
-	-	-	3,249,085	3,334,517	3,601,986
-	-	-	516,711	554,471	613,134
-	-	-	1,139,954	955,553	119,721
-	-	-	1,233,782	2,090,147	3,362,724
-	-	-	12,648,785	11,726,347	5,830,512
-	-	-	8,810,461	4,073,188	2,442,036
-	-	-	523,204	420,781	1,099,439
-	-	-	93,903	155,389	154,178
-	-	-	2,871,197	668,344	3,956,556
-	-	-	46,951	77,694	51,393
-	-	-	6,442,998	7,062,662	8,438,757
-	-	-	1,033,740	331,294	335,328
-	-	-	4,536,974	4,288,987	4,588,564
-	-	-	2,945,885	-	-
-	-	-	-	-	(185,532)
<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>	<u>\$ 36,989,062</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641
Licenses and permits	13,407,638	11,976,285	12,683,605	7,673,913
Intergovernmental	12,283,227	12,999,608	16,815,306	24,790,367
Charges for services ¹	4,003,862	943,619	1,955,528	1,624,541
Fines, forfeitures, and penalties	334,376	660,602	951,969	1,280,434
Investment income	385,013	1,093,019	2,331,223	3,603,941
Contributions	1,981,544	824,627	735,024	1,278,270
Miscellaneous	714,629	425,769	751,867	1,575,441
Total revenues	<u>59,335,350</u>	<u>69,120,428</u>	<u>80,592,405</u>	<u>89,886,548</u>
Expenditures				
General government	11,644,262	15,738,926	16,820,415	16,774,809
Public safety	10,995,415	13,859,897	17,254,476	20,729,479
Highways and streets	2,044,465	1,902,555	2,205,035	2,359,925
Sanitation ¹	2,406,162	-	-	-
Health and welfare	1,033,165	793,862	914,806	1,719,404
Economic and community development	2,177,974	2,370,053	3,976,363	5,083,707
Culture and recreation	890,534	969,467	1,232,332	4,081,600
Transportation	311,772	237,535	615,055	588,627
Debt Service				
Principal	2,890,843	3,882,461	4,914,723	5,718,590
Interest and other charges	2,650,407	2,957,914	2,909,515	3,529,618
Capital outlay	<u>22,595,576</u>	<u>12,704,572</u>	<u>25,180,046</u>	<u>20,830,712</u>
Total expenditures	<u>59,640,575</u>	<u>55,417,242</u>	<u>76,022,766</u>	<u>81,416,471</u>
Excess of revenues over (under) expenditures	(305,225)	13,703,186	4,569,639	8,470,077
Other Financing Sources (Uses)				
Bond issuance	-	12,400,000	18,690,685	21,000,000
Refunding bonds issued	-	-	-	-
Payment to refunding bonds escrow agent	-	-	(18,337,174)	-
Bond premium (discount)	-	(45,989)	38,724	945,767
Sale of capital assets	909,196	436,574	85,724	252,296
Capital leases	2,537,949	-	927,040	-
Transfer in	11,226,148	13,551,582	14,234,220	28,055,659
Transfer out	(10,642,240)	(26,672,708)	(15,072,100)	(38,164,331)
Total other financing sources (uses)	<u>4,031,053</u>	<u>(330,541)</u>	<u>567,119</u>	<u>12,089,391</u>
Net change in fund balances	<u>\$ 3,725,828</u>	<u>\$ 13,372,645</u>	<u>\$ 5,136,758</u>	<u>\$ 20,559,468</u>
Debt service as a percentage of noncapital expenditures	15.0%	16.0%	15.4%	15.3%

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

2008	2009	2010	2011	2012	2013
\$ 45,103,331	\$ 40,966,295	\$ 38,227,410	\$ 37,206,864	\$ 39,383,889	\$ 41,645,010
8,640,183	3,134,769	1,996,430	1,073,233	1,342,998	2,076,599
28,703,206	27,035,675	27,626,462	26,755,077	23,743,672	25,607,050
1,726,235	1,179,405	944,332	1,322,030	891,777	1,129,782
1,467,011	1,357,050	1,262,853	1,152,077	1,175,041	1,357,243
2,946,716	580,422	415,395	315,685	279,999	(130,638)
874,006	1,137,849	942,440	813,886	1,042,296	268,399
377,544	261,427	2,431,170	1,117,621	1,364,648	1,222,169
<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>	<u>73,175,614</u>
16,334,100	10,970,755	9,477,910	12,077,265	11,049,852	11,679,121
23,478,075	23,939,534	22,881,143	23,717,192	23,360,386	24,810,275
1,833,928	2,177,687	2,605,224	3,472,183	2,518,264	1,766,303
-	-	-	-	-	-
2,120,063	2,719,779	4,931,655	2,660,252	2,766,874	3,966,243
7,312,754	6,588,345	5,528,640	4,886,947	5,015,247	5,055,207
3,379,661	4,021,204	3,396,173	3,409,346	2,484,829	2,480,049
2,693,561	870,662	1,895,324	1,580,838	1,823,627	1,234,845
6,547,759	7,684,563	8,620,474	8,585,695	8,554,217	13,712,314
3,264,547	3,855,789	5,427,681	5,023,373	4,706,601	4,621,821
14,807,347	22,182,625	15,262,429	23,240,459	9,223,066	4,656,036
<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>	<u>73,982,214</u>
8,066,437	(9,358,051)	(6,180,161)	(18,897,077)	(2,278,643)	(806,600)
-	15,000,000	29,800,000	-	-	-
-	-	2,815,000	-	-	9,275,000
-	-	(2,753,893)	-	-	(9,469,388)
-	91,235	48,388	-	-	427,048
224,347	223,770	-	7,794	38,369	19,498
-	-	116,358	-	-	-
19,867,345	18,277,333	41,785,235	12,859,860	10,356,562	18,827,399
(22,910,645)	(36,322,538)	(50,661,454)	(12,990,040)	(10,491,502)	(18,961,369)
<u>(2,818,953)</u>	<u>(2,730,200)</u>	<u>21,149,634</u>	<u>(122,386)</u>	<u>(96,571)</u>	<u>118,188</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>	<u>\$ (688,412)</u>
14.7%	18.4%	21.7%	20.8%	21.3%	26.5%

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	Residential Historical Property
2013	\$ 113,438,968	\$ 75,890,104	\$ 116,797,461	\$ 99,601,422	\$ 363,777	\$ 166,031
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	-

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Residential Historical Property
2013	10.0 %	10.0 %	19.5 %	16.0 %	15.0 %	5.0 %
2012	10.0	10.0	20.0	16.0	15.0	5.0
2011	10.0	10.0	20.0	16.0	15.0	5.0
2010	10.0	10.0	21.0	16.0	17.0	5.0
2009	10.0	10.0	21.0	16.0	18.0	5.0
2008	10.0	10.0	24.0	16.0	21.0	5.0
2007	10.0	10.0	24.0	16.0	21.0	5.0
2006	10.0	10.0	24.5	16.0	22.0	5.0
2005	10.0	10.0	25.0	16.0	21.0	5.0
2004	10.0	10.0	25.0	16.0	21.0	5.0

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

<u>Gross Valuation</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value¹</u>
\$ 406,257,763	\$ (91,282,079)	\$ 314,975,684	1.80	\$ 3,118,036,373	13.03 %
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

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
2013 Primary	0.79	1.28	1.29	1.92	3.22	2.76
2013 Secondary	1.02	0.00	0.24	2.27	2.27	4.51
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

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
2.44	2.31	2.29	2.42	1.91
1.54	2.33	1.28	3.55	1.55
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

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

Schedule 7

Taxpayer	2013			2004		
	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	\$ 5,442,583	1	1.34 %	-	-	-
Mirabella Avondale Apartments LLC	4,540,230	2	1.12	-	-	-
Raintree Pad 2, LLC	4,184,489	3	1.03	-	-	-
Phoenix Speedway Corp	4,098,340	4	1.01	\$ 3,502,590	1	1.32 %
Arizona Public Service	3,944,011	5	0.97	2,219,623	7	0.84
Moreland Properties, LLC	3,379,561	6	0.83	2,528,129	5	0.95
Kroger/Smith's Food & Drug Centers, Inc.	3,104,035	7	0.76	-	-	-
D H Ventures, LLC	2,692,755	8	0.66	-	-	-
Alameda Avondale LLC ETAL	2,662,528	9	0.66	-	-	-
Mechanic (AZ) QRS 15-41 INC	2,513,817	10	0.62	-	-	-
Gateway Pavillions	-	-	-	2,981,421	2	1.12
Pulte Home Corporation	-	-	-	2,601,140	3	0.98
Harkins Phoenix Cinemas	-	-	-	2,581,626	4	0.97
Aventura Apatrments LLC	-	-	-	2,411,000	6	0.91
Weingarten Nostat Inc.	-	-	-	2,109,806	8	0.80
Wal-mart Stores Inc	-	-	-	1,882,996	9	0.71
Bes Rio Santa Fe LLC	-	-	-	1,860,850	10	0.70
Total	\$ 36,562,349		9.00 %	\$ 24,679,181		9.30 %

Source: Stone & Youngberg, LLC Official Statements 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
2013	\$ 4,589,635	\$ 4,474,610	97.49 %	\$ 103,740	\$ 4,578,350	99.75 %
2012	5,294,450	5,131,506	96.92	111,331	5,242,837	99.03
2011	5,632,413	5,413,477	96.11	133,448	5,546,925	98.48
2010	6,843,611	6,526,469	95.37	250,342	6,776,811	99.02
2009	7,102,059	6,710,295	94.48	305,457	7,015,752	98.78
2008	5,906,911	5,639,466	95.47	188,933	5,828,399	98.67
2007	4,389,587	4,225,998	96.27	131,854	4,357,852	99.28
2006	3,668,855	3,521,489	95.98	100,720	3,622,209	98.73
2005	2,977,361	2,872,201	96.47	71,052	2,943,253	98.85
2004	2,406,999	2,307,476	95.87	65,043	2,372,519	98.57

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, 2013*.

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

Schedule 9

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Retail	\$19,845,087	\$18,244,074	\$18,832,147	\$20,938,049	\$22,749,307
Construction	3,693,612	2,061,391	1,188,487	1,415,172	1,323,781
Real Estate & Rentals	3,477,613	3,487,130	3,890,097	4,131,206	3,909,022
Hotels & Other Lodging	174,643	229,818	200,151	181,968	208,492
Communication & Utilities	1,997,716	2,061,554	2,022,346	2,041,519	2,082,661
Restaurants & Bars	2,434,741	2,277,265	2,459,856	2,695,339	2,875,647
Amusement	751,050	661,557	592,433	590,559	616,874
Use Tax	212,186	204,191	201,255	249,884	235,002
All Others	122,837	123,663	102,139	102,988	102,511
Total	<u>\$32,709,485</u>	<u>\$29,350,643</u>	<u>\$29,488,911</u>	<u>\$32,346,684</u>	<u>\$34,103,297</u>

Year-over-Year Increase (Decrease)

Retail	(15.7) %	(8.1) %	3.2 %	11.2 %	8.7 %
Construction	(16.9)	(44.2)	(42.3)	19.1	(6.5)
Real Estate & Rentals	(0.9)	0.3	11.6	6.2	(5.4)
Hotels & Other Lodging	(19.6)	31.6	(12.9)	(9.1)	14.6
Communication & Utilities	(0.9)	3.2	(1.9)	0.9	2.0
Restaurants & Bars	(6.0)	(6.5)	8.0	9.6	6.7
Amusement	(13.5)	(11.9)	(10.4)	(0.3)	4.5
Use Tax	(14.2)	(3.8)	(1.4)	24.2	(6.0)
All Others	28.3	0.7	(17.4)	0.8	(0.5)
Total	<u>(12.8) %</u>	<u>(10.3) %</u>	<u>0.5 %</u>	<u>9.7 %</u>	<u>5.4 %</u>

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 GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Schedule 10

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	Per Capita¹
2013	\$ 314,975,684	\$ 31,545,000	\$ 4,024,706	\$ 27,520,294	8.74 %	348
2012	345,672,132	34,385,000	3,126,687	31,258,313	9.04	399
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	2.75	242
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

¹ See Demographics and Economic Statistics Schedule on page 154 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.

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

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Pledged Revenue Refunding Obligations	Capital Leases
2013	\$ 31,545	\$ 1,805	\$ 38,010	\$ 9,275	\$ 137
2012	34,385	2,140	57,329	-	551
2011	37,160	2,465	62,386	-	948
2010	40,085	2,780	67,350	-	1,329
2009	13,450	3,085	72,042	-	1,727
2008	16,365	3,375	61,110	-	2,139
2007	18,630	3,510	64,802	-	2,594
2006	17,705	3,920	49,569	-	3,061
2005	18,775	4,065	51,744	-	2,508
2004	19,620	4,390	41,608	-	2,997

¹ See Demographics and Economic Statistics schedule on page 154 for personal income and population data.

Source: City records.

Business-Type Activities					
Water and Sewer Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 4,770	\$ 1,360	\$ -	\$ 86,902	0.05 %	\$ 1,098
6,785	1,416	-	102,606	0.07	1,311
8,625	1,734	-	113,318	0.07	1,464
8,625	2,085	-	122,254	0.08	1,497
1,225	6,038	7,235	104,802	0.07	1,356
1,320	6,935	8,054	99,298	0.06	1,296
1,410	7,793	8,845	107,584	0.07	1,613
1,500	8,631	9,604	93,990	0.07	1,422
1,585	9,296	10,332	98,305	0.08	1,631
1,665	10,032	11,033	91,345	0.08	1,694

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net secondary assessed valuation	\$ 265,228,109	\$ 322,603,779	\$ 386,790,640	\$ 586,169,088
<u>20% Limitation</u>				
Debt limit	53,045,622	64,520,756	77,358,128	117,233,818
Net debt applicable to limit	<u>10,270,000</u>	<u>9,565,000</u>	<u>8,930,000</u>	<u>16,130,000</u>
Legal 20% debt margin	<u>\$ 42,775,622</u>	<u>\$ 54,955,756</u>	<u>\$ 68,428,128</u>	<u>\$ 101,103,818</u>
Total net debt applicable to the limit as a percentage of debt limit	19.4%	14.8%	11.5%	13.8%
<u>6% Limitation</u>				
Debt limit	\$ 15,913,687	\$ 19,356,227	\$ 23,207,438	\$ 35,170,145
Net debt applicable to limit	<u>9,350,000</u>	<u>9,210,000</u>	<u>8,775,000</u>	<u>2,500,000</u>
Legal 6% debt margin	<u>\$ 6,563,687</u>	<u>\$ 10,146,227</u>	<u>\$ 14,432,438</u>	<u>\$ 32,670,145</u>
Total net debt applicable to the limit as a percentage of debt limit	58.8%	47.6%	37.8%	7.1%

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 12

2008	2009	2010	2011	2012	2013
\$ 704,155,001	\$ 641,762,977	\$ 524,305,349	\$ 402,403,658	\$ 345,672,132	\$ 314,975,684
140,831,000	128,352,595	104,861,070	80,480,732	69,134,426	62,995,137
14,185,000	11,785,000	38,570,000	35,805,000	33,195,000	30,530,000
<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>	<u>\$ 32,465,137</u>
10.1%	9.2%	36.8%	44.5%	48.0%	48.5%
\$ 42,249,300	\$ 38,505,779	\$ 31,458,321	\$ 24,144,219	\$ 20,740,328	\$ 18,898,541
2,180,000	1,665,000	1,515,000	1,355,000	1,190,000	1,015,000
<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>	<u>\$ 17,883,541</u>
5.2%	4.3%	4.8%	5.6%	5.7%	5.4%

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total operating revenues ²	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786
Total operating expenses ³	<u>7,247,442</u>	<u>8,851,960</u>	<u>10,023,264</u>	<u>12,473,104</u>
Net operating income	<u>4,931,777</u>	<u>6,544,748</u>	<u>6,318,826</u>	<u>6,276,682</u>
Other revenues	<u>420,466</u>	<u>1,087,765</u>	<u>2,585,356</u>	<u>3,687,234</u>
Net revenues before debt service	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>	<u>\$ 8,904,182</u>	<u>\$ 9,963,916</u>
Debt service ⁴	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394
Debt service coverage	1.76	3.10	3.63	4.03

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 debt: Municipal Development Corporation Excise Tax Revenue Bonds, Series 2005 (12% of total issue) and Water and Sewer Revenue Bonds, Series 2010.

Note: See Note 9 - Long-term Obligations on pages 77-81 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 13

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 19,436,132	\$ 18,073,444	\$ 18,357,018	\$ 18,416,763	\$ 19,984,828	\$ 19,715,295
13,259,794	14,419,200	13,843,483	14,591,625	13,850,258	14,356,253
6,176,338	3,654,244	4,513,535	3,825,138	6,134,570	5,359,042
2,785,829	2,092,810	1,595,269	874,992	633,797	376,262
<u>\$ 8,962,167</u>	<u>\$ 5,747,054</u>	<u>\$ 6,108,804</u>	<u>\$ 4,700,130</u>	<u>\$ 6,768,367</u>	<u>\$ 5,735,304</u>
\$ 2,444,879	\$ 2,441,059	\$ 2,437,250	\$ 775,518	\$ 2,486,512	\$ 2,275,017
3.67	2.35	2.51	6.06	2.72	2.52

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

Schedule 14

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	5.62
2012	48,003,607	7,879,354	6.09
2013	52,792,688	7,461,517	7.08
2014	—	3,547,488	14.88
2015	—	3,540,088	14.91
2016	—	3,532,600	14.94
2017	—	4,966,825	10.63
2018	—	4,934,125	10.70
2019	—	4,929,550	10.71
2020	—	4,938,650	10.69
2021	—	4,000,876	13.20
2022	—	2,554,650	20.67
2023	—	2,549,100	20.71
2024	—	2,544,000	20.75
2025	—	2,534,500	20.83
2026	—	2,529,500	20.87
2027	—	2,523,750	20.92
2028	—	1,115,750	47.32
2029	—	1,115,000	47.35

¹ This schedule is used to meet the City's ongoing debt disclosure requirements, in addition to GASB reporting requirements. 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 77-81 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 15

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2004	\$ 2,484,542	\$ 564,574	4.40
2005	2,608,891	563,249	4.63
2006	2,952,118	553,370	5.33
2007	4,948,541	537,827	9.20
2008	4,764,909	257,308	18.52
2009	4,161,313	399,838	10.41
2010	3,942,434	405,688	9.72
2011	4,020,214	405,844	9.91
2012	3,817,593	404,875	9.43
2013	4,174,775	403,150	10.36

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 77-81 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 RECEIPTS
LAST TEN FISCAL YEARS

Schedule 16

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2013	\$ 4,174,775
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

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

Source: City records.

CITY OF AVONDALE, ARIZONA
SOURCES OF THE WATER SYSTEM¹
YEAR ENDED DECEMBER 31, 2012

Schedule 17

Source	Legal Availability (Acre-Feet)	Volume Produced in 2013 (Acre-Feet)	Volume Produced in 2013 (Million of Gallons)
Central Arizona Project (CAP)	5,416 ²	6,648 ³	2,166
Salt River Project (SRP)	15,913 ⁴	5,724 ⁴	1,865
City-owned wells	35,779 ⁵	14,463	4,713
Reclaimed water delivered to City's underground storage facility (USF)	3,830 ⁶	2,092 ⁷	682
	<u>60,938</u>	<u>28,927</u>	<u>9,426</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2013 so only one year is presented. The City monitors and reports its water rights and related activities on a calendar year basis. This schedule is presented on the same basis.

² Includes the City's standard CAP Municipal and Industrial Contract Allocation.

³ Includes additional CAP allocation received from SRP as an exchange.

⁴ According to SRP records, there were 5,304.25 acres of land legally eligible to receive SRP allocation of 3.0 acre-feet per acre in 2012. However, the City can only receive the amount needed to satisfy the eligible lands demand.

⁵ Represents the capacity of active wells if run 24 hours a day 365 days a year. The City can legally pump as much as its wells can produce.

⁶ Amount of reclaimed water that was recharged at the City's USF.

⁷ Amount recovered from one or more of the City's wells for delivery to customers in 2012.

Source: City Public Works Department.

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

<u>Source</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City sales tax	\$ 22,875,566	\$ 35,955,607	\$ 39,327,962	\$ 42,619,823
State sales tax	3,018,844	3,324,212	4,055,107	6,592,077
State revenue sharing	3,240,789	3,336,656	4,100,286	8,031,441
Utility and cable franchise fees	640,293	682,292	876,223	982,032
Licenses and permits	4,862,956	5,518,886	4,884,077	3,974,976
Fines and forfeitures	334,392	660,601	951,968	1,249,998
Totals	<u>\$ 34,972,840</u>	<u>\$ 49,478,254</u>	<u>\$ 54,195,623</u>	<u>\$ 63,450,347</u>

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

Source: City records.

Schedule 18

2008	2009	2010	2011	2012	2013
\$ 37,549,019	\$ 32,618,773	\$ 29,664,531	\$ 30,079,230	\$ 32,639,353	\$ 35,455,829
6,374,091	5,518,183	5,089,719	5,351,475	5,957,260	6,240,221
9,806,105	10,195,604	8,208,394	6,750,611	6,434,543	7,787,548
1,001,905	1,033,993	1,067,061	1,095,000	1,096,920	1,101,693
2,405,938	972,685	1,810,205	810,508	827,949	1,041,295
1,387,841	850,862	1,328,659	1,032,246	1,047,582	1,166,102
<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>	<u>\$ 52,792,688</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF WATER AND SEWER SALES, NUMBER OF CUSTOMERS,
AND OTHER FEES AND REVENUE
YEAR ENDED JUNE 30, 2013

Schedule 19

Water System

Water Sales	
Residential	\$ 7,499,382
Commercial	4,163,085
Total	<u>\$ 11,662,467</u>
Number of Water Customers	
Residential	20,872
Commercial	1,401
Total	<u>22,273</u>
Other Fees and Revenue	
Meter Installation	\$ 17,210
Turn-on Fees	479,091
Interest Earnings	71,503
Total	<u>\$ 567,804</u>

Sewer System

Sewer Sales	
Residential	\$ 6,946,342
Commercial	793,124
Total	<u>\$ 7,739,466</u>
Number of Sewer Customers	
Residential	20,556
Commercial	1,267
Total	<u>21,823</u>
Other Fees and Revenue	
Tap Fees	\$ 9,900
Interest Earnings	51,359
Total	<u>\$ 61,259</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2013 so only one year is presented.

Source: City Records

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT¹
AS OF JUNE 30, 2013

Overlapping Jurisdiction	General Obligation Bonded Debt	Proportion Applicable To the City	
		Approximate Percent	Net Debt Amount
State of Arizona	NONE	0.61 %	NONE
Maricopa County	NONE	1.00	NONE
Maricopa County Community College District	\$ 614,995,000	1.00	\$ 6,149,950
Tolleson Elementary School District No. 17	10,830,000	10.06	1,089,498
Liberty Elementary School District No. 25	8,595,000	8.92	766,674
Avondale Elementary School District No. 44	28,840,000	16.60	4,787,440
Littleton Elementary School District No. 65	15,365,000	52.00	7,989,800
Litchfield Elementary School District No. 79	35,675,000	11.95	4,263,163
Pendergast Elementary School District No. 92	14,750,000	31.76	4,684,600
Agua Fria Union High School District No. 216	60,220,000	13.62	8,201,964
Buckeye Union High School District No. 201	49,925,000	2.39	1,193,208
Tolleson Union High School District No. 214	65,420,000	23.56	15,412,952
Western Maricopa Education Center	35,000,000	1.84	644,000
City of Avondale	31,545,000	100.00	<u>31,545,000</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u><u>\$ 86,728,249</u></u>

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 general obligation bonded 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: City of Avondale, Arizona, Pledged Revenue Refunding Obligations, Series 2013, Official Statement, dated June 6, 2013.

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

Schedule 21

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
2013	79,132	\$ 158,213,778	\$ 39,966	14,444	7.9 %	8.0 %
2012	78,256	137,721,314	35,506	14,562	9.1	8.9
2011	77,388	140,269,226	36,417	15,093	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	12,671	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	13,537	3.9	4.7
2004	53,925	114,049,001	33,369	12,849	7.6	5.0

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 represents the Estrella Mountain Community College unduplicated student headcount for all student categories including credit, non-credit, ABE-GED, and skill centers.

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 population was based on the estimated per quarter change for the year between census and State of Arizona Data. Fiscal year 2012 and 2013 are based on the percentage change between 2011 and 2012 estimates.

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

Schedule 22

Employer	2013			2004		
	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	2.39 %	395	2	1.41 %
Wal-Mart Stores, Inc	560	2	1.67	600	1	2.14
Estrella Mountain Community College	550	3	1.64	-	-	-
Agua Fria Union High School Dist. No. 216	400	4	1.19	300	4	1.07
City of Avondale	355	5	1.06	330	3	1.17
SunBridge Healthcare Corp.	200	6	0.60	160	9	0.57
Avondale Automotive Inc.	175	7	0.52	-	-	-
Costco Wholesale	150	8	0.45	155	10	0.55
Universal Technical Institute (UTI)	150	8	0.45	-	-	-
Home Depot	140	9	0.42	160	8	0.57
Earnhardt Auto Center	140	9	0.42	-	-	-
Avondale Nissan	90	10	0.27	-	-	-
West View High School	-	-	-	260	5	0.93
Avondale Dodge	-	-	-	190	6	0.68
Food City (Basha's)	-	-	-	170	7	0.61
Total	3,710		11.08 %	2,720		9.70 %

Source: Stone & Youngberg LLC, Official Statements, Maricopa Association of Governments Employer Database, and the U.S. Department of Labor, Bureau of Labor Statistics - MAG 2012 Employer Database

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

Function	2004	2005	2006	2007	2008
General government					
City administration	6.0	8.0	8.0	9.0	9.0
Finance and budget	18.5	21.5	23.5	29.5	29.5
City court	10.0	10.0	10.5	11.5	13.5
Planning and building services	18.0	19.0	22.0	22.0	29.0
Other	30.0	29.6	34.6	44.0	48.0
Public safety					
Police					
Officers	81.0	92.0	94.0	100.5	107.5
Civilians	34.0	42.5	45.0	49.5	54.5
Fire					
Firefighters and officers	41.5	45.5	46.0	45.0	50.0
Civilians	12.0	13.0	17.5	12.0	13.0
Highways and streets					
Engineering and development services	14.0	14.0	17.0	22.0	21.0
Maintenance	17.0	15.3	13.3	14.0	14.0
Health and welfare	12.0	12.0	12.0	21.5	21.5
Economic and community development	4.0	3.0	2.0	3.0	3.0
Sanitation	18.0	19.1	21.1	19.0	20.0
Culture and recreation	27.5	27.0	26.0	48.0	49.0
Water resources	23.5	25.5	32.0	38.5	40.5
Sewer	12.5	12.5	15.0	16.5	16.5
Total	<u>379.5</u>	<u>409.5</u>	<u>439.5</u>	<u>505.5</u>	<u>539.5</u>

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

Schedule 23

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
9.0	9.0	10.0	10.0	9.0
29.5	27.5	28.5	28.5	28.5
14.0	14.0	13.0	13.0	13.0
25.0	23.0	0.0	0.0	
40.0	37.2	36.2	36.2	28.0
112.5	121.8	120.8	120.8	133.0
50.5	50.0	46.0	46.0	37.0
50.0	50.0	49.0	49.0	56.0
10.0	8.0	8.0	8.0	3.0
19.0	18.0	34.0	34.0	20.0
14.0	10.0	10.0	10.0	23.0
27.5	22.5	21.0	21.0	17.0
3.0	1.0	3.0	3.0	9.0
20.0	18.0	19.0	19.0	21.2
45.0	38.0	29.0	29.0	33.0
42.5	37.0	37.1	37.1	33.9
20.5	19.0	18.9	18.9	20.9
<u>532.0</u>	<u>504.0</u>	<u>483.5</u>	<u>483.5</u>	<u>485.5</u>

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

Function	2004	2005	2006	2007
Police				
Calls for service	46,552	53,476	52,419	68,364
Citations ²	4,880	8,741	9,423	10,550
Physical arrests	4,579	4,345	5,062	3,373
Fire				
Number of emergency responses	6,519	7,806	6,735	6,843
Inspections	unavailable	3,238	4,900	4,460
Number of fires extinguished	26	10	-	148
Sanitation				
Refuse collected (tons per day)	87	68	72	126
Recyclables collected (tons per day)	12	14	14	49
Water				
New connections	18,417	20,545	21,459	21,821
Water mains breaks	10	17	8	16
Average daily consumption (thousands of gallons)	9,185	9,301	10,285	11,850
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,507	3,825	4,080	4,602

¹ Indicators are not available 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 record keeping.

Source: Various city departments.

Schedule 24

2008	2009	2010	2011	2012	2013
72,872	74,929	73,884	78,961	77,800	80,901
7,239	4,950	6,167	6,487	7,348	6,461
4,121	4,113	3,080	4,234	3,461	3,727
5,583	6,002	5,965	6,057	6,601	8,307
4,479	3,881	3,077	3,296	3,041	3,286
49	503	493	451	241	233
143	146	134	141	132	133
49	49	46	52	48	44
22,600	22,925	22,992	23,251	23,616	23,839
17	26	12	10	14	13
11,850	11,664	11,850	11,300	13,992	13,694
4,974	4,883	4,886	5,159	5,310	5,740

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

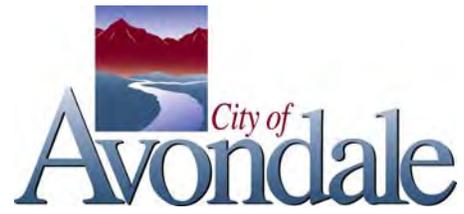
Function	2004	2005	2006	2007
Public Safety				
Police:				
Stations	2	2	2	2
Patrol units	47	53	64	76
Fire stations				
Stations	2	2	3	3
Regional training academy	0	0	1	
Fire trucks	4	7	7	7
Fire vehicles (excl. fire trucks)	13	15	16	19
Sanitation				
Collection trucks	11	15	18	18
Highways and streets				
Streets (miles)	220	253	264	279
Streetlights	5,950	5,950	6,499	7,103
Traffic signals	26	28	29	33
Culture and recreation				
Parks acreage	118	130	265	265
Parks	11	11	11	11
Racquetball courts	0	0	0	0
Basketball courts	11	10	14	14
Volleyball courts	4	4	4	2
Baseball fields	3	3	3	3
Softball fields	3	3	3	3
Soccer fields	10	10	11	11
Swimming pools	0	0	0	0
Tennis courts	2	2	2	2
Community centers	2	2	2	2
Dog park	0	0	1	1
Playgrounds	5	5	7	7
Amphitheatre	3	3	3	3
Ramadas	6	6	8	8
Water				
Number of service connections	18,417	20,545	21,459	21,821
Water mains (miles)	335	335	406	309
Fire hydrants	1,965	2,235	2,564	2,581
Sewer				
Number of service connections	18,417	20,100	19,970	21,218
Sanitary sewers (miles)	329	329	321	232
Storm sewers (miles)	unavailable	31	26	29
Wastewater				
Treatment plants	1	1	1	1

¹ Indicators are not available for the general government function.

Source: Various city departments.

Schedule 25

2008	2009	2010	2011	2012	2013
2	4	4	4	5	5
84	90	93	116	101	101
3	3	3	3	3	3
7	7	7	7	7	8
17	16	16	16	16	14
18	17	18	18	18	20
284	284	285	285	286	
7,952	8,016	7,739	7,739	7,771	7,829
36	42	42	46	46	46
265	265	265	265	265	265
11	11	11	11	11	11
0	0	0	0	0	0
14	14	14	18	18	18
0	0	0	0	0	0
4	4	4	4	4	4
7	7	7	7	7	7
12	12	12	14	14	14
0	0	0	0	0	0
2	2	2	2	2	2
2	1	1	1	1	1
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2
12	12	12	12	12	12
22,600	22,925	22,992	23,251	23,616	23,839
314	316	318	330	330	330
2,624	2,686	2,703	2,711	2,714	2,719
21,416	21,453	21,471	21,479	21,852	21,979
235	235	235	235	235	235
32	32	37	37	39	39
1	1	1	1	1	1



**SINGLE AUDIT
SECTION**



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' 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

To the Honorable Mayor and City Council
City of Avondale, Arizona

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Avondale, Arizona's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Avondale, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Avondale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Avondale, Arizona's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Avondale, Arizona's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Horne LLP

Casa Grande, Arizona
December 16, 2013



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Avondale, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Avondale, Arizona's 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 of Avondale, Arizona's major federal programs for the year ended June 30, 2013. The City of Avondale, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Avondale, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. 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 of Avondale, Arizona'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Avondale, Arizona's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Avondale, Arizona, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the City of Avondale, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Avondale, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Avondale, Arizona'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Henry & Horne LLP

Casa Grande, AZ
December 16, 2013

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>Federal Agency/Program Title/Cluster/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Commerce			
ARRA-Broadband Technology Opportunities Program (BTOP), passed through the Arizona State Library, Archives and Public Records	11.557	AZJAC-GIK-11-1-JHH-009	\$ 27,092
Total U.S. Department of Commerce			<u>27,092</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		1,568,508 *
Home Investment Partnerships Program, passed through the Arizona Department of Housing	14.239	303-11, 308-13	116,571
Home Investment Partnerships Program , passed through the Maricopa County Community Development Division	14.239	M-11-DC-04-0227, M-12-DC-04-0227, M-13-DC-04-0227	164,212
Total Home Investment Partnerships Program			<u>280,783</u>
Total U.S. Department of Housing and Urban Development			<u>1,849,291</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2011-VA-GX-0019	40,847
Bulletproof Vest Partnership Program	16.607		6,518
ARRA–Public Safety Partnership and Community Policing Grants	16.710		324,612 *
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2011-DJ-BX-3298, 2012-DJ-BX-1182	50,952
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	32,996
Total JAG Program Cluster			<u>83,948</u>
Total U.S. Department of Justice			<u>455,925</u>
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2008-004107, P001-2009-002154	20,501
Federal Transit_Formula Grants, Passed through the City of Phoenix	20.507	AZ-90-X109	447,740
Enhanced Mobility of Seniors and Individuals with Disabilities , passed through the Arizona Department of Transportation	20.513	JPA12-042	1,825
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2012-AL-027, 2013-AL-010, 2013-PT-044	26,699
Total U.S. Department of Transportation			<u>496,765</u>

(Continued)

See accompanying notes to schedule.

* Denotes major program

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	None	<u>105,243</u>
Total Institute of Museum and Library Services			<u>105,243</u>
U.S. Environmental Protection Agency			
State and Tribal Response Program Grants, passed through the Arizona Department of Environmental Quality	66.817	ADEQ12-020310	<u>26,014</u>
Total U.S. Environmental Protection Agency			<u>26,014</u>
U.S. Department of Energy			
ARRA–Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>146,040</u>
Total U.S. Department of Energy			<u>146,040</u>
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	2013-05-AVO	100,645
Special Programs for the Aging_ Title III, Part C_ Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2013-05-AVO	111,623
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2013-05-AVO	<u>28,876</u>
Total Aging Cluster			<u>241,144</u>
Immunization Cooperative Agreements , passed through Maricopa County Department of Public Health	93.268	C-86-08-045-2-00	5,055
Low-Income Home Energy Assistance, passed through the Maricopa County Department of Human Services	93.568	C-22-10-084-3-03	19,266
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-10-084-3-03	23,548
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2013-05-AVO	<u>14,712</u>
Total Social Services Block Grant			<u>38,260</u>
Total U.S. Department of Health and Human Services			<u>303,725</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program, passed through World Hunger Education, Advocacy and Training	97.024	None	5,000
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	888800-01	<u>84</u>
Total U.S. Department of Homeland Security			<u>5,084</u>
Total Expenditures of Federal Awards			<u><u>\$3,415,179</u></u>

See accompanying notes to schedule.

* Denotes major program

**CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

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 2013 *Catalog of Federal Domestic Assistance*.

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

CDGB – Entitlement Grant	<u>Unmodified</u>
ARRA – Public Safety Partnership and Community Policing Grant	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	CDGB – Entitlement Grant
16.710	ARRA - Public Safety Partnership and Community Policing Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2013

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.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.