

Avondale

Aspiring. Achieving. Accelerating.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015
CITY OF AVONDALE, ARIZONA



MAYOR AND COUNCIL

Kenn Weise, Mayor
Stephanie Karlin, Vice Mayor
Jim McDonald
David Iwanski
Bryan Kilgore
Sandi Nielson
Lorenzo Sierra

MANAGEMENT STAFF

David Fitzhugh, City Manager
Gina Montes, Assistant City Manager
Kevin Artz, Assistant City Manager

Prepared by: Finance and Budget Department

Abbe Yacoben, Finance and Budget Director
Steven Montague, Controller
Stephanie George, Senior Accountant
Greg Luethje, Senior Accountant
Jessica Archuleta, Accountant

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**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION





Finance and Budget Department

11465 W. Civic Center Drive

Avondale, AZ 85323

Phone: (623) 333-2000

Fax: (623) 333-0200

Website: www.avondale.org

December 16, 2015

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

In accordance with the requirements of the City of Avondale's (the City) Charter, we are pleased to submit the City's Comprehensive Annual Financial Report for the fiscal year ended 2015. 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, 2015, 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, 2015, 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 78,000. 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 water, wastewater and sanitation utilities.

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 51, 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, Grants-in-Aid Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, 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 2015 local revenues continued an upward trend and increased about 6.7% from fiscal year 2014 to 2015. 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 have begun to increase during FY 2015, but the City receives the majority of construction sales tax upon the sale of the new buildings.

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 year.

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 2015 is \$19,405,505.

Commercial

The City of Avondale continues to benefit from the tailwinds of an improving local and national economy. These economic tailwinds have improved both property and operating fundamentals in Avondale and are driving increased economic development inquiries in our vertical target markets. One indicator of the City's improving market conditions for commercial development is the year-over-year decline in vacancy rates in the retail, office, and industrial sectors following several positive location decisions in FY 2014-15. These trends are expected to persist throughout the coming fiscal year as projects continue to move through the development pipeline and tenant demand for office, retail and industrial real estate in the West Valley increases.

The development of Avondale's key commercial sectors is also supported by growth in the City's housing and employment markets, which have gained significant momentum in FY 2014-15. Permit issuance for single-family residential projects increased from 2013-14 levels and employment growth in FY 2014-15 has been driven by strong construction activity and staffing and recruitment efforts by companies locating to the City.

Major Accomplishments and Initiatives

Industrial

Copper State Rubber, a manufacturer of high-quality oilfield, marine, and industrial hoses, will build a 200,000 square foot (SF) state-of-the-art industrial facility that is expected to support 120 jobs at an average annual salary of \$60,000 within the first two years of operation.

Trammell Crow completed a Phase 3 of the Coldwater Depot Logistics Center. This is the third and final phase of the venture's 66 acre master-planned Coldwater Depot Logistics Center industrial park, and will provide 187,000 SF of class-A, industrial manufacturing and distribution space.

Healthcare

Copper Springs Hospital, a 52,000 SF private behavioral health facility, is under construction and staff expects the hospital to begin operations in the first quarter of 2016. The hospital is in the process of hiring local executive, clinical, and administrative staff.

Legacy Assisted Living, is Avondale's newest addition with over 147,000 SF two-story memory care and assisted living facility under construction at the intersection of Thomas and Dysart Roads. The facility will include over 160 units and will employ over 100 people. The project is expected to complete construction by the first quarter of 2017.

Retail

Main Event, a 60,000 SF family entertainment center that that will offer a wide range of activities such as laser tag, billiards, bowling, and an interactive game room, is under construction with a grand opening scheduled for the first quarter of 2016. Main Event will be a

destination for tourists and families throughout the Valley and will be an anchor for additional retail and hospitality development along the McDowell Road commercial corridor.

Carolina's Mexican Food, an iconic valley establishment, will open a new restaurant in Historic Avondale in 2016. This 8,000 SF restaurant will be a key driver of commercial activity in Historic Avondale and will support over 50 employees.

QuikTrip will open two locations in Avondale, one at the southeast corner of Thomas and Dysart Roads and a second location at the northwest corner of Coldwater Springs and Avondale Boulevards.

Office

Maricopa County Southwest Justice Center, a 66,000 SF Justice Court that will oversee civil, criminal, and traffic court cases, will begin construction in the first quarter of CY 2016 and bring nearly \$20 million in capital investment to the City.

Multifamily Residential

Madison Heights is two-story multifamily development that will provide 143 units with on-site amenities, including a computer lab, fitness center and multipurpose community room with free before- and after-school programming.

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2015, 70 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 an 11.3% increase in secondary assessed valuation going from \$314,975,684 to \$350,686,613 for fiscal year 2014. While the State law changed between fiscal years 2014 and 2015 and the Maricopa County Assessor's Office is no longer utilizing the secondary (full-cash) property tax rate for taxation purposes, the City's primary valuation during FY 2014 was \$327,955,701 and the FY 2015 valuation was \$337,158,512, or an increase of 2.8%.

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, 2014. 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 2014-15 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.

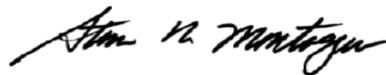
Acknowledgements

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,



Abbe Yacoben, CPFO
Finance and Budget Director



Steven R. Montague, CPA, CGFM
Controller



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, 2014

Executive Director/CEO

**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS OF THE CITY
YEAR ENDED JUNE 30, 2015**

MAYOR AND COUNCIL

Kenn Weise, Mayor

Stephanie Karlin, Vice Mayor

David Iwanski, Councilmember

Sandi Nielson, Councilmember



Jim McDonald, Councilmember

Bryan Kilgore, Councilmember

Lorenzo Sierra, Councilmember

MANAGEMENT STAFF

David Fitzhugh, City Manager

Gina Montes, Assistant City Manager

Kevin Artz, Assistant City Manager

DEPARTMENT HEADS

Craig Jennings, City Judge

Cindy Blackmore, Public Works Director

Cherlene Penilla, Human Resources Director

Abbe Yacoben, Finance and Budget Director

Carmen Martinez, City Clerk

**Kirk Haines, Parks, Recreation and Libraries
Director**

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

Paul Adams, Fire Chief

Dale Nannenga, Chief of Police

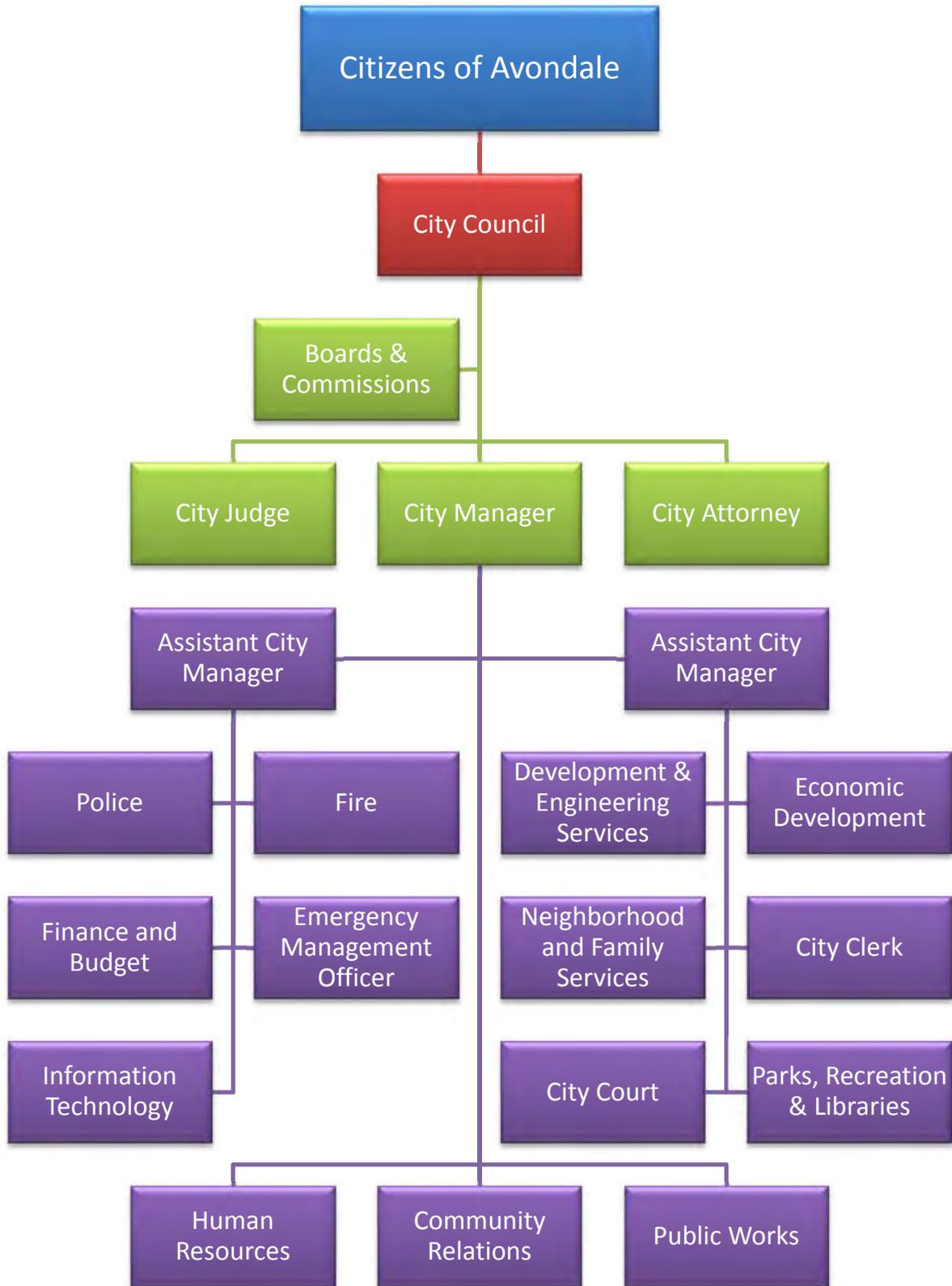
Dan Davis, Economic Development Director

Pier Simeri, Community Relations Director

Robert Lloyd, Chief Information Officer

**Stephanie Small, Neighborhood and Family
Services Director**

**CITY OF AVONDALE, ARIZONA
ORGANIZATIONAL CHART
YEAR ENDED JUNE 30, 2015**





**FINANCIAL
SECTION**

Independent Auditors' Report



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale
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, 2015, 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.

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

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

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

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

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, and Public Safety Sales Tax Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date that could have a material impact on the financial statements. GASB Statements No. 68 and No. 71 have impacted the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. As discussed in Note 16 to the financial statements, the adoption of GASB Statements 68 and 71 resulted in the restatement of beginning net position for governmental activities, business-type activities and the related enterprise funds net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information as listed in the table of contents 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 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.

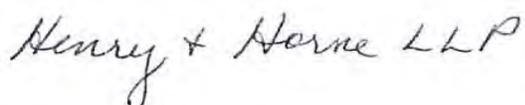
Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the City of Avondale, Arizona failed to use highway user revenue fund monies received by the City 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Avondale's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 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.



Casa Grande, Arizona
December 16, 2015

FINANCIAL SECTION

Management's Discussion & Analysis (Required Supplementary Information)

**CITY OF AVONDALE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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, 2015. 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 and Financial Plan* (the council-adopted annual 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 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 22-48 and the accompanying notes to the financial statements on pages 50-91.

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 and deferred inflows of resources at the close of the most recent year by about \$1.1 billion (net position). Of this amount, \$60.2 million represents unrestricted net position, up about \$3.4 million (6.0%) from last year, which may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$5.1 million (0.5%) during the year, resulting from a \$10.1 million (1.9%) increase in governmental activities net position offset by a \$5.0 million (1.0%) decrease in business-type activities net position between years.
- Governmental activities program revenues increased about \$0.9 million (6.1%) and general revenues increased by \$5.4 million (8.3%) between years, while expenses increased by \$2.7 million (3.8%) during the same period.
- Business-type activities program revenues remained substantially unchanged between years and general revenues decreased by \$0.06 million (9.3%) over the previous year, while expenses decreased by \$0.09 million (0.3%) during the same period.
- Transfers between governmental activities and business-type activities remained unchanged from the prior year.
- Government-wide assets increased \$1.9 million (0.2%) over the prior year. Much of the increase was due to an increase in cash and investments of \$9.1 million (7.7%) offset by a decrease in capital assets of about \$7.8 million (0.7%).
- Government-wide liabilities decreased by \$5.1 million (3.6%) from the previous year. This decrease was mainly due to the retirement of long-term bond debt of \$7.0 million during the year, offset by an increase net pension liability of \$2.4 million between years.
- At year end, the governmental funds reported combined fund balance of \$78.0 million, an increase of \$5.9 million (8.2%) over the previous year. Of this amount, \$4.9 million was nonspendable and \$45.5 million was either externally restricted or internally committed to specific purposes. Only \$27.6 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 \$83.4 million and expenditures of \$77.3 million increased \$5.7 million (7.3%) and \$2.2 million (3.0%) between years, respectively.
- General Fund revenues exceeded budgeted revenues by \$2.6 million during the year, while expenditures were less than final budgeted expenditures by \$8.4 million, resulting in a net budgetary savings of \$11.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provides 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 contains other supplementary information, some of which is required, that provides additional detail information to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide 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.

- **Governmental activities** include 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 general revenues.
- **Business-type activities** include private sector-type activities such as city-owned water, wastewater, and sanitation systems that provide services to city residents and businesses. These activities are primarily supported by user charges and fees.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. The focus on net position is important because 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. As a result, readers must 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 (e.g., uncollected taxes and long-term debt that has not matured). 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 revenues for support.

The government-wide financial statements can be found on pages 22-24 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to establish and maintain control over city assets as part of its fiduciary responsibility. All of the city 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 year end. Such information may be useful in evaluating the City's near-term financing requirements and determining what financial resources are available in the near future to fund city programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be 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. To facilitate this comparison, reconciliations of the

differences between the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances and government-wide statement of net position and statement of activities are provided immediately following the respective governmental fund statements. These reconciliations are on pages 29 and 33, respectively.

The City maintains eighteen 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 and Vehicle Replacement Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining financial statements and schedules. The basic governmental fund financial statements can be found on pages 26-28 and 31-32 of this report. The nonmajor governmental fund statements and schedules are presented as supplementary information after the basic financial statements on pages 106-128.

The City adopts an annual budget and legally allocates (appropriates) available monies for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Development Fees Fund and Vehicle Replacement Fund, on pages 35-38. Budgetary comparison schedules are presented for the remaining governmental funds on pages 103-104 and 117-128.

Proprietary funds use the economic resources measurement focus and full accrual accounting, the same method used by private sector business. The City maintains six 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 system services. These funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 40-44.
- **Internal service funds** account for activities where the City is the primary customer. Because these funds primarily provide services to 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 fund 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 130-133.

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 46-48 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 50-91 of this report.

Required supplementary information other than MD&A—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and employer pension plans. Governments have the option of including budgetary comparison statements of the General Fund and major special revenue funds either as part of the fund financial statements within the basic financial statements or as required supplementary information. The City has elected to present budgetary comparison statements as part of the basic financial statements. The employee pension plans disclosures are presented as required supplementary information immediately following the notes to the financial statements on pages 93-101.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analyses discuss the financial position and changes in the financial position of the City as of and for the year ended June 30, 2015, with comparative information from June 30, 2014.

Net Position—As noted earlier, net position may serve over time as a useful indicator of the City’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by about \$1.1 billion at the close of the most recent year.

	Net Position At June 30						Percent Change
	Governmental Activities		Business-type Activities		Total Government		
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 92,195,146	\$ 82,878,383	\$ 63,945,704	\$ 63,628,865	\$ 156,140,850	\$ 146,507,248	6.6 %
Capital assets, net	573,873,250	575,787,365	473,580,033	479,423,861	1,047,453,283	1,055,211,226	(0.7)
Total assets	666,068,396	658,665,748	537,525,737	543,052,726	1,203,594,133	1,201,718,474	0.2
Deferred outflows of resources							
Deferred charge on debt refunding	313,015	405,031	17,929	23,905	330,944	428,936	(22.8)
Deferred outflow related to pensions	8,159,368	3,570,087	781,875	427,389	8,941,243	3,997,476	123.7
Total deferred outflows of resources	8,472,383	3,975,118	799,804	451,294	9,272,187	4,426,412	
Current and other liabilities	18,642,459	15,247,439	6,238,106	6,165,777	24,880,565	21,413,216	16.2
Long-term liabilities	102,626,352	109,807,921	10,326,084	11,734,999	112,952,436	121,542,920	(7.1)
Total liabilities	121,268,811	125,055,360	16,564,190	17,900,776	137,833,001	142,956,136	(3.6)
Deferred inflows of resources							
Deferred inflow related to pensions	5,560,191	-	1,180,823	-	6,741,014	-	>100.0
Total Deferred inflows of resources	5,560,191	-	1,180,823	-	6,741,014	-	
Net position:							
Net investment in capital assets	504,180,483	499,739,936	469,377,530	474,668,428	973,558,013	974,408,364	(0.1)
Restricted	27,279,288	23,376,185	7,247,176	8,607,019	34,526,464	31,983,204	8.0
Unrestricted	16,252,006	14,469,385	43,955,822	42,327,797	60,207,828	56,797,182	6.0
Total net position	\$ 547,711,777	\$ 537,585,506	\$ 520,580,528	\$ 525,603,244	\$ 1,068,292,305	\$ 1,063,188,750	0.5

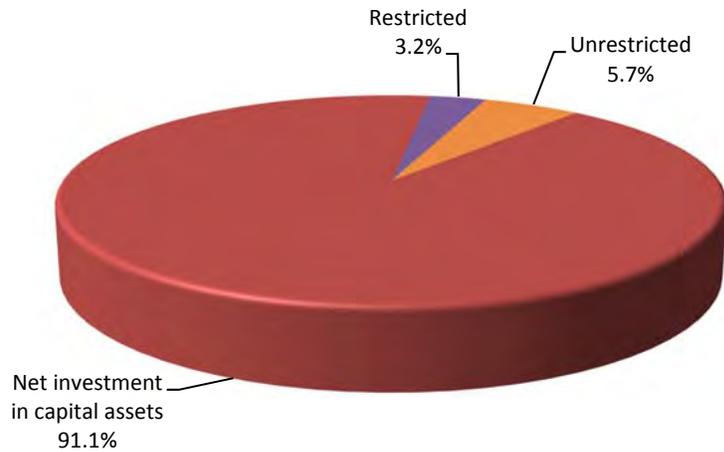
At year end, the City is able to report positive balances in all three categories of net position, as a whole, and for its separate governmental activities and business-type activities. Total net position increased about \$5.1 million (0.5%) from the prior year.

The largest portion of net position, net investment in capital assets of \$973.6 million (91.1%), 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. Consequently, these assets 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 cannot be used to liquidate these liabilities. Net investment in capital assets decreased about \$0.8 million (0.1%) between years. The net decrease was mainly due to capital acquisitions of about \$20.2 million and retirement of about \$6.8 million of net long-term bond debt, offset by an increase in accumulated depreciation of \$27.9 million during the year.

Restricted net position of \$34.5 million (3.2%) represents resources with constraints placed on their use externally either by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position increased \$2.5 million (7.9%) between years mainly due to improved net positions of the Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, and Public Safety Sales Tax Fund totaling about \$2.5 million. The net positions of these funds increased largely due to increases in excise fuel tax and sales tax collections over the prior year. Of the \$34.5 million in restricted net position, about \$13.1 million is restricted by enabling legislation.

Unrestricted net position of \$60.2 million (5.7%) may be used to meet the City’s ongoing obligations to its citizens and creditors. Unrestricted net position increased \$3.4 million (6.0%) between years. The increase was largely due to increases in net position from unrestricted operations of the City’s governmental and business-type activities, offset by an increase in net pension liability of about \$2.4 million over the prior year.

**Government-wide Net Position
At June 30, 2015**



Changes in Net Position

The following table presents revenues, expenses, and changes in net position of the City for the fiscal years ended June 30, 2015, and June 30, 2014.

**Changes in Net Position
Year Ended June 30**

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program revenues							
Charges for services	\$ 4,063,947	\$ 3,395,334	\$ 24,571,791	\$ 25,223,001	\$ 28,635,738	\$ 28,618,335	0.1 %
Operating grants and contributions	8,653,787	9,393,303	-	-	8,653,787	9,393,303	(7.9)
Capital grants and contributions	2,044,100	1,118,868	1,299,643	653,419	3,343,743	1,772,287	88.7
General revenues							
Sales and use taxes	40,955,916	37,639,556	-	-	40,955,916	37,639,556	8.8
Property taxes	5,852,223	5,631,102	-	-	5,852,223	5,631,102	3.9
Franchise taxes	1,150,766	1,132,811	-	-	1,150,766	1,132,811	1.6
State-shared revenues	19,151,120	17,896,107	-	-	19,151,120	17,896,107	7.0
Investment income	342,423	408,645	286,576	279,812	628,999	688,457	(8.6)
Gain on sale of capital assets	138,810	56,600	25,231	83,030	164,041	139,630	17.5
Miscellaneous	2,103,045	1,571,790	236,635	241,999	2,339,680	1,813,789	29.0
Total revenues	84,456,137	78,244,116	26,419,876	26,481,261	110,876,013	104,725,377	5.9
Expenses:							
General government	12,920,373	12,331,057	-	-	12,920,373	12,331,057	4.8
Public safety	29,193,364	27,920,756	-	-	29,193,364	27,920,756	4.6
Highways and streets	14,148,176	12,363,230	-	-	14,148,176	12,363,230	14.4
Health and welfare	3,086,230	3,491,716	-	-	3,086,230	3,491,716	(11.6)
Economic and community development	5,318,125	5,489,089	-	-	5,318,125	5,489,089	(3.1)
Culture and recreation	5,048,110	4,783,299	-	-	5,048,110	4,783,299	5.5
Transportation	890,857	1,280,435	-	-	890,857	1,280,435	(30.4)
Interest on long-term debt	3,574,631	3,788,220	-	-	3,574,631	3,788,220	(5.6)
Water	-	-	14,978,673	15,313,614	14,978,673	15,313,614	(2.2)
Wastewater	-	-	12,039,948	11,992,043	12,039,948	11,992,043	0.4
Sanitation	-	-	4,573,971	4,373,521	4,573,971	4,373,521	4.6
Total expenses	74,179,866	71,447,802	31,592,592	31,679,178	105,772,458	103,126,980	2.6
Increase (decrease) in net position before transfers	10,276,271	6,796,314	(5,172,716)	(5,197,917)	5,103,555	1,598,397	
Transfers	(150,000)	(150,000)	150,000	150,000	-	-	-
Increase (decrease) in net position	\$ 10,126,271	\$ 6,646,314	\$ (5,022,716)	\$ (5,047,917)	\$ 5,103,555	\$ 1,598,397	

Total 2015 revenues of \$110.9 million increased about \$6.2 million (5.9%) over the previous year. Governmental activities revenues increased by \$6.2 million (7.9%) and business-type activities revenues decreased about \$0.06 (0.2%) million over the previous year, while expenses increased \$2.7 million (3.8%) and decreased about \$0.09 million (0.3%) 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 \$10.3 million during the year, compared to only \$6.8 million in the prior year. The increase between years was largely due to increases in general revenues of about \$5.3 million and program revenues of about \$0.9 million over the prior year, offset by an increase in expenses of about \$2.7 million during the same period. Governmental activities accounted for 76.2 % of the City’s total revenues and 70.1% of total expenses during the year. Program revenues of \$14.8 million were 19.9% of governmental activities expenses during the year, compared to \$13.9 million, or 19.5%, of expenses in 2014.

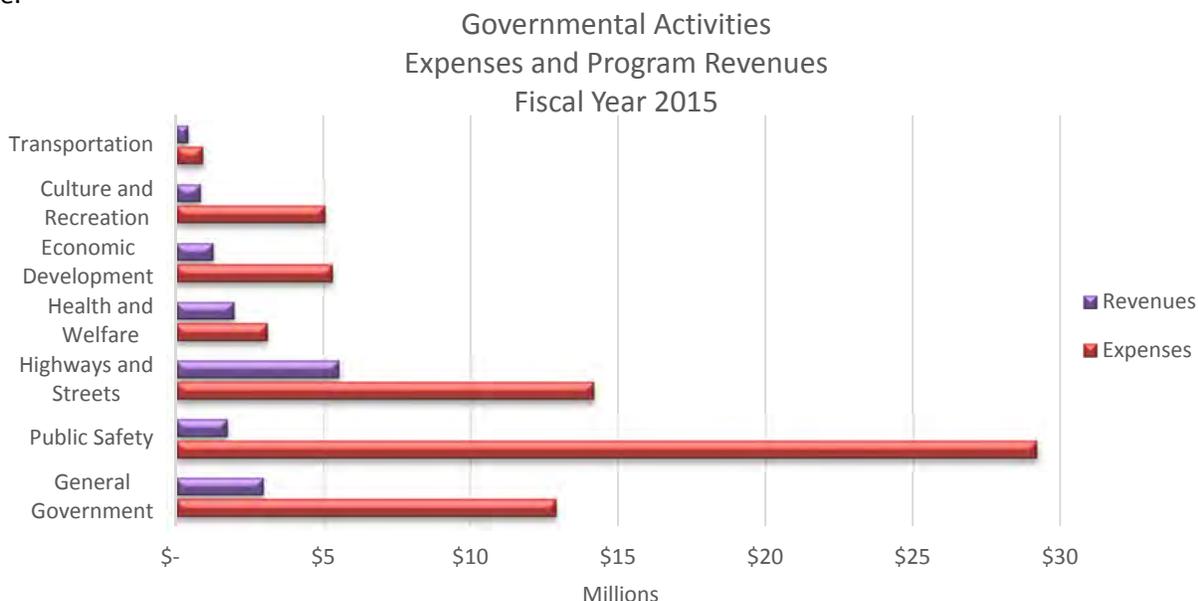
Program revenues increased between years largely due to increases in capital grants and contributions of \$0.9 million (82.7%) and charges for services of about \$0.7 million (19.7%), which was mainly due to increases in development fee collections, capital asset contributions, and building permits and related fees from increased residential and commercial development and related construction activities over the prior year. These increases were offset by a decrease in operating grants and contributions of \$0.7 million (7.9%), which was mostly due to a decline in federal grant grants and related expenditures of about \$0.8 million from the prior year.

General revenues increased between years mainly due to the following:

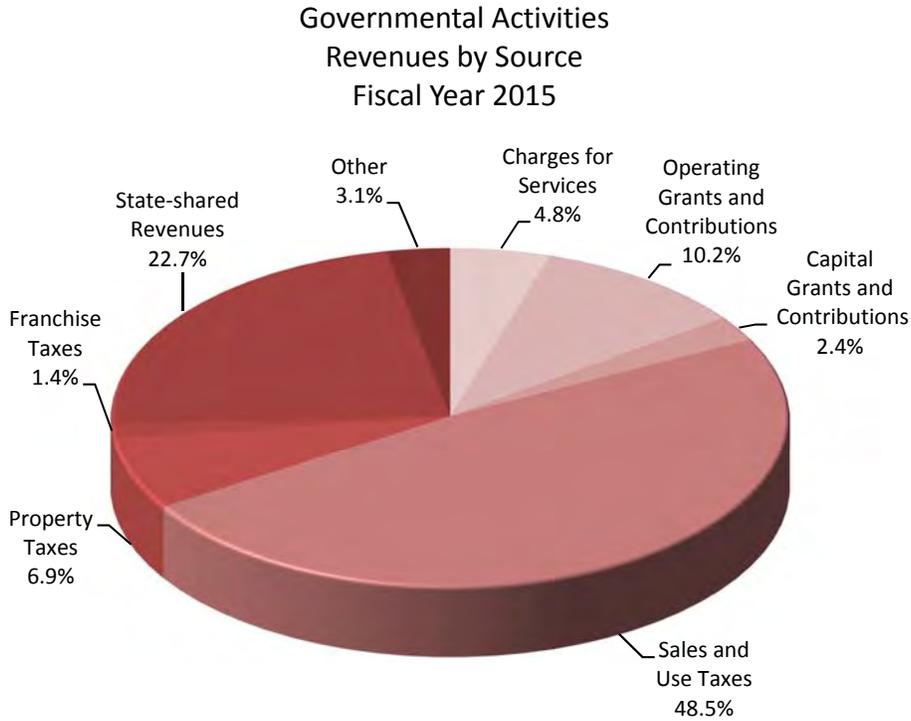
- Sales and use taxes increased \$3.3 million (8.8%). An increase in sales and use tax revenues of 3.7% to 5% was projected based on collection trends by tax rate classification and assuming a stable population and employment.
- Property taxes increased about \$0.2 million (3.9%). The increase was largely due to a 5.2% increase in the primary assessed property valuation over the prior year, offset by a primary property tax rate declined from 79 cents-per \$100 of valuation to 78 cents-per \$100 of valuation.
- State-shared revenues increased about \$1.3 million (7.0%). The increase was mainly due to a \$0.3 million (5.0%) increase in state-shared sales tax revenues and a \$0.7 million (8.6%) increase in state-shared income tax revenues between years. An increase in state-shared sales tax revenues of 5.0% was projected. An increase in state-shared income tax revenues was also expected based on income taxes collected by the Arizona Department of Revenue for the 2013 tax year.

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

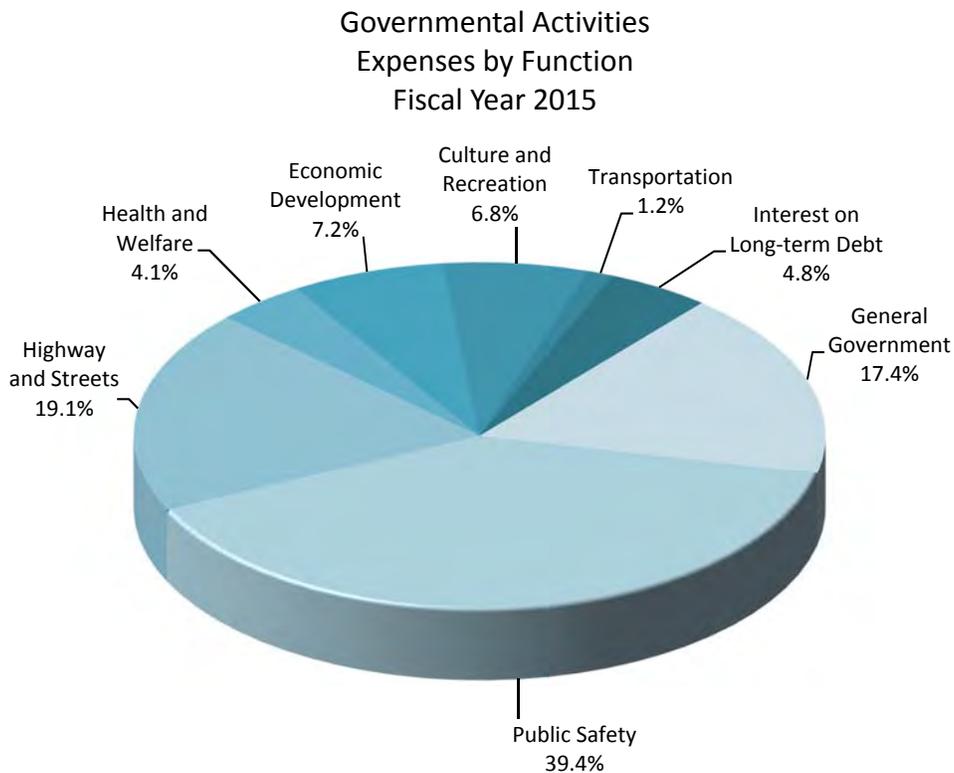
The following graph shows governmental activities functional revenues and expenses in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation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



As seen in the following graph, the largest governmental activities revenue sources are sales and use taxes of \$41.0 million (48.5%), followed by state-shared revenues of \$19.2 million (22.7%) and operating grants and contributions of \$8.7 million (10.2%).



The City's largest governmental activities expenses by function include public safety at \$29.2 million (39.4%), followed by highway and streets expenses at \$14.1 million (19.1%) and general government expenses at \$12.9 million (17.4%).



Business-type Activities

Business-type activities decreased net position before transfers by \$5.2 million during the year, about the same as last year. Program revenues and general revenues remained substantially unchanged between years, decreasing only about \$0.06 million (0.2%) from the prior year, while program expenses decreased \$0.09 million (0.3%) from the prior

year. Business-type activities accounted for 23.8% of the City’s total revenues and 29.9% of total expenses during the year. Program revenues of \$25.9 million were 81.9% of business-type expenses during the year, compared to \$25.9 million, or 81.7%, of expenses in 2014.

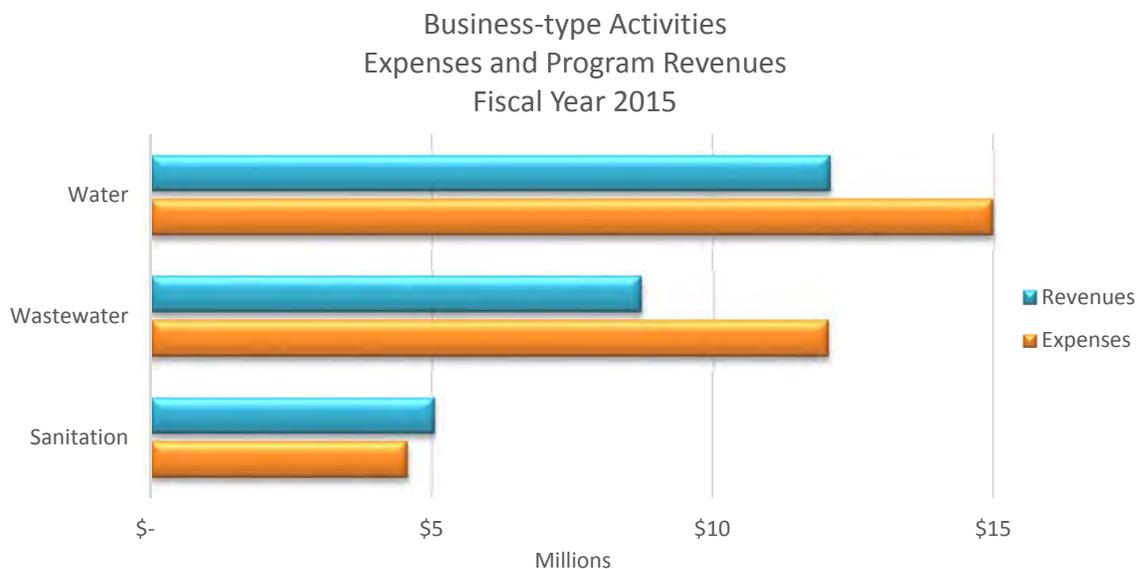
The changes in business-type activities program and general revenues between years were mainly due to the following.

- Charges for services revenue decreased about \$0.7 million (2.6%) from the previous year. A nominal increase in revenue between years was expected based on changes in the number of customers and water consumption and collection trends. Both wastewater and sanitation charges for services revenues increased nominally over the prior year, less than 0.5%. Water charges for services, however, decreased about \$0.7 million (6.1%) from the previous year. Most of this decline was due to about a 5.8% decline in billed water consumption between years and 2% decline in the number of water customers.
- Capital grants and contributions increased about \$0.6 million (98.9%). This change largely resulted from the City receiving more water and sewer system development fees and capital contributions from increased residential and commercial development over the prior year.

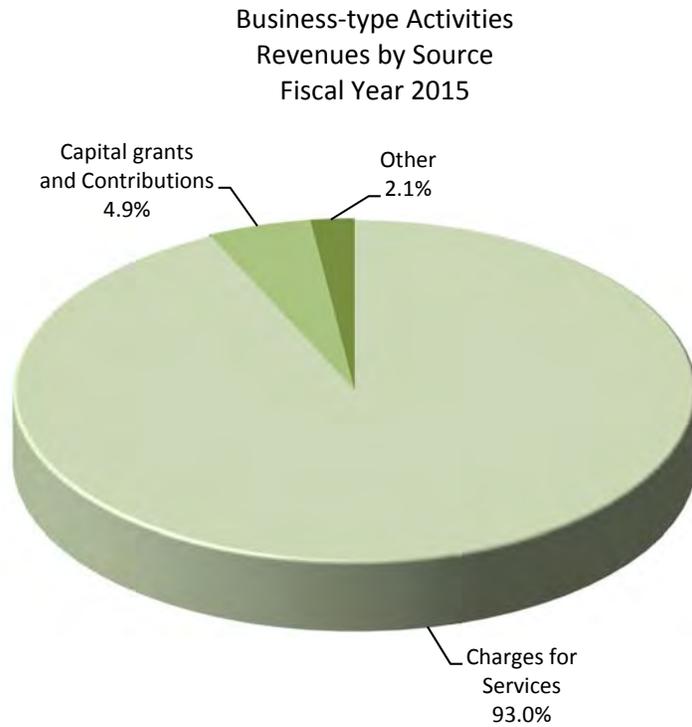
The changes in business-type activities program expenses were largely due to the following.

- *Water*—Operating expenses decreased about \$0.3 million (2.2%) from the previous year, largely due to decreases in water distribution system repair and maintenance costs of \$0.25 million, water chemical treatment fees of \$0.14 million, \$0.1 million in finance and banking fees, \$0.2 million in electricity costs between years, offset by an increase in General Fund administrative charges of \$0.36 million to support general services used by the Water Fund.
- *Wastewater*—Operating expenses remained substantially unchanged between years mainly due to increases in salaries and electricity costs of about \$0.2 million and \$0.4 million, respectively, over the prior year, offset by decreases in sewer line repair and maintenance costs of about \$0.3 million, wastewater treatments chemicals of about \$0.1 million between years, and overall decrease of remaining wastewater treatment plant expenses of about \$0.2 million.
- *Sanitation*—Operating expenses increased about \$0.2 million (4.6%) during the year mostly due to increased depreciation expense of \$0.2 million related to the City’s acquisition of about \$1.2 million of sanitation vehicles and equipment during the year.

The following graph shows the revenues and expenses 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. As noted previously, expenses not covered by direct program revenues are covered by the City’s general revenues.



The City's largest business-type activity is water services with expenses of \$15.0 million and revenues of \$12.1 million, followed by wastewater services with expenses of \$12.0 million and revenues of \$8.7 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 93.0%, followed by capital grants and contributions of \$1.3 million or 4.9%, which consisted almost entirely of development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to establish and maintain control over city assets as part of its fiduciary responsibility.

Governmental Funds

The focus of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's resources available for spending at year end.

The financial performance of the City, as a whole, is reflected in its governmental funds. As of June 30, 2015, the City reported combined fund balance of \$78.0 million, an increase of \$5.9 million (8.2%) over the previous year. About \$6.8 million (8.7%) of the fund balance is unassigned and \$20.9 million (26.8%) is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of nonspendable balances of \$4.9 million (6.2%), restricted balances of \$25.7 million (33.0%), and committed balances of \$19.7 million (25.3%). More information on fund balances can be found in Note 1 - Summary of Significant Accounting Policies on pages 59-61 and Note 7 - Fund Balances on page 66.

General Fund—accounts for all city financial resources not required to be accounted for in other funds. This fund is the City's primary 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 \$36.3 million compared to \$33.9 million in the prior year, an increase of \$2.4 million (7.2%). The overall increase in fund balance during the year was largely due to the following.

Revenues increased by \$4.2 million (8.2%) over the previous year. Tax revenue and intergovernmental revenue increased \$2.3 million (7.4%) and \$1.1 million (5.6%), respectively, and accounted for most of the revenue increase between years. License and permit revenue also increased about \$0.3 million (9.8%) between years.

- Tax revenue increased mainly due to an increase in sales tax revenues of about \$2.0 million (7.5%) from growing retail sales. An increase in sales tax revenues of 10.9% was projected.
- Intergovernmental revenue increased largely from increases in state-shared sales taxes of about \$0.3 million (4.8%) and state-shared income taxes of \$0.7 million (7.9%). An increase in state-shared sales tax revenues of about 7.5% was projected. The increase in state-shared income tax revenues was also expected based on income taxes collected by the Arizona Department of Revenue for the 2013 tax year.
- License and permit revenue increased mostly due to increases in residential and commercial development and construction over the prior year.

Expenditures decreased by about \$1.4 million (3.3%) from the previous year. An explanation of some of the significant changes by function follows.

- *Public safety*—Expenditures increased \$0.9 million (4.1%) over the previous year. Most of the increase was due to increases in police and fire department employee salaries, wages, and employer-related costs between years resulting from compensation packages ranging from 4% to 5%.
- *Culture and recreation*—Expenditures increased about \$0.4 million (12.1%) over the previous year. This increase resulted mainly from increases in grounds maintenance costs increased approximately \$0.2 million (18.9%) and contractual obligations related to Avondale Sport Center of about \$0.2 million over the prior year.
- *Capital outlay*—Expenditures decreased \$2.5 million from the prior year. The decrease was almost entirely due to the City's prior year purchase of the Avondale Corporate Center (headquarters of Phoenix International Raceway). There were no similar purchases this year.

Transfers out increased about \$4.3 million (60.3%) over the prior year. This increase was mainly due to an increase in transfers to capital project funds between years to finance upcoming Dysart Road and Friendship Park enhancement and improvement projects.

Highway User Revenue Fund—accounts for excise fuel taxes that are charged on fuel purchases on a per gallon basis, currently \$0.18 per gallon, and distributed to cities and towns based on a formula. 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. A constitutional provision requires that these funds be used for highway and street purposes. Excise fuel taxes are subject to fluctuations in fuel prices and consumer behavior.

Excise fuel tax revenue, which accounted for about 97.3% of fund revenues, increased about \$0.4 million (8.9%) over the previous year. An increase in excise fuel tax revenues of 2.1% was originally projected based on projected fuel prices and consumer demand, but the projection was subsequently revised due to lower-than-expected fuel prices. Budgeted expenditures increased \$0.3 million (7.7%) over the prior year, but both years' budgets were underspent and actual expenditures remained substantially unchanged between years. Transfers out decreased about \$0.2 million (28.0%) between fiscal years, mainly to a decrease in transfers to the Development Fees Fund to finance street construction projects from the prior fiscal year. Net fund activities increased fund balance by \$0.8 million (19.9%) 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, as well as transportation projects and services. The tax was approved by the voters and became effective in July 2001, and amended by voters in September 2008, to include transportation projects and services.

Revenues, which consist almost entirely of the half-cent sales tax revenue, increased about \$0.6 million (8.4%) over the previous year. An increase in dedicated sales tax revenues of 9.8% was projected. Budgeted and actual expenditures remained substantially unchanged between years, which was expected. Transfers to other funds increased about \$0.8 million over the prior year. The increase in transfers was mostly the result of \$0.2 million of transfers to the Local Transportation Assistance Fund to finance city transportation services and a \$0.5 million transfer to the Development Fees Fund to finance street construction projects. Similar transfers did not occur in the prior year. The remainder of the increase was due to a \$0.05 million increase in transfers to the Dedicated Sales Tax Revenue Bonds Fund for MDC revenue bond debt service. Net fund activities increased fund balance by about \$0.4 million (26.9%) over 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 almost entirely of the half-cent sales tax revenue, increased about \$0.56 million (8.3%) over the prior year. An increase in dedicated sales tax revenues of less than 9.8% was projected. Expenditures increased \$0.5 million over the prior fiscal year. Most of the increase was due to increases in personal services costs in Police Department divisions as follows: \$0.06 million in the Professional Standards Bureau, Traffic Unit, and Detention and \$0.14 million in the Patrol Unit. In addition, about \$0.1 million was spent on Court renovations. Due to underspending in the fund of about \$1.0 million and increase in revenue over the prior year, fund balance increased \$1.3 million (28.8%) over the prior 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 increased \$0.8 million (95.7%) over the previous year. This increase was mainly due to a \$0.8 million (186.6%) increase in licenses and permit revenue and a \$0.4 million increase in intergovernmental revenue, offset by a \$0.4 million decrease in contributions between years. The increase in licenses and in licenses and permits revenue was due to an increase in development fees collected over the previous year. The increase in intergovernmental revenue was largely due to an increase in revenue from joint-funded street and parkland projects for which other governments reimburse the City. The decrease in contributions was due to \$0.4 million project cost sharing contribution to fund the City's Agua Fria Levee project from the previous fiscal year.

Expenditures increased \$0.8 million (12.0%) over the previous year, mostly due to an increase in highway and streets maintenance and repair projects totaling about \$1.7 million (73.5%) between years, offset by a decrease in capital improvement projects of about \$0.8 million (17.0%) from the prior year. The decrease in capital outlay expenditures was mainly due to the completion of the Avondale Fire Station 174 (\$1.9 million) in the prior year, offset by increases in capital street improvements of \$0.4 million and police radio system upgrades of \$1.3 million during the year.

Transfers in increased about \$2.5 million (38.2%) between years mainly due to changes in the number and size of capital projects funded between years. Transfer out decreased about \$0.1 million (18.7%) between years mainly due to a decline in transfers to debt service funds to finance principal and interest payments on long-term bonded debt.

Net fund activities increased fund balance by \$0.2 million (3.2%) from the prior year.

Vehicle Replacement Fund—accounts for all expenditures related to governmental activities vehicle replacement. The City maintains a ten-year vehicle replacement program, and each year, city departments contribute to the fund based upon their fleet and replacement schedules. The fund does not generate any revenue on its own, but receives transfers in from other governmental funds. During the year, transfers in totaled \$1.4 million, which remained substantially unchanged from the prior fiscal year.

Expenditures in the fund increased by about \$0.6 million (25.0%), mainly due to purchase of more vehicles and associated equipment than in the prior year.

Net fund activities decreased fund balance by \$0.65 million (7.9%) 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. Of the total enterprise funds net position of \$520.6 million, \$469.4 million consisted of net investment in capital assets, \$7.2 million was restricted, and \$44.0 million was unrestricted. The factors concerning the finances of these funds, as well as the changes in net position, have been addressed previously during the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

The City's *Annual Budget and Financial Plan* (council-adopted budget) establishes the legal level of expenditure control. Amendments to the adopted budget may occur throughout the year, in a legally permissible manner, between departments within the General Fund and within funds in all other funds. During the year, budget adjustments did occur. None of the adjustments increased the City's total budget and all budget amendments were routine in nature. For more information on budgets and budgetary accounting, see Note 1 – Summary of Significant Accounting Policies, pages 55-56.

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 35-38. Budgetary comparison schedules for all other governmental funds can be found on pages 103-104 and 117-128.

General Fund Budgetary Analysis

General Fund revenues of \$55.7 million exceeded budgeted inflows by \$2.6 million or 4.9%, while expenditures and other financing uses of \$53.3 million was only 86.3% of final budgeted outflows of \$61.7 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.

During the year, the original budget was amended in a legally permissible manner. All budget amendments were routine in nature, and no budget amendments increased the budget on a total fund basis. The following summarizes significant changes to the original budgeted expenditures and significant budget variances by function during the year.

General Government—The original adopted budget was amended and increased by only \$0.03 million during the year. Actual expenditures were less than final budgeted expenditures by about \$5.2 million largely due to about \$2.9 million of contingency and restricted use appropriations not being spent, vacancy savings of about \$0.7 million, and lower-than-expected attorney fees of about \$0.4 million.

Public Safety—The original adopted budget was amended and decreased by only \$0.04 million during the year. Actual expenditures were less than final budgeted expenditures by about \$0.8 million largely due to vacancy savings of about \$0.4 million and decrease in equipment management charges of about \$0.1 million from the prior year. The remaining difference was mainly due to lower operating costs than was budgeted.

Economic and Community Development—The original adopted budget was amended and decreased \$0.1 million during the year. A large portion of the decrease was due to carryforward adjustments at the end of the fiscal year. Actual expenditures were less than final budgeted expenditures by \$1.4 million. The difference was mostly due to \$0.8 million of economic development activities that could not be completed during the year. The City has carried over about \$0.7 million of the economic development activities cost savings into the 2016 budget.

Culture and Recreation—The original adopted budget was amended and decreased about \$0.02 million during the year. Actual expenditures were less than final budgeted expenditures by about \$0.4 million. The difference was largely due to savings of \$0.2 million on parks maintenance costs and savings of about \$0.4 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 downturn in citizen participation, donations, and sponsorship related to these activities and programs.

Capital Outlay—The original adopted budget was amended and increased \$0.03 million during the year and the final budget was \$0.85 million. This is almost \$2.8 million less than the prior fiscal year, as the prior year budget was amended to accommodate the purchase of the Avondale Corporate Center. The budget was underspent \$0.3 million; the savings was due primarily to the City postponing the purchase of a fire intervention services truck estimated to cost about \$0.5 million, which the City Council authorized to be carried forward into FY 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of June 30, 2015, the City had invested about \$1.0 billion in governmental and business-type capital assets, net of accumulated depreciation. Total depreciation expense for the year was \$27.9 million, with \$14.2 million attributed to governmental activities and \$13.7 million to business-types activities.

The following schedule presents capital asset balances for the years ended June 30, 2015, and June 30, 2014. Additional information on the City’s capital assets can be found in Note 6 - Capital Assets on pages 64-65.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 255,988,615	\$ 254,841,778	\$ 16,273,312	\$ 16,257,756	\$ 272,261,927	\$ 271,099,534	0.4 %
Buildings and improvements	52,903,583	54,983,793	-	-	52,903,583	54,983,793	(3.8)
Improvements other than building	4,355,001	2,215,563	603,221	603,221	4,958,222	2,818,784	75.9
Vehicles, furniture and equipment	9,723,580	5,875,065	6,364,735	3,185,051	16,088,315	9,060,116	77.6
General infrastructure	229,934,897	239,487,541	-	-	229,934,897	239,487,541	(4.0)
Water system	-	-	216,869,258	222,170,383	216,869,258	222,170,383	(2.4)
Sewer system	-	-	157,288,731	162,598,669	157,288,731	162,598,669	(3.3)
Wastewater treatment system	-	-	66,249,690	67,251,315	66,249,690	67,251,315	(1.5)
Intangible assets	1,632,255	1,697,764	4,206,250	4,280,764	5,838,505	5,978,528	(2.3)
Construction in progress	19,335,319	16,685,861	5,724,836	3,076,702	25,060,155	19,762,563	26.8
Total	<u>\$ 573,873,250</u>	<u>\$ 575,787,365</u>	<u>\$ 473,580,033</u>	<u>\$ 479,423,861</u>	<u>\$ 1,047,453,283</u>	<u>\$ 1,055,211,226</u>	(0.7)

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 \$1.9 million decrease between years was mostly due to about \$17.3 million of capital assets additions, offset by \$5.1 million of transfers from construction in progress and a \$14.2 million increase in accumulated depreciation during the year. Capital additions included \$1.1 million of land purchases (includes \$0.7 million in dedicated rights-of-way), \$7.7 million of new construction in progress (includes \$2.6 million for the Dysart Road bicycle and pedestrian facilities, \$1.4 million for police radio upgrades, \$1.8 million for Central Avenue road improvement project, and \$0.6 million for the paving and addition of a left turn lane on Indian School Road), \$2.3 million of improvements other than buildings (includes \$2.1 million in transit center parking lot improvements), \$0.7 million of general infrastructure construction and improvements (\$0.6 million in road improvements and \$0.1 million was attributable to CDBG for residential street improvements), and \$5.5 million of vehicle, machinery and equipment purchases.

Business-type Activities—The \$5.8 million decrease between years largely resulted from \$10.9 million of capital additions (includes \$1.4 million in Central Avenue water line replacement, \$1.3 million in Northside Pumping Station improvements, \$1.1 million in sewer line upgrades on Central Avenue), offset by \$2.9 million transferred from construction in progress and a \$13.7 million increase in accumulated depreciation during the year. Capital additions included \$5.6 million of new construction in progress, \$0.8 million of water system and sewer system construction and improvements, and \$4.5 million of vehicle, machinery and equipment purchases.

The City has adopted a ten-year capital improvement plan for years 2016 through 2025, with budgeted capital outlays totaling \$395.7 million. The plan, which includes \$65.1 million of budgeted capital outlays for 2016, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for 2016 is through a combination of existing fund balances (18.4%), development (impact) fees (12.6%), bond proceeds (59.8%), outside funding sources such as grants and intergovernmental cost-sharing agreements (8.6%), operating and non-operating revenues and other financing sources (0.6%). The capital improvement plan is updated annually as part of the City’s formal budgetary process.

Debt Administration—As of June 30, 2015, the City had total long-term obligations outstanding of \$124.5 million, down \$3.8 million (3.0%) from the previous year. Of this balance, \$113.1 million (90.9%) was attributable to governmental activities and \$11.4 million (9.1%) was attributable to business-type activities. Of the total outstanding bonds of \$74.2 million, net of unamortized discounts and premiums, \$26.5 million (35.8%) are general obligation bonds backed by the full faith and credit of the City, and \$47.7 million (64.2%) were revenue bonds secured by pledges of specific revenue sources of the City. Of the \$74.2 million of outstanding long-term debt obligations, \$7.1 million is due within one year. Of the remaining balances, \$44.5 million reflects the City’s net pension obligation, which resulted from the implementation of GASB Statement 68, as amended by GASB Statement 71, during the year.

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, 2015, and June 30, 2014, is \$25.0 million and \$20.2 million in the 6% capacity, respectively, and \$59.6 million and \$42.4 million in the 20% capacity, respectively. Additional debt limitation and capacity information can be found in the statistical section of this report on pages 159-173.

The following schedule presents a summary of the City’s outstanding long-term obligations as of June 30, 2015, and June 30, 2014. Additional information on the City’s outstanding long-term obligations can be found in Note 8 – Pension Plans on pages 66-84, Note 9 - Long-term Obligations on pages 84-88, and the required supplementary section on pages 93-101.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014	2015	2014	2015	2014	
Compensated absences	\$ 4,553,484	\$ 3,820,125	\$ 602,044	\$ 498,240	\$ 5,155,528	\$ 4,318,365	19.4 %
Claims payable	641,233	634,173	-	-	641,233	634,173	1.1
Municipal Development							
Corporation bonds	34,329,868	36,204,021	1,240,125	1,300,975	35,569,993	37,504,996	(5.2)
General obligation bonds	26,515,000	28,560,000	-	-	26,515,000	28,560,000	(7.2)
Pledged Revenue Obligations	7,230,000	9,275,000	-	-	7,230,000	9,275,000	(22.0)
Highway user revenue bonds	1,095,000	1,455,000	-	-	1,095,000	1,455,000	(24.7)
Water and sewer revenue bond	-	-	2,740,000	3,190,000	2,740,000	3,190,000	(14.1)
Unamortized premiums and discounts, net	835,914	958,439	240,307	288,363	1,076,221	1,246,802	(13.7)
Net pension obligation	37,896,132	35,101,613	6,556,464	6,987,532	44,452,596	42,089,145	5.6
Total	\$ 113,096,631	\$ 116,008,371	\$ 11,378,940	\$ 12,265,110	\$ 124,475,571	\$ 128,273,481	(3.0)

ECONOMIC FACTORS

The City remains dependent on sales taxes and other economically sensitive taxes and revenues. The slow 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 several years, the trend in most local revenue and state-shared revenue sources indicates a pattern of moderate growth.

Current year local revenues continued an upward trend, increasing about 6.7% over the previous year. Retail sales tax collections have improved 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 improve, construction appears poised for moderate growth in the near future.

The City's 2016 budget is structurally balanced and reflects continued growth in recurring General Fund revenues. City management continues to closely monitor its operations and adopted budget to help ensure that public service levels are maintained, while ensuring long-term financial stability of the City. Even though the City's revenue projections look promising, city management remains conservative in preparing the City's annual budget for fiscal year 2015-16. In an effort to keep ongoing expenditures in line with ongoing funding, the City only increased staffing levels where necessary to maintain service levels, resulting in an increase of only 4.5 full-time equivalents over fiscal year 2014-15, and the City cautiously moved forward with improvement projects for the City's infrastructure, as well as projects in alignment with City Council goals.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 42,821,119	\$ 23,388,989	\$ 66,210,108
Receivables, net:			
Accounts	572,095	4,539,270	5,111,365
Taxes	4,004,382	116,474	4,120,856
Interest	55,061	55,771	110,832
Due from other governments	2,755,465	-	2,755,465
Internal balances	(412,346)	412,346	-
Inventories	487,577	505,724	993,301
Prepaid items	707,118	2,598	709,716
Restricted assets:			
Customer deposits	-	2,557,177	2,557,177
Cash with fiscal agents	11,671,320	605,518	12,276,838
Total current assets	<u>62,661,791</u>	<u>32,183,867</u>	<u>94,845,658</u>
Noncurrent assets:			
Restricted cash with fiscal agents	-	149,888	149,888
Investments	29,533,355	31,611,949	61,145,304
Capital assets:			
Nondepreciable	275,323,934	23,521,904	298,845,838
Depreciable, net	298,549,316	450,058,129	748,607,445
Total noncurrent assets	<u>603,406,605</u>	<u>505,341,870</u>	<u>1,108,748,475</u>
Total assets	<u>666,068,396</u>	<u>537,525,737</u>	<u>1,203,594,133</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	313,015	17,929	330,944
Deferred outflows related to pensions	8,159,368	781,875	8,941,243
Total deferred outflows of resources	<u>8,472,383</u>	<u>799,804</u>	<u>9,272,187</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,244,950	2,054,767	6,299,717
Accrued payroll and employee benefits	959,488	69,942	1,029,430
Accrued liabilities	2,325,565	86,246	2,411,811
Construction contracts payable	279,909	62,681	342,590
Sales taxes payable	77	135,964	136,041
Due to other governments	20,800	-	20,800
Deposits held for others	126,013	2,567,177	2,693,190
Unearned revenues	215,377	208,470	423,847
Claims payable	273,073	-	273,073
Compensated absences	3,642,787	481,637	4,124,424
General obligation bonds	1,771,412	-	1,771,412
Revenue bonds	4,783,008	571,222	5,354,230
Total current liabilities	<u>18,642,459</u>	<u>6,238,106</u>	<u>24,880,565</u>
Noncurrent liabilities:			
Claims payable	368,160	-	368,160
Compensated absences	910,698	120,410	1,031,108
General obligation bonds	24,768,411	-	24,768,411
Revenue bonds	38,682,951	3,649,210	42,332,161
Net pension liability	37,896,132	6,556,464	44,452,596
Total noncurrent liabilities	<u>102,626,352</u>	<u>10,326,084</u>	<u>112,952,436</u>
Total liabilities	<u>121,268,811</u>	<u>16,564,190</u>	<u>137,833,001</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	5,560,191	1,180,823	6,741,014
Total deferred outflows of resources	<u>5,560,191</u>	<u>1,180,823</u>	<u>6,741,014</u>
NET POSITION			
Net investment in capital assets	504,180,483	469,377,530	973,558,013
Restricted for:			
Transit services	1,290,543	-	1,290,543
Highways and streets	4,976,873	-	4,976,873
Grant and contributor purposes	2,404,787	-	2,404,787
Public safety	6,196,440	-	6,196,440
Debt service	8,596,312	755,406	9,351,718
Capital projects	3,814,333	6,491,770	10,306,103
Unrestricted	16,252,006	43,955,822	60,207,828
Total net position	<u>\$ 547,711,777</u>	<u>\$ 520,580,528</u>	<u>\$ 1,068,292,305</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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,920,373	\$ 2,024,897	\$ 50,927	\$ 907,129
Public safety	29,193,364	515,920	1,061,553	184,960
Highways and streets	14,148,176	-	4,743,244	785,344
Health and welfare	3,086,230	-	1,963,125	-
Economic and community development	5,318,125	1,118,951	160,048	-
Culture and recreation	5,048,110	404,179	272,289	166,667
Transportation	890,857	-	402,601	-
Interest on long-term debt	3,574,631	-	-	-
Total governmental activities	<u>74,179,866</u>	<u>4,063,947</u>	<u>8,653,787</u>	<u>2,044,100</u>
Business-type activities:				
Water	14,978,673	11,527,730	-	561,458
Wastewater	12,039,948	7,988,157	-	738,095
Sanitation	4,573,971	5,055,904	-	90
Total business-type activities	<u>31,592,592</u>	<u>24,571,791</u>	<u>-</u>	<u>1,299,643</u>
Total primary government	<u>\$ 105,772,458</u>	<u>\$ 28,635,738</u>	<u>\$ 8,653,787</u>	<u>\$ 3,343,743</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 increase 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, as restated, July 1, 2014

Net position, June 30, 2015

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	Total
\$ (9,937,420)	\$ -	\$ (9,937,420)
(27,430,931)	-	(27,430,931)
(8,619,588)	-	(8,619,588)
(1,123,105)	-	(1,123,105)
(4,039,126)	-	(4,039,126)
(4,204,975)	-	(4,204,975)
(488,256)	-	(488,256)
(3,574,631)	-	(3,574,631)
<u>(59,418,032)</u>	<u>-</u>	<u>(59,418,032)</u>
-	(2,889,485)	(2,889,485)
-	(3,313,696)	(3,313,696)
-	482,023	482,023
<u>-</u>	<u>(5,721,158)</u>	<u>(5,721,158)</u>
<u>(59,418,032)</u>	<u>(5,721,158)</u>	<u>(65,139,190)</u>
40,955,916	-	40,955,916
2,478,599	-	2,478,599
3,373,624	-	3,373,624
1,150,766	-	1,150,766
19,151,120	-	19,151,120
246,801	220,207	467,008
95,622	66,369	161,991
138,810	25,231	164,041
2,103,045	236,635	2,339,680
(150,000)	150,000	-
<u>69,544,303</u>	<u>698,442</u>	<u>70,242,745</u>
<u>10,126,271</u>	<u>(5,022,716)</u>	<u>5,103,555</u>
<u>537,585,506</u>	<u>525,603,244</u>	<u>1,063,188,750</u>
<u>\$ 547,711,777</u>	<u>\$ 520,580,528</u>	<u>\$ 1,068,292,305</u>



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, and transportation projects and services 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.

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.

Nonmajor Funds

All other governmental funds are nonmajor funds. These funds can be found on pages 106-114.

CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
ASSETS				
Cash and cash equivalents	\$ 9,068,216	\$ 4,401,317	\$ 1,139,231	\$ 5,609,918
Investments	22,524,358	-	-	-
Receivables:				
Taxes	2,762,503	-	576,283	576,269
Accounts	366,469	-	-	-
Interest	43,376	-	-	-
Due from other funds	3,838,468	-	-	-
Due from other governments	917,109	492,494	-	-
Inventories	-	306,849	-	-
Prepaid items	342,255	643	-	39
Restricted cash with fiscal agents	-	-	-	-
Total assets	\$ 39,862,754	\$ 5,201,303	\$ 1,715,514	\$ 6,186,226
LIABILITIES				
Accounts payable	\$ 1,571,773	\$ 191,292	\$ -	\$ 117,436
Accrued payroll and employee benefits	873,206	7,979	-	35,638
Accrued liabilities	544,583	-	-	-
Construction contracts payable	-	-	-	-
Deposits held for others	126,013	-	-	-
Sales taxes payable	25	-	-	52
Due to other governments	-	20,800	-	-
Due to other funds	-	237	-	-
Unearned revenues	-	-	-	-
Total liabilities	3,115,600	220,308	-	153,126
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	24,814	-	-	-
Unavailable revenue - other	396,804	-	-	-
Total deferred inflows of resources	421,618	-	-	-
FUND BALANCES				
Nonspendable	4,180,723	307,492	-	39
Restricted	335,058	4,673,503	1,715,514	6,033,061
Committed	19,405,505	-	-	-
Assigned	4,882,920	-	-	-
Unassigned	7,521,330	-	-	-
Total fund balances	36,325,536	4,980,995	1,715,514	6,033,100
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,862,754	\$ 5,201,303	\$ 1,715,514	\$ 6,186,226

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

Development Fees Fund	Vehicle Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,850,516	\$ 3,824,685	\$ 7,023,974	\$ 39,917,857
-	5,011,971	-	27,536,329
-	-	89,327	4,004,382
-	17,393	188,233	572,095
-	8,295	1,569	53,240
-	-	-	3,838,468
25,000	-	1,320,862	2,755,465
-	-	13,787	320,636
-	-	360,441	703,378
-	-	11,671,320	11,671,320
<u>\$ 8,875,516</u>	<u>\$ 8,862,344</u>	<u>\$ 20,669,513</u>	<u>\$ 91,373,170</u>
\$ 214,861	\$ 1,343,263	\$ 654,422	\$ 4,093,047
-	-	20,633	937,456
-	-	1,780,982	2,325,565
65,774	-	214,135	279,909
-	-	-	126,013
-	-	-	77
-	-	-	20,800
1,200,000	-	2,636,790	3,837,027
124,922	-	-	124,922
<u>1,605,557</u>	<u>1,343,263</u>	<u>5,306,962</u>	<u>11,744,816</u>
-	-	35,282	60,096
25,000	-	1,159,669	1,581,473
<u>25,000</u>	<u>-</u>	<u>1,194,951</u>	<u>1,641,569</u>
-	-	374,228	4,862,482
-	-	12,971,106	25,728,242
245,819	-	71,862	19,723,186
7,553,180	7,519,081	937,475	20,892,656
(554,040)	-	(187,071)	6,780,219
<u>7,244,959</u>	<u>7,519,081</u>	<u>14,167,600</u>	<u>77,986,785</u>
<u>\$ 8,875,516</u>	<u>\$ 8,862,344</u>	<u>\$ 20,669,513</u>	<u>\$ 91,373,170</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances—total governmental funds \$ 77,986,785

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 funds.

Capital assets	\$ 779,562,392	
Accumulated depreciation	<u>(205,689,142)</u>	573,873,250

Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Compensated absences	(4,553,485)	
Bonds payable	(69,169,868)	
Net Pension Liability	<u>(37,896,132)</u>	(111,619,485)

Some items related to the issuance of bonds are recognized at the time of issuance in the funds, but are deferred and recognized over the life of the debt in the government-wide statements.

Bond discount/premium, net		(835,914)
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Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred charge on debt refunding	313,015	
Deferred outflows related to pensions	8,159,368	
Deferred inflows related to pensions	<u>(5,560,191)</u>	2,912,192

Internal service funds are used by management to charge the costs of certain activities, including risk management, printing services, and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the Statement of Net Position.

3,843,835

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Intergovernmental	1,331,556	
Property taxes	(30,359)	
Other	<u>249,917</u>	<u>1,551,114</u>

Net position of governmental activities \$ 547,711,777

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, 2015

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
Revenues				
Taxes	\$ 31,242,323	\$ -	\$ 6,718,642	\$ 6,718,653
Licenses and permits	1,061,651	-	-	-
Intergovernmental	19,355,404	4,845,959	-	-
Charges for services	1,145,323	-	-	-
Fines, forfeitures, and penalties	1,403,457	-	-	-
Investment income				
Interest Income	173,150	1,945	69	1,356
Net increase in the fair value of investments	95,274	-	-	-
Contributions	37,817	-	-	-
Miscellaneous	1,208,262	774	-	-
Total revenues	<u>55,722,661</u>	<u>4,848,678</u>	<u>6,718,711</u>	<u>6,720,009</u>
Expenditures				
Current:				
General government	10,534,405	-	4,752	264,096
Public safety	21,875,948	-	-	4,678,070
Highways and streets	-	1,327,776	-	-
Health and welfare	1,551,004	-	-	-
Economic and community development	3,517,753	1,936,603	-	-
Culture and recreation	3,819,878	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	524,868	6,618	-	167,684
Total expenditures	<u>41,823,856</u>	<u>3,270,997</u>	<u>4,752</u>	<u>5,109,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,898,805</u>	<u>1,577,681</u>	<u>6,713,959</u>	<u>1,610,159</u>
Other financing sources (uses)				
Sale of capital assets	500	-	-	-
Transfers in	-	-	-	-
Transfers out	(11,448,760)	(749,630)	(6,350,000)	(262,700)
Total other financing sources (uses)	<u>(11,448,260)</u>	<u>(749,630)</u>	<u>(6,350,000)</u>	<u>(262,700)</u>
Net change in fund balances	2,450,545	828,051	363,959	1,347,459
Fund balances, July 1, 2014	<u>33,874,991</u>	<u>4,152,944</u>	<u>1,351,555</u>	<u>4,685,641</u>
Fund balances, June 30, 2015	<u>\$ 36,325,536</u>	<u>\$ 4,980,995</u>	<u>\$ 1,715,514</u>	<u>\$ 6,033,100</u>

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

Development Fees Fund Fund	Vehicle Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,441,965	\$ 48,121,583
1,200,562	-	270,346	2,532,559
405,000	-	2,455,516	27,061,879
-	-	99,387	1,244,710
-	-	-	1,403,457
6,814	27,031	28,142	238,507
-	873	1,219	97,366
-	-	282,569	320,386
-	-	1,136,134	2,345,170
<u>1,612,376</u>	<u>27,904</u>	<u>7,715,278</u>	<u>83,365,617</u>
-	171	466,320	11,269,744
-	-	1,034,724	27,588,742
2,317,762	-	-	3,645,538
-	-	1,558,806	3,109,810
-	-	37,056	5,491,412
-	-	31,196	3,851,074
-	-	894,655	894,655
-	-	6,324,153	6,324,153
-	-	3,614,285	3,614,285
4,777,729	2,234,601	3,832,785	11,544,285
<u>7,095,491</u>	<u>2,234,772</u>	<u>17,793,980</u>	<u>77,333,698</u>
<u>(5,483,115)</u>	<u>(2,206,868)</u>	<u>(10,078,702)</u>	<u>6,031,919</u>
-	177,936	8,614	187,050
6,454,789	1,376,150	11,654,917	19,485,856
(740,857)	-	(266,069)	(19,818,016)
<u>5,713,932</u>	<u>1,554,086</u>	<u>11,397,462</u>	<u>(145,110)</u>
230,817	(652,782)	1,318,760	5,886,809
<u>7,014,142</u>	<u>8,171,863</u>	<u>12,848,840</u>	<u>72,099,976</u>
<u>\$ 7,244,959</u>	<u>\$ 7,519,081</u>	<u>\$ 14,167,600</u>	<u>\$ 77,986,785</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net change in fund balances—total governmental funds \$ 5,886,809

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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 11,544,285	
Depreciation expense	<u>(14,103,124)</u>	(2,558,839)

The net effect of miscellaneous transactions involving capital assets (e.g., contributions, transfers and disposals) not recorded in governmental funds.		715,461
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City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension contributions	3,693,392	
Pension expense	<u>(3,892,167)</u>	(198,775)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of discounts, premiums, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities.

Principal paid on long-term debt	6,324,153	
Amortization of bond discount/premium	122,525	
Amortization of deferred charge on debt refunding	<u>(92,016)</u>	6,354,662

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 in the Statement of Activities.		551,799
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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.

Compensated absences	(726,481)	
Property taxes	(120,813)	
Intergovernmental revenue	(27,469)	
Other revenue	<u>249,917</u>	<u>(624,846)</u>

Change in net position of governmental activities		<u>\$ 10,126,271</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 29,846,810	\$ 29,846,810	\$ 31,242,323	\$ 1,395,513
Licenses and permits	680,880	680,880	1,061,651	380,771
Intergovernmental	18,938,840	18,938,840	19,355,404	416,564
Charges for services	1,211,540	1,211,560	1,145,323	(66,237)
Fines, forfeitures, and penalties	1,263,500	1,263,500	1,403,457	139,957
Investment income	320,950	320,950	268,424	(52,526)
Contributions	240,170	110,000	37,817	(72,183)
Miscellaneous	731,500	731,480	1,208,262	476,782
Total revenues	<u>53,234,190</u>	<u>53,104,020</u>	<u>55,722,661</u>	<u>2,618,641</u>
Expenditures				
Current:				
General government	15,670,830	15,704,926	10,534,405	5,170,521
Public safety	22,731,280	22,694,537	21,875,948	818,589
Health and welfare	1,805,560	1,805,560	1,551,004	254,556
Economic and community development	5,086,420	4,960,020	3,517,753	1,442,267
Culture and recreation	4,265,750	4,241,134	3,819,878	421,256
Capital outlay	817,000	850,228	524,868	325,360
Total expenditures	<u>50,376,840</u>	<u>50,256,405</u>	<u>41,823,856</u>	<u>8,432,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,857,350</u>	<u>2,847,615</u>	<u>13,898,805</u>	<u>11,051,190</u>
Other financing sources (uses)				
Sale of capital assets	-	-	500	500
Transfers out	(11,448,760)	(11,448,760)	(11,448,760)	-
Total other financing sources (uses)	<u>(11,448,760)</u>	<u>(11,448,760)</u>	<u>(11,448,260)</u>	<u>500</u>
Net change in fund balance	(8,591,410)	(8,601,145)	2,450,545	11,051,690
Fund balance, July 1, 2014	<u>35,996,679</u>	<u>35,996,679</u>	<u>33,874,991</u>	<u>(2,121,688)</u>
Fund balance, June 30, 2015	<u>\$ 27,405,269</u>	<u>\$ 27,395,534</u>	<u>\$ 36,325,536</u>	<u>\$ 8,930,002</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,444,810	\$ 4,444,810	\$ 4,845,959	\$ 401,149
Investment income	1,160	1,160	1,945	785
Miscellaneous	2,010	2,010	774	(1,236)
Total revenues	<u>4,447,980</u>	<u>4,447,980</u>	<u>4,848,678</u>	<u>400,698</u>
Expenditures				
Current:				
Highways and streets	1,713,080	1,719,080	1,327,776	391,304
Economic and community development	2,140,760	2,128,960	1,936,603	192,357
Capital outlay	-	5,800	6,618	(818)
Total expenditures	<u>3,853,840</u>	<u>3,853,840</u>	<u>3,270,997</u>	<u>582,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>594,140</u>	<u>594,140</u>	<u>1,577,681</u>	<u>983,541</u>
Other financing sources (uses)				
Transfers out	(749,630)	(749,630)	(749,630)	-
Total other financing sources (uses)	<u>(749,630)</u>	<u>(749,630)</u>	<u>(749,630)</u>	<u>-</u>
Net change in fund balance	(155,490)	(155,490)	828,051	983,541
Fund balance, July 1, 2014	<u>4,578,407</u>	<u>4,578,407</u>	<u>4,152,944</u>	<u>(425,463)</u>
Fund balance, June 30, 2015	<u>\$ 4,422,917</u>	<u>\$ 4,422,917</u>	<u>\$ 4,980,995</u>	<u>\$ 558,078</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,408,460	\$ 6,408,460	\$ 6,718,642	\$ 310,182
Investment income	50	50	69	19
Total revenues	<u>6,408,510</u>	<u>6,408,510</u>	<u>6,718,711</u>	<u>310,201</u>
Expenditures				
Current:				
General government	4,000	4,000	4,752	(752)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,752</u>	<u>(752)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,404,510</u>	<u>6,404,510</u>	<u>6,713,959</u>	<u>309,449</u>
Other financing sources (uses)				
Transfers out	(6,350,000)	(6,350,000)	(6,350,000)	-
Total other financing sources (uses)	<u>(6,350,000)</u>	<u>(6,350,000)</u>	<u>(6,350,000)</u>	<u>-</u>
Net change in fund balance	54,510	54,510	363,959	309,449
Fund balance, July 1, 2014	<u>1,484,822</u>	<u>1,484,822</u>	<u>1,351,555</u>	<u>(133,267)</u>
Fund balance, June 30, 2015	<u>\$ 1,539,332</u>	<u>\$ 1,539,332</u>	<u>\$ 1,715,514</u>	<u>\$ 176,182</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,408,460	\$ 6,408,460	\$ 6,718,653	\$ 310,193
Investment income	760	760	1,356	596
Total revenues	<u>6,409,220</u>	<u>6,409,220</u>	<u>6,720,009</u>	<u>310,789</u>
Expenditures				
Current:				
General government	751,770	751,770	264,096	487,674
Public safety	5,099,160	5,105,611	4,678,070	427,541
Capital outlay	254,490	238,339	167,684	70,655
Total expenditures	<u>6,105,420</u>	<u>6,095,720</u>	<u>5,109,850</u>	<u>985,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>303,800</u>	<u>313,500</u>	<u>1,610,159</u>	<u>1,296,659</u>
Other financing sources (uses)				
Transfers out	(262,700)	(262,700)	(262,700)	-
Total other financing sources (uses)	<u>(262,700)</u>	<u>(262,700)</u>	<u>(262,700)</u>	<u>-</u>
Net change in fund balance	41,100	50,800	1,347,459	1,296,659
Fund balance, July 1, 2014	<u>4,855,459</u>	<u>4,855,459</u>	<u>4,685,641</u>	<u>(169,818)</u>
Fund balance, June 30, 2015	<u>\$ 4,896,559</u>	<u>\$ 4,906,259</u>	<u>\$ 6,033,100</u>	<u>\$ 1,126,841</u>

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



Proprietary Fund Financial Statements

Major Funds

Water 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 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 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.

Nonmajor Funds

These funds can be found on pages 131-133.

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities—Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,236,103	\$ 5,769,212	\$ 6,383,674	\$ 23,388,989	\$ 2,903,262
Receivables:					
Accounts, net	2,260,965	1,374,118	904,187	4,539,270	-
State and county taxes	116,474	-	-	116,474	-
Interest	38,883	13,246	3,642	55,771	1,821
Inventories	375,604	43,654	86,466	505,724	166,941
Prepaid items	1,723	375	500	2,598	3,740
Restricted assets:					
Customer deposits	2,557,177	-	-	2,557,177	-
Cash with fiscal agents	34,055	571,463	-	605,518	-
Total current assets	<u>16,620,984</u>	<u>7,772,068</u>	<u>7,378,469</u>	<u>31,771,521</u>	<u>3,075,764</u>
Noncurrent assets:					
Restricted cash with fiscal agents	-	149,888	-	149,888	-
Investments	21,441,128	6,176,769	3,994,052	31,611,949	1,997,026
Capital assets:					
Nondepreciable	19,011,860	4,510,044	-	23,521,904	-
Depreciable, net	223,055,061	224,665,029	2,338,039	450,058,129	65,095
Total noncurrent assets	<u>263,508,049</u>	<u>235,501,730</u>	<u>6,332,091</u>	<u>505,341,870</u>	<u>2,062,121</u>
Total assets	<u>280,129,033</u>	<u>243,273,798</u>	<u>13,710,560</u>	<u>537,113,391</u>	<u>5,137,885</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	-	17,929	-	17,929	-
Deferred outflows related to pensions	367,087	228,530	186,258	781,875	91,440
Total deferred outflows of resources	<u>367,087</u>	<u>246,459</u>	<u>186,258</u>	<u>799,804</u>	<u>91,440</u>
LIABILITIES					
Current liabilities:					
Accounts payable	681,238	303,682	1,069,847	2,054,767	151,903
Accrued payroll and employee benefits	31,681	30,109	8,152	69,942	22,032
Accrued liabilities	7,680	78,566	-	86,246	-
Construction contracts payable	62,681	-	-	62,681	-
Sales taxes payable	135,576	388	-	135,964	-
Deposits held in custody for others	2,557,177	-	10,000	2,567,177	-
Claims payable	-	-	-	-	273,073
Due to other funds	656	713	55	1,424	17
Unearned revenues	208,470	-	-	208,470	-
Compensated absences	226,550	126,365	128,722	481,637	53,569
Revenue bonds	33,430	537,792	-	571,222	-
Total current liabilities	<u>3,945,139</u>	<u>1,077,615</u>	<u>1,216,776</u>	<u>6,239,530</u>	<u>500,594</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	368,160
Compensated absences	56,637	31,592	32,181	120,410	13,393
Revenue bonds	162,674	3,486,536	-	3,649,210	-
Net pension liability	3,184,991	1,838,178	1,533,295	6,556,464	769,607
Total noncurrent liabilities	<u>3,404,302</u>	<u>5,356,306</u>	<u>1,565,476</u>	<u>10,326,084</u>	<u>1,151,160</u>
Total liabilities	<u>7,349,441</u>	<u>6,433,921</u>	<u>2,782,252</u>	<u>16,565,614</u>	<u>1,651,754</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	573,619	331,057	276,147	1,180,823	138,606
Total deferred outflows of resources	<u>573,619</u>	<u>331,057</u>	<u>276,147</u>	<u>1,180,823</u>	<u>138,606</u>
NET POSITION					
Net investment in capital assets	241,870,817	225,168,674	2,338,039	469,377,530	65,095
Restricted for:					
Debt service	34,055	721,351	-	755,406	-
Capital projects	5,703,726	788,044	-	6,491,770	-
Unrestricted	24,964,462	10,077,210	8,500,380	43,542,052	3,373,870
Total net position	<u>\$ 272,573,060</u>	<u>\$ 236,755,279</u>	<u>\$ 10,838,419</u>	<u>520,166,758</u>	<u>\$ 3,438,965</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				413,770	
Net position of business-type activities (page 22)				<u>\$ 520,580,528</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, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Sanitation Fund	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 11,527,730	\$ 7,988,157	\$ 5,055,904	\$ 24,571,791	\$ 3,872,662
Miscellaneous	65,079	-	171,556	236,635	2,056
Total operating revenues	<u>11,592,809</u>	<u>7,988,157</u>	<u>5,227,460</u>	<u>24,808,426</u>	<u>3,874,718</u>
Operating expenses:					
Salaries, wages and benefits	2,534,245	1,684,081	1,390,847	5,609,173	645,796
Contractual services, materials and supplies	6,036,832	3,795,597	2,357,515	12,189,944	1,782,904
Insurance claims and expenses	-	-	-	-	990,601
Depreciation and amortization	6,425,698	6,466,747	799,999	13,692,444	70,738
Total operating expenses	<u>14,996,775</u>	<u>11,946,425</u>	<u>4,548,361</u>	<u>31,491,561</u>	<u>3,490,039</u>
Operating income (loss)	<u>(3,403,966)</u>	<u>(3,958,268)</u>	<u>679,099</u>	<u>(6,683,135)</u>	<u>384,679</u>
Nonoperating revenues (expenses):					
Gain on sale of capital assets	4,324	-	20,907	25,231	-
Investment income					
Interest Income	148,629	58,242	13,336	220,207	6,203
Net increase in the fair value of investments	34,146	31,526	697	66,369	348
Interest expense	(4,411)	(118,211)	-	(122,622)	-
Total non-operating revenues (expenses)	<u>182,688</u>	<u>(28,443)</u>	<u>34,940</u>	<u>189,185</u>	<u>6,551</u>
Income (loss) before development fees and transfers	<u>(3,221,278)</u>	<u>(3,986,711)</u>	<u>714,039</u>	<u>(6,493,950)</u>	<u>391,230</u>
Development fees	545,902	738,095	90	1,284,087	-
Transfers in	-	150,000	-	150,000	195,000
Transfers out	-	-	-	-	(12,840)
Change in net position	<u>(2,659,820)</u>	<u>(3,098,616)</u>	<u>714,129</u>	<u>(5,044,307)</u>	<u>573,390</u>
Net position, as restated, July 1, 2014	<u>275,232,880</u>	<u>239,853,895</u>	<u>10,124,290</u>	<u>525,211,065</u>	<u>2,865,575</u>
Net position, June 30, 2015	<u>\$ 272,573,060</u>	<u>\$ 236,755,279</u>	<u>\$ 10,838,419</u>		<u>\$ 3,438,965</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				<u>21,591</u>	
Change in net position of business-type activities (pages 23-24)				<u>\$ (5,022,716)</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, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 11,962,772	\$ 8,043,552	\$ 5,066,167	\$ 25,072,491	\$ 3,872,662
Payments to suppliers	(6,407,091)	(4,508,161)	(1,379,074)	(12,294,326)	(2,743,982)
Payments to employees	(2,484,407)	(1,653,323)	(1,381,609)	(5,519,339)	(644,052)
Miscellaneous	65,079	-	171,556	236,635	2,056
Net cash provided (used) by operating activities	<u>3,136,353</u>	<u>1,882,068</u>	<u>2,477,040</u>	<u>7,495,461</u>	<u>486,684</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	-	309	(3)	306	-
Transfers in	-	150,000	-	150,000	195,000
Transfers out	-	-	-	-	(12,840)
Net cash provided (used) for noncapital financing activities	<u>-</u>	<u>150,309</u>	<u>(3)</u>	<u>150,306</u>	<u>182,160</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(4,351,505)	(2,365,075)	(1,217,115)	(7,933,695)	-
Principal payments on capital debt	(32,772)	(526,134)	-	(558,906)	-
Interest paid on capital debt	(4,855)	(119,758)	-	(124,613)	-
Development fees	545,902	738,095	90	1,284,087	-
Gain on sale of capital assets	-	-	20,907	20,907	-
Net cash provided (used) for capital and related financing activities	<u>(3,843,230)</u>	<u>(2,272,872)</u>	<u>(1,196,118)</u>	<u>(7,312,220)</u>	<u>-</u>
Cash flows from investing activities:					
Purchase of investments	(16,623,617)	(894,217)	(3,993,500)	(21,511,334)	(1,996,750)
Proceeds from sales and maturities of investments	1,502,819	817,336	145	2,320,300	71
Investment income	159,229	91,859	9,694	260,782	4,382
Net cash provided by investing activities	<u>(14,961,569)</u>	<u>14,978</u>	<u>(3,983,661)</u>	<u>(18,930,252)</u>	<u>(1,992,297)</u>
Net increase (decrease) in cash and cash equivalents	(15,668,446)	(225,517)	(2,702,742)	(18,596,705)	(1,323,453)
Cash and cash equivalents, July 1, 2014	29,495,781	6,716,080	9,086,416	45,298,277	4,226,715
Cash and cash equivalents, June 30, 2015	<u>\$ 13,827,335</u>	<u>\$ 6,490,563</u>	<u>\$ 6,383,674</u>	<u>\$ 26,701,572</u>	<u>\$ 2,903,262</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,403,966)	\$ (3,958,268)	\$ 679,099	\$ (6,683,135)	\$ 384,679
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,425,698	6,466,747	799,999	13,692,444	70,738
Pension expense	202,345	116,780	97,410	416,535	48,893
Employer pension contributions	(205,216)	(135,108)	(108,331)	(448,655)	(52,326)
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	259,791	55,395	10,263	325,449	-
(Increase) decrease in inventories	(11,608)	18,974	(16,597)	(9,231)	(11,993)
(Increase) decrease in prepaid items	14,634	12,297	(500)	26,431	(2,940)
Increase (decrease) in accounts payable	(380,474)	(744,223)	995,538	(129,159)	37,396
Increase (decrease) in accrued payroll and employee benefits	8,493	15,187	(5,533)	18,147	(1,702)
Increase (decrease) in accrued liabilities	(517)	-	-	(517)	-
Increase (decrease) in sales taxes payable	7,706	388	-	8,094	-
Increase (decrease) in deposits held in custody for others	216,772	-	-	216,772	-
Increase (decrease) in unearned revenue	(41,521)	-	-	(41,521)	-
Increase (decrease) in compensated absences	44,216	33,899	25,692	103,807	6,879
Increase (decrease) in claims payable	-	-	-	-	7,060
Net cash provided (used) by operating activities	<u>\$ 3,136,353</u>	<u>\$ 1,882,068</u>	<u>\$ 2,477,040</u>	<u>\$ 7,495,461</u>	<u>\$ 486,684</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, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Activities Internal Service Funds
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at June 30, 2015 to statement of net position:					
Cash and cash equivalents	\$ 11,236,103	\$ 5,769,212	\$ 6,383,674	\$ 23,388,989	\$ 2,903,262
Restricted:					
Customer deposits	2,557,177	-	-	2,557,177	-
Cash with fiscal agents	34,055	721,351	-	755,406	-
Total cash and cash equivalents	<u>\$ 13,827,335</u>	<u>\$ 6,490,563</u>	<u>\$ 6,383,674</u>	<u>\$ 26,701,572</u>	<u>\$ 2,903,262</u>
Noncash capital, financing and investing activities:					
Capital contributions	\$ 15,556	\$ -	\$ -	\$ 15,556	\$ -
Amortization of bond premiums, discounts, and deferred loss on refunding	3,162	50,873	-	54,034	-
Amortization of investment premium, net	6,657	7,050	145	13,852	72
Increase in fair value of investments	(34,146)	(31,526)	(697)	(66,369)	(348)

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



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, 2015

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 235,229
Accounts receivable	<u>200</u>
Total assets	<u>235,429</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>235,429</u>
Total net position	<u><u>\$ 235,429</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, 2015

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ADDITIONS	
Investment income	\$ 172
Total additions	<u>172</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net position	(4,628)
Net position, July 1, 2014	<u>240,057</u>
Net position, June 30, 2015	<u><u>\$ 235,429</u></u>

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



FINANCIAL SECTION

Notes to the Financial Statements

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.

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CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The City of Avondale, Arizona (the City) was incorporated in 1946 under the provisions of the Constitution of Arizona and Arizona Revised Statutes (A.R.S.). 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 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 City provides a full range of municipal services including police and fire protection, planning and development, parks and recreation, library, transportation, certain health and social services, and general administration. The City also owns and operates an enterprise whose activities include water, wastewater and sanitation services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

A. Reporting Entity

The accompanying financial statements present the activities of the City (the primary government) and its blended component unit, the City of Avondale Municipal Development Corporation, collectively referred to as "the financial reporting entity". The component unit referred to below has been included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The City has no discretely presented component units.

City of Avondale Municipal Development Corporation (MDC) is a nonprofit corporation that is organized under the laws of the State of Arizona to assist the City with the financing, acquisition, and construction of municipal projects and facilities. The MDC is governed by a board of directors which is responsible for approving the MDC's bonds. The City Council appoints MDC board members and also approves MDC bond sales. Although it is legally separate from the City, the MDC is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and construction of municipal projects and facilities for the City. The MDC does not issue separate 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.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Government-wide Financial Statements: The government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information about the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide focus emphasizes the sustainability of the City and aggregate change in financial position resulting from the activities of the fiscal period.

The Statement of Net Position presents all financial and capital resources of the City, excluding fiduciary funds. 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. Net position is presented in three components—net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds, capital leases, 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 related to the acquisition, construction, or improvement of those assets or related debt also are included in net investment in capital assets. Restricted net position consists of restricted assets with constraints placed on their use externally either by creditors (such as bond covenants), grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position equals that portion of assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, which are not otherwise classified as part of net investment in capital assets or restricted net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Interest on long-term debt is not allocated to various functions in the governmental activities so it is reported separately. Program revenues include 1) charges to customers or users who purchase, use or directly benefit from the goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the City levies or imposes, are reported as general revenues. 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. Net interfund activity and balances between governmental activities and business-type activities are presented in the government-wide financial statements. Certain charges for interfund services provided and used, such as charges between the Enterprise Fund utility segments and various functional activities, were not eliminated if the charges approximated their exchange values. The General Fund charges administrative service fees to other operating funds to support general services used by the other operating funds (e.g., purchasing, accounting and administration). These administrative fees were not eliminated from the government-wide or fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary activities and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All nonmajor governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and detailed in

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

combining statements included as supplementary information after the basic financial statements. Fiduciary funds are aggregated and reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements: The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flows occur. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental Fund Financial Statements: The 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 when they become both measurable and available to finance the City's operations. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The City's principal revenue sources that are susceptible to accrual are sales taxes, property taxes, intergovernmental, and investment income.

City sales taxes collected and held by merchants at year-end on behalf of the City are recognized as revenue. State-shared revenues, including sales and income taxes, highway user and auto lieu taxes, and lottery distributions for transportation assistance, which are collected and held by the State at year-end on behalf of the City, are also recognized as revenue. Licenses and permits, charges for services, fines, forfeitures and penalties, contributions, and miscellaneous revenues are recorded as revenue when received because they are generally not available until actually received. Changes in the fair value of investments are recognized as part of revenue at year end.

In applying the susceptible to accrual concept to intergovernmental revenues, receivables and revenues are recognized when all the applicable eligibility requirements, including time requirements, have been met. Resources received before all eligibility requirements are reported as deferred inflows of resources. Revenue for reimbursement grants is recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met, provided that the available criterion is met.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances and proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements. Therefore, a reconciliation is presented on the page following each governmental fund financial statement that briefly explains the adjustments necessary to transform the governmental fund financial statements into the governmental activities column of the government-wide financial statements.

Proprietary Fund Financial Statements: The financial statements of the proprietary fund are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements described above.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues that result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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

Fiduciary Fund Financial Statements: The City's fiduciary fund, a pension trust fund, is presented in the fund financial statements. The fund accounts for resources that are required to be held in trust for members of the City's volunteer firefighters relief and pension plan. The City excludes this fund from the government-wide financial statements because trust assets are not available to support city programs. The fiduciary financial statements reporting focus is on net position and changes in net position and employ accounting principles similar to proprietary funds.

D. Fund Accounting

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City has elected to present some additional governmental funds as major funds because of community focus. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

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

The *Highway User Revenue Fund* accounts for excise fuel taxes that 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, streets, and transportation projects and services that serve city neighborhoods. The tax was approved by the voters and became effective in July 2001. In September 2008, voters approved the expanded use of tax revenue to include transportation projects and services.

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

The *Development Fees Fund* accounts for developer fees collected to finance growth-related development and construction, bond proceeds, sales tax and grant revenues, and fund transfers that are restricted, committed, or assigned to capital development and maintenance.

The *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.

The City reports the following major proprietary funds:

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

The *Wastewater Fund* accounts for the operation, maintenance, and financing of the City's wastewater system, which ensures the effective operation of the wastewater collection system and the water reclamation facility in compliance with applicable laws and regulations.

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

Additionally, the City reports the following fund types:

The internal service funds account for the operations that provide services to other city departments on a cost-reimbursement basis. The services include risk management (self-insurance), printing services, and fleet management.

The Volunteer Firefighters Relief and Pension Fund accounts for pension benefits of volunteer firefighters not covered under the Public Safety Personnel Retirement System.

E. Budgets and Budgetary Accounting

On June 3, 1980, Arizona voters approved a constitutional amendment prescribing an expenditure limitation for all local governments. This constitutional amendment was enacted to control expenditures and limit future increases in spending adjustments for inflation and population growth. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Prior to April 1st of each year, the State Economic Estimates Commission determines and publishes the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

The constitutional amendment includes 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

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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 following is a brief budgetary overview of the City.

1. The City's fiscal year is established by state law and runs from July 1st through June 30th of each year.
2. Prior to June 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. Public hearings are conducted by the City to obtain citizen comments.
3. On or before the first Monday in August, the budget for the ensuing year is legally adopted through passage of an ordinance. Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, A.R.S., and City Charter. These appropriations lapse at the end of the fiscal year.
4. The City Council formally adopts the budget and legally allocates available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Grants-in-Aid Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds 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.
5. 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.
6. 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, 2015, the original budget was amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.

F. Cash and Investments

For the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agents (trustees), investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

Investment income includes interest and dividend earnings and changes in fair value of applicable investments during the fiscal year. The City maintains pooled cash and investments, except for certain non-pooled investments held by the General Fund, Water Fund, and Wastewater Fund. 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.

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Investments are stated at fair value at year end. Fair value typically is the quoted market price for securities.

G. 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. These assets are restricted to retirement of principal balances, payment of interest, trustee fees associated with the bond issues, and to finance various capital projects. Accordingly, these assets are classified as restricted on the Balance Sheet and Statement of Net Position

H. Inventories

The City accounts for its inventories in the fund and government-wide financial statements using the purchase method. Inventories consist of expendable supplies held for consumption and are recorded as expenditures/expenses at the time of purchase. Amounts on hand at year-end are shown as assets on the Balance Sheet and Statement of Net Position. In the governmental fund financial statements, inventories are shown as nonspendable fund balance to indicate that they do not constitute "available spendable resources". These inventories are stated at cost using the first-in, first-out inventory flow assumption.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund and government-wide financial statements. Prepaid items are recorded as expenditures/expenses when consumed. In the governmental fund financial statements, prepaid items are shown as nonspendable fund balance to indicate that they do not constitute "available spendable resources".

J. Receivables and Payables

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

K. 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 these assets at cost or estimated historical cost if purchased or constructed, estimated fair market value at the date of donation if donated or contributed, and 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. Capital asset are reported in the applicable governmental or business-types activities column of the government-wide financial statements and the proprietary fund financial statements. No capital assets, depreciation, or amortization are presented in the governmental fund financial statements.

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 improved capital assets. Major outlays for capital assets and improvements are capitalized as

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projects are constructed. The City does not capitalize interest costs incurred during the construction of capital assets.

The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems. Capital assets are depreciated or amortized over their estimated useful lives using the straight-line method. The estimated useful lives follow:

	<u>Years</u>
Intangible assets	30-40
Buildings and improvements	40
Improvements other than buildings	20
Water, sewer, and storm drain systems improvements	50
Street systems	20-40
Park facilities and streetscape	20
Machinery and equipment	3-15

L. Deferred Outflows and Inflows of Resources

The Statement of Net Position and Balance Sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future period that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent the acquisition of net position or fund balance that applies to future periods that will be recognized as revenue in future periods.

M. Compensated Absences

Compensated absences payable consist of vacation leave and a calculated amount of sick leave employees earned based on services already rendered. Vacation benefits vest with the employees when it is earned. The amount of sick leave benefits that vest with employees depends on the employee’s number of years of continuous service and accumulated sick leave hours upon terminating employment. Regular full-time employees may accumulate up to 240 hours of vacation and regular full-time fire department employees may accumulate up to 336 hours of vacation. All regular full-time employees may accumulate an unlimited number of sick leave hours.

Upon terminating employment, the City pays employees all unused and unforfeited vacation benefits and at least 33.3 percent (33.3%) of their accumulated sick leave benefits. Employees with 10 years of continuous service receive sick leave benefits equal to 100 percent (100%) of their accumulated sick leave balance up to 250 hours, or 33.3 percent (33.3%) of their total accumulated sick leave hours, whichever is larger. Employees with 20 years of continuous service receive 100 percent (100%) of their accumulated sick leave benefits up to 500 hours, or 33.3 percent (33.3%) of their total accumulated sick leave hours, whichever is larger.

Compensated absences payable are accrued as a liability in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

N. Long-term Obligations

In the fund financial statements, governmental fund types recognize bond issuance proceeds, bond discounts and premiums, and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses, while premiums received on debt issuances are reported as other financing sources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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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 discounts and premiums, prepaid insurance, and deferred charge on debt refunding are deferred and amortized over the life of the bonds using the straight-line method.

O. Pensions

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Transactions between Funds

Transactions that would be treated as revenue or expenditures/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.

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 nonoperating revenues and expenses in proprietary funds.

Q. Fund Balance Classifications

In the governmental fund financial statements, fund balances are reported within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws or regulations.

Committed fund balances are self-imposed limitations that the City Council approved, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on the committed fund balances. Committed fund balances also include resources that have been specifically committed to satisfy contractual requirements.

CITY OF AVONDALE, ARIZONA
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Assigned fund balances are spendable resources constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable resources not reported in other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

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 by 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 the City directly experiences a natural disaster or urgent event that jeopardizes public safety, the federal government and/or the State of Arizona formally declares a disaster or emergency, and 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.
- 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.

**CITY OF AVONDALE, ARIZONA
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- Reduction in assessed property 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*.

R. Resource Flow Assumptions

When an expenditure/expense is incurred that can be paid from either restricted or unrestricted fund balances/net position, the City will use restricted fund balances/net position first. When disbursing unrestricted fund balances, the City will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

S. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations—At June 30, 2015, the City’s expenditures in the following fund exceeded appropriations do to unanticipated costs during the year. This overage did not result in violations of any legal provisions.

Fund	Excess
Dedicated Sales Tax Revenue Fund	\$ 752

Deficit fund balances—At June 30, 2015, the following nonmajor fund reported a deficit in fund balance:

Fund	Deficit
Governmental funds:	
Senior Programs Fund	\$ 14,533

NOTE 3 - CASH AND INVESTMENTS

A.R.S. authorize the City to invest public monies in the State Treasurer’s Local Government Investment Pool, the County Treasurer’s Investment Pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The State Board of Investment provides oversight for the State Treasurer’s Local Government Investment Pool. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares.

CITY OF AVONDALE, ARIZONA
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Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$6,010 at June 30, 2015.

Deposits

Cash in bank—The carrying amount of City’s operating account deposits at June 30, 2015, excluding fiduciary cash, was \$17,602,167 and the bank balance was \$2,073,234. Deposits of \$15,000,000 were held in a sweep account, which purchases investments nightly. The difference between the carrying amount and bank balance was due to deposits held in the sweep account, outstanding checks and deposits, and other reconciling items. The balance was either covered by the Federal Depository Insurance Corporation (FDIC) or collateralized at 101 percent of deposits not covered by FDIC. The City also held \$71,699 of cash deposits in a U.S. Government securities investment account at June 30, 2015. The balance was covered by the Securities Investor Protection Corporation (SIPC).

Restricted cash with fiscal agents—At June 30, 2015, the City had restricted cash with fiscal agents of \$12,426,726. Of this balance, \$3,958,250 was held in reserve funds, and the remaining cash balance of \$8,468,476 was held by fiscal agents for the City’s July 1, 2015, debt service payments. Of the restricted cash with fiscal agents, \$3,608,441 was covered by SIPC and \$8,818,285 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 fiduciary deposits at June 30, 2015, was \$2,059 and the bank balance was \$2,059. The difference between the carrying amount and bank balance was due to outstanding checks. The balance was entirely covered by the FDIC.

Investments

At June 30, 2015, 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.	\$ 3,493,177	\$ -	\$ 3,493,177	Aaa	AA+
Federal Home Loan Bank	9,617,226	-	9,617,226	Aaa	AA+
Federal Home Loan Mortgage Corp.	4,012,592	-	4,012,592	Aaa	AA+
Federal National Mortgage Association	13,139,761	-	13,139,761	Aaa	AA+
US Treasury Note	30,664,020	-	30,664,020		
	60,926,776	-	60,926,776		
Certificates of Deposit	218,528	-	218,528	Unrated	Unrated
Total	61,145,304	\$ -	\$ 61,145,304		
		Maturities in Days			
State Treasurer's Investment Pool 7					
Primary government	51,087,295		84	Unrated	Unrated
Fiduciary activities	233,170		84	Unrated	Unrated
Total	51,320,465				
Repurchase Agreements	15,000,000		Less than 1	Unrated	Unrated
Total investments	\$ 127,465,769				

CITY OF AVONDALE, ARIZONA
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During the year, the fair value of non-pooled investments increased \$162,864. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on these investments held at June 30, 2015, was \$10,612. The calculation of realized gains and losses on 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

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

Deposits—At June 30, 2015, \$8,818,285 of the City's bank balance of \$14,573,719 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—At June 30, 2015, investments consisted of \$60,926,776 invested in obligations issued or guaranteed by the United States, \$218,528 invested in certificates of deposit that were covered by SIPC, \$51,320,465 invested in the State Treasurer's Local Government Investment Pool, which is not subject to custodial credit risk, and \$15,000,000 invested in fully-collateralized, over-night repurchase agreements, pledged at 101 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.

At June 30, 2015, the City's investments included 40.3% invested in the State Treasurer's Local Government Investment Pool, 47.8% in obligations issued or guaranteed by the United States, 11.7% in repurchase agreements, and 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.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. The City’s investment in the State Treasurer’s Local Government Investment Pool, which only invests in obligations issued or guaranteed by the United States, does not carry a credit rating.

NOTE 4 - PROPERTY TAX CALENDAR

The City levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

NOTE 5 - RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water, Wastewater, and Sanitation Funds at June 30, 2015, are \$104,830, \$63,736, and \$40,783, respectively. Uncollectible amounts related to current period revenues of the Water, Wastewater, and Sanitation Funds are \$16,252, \$27,176 and \$20,083, 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, 2015, follows:

Governmental Activities	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 254,841,778	\$ 1,146,837	\$ -	\$ 255,988,615
Construction in progress	16,685,861	7,709,271	(5,059,813)	19,335,319
Total non-depreciable capital assets	<u>271,527,639</u>	<u>8,856,108</u>	<u>(5,059,813)</u>	<u>275,323,934</u>
Depreciable assets:				
Buildings and improvements	75,388,563	-	-	75,388,563
Improvements other than buildings	2,537,436	2,277,866	-	4,815,302
Vehicles, furniture, and equipment	32,335,999	5,498,102	(788,331)	37,045,770
Infrastructure	384,311,081	712,483	-	385,023,564
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	<u>496,538,338</u>	<u>8,488,451</u>	<u>(788,331)</u>	<u>504,238,458</u>
Less accumulated depreciation for:				
Buildings and improvements	20,404,770	2,080,210	-	22,484,980
Improvements other than buildings	321,873	138,428	-	460,301
Vehicles, furniture and equipment	26,460,934	1,624,588	(763,332)	27,322,190
Infrastructure	144,823,540	10,265,127	-	155,088,667
Intangible assets	267,495	65,509	-	333,004
Total accumulated depreciation	<u>192,278,612</u>	<u>14,173,862</u>	<u>(763,332)</u>	<u>205,689,142</u>
Total capital assets being depreciated, net	<u>304,259,726</u>	<u>(5,685,411)</u>	<u>(24,999)</u>	<u>298,549,316</u>
Total governmental activities capital assets, net	<u>\$ 575,787,365</u>	<u>\$ 3,170,697</u>	<u>\$ (5,084,812)</u>	<u>\$ 573,873,250</u>

CITY OF AVONDALE, ARIZONA
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A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2015, follows:

Business-type activities:	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 16,257,756	\$ 15,556	\$ -	\$ 16,273,312
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	3,076,702	5,575,023	(2,926,888)	5,724,837
Total non-depreciable assets	20,858,213	5,590,579	(2,926,888)	23,521,904
Depreciable assets:				
Water system	300,112,327	776,528	-	300,888,855
Sewer system	226,706,448	4,500	(93,753)	226,617,195
Wastewater treatment system	81,877,353	-	-	81,877,353
Vehicles, furniture and equipment	10,975,066	4,497,650	(254,103)	15,218,613
Intangible Assets	2,980,551	-	-	2,980,551
Improvements other than buildings	808,883	-	-	808,883
Total depreciable capital assets	623,460,628	5,278,678	(347,856)	628,391,450
Less accumulated depreciation for:				
Water system	77,941,944	6,077,654	-	84,019,598
Sewer system	64,107,779	5,220,685	-	69,328,464
Wastewater treatment system	14,626,038	1,001,625	-	15,627,663
Vehicles, furniture and equipment	7,790,015	1,317,966	(254,103)	8,853,878
Intangible Assets	223,542	74,514	-	298,056
Improvements other than buildings	205,662	-	-	205,662
Total accumulated depreciation	164,894,980	13,692,444	(254,103)	178,333,321
Total business-type activities capital assets being depreciated, net	458,565,648	(8,413,766)	(93,753)	450,058,129
Total business-type activity capital assets, net	\$ 479,423,861	\$ (2,823,187)	\$ (3,020,641)	\$ 473,580,033

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

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 964,079
Public safety	1,296,009
Highways and streets	10,493,360
Health and welfare	25,611
Economic and community development	74,159
Culture and recreation	1,249,906
Internal services	70,738
Total	\$ 14,173,862
Business-type activities:	
Water	\$ 6,425,698
Wastewater	6,466,747
Sanitation	799,999
Total	\$ 13,692,444

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NOTE 7 - FUND BALANCES

The fund balance classifications of the governmental funds as of June 30, 2015, were as follows:

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund	Development Fees Fund	Vehicle Replacement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:								
Nonspendable:								
Inventory	\$ -	\$ 306,849	\$ -	\$ -	\$ -	\$ -	\$ 13,787	\$ 320,636
Prepaid items	342,255	643	-	39	-	-	360,441	703,378
Due from other funds	3,838,468	-	-	-	-	-	-	3,838,468
Restricted for:								
Transit services	-	-	-	-	-	-	977,138	977,138
Highway and streets	-	4,673,503	-	-	-	-	-	4,673,503
Courts	-	-	-	-	-	-	657,831	657,831
Grant and contributor purposes	-	-	-	-	-	-	914,738	914,738
Public safety	335,058	-	-	6,033,061	-	-	-	6,368,119
Debt service	-	-	-	-	-	-	8,430,380	8,430,380
Capital projects	-	-	-	-	-	-	1,291,443	1,291,443
Water, sewer and street projects	-	-	1,715,514	-	-	-	536,236	2,251,750
Crime victim advocacy	-	-	-	-	-	-	163,340	163,340
Committed to:								
Budgetary stabilization	19,405,505	-	-	-	-	-	-	19,405,505
Capital projects	-	-	-	-	245,819	-	17,415	263,234
Crime victim advocacy	-	-	-	-	-	-	54,447	54,447
Assigned to:								
Vehicle replacement	-	-	-	-	-	7,519,081	-	7,519,081
Equipment replacement	-	-	-	-	-	-	762,199	762,199
Capital projects	-	-	-	-	7,553,180	-	175,276	7,728,456
Other purposes	4,882,920	-	-	-	-	-	-	4,882,920
Unassigned	7,521,330	-	-	-	(554,040)	-	(187,071)	6,780,219
Total fund balances	<u>\$ 36,325,536</u>	<u>\$ 4,980,995</u>	<u>\$ 1,715,514</u>	<u>\$ 6,033,100</u>	<u>\$ 7,244,959</u>	<u>\$ 7,519,081</u>	<u>\$ 14,167,600</u>	<u>\$ 77,986,785</u>

NOTE 8 - PENSION PLANS

The City contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities	Business-Type Activities	Total
Statement of Net Position and Statement of Activities			
Net pension liabilities	\$ 37,896,132	\$ 6,556,464	\$ 44,452,596
Deferred outflows of resources	8,159,368	781,875	8,941,243
Deferred inflows of resources	5,560,191	1,180,823	6,741,014
Pension expense	3,995,883	416,535	4,412,418

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The City’s accrued payroll and employee benefits includes \$125,491 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the City reported \$5,737,741 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan description—City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its web site at www.azasrs.gov.

Benefits provided—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 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 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual

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covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City’s contributions to the pension plan for the year ended June 30, 2015, were \$2,179,252. The City’s contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
<u>Year ended June 30</u>		
2015	\$ 112,720	\$ 22,544
2014	108,616	43,446
2013	107,460	42,984

During fiscal year 2015, the City paid for ASRS pension and OPEB contributions as follows: 64 percent from the General Fund, 22 percent from major funds, and 14 percent from other funds.

Pension liability—At June 30, 2015, the City reported a liability of \$29,600,287 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The City’s proportion of the net pension liability was based on the City’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2014. The City’s proportion measured as of June 30, 2014, was 0.20 percent, which was a decrease of 0.66 percent from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$1,880,527. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,504,373	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,176,176
Changes in proportion and differences between city contributions and proportionate share of contributions	-	154,852
City contributions subsequent to the measurement date	2,043,989	-
Total	<u>\$ 3,548,362</u>	<u>\$ 5,331,028</u>

The \$2,043,989 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

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<u>Year ending June 30</u>	<u>Net Outflow/ (Inflow)</u>
2016	\$ (707,296)
2017	(707,296)
2018	(1,118,020)
2019	(1,294,043)

Actuarial Assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3–6.75%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS	Target	Long-Term
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.02%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	<u>100%</u>	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City’s proportionate share of the ASRS net pension liability to changes in the discount rate—

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	Current		
	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	\$ 37,413,245	\$ 29,600,287	\$ 25,361,365

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—City police and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

City detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for city detention officers and dispatchers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive month of last 20 years	Highest 60 consecutive months of last 20 years

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PSPRS (Concl'd)	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive month of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service

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CORP (Concl'd)	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Benefit percent		
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service or normal retirement, whichever is greater	
Survivor Benefit		
Retired	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	22	7	1
Inactive employees entitled to but not yet receiving benefits	26	3	3
Active employees	110	68	8
Total	158	78	12

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

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	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
Active members—Pension City	17.43%	15.89%	10.02%
Pension	16.53%	14.96%	9.31%
Health insurance premium benefit	0.90%	0.93%	0.71%

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
Pension			
Contributions made	\$ 1,333,666	\$ 753,256	\$ 49,872
Health Insurance Premium Benefit			
Annual OPEB cost	72,613	46,827	3,803
Contributions made	72,613	46,827	3,803

During fiscal year 2015, the City paid for PSPRS and CORP pension and OPEB contributions as follows: 79 percent from the General Fund and 21 percent from other nonmajor funds.

Pension liability—At June 30, 2015, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$ 10,043,348
PSPRS Fire	3,849,520
CORP Detention	356,230

The net pension liabilities (and asset) were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Pension actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

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PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Pension discount rates—The following discount rates were used to measure the total pension liabilities:

	PSPRS	PSPRS	CORP
	Police	Fire	Detention
Discount rates	7.85%	7.85%	7.85%

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability (Asset)

PSPRS—Police	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net	Liability
	(a)	Position	(Asset)
		(b)	(a) - (b)
Balances at June 30, 2014	<u>\$23,374,155</u>	<u>\$ 15,654,815</u>	<u>\$ 7,719,340</u>
Changes for the year:			
Service cost	1,331,141	-	1,331,141
Interest on total pension liability	1,846,508	-	1,846,508
Changes in benefit terms	295,006	-	295,006
Differences between expected and actual experience in the measurement of the pension liability	380,206	-	380,206
Changes in assumptions or other inputs	2,093,103	-	2,093,103
Contributions—employer	-	1,232,188	(1,232,188)
Contributions—employee	-	743,958	(743,958)
Net investment income	-	2,121,707	(2,121,707)
Benefit payments, including refunds of employee contributions	(1,034,663)	(1,034,663)	-
Administrative expense	-	(3,445)	3,445
Other changes	-	(472,452)	472,452
Net changes	<u>4,911,301</u>	<u>2,587,293</u>	<u>2,324,008</u>
Balances at June 30, 2015	<u>\$28,285,456</u>	<u>\$ 18,242,108</u>	<u>\$ 10,043,348</u>

Changes in the Net Pension Liability (Asset)

PSPRS—Fire	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net	Liability
	(a)	Position	(Asset)
		(b)	(a) - (b)
Balances at June 30, 2014	<u>\$ 16,473,952</u>	<u>\$ 13,056,679</u>	<u>\$ 3,417,273</u>
Changes for the year:			
Service cost	837,218	-	837,218
Interest on total pension liability	1,312,216	-	1,312,216
Changes in benefit terms	106,903	-	106,903
Differences between expected and actual experience in the measurement of the pension liability	50,110	-	50,110
Changes in assumptions or other inputs	932,687	-	932,687
Contributions—employer	-	769,757	(769,757)
Contributions—employee	-	506,808	(506,808)
Net investment income	-	1,788,115	(1,788,115)
Benefit payments, including refunds of employee contributions	(352,875)	(352,875)	-
Administrative expense	-	(2,904)	2,904
Other changes	-	(254,889)	254,889
Net changes	<u>2,886,259</u>	<u>2,454,012</u>	<u>432,247</u>
Balances at June 30, 2015	<u>\$ 19,360,211</u>	<u>\$ 15,510,691</u>	<u>\$ 3,849,520</u>

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Changes in the Net Pension Liability (Asset)

CORP–Detention	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,229,186	\$ 860,099	\$ 369,087
Changes for the year:			
Service cost	84,194	-	84,194
Interest on total pension liability	99,341	-	99,341
Changes in benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(55,439)	-	(55,439)
Changes in assumptions or other inputs	49,490	-	49,490
Contributions—employer	-	46,842	(46,842)
Contributions—employee	-	42,178	(42,178)
Net investment income	-	118,520	(118,520)
Benefit payments, including refunds of employee contributions	(11,584)	(11,584)	-
Administrative expense	-	(188)	188
Other changes	-	(16,909)	16,909
Net changes	166,002	178,859	(12,857)
Balances at June 30, 2015	\$ 1,395,188	\$ 1,038,958	\$ 356,230

Sensitivity of the City’s net pension liability (asset) to changes in the discount rate—The following table presents the City’s net pension liabilities (assets) calculated using the discount rates noted above, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS–Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 14,162,469	\$ 10,043,348	\$ 6,669,945
PSPRS–Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 6,668,776	\$ 3,849,520	\$ 1,521,850
CORP–Detention			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 572,749	\$ 356,230	\$ 179,215

Pension plan fiduciary net position—Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

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Pension expense—For the year ended June 30, 2015, the City recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS—Police	\$ 289,294
PSPRS—Fire	(139,237)
CORP—Detention	11,422

Pension deferred outflows/inflows of resources—At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS—Police	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 330,228	\$ -
Changes of assumptions or other inputs	1,817,966	-
Net difference between projected and actual earnings on pension plan investments	-	713,405
City contributions subsequent to the measurement date	<u>1,333,666</u>	<u>-</u>
Total	<u>\$ 3,481,860</u>	<u>\$ 713,405</u>

PSPRS—Fire	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,323	\$ -
Changes of assumptions or other inputs	843,584	-
Net difference between projected and actual earnings on pension plan investments	-	601,238
City contributions subsequent to the measurement date	<u>753,256</u>	<u>-</u>
Total	<u>\$ 1,642,163</u>	<u>\$ 601,238</u>

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CORP–Detention	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 44,248
Changes of assumptions or other inputs	39,500	-
Net difference between projected and actual earnings on pension plan investments	-	39,658
City contributions subsequent to the measurement date	<u>49,872</u>	<u>-</u>
Total	<u>\$ 89,372</u>	<u>\$ 83,906</u>

The amounts reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
2016	\$ 146,764	\$ (56,419)	\$ (11,116)
2017	146,764	(56,419)	(11,116)
2018	146,764	(56,419)	(11,116)
2019	146,764	(56,419)	(11,060)
2020	325,115	93,890	-
Thereafter	522,622	419,455	-

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the City and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

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PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5% for PSPRS and 4.5%–7.75% for CORP
Wage growth	4.5% for PSPRS and CORP

Agent plan OPEB trend information—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Police			
2015	\$ 72,613	100.0 %	\$ -
2014	62,932	100.0	-
2013	70,231	100.0	-
PSPRS Fire			
2015	\$ 46,827	100.0 %	\$ -
2014	36,891	100.0	-
2013	35,922	100.0	-
CORP Detention			
2015	\$ 3,803	100.0 %	\$ -
2014	3,636	100.0	-
2013	3,701	100.0	-

Agent plan OPEB funded status—The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL as a Percent of Covered Payroll [(b)-(a)]/(c)</u>
PSPRS-Police	\$ 625,196	\$ 692,225	\$ 67,029	90.32 %	\$ 7,503,471	0.89 %
PSPRS-Fire	385,511	510,499	124,988	75.52	5,123,434	2.44
CORP-Detention	23,236	51,425	28,189	45.18	474,629	5.94

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

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PSPRS and CORP—OPEB Funded Status

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS’s web site at www.psprs.com.

Benefits provided—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years any age* any years and age if disabled	10 years age 62 5 years age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive month of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service

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EORP (Concl'd)	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other	75% of disability retirement benefit	50% of disability retirement benefit
Inactive Members		

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute a designated portion of certain court fees and 25.13 percent (23.5 percent for retirement and 1.63 percent for health insurance premium benefit) of active EORP members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2015, were \$14,192. The City's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

EORP	Health Insurance Fund
Year ended June 30	
2015	\$ 541
2014	799
2013	1,127

During fiscal year 2015, the City paid for EORP pension and OPEB contributions 100 percent from the General Fund.

Pension liability—At June 30, 2015, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 603,211
State's proportionate share of the EORP net pension liability associated with the City	54,822
Total	<u>\$ 658,033</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the

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plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The City’s proportion of the net pension liability as of June 30, 2013 and 2014, was based on the City’s actual contributions to the plan relative to the total of all participating employers’ actual contributions for the year ended June 30, 2014. The City’s proportion measured as of June 30, 2013 and 2014, was 0.09 percent.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the City recognized pension expense for EORP of \$233,620 and revenue of \$54,822 for the City’s proportionate share of the State’s appropriation to EORP. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,651	\$ -
Changes of assumptions or other inputs	163,243	-
Net difference between projected and actual earnings on pension plan investments	-	11,436
City contributions subsequent to the measurement date	13,591	-
Total	<u>\$ 179,485</u>	<u>\$ 11,436</u>

The \$13,591 reported as deferred outflows of resources related to EORP pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	Net Outflow/ (Inflow)
2016	\$ 92,680
2017	67,496
2018	(2,859)
2019	(2,859)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment Rate of Return	7.85%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

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Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP	Long-Term	
Asset Class	Target Allocation	Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rate—The discount rate used to measure the EORP total pension liability was 5.67 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the City’s proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

EORP	1% Decrease	Current	1% Increase
	(4.67%)	Discount Rate	(6.67%)
	<u> </u>	<u> </u>	<u> </u>
City's proportionate share of the net pension liability	\$ 704,199	\$ 603,211	\$ 517,943

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report

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D. Volunteer Firefighters Relief and Pension Fund

The Fund is a single-employer defined contribution pension plan to provide pension benefits to volunteer firefighters who are not covered under PSPRS, have served 20 years of service, and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3. 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 plan is closed to new members.

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 the remaining 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. As of June 30, 2015, the plan was fully vested and there was one remaining 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, 2014, was \$0 and, therefore, neither the City nor the firefighter made contributions to the plan during the year.

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, 2015, follows:

	Balance July 1, 2014, as Restated	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,820,125	\$ 904,926	\$ 171,566	\$ 4,553,485	\$ 3,642,787
Claims payable	634,173	456,070	449,010	641,233	273,073
Long-term debt					
MDC revenue bonds	36,204,021	-	1,874,153	34,329,868	1,946,834
General obligation bonds	28,560,000	-	2,045,000	26,515,000	1,765,000
Pledged revenue refunding obligations	9,275,000	-	2,045,000	7,230,000	2,350,000
Highway user revenue bonds	1,455,000	-	360,000	1,095,000	375,000
Unamortized premiums and discounts, net	958,439	-	122,525	835,914	117,586
Net pension liability	38,671,700	8,354,710	9,130,278	37,896,132	
Total	<u>\$ 119,578,458</u>	<u>\$ 9,715,706</u>	<u>\$ 16,197,532</u>	<u>\$ 113,096,632</u>	<u>\$ 10,470,280</u>

The internal service funds primarily provide services to the governmental funds. Accordingly, their long-term liabilities are reported with governmental activities in the Statement of Net Position. At fiscal year-end, internal service funds compensated absences of \$66,692, risk management claims payable of \$641,233, and \$769,607 of net pension liability are included in the above liabilities.

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Compensated Absences—Compensated absences payable are paid from various funds in the same proportion that those funds pay payroll and employee benefit costs. During the year ended June 30, 2015, the City primarily paid for compensated absences from the General Fund.

MDC Revenue Bonds—These bonds were issued for the purpose of constructing capital assets and related improvements. The 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, 2015</u>
2005 series bonds (88% of total)	3.00 - 4.00%	2020	\$ 9,459,868
2006 series bonds	4.00 - 5.00%	2027	13,095,000
2008 series bonds	4.00 - 5.00%	2029	11,775,000
			<u>\$ 34,329,868</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>
2016	\$ 1,946,834	\$ 1,475,521
2017	3,350,667	1,339,320
2018	3,468,713	1,191,471
2019	3,614,441	1,042,119
2020	3,786,692	876,951
2021-2025	11,272,521	2,743,125
2026-2030	6,890,000	394,000
Total	<u>\$ 34,329,868</u>	<u>\$ 9,062,507</u>

Refunded MDC Revenue Bonds—In prior years, the City defeased \$6,395,000 of MDC revenue bonds, series 2004, by issuing pledged revenue refunding obligations and placing the proceeds from the obligations and city funds in an irrevocable trust to provide for all future debt service on the refunded bonds. During the year, the trustee called and retired the \$6,395,000 of outstanding MDC revenue bonds, series 2004.

Pledged Revenue Refunding Obligations—These obligations were issued to refund 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,</u>
2013 series bonds	2.00 - 4.00%	2020	\$ 7,230,000
			<u>\$ 7,230,000</u>

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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>
2016	\$ 2,350,000	\$ 147,950
2017	920,000	129,550
2018	935,000	101,500
2019	975,000	82,000
2020	1,005,000	41,800
2021-2025	1,045,000	-
Total	<u>\$ 7,230,000</u>	<u>\$ 502,800</u>

General Obligation Bonds—These bonds are issued for the purpose of constructing capital assets and related improvements. The 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, 2015</u>
2005 series bonds	3.00 - 5.00%	2016	\$ 1,195,000
2006 series bonds	3.75 - 4.00%	2018	635,000
2009 series bonds	2.75 - 7.80%	2034	23,195,000
2010 series bonds	2.75 - 3.25%	2018	1,490,000
			<u>\$ 26,515,000</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>
2016	\$ 1,765,000	\$ 1,739,785
2017	2,060,000	1,641,743
2018	1,400,000	1,574,438
2019	1,215,000	1,511,850
2020	860,000	1,458,530
2021-2025	4,350,000	6,452,517
2026-2030	6,155,000	4,423,380
2031-2035	8,710,000	1,452,750
Total	<u>\$ 26,515,000</u>	<u>\$ 20,254,993</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, 2015</u>
2005 series bonds	3.00 - 3.875%	2017	\$ 1,095,000
			<u>\$ 1,095,000</u>

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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>
2016	\$ 375,000	\$ 27,900
2017	390,000	12,788
2018	330,000	-
Total	<u>\$ 1,095,000</u>	<u>\$ 40,688</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, 2015, follows:

	<u>Balance July 1, 2014 as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 498,240	\$ 129,340	\$ 25,533	\$ 602,047	\$ 481,637
Long-term debt					
MDC revenue bonds	1,300,975	-	60,850	1,240,125	63,166
Water and sewer revenue	3,190,000	-	450,000	2,740,000	460,000
Unamortized premiums and discounts, net	288,363	-	48,056	240,307	48,056
Net pension liability	7,414,921	749,755	1,608,212	6,556,464	
Total	<u>\$ 12,692,499</u>	<u>\$ 879,095</u>	<u>\$ 2,192,651</u>	<u>\$ 11,378,943</u>	<u>\$ 1,052,859</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2015</u>
2010 series obligations	3.00 - 5.00%	2020	\$ 2,740,000
			<u>\$ 2,740,000</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>
2016	\$ 460,000	\$ 101,300
2017	475,000	82,300
2018	495,000	57,550
2019	515,000	31,800
2020	390,000	16,200
2021-2025	405,000	-
Total	<u>\$ 2,740,000</u>	<u>\$ 289,150</u>

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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.

<u>Issue</u>	<u>Interest</u>	<u>Maturity</u>	Outstanding Principal June 30, 2015
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	\$ 1,240,125
			<u>\$ 1,240,125</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 63,166	\$ 47,079
2017	239,334	37,505
2018	246,288	27,654
2019	255,560	17,431
2020	268,309	6,699
2021-2025	167,468	-
Total	<u>\$ 1,240,125</u>	<u>\$ 136,368</u>

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

<u>Payable to</u>	<u>Payable From</u>			<u>Total</u>	
	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund		Other Governmental Funds
General Fund	\$ 1,200,000	\$ 1,636,583	\$ 962,396	\$ 39,489	\$ 3,838,468

About \$2.6 million of the \$3.8 million General Fund interfund receivable is due to temporary borrowing by the General Obligation Bonds Fund and Dedicated Sales Tax Revenue Bonds Fund to offset temporary cash deficit positions at June 30, 2015. Another \$1.2 million is due to temporary borrowing by the Development Fees Fund to pay debt service on debt-financed capital projects where development fees have been pledged to repay the debt, but where insufficient development fees have been collected to service the debt. All other interfund receivables and payables were routine in nature.

Interfund activity for the year ended June 30, 2015, primarily consisted of the following transfers:

General Fund transfers included \$5.7 million to the Development Fees Fund to finance various street construction projects, police radio system upgrade project, and city park enhancements and improvement projects; \$2.9 million to the Other Capital Projects Fund to finance biking and pedestrian facilities improvement projects; \$1.5 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment; and \$0.4 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 and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles.

Dedicated Sales Tax Revenue Fund transfers included \$5.5 million to debt service funds to service debt, \$0.5 million to the Development Fees Fund to finance various street construction projects, \$0.2 million to the Transit

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Fund to finance Transit Center land improvements, and about \$0.2 million to the Wastewater Fund to finance citywide sewer improvements.

Public Safety Sales Tax Revenue Fund transfers included about \$0.3 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment.

Development Fees Fund transfers included \$5.7 million from the General Fund and about \$0.7 million from other governmental funds to finance various capital projects including citywide street milling and overlay and other preventive street maintenance, street intersection improvements; upgrades to the Police Department radio system; and enhancements to the City’s Friendship Park and Festival Fields. About \$0.4 million was transferred to the Other Capital Projects Fund to finance street drainage projects and \$0.3 million was transferred to debt service funds to service debt.

Vehicle Replacement Fund transfers included about \$1.4 million to accumulate reserves for the future replacement of city vehicles.

Nonmajor Governmental Fund transfers included about \$6.6 million from the General Fund, Highway User Revenue Fund, and Development Fees Fund for debt service; \$3.5 million from the General Fund and Development Fees Fund to finance various capital projects; and \$0.8 million from other governmental funds for equipment replacement. About \$0.2 million was transferred to the Development Fees Fund to finance street and sidewalk 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, 2015, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ (11,448,760)
Highway User Revenue Fund	-	(749,630)
Dedicated Sales Tax Revenue Fund	-	(6,350,000)
Public Safety Sales Tax Revenue Fund	-	(262,700)
Development Fees Fund	6,454,789	(740,857)
Vehicle Replacement Fund	1,376,150	-
Nonmajor Governmental Funds	11,654,917	(266,069)
Total governmental funds	<u>19,485,856</u>	<u>(19,818,016)</u>
Enterprise funds:		
Wastewater Utility Fund	<u>150,000</u>	-
Total enterprise funds	<u>150,000</u>	-
Internal service funds:	<u>195,000</u>	<u>(12,840)</u>
Grand total	<u>\$ 19,830,856</u>	<u>\$ (19,830,856)</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.

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

the Arizona Municipal Workers' Compensation Pool (the Pool). The City retains all risks not covered by commercial carriers and the Pool 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, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance at July 1	\$634,173	\$737,915
Current year claims and changes in estimates (includes IBNR)	456,070	777,392
Claim payments	<u>449,010</u>	<u>881,134</u>
Ending balance at June 30	<u>\$641,233</u>	<u>\$634,173</u>

NOTE 13 - CONTINGENT LIABILITIES

Lawsuits—The City is a defendant in a number of lawsuits as of June 30, 2015. It is the opinion of city management that the amount of losses resulting from this litigation at June 30, 2015, if any, would not be material to the financial position of the City.

Federal and State Grants—The City received grants from both the federal and state governments during the year end June 30, 2015. Some programs have been audited as of June 30, 2015. The City expects no material disallowance of expenditures.

NOTE 14 – CONSTRUCTION AND OTHER COMMITMENTS

The City had contractual commitments related to various capital projects at June 30, 2015. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The project categories and remaining commitments at June 30, 2015, were as follows.

	<u>Balance</u>
Street construction and improvements	\$ 263,233
Sewer system construction and improvements	7,186
Water system construction and improvements	<u>363,403</u>
Total	<u>\$ 633,822</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 - OPERATING LEASES

The City jointly operates and funds 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 SWAC office space under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease were \$300,657 for the year ended June 30, 2015. The following future minimum payments were required under the operating lease at June 30, 2015.

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 306,972
2017	315,813
2018	322,128
2019	214,752
Total	<u>\$ 1,159,665</u>

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
			<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	
Net Position as previously reported at June 30, 2014	\$ 572,687,119	\$ 532,590,776	\$ 278,627,274	\$ 241,812,928	\$ 11,758,395	\$ 3,685,781
Prior period adjustment— implementation of GASB 68:						
Net pension liability— measurement date as of June 30, 2013	38,671,700	7,414,921	3,602,011	2,078,856	1,734,054	870,374
Deferred outflows— city contributions made during fiscal year 2014	<u>3,570,087</u>	<u>427,389</u>	<u>207,617</u>	<u>119,823</u>	<u>99,949</u>	<u>50,168</u>
Total prior period adjustment	<u>(35,101,613)</u>	<u>(6,987,532)</u>	<u>(3,394,394)</u>	<u>(1,959,033)</u>	<u>(1,634,105)</u>	<u>(820,206)</u>
Net position as restated, July 1, 2014	<u>\$ 537,585,506</u>	<u>\$ 525,603,244</u>	<u>\$ 275,232,880</u>	<u>\$ 239,853,895</u>	<u>\$ 10,124,290</u>	<u>\$ 2,865,575</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY —
COST-SHARING PENSION PLANS
JUNE 30, 2015**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
City's proportion of the net pension liability	\$ 29,600,287	Information not available
City's proportionate share of the net pension liability	0.20%	Information not available
City's covered-employee payroll	\$ 17,973,502	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.69%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
City's proportion of the net pension liability	\$ 603,211	Information not available
City's proportionate share of the net pension liability	0.09%	Information not available
City's covered-employee payroll	\$ 63,424	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	951.08%	
Plan fiduciary net position as a percentage of the total pension liability	31.91%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS —
AGENT PENSION PLANS
JUNE 30, 2015

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Public Safety Personnel Retirement System— City of Avondale Police Department		
Total pension liability		
Service cost	\$ 1,331,141	Information
Interest on the total pension liability	1,846,508	not available
Changes of benefit terms	295,006	
Differences between expected and actual experience in the measurement of the pension liability	380,206	
Changes of assumptions or other inputs	2,093,103	
Benefit payments, including refunds of employee contributions	(1,034,663)	
Net change in total pension liability	<u>4,911,301</u>	
Total pension liability—beginning	23,374,155	
Total pension liability—ending (a)	<u><u>\$ 28,285,456</u></u>	
 Plan fiduciary net position		
Contributions—employer	\$ 1,232,188	
Contributions—employee	743,958	
Net investment income	2,121,707	
Benefit payments, including refunds of employee contributions	(1,034,663)	
Administrative expense	(3,445)	
Other changes	(472,452)	
Net change in plan fiduciary net position	<u>2,587,293</u>	
Plan fiduciary net position—beginning	15,654,815	
Plan fiduciary net position—ending (b)	<u><u>\$ 18,242,108</u></u>	
 City's net pension liability (asset)—ending (a) – (b)	<u><u>\$ 10,043,348</u></u>	
 Plan fiduciary net position as a percentage of the total pension liability	64.49%	
 Covered-employee payroll	\$ 7,503,472	
 City's net pension liability (asset) as a percentage of covered- employee payroll	133.85%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS —
AGENT PENSION PLANS
JUNE 30, 2015

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Public Safety Personnel Retirement System— City of Avondale Fire Department		
Total pension liability		
Service cost	\$ 837,218	Information
Interest on the total pension liability	1,312,216	not available
Changes of benefit terms	106,903	
Differences between expected and actual experience in the measurement of the pension liability	50,110	
Changes of assumptions or other inputs	932,687	
Benefit payments, including refunds of employee contributions	(352,875)	
Net change in total pension liability	<u>2,886,259</u>	
Total pension liability—beginning	16,473,952	
Total pension liability—ending (a)	<u><u>\$ 19,360,211</u></u>	
Plan fiduciary net position		
Contributions—employer	\$ 769,757	
Contributions—employee	506,808	
Net investment income	1,788,115	
Benefit payments, including refunds of employee contributions	(352,875)	
Administrative expense	(2,904)	
Other changes	(254,889)	
Net change in plan fiduciary net position	<u>2,454,012</u>	
Plan fiduciary net position—beginning	13,056,679	
Plan fiduciary net position—ending (b)	<u><u>\$ 15,510,691</u></u>	
City's net pension liability (asset)—ending (a) – (b)	<u><u>\$ 3,849,520</u></u>	
Plan fiduciary net position as a percentage of the total pension liability	80.12%	
Covered-employee payroll	\$ 5,123,433	
City's net pension liability (asset) as a percentage of covered-employee payroll	75.14%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS —
AGENT PENSION PLANS
JUNE 30, 2015

	Reporting Fiscal Year	
	(Measurement Date)	
	2015	2014
	(2014)	through
		2006
Corrections Officer Retirement Plan—		
City of Avondale Detention		
Total pension liability		
Service cost	\$ 84,194	Information
Interest on the total pension liability	99,341	not available
Changes of benefit terms	-	
Differences between expected and actual experience in the measurement of the pension liability	(55,439)	
Changes of assumptions or other inputs	49,490	
Benefit payments, including refunds of employee contributions	(11,584)	
Net change in total pension liability	<u>166,002</u>	
Total pension liability—beginning	1,229,186	
Total pension liability—ending (a)	<u>\$ 1,395,188</u>	
Plan fiduciary net position		
Contributions—employer	\$ 46,842	
Contributions—employee	42,178	
Net investment income	118,520	
Benefit payments, including refunds of employee contributions	(11,584)	
Administrative expense	(188)	
Other changes	(16,909)	
Net change in plan fiduciary net position	<u>178,859</u>	
Plan fiduciary net position—beginning	860,099	
Plan fiduciary net position—ending (b)	<u>\$ 1,038,958</u>	
City's net pension liability (asset)—ending (a) – (b)	<u>\$ 356,230</u>	
Plan fiduciary net position as a percentage of the total pension liability	74.47%	
Covered-employee payroll	\$ 474,630	
City's net pension liability (asset) as a percentage of covered-employee payroll	75.05%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
JUNE 30, 2015**

Arizona State Retirement System

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 1,923,165	\$ 1,833,839	Information not available
City's contributions in relation to the statutorily required contribution	1,936,988	1,844,726	
City's contribution deficiency (excess)	<u>\$ (13,823)</u>	<u>\$ (10,887)</u>	
City's covered-employee payroll	<u>\$ 17,973,502</u>	<u>\$ 17,804,263</u>	
City's contributions as a percentage of covered- employee payroll	10.78%	10.36%	

**Public Safety Personnel Retirement System—
City of Avondale Police Department**

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 1,151,306	\$ 1,052,105	Information not available
City's contributions in relation to the statutorily required contribution	1,245,038	1,140,968	
City's contribution deficiency (excess)	<u>\$ (93,732)</u>	<u>\$ (88,863)</u>	
City's covered-employee payroll	<u>\$ 7,080,605</u>	<u>\$ 6,757,256</u>	
City's contributions as a percentage of covered- employee payroll	17.58%	16.89%	

**Public Safety Personnel Retirement System—
City of Avondale Fire Department**

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 653,652	\$ 595,110	Information not available
City's contributions in relation to the statutorily required contribution	663,455	597,254	
City's contribution deficiency (excess)	<u>\$ (9,803)</u>	<u>\$ (2,144)</u>	
City's covered-employee payroll	<u>\$ 4,655,641</u>	<u>\$ 4,296,826</u>	
City's contributions as a percentage of covered- employee payroll	14.25%	13.90%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 JUNE 30, 2015**

**Corrections Officer Retirement Plan—
 City of Avondale Detention**

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 46,842	\$ 43,450	Information not available
City's contributions in relation to the statutorily required contribution	47,086	43,761	
City's contribution deficiency (excess)	<u>\$ (244)</u>	<u>\$ (311)</u>	
City's covered-employee payroll	\$ 501,525	\$ 550,696	
City's contributions as a percentage of covered- employee payroll	9.39%	7.95%	

Elected Officials Retirement Plan

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 24,139	\$ 21,569	Information not available
City's contributions in relation to the statutorily required contribution	19,482	21,684	
City's contribution deficiency (excess)	<u>\$ 4,657</u>	<u>\$ (115)</u>	
City's covered-employee payroll	\$ 63,424	\$ 62,267	
City's contributions as a percentage of covered- employee payroll	30.72%	34.82%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION PLAN SCHEDULES
 JUNE 30, 2015**

NOTE 1 - ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2015**

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
PSPRS Police						
June 30, 2014	\$ 625,196	\$ 692,225	\$ 67,029	90.32 %	\$ 7,503,471	0.89 %
June 30, 2013	-	665,831	665,831	0.00	7,009,002	9.50
June 30, 2012	-	656,898	656,898	0.00	6,657,158	9.87
PSPRS Fire						
June 30, 2014	\$ 385,511	\$ 510,499	\$ 124,988	75.52 %	\$ 5,123,434	2.44 %
June 30, 2013	-	467,137	467,137	0.00	4,255,000	10.98
June 30, 2012	-	446,457	446,457	0.00	3,875,467	11.52
CORP Detention						
June 30, 2014	\$ 23,236	\$ 51,425	\$ 28,189	45.18 %	\$ 529,057	5.33 %
June 30, 2013	-	50,091	50,091	0.00	584,392	8.57
June 30, 2012	-	44,973	44,973	0.00	513,216	8.76

See accompanying notes to schedule of agent OPEB plans' funding progress.

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF AGENT PLANS' FUNDING PROGRESS
JUNE 30, 2015**

NOTE 1 - FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 1,616,780	\$ 1,616,780	\$ 1,200,562	\$ (416,218)
Intergovernmental	4,700,000	4,700,000	405,000	(4,295,000)
Investment income	16,600	16,600	6,814	(9,786)
Total revenues	<u>6,333,380</u>	<u>6,333,380</u>	<u>1,612,376</u>	<u>(4,721,004)</u>
Expenditures				
Current:				
Public safety	-	91,700	-	91,700
Highways and streets	-	-	2,317,762	(2,317,762)
Capital outlay	19,519,060	19,627,360	4,777,729	14,849,631
Total expenditures	<u>19,519,060</u>	<u>19,719,060</u>	<u>7,095,491</u>	<u>12,623,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,185,680)</u>	<u>(13,385,680)</u>	<u>(5,483,115)</u>	<u>(17,344,573)</u>
Other financing sources (uses)				
Transfers in	6,525,000	6,525,000	6,454,789	(70,211)
Transfers out	(302,000)	(302,000)	(740,857)	(438,857)
Total other financing sources (uses)	<u>6,223,000</u>	<u>6,223,000</u>	<u>5,713,932</u>	<u>(509,068)</u>
Net change in fund balance	(6,962,680)	(7,162,680)	230,817	7,393,497
Fund balance, July 1, 2014	<u>9,127,151</u>	<u>9,127,151</u>	<u>7,014,142</u>	<u>(2,113,009)</u>
Fund balance, June 30, 2015	<u>\$ 2,164,471</u>	<u>\$ 1,964,471</u>	<u>\$ 7,244,959</u>	<u>\$ 5,280,488</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 6,800	\$ 6,800	\$ 27,904	\$ 21,104
Total revenues	<u>6,800</u>	<u>6,800</u>	<u>27,904</u>	<u>21,104</u>
Expenditures				
Current:				
General government	-	-	171	(171)
Capital outlay	2,605,000	2,605,000	2,234,601	370,399
Total expenditures	<u>2,605,000</u>	<u>2,605,000</u>	<u>2,234,772</u>	<u>370,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,598,200)</u>	<u>(2,598,200)</u>	<u>(2,206,868)</u>	<u>391,332</u>
Other financing sources (uses)				
Sale of capital assets	-	-	177,936	177,936
Transfers in	1,376,150	1,376,150	1,376,150	-
Total other financing sources (uses)	<u>1,376,150</u>	<u>1,376,150</u>	<u>1,554,086</u>	<u>177,936</u>
Net change in fund balance	(1,222,050)	(1,222,050)	(652,782)	569,268
Fund balance, July 1, 2014	<u>9,469,297</u>	<u>9,469,297</u>	<u>8,171,863</u>	<u>(1,297,434)</u>
Fund balance, June 30, 2015	<u>\$ 8,247,247</u>	<u>\$ 8,247,247</u>	<u>\$ 7,519,081</u>	<u>\$ (728,166)</u>



SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds Combining Financial Statements

Special Revenue Funds

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

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

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

Grants-in-Aid Fund accounts for grant funding and private donations and contributions for specific purposes not accounted for in other special revenue funds.

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

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

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.

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.

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 taxes to make the required debt services 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
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	Special Revenue Funds			
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement	Grants-In-Aid
ASSETS				
Cash and cash equivalents	\$ 1,040,104	\$ -	\$ 659,723	\$ 971,420
Receivables:				
Taxes	-	-	-	-
Accounts	-	53,680	-	86,224
Interest	-	-	-	-
Due from other governments	297,217	-	-	909,764
Inventories	13,787	-	-	-
Prepaid items	-	-	-	-
Restricted cash with fiscal agents	-	-	-	-
Total assets	\$ 1,351,108	\$ 53,680	\$ 659,723	\$ 1,967,408
LIABILITIES				
Accounts payable	\$ 56,497	\$ 9,939	\$ 1,892	\$ 178,426
Accrued payroll and employee benefits	1,805	3,589	-	3,964
Accrued liabilities	-	-	-	-
Construction contracts payable	-	-	-	29,366
Due to other funds	-	25,306	-	12,505
Total liabilities	58,302	38,834	1,892	224,261
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other	301,881	29,379	-	828,409
Total deferred inflows of resources	301,881	29,379	-	828,409
FUND BALANCES				
Nonspendable	13,787	-	-	-
Restricted	977,138	-	657,831	914,738
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(14,533)	-	-
Total fund balances (deficits)	990,925	(14,533)	657,831	914,738
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,351,108	\$ 53,680	\$ 659,723	\$ 1,967,408

(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Equipment Replacement	Other Capital Projects
(continuation)				
ASSETS				
Cash and cash equivalents	\$ 114,339	\$ 496,989	\$ 790,241	\$ 2,040,289
Receivables:				
Taxes	-	-	-	-
Accounts	-	41,640	-	6,689
Interest	-	-	-	-
Due from other governments	113,881	-	-	-
Inventories	-	-	-	-
Prepaid items	5,120	321	-	-
Restricted cash with fiscal agents	-	-	-	-
Total assets	\$ 233,340	\$ 538,950	\$ 790,241	\$ 2,046,978
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 1,535	\$ 16	\$ 28,042	\$ 378,075
Accrued payroll and employee benefits	8,898	2,377	-	-
Accrued liabilities	-	-	-	-
Construction contracts payable	-	-	-	184,769
Due to other funds	-	-	-	-
Total liabilities	10,433	2,393	28,042	562,844
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Nonspendable	5,120	321	-	-
Restricted	163,340	536,236	-	1,291,443
Committed	54,447	-	-	17,415
Assigned	-	-	762,199	175,276
Unassigned	-	-	-	-
Total fund balances (deficits)	222,907	536,557	762,199	1,484,134
Total liabilities, deferred inflows of resources, and fund balances	\$ 233,340	\$ 538,950	\$ 790,241	\$ 2,046,978

Debt Service Funds

General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds	Other Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ 100,599	\$ -	\$ 810,270	\$ 7,023,974
89,327	-	-	-	89,327
-	-	-	-	188,233
-	-	1,569	-	1,569
-	-	-	-	1,320,862
-	-	-	-	13,787
355,000	-	-	-	360,441
2,294,786	395,981	8,579,133	401,420	11,671,320
<u>\$ 2,739,113</u>	<u>\$ 496,580</u>	<u>\$ 8,580,702</u>	<u>\$ 1,211,690</u>	<u>\$ 20,669,513</u>
\$ -	\$ -	\$ -	\$ -	\$ 654,422
-	-	-	-	20,633
884,786	20,981	833,358	41,857	1,780,982
-	-	-	-	214,135
1,636,583	-	962,396	-	2,636,790
<u>2,521,369</u>	<u>20,981</u>	<u>1,795,754</u>	<u>41,857</u>	<u>5,306,962</u>
35,282	-	-	-	35,282
-	-	-	-	1,159,669
<u>35,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,951</u>
355,000	-	-	-	374,228
-	475,599	6,784,948	1,169,833	12,971,106
-	-	-	-	71,862
-	-	-	-	937,475
(172,538)	-	-	-	(187,071)
<u>182,462</u>	<u>475,599</u>	<u>6,784,948</u>	<u>1,169,833</u>	<u>14,167,600</u>
<u>\$ 2,739,113</u>	<u>\$ 496,580</u>	<u>\$ 8,580,702</u>	<u>\$ 1,211,690</u>	<u>\$ 20,669,513</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement	Grants-In-Aid Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	288,327	288,185	-	1,151,784
Charges for services	-	-	99,387	-
Investment income				
Interest Income	1,167	100	222	70
Net increase in the fair value of investments	-	-	-	-
Contributions	-	21,851	-	180,098
Miscellaneous	22,151	-	-	565,357
Total revenue	<u>311,645</u>	<u>310,136</u>	<u>99,609</u>	<u>1,897,309</u>
Expenditures				
Current:				
General government	-	-	77,957	23,377
Public safety	-	-	-	152,989
Health and welfare	-	409,189	-	1,003,077
Economic and community development	-	-	-	37,056
Culture and recreation	-	-	-	31,196
Transportation	894,655	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	213,621	-	-	103,694
Total expenditures	<u>1,108,276</u>	<u>409,189</u>	<u>77,957</u>	<u>1,351,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(796,631)</u>	<u>(99,053)</u>	<u>21,652</u>	<u>545,920</u>
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers in	640,510	-	-	85,200
Transfers out	(870)	-	-	(230,659)
Total other financing sources (uses)	<u>639,640</u>	<u>-</u>	<u>-</u>	<u>(145,459)</u>
Net change in fund balances	(156,991)	(99,053)	21,652	400,461
Fund balances, July 1, 2014	<u>1,147,916</u>	<u>84,520</u>	<u>636,179</u>	<u>514,277</u>
Fund balances, June 30, 2015	<u>\$ 990,925</u>	<u>\$ (14,533)</u>	<u>\$ 657,831</u>	<u>\$ 914,738</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, 2015

(continuation)	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Equipment Replacement	Other Capital Projects
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	270,346	-	-
Intergovernmental	703,645	-	-	23,575
Charges for services	-	-	-	-
Investment income				
Interest Income	6	28	266	572
Net increase in the fair value of investments	-	-	-	-
Contributions	42,563	-	-	38,057
Miscellaneous	-	-	-	-
Total revenue	<u>746,214</u>	<u>270,374</u>	<u>266</u>	<u>62,204</u>
Expenditures				
Current:				
General government	-	-	339,986	25,000
Public safety	881,735	-	-	-
Health and welfare	-	146,540	-	-
Economic and community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	343,354	3,172,116
Total expenditures	<u>881,735</u>	<u>146,540</u>	<u>683,340</u>	<u>3,197,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(135,521)</u>	<u>123,834</u>	<u>(683,074)</u>	<u>(3,134,912)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	8,614	-
Transfers in	215,800	-	772,550	3,338,857
Transfers out	(33,270)	(1,270)	-	-
Total other financing sources (uses)	<u>182,530</u>	<u>(1,270)</u>	<u>781,164</u>	<u>3,338,857</u>
Net change in fund balances	47,009	122,564	98,090	203,945
Fund balances, July 1, 2014	<u>175,898</u>	<u>413,993</u>	<u>664,109</u>	<u>1,280,189</u>
Fund balances, June 30, 2015	<u>\$ 222,907</u>	<u>\$ 536,557</u>	<u>\$ 762,199</u>	<u>\$ 1,484,134</u>

Debt Service Funds

General Obligation Bonds Fund	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds Fund	Other Debt Service	Total Non-Major Governmental Funds
\$ 3,441,965	\$ -	\$ -	\$ -	\$ 3,441,965
-	-	-	-	270,346
-	-	-	-	2,455,516
-	-	-	-	99,387
-	80	23,955	1,676	28,142
1,219	-	-	-	1,219
-	-	-	-	282,569
548,626	-	-	-	1,136,134
<u>3,991,810</u>	<u>80</u>	<u>23,955</u>	<u>1,676</u>	<u>7,715,278</u>
-	-	-	-	466,320
-	-	-	-	1,034,724
-	-	-	-	1,558,806
-	-	-	-	37,056
-	-	-	-	31,196
-	-	-	-	894,655
2,045,000	360,000	3,816,463	102,690	6,324,153
1,816,973	41,963	1,671,632	83,717	3,614,285
-	-	-	-	3,832,785
<u>3,861,973</u>	<u>401,963</u>	<u>5,488,095</u>	<u>186,407</u>	<u>17,793,980</u>
<u>129,837</u>	<u>(401,883)</u>	<u>(5,464,140)</u>	<u>(184,731)</u>	<u>(10,078,702)</u>
-	-	-	-	8,614
-	400,000	5,802,000	400,000	11,654,917
-	-	-	-	(266,069)
<u>-</u>	<u>400,000</u>	<u>5,802,000</u>	<u>400,000</u>	<u>11,397,462</u>
129,837	(1,883)	337,860	215,269	1,318,760
<u>52,625</u>	<u>477,482</u>	<u>6,447,088</u>	<u>954,564</u>	<u>12,848,840</u>
<u>\$ 182,462</u>	<u>\$ 475,599</u>	<u>\$ 6,784,948</u>	<u>\$ 1,169,833</u>	<u>\$ 14,167,600</u>



SUPPLEMENTARY INFORMATION

Nonmajor 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 961,690	\$ 961,690	\$ 288,327	\$ (673,363)
Interest income	2,010	2,010	1,167	(843)
Miscellaneous	-	-	22,151	22,151
Total revenues	<u>963,700</u>	<u>963,700</u>	<u>311,645</u>	<u>(652,055)</u>
Expenditures				
Current:				
Transportation	1,610,910	1,610,910	894,655	716,255
Capital outlay	<u>224,190</u>	<u>224,190</u>	<u>213,621</u>	<u>10,569</u>
Total expenditures	<u>1,835,100</u>	<u>1,835,100</u>	<u>1,108,276</u>	<u>726,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(871,400)</u>	<u>(871,400)</u>	<u>(796,631)</u>	<u>74,769</u>
Other financing sources (uses)				
Transfers in	640,510	640,510	640,510	-
Transfers out	<u>(870)</u>	<u>(870)</u>	<u>(870)</u>	<u>-</u>
Total other financing sources (uses)	<u>639,640</u>	<u>639,640</u>	<u>639,640</u>	<u>-</u>
Net change in fund balance	(231,760)	(231,760)	(156,991)	74,769
Fund balance, July 1, 2014	<u>1,183,386</u>	<u>1,183,386</u>	<u>1,147,916</u>	<u>(35,470)</u>
Fund balance, June 30, 2015	<u>\$ 951,626</u>	<u>\$ 951,626</u>	<u>\$ 990,925</u>	<u>\$ 39,299</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 249,950	\$ 317,564	\$ 288,185	\$ (29,379)
Interest income	170	170	100	(70)
Contributions	34,400	7,620	21,851	14,231
Total revenues	<u>284,520</u>	<u>325,354</u>	<u>310,136</u>	<u>(15,218)</u>
Expenditures				
Current:				
Health and welfare	<u>352,190</u>	<u>380,289</u>	<u>409,189</u>	<u>(28,900)</u>
Total expenditures	<u>352,190</u>	<u>380,289</u>	<u>409,189</u>	<u>(28,900)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,670)</u>	<u>(54,935)</u>	<u>(99,053)</u>	<u>(44,118)</u>
Net change in fund balance	(67,670)	(54,935)	(99,053)	(44,118)
Fund balance, July 1, 2014	<u>80,887</u>	<u>80,887</u>	<u>84,520</u>	<u>3,633</u>
Fund balance (deficit), June 30, 2015	<u>\$ 13,217</u>	<u>\$ 25,952</u>	<u>\$ (14,533)</u>	<u>\$ (40,485)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 106,610	\$ 106,610	\$ 99,387	\$ (7,223)
Interest income	440	440	222	(218)
Total revenues	<u>107,050</u>	<u>107,050</u>	<u>99,609</u>	<u>(7,441)</u>
Expenditures				
Current:				
General government	293,600	293,600	77,957	215,643
Total expenditures	<u>293,600</u>	<u>293,600</u>	<u>77,957</u>	<u>215,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(186,550)</u>	<u>(186,550)</u>	<u>21,652</u>	<u>208,202</u>
Net change in fund balance	(186,550)	(186,550)	21,652	208,202
Fund balance, July 1, 2014	<u>660,806</u>	<u>660,806</u>	<u>636,179</u>	<u>(24,627)</u>
Fund balance, June 30, 2015	<u>\$ 474,256</u>	<u>\$ 474,256</u>	<u>\$ 657,831</u>	<u>\$ 183,575</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,976,380	\$ 2,161,706	\$ 1,151,784	\$ (1,009,922)
Interest income	100	100	70	(30)
Contributions	127,540	179,742	180,098	356
Miscellaneous	5,000,300	4,693,985	565,357	(4,128,628)
Total revenues	<u>7,104,320</u>	<u>7,035,533</u>	<u>1,897,309</u>	<u>(5,138,224)</u>
Expenditures				
Current:				
General government	5,061,190	3,624,352	23,377	3,600,975
Public safety	11,060	203,777	152,989	50,788
Health and welfare	1,286,000	2,263,846	1,003,077	1,260,769
Economic and community development	-	37,056	37,056	-
Culture and recreation	-	32,183	31,196	987
Capital outlay	101,840	164,043	103,694	60,349
Total expenditures	<u>6,460,090</u>	<u>6,325,257</u>	<u>1,351,389</u>	<u>4,973,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>644,230</u>	<u>710,276</u>	<u>545,920</u>	<u>(164,356)</u>
Other financing sources (uses)				
Transfers in	85,200	85,200	85,200	-
Transfers out	<u>(300,870)</u>	<u>(230,666)</u>	<u>(230,659)</u>	<u>7</u>
Total other financing sources (uses)	<u>(215,670)</u>	<u>(145,466)</u>	<u>(145,459)</u>	<u>7</u>
Net change in fund balance	428,560	564,810	400,461	(164,349)
Fund balance, July 1, 2014	<u>483,871</u>	<u>483,871</u>	<u>514,277</u>	<u>30,406</u>
Fund balance, June 30, 2015	<u>\$ 912,431</u>	<u>\$ 1,048,681</u>	<u>\$ 914,738</u>	<u>\$ (133,943)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 647,400	\$ 657,493	\$ 703,645	\$ 46,152
Interest income	10	10	6	(4)
Contributions	208,750	208,750	42,563	(166,187)
Miscellaneous	170	170	-	(170)
Total revenues	<u>856,330</u>	<u>866,423</u>	<u>746,214</u>	<u>(120,209)</u>
Expenditures				
Current:				
Public safety	<u>1,100,930</u>	<u>1,111,023</u>	<u>881,735</u>	<u>229,288</u>
Total expenditures	<u>1,100,930</u>	<u>1,111,023</u>	<u>881,735</u>	<u>229,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244,600)</u>	<u>(244,600)</u>	<u>(135,521)</u>	<u>109,079</u>
Other financing sources (uses)				
Transfers in	215,800	215,800	215,800	-
Transfers out	<u>(33,270)</u>	<u>(33,270)</u>	<u>(33,270)</u>	-
Total other financing sources (uses)	<u>182,530</u>	<u>182,530</u>	<u>182,530</u>	-
Net change in fund balance	(62,070)	(62,070)	47,009	109,079
Fund balance, July 1, 2014	<u>273,433</u>	<u>273,433</u>	<u>175,898</u>	<u>(97,535)</u>
Fund balance, June 30, 2015	<u>\$ 211,363</u>	<u>\$ 211,363</u>	<u>\$ 222,907</u>	<u>\$ 11,544</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL FEES FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 268,370	\$ 268,370	\$ 270,346	\$ 1,976
Interest income	-	-	28	28
Total revenues	<u>268,370</u>	<u>268,370</u>	<u>270,374</u>	<u>2,004</u>
Expenditures				
Current:				
Health and welfare	379,590	379,590	146,540	233,050
Total expenditures	<u>379,590</u>	<u>379,590</u>	<u>146,540</u>	<u>233,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(111,220)</u>	<u>(111,220)</u>	<u>123,834</u>	<u>235,054</u>
Other financing sources (uses)				
Transfers out	(1,270)	(1,270)	(1,270)	-
Total other financing sources (uses)	<u>(1,270)</u>	<u>(1,270)</u>	<u>(1,270)</u>	<u>-</u>
Net change in fund balance	(112,490)	(112,490)	122,564	235,054
Fund balance, July 1, 2014	<u>450,168</u>	<u>450,168</u>	<u>413,993</u>	<u>(36,175)</u>
Fund balance, June 30, 2015	<u>\$ 337,678</u>	<u>\$ 337,678</u>	<u>\$ 536,557</u>	<u>\$ 198,879</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 530	\$ 530	\$ 266	\$ (264)
Total revenues	<u>530</u>	<u>530</u>	<u>266</u>	<u>(264)</u>
Expenditures				
Current:				
General government	318,330	318,330	339,986	(21,656)
Capital outlay	391,000	391,000	343,354	47,646
Total expenditures	<u>709,330</u>	<u>709,330</u>	<u>683,340</u>	<u>25,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(708,800)</u>	<u>(708,800)</u>	<u>(683,074)</u>	<u>25,726</u>
Other financing sources (uses)				
Sale of capital assets	-	-	8,614	8,614
Transfers in	772,550	772,550	772,550	-
Total other financing sources (uses)	<u>772,550</u>	<u>772,550</u>	<u>781,164</u>	<u>8,614</u>
Net change in fund balance	63,750	63,750	98,090	34,340
Fund balance, July 1, 2014	<u>743,257</u>	<u>743,257</u>	<u>664,109</u>	<u>(79,148)</u>
Fund balance, June 30, 2015	<u>\$ 807,007</u>	<u>\$ 807,007</u>	<u>\$ 762,199</u>	<u>\$ (44,808)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,249,290	\$ 4,249,290	\$ 23,575	\$ (4,225,715)
Interest income	840	840	572	(268)
Contributions	25,580	25,580	38,057	12,477
Total revenues	<u>4,275,710</u>	<u>4,275,710</u>	<u>62,204</u>	<u>(4,213,506)</u>
Expenditures				
Current:				
General government	-	-	25,000	(25,000)
Capital outlay	<u>31,647,040</u>	<u>31,647,040</u>	<u>3,172,116</u>	<u>28,474,924</u>
Total expenditures	<u>31,647,040</u>	<u>31,647,040</u>	<u>3,197,116</u>	<u>28,449,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,371,330)</u>	<u>(27,371,330)</u>	<u>(3,134,912)</u>	<u>24,236,418</u>
Other financing sources (uses)				
Bonds issued	25,000,000	25,000,000	-	(25,000,000)
Transfers in	<u>2,900,000</u>	<u>2,900,000</u>	<u>3,338,857</u>	<u>438,857</u>
Total other financing sources (uses)	<u>27,900,000</u>	<u>27,900,000</u>	<u>3,338,857</u>	<u>(24,561,143)</u>
Net change in fund balance	528,670	528,670	203,945	(324,725)
Fund balance, July 1, 2014	<u>979,599</u>	<u>979,599</u>	<u>1,280,189</u>	<u>300,590</u>
Fund balance, June 30, 2015	<u>\$ 1,508,269</u>	<u>\$ 1,508,269</u>	<u>\$ 1,484,134</u>	<u>\$ (24,135)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,413,500	\$ 3,413,500	\$ 3,441,965	\$ 28,465
Intergovernmental	531,000	531,000	-	(531,000)
Investment income	450	450	1,219	769
Miscellaneous	-	-	548,626	548,626
Total revenues	<u>3,944,950</u>	<u>3,944,950</u>	<u>3,991,810</u>	<u>46,860</u>
Expenditures				
Debt service:				
Principal	2,045,000	2,045,000	2,045,000	-
Interest and other charges	<u>1,865,230</u>	<u>1,865,230</u>	<u>1,816,973</u>	<u>48,257</u>
Total expenditures	<u>3,910,230</u>	<u>3,910,230</u>	<u>3,861,973</u>	<u>48,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,720</u>	<u>34,720</u>	<u>129,837</u>	<u>95,117</u>
Net change in fund balance	34,720	34,720	129,837	95,117
Fund balance, July 1, 2014	<u>43,417</u>	<u>43,417</u>	<u>52,625</u>	<u>9,208</u>
Fund balance, June 30, 2015	<u>\$ 78,137</u>	<u>\$ 78,137</u>	<u>\$ 182,462</u>	<u>\$ 104,325</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 130	\$ 130	\$ 80	\$ (50)
Total revenues	<u>130</u>	<u>130</u>	<u>80</u>	<u>(50)</u>
Expenditures				
Debt service:				
Principal	360,000	360,000	360,000	-
Interest and other charges	51,970	51,970	41,963	10,007
Total expenditures	<u>411,970</u>	<u>411,970</u>	<u>401,963</u>	<u>10,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(411,840)</u>	<u>(411,840)</u>	<u>(401,883)</u>	<u>9,957</u>
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(11,840)	(11,840)	(1,883)	9,957
Fund balance, July 1, 2014	<u>455,000</u>	<u>455,000</u>	<u>477,482</u>	<u>22,482</u>
Fund balance, June 30, 2015	<u>\$ 443,160</u>	<u>\$ 443,160</u>	<u>\$ 475,599</u>	<u>\$ 32,439</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 990	\$ 990	\$ 23,955	\$ 22,965
Total revenues	<u>990</u>	<u>990</u>	<u>23,955</u>	<u>22,965</u>
Expenditures				
Debt service:				
Principal	3,816,470	3,816,470	3,816,463	7
Interest and other charges	1,696,720	1,696,720	1,671,632	25,088
Total expenditures	<u>5,513,190</u>	<u>5,513,190</u>	<u>5,488,095</u>	<u>25,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,512,200)</u>	<u>(5,512,200)</u>	<u>(5,464,140)</u>	<u>48,060</u>
Other financing sources (uses)				
Transfers in	5,802,000	5,802,000	5,802,000	-
Total other financing sources (uses)	<u>5,802,000</u>	<u>5,802,000</u>	<u>5,802,000</u>	<u>-</u>
Net change in fund balance	289,800	289,800	337,860	48,060
Fund balance, July 1, 2014	<u>4,200,000</u>	<u>4,200,000</u>	<u>6,447,088</u>	<u>2,247,088</u>
Fund balance, June 30, 2015	<u>\$ 4,489,800</u>	<u>\$ 4,489,800</u>	<u>\$ 6,784,948</u>	<u>\$ 2,295,148</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 50	\$ 50	\$ 1,676	\$ 1,626
Total revenues	<u>50</u>	<u>50</u>	<u>1,676</u>	<u>1,626</u>
Expenditures				
Debt service:				
Principal	102,690	102,690	102,690	-
Interest and other charges	93,720	93,720	83,717	10,003
Total expenditures	<u>196,410</u>	<u>196,410</u>	<u>186,407</u>	<u>10,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(196,360)</u>	<u>(196,360)</u>	<u>(184,731)</u>	<u>11,629</u>
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	203,640	203,640	215,269	11,629
Fund balance, July 1, 2014	<u>505,850</u>	<u>505,850</u>	<u>954,564</u>	<u>448,714</u>
Fund balance, June 30, 2015	<u>\$ 709,490</u>	<u>\$ 709,490</u>	<u>\$ 1,169,833</u>	<u>\$ 460,343</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, 2015

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,195,994	\$ 657,026	\$ 50,242	\$ 2,903,262
Interest receivable	1,821	-	-	1,821
Inventories	-	-	166,941	166,941
Prepaid items	385	-	3,355	3,740
Total current assets	<u>2,198,200</u>	<u>657,026</u>	<u>220,538</u>	<u>3,075,764</u>
Noncurrent assets:				
Investments	1,997,026	-	-	1,997,026
Capital assets, depreciable (net)	17,046	46,282	1,767	65,095
Total noncurrent assets	<u>2,014,072</u>	<u>46,282</u>	<u>1,767</u>	<u>2,062,121</u>
Total assets	<u>4,212,272</u>	<u>703,308</u>	<u>222,305</u>	<u>5,137,885</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	21,946	-	69,494	91,440
Total deferred outflows of resources	<u>21,946</u>	<u>-</u>	<u>69,494</u>	<u>91,440</u>
LIABILITIES				
Current liabilities:				
Accounts payable	73,002	5,571	73,330	151,903
Accrued payroll and employee benefits	-	-	22,032	22,032
Claims payable	273,073	-	-	273,073
Due to other funds	17	-	-	17
Compensated absences	8,936	-	44,633	53,569
Total current liabilities	<u>355,028</u>	<u>5,571</u>	<u>139,995</u>	<u>500,594</u>
Noncurrent liabilities:				
Claims payable	368,160	-	-	368,160
Compensated absences	2,234	-	11,159	13,393
Net pension liability	186,481	-	583,126	769,607
Total noncurrent liabilities	<u>556,875</u>	<u>-</u>	<u>594,285</u>	<u>1,151,160</u>
Total liabilities	<u>911,903</u>	<u>5,571</u>	<u>734,280</u>	<u>1,651,754</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	33,585	-	105,021	138,606
Total deferred inflows of resources	<u>33,585</u>	<u>-</u>	<u>105,021</u>	<u>138,606</u>
NET POSITION				
Net investment in capital assets	17,046	46,282	1,767	65,095
Unrestricted	3,271,684	651,455	(549,269)	3,373,870
Total net position (deficit)	<u>\$ 3,288,730</u>	<u>\$ 697,737</u>	<u>\$ (547,502)</u>	<u>\$ 3,438,965</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,796,389	\$ 227,304	\$ 1,848,969	\$ 3,872,662
Miscellaneous	286	-	1,770	2,056
Total operating revenues	<u>1,796,675</u>	<u>227,304</u>	<u>1,850,739</u>	<u>3,874,718</u>
Operating expenses:				
Salaries, wages and benefits	155,732	-	490,064	645,796
Contractual services, materials and supplies	153,293	86,074	1,543,537	1,782,904
Insurance claims and expenses	990,601	-	-	990,601
Depreciation	20,534	48,534	1,670	70,738
Total operating expenses	<u>1,320,160</u>	<u>134,608</u>	<u>2,035,271</u>	<u>3,490,039</u>
Operating income (loss)	<u>476,515</u>	<u>92,696</u>	<u>(184,532)</u>	<u>384,679</u>
Nonoperating revenues:				
Interest income	5,952	236	15	6,203
Net increase in the fair value of investments	348	-	-	348
Total non-operating revenues	<u>6,300</u>	<u>236</u>	<u>15</u>	<u>6,551</u>
Income before transfers	482,815	92,932	(184,517)	391,230
Transfers in	195,000	-	-	195,000
Transfers out	(1,850)	-	(10,990)	(12,840)
Change in net position	<u>675,965</u>	<u>92,932</u>	<u>(195,507)</u>	<u>573,390</u>
Net position (deficit), as restated, July 1, 2014	<u>2,612,765</u>	<u>604,805</u>	<u>(351,995)</u>	<u>2,865,575</u>
Net position (deficit), June 30, 2015	<u>\$ 3,288,730</u>	<u>\$ 697,737</u>	<u>\$ (547,502)</u>	<u>\$ 3,438,965</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,796,389	\$ 227,304	\$ 1,848,969	\$ 3,872,662
Payments to suppliers	(1,120,541)	(85,802)	(1,537,639)	(2,743,982)
Payments to employees	(157,415)	-	(486,637)	(644,052)
Miscellaneous	286	-	1,770	2,056
Net cash provided (used) by operating activities	<u>518,719</u>	<u>141,502</u>	<u>(173,537)</u>	<u>486,684</u>
Cash flows from noncapital financing activities:				
Transfers in	195,000	-	-	195,000
Transfers out	(1,850)	-	(10,990)	(12,840)
Net cash provided (used) for noncapital financing activities	<u>193,150</u>	<u>-</u>	<u>(10,990)</u>	<u>182,160</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(1,996,750)	-	-	(1,996,750)
Proceeds from sales and maturities of investments	71	-	-	71
Investment income	4,131	236	15	4,382
Net cash provided by investing activities	<u>(1,992,548)</u>	<u>236</u>	<u>15</u>	<u>(1,992,297)</u>
Net increase (decrease) in cash and cash equivalents	(1,280,679)	141,738	(184,512)	(1,323,453)
Cash and cash equivalents, July 1, 2014	<u>3,476,673</u>	<u>515,288</u>	<u>234,754</u>	<u>4,226,715</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 2,195,994</u>	<u>\$ 657,026</u>	<u>\$ 50,242</u>	<u>\$ 2,903,262</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 476,515	\$ 92,696	\$ (184,532)	\$ 384,679
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	20,534	48,534	1,670	70,738
Pension expense	11,846	-	37,047	48,893
Employer pension contributions	(12,468)	-	(39,858)	(52,326)
Change in assets and liabilities:				
(Increase) decrease in inventories	-	-	(11,993)	(11,993)
(Increase) decrease in prepaid items	415	-	(3,355)	(2,940)
Increase (decrease) in accounts payable	15,878	272	21,246	37,396
Increase (decrease) in accrued payroll and employee benefits	-	-	(1,702)	(1,702)
Increase (decrease) in compensated absences	(1,061)	-	7,940	6,879
Increase (decrease) in claims payable	7,060	-	-	7,060
Net cash provided (used) by operating activities	<u>\$ 518,719</u>	<u>\$ 141,502</u>	<u>\$ (173,537)</u>	<u>\$ 486,684</u>
Reconciliation of cash and cash equivalents at June 30, 2015 to statement of net position:				
Cash and cash equivalents	\$ 2,195,994	\$ 657,026	\$ 50,242	\$ 2,903,262
Total cash and cash equivalents	<u>\$ 2,195,994</u>	<u>\$ 657,026</u>	<u>\$ 50,242</u>	<u>\$ 2,903,262</u>
Noncash capital, financing and investing activities:				
Amortization of investment premium, net	72	-	-	72
Increase in fair value of investments	(348)	-	-	(348)

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, 2015

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings
General government	\$ 12,772,085	\$ 18,965,276	\$ 39,605
Public safety	307,003	17,960,662	229,476
Highways and streets	234,475,766	1,224,863	488,033
Health and welfare	215,948	978,211	-
Economic and community development	51,711	134,540	1,266,681
Culture and recreation	6,677,463	36,125,011	740,073
Transportation	1,488,639	-	2,051,434
Total	\$ 255,988,615	\$ 75,388,563	\$ 4,815,302

Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	Total
\$ 15,768,273	\$ -	\$ -	\$ 84,091	\$ 47,629,330
17,301,414	-	1,965,259	-	37,763,814
2,511,874	385,023,564	-	3,777,819	627,501,919
104,511	-	-	-	1,298,670
90,053	-	-	-	1,542,985
1,269,645	-	-	15,021,765	59,833,957
-	-	-	451,644	3,991,717
<u>\$ 37,045,770</u>	<u>\$ 385,023,564</u>	<u>\$ 1,965,259</u>	<u>\$ 19,335,319</u>	<u>\$ 779,562,392</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, 2015

Function and Activity	Capital Assets July 1, 2014	Additions	Deletions	Capital Assets June 30, 2015
General government	\$ 46,061,132	\$ 2,139,566	\$ 571,368	\$ 47,629,330
Public safety	34,699,696	5,593,133	2,529,015	37,763,814
Highways and streets	624,036,740	4,343,397	878,218	627,501,919
Health and welfare	1,288,118	10,552	-	1,298,670
Economic and community development	1,386,635	185,332	28,982	1,542,985
Culture and recreation	56,870,650	2,987,591	24,284	59,833,957
Transportation	3,723,006	2,084,988	1,816,277	3,991,717
Total	\$ 768,065,977	\$ 17,344,559	\$ 5,848,144	\$ 779,562,392

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
YEAR ENDED JUNE 30, 2015

Governmental fund capital assets:

Land	\$ 255,988,615
Buildings and improvements	75,388,563
Improvements other than buildings	4,815,302
Vehicles, furniture and equipment	37,045,770
Infrastructure	385,023,564
Intangible assets	1,965,259
Construction in progress	19,335,319
Total	<u>\$ 779,562,392</u>

Investment in governmental activities capital assets by source:

General Fund	\$ 22,877,679
Special Revenue Funds	9,916,466
Capital Projects Funds	746,028,253
Internal Service Funds	739,994
Total	<u>\$ 779,562,392</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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These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
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CITY OF AVONDALE, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2006</u>	<u>2007¹</u>	<u>2008</u>	<u>2009</u>
Governmental activities				
Net investment in capital assets	\$ 196,509,921	\$ 453,900,454	\$ 480,355,653	\$ 486,881,869
Restricted	28,808,290	45,778,226	48,127,562	39,386,916
Unrestricted	31,939,142	40,533,604	42,848,985	39,653,933
Total governmental activities net position	<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>	<u>\$ 571,332,200</u>	<u>\$ 565,922,718</u>
Business-type activities				
Net investment in capital assets	\$ 382,500,757	\$ 437,478,163	\$ 454,628,362	\$ 494,353,666
Restricted	40,439,483	43,493,012	36,367,868	16,598,095
Unrestricted	28,749,995	33,992,839	38,511,906	37,775,176
Total business-type activities net position	<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>	<u>\$ 548,726,937</u>
Primary government				
Net investment in capital assets	\$ 579,010,678	\$ 891,378,617	\$ 934,984,015	\$ 981,235,535
Restricted	69,247,773	89,271,238	84,495,430	55,985,011
Unrestricted	60,689,137	74,526,443	81,360,891	77,429,109
Total primary government net position	<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>	<u>\$ 1,114,649,655</u>

¹ 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.

² In 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The 2014 net position has been restated for comparative purposes to reflect the implementation.

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

Schedule 1

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014²</u>	<u>2015</u>
\$ 466,763,910	\$ 484,872,851	\$ 489,161,664	\$ 494,754,961	\$ 499,739,936	\$ 504,180,483
57,592,957	30,174,849	27,637,885	20,548,326	23,376,185	27,279,288
36,971,792	45,218,881	45,541,352	50,737,518	14,469,385	16,252,006
<u>\$ 561,328,659</u>	<u>\$ 560,266,581</u>	<u>\$ 562,340,901</u>	<u>\$ 566,040,805</u>	<u>\$ 537,585,506</u>	<u>\$ 547,711,777</u>
\$ 497,810,394	\$ 488,787,961	\$ 482,912,493	\$ 479,033,932	\$ 474,668,428	\$ 469,377,530
14,798,748	14,520,330	15,358,409	12,092,990	8,607,019	7,247,176
41,606,778	44,374,708	44,766,194	46,511,771	42,327,797	43,955,822
<u>\$ 554,215,920</u>	<u>\$ 547,682,999</u>	<u>\$ 543,037,096</u>	<u>\$ 537,638,693</u>	<u>\$ 525,603,244</u>	<u>\$ 520,580,528</u>
\$ 964,574,304	\$ 973,660,812	\$ 972,074,157	\$ 973,788,893	\$ 974,408,364	\$ 973,558,013
72,391,705	44,695,179	42,996,294	32,641,316	31,983,204	34,526,464
78,578,570	89,593,589	90,307,546	97,249,289	56,797,182	60,207,828
<u>\$ 1,115,544,579</u>	<u>\$ 1,107,949,580</u>	<u>\$ 1,105,377,997</u>	<u>\$ 1,103,679,498</u>	<u>\$ 1,063,188,750</u>	<u>\$ 1,068,292,305</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General government	\$ 22,764,573	\$ 18,346,534	\$ 17,792,047	\$ 14,968,809
Public safety	14,935,013	22,873,912	25,841,680	26,634,975
Highways and streets	7,781,653	10,347,480	10,898,173	11,069,079
Health and welfare	939,572	1,787,162	2,404,144	2,545,061
Economic and community development	5,213,085	6,542,881	8,665,232	6,808,330
Culture and recreation	1,816,712	3,474,717	2,665,257	3,327,765
Transportation	615,055	594,823	2,701,817	867,173
Interest on long-term debt	2,042,879	2,810,763	2,921,420	3,246,602
Total governmental activities expenses	<u>56,108,542</u>	<u>66,778,272</u>	<u>73,889,770</u>	<u>69,467,794</u>
Business-type activities:				
Water utility	11,818,914	13,630,207	14,797,982	15,542,394
Wastewater utility	8,296,298	9,371,087	9,850,598	10,555,903
Sanitation utility	3,266,298	4,192,462	4,361,538	4,117,318
Total business-type activities expenses	<u>23,381,510</u>	<u>27,193,756</u>	<u>29,010,118</u>	<u>30,215,615</u>
Total primary government expenses	<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>	<u>\$ 99,683,409</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,267,440	\$ 1,638,662	\$ 1,924,171	\$ 1,787,153
Public safety	147,137	403,696	716,940	665,937
Highways and streets	-	14,846	-	-
Economic and community development	5,817,266	3,728,984	2,354,229	805,550
Culture and recreation	254,323	507,118	402,105	492,988
Operating grants and contributions	5,085,797	7,877,600	9,004,224	8,386,128
Capital grants and contributions	10,699,397	41,453,780	25,442,212	8,855,743
Total governmental activities program revenues	<u>23,271,360</u>	<u>55,624,686</u>	<u>39,843,881</u>	<u>20,993,499</u>
Business-type activities:				
Charges for Services:				
Water	9,336,905	11,277,850	11,689,072	10,903,178
Wastewater	6,946,157	7,431,247	7,720,602	7,124,168
Sanitation	3,392,810	3,915,823	4,346,931	4,414,342
Capital grants and contributions	12,531,009	30,783,194	14,128,878	8,216,300
Total business-type activities program revenues	<u>32,206,881</u>	<u>53,408,114</u>	<u>37,885,483</u>	<u>30,657,988</u>
Total primary government program revenues	<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>	<u>\$ 51,651,487</u>

Schedule 2

2010	2011	2012	2013	2014	2015
\$ 12,862,710	\$ 15,364,915	\$ 12,194,735	\$ 12,769,952	\$ 12,331,057	\$ 12,920,373
24,168,796	25,139,168	24,509,660	26,087,882	27,920,756	29,193,364
12,322,104	13,246,764	12,514,335	12,144,322	12,363,230	14,148,176
2,470,031	2,511,615	2,748,093	3,937,970	3,491,716	3,086,230
7,985,413	5,091,504	5,015,366	5,036,147	5,489,089	5,318,125
3,190,869	3,268,540	3,675,781	3,813,472	4,783,299	5,048,110
1,902,347	1,581,404	1,824,128	1,236,160	1,280,435	890,857
5,129,250	4,849,805	4,573,048	4,357,797	3,788,220	3,574,631
<u>70,031,520</u>	<u>71,053,715</u>	<u>67,055,146</u>	<u>69,383,702</u>	<u>71,447,802</u>	<u>74,179,866</u>
15,442,478	16,686,715	15,517,184	15,879,676	15,313,614	14,978,673
10,252,684	11,361,012	11,232,156	11,500,364	11,992,043	12,039,948
3,613,617	3,530,472	3,748,396	3,860,578	4,373,521	4,573,971
<u>29,308,779</u>	<u>31,578,199</u>	<u>30,497,736</u>	<u>31,240,618</u>	<u>31,679,178</u>	<u>31,592,592</u>
<u>\$ 99,340,299</u>	<u>\$ 102,631,914</u>	<u>\$ 97,552,882</u>	<u>\$ 100,624,320</u>	<u>\$ 103,126,980</u>	<u>\$ 105,772,458</u>
\$ 1,656,665	\$ 1,465,160	\$ 1,543,248	\$ 1,962,825	\$ 1,791,970	\$ 2,024,897
407,961	415,243	290,321	458,799	469,192	515,920
-	-	-	-	-	-
576,436	895,233	614,765	862,360	800,438	1,118,951
575,046	257,614	413,832	360,924	333,734	404,179
12,712,420	10,449,880	8,665,735	9,373,853	9,393,303	8,653,787
1,795,711	3,639,920	1,642,679	1,973,402	1,118,868	2,044,100
<u>17,724,239</u>	<u>17,123,050</u>	<u>13,170,580</u>	<u>14,992,163</u>	<u>13,907,505</u>	<u>14,761,834</u>
11,097,099	11,315,015	12,241,675	11,882,083	12,227,233	11,527,730
7,220,779	7,466,785	7,695,007	7,746,807	7,963,581	7,988,157
4,732,011	4,845,058	4,909,423	4,954,195	5,032,187	5,055,904
1,648,926	719,803	444,983	1,042,780	653,419	1,299,643
<u>24,698,815</u>	<u>24,346,661</u>	<u>25,291,088</u>	<u>25,625,865</u>	<u>25,876,420</u>	<u>25,871,434</u>
<u>\$ 42,423,054</u>	<u>\$ 41,469,711</u>	<u>\$ 38,461,668</u>	<u>\$ 40,618,028</u>	<u>\$ 39,783,925</u>	<u>\$ 40,633,268</u>

(continued on next page)

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

(Continuation)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense) Revenue				
Governmental activities	\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)	\$ (48,474,295)
Business-type activities	8,825,371	26,214,358	8,875,365	442,373
Total primary government net (expenses) revenues	<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>	<u>\$ (48,031,922)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Sales and use taxes	\$ 39,883,436	\$ 42,691,477	\$ 38,291,070	\$ 33,021,053
Property taxes, levied for general purposes	1,310,133	1,519,425	1,815,527	1,916,742
Property taxes, levied for debt service	2,319,060	2,800,966	4,135,646	5,061,320
Franchise taxes	876,224	982,033	1,001,905	1,033,993
State shared revenues, unrestricted	10,022,750	17,513,121	18,983,659	18,249,722
Investment income	2,331,224	3,642,859	2,984,483	592,542
Gain on sale of capital assets	61,289	146,585	140,504	217,001
Miscellaneous	358,317	392,483	610,011	934,675
Transfers	(800,000)	(10,123,583)	(2,800,000)	(17,962,235)
Total governmental activities	<u>56,362,433</u>	<u>59,565,366</u>	<u>65,162,805</u>	<u>43,064,813</u>
Business-type activities:				
Investment income	2,684,687	3,536,505	2,658,608	574,400
Gain on sale of capital assets	7,803	64,223	51,442	77,747
Miscellaneous	70,470	84,193	158,707	162,046
Transfers	800,000	10,123,583	2,800,000	17,962,235
Total business-type activities	<u>3,562,960</u>	<u>13,808,504</u>	<u>5,668,757</u>	<u>18,776,428</u>
Total primary government	<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>
Changes in Net Position				
Governmental activities	\$ 23,525,251	\$ 48,411,780	\$ 31,116,916	\$ (5,409,482)
Business-type activities	12,388,331	40,022,862	14,544,122	19,218,801
Total primary government	<u>\$ 35,913,582</u>	<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>

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

Schedule 2

2010	2011	2012	2013	2014	2015
\$ (52,307,281)	\$ (53,930,665)	\$ (53,884,566)	\$ (54,391,539)	\$ (57,540,297)	\$ (59,418,032)
(4,609,964)	(7,231,538)	(5,206,648)	(5,614,753)	(5,802,758)	(5,721,158)
<u>\$ (56,917,245)</u>	<u>\$ (61,162,203)</u>	<u>\$ (59,091,214)</u>	<u>\$ (60,006,292)</u>	<u>\$ (63,343,055)</u>	<u>\$ (65,139,190)</u>
\$ 30,298,359	\$ 30,417,802	\$ 32,914,546	\$ 35,929,759	\$ 37,639,556	\$ 40,955,916
2,063,316	2,210,771	2,278,643	2,302,649	2,421,361	2,478,599
4,716,859	3,473,069	2,985,899	2,268,323	3,209,741	3,373,624
1,047,312	1,950,000	1,096,920	1,101,693	1,132,811	1,150,766
15,644,558	14,410,652	14,870,469	16,617,488	17,896,107	19,151,120
417,727	318,931	282,485	(127,021)	408,645	342,423
25,307	7,794	33,435	19,498	56,600	138,810
2,376,003	1,084,568	1,646,489	1,170,396	1,571,790	2,103,045
(8,876,219)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
<u>47,713,222</u>	<u>53,723,587</u>	<u>55,958,886</u>	<u>59,132,785</u>	<u>64,186,611</u>	<u>69,544,303</u>
195,602	166,893	196,973	(69,172)	279,812	286,576
75,345	-	-	-	83,030	25,231
135,320	381,724	213,772	263,193	241,999	236,635
8,876,219	150,000	150,000	150,000	150,000	150,000
<u>9,282,486</u>	<u>698,617</u>	<u>560,745</u>	<u>344,021</u>	<u>754,841</u>	<u>698,442</u>
<u>\$ 56,995,708</u>	<u>\$ 54,422,204</u>	<u>\$ 56,519,631</u>	<u>\$ 59,476,806</u>	<u>\$ 64,941,452</u>	<u>\$ 70,242,745</u>
\$ (4,594,059)	\$ (1,062,078)	\$ 2,074,320	\$ 4,741,246	\$ 6,646,314	\$ 10,126,271
4,672,522	(6,532,921)	(4,645,903)	(5,270,732)	(5,047,917)	(5,022,716)
<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>	<u>\$ (2,571,583)</u>	<u>\$ (529,486)</u>	<u>\$ 1,598,397</u>	<u>\$ 5,103,555</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved	\$ 154,179	\$ 77,994	\$ 51,796	\$ 12,435
Unreserved	27,505,360	37,381,040	35,854,897	32,285,521
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>\$ 27,659,539</u>	<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>	<u>\$ 32,297,956</u>
All other governmental funds				
Reserved	\$ 11,270,955	\$ 13,459,405	\$ 13,221,123	\$ 16,565,285
Unreserved, reported in:				
Special Revenue Funds	12,260,058	14,493,602	11,769,069	9,383,952
Capital Projects Funds	11,923,289	18,261,268	28,023,908	18,585,349
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>\$ 35,454,302</u>	<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>	<u>\$ 44,534,586</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

2010	2011	2012	2013	2014	2015
\$ 77,125	\$ -	\$ -	\$ -	\$ -	\$ -
29,013,029	-	-	-	-	-
-	3,783	3,176	2,202	449	-
-	164,012	271,673	131,888	131,306	342,255
-	-	-	1,200,000	4,156,428	3,838,468
-	326,879	349,992	171,150	130,205	335,058
-	20,107,819	16,192,523	15,389,437	18,934,773	19,405,505
-	2,150,250	7,253,410	5,453,049	8,721,580	4,882,920
-	3,036,074	7,916,399	10,382,138	1,800,250	7,521,330
<u>\$ 29,090,154</u>	<u>\$ 25,788,817</u>	<u>\$ 31,987,173</u>	<u>\$ 32,729,864</u>	<u>\$ 33,874,991</u>	<u>\$ 36,325,536</u>
\$ 30,429,893	\$ -	\$ -	\$ -	\$ -	\$ -
9,323,672	-	-	-	-	-
22,958,296	-	-	-	-	-
-	225,904	220,837	281,218	309,973	320,636
-	612,457	771,513	671,092	688,572	361,123
-	61,744	1,688,441	1,627,956	1,137,018	977,138
-	3,249,085	3,334,517	3,601,986	3,853,579	4,673,503
-	516,711	554,471	613,134	634,184	657,831
-	1,139,954	955,553	119,721	597,631	914,738
-	1,233,782	2,090,147	3,362,724	4,685,520	6,033,061
-	12,648,785	11,726,347	5,830,512	7,879,134	8,430,380
-	8,810,461	4,073,188	2,442,036	792,935	1,291,443
-	523,204	420,781	1,099,439	1,765,548	2,251,750
-	93,903	155,389	154,178	131,924	163,340
-	2,871,197	668,344	3,956,556	322,646	263,234
-	46,951	77,694	51,393	43,974	54,447
-	6,442,998	7,062,662	8,438,757	8,171,863	7,519,081
-	1,033,740	331,294	335,328	664,109	762,199
-	4,536,974	4,288,987	4,588,564	7,178,750	7,728,456
-	2,945,885	-	-	-	-
-	-	-	(185,532)	(632,375)	(741,111)
<u>\$ 62,711,861</u>	<u>\$ 46,993,735</u>	<u>\$ 38,420,165</u>	<u>\$ 36,989,062</u>	<u>\$ 38,224,985</u>	<u>\$ 41,661,249</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes	\$ 44,367,883	\$ 48,059,641	\$ 45,103,331	\$ 40,966,295
Licenses and permits	12,683,605	7,673,913	8,640,183	3,134,769
Intergovernmental	16,815,306	24,790,367	28,703,206	27,035,675
Charges for services	1,955,528	1,624,541	1,726,235	1,179,405
Fines, forfeitures, and penalties	951,969	1,280,434	1,467,011	1,357,050
Investment income	2,331,223	3,603,941	2,946,716	580,422
Contributions	735,024	1,278,270	874,006	1,137,849
Miscellaneous	751,867	1,575,441	377,544	261,427
Total revenues	<u>80,592,405</u>	<u>89,886,548</u>	<u>89,838,232</u>	<u>75,652,892</u>
Expenditures				
General government	16,820,415	16,774,809	16,334,100	10,970,755
Public safety	17,254,476	20,729,479	23,478,075	23,939,534
Highways and streets	2,205,035	2,359,925	1,833,928	2,177,687
Health and welfare	914,806	1,719,404	2,120,063	2,719,779
Economic and community development	3,976,363	5,083,707	7,312,754	6,588,345
Culture and recreation	1,232,332	4,081,600	3,379,661	4,021,204
Transportation	615,055	588,627	2,693,561	870,662
Debt Service				
Principal	4,914,723	5,718,590	6,547,759	7,684,563
Interest and other charges	2,909,515	3,529,618	3,264,547	3,855,789
Capital outlay	25,180,046	20,830,712	14,807,347	22,182,625
Total expenditures	<u>76,022,766</u>	<u>81,416,471</u>	<u>81,771,795</u>	<u>85,010,943</u>
Excess of revenues over (under) expenditures	4,569,639	8,470,077	8,066,437	(9,358,051)
Other Financing Sources (Uses)				
Bond issuance	18,690,685	21,000,000	-	15,000,000
Refunding bonds issued	-	-	-	-
Payment to refunding bonds escrow agent	(18,337,174)	-	-	-
Bond premium (discount)	38,724	945,767	-	91,235
Sale of capital assets	85,724	252,296	224,347	223,770
Capital leases	927,040	-	-	-
Transfer in	14,234,220	28,055,659	19,867,345	18,277,333
Transfer out	(15,072,100)	(38,164,331)	(22,910,645)	(36,322,538)
Total other financing sources (uses)	<u>567,119</u>	<u>12,089,391</u>	<u>(2,818,953)</u>	<u>(2,730,200)</u>
Net change in fund balances	<u>\$ 5,136,758</u>	<u>\$ 20,559,468</u>	<u>\$ 5,247,484</u>	<u>\$ (12,088,251)</u>
Debt service as a percentage of noncapital expenditures	15.4%	15.3%	14.7%	18.4%

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

Schedule 4

2010	2011	2012	2013	2014	2015
\$ 38,227,410	\$ 37,206,864	\$ 39,383,889	\$ 41,645,010	\$ 44,454,517	\$ 48,121,583
1,996,430	1,073,233	1,342,998	2,076,599	1,435,548	2,532,559
27,626,462	26,755,077	23,743,672	25,607,050	26,568,228	27,061,879
944,332	1,322,030	891,777	1,129,782	1,111,375	1,244,710
1,262,853	1,152,077	1,175,041	1,357,243	1,219,003	1,403,457
415,395	315,685	279,999	(130,638)	406,914	335,873
942,440	813,886	1,042,296	268,399	814,318	320,386
2,431,170	1,117,621	1,364,648	1,222,169	1,682,888	2,345,170
73,846,492	69,756,473	69,224,320	73,175,614	77,692,791	83,365,617
9,477,910	12,077,265	11,049,852	11,679,121	11,106,677	11,269,744
22,881,143	23,717,192	23,360,386	24,810,275	26,267,504	27,588,742
2,605,224	3,472,183	2,518,264	1,766,303	1,943,651	3,645,538
4,931,655	2,660,252	2,766,874	3,966,243	3,542,511	3,109,810
5,528,640	4,886,947	5,015,247	5,055,207	5,341,635	5,491,412
3,396,173	3,409,346	2,484,829	2,480,049	3,509,702	3,851,074
1,895,324	1,580,838	1,823,627	1,234,845	1,277,281	894,655
8,620,474	8,585,695	8,554,217	13,712,314	5,278,486	6,324,153
5,427,681	5,023,373	4,706,601	4,621,821	3,844,374	3,614,285
15,262,429	23,240,459	9,223,066	4,656,036	12,992,364	11,544,285
80,026,653	88,653,550	71,502,963	73,982,214	75,104,185	77,333,698
(6,180,161)	(18,897,077)	(2,278,643)	(806,600)	2,588,606	6,031,919
29,800,000	-	-	-	-	-
2,815,000	-	-	9,275,000	-	-
(2,753,893)	-	-	(9,469,388)	-	-
48,388	-	-	427,048	-	-
-	7,794	38,369	19,498	58,094	187,050
116,358	-	-	-	-	-
41,785,235	12,859,860	10,356,562	18,827,399	15,114,320	19,485,856
(50,661,454)	(12,990,040)	(10,491,502)	(18,961,369)	(15,379,970)	(19,818,016)
21,149,634	(122,386)	(96,571)	118,188	(207,556)	(145,110)
\$ 14,969,473	\$ (19,019,463)	\$ (2,375,214)	\$ (688,412)	\$ 2,381,050	\$ 5,886,809
21.7%	20.8%	21.3%	26.4%	14.7%	15.1%

CITY OF AVONDALE, ARIZONA

ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY²

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
2015	\$ 175,048,631	\$ 118,263,021	\$ 128,565,411	\$ 95,688,691	\$ 373,361	\$ 127,080
2014	132,908,565	93,145,393	118,877,122	93,364,094	394,449	146,376
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	-

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
2015	10.0 %	10.0 %	18.5 %	16.0 %	15.0 %	5.0 %
2014	10.0	10.0	19.0	16.0	16.0	5.0
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

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 determined using assessed valuations and the required tax levy. The assessed value divided by 100 multiplied by the tax rate determines the taxes billed.

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.

Municipal Property Improvements	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value¹
\$ -	\$ 518,066,195	\$ (90,435,803)	\$ 427,630,392	1.75	\$ 4,229,242,025	12.25 %
59,574	438,895,573	(88,208,960)	350,686,613	1.75	3,478,927,843	12.62
-	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

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		Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92	
		County-wide	Community College				
2015	Primary	0.78	1.36	1.26	2.07	2.40	2.53
	Secondary	<u>0.97</u> 1.75	0.00	0.23	2.71	1.61	4.35
2014	Primary	0.78	1.32	1.28	1.98	2.86	2.68
	Secondary	<u>0.97</u> 1.75	0.00	0.24	2.59	1.68	4.51
2013	Primary	0.79	1.28	1.29	1.92	3.22	2.76
	Secondary	<u>1.02</u> 1.81	0.00	0.24	2.27	2.27	4.51
2012	Primary	0.68	1.24	1.16	2.38	2.30	2.05
	Secondary	<u>0.66</u> 1.34	0.00	0.22	1.67	2.54	4.33
2011	Primary	0.58	1.24	1.01	2.47	1.96	1.82
	Secondary	<u>0.75</u> 1.33	0.00	0.20	2.46	2.11	4.79
2010	Primary	0.45	1.05	0.79	2.19	1.51	1.69
	Secondary	<u>0.65</u> 1.10	0.00	0.18	3.11	1.21	4.11
2009	Primary	0.36	0.99	0.72	0.98	1.06	1.77
	Secondary	<u>0.74</u> 1.10	0.00	0.16	2.93	1.04	3.44
2008	Primary	0.37	1.03	0.78	2.46	1.60	1.90
	Secondary	<u>0.73</u> 1.11	0.00	0.16	1.69	1.01	3.02
2007	Primary	0.41	1.10	0.82	2.06	1.62	1.99
	Secondary	<u>0.70</u> 1.11	0.00	0.15	2.15	1.24	3.32
2006	Primary	0.44	1.20	0.89	2.90	2.70	2.25
	Secondary	<u>0.73</u> 1.17	0.00	0.14	2.34	1.09	3.79

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, (2008-2014) Tax Rates Maricopa County, Arizona.

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
2.26	3.11	2.07	2.48	2.55
1.57	3.12	1.19	3.45	1.72
2.33	2.74	2.99	2.59	2.80
1.45	3.06	1.21	3.31	1.70
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

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

Schedule 7

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
J & J Coldwater LLC	\$ 5,883,416	1	1.14 %	-	-	-
Inland Westland Avondale Mcdowell LLC	5,129,072	2	0.99	\$ 7,367,659	1	1.90 %
Phoenix Speedway Corp	4,581,400	3	0.88	5,397,879	2	1.40
Raintree Pad 2 LLC	4,082,473	4	0.79	-	-	-
Arizona Public Service Company	3,855,635	5	0.74	2,625,777	9	0.68
Mechanic (AZ) QRS 15-41 INC	3,633,289	6	0.70	-	-	-
Moreland Arizona Properties LLC	3,376,530	7	0.65	4,062,021	4	1.05
Crystal Springs Apartments LLC	3,100,000	8	0.60	-	-	-
Smiths Food & Drug Centers INC	3,050,745	9	0.59	4,621,887	3	1.19
FPA4 Mirabella LLC	2,860,950	10	0.55	-	-	-
Fulton Homes Corporation	-	-	-	3,234,180	5	0.84
Mechanic (AZ) QRS 15-41 INC	-	-	-	3,231,450	6	0.84
Harkins Phoenix Cinemas	-	-	-	3,138,174	7	0.81
No Bull LLC	-	-	-	2,753,885	8	0.71
Weingarten Nostat INC	-	-	-	2,403,566	10	0.62
Total	\$ 39,553,510		7.63 %	\$ 38,836,478		10.04 %

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
2015	\$ 5,948,064	\$ 5,830,887	98.03 %	\$ 68,212	\$ 5,899,099	99.18 %
2014	5,659,729	5,545,279	97.98	33,176	5,578,455	98.56
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

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, 2015*.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retail	\$ 23,181,290	\$ 25,267,394	\$ 23,538,506	\$ 19,845,087
Construction	7,709,576	8,155,198	4,443,542	3,693,612
Real Estate & Rentals	1,898,944	2,484,662	3,507,850	3,477,613
Communication & Utilities	1,638,737	1,875,736	2,015,740	1,997,716
Restaurants & Bars	2,279,026	2,400,026	2,591,479	2,434,741
Amusement	872,668	890,193	868,406	751,050
Use Tax	179,551	312,539	247,415	212,186
Equipment Rental	588,085	691,190	605,606	549,111
All Others	155,248	164,939	313,069	297,480
Total	<u>\$ 38,503,125</u>	<u>\$ 42,241,877</u>	<u>\$ 38,131,613</u>	<u>\$ 33,258,596</u>

	<u>Year-over-Year Increase (Decrease)</u>			
Retail	Information	9.0 %	(6.8) %	(15.7) %
Construction	not available	5.8	(45.5)	(16.9)
Real Estate & Rentals		30.8	41.2	(0.9)
Communication & Utilities		14.5	7.5	(0.9)
Restaurants & Bars		5.3	8.0	(6.0)
Amusement		2.0	(2.4)	(13.5)
Use Tax		74.1	(20.8)	(14.2)
Equipment Rental		17.5	(12.4)	(9.3)
All Others		6.2	89.8	(5.0)
Total		<u>9.7 %</u>	<u>(9.7) %</u>	<u>(12.8) %</u>

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

Source: City records

Schedule 9

2010	2011	2012	2013	2014	2015
\$ 18,244,074	\$ 18,832,147	\$ 20,938,049	\$ 22,749,307	\$ 24,510,356	\$ 26,986,156
2,061,391	1,188,487	1,415,172	1,323,781	1,139,469	1,155,268
3,487,130	3,890,097	4,131,206	3,909,022	4,025,883	4,278,607
2,061,554	2,022,346	2,041,519	2,082,661	2,049,404	2,031,513
2,277,265	2,459,856	2,695,339	2,875,647	3,226,930	3,164,390
661,557	592,433	590,559	616,874	666,567	679,671
204,191	201,255	249,884	235,002	278,274	340,492
518,471	531,363	541,950	579,379	665,089	739,617
353,481	302,290	284,956	311,003	318,829	385,657
<u>\$ 29,869,114</u>	<u>\$ 30,020,274</u>	<u>\$ 32,888,634</u>	<u>\$ 34,682,676</u>	<u>\$ 36,880,801</u>	<u>\$ 39,761,371</u>

Year-over-Year Increase (Decrease)

(8.1) %	3.2 %	11.2 %	8.7 %	7.7 %	10.1 %
(44.2)	(42.3)	19.1	(6.5)	(13.9)	1.4
0.3	11.6	6.2	(5.4)	3.0	6.3
3.2	(1.9)	0.9	2.0	(1.6)	(0.9)
(6.5)	8.0	9.6	6.7	12.2	(1.9)
(11.9)	(10.4)	(0.3)	4.5	8.1	2.0
(3.8)	(1.4)	24.2	(6.0)	18.4	22.4
(5.6)	2.5	2.0	6.9	14.8	11.2
18.8	(14.5)	(5.7)	9.1	2.5	21.0
<u>(10.2) %</u>	<u>0.5 %</u>	<u>9.6 %</u>	<u>5.5 %</u>	<u>6.3 %</u>	<u>7.8 %</u>

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
2015	\$ 26,540	\$ 1,093	\$ 34,899	\$ 7,474	\$ -
2014	28,598	1,451	36,823	9,580	-
2013	31,596	1,800	38,679	9,641	137
2012	34,449	2,133	58,144	-	551
2011	37,237	2,456	63,275	-	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

¹ See Demographics and Economic Statistics schedule on page 174 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
\$ 2,980	\$ 1,240	\$ -	\$ 74,226	2.25 %	\$ 951
3,190	1,589	-	81,231	2.49	1,048
4,770	1,696	-	88,319	2.79	1,116
6,785	1,800	-	103,862	3.74	1,327
8,625	2,166	-	114,707	4.07	1,482
8,625	2,085	-	122,254	4.29	1,604
1,225	6,038	7,235	104,802	3.69	1,356
1,320	6,935	8,054	99,298	3.29	1,296
1,410	7,793	8,845	107,584	4.11	1,613
1,500	8,631	9,604	93,990	3.72	1,422

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net secondary assessed valuation	\$ 386,790,640	\$ 586,169,088	\$ 704,155,001	\$ 641,762,977
<u>20% Limitation</u>				
Debt limit	77,358,128	117,233,818	140,831,000	128,352,595
Net debt applicable to limit	<u>8,930,000</u>	<u>16,130,000</u>	<u>14,185,000</u>	<u>11,785,000</u>
Legal 20% debt margin	<u>\$ 68,428,128</u>	<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>	<u>\$ 116,567,595</u>
Total net debt applicable to the limit as a percentage of debt limit	11.5%	13.8%	10.1%	9.2%
<u>6% Limitation</u>				
Debt limit	\$ 23,207,438	\$ 35,170,145	\$ 42,249,300	\$ 38,505,779
Net debt applicable to limit	<u>8,775,000</u>	<u>2,500,000</u>	<u>2,180,000</u>	<u>1,665,000</u>
Legal 6% debt margin	<u>\$ 14,432,438</u>	<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>	<u>\$ 36,840,779</u>
Total net debt applicable to the limit as a percentage of debt limit	37.8%	7.1%	5.2%	4.3%

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 11

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 524,305,349	\$ 402,403,658	\$ 345,672,132	\$ 314,975,684	\$ 350,686,613	\$ 427,630,392
104,861,070	80,480,732	69,134,426	62,995,137	70,137,323	85,526,078
38,570,000	35,875,810	33,253,796	30,576,782	27,764,770	25,880,000
<u>\$ 66,291,070</u>	<u>\$ 44,604,922</u>	<u>\$ 35,880,630</u>	<u>\$ 32,418,355</u>	<u>\$ 42,372,553</u>	<u>\$ 59,646,078</u>
36.8%	44.6%	48.1%	48.5%	39.6%	30.3%
\$ 31,458,321	\$ 24,144,219	\$ 20,740,328	\$ 18,898,541	\$ 21,041,197	\$ 25,657,824
1,515,000	1,361,204	1,195,170	1,019,136	833,102	635,000
<u>\$ 29,943,321</u>	<u>\$ 22,783,015</u>	<u>\$ 19,545,158</u>	<u>\$ 17,879,405</u>	<u>\$ 20,208,095</u>	<u>\$ 25,022,824</u>
4.8%	5.6%	5.8%	5.4%	4.0%	2.5%

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

	2006	2007	2008	2009
Total operating revenues ¹	\$ 16,342,090	\$ 18,749,786	\$ 19,436,132	\$ 18,073,444
Total operating expenses ²	10,023,264	12,473,104	13,259,794	14,419,200
Net operating income	6,318,826	6,276,682	6,176,338	3,654,244
Other revenues	14,796,223	10,894,834	4,531,680	3,563,462
Net revenues before debt service	<u>\$ 21,115,049</u>	<u>\$ 17,171,516</u>	<u>\$ 10,708,018</u>	<u>\$ 7,217,706</u>
Debt service ³	\$ 2,455,293	\$ 2,469,394	\$ 2,444,879	\$ 2,441,059
Debt service coverage	8.60	6.95	4.38	2.96

¹ Includes all water and sewer operating revenues except for water and sewer development fees.

² Excludes depreciation and interest expenses.

³ Debt service includes all bonds having a water and sewer system revenue pledge which includes 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 84-88 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 12

2010	2011	2012	2013	2014	2015
\$ 18,357,018	\$ 18,416,763	\$ 19,984,828	\$ 19,715,295	\$ 20,231,533	\$ 19,580,966
13,843,483	14,591,625	13,850,258	14,301,632	14,321,784	14,030,221
4,513,535	3,825,138	6,134,570	5,413,663	5,909,749	5,550,745
1,846,783	874,992	633,797	544,163	773,554	1,560,864
<u>\$ 6,360,318</u>	<u>\$ 4,700,130</u>	<u>\$ 6,768,367</u>	<u>\$ 5,957,826</u>	<u>\$ 6,683,303</u>	<u>\$ 7,111,609</u>
\$ 2,437,250	\$ 775,518	\$ 2,486,512	\$ 2,275,017	\$ 1,819,169	\$ 675,553
2.61	6.06	2.72	2.62	3.67	10.53

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

Source	2006	2007	2008	2009
City sales tax	\$ 39,327,962	\$ 42,619,823	\$ 37,549,019	\$ 32,618,773
State sales tax	4,055,107	6,592,077	6,374,091	5,518,183
State revenue sharing	4,100,286	8,031,441	9,806,105	10,195,604
Utility and cable franchise fees	876,223	982,032	1,001,905	1,033,993
Licenses and permits	4,884,077	3,974,976	2,405,938	972,685
Fines and forfeitures	951,968	1,249,998	1,387,841	850,862
Totals	\$ 54,195,623	\$ 63,450,347	\$ 58,524,899	\$ 51,190,100

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

Source: City records.

Schedule 13

2010	2011	2012	2013	2014	2015
\$ 29,664,531	\$ 30,079,230	\$ 32,639,353	\$ 35,455,829	\$ 37,387,063	\$ 40,533,299
5,089,719	5,351,475	5,957,260	6,240,221	6,635,966	6,967,295
8,208,394	6,750,611	6,434,543	7,787,548	8,497,693	9,229,081
1,067,061	1,095,000	1,096,920	1,101,693	1,132,811	1,150,766
1,810,205	810,508	827,949	1,041,295	846,554	1,263,670
1,328,659	1,032,246	1,047,582	1,166,102	1,000,841	1,208,797
<u>\$ 47,168,569</u>	<u>\$ 45,119,070</u>	<u>\$ 48,003,607</u>	<u>\$ 52,792,688</u>	<u>\$ 55,500,928</u>	<u>\$ 60,352,908</u>

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

Schedule 14

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
2015	\$ 427,630,392	\$ 26,539,823	\$ 182,462	\$ 26,357,361	6.16 %	\$ 338
2014	350,686,613	28,597,872	52,625	28,545,247	8.14	368
2013	314,975,684	31,595,918	1,158,775	30,437,143	9.66	385
2012	345,672,132	34,448,966	3,126,687	31,322,279	9.06	400
2011	402,403,658	37,237,014	4,343,222	32,893,792	8.17	425
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	241
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	240

¹ See Demographics and Economic Statistics Schedule on page 174 for population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 153 for secondary assessed valuation data.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2013)* and city records.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹

AS OF JUNE 30, 2015

(Amounts expressed in thousands)

Governmental Unit	Debt Outstanding²	Estimated Share of Overlapping Debt	
		Percent²	Amount
Debt repaid with property taxes			
State of Arizona	None	0.63 %	None
Maricopa County	None	1.00	None
Maricopa County Community College District	\$ 654,190	1.00	\$ 6,542
Maricopa County Special Health Care District	106,000	1.00	1,060
Avondale Elementary School District No. 44	33,725	15.60	5,261
Litchfield Elementary School District No. 79	45,675	11.30	5,161
Littleton Elementary School District No. 65	23,705	54.77	12,983
Pendergast Elementary School District No. 92	27,130	33.49	9,086
Tolleson Elementary School District No. 17	8,790	9.25	813
Agua Fria Union High School District No. 216	58,270	12.72	7,412
Tolleson Union High School District No. 214	43,300	23.96	10,375
Total overlapping debt			58,693
City of Avondale direct debt ³			70,006
Total Direct and Overlapping Debt			<u>\$ 128,699</u>

¹ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Avondale. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering a City's ability to issue and repay long-term debt, the entire debt burden borne by residents and business 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.

² Proportion applicable to the City is computed on the ratio of secondary assessed valuation for fiscal year 2014-15 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

³ Direct debt includes all governmental activities long-term debt instruments including general obligation bonds, highway user revenue bonds, MDC revenue bonds, pledged revenue refunding obligations, and unamortized bond discounts/premiums.

Source: City records, except for debt outstanding and estimated share of overlapping debt information, which was obtained from Stone & Youngberg, LLP.

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

Schedule 16

Debt Service Payable During Year Ended June 30	Actual Excise tax Revenues²	Total Actual and Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
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	55,500,928	3,436,919	16.15
2015	60,352,908	3,540,088	17.05
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 MDC revenue 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 163).

Note: See Note 9 - Long-term Obligations on pages 84-88 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 17

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2015	\$ 4,719,669	\$ 401,963	11.74
2014	4,299,561	405,463	10.60
2013	4,174,775	403,150	10.36
2012	3,817,593	404,875	9.43
2011	4,109,134	405,844	10.12
2010	3,942,434	405,688	9.72
2009	4,161,313	399,838	10.41
2008	4,764,909	257,308	18.52
2007	4,948,541	537,827	9.20
2006	2,952,118	553,370	5.33

¹ Highway User Revenue Fund Bonds are special revenue bonds issued specifically 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 84-88 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 18

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2015	\$ 4,719,669
2014	4,299,561
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

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
LAST THREE CALENDAR YEARS

Schedule 19

Legal Availability (Acre-Feet)	2012	2013	2014
Central Arizona Project (CAP) ²	5,416	5,416	5,416
Salt River Project (SRP) ³	15,913	15,950	15,950
City-owned wells ⁴	35,779	35,779	35,779
Reclaimed water delivered to City's underground storage facility (USF) ⁵	3,830	6,131	6,131
Underground Storage Facility (USF) ⁶	15,000	20,000	20,000
	<u>75,938</u>	<u>83,276</u>	<u>83,276</u>
Volume Produced (Acre-Feet)			
Central Arizona Project (CAP) ⁷	6,648	5,416	5,416
Salt River Project (SRP) ⁸	5,724	6,482	6,204
City-owned wells ⁹	14,463	14,393	13,177
Reclaimed water delivered to City's underground storage facility (USF) ¹⁰	2,092	4,308	5,695
Underground Storage Facility (USF) ¹¹	12,121	10,790	11,936
	<u>41,048</u>	<u>41,389</u>	<u>42,428</u>
Volume Produced (Gallons in Millions)			
Central Arizona Project (CAP)	2,166	1,765	1,765
Salt River Project (SRP)	1,865	2,112	2,022
City-owned wells	4,713	4,690	4,294
Reclaimed water delivered to City's underground storage facility (USF)	682	1,404	1,856
Underground Storage Facility (USF)	3,950	3,515	3,889
	<u>13,376</u>	<u>13,486</u>	<u>13,826</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2013 so only three years are 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 According to SRP records, there were 5,316.50 acres of land legally eligible to receive SRP allocation of 3.0 acre-feet per acre.

⁴ 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.

⁵ Amount of water treated by the Wolf Water Resource Center.

⁶ Permitted capacity of the City's Underground Storage Facility.

⁷ Includes additional CAP allocation received from SRP as an exchange.

⁸ The City can only take the amount to satisfy their SRP customer demand.

⁹ Amount recovered from one or more of the City's wells for delivery to customers.

¹⁰ Amount of water that was recharged at the City's USF.

¹¹ Amount of water (surface and reclaimed) delivered to the City's USF.

Source: City Public Works Department.

**SCHEDULE OF WATER AND SEWER SALES, NUMBER OF CUSTOMERS,
AND OTHER FEES AND REVENUE
LAST THREE FISCAL YEARS**

<u>Water System</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water Sales ²			
Residential	\$ 7,499,382	\$ 7,628,120	\$ 7,267,073
Commercial	4,163,085	4,233,400	3,885,595
Total	<u>\$ 11,662,467</u>	<u>\$ 11,861,520</u>	<u>\$ 11,152,668</u>
Number of Water Customers ³			
Residential	20,872	25,620	25,424
Commercial	1,401	1,498	1,267
Total	<u>22,273</u>	<u>27,118</u>	<u>26,691</u>
Other Fees and Revenue			
Meter Installation	\$ 17,210	\$ 26,640	\$ 45,060
Turn-on Fees	479,091	479,471	455,755
Interest Earnings	71,503	50,882	142,593
Total	<u>\$ 567,804</u>	<u>\$ 556,993</u>	<u>\$ 643,408</u>
<u>Sewer System</u>			
Sewer Sales ²			
Residential	\$ 6,946,342	\$ 7,042,305	\$ 7,025,034
Commercial	793,124	842,036	885,157
Total	<u>\$ 7,739,466</u>	<u>\$ 7,884,341</u>	<u>\$ 7,910,191</u>
Number of Sewer Customers ³			
Residential	20,556	24,945	24,850
Commercial	1,267	788	592
Total	<u>21,823</u>	<u>25,733</u>	<u>25,442</u>
Other Fees and Revenue			
Tap Fees	\$ 9,900	\$ 15,600	\$ 23,400
Interest Earnings	51,359	51,436	54,550
Total	<u>\$ 61,259</u>	<u>\$ 67,036</u>	<u>\$ 77,950</u>

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

² Sales revenues presented in this schedule may differ from enterprise fund revenues due to differences in reporting periods.

³ Customer counts reflect the number of unique customer accounts billed during the year.

Source: City Records

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

Schedule 21

Fiscal Year	Population⁴	Personal Income (in thousands)¹	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2015	78,090	\$ 3,256,665	\$ 41,704	13,915	6.0 %	6.4 %
2014	77,511	3,267,554	42,156	14,507	7.0	7.5
2013	79,132	3,162,590	39,966	14,444	7.9	8.0
2012	78,256	2,778,566	35,506	14,562	9.1	8.9
2011	77,388	2,818,267	36,417	15,093	8.4	9.6
2010	76,238	2,847,642	37,352	14,273	8.4	9.5
2009	77,276	2,836,570	36,707	13,980	6.1	7.0
2008	76,613	3,016,177	39,369	12,702	3.4	4.1
2007	66,678	2,620,445	39,300	12,671	3.2	3.9
2006	66,110	2,523,815	38,176	12,849	3.5	4.4

¹ Based on data obtained from the U.S. Department of Commerce, Bureau of Economic Analysis for Maricopa County.

² Obtained from Estrella Mountain Community College.

³ Based on data obtained from the U.S. Department of Labor, Bureau of Labor Statistics and Arizona Department of Economic Security.

⁴ Based on data obtained from the Maricopa Association of Governments, U.S. Census Bureau, and Arizona Department of Administration Office of Employment & Population Statistics.

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

Schedule 22

Employer	2015			2006		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
City of Avondale	450	1	1.19 %	450	3	1.35 %
Fry's Food Stores	390	2	1.03	305	6	0.91
Littleton Elementary School Dist. 65	340	3	0.90	290	8	0.87
Avondale Elementary School Dist. No. 44	340	4	0.90	335	5	1.00
Tolleson Union High School District 214	310	5	0.82	395	4	1.18
Walmart	310	6	0.82	540	2	1.62
Maricopa County Community College Dist	250	7	0.66	-	-	-
Costco Wholesale	240	8	0.63	-	-	-
Pendergast Elementary School Dist. 92	230	9	0.61	255	9	0.76
State of Arizona	220	10	0.58	-	-	-
Avondale Auto Group	-	-	-	660	1	1.98
Agua Fria Union High School Dist #216	-	-	-	300	7	0.90
Universal Technical Institute	-	-	-	250	10	0.75
Total	3,080		8.14 %	3,780		11.32 %

Source: Maricopa Association of Governments Employer Database, and the U.S. Department of Labor, Bureau of Labor Statistics - MAG 2014 Employer Database and Greater Phoenix Fact Book, a publication by the Greater Phoenix Economic Council, 2006 Arizona Harris Directory and 2006 Arizona Industrial Directory, publications by Harris Infosource and an individual employer survey.



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

Function	2006	2007	2008	2009	2010
General government					
City administration	8.0	9.0	9.0	9.0	9.0
Finance and budget	23.5	29.5	29.5	29.5	27.5
City court	10.5	11.5	13.5	14.0	14.0
Planning and building services	22.0	22.0	29.0	25.0	23.0
Other	34.6	44.0	48.0	40.0	37.2
Public safety					
Police					
Officers	94.0	100.5	107.5	112.5	121.8
Civilians	45.0	49.5	54.5	50.5	50.0
Fire					
Firefighters and officers	46.0	45.0	50.0	50.0	50.0
Civilians	17.5	12.0	13.0	10.0	8.0
Highways and streets					
Engineering and development services	17.0	22.0	21.0	19.0	18.0
Maintenance	13.3	14.0	14.0	14.0	10.0
Health and welfare	12.0	21.5	21.5	27.5	22.5
Economic and community development	2.0	3.0	3.0	3.0	1.0
Sanitation	21.1	19.0	20.0	20.0	18.0
Culture and recreation	26.0	48.0	49.0	45.0	38.0
Water resources	32.0	38.5	40.5	42.5	37.0
Sewer	15.0	16.5	16.5	20.5	19.0
Total	<u>439.5</u>	<u>505.5</u>	<u>539.5</u>	<u>532.0</u>	<u>504.0</u>

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

Schedule 23

2011	2012	2013	2014	2015
10.0	10.0	9.0	9.0	11.0
28.5	28.5	28.5	28.5	28.5
13.0	13.0	13.0	13.0	13.0
0.0	0.0	0.0	0.0	0.0
36.2	36.2	28.0	40.0	40.0
120.8	120.8	133.0	124.0	127.0
46.0	46.0	37.0	47.0	45.0
49.0	49.0	56.0	71.0	63.0
8.0	8.0	3.0	3.0	11.0
34.0	34.0	20.0	28.0	17.0
10.0	10.0	23.0	12.0	10.0
21.0	21.0	17.0	19.8	10.0
3.0	3.0	9.0	4.0	4.0
19.0	19.0	21.2	18.0	35.8
29.0	29.0	33.0	28.3	33.0
37.1	37.1	33.9	35.1	33.1
18.9	18.9	20.9	20.9	21.1
<u>483.5</u>	<u>483.5</u>	<u>485.5</u>	<u>501.5</u>	<u>502.5</u>

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

Function	2006	2007	2008	2009
Police				
Calls for service	52,419	68,364	72,872	74,929
Citations	9,423	10,550	7,239	4,950
Physical arrests	5,062	3,373	4,121	4,113
Fire				
Number of emergency responses	6,735	6,843	5,583	6,002
Inspections	4,900	4,460	4,479	3,881
Number of fires extinguished	-	148	49	503
Sanitation				
Refuse collected (tons per day)	72	126	143	146
Recyclables collected (tons per day)	14	49	49	49
Water				
New connections	21,459	21,821	22,600	22,925
Water mains breaks	8	16	17	26
Average daily consumption (thousands of gallons)	10,285	11,850	11,850	11,664
Wastewater				
Average daily sewage treatment (thousands of gallons)	4,080	4,602	4,974	4,883

¹ Indicators are not available for the general government function.

Source: Various city departments.

Schedule 24

2010	2011	2012	2013	2014	2015
73,884	78,961	77,800	80,901	73,718	76,687
6,167	6,487	7,348	6,461	4,930	7,165
3,080	4,234	3,461	3,727	3,792	4,635
5,965	6,057	6,601	8,307	8,471	9,861
3,077	3,296	3,041	3,286	3,265	3,529
493	451	241	233	245	416
134	141	132	133	134	143
46	52	48	44	46	47
22,992	23,251	23,616	23,839	23,058	23,150
12	10	14	13	6	7
11,850	11,300	13,992	13,694	13,835	12,849
4,886	5,159	5,310	5,740	6,092	5,810

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

Function	2006	2007	2008	2009
Public Safety				
Police:				
Stations	2	2	2	4
Patrol units	64	76	84	90
Fire stations				
Stations	3	3	3	3
Regional training academy	1			
Fire trucks	7	7	7	7
Fire vehicles (excl. fire trucks)	16	19	17	16
Sanitation				
Collection trucks	18	18	18	17
Highways and streets				
Streets (miles)	264	279	284	284
Streetlights	6,499	7,103	7,952	8,016
Traffic signals	29	33	36	42
Culture and recreation				
Parks acreage	265	265	265	265
Parks	11	11	11	11
Racquetball courts	0	0	0	0
Basketball courts	14	14	14	14
Volleyball courts	4	2	0	0
Baseball fields	3	3	4	4
Softball fields	3	3	7	7
Soccer fields	11	11	12	12
Swimming pools	0	0	0	0
Tennis courts	2	2	2	2
Community centers	2	2	2	1
Dog park	1	1	1	1
Playgrounds	7	7	8	8
Amphitheatre	3	3	2	2
Ramadas	8	8	12	12
Football Field				
Water				
Number of service connections	21,459	21,821	22,600	22,925
Water mains (miles)	406	309	314	316
Fire hydrants	2,564	2,581	2,624	2,686
Sewer				
Number of service connections	19,970	21,218	21,416	21,453
Sanitary sewers (miles)	321	232	235	235
Storm sewers (miles)	26	29	32	32
Wastewater				
Treatment plants	1	1	1	1

¹ Indicators are not available for the general government function.

Source: Various city departments.

Schedule 25

2010	2011	2012	2013	2014	2015
4	4	5	5	5	5
93	116	101	101	102	107
3	3	3	3	4	4
7	7	7	8	9	10
16	16	16	14	18	12
18	18	18	20	17	22
285	285	286	286	294	294
7,739	7,739	7,771	7,829	7,829	7,843
42	46	46	46	47	47
265	265	265	265	265	265
11	11	11	11	11	11
0	0	0	0	0	0
14	18	18	18	18	18
0	0	0	0	0	0
4	4	4	4	4	4
7	7	7	7	7	7
12	14	14	14	14	14
0	0	0	0	0	0
2	2	2	2	2	2
1	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
1	1	1	1	1	1
22,992	23,251	23,616	23,839	23,058	23,150
318	330	330	330	450	451
2,703	2,711	2,714	2,719	2,728	2,733
21,471	21,479	21,852	21,979	22,042	22,125
235	235	235	235	237	237
37	37	39	39	60	60
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, 2015, 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, 2015.

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.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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, 2015



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 the City of Avondale, Arizona's major federal program for the year ended June 30, 2015. The City of Avondale, Arizona's major federal program is 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 the City of Avondale, Arizona's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City of Avondale, Arizona's compliance.

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

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7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
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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 its major federal programs for the year ended June 30, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, Arizona
December 16, 2015

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		\$ 628,884 *
Home Investment Partnerships Program, passed through the Arizona Department of Housing	14.239	308-13	179,066
Home Investment Partnerships Program, passed through the Maricopa County Community Development Division	14.239	M-13-DC-04-0227, M-14-DC-04-0227	<u>51,773</u>
Total Home Investment Partnerships Program			<u>230,839</u>
Total U.S. Department of Housing and Urban Development			<u>859,723</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		5,400
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2013-DJ-BX-1164	13,205
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers, passed through the Western Regional Children's Advocacy Center	16.758	2013-CI-FX-K003	1,086
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers, passed through the National Children's Alliance	16.758	2014-CI-FX-K006	<u>2,395</u>
Total Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers			<u>3,481</u>
Total U.S. Department of Justice			<u>22,086</u>
U.S. Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2014-TR-002, 2015-AL-033, 2015-405D-033	50,593
National Priority Safety Programs, passed through the Arizona Governor's Office of Highway Safety	20.616	2015-405D-033	<u>32,458</u>
Total Highway Safety Cluster			83,051
Minimum Penalties for Repeat Offenders for Driving While Intoxicated, passed through the Arizona Governor's Office of Highway Safety	20.608	2014-164-088	<u>22,664</u>
Total U.S. Department of Transportation			<u>105,715</u>
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	None	<u>17,130</u>
Total Institute of Museum and Library Services			<u>17,130</u>

(Continued)

See accompanying notes to schedule.

* Denotes major program

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<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 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	2015-05-AVO	85,872
Special Programs for the Aging_Title III, Part C_Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2015-05-AVO	129,720
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2015-05-AVO	<u>18,166</u>
Total Aging Cluster			<u>233,758</u>
Low-Income Home Energy Assistance, passed through the Maricopa County Department of Human Services	93.568	C-22-13-071-3-01	27,342
Community Services Block Grant, passed through the Maricopa County Department of Human Services	93.569	C-22-13-071-3-01	10,409
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-13-071-3-01	23,304
Social Services Block Grant, passed through the Area Agency on Aging, Region One Inc.	93.667	2015-05-AVO	<u>17,496</u>
Total Social Services Block Grant			<u>40,800</u>
Total U.S. Department of Health and Human Services			<u>312,309</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program, passed through Maricopa County Local Board	97.024	0256-00-073	<u>25,000</u>
Total U.S. Department of Homeland Security			<u>25,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,341,963</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, 2015**

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 2015 *Catalog of Federal Domestic Assistance*.

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED June 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no

___ yes X none reported

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

Community Development Block Grants

Unmodified

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	Community Development Block Grants

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

\$300,000

Auditee qualified as low-risk auditee?

X yes ___ no

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2015

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.

