

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

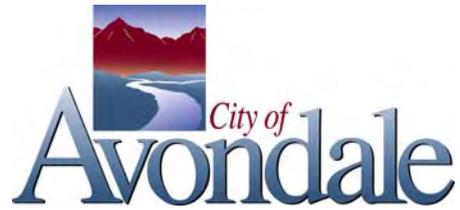


**Protecting Avondale**  
City of Avondale Public Safety

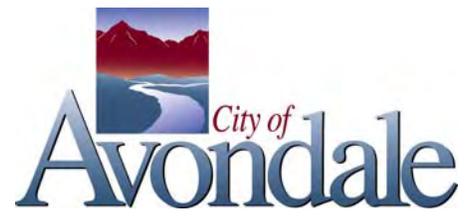


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2008

City of Avondale, Arizona



Prepared by:  
Finance and Budget Department



**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2008**

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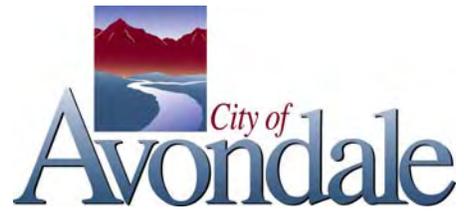
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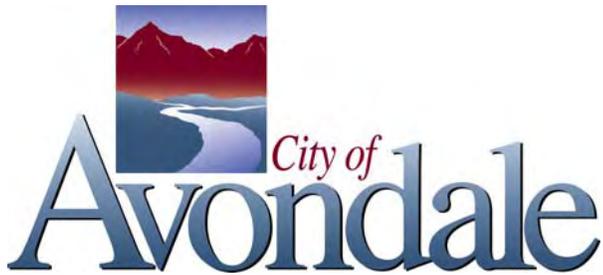
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December 19, 2008

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 June 30, 2008. 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 of the 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, 2008, 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, 2008, 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 Federal Single Audit Report is included within this report. GAAP require that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Independent Auditors’ Report.

### **City of Avondale Profile**

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 76,613. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

This report includes financial statements on both a government-wide and fund basis for the primary government, as well as its component units. Component units are legally separate entities that are included in the reporting entity due to the significance of their financial or operational relationship with the City. Blended component units, although legally separate entities, are in substance part of the City’s operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 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/budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At a regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these individual 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.

### **Factors Affecting Economic Condition and Outlook**

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having a direct impact on the City of Avondale. Revenues from building permits, development fees, and sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2007-08. The City has prepared for future growth rates to be significantly less than ten-year historical growth rates. Appropriations in the fiscal year 2008-09 budget have been reduced by over \$7 million in the General Fund alone, and the City's multi-year forecasts have been modified to reflect negative revenue growth into fiscal year 2009-10.

### **Commercial**

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

*Gateway Pavilions (99<sup>th</sup> Avenue and McDowell Road)*

This highly successful center is anchored by Costco, Harkins Theatres, Borders, Bed Bath & Beyond, Sports Authority, and Mor Furniture. In addition to the anchors, there are numerous restaurants and specialty shops in the 650,000 square-foot center.

*Gateway Crossing (99<sup>th</sup> Avenue and McDowell Road)*

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

*Coldwater Plaza (Dysart Road north of Van Buren Street)*

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

*Alameda Crossing (Northeast corner of Dysart and McDowell)*

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

*Avondale Auto Mall (99<sup>th</sup> Avenue to 107<sup>th</sup> Avenue, south of I-10)*

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

*Hilton Hotels (Avondale Boulevard and I-10)*

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

**Residential Activity**

Avondale's excellent freeway access, attractive suburban lifestyle, along with the new commercial development, has continued to attract new housing communities to the City. During fiscal year 2008, 234 residential building permits were issued and the City experienced a 20% increase in secondary assessed valuation going from \$586,169,088 to \$704,155,001 for fiscal year 2008.

The Estrella Mountain Community College located in northwest Avondale is an excellent post-secondary educational facility enhancing additional economic development opportunities in the surrounding area. The College is master planned for five building phases on its 105-acre site. The College is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and has an enrollment of more than 5,000 students. Approximately 200,000 people reside in Estrella Mountain's service area, which is expected to grow to a half-million people by 2020.

## **Major Accomplishments and Initiatives**

During fiscal year 2008, the City continued or planned for several significant projects.

Old Town Library – The City completed construction of the 12,700 square-foot library on Western Avenue.

Expansion of the wastewater treatment plant – The City has entered into a contract to expand the wastewater treatment facility from 6.4MGD to 9.0MGD to accommodate future growth in the City of Avondale. The project is scheduled to be completed in fiscal year 2008-09.

## **CASH MANAGEMENT**

Cash is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Government Investment Pool. Investment income is allocated to the funds monthly on the basis of the cash provided for investment. The average yield on investments held with the State Treasurer was 3.44% for fiscal year 2008.

## **EXPENDITURE LIMITATION**

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 September 13, 2005, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for four years.

## **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.

## **PENSION BENEFITS**

Employees of the City of Avondale participate in one of four pension plans. The Arizona State Retirement System administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City.

The Public Safety Personnel Retirement System administers an agent, multiple-employer defined benefit pension plan that covers public safety personnel.

The Elected Officials' Retirement Plan administers a cost-sharing, multiple-employer defined benefit pension plan for elected officials.

The City maintains the Volunteer Firefighters' Relief and Pension Trust Fund. Net assets of the fund totaled \$265,704 at June 30, 2008, an increase of \$5,284 from the previous year.

## **RISK MANAGEMENT**

The City is responsible for the supervision and protection of the City's assets by employing various risk management techniques and procedures designed to reduce, minimize or eliminate the potential for risk. The City carried insurance for general liability, property, automobile, and public officials' errors and omissions through the Arizona Municipal Risk Retention Pool (AMRRP). The City has been self-insured since fiscal year 2005. City workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. 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 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 2008-09 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

## ACKNOWLEDGEMENTS

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

Respectfully submitted,



Steven R. Montague, CPA, CGFM  
Controller



Kevin H. Artz, CPA  
Finance and Budget Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



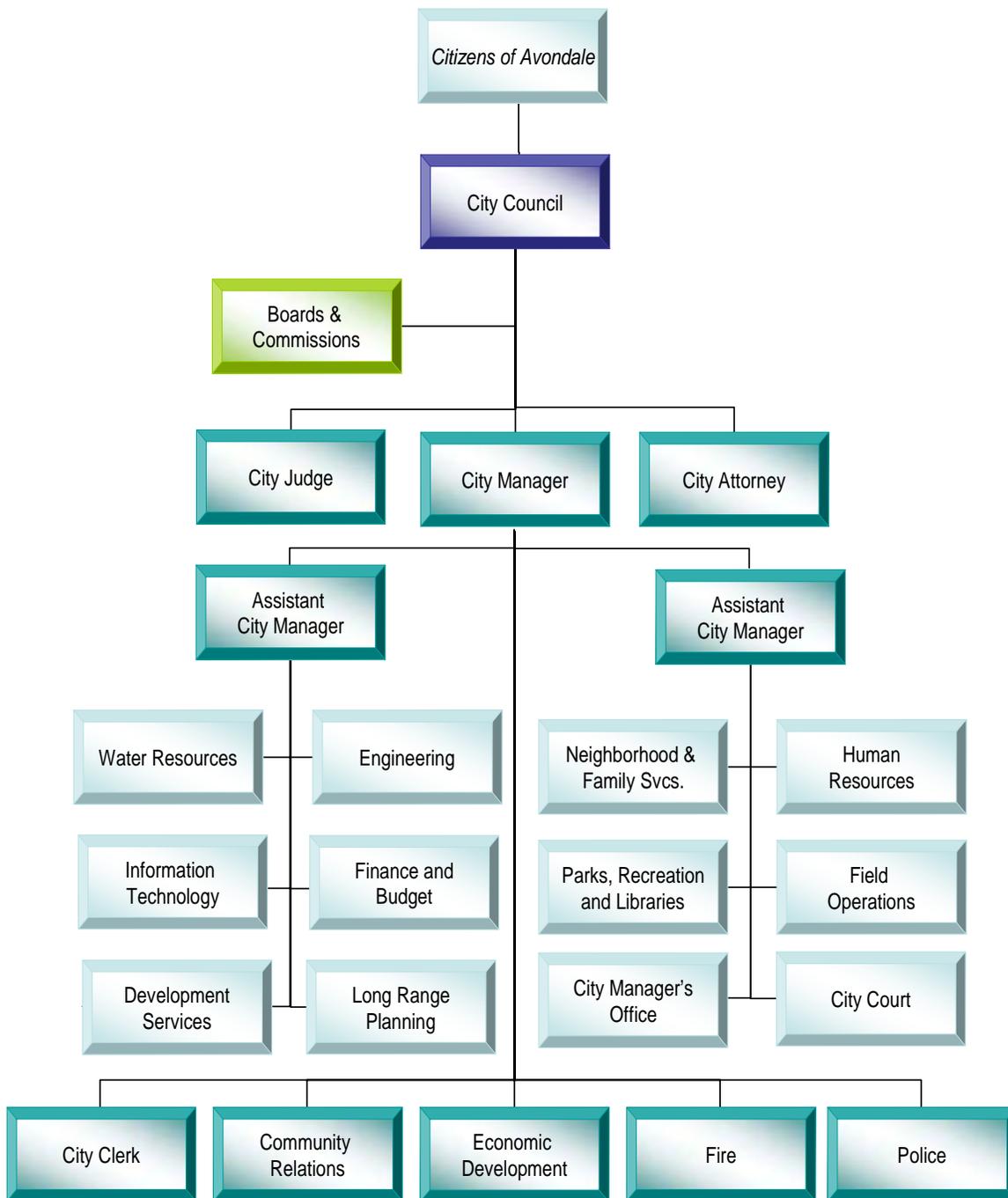
*Oliver S. Cox*

President

*Jeffrey R. Egan*

Executive Director

**CITY OF AVONDALE, ARIZONA  
ORGANIZATION CHART  
YEAR ENDED JUNE 30, 2008**



**CITY OF AVONDALE, ARIZONA  
PRINCIPAL OFFICIALS  
FISCAL YEAR 2008**

**Marie Lopez-Rogers, Mayor**

**Ken Weise, Vice Mayor**

**Charles Wolf, Councilmember**

**Frank Scott, Councilmember**



**Jim Buster, Councilmember**

**Stephanie Karlin, Councilmember**

**Jim McDonald, Councilmember**

**Charlie McClendon, City Manager**

**David Fitzhugh, Assistant City Manager**

**Rogene Hill, Assistant City Manager**

**Linda Farris, City Clerk**

**Pier Simeri, Community Relations Director**

**Claudia Whitehead, Economic Development Director**

**Wayne Janis, Water Resources Director**

**Sue McDermott, City Engineer**

**Kevin Artz, Finance and Budget Director**

**Kevin Hinderleider, Information Technology Director**

**Brian Berndt, Development Services Director**

**Dan Davis, Parks, Recreation and Libraries Director**

**Richard Lynch, City Judge**

**Andrew McGuire, City Attorney**

**Paul Adams, Fire Chief**

**Kevin Kotsur, Police Chief**

**Cherlene Penilla, Human Resources Director**

**Janet Stewart, Field Operations Director**

**Dean Svoboda, Long Range Planning Director**

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

Finance and Budget Department Staff: Kevin Artz, Finance and Budget Director; Pilar Morales, Finance and Budget Assistant Director; Steven Montague, Controller; Dianne Johnson, Accounting Manager; Javier Carcamo, Accountant; and Lorisa Sjaheim, Accountant



## Independent Auditors' Report

The Honorable Mayor and Council  
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale (the City), Arizona, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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Suite 100  
Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

Casa Grande  
711 E. Cottonwood Lane  
Suite C  
Casa Grande, AZ 85222-2725  
(520) 836-8201  
Fax (520) 426-9432



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Avondale, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2008. This discussion and analysis (MD&A) is designed to assist the user in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the City's financial plan (e.g., the approved budget), and identify individual fund issues and concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

The MD&A has a different focus and purpose than the Letter of Transmittal presented on pages v-xi 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 19-37 and the accompanying notes to the financial statements on pages 39-66.

### Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$1.1 billion (net assets). Of this amount, \$81.4 million was unrestricted, up \$6.8 million, or 9.2%, from last year's \$74.5 million) and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total nets assets increased \$45.6 million (4.3%) in fiscal year 2008; \$31.1 million (a 5.8% increase) in governmental activities and \$14.5 million (a 2.8% increase) in business-type activities.
- Governmental activities program revenues decreased by \$15.8 million (28.3%) and general revenues decreased by \$1.7 million (2.5%) over the previous year, while expenses increased by \$7.1 million (10.6%) during the same period.
- Business-type activities program revenues decreased by \$15.5 million (29.1%) and general revenues increased by \$0.8 million (22.1%) from the previous year, while expenses increased by \$1.8 million (6.7%) during the same period.
- City transfers from governmental activities to business-type activities decreased by \$7.3 million (72.3%) from the previous year. The decrease was largely due to a reduction in transfers of bond proceeds to finance the expansion of the City's wastewater treatment system.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$88.9 million, an increase of \$5.2 million (6.3%) from the previous year. Of this amount, \$75.6 million was unreserved and available for spending at the City's discretion.
- Total combined governmental fund revenues and expenditures basically remained unchanged between years; revenues decreased less than 0.1% and expenditures increased only 0.4%.
- Unreserved fund balance of the General Fund was \$35.9 million at June 30, 2008, or 80.9% of General Fund expenditures for fiscal year 2008.
- The City's total liabilities, including long-term debt, decreased by \$9.4 million, or 7.4%, during the fiscal year. The key factors contributing to this decrease were the payment of bond and loan principal on outstanding debt, as well as no new debt issuances during the year.
- General fund revenues (on a budgetary basis) fell short of budgeted revenues by \$7.1 million for fiscal year 2008, while budgetary basis expenditures were only 79.2% of the final budget despite the original budget having been reduced by more than \$2.0 million. The result was a net budgetary savings of \$4.6 million.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The City of Avondale, Arizona, Comprehensive Annual Financial Report consists of:

- The Letter of Transmittal and Independent Auditors' Report.
- This discussion and analysis.
- The City's basic financial statements that consist of three components: 1) government-wide financial statements, 2) fund financial statements, including budgetary comparison statements for the General Fund and major special revenues funds, and 3) notes to the financial statements.
- Additional non-required information includes budgetary comparison schedules for other major and non-major governmental funds, combining statements, schedules of capital assets used in the City's operation of governmental activities, statistical section, and single audit section.

### **Government-wide Financial Statements**

Government-wide financial statements are designed to provide a broad overview of the City's finances in a manner similar to those used in private-sector businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements.

The City's activities are presented in two columns on these statements; governmental activities and business-type activities. A total column for these activities is also provided.

- The governmental activities include basic services of the City including general government (e.g., administration), public safety (police and fire), highways and streets, health services and public assistance, economic and community development, culture and recreation, and transportation. These activities are primarily supported by general taxes and revenues.
- The business-type activities include private sector-type activities such as water, wastewater, and sanitation utilities. These activities are supported primarily through user charges and fees.

The statement of net assets presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is important because increases and decreases in net assets may serve as a useful indicator of how the financial position of the City may be changing. Increases in net assets may indicate an improved financial position. However, decreases in net assets may not necessarily indicate the City's financial position is deteriorating. Instead, it may reflect a situation where the City may have used previously accumulated funds (e.g., cash funding of capital projects). Therefore, in order to effectively assess the City's overall financial health, other financial and nonfinancial indicators must be evaluated and considered.

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the Avondale Municipal Development Corporation, a legally separate entity, for which the City is financially accountable. The Corporation also provides services entirely to the City. Financial information for this component unit is blended into the City's financial statements. The City does not have any discretely presented component units.

The government-wide financial statements can be found on pages 19-21 of this report.

## **Fund Financial Statements**

Also presented are the financial statements for governmental funds, proprietary funds, and fiduciary funds. The fund financial statements focus on the City's major funds. A fund is a self-balancing set of related accounts that are used to maintain control over cash and other resources that have been segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

**Governmental funds** – Governmental funds are used to account for most of the City's basic services. These services are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental activities column in the government-wide financial statements, these fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements and determining what financial resources are available in the near future to fund city programs.

Since the governmental funds financial statements focus on near-term spendable resources, while the governmental activities in the government-wide financial statements have a longer-term focus, 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 government's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances and government-wide statement of net assets and statement of activities are provided immediately following the respective governmental funds statements.

The City maintains several individual governmental funds organized according to their type (general, special revenue, capital projects, and debt service). Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, and the Development Fees Fund, which are considered major funds of the City. Data from the remaining governmental funds are combined into a single, aggregated presentation (Non-Major Governmental Funds). Individual fund data for each of these non-major funds is provided in the form of combining financial statements. These statements are included as supplementary information after the basic financial statements on pages 71-77.

The City adopts an annual budget and legally allocates (or appropriates) available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, and other non-major governmental funds. Budgetary comparison statements have been presented for the City's major funds, except for the Development Fees Fund (pages 29-32), and budgetary comparisons schedules have been presented for the City's other governmental funds (pages 68 and 80-91) to demonstrate compliance with the annual budget.

The basic governmental funds financial statements can be found on pages 22-23 and 26-32 of this report.

**Proprietary funds** – Proprietary funds are used to account for services primarily supported by user charges and fees. The proprietary funds financial statements are prepared using the same long-term focus as the government-wide financial statements. The City administers two types of proprietary funds.

- **Enterprise funds** are used to 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's enterprise funds include the Water, Wastewater and Sanitation Utility Funds. All of the enterprise funds are considered to be major funds of the City. The proprietary funds financial statements can be found on pages 33-35.
- **Internal service funds** are used to account for activities where the primary customer is the City itself. Because the internal service funds primarily provide services for governmental activities, the assets and liabilities of these funds are included in the governmental activities column of the government-wide statement of net assets. The internal service funds are combined into a single column on the proprietary funds financial statements. The operating income/loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the net income/loss of the internal service funds is partially allocated to business-type activities on the government-wide financial statements, a reconciliation is provided on the face of the proprietary funds financial statements to reconcile total enterprise funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements. The City's internal service funds include the Risk Management, Printing Services, and Fleet Management Funds. Additional information on the internal service funds is provided in the combining statements. These statements are included as supplementary information after the basic financial statements on pages 94-96.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support city programs. The fiduciary fund financial statements are prepared on the same basis as the government-wide and proprietary funds financial statements. The fiduciary fund financial statements can be found on pages 36-37 of this report.

**Notes to the financial statements** – The 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 to the financial statements can be found on pages 39-66 of this report.

**Required supplementary information other than MD&A** – Governments have the option of including budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes to the financial statements. The City has elected to present these budgetary comparison statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in the notes to the financial statements rather than separately presenting the information as required supplementary information (see Note 7 Retirement Plans, page 54).

## **GOVERNMENT-WIDE FINANCIAL ANALYSES**

The following tables, graphs, and analyses discuss the financial position and changes in the financial position of the City, as a whole, as of and for the year ended June 30, 2008, with comparative information for the previous year.

## Net Assets

Over time net assets may serve as a useful indicator of a government's financial position. The following table reflects the City's condensed statement of net assets for June 30, 2008, compared to the previous year.

	<b>Net Assets</b>						Percent Change
	<b>At June 30</b>						
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 103,618,518	\$ 98,522,876	\$ 79,882,923	\$ 82,937,360	\$ 183,501,441	\$ 181,460,236	1.1 %
Capital assets	564,581,288	545,781,325	470,937,897	455,525,537	1,035,519,185	1,001,306,862	3.4
Total assets	<u>668,199,806</u>	<u>644,304,201</u>	<u>550,820,820</u>	<u>538,462,897</u>	<u>1,219,020,626</u>	<u>1,182,767,098</u>	3.1
Other liabilities	19,726,387	10,715,658	6,766,939	5,250,028	26,493,326	15,965,686	65.9
Long-term liabilities	77,141,219	93,373,259	14,545,745	18,248,855	91,686,964	111,622,114	(17.9)
Total liabilities	<u>96,867,606</u>	<u>104,088,917</u>	<u>21,312,684</u>	<u>23,498,883</u>	<u>118,180,290</u>	<u>127,587,800</u>	(7.4)
Net assets:							
Invested in capital assets, net of related debt	480,355,653	453,903,454	454,628,362	437,478,163	934,984,015	891,381,617	4.9
Restricted	48,127,562	45,778,226	36,367,868	43,493,012	84,495,430	89,271,238	(5.3)
Unrestricted	42,848,985	40,533,604	38,511,906	33,992,839	81,360,891	74,526,443	9.2
Total net assets	<u>\$ 571,332,200</u>	<u>\$ 540,215,284</u>	<u>\$ 529,508,136</u>	<u>\$ 514,964,014</u>	<u>\$ 1,100,840,336</u>	<u>\$ 1,055,179,298</u>	4.3

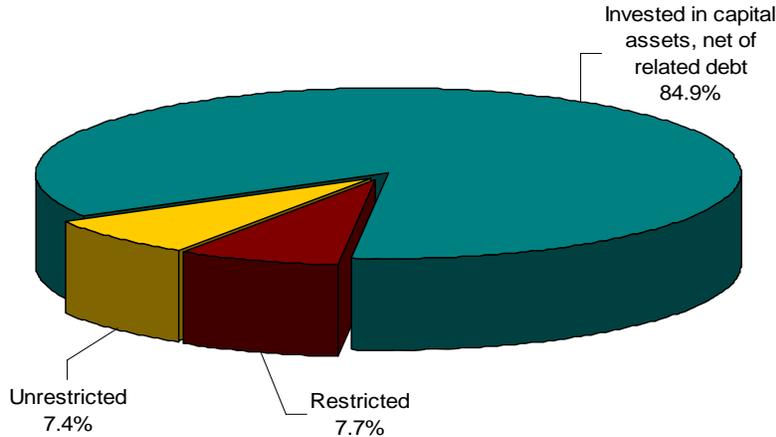
At the end of fiscal year 2008, the City is able to report positive net asset balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The net assets of the City increased \$45.6 million (4.3%) in fiscal year 2008. The largest portion of net assets (\$934.9 million or 84.9%) reflects the City's investment in capital assets, net of accumulated depreciation and related debt incurred to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, the City does not intend to sell these assets so they are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net assets increased \$43.6 million (4.9%) primarily as the result of the acquisition and construction of infrastructure assets and buildings and improvements during the year.

The second portion of the City's net assets (\$84.5 million or 7.7%) represents resources that are subject to external restrictions on how they may be used. The decrease of \$4.8 million (5.3%) is due primarily to a decrease of funds restricted for debt service (\$9.9 million or 42.7%) and an offsetting increase in funds restricted for various capital projects (\$6.6 million or 11.9%). Of the \$84.5 million in restricted net assets, \$31.5 million is restricted by enabling legislation.

The third portion consists of unrestricted net assets (\$81.4 million or 7.4%). The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed above. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$6.8 million or 9.2% in fiscal year 2008.

**Government-wide Net Assets  
At June 30, 2008**



**Changes in Net Assets**

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

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

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2008	2007	2008	2007	2008	2007	
<b>Revenues:</b>							
Program revenues							
Charges for services	\$ 5,397,445	\$ 6,293,306	\$ 23,756,605	\$ 22,624,920	\$ 29,154,050	\$ 28,918,226	0.8 %
Operating grants and contributions	9,004,224	7,877,600	-	-	9,004,224	7,877,600	14.3
Capital grants and contributions	25,442,212	41,453,780	14,128,878	30,783,194	39,571,090	72,236,974	(45.2)
General revenues							
Sales and use taxes	38,291,070	42,691,477	-	-	38,291,070	42,691,477	(10.3)
Property taxes	5,951,173	4,320,391	-	-	5,951,173	4,320,391	37.7
Franchise taxes	1,001,905	982,033	-	-	1,001,905	982,033	2.0
State shared revenues	18,983,659	17,513,121	-	-	18,983,659	17,513,121	8.4
Investment income	2,984,483	3,642,859	2,658,608	3,536,505	5,643,091	7,179,364	(21.4)
Gain on sale of assets	140,504	146,585	51,442	64,223	191,946	210,808	(8.9)
Miscellaneous	610,011	392,483	158,707	84,193	768,718	476,676	61.3
Total revenues	<u>107,806,686</u>	<u>125,313,635</u>	<u>40,754,240</u>	<u>57,093,035</u>	<u>148,560,926</u>	<u>182,406,670</u>	(18.6)
<b>Expenses:</b>							
General government	17,792,047	18,346,534	-	-	17,792,047	18,346,534	(3.0)
Public safety	25,841,680	22,873,912	-	-	25,841,680	22,873,912	13.0
Highways and streets	10,898,173	10,347,480	-	-	10,898,173	10,347,480	5.3
Health and welfare	2,404,144	1,787,162	-	-	2,404,144	1,787,162	34.5
Economic and community development	8,665,232	6,542,881	-	-	8,665,232	6,542,881	32.4
Culture and recreation	2,665,257	3,474,717	-	-	2,665,257	3,474,717	(23.3)
Transportation	2,701,817	594,823	-	-	2,701,817	594,823	354.2
Interest on long-term debt	2,921,420	2,810,763	-	-	2,921,420	2,810,763	3.9
Water utility	-	-	14,797,982	13,630,207	14,797,982	13,630,207	8.6
Wastewater utility	-	-	9,850,598	9,371,087	9,850,598	9,371,087	5.1
Sanitation utility	-	-	4,361,538	4,192,462	4,361,538	4,192,462	4.0
Total expenses	<u>73,889,770</u>	<u>66,778,272</u>	<u>29,010,118</u>	<u>27,193,756</u>	<u>102,899,888</u>	<u>93,972,028</u>	9.5
Increase in net assets before transfers	<u>33,916,916</u>	<u>58,535,363</u>	<u>11,744,122</u>	<u>29,899,279</u>	<u>45,661,038</u>	<u>88,434,642</u>	(48.4)
Transfers	<u>(2,800,000)</u>	<u>(10,123,583)</u>	<u>2,800,000</u>	<u>10,123,583</u>	<u>-</u>	<u>-</u>	-
Increase in net assets	<u>\$ 31,116,916</u>	<u>\$ 48,411,780</u>	<u>\$ 14,544,122</u>	<u>\$ 40,022,862</u>	<u>\$ 45,661,038</u>	<u>\$ 88,434,642</u>	(48.4)

For fiscal year 2008, total governmental activities revenues decreased by \$17.5 million (14.0%) and total business-type revenues decreased by \$16.3 million (28.6%), while expenses increased \$7.1 million (10.6%) and \$1.8 million (6.7%) for governmental and business-type activities, respectively, during the same period.

### **Governmental Activities**

Governmental activities increased the City's net assets by \$31.1 million for fiscal year ended June 30, 2008, and accounted for 68.2% of the City's overall increase in net assets. Despite the increase in net assets during the year, the increase fell short of the prior year increase by \$17.3 million (35.7%). This decrease between years was largely due to decreases in program revenues by \$15.8 million (28.3%) and general revenues by \$1.7 million (2.5%) over the previous year, while expenses increased by \$7.1 million (10.6%) during the same period.

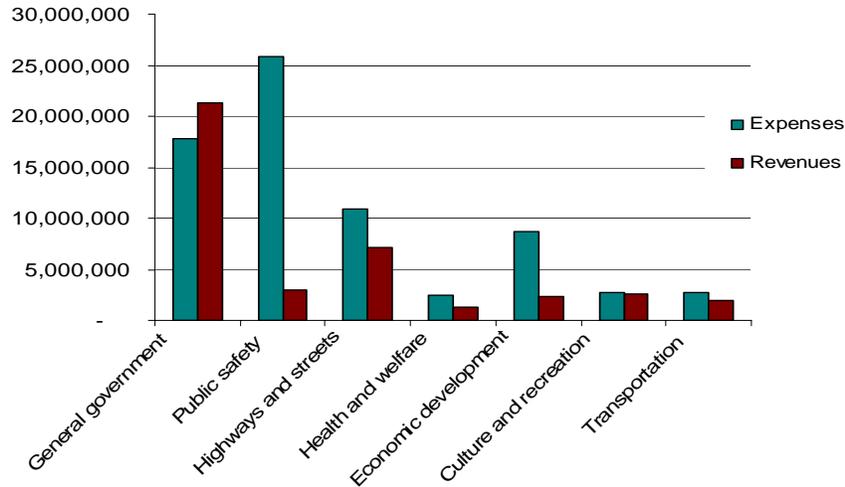
The decrease in program revenues was primarily caused by a decrease in capital grants and contributions by \$16 million (38.6%) and charges for services associated with economic and community development by \$0.9 million (14.2%), offset by a marginal increase in operating grants and contributions (about \$1.1 million or 14.3%). The decrease in capital grant and contributions revenues resulted from a significant decrease in contributed capital (land and infrastructure donated to the City by developers upon the completion of capital projects) by \$16.8 million (48.3%) over the previous year. The decrease in charges for services revenues was largely due to decreases in residential and commercial building permit fees, building application and service fees, engineering fees, etc. by \$1.4 million (36.8%) over the previous year. The economic downturn, both nationally and locally, which have resulted in a decline in overall consumer spending, as well as the slowdown in Arizona's housing market, were key to the declines in capital grants and contributions and charges for services. The increase in operating grants and contributions was the result of the City's aggressive grant application efforts during the year to increase grant awards to the City. The decrease in general revenues was largely due to a \$4.4 million (10.3%) decrease in sales tax revenues (also caused by the economic downturn), offset by increases in property tax revenues of \$1.6 million (37.7%) and \$1.5 million (8.4%) of state-shared revenues. Property taxes increased due to growth in the assessed property values in the City over the previous year (about 17%) and an increase in the tax rate of \$0.0308 per \$100 of assessed valuation between years. State-shared revenues increased primarily due to a \$1.8 million (22.1%) increase in state-shared income taxes offset by a \$0.2 million decrease in state-shared sales taxes. City staff projected the increase in state-shared income taxes over the prior year because these revenues are based on income taxes collected by the State two years prior, which preceded the economic downturn. The decrease in state-shared sales taxes did not meet projections and was attributed to the economic downturn.

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

Transfers between years also decreased by \$7.3 million or 72.3%. Much of the decrease in transfers was due to \$9.3 million of prior year Avondale Municipal Development Corporation excise tax revenue bond proceeds transferred to the enterprise funds to finance the expansion of the City's wastewater treatment system. Similar transfers were not made this year.

The following graph shows the functional revenues and expenses of the governmental activities in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program costs. It should be noted that this graph is not intended to represent a full cost allocation to these functions. Expenses not covered by direct program revenues are covered by the City's general revenues which consist primarily of taxes and state-shared revenues. In governmental activities, the functional revenues of \$39.8 million are 53.9% of expenses for fiscal year 2008, down from 83.3% in fiscal year 2007.

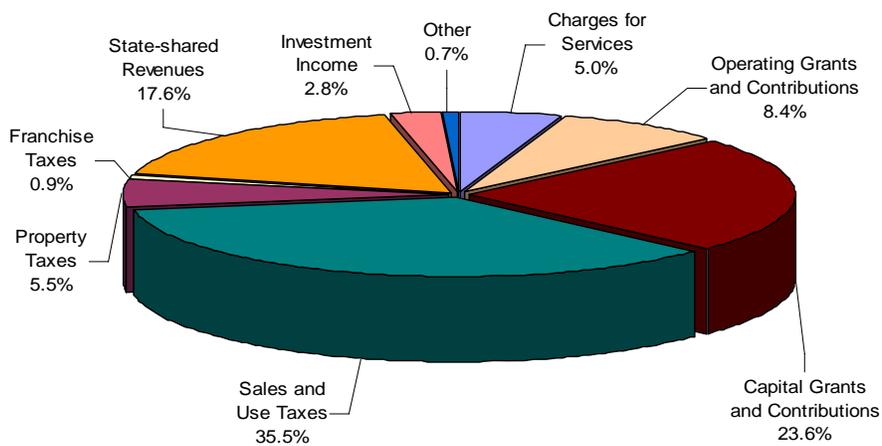
**Governmental Activities  
Expenses and Program Revenues  
Fiscal Year 2008**



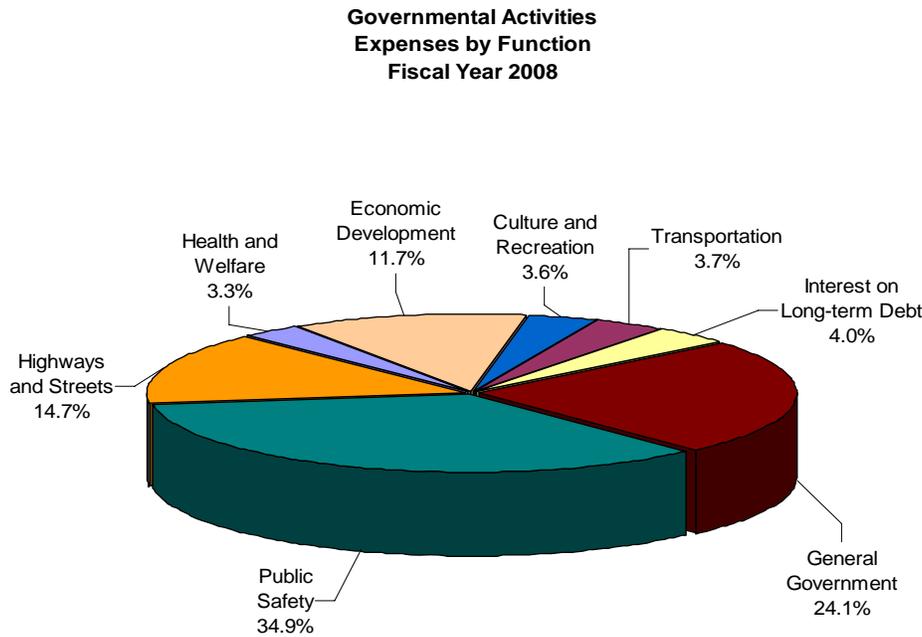
Governmental activities accounted for 72.6% of the City's total revenues and 71.8% of total expenses in fiscal year 2008.

As seen in the following graph, the largest revenue sources for the City's governmental activities are sales and use taxes at 35.5%, followed by capital grants and contributions and state-shared revenues, which accounted for 23.6% and 17.6% of the City's total governmental activities revenues, respectively.

**Governmental Activities  
Revenues by Source  
Fiscal Year 2008**



The City's largest governmental activities expenses by function include public safety at 34.9%, followed by general government expenses at 24.1% and highway and streets at 14.7%.



### Business-type Activities

The following narrative and graphs describe the significant factors resulting in the overall increase in net assets for business-type activities.

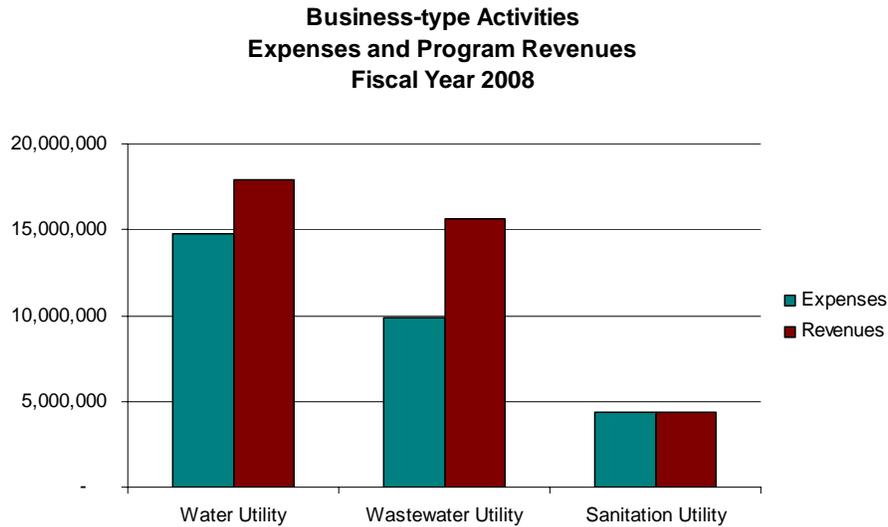
Business-type activities increased the City's net assets by \$14.5 million (2.8%) for fiscal year ended June 30, 2008, accounting for 31.8% of the City's growth in net assets. Despite the increase in net assets during the year, the increase fell short of the prior year increase by \$25.5 million (63.7%). This decrease between years was largely due to decreases in program revenues by \$15.5 million (29.1%) and general revenues by \$0.8 million (22.1%), offset by increases in charges for service by \$1.1 million (5.0%). Net assets were also affected by an increase in expenses by \$1.8 million (6.7%) and a decrease in transfers by \$7.3 million or 72.3%.

The decrease in program revenues was largely caused by significant decreases in capital grants and contributions, which consists primarily of water, sewer, and sanitation dedicated infrastructure, as well as decreases in water, wastewater and sanitation development fees. These revenues and fees decreased by \$13.5 million (58.5%) and \$3.1 million (28.0%), respectively, during the year. Similar to the City's governmental activities, the economic downturn was a key factor causing these decreases in revenues. The decrease in general revenues was primarily caused by a \$0.8 million (24.8%) decrease in investment income largely caused by a decrease (31.5%) in the average yield on investments held with the State Treasurer during the year. The increase in charges for services revenues was due primarily to increases in water rates by 5.5%, refuse fees by an average of 5.3%, and sewer fees by an average of 1.7% over the previous year. Transfers between years also decreased by \$7.3 million or 72.3%. The change in transfers between years was discussed previously in the governmental activities section.

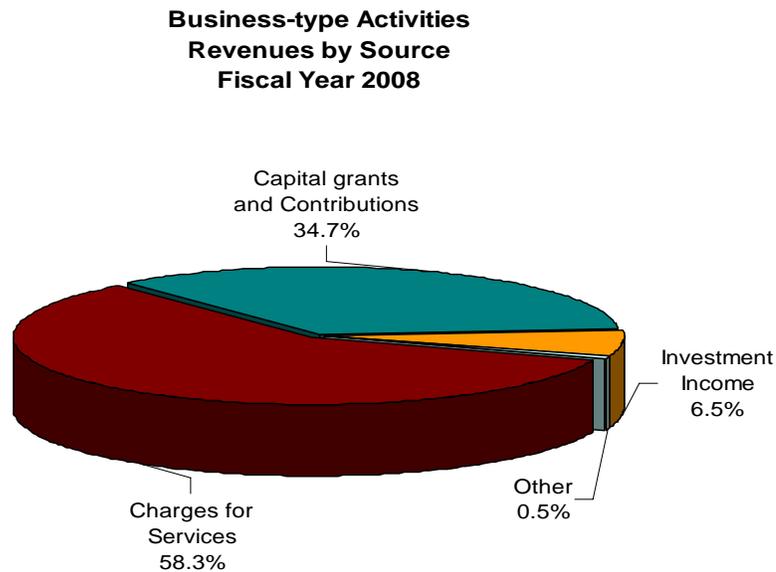
The increase in expenses was largely due to an increase in depreciation of \$1.1 million (11.1%) over the previous year, as well as an increase in personal service costs by increasing water resources staff by two full-time employees during the year.

Business-type activities accounted for 27.4% of the City's total revenues and 28.2% of total expenses in fiscal year 2008. In addition, program revenues of \$37.8 million were 130.6% of business-type expenses during the year, compared to \$53.4 million, or 196.4% of expenses in fiscal year 2007. This decrease is addressed by the changes discussed above.

The following graph shows the business-type activities revenues and expenses for the year ended June 30, 2008.



The City's largest overall business-type activity is water utilities with \$14.8 million and \$11.7 million in expenses and revenues, respectively, during the year, followed by wastewater utilities with expenses of \$9.8 million and revenues of \$7.7 million.



Charges for services, which consist primarily of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$23.7 million or 58.3%, followed by capital grants and contributions of \$14.1 million or 34.7%. Capital grants and contributions consist almost entirely of donated infrastructure and development fees.

## **FINANCIAL ANALYSES OF THE CITY'S FUNDS**

The City uses fund accounting to maintain control over cash and other resources that have been segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

### **Governmental Funds**

The focus of governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. All major governmental funds are discretely presented on these financial statements, while non-major funds are combined into a single column. Combining statements for the non-major governmental funds can be found on pages 71-77.

The fund balance of the City's governmental funds is \$88.9 million, an increase of \$5.2 million (6.3%) from the previous year. Of this balance, \$75.6 million (85.1%) consists of unreserved fund balance that is available for spending at the City's discretion. The remainder of fund balance totaling \$13.3 million (14.9%) is classified as reserved because it is not appropriable for expenditures or is legally segregated for a specific future use such as debt service (\$3.5 million), cash with fiscal agent (\$6.4 million), and other restricted purposes (\$3.4 million). The increase in the governmental funds unreserved fund balance during the year is attributable primarily to an overall decline in the City's capital expenditures and the City's efforts to identify and implement cost cutting measures, as well as adjust spending to available resources.

The General Fund is the City's chief operating fund and accounts for many major functions of the City including general government (e.g., administration), public safety (police and fire), health and welfare, economic and community development, and culture and recreation. At June 30, 2008, unreserved fund balance of the General Fund was \$35.8 million, while total fund balance was \$35.9 million, compared to \$37.4 million and \$37.5 million in the previous year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 80.9% of total General Fund expenditures of \$44.3 million, while unreserved fund balance represents 95.0% of that same amount in fiscal year 2007. During the fiscal year, fund balance of the City's General Fund decreased by \$1.5 million. The overall decrease in fund balance during the year was largely due to growth in the City's police force and increases public safety expenditures during the year.

General Fund revenues decreased \$3.0 million or 5.2% over the previous year. The City's tax revenues and licenses and permits fees decreased \$3.0 million (9.4%) and \$1.4 million (44.4%), respectively, while intergovernmental revenues, such as the City's state-shared revenue and grant revenues, increased \$1.4 million (7.9%) as the City continued to benefit from prior years' state-shared income tax collections distributed in the current year and the City's increased efforts to attract and retain more grants over the previous year. The decreases in license and permit fees was largely attributable to the downturn in the economy and housing market as noted previously. General fund expenditures increased \$4.9 million (12.5%) over the previous year. The overall increase in expenditures was largely attributable to 1) growth in the City's police force by 12 full-time employees and increases public safety expenditures during the year in support of one of the City's Council's goals to improve public safety in the community (about \$2.3 million), 2) acquisition and development costs associated with implementing new city permitting and human resource/payroll systems (about \$0.6 million), and 3) increased economic and development costs associated with the City's aggressive efforts to attract residential and commercial development and construction to the City (about \$0.7 million).

The Highway User Revenue Fund is required by statute to account for the state allocation of motor fuel taxes and other state revenues shared with local governments that are required by the Arizona Constitution to be used for street and highway purposes. Cities and towns receive 27.5% of highway user revenues based on population and motor fuel sales within each county. Revenues, which consist almost entirely of highway user revenues, declined about \$0.2 million (3.7%) over the previous year. The decrease was attributed to the downturn in the economy coupled with a sharp increase in the fuel prices during the year which caused consumers to drive less. The increase in expenditures of \$0.6 million was largely due to the hiring of personnel during the year including two streetlight technicians; two traffic operations technicians that were funded in fiscal year 2007, but not hired until fiscal year 2008; an assistant traffic engineer; and a pavement management technician (hired in October 2007) during the year. Unreserved fund balance increased \$0.7 million (29.2%) during the year.

The Dedicated Sales Tax Fund accounts for revenue from a half-cent sales tax that is restricted for Council-approved capital improvements. The tax was approved by the voters and became effective in July 2001. Revenues decreased \$0.7 million largely due to a decrease in taxes collected, down \$0.6 million (9.0%) from the previous year. This decline was due to the downturn in the economy. Investment income also decreased over the previous year due to a 31.5% decrease in the average yield on investments held with the State Treasurer. Transfers to other funds increased slightly over the previous year (about 4.0%), and consisted primarily of transfers to other funds to finance the development and construction of water and sewer facilities (\$0.8 million) and street construction and improvements (\$2.5 million), as well as \$4.3 million to fund debt service. The net effect of these activities was a decrease in unreserved fund balance by \$1.5 million (29.3%) from fiscal year 2007.

The Public Safety Sales Tax Revenue Fund accounts for revenue from a half-cent sales tax that is restricted exclusively to fund police, fire, and court services in order to improve public safety in the community. The tax was approved by the voters and became effective in January 2004. Revenues decreased \$0.4 million largely due to a decrease in taxes collected, down \$0.6 million (8.2%) from the previous year. This decline also was due to the downturn in the economy. Investment income decreased over the previous year due to a 31.5% decrease in the average yield on investments held with the State Treasurer. These decreases in revenues were offset by an increase in intergovernmental revenue by \$0.2 million over the previous year. The increase in intergovernmental revenue was attributable to a local grant awarded to the City's Fire Department to acquire firefighting equipment. Transfers to other funds decreased only slightly over the prior year (about 1.3%), and they consisted primarily of transfers to other funds to finance public safety equipment and technology replacement (\$0.4 million) and police and fire department development projects (\$0.7 million). Expenditures increased by \$1.9 million over the previous year. About \$1.6 million of the increase was attributable to the City acquiring a new hook and ladder fire truck. The net effect of these activities was a decrease in unreserved fund balance by \$2.2 million (51.8%) from fiscal year 2007.

The Development Fees Fund is used to account for development fees the City charges for all new construction based on the impact the development will have on city services and infrastructure. 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 water, sewer, libraries, parks and recreation, police, fire, sanitation, transportation and general government projects. The fund also accounts for other revenues received that are restricted to developing the City's infrastructure such as federal, state and local intergovernmental revenues, as well as developer contributions. Revenues in the fund are used for capital improvements related to growth such as expanding the wastewater treatment system, purchasing additional sanitation equipment, constructing new fire stations, and widening existing arterial streets. Despite the downturn in the economy, revenues increased \$1.1 million over the previous year. Much of this increase resulted from across-the-board increases in development fees of \$2.3 million, offset by a \$1.4 million decrease in city reimbursements for capital projects completed on behalf of developers and other governments. In fiscal year 2008, the City increased its development fees for all classes of public facilities. For example, the development fees for residential single- and multi-family detached dwellings were increased 110.6% and 82.6%, respectively, over the previous year. During the same period, the City experienced a 71.9% decline single-family housing starts (down

600 homes), but experienced a 951% increase in the number of multi-family housing starts such as apartments (up 647 units). The effect of these changes accounts for substantially all of the increase in development fees over the previous year. During fiscal year 2008, the City did not complete any projects on behalf of other entities.

Expenditures decreased significantly from the previous year, down \$10.3 million (48.7%). The decrease was largely due to the downturn in the economy and local housing market. Unreserved fund balance increased \$8.0 million (53.7%) during the year. The increase was largely due to the increases in development fees noted above, a decrease in capital expenditures (\$8.1 million or 43.2%), and a decrease in transfers in of \$9.2 million over the previous year. The decrease in transfers, which are transferred into this fund from other funds to finance the development and construction of various capital projects, is tied directly to the decrease in capital project expenditures during the year.

**Proprietary Funds** – The proprietary funds financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Total unrestricted net assets of the enterprise funds were \$38.6 million and \$34.1 million for fiscal years 2008 and 2007, respectively. The growth in total net assets was \$14.5 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed previously in the discussion of the City's business-type activities.

### **Budgetary Highlights**

The City's annual adopted budget establishes the legal level of expenditure control for the City. 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 schedules for the other governmental funds are also presented in this report. Budgetary comparison statements and schedules can be found on pages 29-32 and 68 and 80-91, respectively.

Amendments to the adopted budget may occur throughout the year between departments within individual funds in a legally permissible manner (see Note 1 Summary of Significant Accounting Policies, page 46, for more information on the budget and budgetary accounting). During the year, no amendments increased the City's total budget of \$267.9 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expense/expenditure accounts did occur.

The economic downturn, both nationally and locally, which have resulted in a decline in overall consumer spending, as well as the slowdown in Arizona's housing market, are having a direct impact on the City. Revenues such as building permits, development fees, and sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2008. The downturn in the national and local economy is the predominate cause for the significant decline in General Fund revenues such as taxes, licenses and permits and intergovernmental revenues. The decrease in interest income was attributable to a decrease (31.5%) in the average yield on investments held with the State Treasurer during the year.

As a result of the downturn in the economy, the City Council authorized General Fund budget reductions totaling more than \$2.0 million. The following outlines the more significant budget reductions by functional category and related financial activity during the current fiscal year.

**General Government** – Budgeted contingency appropriation was transferred through Council action. The majority of contingency appropriation (about \$1.8 million) was transferred to the library development fees fund and the General Fund capital outlay functional category to fund the City's technology improvement project which includes acquiring new permitting and human resource and

payroll systems. Actual expenditures in general government were significantly less than the final budget due to the following:

- \$0.5 million budgeted to widen a portion of Interstate 10 was not spent.
- Sales tax incentive rebates paid during the year were less than budgeted by \$1.7 million.
- Budgeted contributions of \$0.5 million for nonprofit agencies were eliminated.
- \$1.4 million of contingency appropriations were not spent.
- Professional services and employee training budgets were reduced by \$0.2 million.
- Printing and publication services costs were reduced by \$0.1 million through various cost saving measures.
- Vacancy savings of \$0.4 million.

Public Safety – Budget reductions included the elimination of detention, records and dispatch staff; detention and patrol vehicles and equipment; Fire Master Plan; and training and emergency operations equipment purchases totaling about \$0.7 million. Actual expenditures in public safety were less than the final budget due to the following:

- Vacant School Resource Officers positions of \$0.1 million.
- Savings in speed enforcement and fire plan review contract budgets totaling about \$0.2 million.

Economic and Community Development – Budget reductions included reductions in the economic opportunity fund, zoning ordinance update services, elimination of the landscape architect position, and vacancy savings totaling about \$0.7 million. Actual expenditures in economic and community development were less than the final budget due to the following:

- Savings from the South Avondale General Plan Amendment project, ASU design theater purchase, and City Center Plan carryover to new fiscal year totaling \$0.5 million.
- Savings in contract plan review and consulting and engineering services totaling \$0.3 million.
- Vacancy savings of \$0.3 million.
- Carryover of economic opportunities fund savings to new fiscal year of \$0.5 million

Culture and Recreation – Budget reductions included the elimination of entry corridor signs, an operable wall at the Municipal Operation Center, and reductions in operational supplies and professional services totaling about \$0.4 million. Actual expenditures in culture and recreation were less than the final budget due to the following:

- Savings in Civic Center Library budget including staff provided by Maricopa County, books and supplies, and other professional services totaling about \$0.9 million
- Savings in special events, leisure activities, and sports programs totaling about \$0.3 million.
- Vacancy savings of \$0.2 million.

Capital Outlay – Budget increase was due primarily to the transfer of general government contingency appropriation to capital outlay for technology improvements of \$1.8 million. Actual expenditures were less than budgeted due to delays in the purchase of the technology improvements.

## **Capital Assets**

At June 30, 2008, the City had about \$1.0 billion invested in various capital assets, net of accumulated depreciation, up \$34.2 million (3.4%) from the previous year. Of the increase, \$18.8 million resulted from governmental activities and \$15.4 million resulted from business-type activities. The increase in governmental capital assets between years was primarily attributable to \$18.0 million of infrastructure and land dedicated to the City during the year, \$4.1 million of street and roadway projects and improvements, \$0.8 million of park projects and improvements, and \$4.2 million to construct a new city library. The increase in business-type capital assets was attributable to the expansion of the City's water system (\$8.3 million) and wastewater treatment system (\$7.1 million).

The City has adopted a ten-year capital improvement plan budgeted at \$479.5 million, including \$40.2 million for fiscal year 2009. Anticipated funding for fiscal year 2009 is through a combination of existing fund balances (26.2%), impact fees (22.4%), bond proceeds (24.9%), outside funding sources such as grants and other intergovernmental cost-sharing agreements (7.7%), and operating and nonoperating revenues and other financing sources (18.8%). The capital improvement plan is updated annually as part of the City's budget process.

The following schedule provides a breakdown of the City's capital assets at June 30, 2008, and 2007. Additional information on the City's capital assets can be found in Note 5 on pages 53-54.

**Capital Assets at June 30  
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2008	2007	2008	2007	2008	2007	
Land	\$ 240,242,405	\$ 233,766,327	\$ 16,252,303	\$ 16,252,303	\$ 256,494,708	\$ 250,018,630	2.6
Buildings and improvements	39,359,470	40,663,396	-	-	39,359,470	40,663,396	(3.2)
Improvements other than building	150,766	-	-	-	150,766	-	∞
Vehicles, furniture and equipment	8,058,481	7,040,235	2,789,513	2,691,338	10,847,994	9,731,573	11.5
General infrastructure	259,621,949	255,755,244	-	-	259,621,949	255,755,244	1.5
Water system	-	-	214,158,469	214,673,411	214,158,469	214,673,411	(0.2)
Sewer system	-	-	185,994,109	184,448,002	185,994,109	184,448,002	0.8
Wastewater treatment system	-	-	23,646,223	24,246,260	23,646,223	24,246,260	(2.5)
Construction in progress	17,148,217	8,556,123	28,097,280	13,214,223	45,245,497	21,770,346	107.8
<b>Total</b>	<b>\$ 564,581,288</b>	<b>\$ 545,781,325</b>	<b>\$ 470,937,897</b>	<b>\$ 455,525,537</b>	<b>\$ 1,035,519,185</b>	<b>\$ 1,001,306,862</b>	<b>3.4</b>

**Long-term Debt**

At June 30, 2008, the City had total long-term obligations outstanding of \$102.2 million, down \$8.2 million (7.4%) from the previous year. Of this total, \$85.6 million (83.8%) was in governmental activities and \$16.6 (16.2%) was in business-type activities. Of the total outstanding bonds and loans of \$97.2 million, \$16.4 million (16.8%) are general obligation bonds backed by the full faith and credit of the City, \$72.7 million (74.8%) are revenue bonds secured by pledges of specific revenue sources of the City, and \$8.1 (8.3%) million are water infrastructure financing loans secured by pledges of the City's water and sewer revenues.

During the year, the City did not issue any bonds. However, on September 4, 2008, the City issued \$15,000,000 of Municipal Development Corporation Excise Tax Revenue Bonds, Series 2008. The City issued the bonds to fund the construction of a reservoir and other improvements to the City's water system and to fund various street improvements and projects. Interest rates range from 4.0% to 5.0%, with a term of 20 years.

The Arizona Constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the City's net secondary assessed property valuation. The City's legal debt margin at June 30, 2008, and 2007 is \$40.1 million and \$32.7 million in the 6% capacity, respectively, and \$126.6 million and \$101.1 million in the 20% capacity, respectively. Additional debt limitation and capacity information may be found in the statistical section of this report on page 116.

The following schedule presents the City's outstanding debt (both current and long-term) as of June 30, 2008, and 2007. Additional information on the City's outstanding debt can be found in Note 8 on pages 57-63.

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2008	2007	2008	2007	2008	2007	
General obligation bonds	\$ 16,365,000	\$ 18,630,000	\$ -	\$ -	\$ 16,365,000	\$ 18,630,000	(12.2)
Highway user revenue bonds	3,375,000	3,510,000	-	-	3,375,000	3,510,000	(3.8)
Water and sewer revenue bonds	-	-	1,320,000	1,410,000	1,320,000	1,410,000	(6.4)
Municipal Development							
Corporation bonds	61,109,827	64,802,236	6,935,169	7,792,761	68,044,996	72,594,997	(6.3)
Waster infrastructure improvement loans	-	-	8,054,366	8,844,613	8,054,366	8,844,613	(8.9)
Compensated absences	2,153,622	2,024,607	242,589	201,481	2,396,211	2,226,088	7.6
Claims payable	405,222	390,580	-	-	405,222	390,580	3.7
Capital leases payable	2,138,833	2,594,184	-	-	2,138,833	2,594,184	(17.6)
Contractual obligations	107,000	214,000	-	-	107,000	214,000	(50.0)
Total	<u>\$ 85,654,504</u>	<u>\$ 92,165,607</u>	<u>\$ 16,552,124</u>	<u>\$ 18,248,855</u>	<u>\$ 102,206,628</u>	<u>\$ 110,414,462</u>	(7.4)

## Economic Factors

The City of Avondale, like other Arizona cities, remains dependent on sales taxes and other economically sensitive tax revenues. The economic downturn, both nationally and locally, which have resulted in a decline in overall consumer spending, as well as the slowdown in Arizona's housing market, are having a direct impact on the City. Revenues such as building permits, development fees, and sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2008. Based on projections by a majority of local economists, business leaders, and city staff, the economy will remain substantially the same or may moderately worsen over the next twelve months. While city staff always takes a conservative approach when projecting revenues, the observed revenue declines and weak economy have led the City to reevaluate and adjust its revenue base. While growth and recovery is inevitable, the City has prepared for future growth rates to be significantly less than ten-year historical growth rates and reduced fiscal year 2009 budgeted appropriations by more than \$7.0 million in the General Fund alone. In addition, the City's multi-year forecasts have been modified to reflect negative revenue growth into fiscal year 2010. City staff are closely monitoring the City's budget, as well as the national and local economies, to help ensure that the City takes appropriate corrective action to maintain service levels; meet Council goals, which include ensuring long-term financial stability of the City; and to ensure compliance laws and regulations.

## Request for Information

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

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,093,066	\$ 4,997,703	\$ 14,090,769
Investments	75,850,064	66,310,604	142,160,668
Receivables (net)			
Taxes	3,532,825	171,584	3,704,409
Accounts	143,222	5,637,328	5,780,550
Interest	324,029	275,015	599,044
Due from other governments	3,330,329	12,637	3,342,966
Internal balances	57,298	(57,298)	-
Inventories	578,256	433,828	1,012,084
Prepaid assets	4,260,277	1,038,883	5,299,160
Restricted cash with fiscal agent	6,449,152	1,062,638	7,511,790
Capital assets, non-depreciable	257,390,622	44,349,583	301,740,205
Capital assets, depreciable (net)	307,190,666	426,588,314	733,778,980
<b>Total assets</b>	<b>668,199,806</b>	<b>550,820,820</b>	<b>1,219,020,626</b>
<b>LIABILITIES</b>			
Accounts payable	3,355,271	3,200,079	6,555,350
Accrued payroll	1,875,936	275,211	2,151,147
Accrued liabilities	4,113,157	193,257	4,306,414
Construction contracts payable	561,674	214,053	775,727
Sales taxes payable	1,844	275,242	277,086
Deposits held for others	53,324	359,242	412,566
Unearned revenue	124,921	243,476	368,397
Non-current liabilities:			
Due within one year:			
Claims payable	125,800	-	125,800
Compensated absences	1,722,898	194,071	1,916,969
Contractual obligations	107,000	-	107,000
Capital leases payable	412,040	-	412,040
Water infrastructure loans	-	819,829	819,829
Bonds payable	7,272,522	992,479	8,265,001
Due in more than one year:			
Claims payable	279,422	-	279,422
Compensated absences	430,724	48,518	479,242
Capital leases payable	1,726,793	-	1,726,793
Water infrastructure loans	-	7,234,537	7,234,537
Bonds payable	73,577,305	7,262,690	80,839,995
Bond premium	1,126,975	-	1,126,975
<b>Total liabilities</b>	<b>96,867,606</b>	<b>21,312,684</b>	<b>118,180,290</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	480,355,653	454,628,362	934,984,015
Restricted for:			
Transportation	1,982,908	-	1,982,908
Highways and streets	2,994,370	-	2,994,370
Grants	1,669,827	12,637	1,682,464
Public safety	2,068,031	-	2,068,031
Debt service	12,272,813	1,062,638	13,335,451
Capital improvements	27,139,613	35,292,593	62,432,206
Unrestricted	42,848,985	38,511,906	81,360,891
<b>Total net assets</b>	<b>\$ 571,332,200</b>	<b>\$ 529,508,136</b>	<b>\$ 1,100,840,336</b>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 17,792,047	\$ 1,924,171	\$ 109,307	\$ 19,320,720
Public safety	25,841,680	716,940	774,475	1,541,843
Highways and streets	10,898,173	-	4,764,909	2,419,483
Health and welfare	2,404,144	-	1,355,458	-
Economic and community development	8,665,232	2,354,229	48,270	-
Culture and recreation	2,665,257	402,105	40,449	2,160,166
Transportation	2,701,817	-	1,911,356	-
Interest on long-term debt	2,921,420	-	-	-
Total governmental activities	<u>73,889,770</u>	<u>5,397,445</u>	<u>9,004,224</u>	<u>25,442,212</u>
Business-type activities:				
Water utility	14,797,982	11,689,072	-	6,227,112
Wastewater utility	9,850,598	7,720,602	-	7,882,321
Sanitation utility	4,361,538	4,346,931	-	19,445
Total business-type activities	<u>29,010,118</u>	<u>23,756,605</u>	<u>-</u>	<u>14,128,878</u>
Total primary government	<u>\$ 102,899,888</u>	<u>\$ 29,154,050</u>	<u>\$ 9,004,224</u>	<u>\$ 39,571,090</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

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ 3,562,151	\$ -	\$ 3,562,151
(22,808,422)	-	(22,808,422)
(3,713,781)	-	(3,713,781)
(1,048,686)	-	(1,048,686)
(6,262,733)	-	(6,262,733)
(62,537)	-	(62,537)
(790,461)	-	(790,461)
<u>(2,921,420)</u>	<u>-</u>	<u>(2,921,420)</u>
<u>(34,045,889)</u>	<u>-</u>	<u>(34,045,889)</u>
-	3,118,202	3,118,202
-	5,752,325	5,752,325
-	4,838	4,838
-	8,875,365	8,875,365
<u>(34,045,889)</u>	<u>8,875,365</u>	<u>(25,170,524)</u>
38,291,070	-	38,291,070
1,815,527	-	1,815,527
4,135,646	-	4,135,646
1,001,905	-	1,001,905
18,983,659	-	18,983,659
2,984,483	2,658,608	5,643,091
140,504	51,442	191,946
610,011	158,707	768,718
<u>(2,800,000)</u>	<u>2,800,000</u>	<u>-</u>
<u>65,162,805</u>	<u>5,668,757</u>	<u>70,831,562</u>
<u>31,116,916</u>	<u>14,544,122</u>	<u>45,661,038</u>
<u>540,215,284</u>	<u>514,964,014</u>	<u>1,055,179,298</u>
<u>\$ 571,332,200</u>	<u>\$ 529,508,136</u>	<u>\$ 1,100,840,336</u>

**CITY OF AVONDALE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 320,678	\$ -
Investments	36,448,166	2,177,087	3,190,508
Receivables			
Taxes	2,332,432	-	500,185
Accounts	56,457	-	-
Interest	159,639	9,779	13,212
Due from other funds	774,767	-	-
Due from other governments	1,612,153	393,480	-
Inventories	7,066	226,336	-
Prepaid assets	44,730	-	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 41,435,410</u>	<u>\$ 3,127,360</u>	<u>\$ 3,703,905</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,258,997	\$ 40,757	\$ -
Accrued payroll and employee benefits	1,469,785	77,090	-
Accrued liabilities	2,668,392	-	-
Construction contracts payable	-	-	-
Deposits held for others	53,324	-	-
Sales taxes payable	692	50	-
Due to other funds	-	-	100,170
Deferred revenue	77,527	-	-
Total liabilities	<u>5,528,717</u>	<u>117,897</u>	<u>100,170</u>
Fund balances:			
Reserved for:			
Inventories	7,066	226,336	-
Prepaid assets	44,730	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved reported in:			
General Fund	35,854,897	-	-
Special Revenue Funds	-	2,783,127	3,603,735
Capital Projects Funds	-	-	-
Total fund balances	<u>35,906,693</u>	<u>3,009,463</u>	<u>3,603,735</u>
Total liabilities and fund balances	<u>\$ 41,435,410</u>	<u>\$ 3,127,360</u>	<u>\$ 3,703,905</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 235,035	\$ 5,184,590	\$ 2,822,750	\$ 8,563,053
1,605,989	19,666,580	10,865,003	73,953,333
500,048	-	200,159	3,532,824
-	-	86,072	142,529
6,847	81,344	45,077	315,898
-	-	-	774,767
-	110,046	1,214,650	3,330,329
-	-	-	233,402
-	-	2,290,100	2,334,830
-	-	6,449,154	6,449,154
<u>\$ 2,347,919</u>	<u>\$ 25,042,560</u>	<u>\$ 23,972,965</u>	<u>\$ 99,630,119</u>
\$ 59,870	\$ 1,533,291	\$ 385,403	\$ 3,278,318
249,172	-	58,694	1,854,741
-	-	1,434,244	4,102,636
-	556,938	-	556,938
-	-	-	53,324
-	-	1,023	1,765
-	13,405	79,538	193,113
-	124,922	466,042	668,491
<u>309,042</u>	<u>2,228,556</u>	<u>2,424,944</u>	<u>10,709,326</u>
-	-	-	233,402
-	-	2,290,100	2,334,830
-	-	3,533,659	3,533,659
-	-	721,874	721,874
-	-	6,449,154	6,449,154
-	-	-	35,854,897
2,038,877	-	3,343,330	11,769,069
-	22,814,004	5,209,904	28,023,908
<u>2,038,877</u>	<u>22,814,004</u>	<u>21,548,021</u>	<u>88,920,793</u>
<u>\$ 2,347,919</u>	<u>\$ 25,042,560</u>	<u>\$ 23,972,965</u>	<u>\$ 99,630,119</u>

**CITY OF AVONDALE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

Fund balances - total governmental funds balance sheet \$ 88,920,793

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

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

Governmental capital assets	\$ 675,903,160	
Less accumulated depreciation	<u>(111,321,872)</u>	564,581,288

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

Governmental bonds payable	(80,849,827)	
Capital leases payable	(2,138,833)	
Compensated absences	(2,153,622)	
Contractual obligations	<u>(107,000)</u>	(85,249,282)

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

Bond premium	(1,126,975)	
Bond discount	60,327	
Bond issue costs	1,249,960	
Deferred charges	<u>615,159</u>	798,471

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

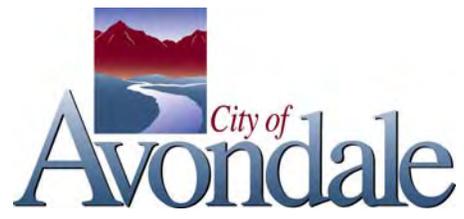
1,737,359

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

Intergovernmental revenue	347,874	
Property tax revenue	<u>195,697</u>	<u>543,571</u>

Net assets of governmental activities - statement of net assets \$ 571,332,200

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, 2008**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 28,438,100	\$ -	\$ 6,313,621
Licenses and permits	1,720,280	-	-
Intergovernmental	19,302,318	4,764,909	-
Charges for services	1,593,665	-	-
Fines, forfeitures, and penalties	1,467,011	-	-
Interest	1,370,136	79,712	136,900
Contributions	235,428	-	-
Miscellaneous	196,155	338	-
Total revenues	<u>54,323,093</u>	<u>4,844,959</u>	<u>6,450,521</u>
Expenditures			
Current:			
General government	15,844,666	-	4,000
Public safety	17,012,303	-	-
Highways and streets	-	1,746,440	-
Health and welfare	1,242,280	-	-
Economic and community development	5,159,192	1,659,374	-
Culture and recreation	3,343,410	-	-
Transportation	-	-	-
Debt service:			
Principal	287,478	-	-
Interest and other charges	79,420	-	-
Capital outlay	1,325,148	131,438	-
Total expenditures	<u>44,293,897</u>	<u>3,537,252</u>	<u>4,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,029,196</u>	<u>1,307,707</u>	<u>6,446,521</u>
Other financing sources (uses)			
Sale of capital assets	15,188	-	-
Transfers in	-	-	-
Transfers out	<u>(11,596,725)</u>	<u>(629,080)</u>	<u>(7,941,950)</u>
Total other financing sources (uses)	<u>(11,581,537)</u>	<u>(629,080)</u>	<u>(7,941,950)</u>
Net change in fund balances	(1,552,341)	678,627	(1,495,429)
Fund balances at beginning of year	<u>37,459,034</u>	<u>2,330,836</u>	<u>5,099,164</u>
Fund balances at end of year	<u>\$ 35,906,693</u>	<u>\$ 3,009,463</u>	<u>\$ 3,603,735</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,309,394	\$ -	\$ 4,042,216	\$ 45,103,331
-	6,919,903	-	8,640,183
200,496	354,834	4,080,649	28,703,206
-	-	132,570	1,726,235
-	-	-	1,467,011
112,015	704,596	543,357	2,946,716
-	-	638,578	874,006
-	-	181,051	377,544
<u>6,621,905</u>	<u>7,979,333</u>	<u>9,618,421</u>	<u>89,838,232</u>
303,194	-	182,240	16,334,100
5,682,499	8,300	774,973	23,478,075
-	87,488	-	1,833,928
-	-	877,783	2,120,063
-	-	494,188	7,312,754
-	29,170	7,081	3,379,661
-	-	2,693,561	2,693,561
-	167,872	6,092,409	6,547,759
-	20,244	3,164,883	3,264,547
1,710,869	10,601,017	1,038,875	14,807,347
<u>7,696,562</u>	<u>10,914,091</u>	<u>15,325,993</u>	<u>81,771,795</u>
<u>(1,074,657)</u>	<u>(2,934,758)</u>	<u>(5,707,572)</u>	<u>8,066,437</u>
-	-	209,159	224,347
-	9,267,370	10,599,975	19,867,345
(1,113,460)	(1,125,370)	(504,060)	(22,910,645)
<u>(1,113,460)</u>	<u>8,142,000</u>	<u>10,305,074</u>	<u>(2,818,953)</u>
(2,188,117)	5,207,242	4,597,502	5,247,484
<u>4,226,994</u>	<u>17,606,762</u>	<u>16,950,519</u>	<u>83,673,309</u>
<u>\$ 2,038,877</u>	<u>\$ 22,814,004</u>	<u>\$ 21,548,021</u>	<u>\$ 88,920,793</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, 2008**

Net change in fund balances - total governmental funds statement of revenues,  
expenditures, and changes in fund balances \$ 5,247,484

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

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

Expenditures for capital assets	\$ 14,807,347	
Less current year depreciation	(13,292,869)	
Capital contributions	<u>17,956,780</u>	19,471,258

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

Principal payments on long-term debt	6,092,409	
Principal payments on capital leases	455,351	
Payments on contractual obligations	<u>107,000</u>	6,654,760

In the statement of activities, only the gain on the sale of capital assets is  
reported, whereas in the governmental funds, the proceeds from the sale of  
these assets increases financial resources. Therefore, the change in net  
assets differs from the change in fund balance by the cost of the assets sold  
or disposed of.

Sale of capital assets		(618,634)
------------------------	--	-----------

Internal service funds are used by management to charge the costs of risk  
management, printing services, and fleet management services to individual  
funds. A portion of the net income/(loss) of these internal service funds is  
reported with governmental activities. 758,068

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

Amortization of bond premiums, discounts, debt issuance costs, and deferred charges	(105,225)	
Compensated absences benefits	(124,900)	
Property tax revenues	140,817	
Intergovernmental revenues	<u>(306,712)</u>	<u>(396,020)</u>

Change in net assets of governmental activities - statement of activities		<u>\$ 31,116,916</u>
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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**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 34,713,180	\$ 34,713,180	\$ 28,438,100	\$ (6,275,080)
Licenses and permits	2,475,620	2,475,620	1,720,280	(755,340)
Intergovernmental	20,918,460	20,918,460	19,302,318	(1,616,142)
Charges for services	999,560	999,560	1,593,665	594,105
Fines, forfeitures, and penalties	1,226,490	1,226,490	1,467,011	240,521
Interest	822,790	822,790	1,370,136	547,346
Contributions	252,660	252,660	235,428	(17,232)
Miscellaneous	63,840	63,840	196,155	132,315
<b>Total revenues</b>	<b>61,472,600</b>	<b>61,472,600</b>	<b>54,323,093</b>	<b>(7,149,507)</b>
<b>Expenditures</b>				
General government	24,762,960	22,821,602	15,844,666	6,976,936
Public safety	18,007,000	17,317,040	17,012,303	304,737
Health and welfare	1,379,770	1,394,204	1,242,280	151,924
Economic and community development	7,503,300	6,831,085	5,159,192	1,671,893
Culture and recreation	4,974,150	4,626,732	3,343,410	1,283,322
Debt service				
Principal	366,920	366,920	287,478	79,442
Interest and other charges	-	-	79,420	(79,420)
Capital outlay	926,980	2,545,327	1,325,148	1,220,179
<b>Total expenditures</b>	<b>57,921,080</b>	<b>55,902,910</b>	<b>44,293,897</b>	<b>11,609,013</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,551,520</b>	<b>5,569,690</b>	<b>10,029,196</b>	<b>4,459,506</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	15,188	15,188
Transfers out	(7,819,630)	(7,778,450)	(11,596,725)	(3,818,275)
<b>Total other financing sources (uses)</b>	<b>(7,819,630)</b>	<b>(7,778,450)</b>	<b>(11,581,537)</b>	<b>(3,803,087)</b>
<b>Net change in fund balance</b>	<b>(4,268,110)</b>	<b>(2,208,760)</b>	<b>(1,552,341)</b>	<b>656,419</b>
<b>Fund balance at beginning of year</b>	<b>33,555,872</b>	<b>33,555,872</b>	<b>37,459,034</b>	<b>3,903,162</b>
<b>Fund balance at end of year</b>	<b>\$ 29,287,762</b>	<b>\$ 31,347,112</b>	<b>\$ 35,906,693</b>	<b>\$ 4,559,581</b>

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, 2008**

	Highway User Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 4,918,570	\$ 4,918,570	\$ 4,764,909	\$ (153,661)
Interest	48,640	48,640	79,712	31,072
Miscellaneous	10	10	338	328
Total revenues	<u>4,967,220</u>	<u>4,967,220</u>	<u>4,844,959</u>	<u>(122,261)</u>
Expenditures				
Highways and streets	2,250,260	2,575,480	1,746,440	829,040
Economic and community development	2,506,860	2,312,572	1,659,374	653,198
Capital outlay	371,850	240,918	131,438	109,480
Total expenditures	<u>5,128,970</u>	<u>5,128,970</u>	<u>3,537,252</u>	<u>1,591,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(161,750)</u>	<u>(161,750)</u>	<u>1,307,707</u>	<u>1,469,457</u>
Other financing sources (uses)				
Transfers out	<u>(629,080)</u>	<u>(629,080)</u>	<u>(629,080)</u>	-
Total other financing sources (uses)	<u>(629,080)</u>	<u>(629,080)</u>	<u>(629,080)</u>	-
Net change in fund balance	(790,830)	(790,830)	678,627	1,469,457
Fund balance at beginning of year	<u>1,993,800</u>	<u>1,993,800</u>	<u>2,330,836</u>	<u>337,036</u>
Fund balance at end of year	<u>\$ 1,202,970</u>	<u>\$ 1,202,970</u>	<u>\$ 3,009,463</u>	<u>\$ 1,806,493</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, 2008**

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 7,736,580	\$ 7,736,580	\$ 6,313,621	\$ (1,422,959)
Interest	265,280	265,280	136,900	(128,380)
Total revenues	<u>8,001,860</u>	<u>8,001,860</u>	<u>6,450,521</u>	<u>(1,551,339)</u>
Expenditures				
General government	-	-	4,000	(4,000)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>(4,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,001,860</u>	<u>8,001,860</u>	<u>6,446,521</u>	<u>(1,555,339)</u>
Other financing sources (uses)				
Transfers out	<u>(7,941,950)</u>	<u>(7,941,950)</u>	<u>(7,941,950)</u>	-
Total other financing sources (uses)	<u>(7,941,950)</u>	<u>(7,941,950)</u>	<u>(7,941,950)</u>	-
Net change in fund balance	59,910	59,910	(1,495,429)	(1,555,339)
Fund balance at beginning of year	<u>5,891,638</u>	<u>5,891,638</u>	<u>5,099,164</u>	<u>(792,474)</u>
Fund balance at end of year	<u>\$ 5,951,548</u>	<u>\$ 5,951,548</u>	<u>\$ 3,603,735</u>	<u>\$ (2,347,813)</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, 2008**

	Public Safety Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 7,736,580	\$ 7,736,580	\$ 6,309,394	\$ (1,427,186)
Intergovernmental	-	-	200,496	200,496
Interest	194,050	194,050	112,015	(82,035)
Miscellaneous	30	30	-	(30)
Total revenues	<u>7,930,660</u>	<u>7,930,660</u>	<u>6,621,905</u>	<u>(1,308,755)</u>
Expenditures				
General government	352,760	442,560	303,194	139,366
Public safety	6,384,380	6,267,980	5,682,499	585,481
Capital outlay	1,870,800	1,897,400	1,710,869	186,531
Total expenditures	<u>8,607,940</u>	<u>8,607,940</u>	<u>7,696,562</u>	<u>911,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(677,280)</u>	<u>(677,280)</u>	<u>(1,074,657)</u>	<u>(397,377)</u>
Other financing sources (uses)				
Capital leases	1,675,000	1,675,000	-	(1,675,000)
Transfers out	(1,113,460)	(1,113,460)	(1,113,460)	-
Total other financing sources (uses)	<u>561,540</u>	<u>561,540</u>	<u>(1,113,460)</u>	<u>(1,675,000)</u>
Net change in fund balance	(115,740)	(115,740)	(2,188,117)	(2,072,377)
Fund balance at beginning of year	<u>4,827,451</u>	<u>4,827,451</u>	<u>4,226,994</u>	<u>(600,457)</u>
Fund balance at end of year	<u>\$ 4,711,711</u>	<u>\$ 4,711,711</u>	<u>\$ 2,038,877</u>	<u>\$ (2,672,834)</u>

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

**CITY OF AVONDALE, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 395,916	\$ 4,184,649	\$ 417,138	\$ 4,997,703	\$ 530,012
Investments	31,868,310	32,049,352	2,392,942	66,310,604	1,896,731
Receivables					
Accounts (net)	2,765,764	1,798,145	1,073,419	5,637,328	-
State and county taxes	171,584	-	-	171,584	-
Interest	131,862	132,603	10,550	275,015	8,825
Due from other governments	-	12,637	-	12,637	-
Inventories	361,046	20,784	51,998	433,828	344,854
Prepaid assets	42,500	996,383	-	1,038,883	-
Total current assets	<u>35,736,982</u>	<u>39,194,553</u>	<u>3,946,047</u>	<u>78,877,582</u>	<u>2,780,422</u>
Noncurrent assets:					
Restricted assets:					
Cash with fiscal agent	156,895	905,743	-	1,062,638	-
Capital assets:					
Capital assets, non-depreciable	30,105,906	14,243,677	-	44,349,583	-
Capital assets, depreciable (net)	215,005,173	210,140,757	1,442,384	426,588,314	104,878
Total noncurrent assets	<u>245,267,974</u>	<u>225,290,177</u>	<u>1,442,384</u>	<u>472,000,535</u>	<u>104,878</u>
Total assets	<u>281,004,956</u>	<u>264,484,730</u>	<u>5,388,431</u>	<u>550,878,117</u>	<u>2,885,300</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	2,145,942	925,915	128,222	3,200,079	76,952
Accrued payroll and employee benefits	147,767	57,842	69,602	275,211	36,452
Accrued liabilities	52,742	140,515	-	193,257	-
Construction contracts payable	214,053	-	-	214,053	-
Sales taxes payable	274,816	180	246	275,242	79
Deposits held in custody for others	349,242	-	10,000	359,242	-
Due to other funds	-	-	-	-	581,654
Unearned revenue	243,476	-	-	243,476	-
Claims payable	-	-	-	-	125,800
Compensated absences	93,949	45,957	54,165	194,071	47,806
Water infrastructure loans	-	819,829	-	819,829	-
Revenue bonds payable	132,250	860,229	-	992,479	-
Total current liabilities	<u>3,654,237</u>	<u>2,850,467</u>	<u>262,235</u>	<u>6,766,939</u>	<u>868,743</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	279,422
Compensated absences	23,487	11,489	13,542	48,518	-
Water infrastructure loans	-	7,234,537	-	7,234,537	-
Revenue bonds payable	831,450	6,431,240	-	7,262,690	-
Total noncurrent liabilities	<u>854,937</u>	<u>13,677,266</u>	<u>13,542</u>	<u>14,545,745</u>	<u>279,422</u>
Total liabilities	<u>4,509,174</u>	<u>16,527,733</u>	<u>275,777</u>	<u>21,312,684</u>	<u>1,148,165</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	244,147,379	209,038,599	1,442,384	454,628,362	104,878
Restricted for:					
Grants	-	12,637	-	12,637	-
Capital improvements	10,912,037	24,380,556	-	35,292,593	-
Cash with fiscal agent	156,895	905,743	-	1,062,638	-
Unrestricted	21,279,471	13,619,462	3,670,270	38,569,203	1,632,257
Total net assets	<u>\$ 276,495,782</u>	<u>\$ 247,956,997</u>	<u>\$ 5,112,654</u>	<u>529,565,433</u>	<u>\$ 1,737,135</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>(57,297)</u>	
Net assets of business-type activities (page 19)				<u>\$ 529,508,136</u>	

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

**CITY OF AVONDALE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating revenues:					
Charges for services	\$ 11,689,072	\$ 7,720,602	\$ 4,346,931	\$ 23,756,605	\$ 3,984,191
Miscellaneous	26,458	-	132,249	158,707	4,309
Total operating revenues	<u>11,715,530</u>	<u>7,720,602</u>	<u>4,479,180</u>	<u>23,915,312</u>	<u>3,988,500</u>
Operating expenses:					
Cost of sales and services	7,646,746	2,911,509	3,425,262	13,983,517	1,553,998
Administration	1,636,628	1,064,911	258,871	2,960,410	972,020
Insurance claims and expenses	-	-	-	-	887,386
Depreciation	5,502,328	5,230,823	649,691	11,382,842	68,423
Total operating expenses	<u>14,785,702</u>	<u>9,207,243</u>	<u>4,333,824</u>	<u>28,326,769</u>	<u>3,481,827</u>
Operating income (loss)	<u>(3,070,172)</u>	<u>(1,486,641)</u>	<u>145,356</u>	<u>(4,411,457)</u>	<u>506,673</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	214,236	-	214,236	-
Gain on sale of capital assets	886	1,404	49,152	51,442	-
Interest income	1,213,963	1,355,340	89,305	2,658,608	58,825
Interest expense	(49,290)	(663,730)	-	(713,020)	(21,059)
Total nonoperating revenues (expenses)	<u>1,165,559</u>	<u>907,250</u>	<u>138,457</u>	<u>2,211,266</u>	<u>37,766</u>
Income (loss) before capital contributions, development fees and transfers	(1,904,613)	(579,391)	283,813	(2,200,191)	544,439
Capital contributions	3,923,176	5,656,867	-	9,580,043	-
Development fees	2,303,936	2,011,218	19,445	4,334,599	-
Transfers in	650,000	2,150,000	-	2,800,000	278,200
Transfers out	-	-	-	-	(34,900)
Change in net assets	<u>4,972,499</u>	<u>9,238,694</u>	<u>303,258</u>	<u>14,514,451</u>	<u>787,739</u>
Net assets - beginning	<u>271,523,283</u>	<u>238,718,303</u>	<u>4,809,396</u>	<u>515,050,982</u>	<u>949,396</u>
Net assets - ending	<u>\$ 276,495,782</u>	<u>\$ 247,956,997</u>	<u>\$ 5,112,654</u>		<u>\$ 1,737,135</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>29,671</u>	
Change in net assets of business-type activities (page 20-21)				<u>\$ 14,544,122</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, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 11,836,590	\$ 7,599,307	\$ 4,328,166	\$ 23,764,063	\$ 3,988,500
Payments to suppliers	(6,833,445)	(2,818,958)	(2,378,167)	(12,030,570)	(2,503,049)
Payments to employees	(2,747,433)	(1,153,202)	(1,388,103)	(5,288,738)	(970,513)
Net cash provided (used) by operating activities	<u>2,255,712</u>	<u>3,627,147</u>	<u>561,896</u>	<u>6,444,755</u>	<u>514,938</u>
<b>Cash flows from noncapital financing activities:</b>					
Due to other funds	-	-	-	-	253,089
Transfers in	650,000	2,150,000	-	2,800,000	278,200
Transfers out	-	-	-	-	(34,900)
Net cash provided (used) for noncapital financing activities	<u>650,000</u>	<u>2,150,000</u>	<u>-</u>	<u>2,800,000</u>	<u>496,389</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital grants received	-	362,669	-	362,669	-
Proceeds from sale of capital assets	886	1,404	49,152	51,442	-
Development fees received	2,303,936	2,011,218	19,445	4,334,599	-
Acquisition and construction of capital assets	(8,958,201)	(8,169,093)	(240,134)	(17,367,428)	(15,763)
Principal payments on long-term debt	(126,502)	(1,611,337)	-	(1,737,839)	-
Interest paid on long-term debt	(52,326)	(672,288)	-	(724,614)	-
Net cash provided (used) for capital and related financing activities	<u>(6,832,207)</u>	<u>(8,077,427)</u>	<u>(171,537)</u>	<u>(15,081,171)</u>	<u>(15,763)</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	<u>1,313,171</u>	<u>1,419,960</u>	<u>94,595</u>	<u>2,827,726</u>	<u>38,970</u>
Net cash provided by investing activities	<u>1,313,171</u>	<u>1,419,960</u>	<u>94,595</u>	<u>2,827,726</u>	<u>38,970</u>
Net increase (decrease) in cash and cash equivalents	(2,613,324)	(880,320)	484,954	(3,008,690)	1,034,534
Cash and cash equivalents, beginning of period	<u>35,034,445</u>	<u>38,020,064</u>	<u>2,325,126</u>	<u>75,379,635</u>	<u>1,392,209</u>
Cash and cash equivalents, end of period	<u>\$ 32,421,121</u>	<u>\$ 37,139,744</u>	<u>\$ 2,810,080</u>	<u>\$ 72,370,945</u>	<u>\$ 2,426,743</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,070,172)	\$ (1,486,641)	\$ 145,356	\$ (4,411,457)	\$ 506,673
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	5,502,328	5,230,823	649,691	11,382,842	68,423
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	14,175	(121,295)	(161,014)	(268,134)	-
(Increase) decrease in inventories	42,587	(10,578)	10,559	42,568	(22,926)
(Increase) decrease in prepaid assets	9,706	(34,434)	-	(24,728)	-
Increase (decrease) in accounts payable	(500,710)	15,579	(92,156)	(577,287)	(53,460)
Increase (decrease) in accrued payroll and employee benefits	39,338	8,277	(2,877)	44,738	(2,608)
Increase (decrease) in accrued liabilities	2,397	-	-	2,397	-
Increase (decrease) in sales taxes payable	98,983	49	246	99,278	79
Increase (decrease) in deposits held in custody for others	(104,157)	-	10,000	(94,157)	-
Increase (decrease) in unearned revenue	211,042	-	-	211,042	-
Increase (decrease) in compensated absences	10,195	25,367	2,091	37,653	4,115
Increase (decrease) in claims payable	-	-	-	-	14,642
Net cash provided (used) by operating activities	<u>\$ 2,255,712</u>	<u>\$ 3,627,147</u>	<u>\$ 561,896</u>	<u>\$ 6,444,755</u>	<u>\$ 514,938</u>
Reconciliation of cash and cash equivalents at end of year to statement of net assets:					
Cash and cash equivalents	\$ 395,916	\$ 4,184,649	\$ 417,138	\$ 4,997,703	\$ 530,012
Cash with fiscal agent	156,895	905,743	-	1,062,638	-
Investments	31,868,310	32,049,352	2,392,942	66,310,604	1,896,731
Total cash and cash equivalents	<u>\$ 32,421,121</u>	<u>\$ 37,139,744</u>	<u>\$ 2,810,080</u>	<u>\$ 72,370,945</u>	<u>\$ 2,426,743</u>
Noncash capital and related financing activities:					
Contributions of capital assets	\$ 3,923,176	\$ 5,656,867	\$ -	\$ 9,580,043	\$ -
Amortization of deferred bond costs	-	8,155	-	8,155	-
Total noncash activities	<u>\$ 3,923,176</u>	<u>\$ 5,665,022</u>	<u>\$ -</u>	<u>\$ 9,588,198</u>	<u>\$ -</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF FIDUCIARY NET ASSETS  
VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION  
TRUST FUND  
JUNE 30, 2008**

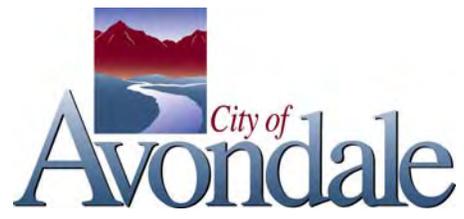
	Volunteer Firefighters' Relief and Pension Trust Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,925
Investments, at fair value:	
State Treasurer's Local Government Investment Pool	260,730
Interest receivable	<u>1,049</u>
Total assets	<u>265,704</u>
<b>LIABILITIES</b>	
Accounts payable	<u>                    </u> <u>-</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u>265,704</u>
Total net assets	<u>\$ 265,704</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION  
TRUST FUND  
YEAR ENDED JUNE 30, 2008**

	Volunteer Firefighters' Relief and Pension Trust Fund
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$       -
Employee	-
Interest	10,006
Miscellaneous	116
Total additions	<u>10,122</u>
<b>DEDUCTIONS</b>	
Benefits paid to plan members	<u>4,838</u>
Total deductions	<u>4,838</u>
Change in net assets	5,284
Total net assets, beginning of year	<u>260,420</u>
Total net assets, end of year	<u>\$ 265,704</u>

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



**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Notes to the Financial Statements**

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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, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and procedures of the City of Avondale, Arizona (City), conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units adopted by the Governmental Accounting and Standards Board (GASB). The GASB is the recognized standard-setting body for establishing governmental accounting and reporting principles.

**A. Reporting Entity**

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

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

**B. Basic Financial Statements**

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

**Government-wide financial statements** – The government-wide financial statements, which include the statement of net assets and the statement of activities, report all nonfiduciary activities of the City and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on charges and fees for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the *economic resources measurement focus* and the *accrual basis of accounting*, which includes long-term assets and long-term obligations.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets reports all financial and capital resources of the City. The statement is presented in a format that displays assets less liabilities equals net assets, with assets and liabilities presented in order of their relative liquidity. The net assets are presented in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net assets are those net assets with constraints placed on their use. These constraints are either imposed by external parties (e.g., creditors, debt covenants, grantors, contributors, or laws and regulations of other governments), or imposed by state constitutional provisions or enabling legislation. All other net assets not otherwise restricted are presented as unrestricted.

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

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

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City has elected to present some additional funds as major funds because of community focus. Other non-major governmental funds, as well as the internal service funds, are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

**Governmental funds** account for the City's general government activities. The acquisition, use, and balances of the City's expendable financial resources and related liabilities (except those accounted for in the proprietary funds) are accounted for in the governmental funds. The governmental funds financial statements are prepared on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation allows the City to demonstrate 1) legal and covenant compliance, 2) the sources and uses of liquid resources, and 3) how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliations are provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to convert the governmental funds financial statements into the governmental activities column on the government-wide financial statements. The following are the City's governmental funds.

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

Special Revenue Funds account for revenue sources that are restricted to expenditures for specific purposes (excluding major capital projects). The restrictions may be imposed by external parties, state constitution or enabling statutes, or the City Council.

Capital Project Funds account for the acquisition and construction of major capital projects not financed by the proprietary funds.

Debt Service Funds account for resources accumulated for and the servicing of general long-term debt principal, interest, and related costs not being financed by the proprietary funds. Debt service funds include debt payable from highway user motor fuel tax revenues, unrestricted excise tax revenues, development fees, and property taxes levied by the City on property located within its boundaries.

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net income/loss of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. The proprietary funds financial statements include reconciliations on the face of the statements to reconcile total enterprise funds net assets and changes in net assets to the business-type activities column on the government-wide financial statements.

The proprietary funds financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that flow directly from the operation of that activity (i.e., charges to customers or users who purchase or use goods or services of that activity). Operating expenses are those expenses that are incurred to provide those goods or services. Nonoperating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. The following are the City's proprietary funds.

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

Internal Service Funds account for the operations that provide services to other city departments or the City, as a whole, on a cost-reimbursement basis. The internal service funds are presented as one column on the proprietary funds financial statements. Combining fund financial statements are also presented for the internal service funds, but they are not part of the basic financial statements. The internal service funds that the City currently maintains are the Risk Management, Printing Services, and Fleet Management Funds.

**Fiduciary funds** account for assets held by the City in a trustee or agency capacity on behalf of others. Therefore, fiduciary funds are excluded from the government-wide financial statements because they are not assets of the City available to support city programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to the proprietary funds.

Pension Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one pension trust fund to account for the activities of the Volunteer Firefighters' Relief and Pension Trust Fund.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

The *Highway User Revenue Fund* accounts for dedicated state transportation revenues including the City's share of motor fuel taxes and Arizona Lottery revenues. The use of these revenues is restricted to highway and street purposes such as the construction; maintenance, repair and development of roads, streets, bridges; and payment of principal and interest on highway and street bonds.

The *Dedicated Sales Tax Revenue Fund* accounts for the voter-approved 0.5-cent sales tax revenues that are dedicated for the purpose of acquiring or constructing capital assets.

The *Public Safety Sales Tax Revenue Fund* accounts for the voter-approved 0.5-cent sales tax revenues that are dedicated for the purpose of funding additional police, fire and court activities.

The *Development Fees Fund* accounts for fees collected from developers for all new construction based on the impact the development will have on the City's services and infrastructure. These fees are used to fund the City's capital improvements related to growth and to repay debt on capital improvement project bonds.

The City reports the following major proprietary funds:

The *Water Utility, Wastewater Utility and Sanitation Utility Funds* account for the City's water, wastewater, and sanitation operations, maintenance, and construction projects. These utilities provide services to the City's residential and commercial users.

Additionally, the City reports the following fund types:

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

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

**C. Measurement Focus and Basis of Accounting**

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

On September 13, 2005, City voters approved an alternative expenditure limitation, the effect of which allowed the total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund or any transfers between funds must be approved by the City Council.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The original budget has been amended for the year ended June 30, 2008, in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.
8. All appropriations lapse at year-end.

**E. Statement of Cash Flows**

For purposes of the statement of cash flows, the City considers all highly liquid investments with original maturities of three months or less at the acquisition date to be cash equivalents. Cash and cash equivalents at June 30, 2008, included cash in bank, non-negotiable certificates of deposit, cash and investments held by the State Treasurer, and cash held by fiscal agents.

**F. Cash and Investments**

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

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

**G. Inventories**

Inventories are valued at cost and the City uses the first-in, first-out (FIFO) flow assumption in determining cost. Inventories in the governmental funds, which consist of expendable supplies held for consumption, are recorded as expenditures at the time inventory is consumed and is offset by a fund balance reserve in the governmental fund financial statements which indicates they do not constitute available expendable resources. No reservation of net assets is shown in the proprietary funds statements or the government-wide financial statements for inventories. Physical inventories are conducted at year-end for financial statement purposes.

**H. Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are required. Additionally, under the terms of contracts and grant agreements, the City funds certain programs by a combination of contract or grant revenues and general revenues. The City applies contract or grant revenues to such programs before using general revenues unless otherwise required by the contract or grant.

**I. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate current period liabilities. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**J. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Open encumbrances are not reported as reservations of fund balance at year-end, but are liquidated and re-established at the beginning of the next fiscal year. Outstanding encumbrances at year-end were insignificant.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**K. Investment Income**

Investment income consists of interest and net changes in the fair value of applicable investments.

**L. Prepaid Assets**

Prepaid assets are generally for payments made by the City in the current fiscal year for goods, services or benefits to be received beyond June 30, 2008. Such payments are recorded as assets at the time of the payment and recognized as expenditures/expenses when the related goods or services are received. Prepaid assets are offset by a reservation of fund balance in the governmental funds to indicate that they do not constitute available expendable resources. No reservation of net assets is shown for prepaid assets in the proprietary funds financial statements or the government-wide financial statements.

**M. Fund Balance/Net Assets Reservations and Designations**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriations by City Council legislative action or that are restricted by external sources for specific purposes. Only restrictions imposed by external sources, constitutional provisions, and enabling legislation are shown as restricted net assets on the government-wide financial statements.

**N. Capital Assets**

All capital assets, both governmental and business-type, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems. No long-term assets or depreciation is presented in the governmental funds financial statements.

Capital assets, including public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, storm drain systems, lighting systems, water distribution systems, sewer collection systems, and other assets that are immovable and of value only to the City, are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

**CITY OF AVONDALE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method based on the following estimated useful lives:

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

**O. Compensated Absences**

Compensated absences consist of vacation leave and vested sick leave earned by employees based on services already rendered. The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation accumulates up to 240 hours for regular full-time employees and 336 hours for regular full-time fire department employees. Vacation leave benefits can be taken as time off from work, within certain limitations, or may be payable to employees upon termination or retirement.

Sick leave is accumulated without limit and can be used in the event of an illness in the immediate family. Generally, sick leave benefits are forfeited upon termination of employment. However, upon retirement, employees with 10 years of continuous service with the City are compensated for 250 hours and employees with 20 years of continuous service with the City are compensated for 500 hours.

Compensated absence liabilities of the governmental funds are not reported as liabilities in the governmental funds financial statements. Instead, they are reported as governmental activities liabilities in the government-wide financial statements. Compensated absences of the proprietary funds are reported as liabilities in both the proprietary funds financial statements and the government-wide financial statements.

**P. Use of Estimates**

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

**Q. Long-term Obligations**

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

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

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents and investments, as applicable. Pooled cash and investments are stated at fair value. Restricted cash and investments are amounts held separately by trustees.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a bank or depository financial institution, a government's deposits may not be returned to it. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral (pledged) securities that are in the possession of an outside party. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance. The City does not have a formal deposit or investment policy for custodial credit risk.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk, nor does the City have a formal policy for concentration of credit risk.

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 policy for interest rate risk.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

NOTE 2 CASH AND INVESTMENTS (Concluded)

Deposits

The City's carrying amount of deposits at June 30, 2008, excluding fiduciary cash, was \$14,090,769 and the bank balance was \$14,414,731. The difference between the book and bank balance was due to outstanding checks, deposits, and other reconciling items. Of the bank balance, \$484,601 was covered by federal depository insurance. The remaining deposits were collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Restricted cash with fiscal agent – At June 30, 2008, the City had restricted cash with fiscal agent of \$7,512,472. Of this balance, \$682 (fair value) of restricted construction bond proceeds was invested with the State Treasurer's Local Government Investment Pool. The remaining cash balance of \$7,511,790 reflects cash temporarily held by fiscal agents for the City's July 1, 2008, debt service payments and was collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Fiduciary cash – At June 30, 2008, the Volunteer Firefighters' Relief and Pension Trust Fund had deposits of \$3,925 and the bank balance was \$3,925. The entire balance was collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Investments

Arizona Revised Statutes and the City Charter authorize the City to invest public monies in obligations of the U.S. Government that are guaranteed as to principal and interest by the U.S. Government, bonds of the State of Arizona counties, cities, towns, school districts, special districts as specified by statute, and the State Treasurer's Local Government Investment Pool.

The State Board of Deposit provides oversight for the State Treasurer's pools. Additionally, the City may invest in interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

The City invests in the State Treasurer's Local Government Investment Pool–Government Pool (LGIP-GOV). The LGIP-GOV invests solely in securities that are backed by the full faith and credit of the U.S. Government. The pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The Activity and performance of the pool is monitored monthly by the State Board of Investment in accordance with A.R.S. § 35-311. The maximum weighted average maturity for the LGIP-GOV is 0.23 years.

The LGIP-GOV is stated at fair value, which approximates the value of the investment upon withdrawal. At June 30, 2008, the City's investment balances in the LGIP-GOV and credit risk were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>		<u>Fair Value</u>
		<u>Rating</u>	<u>Rating Agency</u>	
State Treasurer's Pool				
Primary government	0.1	Unrated	Not Applicable	\$ 142,160,668
Fiduciary activities	0.1	Unrated	Not Applicable	260,730
Total Investments				<u>\$ 142,421,398</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3 PROPERTY TAX REVENUES**

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

Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and April 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date at a rate of 16%. A lien against property assessed attaches on the first day of January preceding the levy.

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

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

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10% a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

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

**NOTE 4 RECEIVABLES**

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the Water, Wastewater and Sanitation Utility Funds at June 30, 2008, are \$303,000, \$235,000, and \$127,000, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water, Wastewater and Sanitation Utility Funds are \$3,000, \$15,000 and \$17,000, respectively.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 CAPITAL ASSETS**

A summary of capital asset activity for governmental activities on the government-wide financial statements for the year ended June 30, 2008, follows:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
<b>Governmental Activities</b>				
Non-depreciable assets:				
Land	\$ 233,766,327	\$ 6,476,078	\$ -	\$ 240,242,405
Construction in Progress	8,556,123	10,507,075	(1,914,981)	17,148,217
Total non-depreciable capital assets	<u>242,322,450</u>	<u>16,983,153</u>	<u>(1,914,981)</u>	<u>257,390,622</u>
Depreciable assets:				
Buildings and improvements	48,864,316	113,931	(30,000)	48,948,247
Improvements other than buildings	-	156,750	-	156,750
Vehicles, furniture, and equipment	21,140,529	4,093,199	(1,459,913)	23,773,815
Infrastructure	332,854,939	12,843,045	(64,258)	345,633,726
Total depreciable capital assets	<u>402,859,784</u>	<u>17,206,925</u>	<u>(1,554,171)</u>	<u>418,512,538</u>
Less accumulated depreciation for:				
Buildings and improvements	8,200,920	1,387,857	-	9,588,777
Improvements other than buildings	-	5,984	-	5,984
Vehicles, furniture and equipment	14,100,294	3,055,369	(1,440,329)	15,715,334
Infrastructure	77,099,695	8,912,082	-	86,011,777
Total accumulated depreciation	<u>99,400,909</u>	<u>13,361,292</u>	<u>(1,440,329)</u>	<u>111,321,872</u>
Total capital assets being depreciated, net	<u>303,458,875</u>	<u>3,845,633</u>	<u>(113,842)</u>	<u>307,190,666</u>
Total governmental activities capital assets, net	<u>\$ 545,781,325</u>	<u>\$ 20,828,786</u>	<u>\$ (2,028,823)</u>	<u>\$ 564,581,288</u>

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2008, follows:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
<b>Business-type activities</b>				
Non-depreciable assets:				
Land	\$ 16,252,303	\$ -	\$ -	\$ 16,252,303
Construction in progress	13,214,223	16,050,176	(1,167,119)	28,097,280
Total non-depreciable assets	<u>29,466,526</u>	<u>16,050,176</u>	<u>(1,167,119)</u>	<u>44,349,583</u>
Depreciable assets:				
Water system	252,785,145	4,685,850	-	257,470,995
Sewer System	215,455,550	6,069,082	-	221,524,632
Wastewater treatment system	31,775,615	-	-	31,775,615
Vehicles, furniture and equipment	6,222,870	1,157,213	(345,008)	7,035,075
Total depreciable capital assets	<u>506,239,180</u>	<u>11,912,145</u>	<u>(345,008)</u>	<u>517,806,317</u>
Less accumulated depreciation for:				
Water system	38,111,734	5,200,792	-	43,312,526
Sewer System	31,007,548	4,522,975	-	35,530,523
Wastewater treatment system	7,529,355	600,037	-	8,129,392
Vehicles, furniture and equipment	3,531,532	1,059,038	(345,008)	4,245,562
Total accumulated depreciation	<u>80,180,169</u>	<u>11,382,842</u>	<u>(345,008)</u>	<u>91,218,003</u>
Total capital assets being depreciated, net	<u>426,059,011</u>	<u>529,303</u>	<u>-</u>	<u>426,588,314</u>
Total business-type activity capital assets, net	<u>\$ 455,525,537</u>	<u>\$ 16,579,479</u>	<u>\$ (1,167,119)</u>	<u>\$ 470,937,897</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 CAPITAL ASSETS (Concluded)**

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

Governmental Activities:	
General government	\$ 1,480,349
Public safety	1,983,271
Highways and streets	9,055,328
Health and welfare	20,999
Economic and community development	27,333
Culture and recreation	725,589
Internal services	68,423
Total depreciation expenses - governmental activities	<u>\$ 13,361,292</u>
Business-type Activities:	
Water Utility	\$ 5,502,328
Wastewater Utility	5,230,823
Sanitation Utility	649,691
Total depreciation expenses - business-type activities	<u>\$ 11,382,842</u>

**NOTE 6 NET ASSETS**

The City's government-wide statement of net assets reports \$84,494,748 of restricted net assets, of which \$31,466,079 is restricted by enabling legislation.

**NOTE 7 RETIREMENT PLANS**

All of the City's full-time employees participate in one of four pension plans. The Arizona State Retirement System (ASRS) is for the benefit of the employees of the State and other participating government jurisdictions. All full-time employees except police and fire employees participate in ASRS. All full-time police and fire employees participate in the Public Safety Personnel Retirement System (PSPRS). The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP). Volunteer firefighters participate in the Volunteer Firefighters' Relief and Pension Trust Fund.

**Arizona State Retirement System**

Plan Description. The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85012-3910 or by calling 602-240-2000 or 1-800-621-3778.

Funding Policy. The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2008, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 RETIREMENT PLANS (Continued)**

The City's contributions to ASRS for the years ended June 30, 2008, 2007, and 2006 were \$2,052,286, \$1,670,809, and \$1,051,987, respectively, which were equal to the required contributions for those years.

**Public Safety Personnel Retirement System**

Plan Description. The PSPRS is an agent, multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, or by calling 602-255-5575.

Funding Policy - The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2008, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 9.68 percent for police and 10.57 percent for fire. The City contributed the required amount.

Annual Pension Cost – The City's pension cost for the year ended June 30, 2008, the date of the most recent actuarial valuation, and related information follow.

	PSPRS – Police	PSPRS – Fire
Contribution rates:		
City	9.68%	10.57%
Plan members	7.65%	7.65%
Annual pension cost	\$638,965	\$450,685
Contributions made	\$638,965	\$450,685
Actuarial valuation date	6/30/08	6/30/08
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
Includes inflation at cost-of-living adjustments	5.00%	5.00%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 RETIREMENT PLANS (Continued)**

Trend information – PSPRS annual pension cost information as of the most recent actuarial valuation follows:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2008	\$638,965	100%	-
	2007	475,455	100	-
	2006	491,661	100	-
PSPRS – Fire	2008	450,685	100	-
	2007	348,436	100	-
	2006	367,553	100	-

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2008, follows:

**PSPRS – Police**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/08	\$10,060,791	\$13,744,757	\$3,683,966	73.2%	\$6,673,898	55.2%
6/30/07	8,659,169	12,624,356	3,965,187	68.6	5,557,381	71.3
6/30/06	8,191,645	10,473,925	2,282,280	78.2	4,788,461	47.7

**PSPR – Fire**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/08	\$7,660,574	\$9,908,336	\$2,247,762	77.3%	\$4,218,295	53.3%
6/30/07	6,457,208	9,202,005	2,744,797	70.2	4,098,945	67.0
6/30/06	5,787,876	7,202,151	1,414,275	80.4	3,614,970	39.1

**Elected Officials' Retirement Plan**

The EORP is a multiple-employer, cost sharing defined benefit pension plan. The EORP is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and elected officials of participating cities. The EORP is governed by the Fund Manager of the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. EORP provides retirement benefits, as well as death and disability benefits. The EORP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416 or by calling 602-255-5575.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 RETIREMENT PLANS (Concluded)**

For the year ended June 30, 2008, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The payroll for employees covered by EORP for the year ended June 30, 2008, was \$57,233. City contributions to the plan were 20.21% of the members' annual covered payroll, as determined by actuarial valuation. The City's contribution to EORP for the years ended June 30, 2008, 2007, and 2006 were 11,567, \$10,307, \$11,893, respectively, which were equal to the required contributions for those years.

**Volunteer Firefighters' Relief and Pension Trust Fund**

The Volunteer Firefighters' Relief and Pension Trust Fund (Fund) is a defined contribution plan to provide pensions to volunteer firefighters only. The plan is administered by state statute that requires both firefighters and the City to make contributions equal to 5 percent of the firefighters' compensation. Some monies are also received from the State. After firefighters have 20 years of service, they are entitled to a monthly pension, the amount of which is determined by the Board of Trustees of the Fund, not to exceed \$400. If firefighters resign before completing 20 years of service, they are entitled to a refund of their contributions only. They are not entitled to any part of the employer's contributions, the amounts received from the State, or earnings on any of the contributions.

The payroll for firefighters covered by the Fund for the year ended June 30, 2008, was \$0. Therefore, neither the City nor the firefighters made contributions to the Fund for the same year ended.

**NOTE 8 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, 2008, follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,024,607	\$ 354,306	\$ 225,291	\$ 2,153,622	\$ 1,722,898
Capital leases payable	2,594,184	-	455,351	2,138,833	412,040
Contractual obligations	214,000	-	107,000	107,000	107,000
Claims payable	390,580	244,232	229,590	405,222	125,800
Municipal Development					
Corporation Bonds	64,802,236	-	3,692,409	61,109,827	4,067,522
General Obligation Bonds	18,630,000	-	2,265,000	16,365,000	2,915,000
Highway User Revenue Bonds	3,510,000	-	135,000	3,375,000	290,000
Total	<u>\$ 92,165,607</u>	<u>\$ 598,538</u>	<u>\$ 7,109,641</u>	<u>\$ 85,654,504</u>	<u>\$ 9,640,260</u>

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year-end, internal service funds compensated absences of \$47,806 are included in the above liabilities.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Continued)**

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

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

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

Asset:	
Buildings and Improvements	\$ 2,174,449
Vehicles	1,692,706
Less: accumulated depreciation	(1,180,291)
Total	<u>\$ 2,686,864</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 412,040	\$ 81,164
2010	397,311	64,740
2011	381,666	49,232
2012	397,276	33,623
2013	413,525	17,374
2014-2018	137,015	1,663
Total	<u>\$ 2,138,833</u>	<u>\$ 247,796</u>

Contractual Obligations - The contractual obligations line item reflects the City's required financial contribution toward bridge construction that occurred in an earlier year. The City was required to make equal annual payments of \$107,000. There is no interest. One payment remains at the end of fiscal year 2008.

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1999 series bonds	3.60 - 4.70%	2011	\$ 2,172,270
2002 series bonds	3.00 - 4.25%	2015	9,925,000
2003 series bonds	2.00 - 3.75%	2015	9,195,000
2004 series bonds	2.50 - 4.30%	2020	10,580,000
2005 series bonds	3.00 - 4.00%	2020	11,117,557
2006 series bonds	4.00 - 5.00%	2027	18,120,000
			<u>\$ 61,109,827</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Continued)**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,067,522	\$ 2,325,944
2010	4,277,055	2,165,108
2011	4,444,029	2,004,407
2012	4,516,945	1,838,399
2013	4,528,788	1,674,929
2014-2018	20,526,831	5,876,416
2019-2023	13,523,657	2,173,190
2024-2028	5,225,000	408,000
Total	<u>\$ 61,109,827</u>	<u>\$ 18,466,393</u>

**Refunded MDC Bonds**

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2008, totaled \$10,846,414. The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1999 series bonds	4.80 - 5.00%	2019	\$ 2,329,231
2002 series bonds	4.75 - 5.00%	2020	8,200,000
			<u>\$ 10,529,231</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1998 series bonds	4.10 - 5.80%	2018	\$ 3,410,000
2003 series A bonds	2.00 - 4.00%	2014	2,085,000
2003 series B bonds	2.00 - 2.75%	2010	4,630,000
2005 series bonds	3.00 - 5.00%	2016	4,060,000
2006 series bonds	3.75 - 4.00%	2018	2,180,000
			<u>\$ 16,365,000</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Continued)**

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>
2009	\$ 2,915,000	\$ 488,630
2010	3,070,000	402,240
2011	2,195,000	333,280
2012	1,140,000	340,036
2013	1,205,000	246,355
2014-2018	5,455,000	517,650
2019-2023	385,000	-
Total	<u>\$ 16,365,000</u>	<u>\$ 2,328,191</u>

Refunded General Obligation Bonds

In prior years, the City defeased certain General Obligation Bonds (1997 series bonds with an average interest rate of 4.75%) by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. On July 1, 2007, the City retired the defeased bonds totaling \$4,030,000.

Highway User Revenue Bonds - Highway user revenue bonds are issued for the specific purpose of constructing street and highway projects. The state-shared motor 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, 2008</u>
1998 series bonds	4.40 - 4.500%	2008	\$ 290,000
2005 series bonds	3.00 - 3.875%	2017	3,085,000
			<u>\$ 3,375,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 290,000	\$ 109,838
2010	305,000	100,688
2011	315,000	90,844
2012	325,000	79,875
2013	335,000	68,150
2014-2018	1,805,000	138,113
Total	<u>\$ 3,375,000</u>	<u>\$ 587,508</u>

Refunded Highway User Revenue Bonds

In prior years, the City defeased certain highway user revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2008, totaled \$3,000,004.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Continued)**

The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1998 series bonds	4.50 - 5.00%	2017	\$ 2,980,000
			<u>\$ 2,980,000</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, 2008, follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 201,481	\$ 68,188	\$ 27,080	\$ 242,589	\$ 194,071
Water and Sewer Revenue					
Bonds	1,410,000	-	90,000	1,320,000	95,000
Municipal Development					
Corporation Bonds	7,792,761	-	857,592	6,935,169	897,479
Water Infrastructure					
Financing Loans	8,844,613	-	790,247	8,054,366	819,829
	<u>\$ 18,248,855</u>	<u>\$ 68,188</u>	<u>\$ 1,764,919</u>	<u>\$ 16,552,124</u>	<u>\$ 2,006,379</u>

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, 2008</u>
1998 series bonds	4.10 - 5.95%	2018	\$ 1,320,000
			<u>\$ 1,320,000</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>
2009	\$ 95,000	\$ 56,730
2010	100,000	52,480
2011	105,000	47,913
2012	110,000	43,073
2013	115,000	37,898
2014-2018	650,000	99,848
2019-2023	145,000	-
Total	<u>\$ 1,320,000</u>	<u>\$ 337,942</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Continued)**

MDC Bonds are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1996 series bonds	3.45 - 5.20%	2013	\$ 4,190,000
1999 series bonds	3.60 - 4.70%	2011	1,287,728
2005 series bonds	3.00 - 4.00%	2021	1,457,441
			<u>\$ 6,935,169</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 897,479	\$ 288,069
2010	942,945	242,742
2011	990,971	194,098
2012	1,138,055	136,655
2013	981,212	86,588
2014-2018	1,293,163	213,882
2019-2023	691,344	24,130
Total	<u>\$ 6,935,169</u>	<u>\$ 1,186,164</u>

**Refunded MDC Bonds**

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2008, totaled \$1,422,363. The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1999 series bonds	4.80 - 5.00%	2019	\$ 1,380,769
			<u>\$ 1,380,769</u>

**Water Infrastructure and Financing Authority of Arizona (WIFA) Loans** - WIFA Loans are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2008</u>
1992 series bonds	3.40%	2012	\$ 3,403,974
1999 series bonds	3.94%	2021	4,650,392
			<u>\$ 8,054,366</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 LONG-TERM OBLIGATIONS (Concluded)**

Annual debt service requirements to maturity for WIFA Loans are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 819,829	\$ 269,628
2010	848,345	239,197
2011	885,296	207,447
2012	920,685	174,430
2013	1,448,628	123,384
2014-2018	1,842,542	404,740
2019-2023	1,289,041	52,096
Total	<u>\$ 8,054,366</u>	<u>\$ 1,470,922</u>

**NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS**

Interfund balances as of June 30, 2008, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Family Advocacy Center Fund	\$ 79,538
General Fund	Dedicated Sales Tax Revenue Fund	100,170
General Fund	Library Development Fees Fund	13,405
General Fund	Fleet Management Fund	581,654
		<u>\$ 774,767</u>

The \$774,767 interfund receivable in the General Fund is due primarily to borrowing by the funds to offset temporary deficit cash positions in the funds.

Interfund transfers for the year ended June 30, 2008, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ 11,596,725
Highway User Revenue Fund	-	629,080
Dedicated Sales Tax Revenue Fund	-	7,941,950
Public Safety Sales Tax Revenue Fund	-	1,113,460
Development Fees Fund	9,267,370	1,125,370
Non-major Governmental Funds	10,599,975	504,060
Total governmental funds	<u>19,867,345</u>	<u>22,910,645</u>
Enterprise funds:		
Water Utility Fund	650,000	-
Wastewater Utility Fund	2,150,000	-
Total enterprise funds	<u>2,800,000</u>	<u>-</u>
Internal service funds	278,200	34,900
Grand total	<u>\$ 22,945,545</u>	<u>\$ 22,945,545</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS (Concluded)**

The General Fund transfers included about \$7.6 million to the Development Fees Fund for street, library, and parks development capital projects, \$1.6 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of equipment, \$1.3 million to various grant funds to meet the City's matching requirements, and \$.9 million to debt service funds to service debt.

The Highway User Revenue Fund transfers included about \$0.3 million to debt service funds to service debt and \$0.3 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of equipment.

The Dedicated Sales Tax Revenue Fund transfers included about \$4.6 million to debt service funds to service debt, \$2.8 million to the Water and Wastewater Utility Funds for water and sewer development, and \$0.5 million to the Development Fees Fund for street capital projects.

The Public Safety Sales Tax Revenue Fund transfers included about \$0.4 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of public safety equipment and \$0.7 million to the Development Fees Fund for police and fire department capital projects.

The Development Fees Fund transfers included \$1.1 million to debt service funds to service debt related to the development of city capital projects.

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

**NOTE 10 SEGMENT INFORMATION**

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

**NOTE 11 RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for property insurance, public employee fidelity bonds, crime insurance and miscellaneous insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers 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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 11 RISK MANAGEMENT (Concluded)**

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 (IBNR) claims.

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, 2008, 2007, and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Beginning balance at July 1	\$ 390,580	\$ 280,080	\$ 305,724
Current year claims and changes in estimates (including IBNR's)	244,232	364,653	58,277
Claim payments	<u>229,590</u>	<u>254,153</u>	<u>83,921</u>
Ending balance at June 30	<u>\$ 405,222</u>	<u>\$ 390,580</u>	<u>\$ 280,080</u>

**NOTE 12 CONTINGENT LIABILITIES**

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2008. It is the opinion of management and city counsel that the amount of losses resulting from this litigation at June 30, 2008, if any, would not be material to the financial position of the City.

Federal and State Grants - The City has received a number of grants from both the federal and state governments. Some programs have been audited as of June 30, 2008. The City expects no material disallowance of expenditures.

**NOTE 13 COMMITMENTS**

The City has active design and construction projects as of June 30, 2008. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, and general operating fund balances. The projects and remaining balances for work not completed as of June 30, 2008, were as follows.

	<u>Balance</u>
Wastewater treatment system expansion	\$ 34,754,099
Street construction and improvements	2,980,446
Water system expansion and water treatment	1,049,751
Park design and construction	614,404
Library development and construction	582,909
Development services software and installation	341,712
Police impound lot construction	<u>32,250</u>
Total	<u>\$ 40,355,571</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 14 OPERATING LEASES**

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

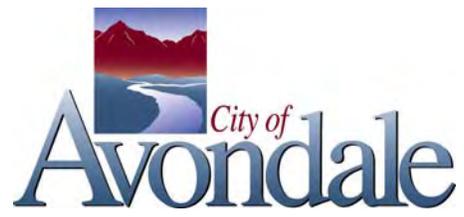
Operating leases do not give rise to property rights or lease obligations (long-term debt) and, therefore, no operating lease obligations have been included on the statement of net assets. Lease costs for the fiscal year ended June 30, 2008, totaled \$267,602.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 421,931
2010	434,589
2011	447,627
2012	461,056
2013	155,192
Total	<u>\$ 1,920,395</u>

**NOTE 15 SUBSEQUENT EVENTS**

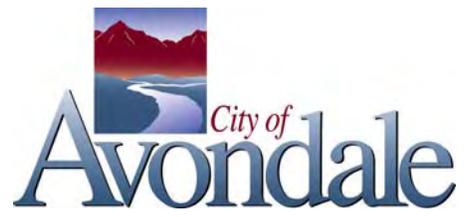
On September 4, 2008, the City issued \$15,000,000 of Municipal Development Corporation Excise Tax Revenue Bonds, Series 2008. The City issued the bonds to fund the construction of a reservoir and other improvements to the City's water system and to fund various street improvements and projects. Interest rates range from 4.0% to 5.0%, with a term of 20 years.



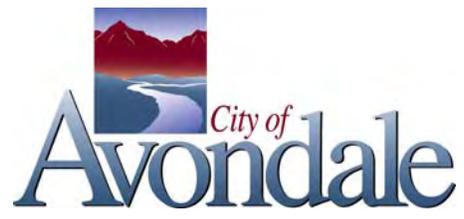
**BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUND**

**CITY OF AVONDALE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DEVELOPMENT FEES FUND**  
**YEAR ENDED JUNE 30, 2008**

	Development Fees Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 6,793,000	\$ 6,793,000	\$ 6,919,903	\$ 126,903
Intergovernmental	8,816,280	8,516,280	354,834	(8,161,446)
Interest	87,850	87,850	704,596	616,746
Miscellaneous	-	-	-	-
Total revenues	<u>15,697,130</u>	<u>15,397,130</u>	<u>7,979,333</u>	<u>(7,417,797)</u>
Expenditures				
Public safety	-	-	8,300	(8,300)
Highway and streets	12,947	12,947	87,488	(74,541)
Culture and recreation	8,666,000	8,608,435	29,170	8,579,265
Debt service				
Principal	188,130	188,130	167,872	20,258
Interest and other charges	-	-	20,244	(20,244)
Capital outlay	<u>24,679,243</u>	<u>26,536,808</u>	<u>10,601,017</u>	<u>15,935,791</u>
Total expenditures	<u>33,546,320</u>	<u>35,346,320</u>	<u>10,914,091</u>	<u>24,432,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,849,190)</u>	<u>(19,949,190)</u>	<u>(2,934,758)</u>	<u>17,014,432</u>
Other financing sources (uses)				
Bond issuance	1,000,000	1,000,000	-	(1,000,000)
Sales of capital assets	1,000,000	1,000,000	-	(1,000,000)
Transfers in	5,167,370	5,667,370	9,267,370	3,600,000
Transfers out	<u>(1,125,370)</u>	<u>(1,125,370)</u>	<u>(1,125,370)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,042,000</u>	<u>6,542,000</u>	<u>8,142,000</u>	<u>1,600,000</u>
Net change in fund balance	(11,807,190)	(13,407,190)	5,207,242	18,614,432
Fund balance at beginning of year	<u>19,108,188</u>	<u>19,108,188</u>	<u>17,606,762</u>	<u>(1,501,426)</u>
Fund balance at end of year	<u>\$ 7,300,998</u>	<u>\$ 5,700,998</u>	<u>\$ 22,814,004</u>	<u>\$ 17,113,006</u>



**COMBINING STATEMENTS – NON-MAJOR GOVERNMENTAL FUNDS**



**CITY OF AVONDALE, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008**

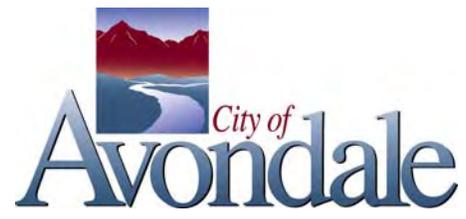
	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 134,139	\$ 184,633	\$ 330,939
Investments	1,306,288	-	-
Receivables			
Taxes	-	-	-
Accounts	-	61,220	-
Interest	5,403	-	-
Due from other governments	802,560	5,028	-
Prepaid assets	-	100	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 2,248,390</u>	<u>\$ 250,981</u>	<u>\$ 330,939</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 265,546	\$ 4,851	\$ 2,664
Accrued payroll and employee benefits	4,170	17,017	-
Accrued liabilities	-	-	-
Sales taxes payable	-	35	112
Due to other funds	-	-	-
Deferred revenues	23,542	-	-
Total liabilities	<u>293,258</u>	<u>21,903</u>	<u>2,776</u>
Fund balances:			
Reserved for:			
Prepaid assets	-	100	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved	1,955,132	228,978	328,163
Total fund balances	<u>1,955,132</u>	<u>229,078</u>	<u>328,163</u>
Total liabilities and fund balances	<u>\$ 2,248,390</u>	<u>\$ 250,981</u>	<u>\$ 330,939</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Family Advocacy Center</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 151,187	\$ -	\$ 476,525	\$ 424,095
Investments	825,132	-	4,201,202	94,934
Receivables				
Taxes	-	-	-	-
Accounts	6,855	-	-	-
Interest	3,552	-	17,376	393
Due from other governments	255,067	151,995	-	-
Prepaid assets	-	-	-	-
Restricted cash with fiscal agent	-	-	-	-
Total assets	<u>\$ 1,241,793</u>	<u>\$ 151,995</u>	<u>\$ 4,695,103</u>	<u>\$ 519,422</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 90,403	\$ 17,318	\$ -	\$ 4,621
Accrued payroll and employee benefits	29,663	7,844	-	-
Accrued liabilities	30,270	-	-	-
Sales taxes payable	662	214	-	-
Due to other funds	-	79,538	-	-
Deferred revenues	306,819	-	-	-
Total liabilities	<u>457,817</u>	<u>104,914</u>	<u>-</u>	<u>4,621</u>
Fund balances:				
Reserved for:				
Prepaid assets	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Cash with fiscal agent	-	-	-	-
Unreserved	783,976	47,081	4,695,103	514,801
Total fund balances	<u>783,976</u>	<u>47,081</u>	<u>4,695,103</u>	<u>514,801</u>
Total liabilities and fund balances	<u>\$ 1,241,793</u>	<u>\$ 151,995</u>	<u>\$ 4,695,103</u>	<u>\$ 519,422</u>

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ 299,916	\$ 23,989	\$ 21,246	\$ 558,746	\$ 217,335	\$ 2,822,750
402,296	791,022	159,572	3,066,232	18,325	10,865,003
-	200,159	-	-	-	200,159
17,997	-	-	-	-	86,072
1,665	3,272	660	12,681	75	45,077
-	-	-	-	-	1,214,650
-	2,030,000	260,000	-	-	2,290,100
-	1,005,547	85,369	3,465,914	1,892,324	6,449,154
<u>\$ 721,874</u>	<u>\$ 4,053,989</u>	<u>\$ 526,847</u>	<u>\$ 7,103,573</u>	<u>\$ 2,128,059</u>	<u>\$ 23,972,965</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,403
-	-	-	-	-	58,694
-	120,547	55,369	992,323	235,735	1,434,244
-	-	-	-	-	1,023
-	-	-	-	-	79,538
-	135,681	-	-	-	466,042
<u>-</u>	<u>256,228</u>	<u>55,369</u>	<u>992,323</u>	<u>235,735</u>	<u>2,424,944</u>
-	2,030,000	260,000	-	-	2,290,100
-	762,214	126,109	2,645,336	-	3,533,659
721,874	-	-	-	-	721,874
-	1,005,547	85,369	3,465,914	1,892,324	6,449,154
-	-	-	-	-	8,553,234
<u>721,874</u>	<u>3,797,761</u>	<u>471,478</u>	<u>6,111,250</u>	<u>1,892,324</u>	<u>21,548,021</u>
<u>\$ 721,874</u>	<u>\$ 4,053,989</u>	<u>\$ 526,847</u>	<u>\$ 7,103,573</u>	<u>\$ 2,128,059</u>	<u>\$ 23,972,965</u>



**CITY OF AVONDALE, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008**

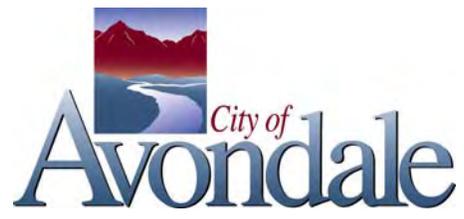
	<u>Special Revenue Funds</u>		
	<u>Local Transportation Assistance</u>	<u>Senior Programs</u>	<u>Judicial Collection Enhancement</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	2,306,702	418,320	-
Charges for services	-	-	132,570
Interest	61,524	-	8,305
Contributions	-	13,552	-
Miscellaneous	-	50	-
Total revenue	<u>2,368,226</u>	<u>431,922</u>	<u>140,875</u>
Expenditures			
Current:			
General government	-	-	55,571
Public safety	-	-	-
Health and welfare	-	515,902	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	2,693,561	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	11,582
Total expenditures	<u>2,693,561</u>	<u>515,902</u>	<u>67,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(325,335)</u>	<u>(83,980)</u>	<u>73,722</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	746,470	210,000	-
Transfers out	<u>(2,030)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>744,440</u>	<u>210,000</u>	<u>-</u>
Net change in fund balances	419,105	126,020	73,722
Fund balances at beginning of year	<u>1,536,027</u>	<u>103,058</u>	<u>254,441</u>
Fund balances at end of year	<u>\$ 1,955,132</u>	<u>\$ 229,078</u>	<u>\$ 328,163</u>

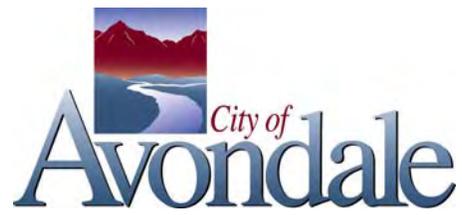
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**CITY OF AVONDALE, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Family Advocacy Center</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	959,354	396,273	-	-
Charges for services	-	-	-	-
Interest	44,872	-	138,627	9,433
Contributions	140,405	-	-	-
Miscellaneous	181,001	-	-	-
Total revenue	<u>1,325,632</u>	<u>396,273</u>	<u>138,627</u>	<u>9,433</u>
Expenditures				
Current:				
General government	960	-	-	125,709
Public safety	316,288	458,685	-	-
Health and welfare	361,881	-	-	-
Economic and community development	494,188	-	-	-
Culture and recreation	7,081	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	111,654	137,871	462,363	315,405
Total expenditures	<u>1,292,052</u>	<u>596,556</u>	<u>462,363</u>	<u>441,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,580</u>	<u>(200,283)</u>	<u>(323,736)</u>	<u>(431,681)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	199,550	9,609
Transfers in	132,311	247,364	1,580,800	753,710
Transfers out	<u>(502,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(369,719)</u>	<u>247,364</u>	<u>1,780,350</u>	<u>763,319</u>
Net change in fund balances	(336,139)	47,081	1,456,614	331,638
Fund balances at beginning of year	<u>1,120,115</u>	<u>-</u>	<u>3,238,489</u>	<u>183,163</u>
Fund balances at end of year	<u>\$ 783,976</u>	<u>\$ 47,081</u>	<u>\$ 4,695,103</u>	<u>\$ 514,801</u>

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ -	\$ 4,042,216	\$ -	\$ -	\$ -	\$ 4,042,216
-	-	-	-	-	4,080,649
-	-	-	-	-	132,570
20,833	45,579	12,648	197,158	4,378	543,357
70,038	-	-	-	414,583	638,578
-	-	-	-	-	181,051
<u>90,871</u>	<u>4,087,795</u>	<u>12,648</u>	<u>197,158</u>	<u>418,961</u>	<u>9,618,421</u>
-	-	-	-	-	182,240
-	-	-	-	-	774,973
-	-	-	-	-	877,783
-	-	-	-	-	494,188
-	-	-	-	-	7,081
-	-	-	-	-	2,693,561
-	2,265,000	135,000	2,108,523	1,583,886	6,092,409
-	571,235	123,792	1,992,847	477,009	3,164,883
-	-	-	-	-	1,038,875
<u>-</u>	<u>2,836,235</u>	<u>258,792</u>	<u>4,101,370</u>	<u>2,060,895</u>	<u>15,325,993</u>
<u>90,871</u>	<u>1,251,560</u>	<u>(246,144)</u>	<u>(3,904,212)</u>	<u>(1,641,934)</u>	<u>(5,707,572)</u>
-	-	-	-	-	209,159
-	-	300,000	4,911,170	1,718,150	10,599,975
-	-	-	-	-	(504,060)
<u>-</u>	<u>-</u>	<u>300,000</u>	<u>4,911,170</u>	<u>1,718,150</u>	<u>10,305,074</u>
90,871	1,251,560	53,856	1,006,958	76,216	4,597,502
631,003	2,546,201	417,622	5,104,292	1,816,108	16,950,519
<u>\$ 721,874</u>	<u>\$ 3,797,761</u>	<u>\$ 471,478</u>	<u>\$ 6,111,250</u>	<u>\$ 1,892,324</u>	<u>\$ 21,548,021</u>





**BUDGETARY COMPARISON SCHEDULES –  
COMBINING NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF AVONDALE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LOCAL TRANSPORTATION ASSISTANCE FUND**  
**YEAR ENDED JUNE 30, 2008**

	Local Transportation Assistance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 1,839,620	\$ 1,839,620	\$ 2,306,702	\$ 467,082
Interest	56,010	56,010	61,524	5,514
Total revenues	<u>1,895,630</u>	<u>1,895,630</u>	<u>2,368,226</u>	<u>472,596</u>
Expenditures				
Transportation	1,211,070	1,211,070	2,693,561	(1,482,491)
Capital outlay	1,600,000	1,700,000	-	1,700,000
Total expenditures	<u>2,811,070</u>	<u>2,911,070</u>	<u>2,693,561</u>	<u>217,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(915,440)</u>	<u>(1,015,440)</u>	<u>(325,335)</u>	<u>690,105</u>
Other financing sources (uses)				
Transfers in	746,470	746,470	746,470	-
Transfers out	(2,030)	(2,030)	(2,030)	-
Total other financing sources (uses)	<u>744,440</u>	<u>744,440</u>	<u>744,440</u>	<u>-</u>
Net change in fund balance	(171,000)	(271,000)	419,105	690,105
Fund balance at beginning of year	<u>801,869</u>	<u>801,869</u>	<u>1,536,027</u>	<u>734,158</u>
Fund balance at end of year	<u>\$ 630,869</u>	<u>\$ 530,869</u>	<u>\$ 1,955,132</u>	<u>\$ 1,424,263</u>

**CITY OF AVONDALE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SENIOR PROGRAMS FUND**  
**YEAR ENDED JUNE 30, 2008**

	Senior Programs Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 242,560	\$ 383,024	\$ 418,320	\$ 35,296
Contributions	38,770	38,770	13,552	(25,218)
Miscellaneous	-	-	50	50
Total revenues	<u>281,330</u>	<u>421,794</u>	<u>431,922</u>	<u>10,128</u>
Expenditures				
Health and welfare	472,300	605,624	515,902	89,722
Capital outlay	-	-	-	-
Total expenditures	<u>472,300</u>	<u>605,624</u>	<u>515,902</u>	<u>89,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,970)</u>	<u>(183,830)</u>	<u>(83,980)</u>	<u>99,850</u>
Other financing sources (uses)				
Transfers in	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>-</u>
Total other financing sources (uses)	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>-</u>
Net change in fund balance	19,030	26,170	126,020	99,850
Fund balance at beginning of year	<u>124,763</u>	<u>124,763</u>	<u>103,058</u>	<u>(21,705)</u>
Fund balance at end of year	<u>\$ 143,793</u>	<u>\$ 150,933</u>	<u>\$ 229,078</u>	<u>\$ 78,145</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, 2008**

	Judicial Collection Enhancement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ 140,910	\$ 140,910	\$ 132,570	\$ (8,340)
Interest	10,740	10,740	8,305	(2,435)
Total revenues	<u>151,650</u>	<u>151,650</u>	<u>140,875</u>	<u>(10,775)</u>
Expenditures				
General government	197,000	220,860	55,571	165,289
Capital outlay	-	11,500	11,582	(82)
Total expenditures	<u>197,000</u>	<u>232,360</u>	<u>67,153</u>	<u>165,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,350)</u>	<u>(80,710)</u>	<u>73,722</u>	<u>154,432</u>
Net change in fund balance	(45,350)	(80,710)	73,722	154,432
Fund balance at beginning of year	<u>238,215</u>	<u>238,215</u>	<u>254,441</u>	<u>16,226</u>
Fund balance at end of year	<u>\$ 192,865</u>	<u>\$ 157,505</u>	<u>\$ 328,163</u>	<u>\$ 170,658</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, 2008**

	Grants-in-Aid Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 395,510	\$ 1,395,034	\$ 959,354	\$ (435,680)
Interest	-	-	44,872	44,872
Contributions	-	115,500	140,405	24,905
Miscellaneous	5,000,000	3,544,512	181,001	(3,363,511)
Total revenues	<u>5,395,510</u>	<u>5,055,046</u>	<u>1,325,632</u>	<u>(3,729,414)</u>
Expenditures				
General government	5,078,810	2,876,476	960	2,875,516
Public safety	92,020	481,942	316,288	165,654
Health and welfare	1,628,420	1,176,453	361,881	814,572
Economic and community development	-	628,482	494,188	134,294
Culture and recreation	-	8,876	7,081	1,795
Capital outlay	-	379,216	111,654	267,562
Total expenditures	<u>6,799,250</u>	<u>5,551,445</u>	<u>1,292,052</u>	<u>4,259,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,403,740)</u>	<u>(496,399)</u>	<u>33,580</u>	<u>529,979</u>
Other financing sources (uses)				
Transfers in	165,750	165,750	132,311	(33,439)
Transfers out	(3,810)	(502,030)	(502,030)	-
Total other financing sources (uses)	<u>161,940</u>	<u>(336,280)</u>	<u>(369,719)</u>	<u>(33,439)</u>
Net change in fund balance	(1,241,800)	(832,679)	(336,139)	496,540
Fund balance at beginning of year	<u>1,364,137</u>	<u>1,364,137</u>	<u>1,120,115</u>	<u>(244,022)</u>
Fund balance at end of year	<u>\$ 122,337</u>	<u>\$ 531,458</u>	<u>\$ 783,976</u>	<u>\$ 252,518</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, 2008**

	Family Advocacy Center Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 396,273	\$ 396,273
Total revenues	<u>-</u>	<u>-</u>	<u>396,273</u>	<u>396,273</u>
Expenditures				
Public safety	-	559,917	458,685	101,232
Capital outlay	-	180,334	137,871	42,463
Total expenditures	<u>-</u>	<u>740,251</u>	<u>596,556</u>	<u>143,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(740,251)</u>	<u>(200,283)</u>	<u>539,968</u>
Other financing sources (uses)				
Transfers in	-	-	247,364	247,364
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>247,364</u>	<u>247,364</u>
Net change in fund balance	-	(740,251)	47,081	787,332
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ (740,251)</u>	<u>\$ 47,081</u>	<u>\$ 787,332</u>

**CITY OF AVONDALE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**VEHICLE REPLACEMENT FUND**  
**YEAR ENDED JUNE 30, 2008**

	Vehicle Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 32,800	\$ 32,800	\$ 138,627	\$ 105,827
Total revenues	<u>32,800</u>	<u>32,800</u>	<u>138,627</u>	<u>105,827</u>
Expenditures				
General government	-	20,179	-	20,179
Capital outlay	1,142,970	1,122,791	462,363	660,428
Total expenditures	<u>1,142,970</u>	<u>1,142,970</u>	<u>462,363</u>	<u>680,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,110,170)</u>	<u>(1,110,170)</u>	<u>(323,736)</u>	<u>786,434</u>
Other financing sources (uses)				
Sale of capital assets	-	-	199,550	199,550
Transfers in	1,603,070	1,603,070	1,580,800	(22,270)
Total other financing sources (uses)	<u>1,603,070</u>	<u>1,603,070</u>	<u>1,780,350</u>	<u>177,280</u>
Net change in fund balance	492,900	492,900	1,456,614	963,714
Fund balance at beginning of year	<u>3,609,663</u>	<u>3,609,663</u>	<u>3,238,489</u>	<u>(371,174)</u>
Fund balance at end of year	<u><u>\$ 4,102,563</u></u>	<u><u>\$ 4,102,563</u></u>	<u><u>\$ 4,695,103</u></u>	<u><u>\$ 592,540</u></u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	Equipment Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 6,500	\$ 6,500	\$ 9,433	\$ 2,933
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>9,433</u>	<u>2,933</u>
Expenditures				
General government	-	43,011	125,709	(82,698)
Capital outlay	464,070	421,059	315,405	105,654
Total expenditures	<u>464,070</u>	<u>464,070</u>	<u>441,114</u>	<u>22,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(457,570)</u>	<u>(457,570)</u>	<u>(431,681)</u>	<u>25,889</u>
Other financing sources (uses)				
Sale of capital assets	-	-	9,609	9,609
Transfers in	783,980	783,980	753,710	(30,270)
Total other financing sources (uses)	<u>783,980</u>	<u>783,980</u>	<u>763,319</u>	<u>(20,661)</u>
Net change in fund balance	326,410	326,410	331,638	5,228
Fund balance at beginning of year	<u>160,814</u>	<u>160,814</u>	<u>183,163</u>	<u>22,349</u>
Fund balance at end of year	<u>\$ 487,224</u>	<u>\$ 487,224</u>	<u>\$ 514,801</u>	<u>\$ 27,577</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, 2008**

	Other Capital Projects Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 18,000	\$ 18,000	\$ 20,833	\$ 2,833
Contributions	67,500	67,500	70,038	2,538
Total revenues	<u>85,500</u>	<u>85,500</u>	<u>90,871</u>	<u>5,371</u>
Expenditures				
Capital outlay	<u>40,000,000</u>	<u>40,000,000</u>	-	40,000,000
Total expenditures	<u>40,000,000</u>	<u>40,000,000</u>	-	<u>40,000,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,914,500)</u>	<u>(39,914,500)</u>	<u>90,871</u>	<u>40,005,371</u>
Other financing sources (uses)				
Bond issuance	<u>40,000,000</u>	<u>40,000,000</u>	-	(40,000,000)
Total other financing sources (uses)	<u>40,000,000</u>	<u>40,000,000</u>	-	<u>(40,000,000)</u>
Net change in fund balance	85,500	85,500	90,871	5,371
Fund balance at beginning of year	<u>553,647</u>	<u>553,647</u>	<u>631,003</u>	<u>77,356</u>
Fund balance at end of year	<u>\$ 639,147</u>	<u>\$ 639,147</u>	<u>\$ 721,874</u>	<u>\$ 82,727</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, 2008**

	General Obligation Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 4,087,190	\$ 4,087,190	\$ 4,042,216	\$ (44,974)
Interest	16,770	16,770	45,579	28,809
Total revenues	<u>4,103,960</u>	<u>4,103,960</u>	<u>4,087,795</u>	<u>(16,165)</u>
Expenditures				
Debt service				
Principal	2,265,000	2,265,000	2,265,000	-
Interest and other charges	578,050	578,050	571,235	6,815
Total expenditures	<u>2,843,050</u>	<u>2,843,050</u>	<u>2,836,235</u>	<u>6,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,260,910</u>	<u>1,260,910</u>	<u>1,251,560</u>	<u>(9,350)</u>
Net change in fund balances	1,260,910	1,260,910	1,251,560	(9,350)
Fund balance at beginning of year	<u>1,548,672</u>	<u>1,548,672</u>	<u>2,546,201</u>	<u>997,529</u>
Fund balance at end of year	<u>\$ 2,809,582</u>	<u>\$ 2,809,582</u>	<u>\$ 3,797,761</u>	<u>\$ 988,179</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, 2008**

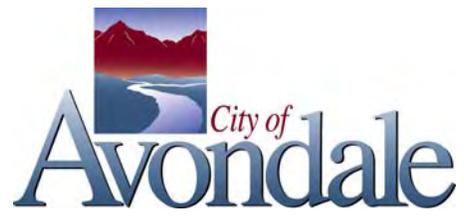
	Highway User Revenue Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 4,430	\$ 4,430	\$ 12,648	\$ 8,218
Total revenues	<u>4,430</u>	<u>4,430</u>	<u>12,648</u>	<u>8,218</u>
Expenditures				
Debt service				
Principal	135,000	135,000	135,000	-
Interest and other charges	<u>132,310</u>	<u>132,310</u>	<u>123,792</u>	<u>8,518</u>
Total expenditures	<u>267,310</u>	<u>267,310</u>	<u>258,792</u>	<u>8,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(262,880)</u>	<u>(262,880)</u>	<u>(246,144)</u>	<u>16,736</u>
Other financing sources (uses)				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	37,120	37,120	53,856	16,736
Fund balance at beginning of year	<u>249,532</u>	<u>249,532</u>	<u>417,622</u>	<u>168,090</u>
Fund balance at end of year	<u>\$ 286,652</u>	<u>\$ 286,652</u>	<u>\$ 471,478</u>	<u>\$ 184,826</u>

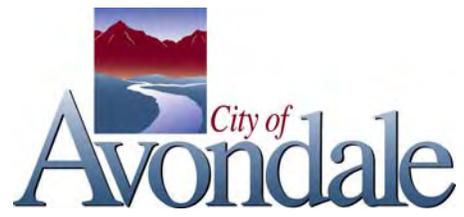
**CITY OF AVONDALE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DEDICATED SALES TAX BONDS FUND**  
**YEAR ENDED JUNE 30, 2008**

	Dedicated Sales Tax Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 69,630	\$ 69,630	\$ 197,158	\$ 127,528
Total revenues	<u>69,630</u>	<u>69,630</u>	<u>197,158</u>	<u>127,528</u>
Expenditures				
Debt service				
Principal	2,108,530	2,108,530	2,108,523	7
Interest and other charges	<u>2,794,650</u>	<u>2,794,650</u>	<u>1,992,847</u>	<u>801,803</u>
Total expenditures	<u>4,903,180</u>	<u>4,903,180</u>	<u>4,101,370</u>	<u>801,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,833,550)</u>	<u>(4,833,550)</u>	<u>(3,904,212)</u>	<u>929,338</u>
Other financing sources (uses)				
Transfers in	<u>4,911,170</u>	<u>4,911,170</u>	<u>4,911,170</u>	<u>-</u>
Total other financing sources (uses)	<u>4,911,170</u>	<u>4,911,170</u>	<u>4,911,170</u>	<u>-</u>
Net change in fund balance	77,620	77,620	1,006,958	929,338
Fund balance at beginning of year	<u>2,703,531</u>	<u>2,703,531</u>	<u>5,104,292</u>	<u>2,400,761</u>
Fund balance at end of year	<u>\$ 2,781,151</u>	<u>\$ 2,781,151</u>	<u>\$ 6,111,250</u>	<u>\$ 3,330,099</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, 2008**

	Other Debt Service Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 7,560	\$ 7,560	\$ 4,378	\$ (3,182)
Contributions	188,540	188,540	414,583	226,043
Total revenues	<u>196,100</u>	<u>196,100</u>	<u>418,961</u>	<u>222,861</u>
Expenditures				
Debt service				
Principal	1,583,890	1,583,890	1,583,886	4
Interest and other charges	491,470	491,470	477,009	14,461
Total expenditures	<u>2,075,360</u>	<u>2,075,360</u>	<u>2,060,895</u>	<u>14,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,879,260)</u>	<u>(1,879,260)</u>	<u>(1,641,934)</u>	<u>237,326</u>
Other financing sources (uses)				
Transfers in	1,718,150	1,718,150	1,718,150	-
Total other financing sources (uses)	<u>1,718,150</u>	<u>1,718,150</u>	<u>1,718,150</u>	<u>-</u>
Net change in fund balance	(161,110)	(161,110)	76,216	237,326
Fund balance at beginning of year	<u>1,594,554</u>	<u>1,594,554</u>	<u>1,816,108</u>	<u>221,554</u>
Fund balance at end of year	<u>\$ 1,433,444</u>	<u>\$ 1,433,444</u>	<u>\$ 1,892,324</u>	<u>\$ 458,880</u>





**COMBINING STATEMENTS – INTERNAL SERVICE FUNDS**

**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2008**

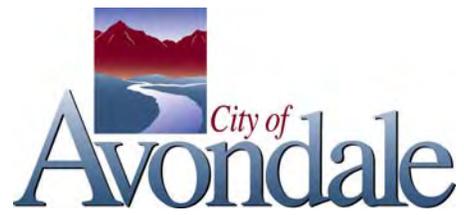
	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 125,175	\$ 404,837	\$ -	\$ 530,012
Investments	1,896,731	-	-	1,896,731
Interest receivable	8,825	-	-	8,825
Inventories	-	-	344,854	344,854
Total current assets	<u>2,030,731</u>	<u>404,837</u>	<u>344,854</u>	<u>2,780,422</u>
Noncurrent assets:				
Capital assets, depreciable (net)	<u>25,432</u>	<u>58,777</u>	<u>20,669</u>	<u>104,878</u>
Total noncurrent assets	<u>25,432</u>	<u>58,777</u>	<u>20,669</u>	<u>104,878</u>
Total assets	<u>2,056,163</u>	<u>463,614</u>	<u>365,523</u>	<u>2,885,300</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	22,200	39,094	15,658	76,952
Accrued payroll and employee benefits	8,597	-	27,855	36,452
Sales taxes payable	-	-	79	79
Claims payable	125,800	-	-	125,800
Due to other funds	-	-	581,654	581,654
Compensated absences	14,470	-	33,336	47,806
Total current liabilities	<u>171,067</u>	<u>39,094</u>	<u>658,582</u>	<u>868,743</u>
Noncurrent liabilities:				
Claims payable	<u>279,422</u>	-	-	<u>279,422</u>
Total noncurrent liabilities	<u>279,422</u>	-	-	<u>279,422</u>
Total liabilities	<u>450,489</u>	<u>39,094</u>	<u>658,582</u>	<u>1,148,165</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	25,432	58,777	20,669	104,878
Unrestricted	1,580,242	365,743	(313,728)	1,632,257
Total net assets (deficit)	<u>\$ 1,605,674</u>	<u>\$ 424,520</u>	<u>\$ (293,059)</u>	<u>\$ 1,737,135</u>

**CITY OF AVONDALE, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,779,340	\$ 308,335	\$ 1,896,516	\$ 3,984,191
Miscellaneous	3,635	-	674	4,309
Total operating revenues	<u>1,782,975</u>	<u>308,335</u>	<u>1,897,190</u>	<u>3,988,500</u>
Operating expenses:				
Cost of sales and services	-	103,326	1,450,672	1,553,998
Administration	381,233	-	590,787	972,020
Insurance claims and expenses	887,386	-	-	887,386
Depreciation	-	59,335	9,088	68,423
Total operating expenses	<u>1,268,619</u>	<u>162,661</u>	<u>2,050,547</u>	<u>3,481,827</u>
Operating income (loss)	<u>514,356</u>	<u>145,674</u>	<u>(153,357)</u>	<u>506,673</u>
Non-operating revenues (expenses):				
Interest income	50,501	8,324	-	58,825
Interest expense	-	-	(21,059)	(21,059)
Total non-operating revenues (expenses)	<u>50,501</u>	<u>8,324</u>	<u>(21,059)</u>	<u>37,766</u>
Income (loss) before transfers	564,857	153,998	(174,416)	544,439
Transfers in	250,000	-	28,200	278,200
Transfers out	(6,630)	-	(28,270)	(34,900)
Change in net assets	808,227	153,998	(174,486)	787,739
Net assets - beginning	<u>797,447</u>	<u>270,522</u>	<u>(118,573)</u>	<u>949,396</u>
Net assets - ending	<u>\$ 1,605,674</u>	<u>\$ 424,520</u>	<u>\$ (293,059)</u>	<u>\$ 1,737,135</u>

**CITY OF AVONDALE, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	Governmental Activities - Internal Service Funds			Total
	Risk Management	Printing Services	Fleet Management	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 1,782,975	\$ 308,335	\$ 1,897,190	\$ 3,988,500
Payments to suppliers	(888,495)	(77,691)	(1,536,863)	(2,503,049)
Payments to employees	(378,226)	-	(592,287)	(970,513)
Net cash provided (used) by operating activities	<u>516,254</u>	<u>230,644</u>	<u>(231,960)</u>	<u>514,938</u>
<b>Cash flows from noncapital financing activities:</b>				
Due to other funds	-	-	253,089	253,089
Transfers in	250,000	-	28,200	278,200
Transfers out	(6,630)	-	(28,270)	(34,900)
Net cash provided (used) for noncapital financing activities	<u>243,370</u>	<u>-</u>	<u>253,019</u>	<u>496,389</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	-	(15,763)	-	(15,763)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(15,763)</u>	<u>-</u>	<u>(15,763)</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	51,362	8,667	(21,059)	38,970
Net cash provided by investing activities	<u>51,362</u>	<u>8,667</u>	<u>(21,059)</u>	<u>38,970</u>
Net increase in cash and cash equivalents	810,986	223,548	-	1,034,534
Cash and cash equivalents, beginning of period	1,210,920	181,289	-	1,392,209
Cash and cash equivalents, end of period	<u>\$ 2,021,906</u>	<u>\$ 404,837</u>	<u>\$ -</u>	<u>\$ 2,426,743</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 514,356	\$ 145,674	\$ (153,357)	\$ 506,673
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	59,335	9,088	68,423
Change in assets and liabilities:				
(Increase) decrease in inventories	-	-	(22,926)	(22,926)
Increase (decrease) in accounts payable	(15,751)	25,635	(63,344)	(53,460)
Increase (decrease) in accrued payroll and employee benefits	(1,557)	-	(1,051)	(2,608)
Increase (decrease) in compensated absences	4,564	-	(449)	4,115
Increase (decrease) in sales taxes payable	-	-	79	79
Increase (decrease) in claims payable	14,642	-	-	14,642
Net cash provided (used) by operating activities	<u>\$ 516,254</u>	<u>\$ 230,644</u>	<u>\$ (231,960)</u>	<u>\$ 514,938</u>
Reconciliation of cash and cash equivalents at end of year to statement of net assets:				
Cash and cash equivalents	\$ 125,175	\$ 404,837	\$ -	\$ 530,012
Investments	1,896,731	-	-	1,896,731
Total cash and cash equivalents	<u>\$ 2,021,906</u>	<u>\$ 404,837</u>	<u>\$ -</u>	<u>\$ 2,426,743</u>



**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL ACTIVITIES**

**CITY OF AVONDALE, ARIZONA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
 SCHEDULE BY SOURCE  
 JUNE 30, 2008**

Governmental funds capital assets:	
Land	\$ 240,242,405
Buildings and improvements	48,948,247
Improvement other than buildings	156,750
Vehicles, furniture, and equipment	23,773,815
Infrastructure	345,633,726
Construction in progress	17,148,217
Total	<u>\$ 675,903,160</u>

Investment in governmental activities capital assets by source:	
General Fund	\$ 10,003,000
Special Revenue Funds	13,474,370
Capital Projects Funds	652,425,790
Total	<u>\$ 675,903,160</u>

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2008**

Function and Activity <sup>1</sup>	Capital Asset Category						Total
	Land	Buildings and Improvements	Improvements Other Than Buildings	Vehicles, Furniture, and Equipment	Infrastructure	Construction in Progress	
General government	\$ 2,648,820	\$ 16,537,822	\$ -	\$ 9,899,768	\$ -	\$ -	\$ 29,086,410
Public safety	307,003	12,153,810	-	11,400,341	-	1,344,216	25,205,370
Highways and streets	230,707,447	1,006,630	-	1,716,326	345,633,726	4,626,454	583,690,583
Health and welfare	215,948	978,210	-	66,099	-	-	1,260,257
Economic and community development	51,711	134,540	-	103,579	-	-	289,830
Culture and recreation	<u>6,311,476</u>	<u>18,137,235</u>	<u>156,750</u>	<u>587,702</u>	<u>-</u>	<u>11,177,547</u>	<u>36,370,710</u>
Total	<u>\$ 240,242,405</u>	<u>\$ 48,948,247</u>	<u>\$ 156,750</u>	<u>\$ 23,773,815</u>	<u>\$ 345,633,726</u>	<u>\$ 17,148,217</u>	<u>\$ 675,903,160</u>

<sup>1</sup> At June 30, 2008, the City did not maintain any capital assets under the transportation function.

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 2008**

<u>Function and Activity<sup>1</sup></u>	<u>Capital Assets July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2008</u>
General government	\$ 27,532,031	\$ 1,797,523	\$ 243,144	\$ 29,086,410
Public safety	22,581,297	3,673,225	1,049,152	25,205,370
Highways and streets	562,231,074	23,427,589	1,968,080	583,690,583
Health and welfare	1,260,257	-	-	1,260,257
Economic and community development	314,538	-	24,708	289,830
Culture and recreation	<u>31,263,037</u>	<u>5,291,741</u>	<u>184,068</u>	<u>36,370,710</u>
Total	<u>\$ 645,182,234</u>	<u>\$ 34,190,078</u>	<u>\$ 3,469,152</u>	<u>\$ 675,903,160</u>

<sup>1</sup> The City did not maintain or acquire any capital assets under the transportation function during the year ended June 30, 2008.

**CITY OF AVONDALE, ARIZONA  
 STATISTICAL SECTION  
 YEAR ENDED JUNE 30, 2008**

**Statistical Section**

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Financial presentations included in the statistical 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.

**Page**

**Financial Trends Information**

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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**Debt Capacity Information**

These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.

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**Demographic and Economic Information**

These schedules present economic and demographic indicators to help users understand the environment within which the City's financial activities take place.

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**Operating Information**

These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.

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Capital Asset Statistics by Function - Last Six Fiscal Years	126

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

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006 <sup>2</sup>	2007 <sup>3</sup>	2008
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ (7,765,135)	\$ (728,546)	\$ (2,213,511)	\$ 196,509,921	\$ 453,900,454	\$ 480,355,653
Restricted	17,748,348	26,113,620	33,627,735	28,808,290	45,778,226	48,127,562
Unrestricted	7,079,459	13,854,820	20,756,092	31,939,142	40,533,604	42,848,985
Total governmental activities net assets	<u>\$ 17,062,672</u>	<u>\$ 39,239,894</u>	<u>\$ 52,170,316</u>	<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>	<u>\$ 571,332,200.0</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 49,659,313	\$ 65,140,765	\$ 76,032,966	\$ 382,500,757	\$ 437,478,163	\$ 454,628,362
Restricted	29,627,827	31,097,385	44,558,842	40,439,483	43,493,012	36,367,868
Unrestricted	15,485,880	16,450,395	24,462,385	28,749,995	33,992,839	38,511,906
Total business-type activities net assets	<u>\$ 94,773,020</u>	<u>\$ 112,688,545</u>	<u>\$ 145,054,193</u>	<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 41,894,178	\$ 64,412,219	\$ 73,819,455	\$ 579,010,678	\$ 891,378,617	\$ 934,984,015
Restricted	47,376,175	57,211,005	78,186,577	69,247,773	89,271,238	84,495,430
Unrestricted	22,565,339	30,305,215	45,218,477	60,689,137	74,526,443	81,360,891
Total Primary government net assets	<u>\$ 111,835,692</u>	<u>\$ 151,928,439</u>	<u>\$ 197,224,509</u>	<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> During fiscal year 2006, the City completed the retroactive infrastructure reporting requirements of GASB Statement No. 34 for infrastructure assets acquired prior to the year ended June 30, 2003. This restatement accounts for \$475.8 million of the increase in net assets between fiscal years 2005 and 2006.

<sup>3</sup> During fiscal year 2007, the City recorded adjustments to correct prior period errors which resulted in capital assets, net of accumulated depreciation, and net assets being understated by \$234.5 million in governmental activities and \$23.3 million in business-type activities on the government-wide financial statements. In total, the restatement accounts for \$257.8 million of the increase in net assets between fiscal years 2006 and 2007.

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

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

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 10,128,809	\$ 12,773,774	\$ 17,652,671	\$ 22,764,573	\$ 18,346,534	\$ 17,792,047
Public safety	11,107,465	12,309,510	14,797,695	14,935,013	22,873,912	25,841,680
Highways and streets	2,233,017	2,574,072	2,842,497	7,781,653	10,347,480	10,898,173
Sanitation <sup>3</sup>	2,746,075	3,047,585	-	-	-	-
Health and welfare	573,859	693,682	806,332	939,572	1,787,162	2,404,144
Economic and community development	2,078,521	2,718,598	3,356,334	5,213,085	6,542,881	8,665,232
Culture and recreation	945,473	1,013,654	1,157,280	1,816,712	3,474,717	2,665,257
Transportation <sup>4</sup>	206,595	311,772	237,535	615,055	594,823	2,701,817
Interest on long-term debt	2,386,274	2,650,407	2,530,003	2,042,879	2,810,763	2,921,420
Total governmental activities net expenses	<u>32,406,088</u>	<u>38,093,054</u>	<u>43,380,347</u>	<u>56,108,542</u>	<u>66,778,272</u>	<u>73,889,770</u>
Business-type activities:						
Water utility	5,364,526	6,137,470	6,939,975	11,818,914	13,630,207	14,797,982
East Avondale water utility <sup>3</sup>	501,732	701,085	-	-	-	-
Wastewater utility	5,054,347	4,589,305	4,733,439	8,296,298	9,371,087	9,850,598
Sanitation utility <sup>3</sup>	-	-	3,145,714	3,266,298	4,192,462	4,361,538
Total business-type activities expenses	<u>10,920,605</u>	<u>11,427,860</u>	<u>14,819,128</u>	<u>23,381,510</u>	<u>27,193,756</u>	<u>29,010,118</u>
Total primary government expenses	<u>\$ 43,326,693</u>	<u>\$ 49,520,914</u>	<u>\$ 58,199,475</u>	<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>

*(continued on next page)*

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

*(continuation)*

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
<b>Program Revenues</b>						
Governmental activities:						
Charges for Services:						
General government <sup>2</sup>	\$ 4,486,404	\$ 513,754	\$ 918,596	\$ 1,267,440	\$ 1,638,662	\$ 1,924,171
Public safety	3,050	12,483	50,474	147,137	403,696	716,940
Highways and streets	-	-	-	-	14,846	-
Sanitation <sup>3</sup>	2,754,200	3,000,264	-	-	-	-
Economic and community development <sup>2</sup>	-	4,940,363	5,589,855	5,817,266	3,728,984	2,354,229
Culture and recreation	28,440	100,390	135,916	254,323	507,118	402,105
Operating grants and contributions	1,860,947	2,078,204	4,462,062	5,085,797	7,877,600	9,004,224
Capital grants and contributions	12,183,730	11,151,696	7,924,999	10,699,397	41,453,780	25,442,212
Total governmental activities program revenues	<u>21,316,771</u>	<u>21,797,154</u>	<u>19,081,902</u>	<u>23,271,360</u>	<u>55,624,686</u>	<u>39,843,881</u>
Business-type activities:						
Charges for Services:						
Water utility <sup>3</sup>	6,283,314	5,847,391	8,485,789	9,336,905	11,277,850	11,689,072
East Avondale water utility <sup>3</sup>	1,308,192	1,770,151	-	-	-	-
Wastewater utility	5,296,408	6,315,059	6,907,659	6,946,157	7,431,247	7,720,602
Sanitation Utility <sup>3</sup>	-	-	2,890,001	3,392,810	3,915,823	4,346,931
Capital grants and contributions	7,066,770	15,536,911	14,686,667	12,531,009	30,783,194	14,128,878
Total business-type activities program revenues	<u>19,954,684</u>	<u>29,469,512</u>	<u>32,970,116</u>	<u>32,206,881</u>	<u>53,408,114</u>	<u>37,885,483</u>
Total primary government program revenues	<u>\$ 41,271,455</u>	<u>\$ 51,266,666</u>	<u>\$ 52,052,018</u>	<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>
<b>Net (Expense) Revenue</b>						
Governmental activities	\$ (11,089,317)	\$ (16,295,900)	\$ (24,298,445)	\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)
Business-type activities	9,034,079	18,041,652	18,150,988	8,825,371	26,214,358	8,875,365
Total primary government net (expense)/revenue	<u>\$ (2,055,238)</u>	<u>\$ 1,745,752</u>	<u>\$ (6,147,457)</u>	<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>

*(continued on next page)*

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

*(continuation)*

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Sales and use taxes	\$ 16,167,320	\$ 23,177,913	\$ 36,525,428	\$ 39,883,436	\$ 42,691,477	\$ 38,291,070
Property taxes, levied for general purposes	831,159	884,323	1,147,443	1,310,133	1,519,425	1,815,527
Property taxes, levied for debt service	1,192,297	1,452,584	1,941,381	2,319,060	2,800,966	4,135,646
Franchise taxes	558,196	640,293	682,292	876,224	982,033	1,001,905
State shared revenues, unrestricted	10,323,804	10,272,674	8,218,495	10,022,750	17,513,121	18,983,659
Investment income	534,050	378,780	1,093,019	2,331,224	3,642,859	2,984,483
Gain on sale of capital assets	31,114	372,845	286,400	61,289	146,585	140,504
Miscellaneous	676,905	709,802	407,388	358,317	392,483	610,011
Transfers	(16,924,196)	583,908	(13,072,979)	(800,000)	(10,123,583)	(2,800,000)
Total governmental activities	<u>13,390,649</u>	<u>38,473,122</u>	<u>37,228,867</u>	<u>56,362,433</u>	<u>59,565,366</u>	<u>65,162,805</u>
Business-type activities:						
Investment income	577,619	440,575	1,087,666	2,684,687	3,536,505	2,658,608
Gain on sale of capital assets	180,736	-	50,100	7,803	64,223	51,442
Miscellaneous	5,085	17,206	3,915	70,470	84,193	158,707
Transfers	16,924,196	(583,908)	13,072,979	800,000	10,123,583	2,800,000
Total business-type activities	<u>17,687,636</u>	<u>(126,127)</u>	<u>14,214,660</u>	<u>3,562,960</u>	<u>13,808,504</u>	<u>5,668,757</u>
Total primary government	<u>\$ 31,078,285</u>	<u>\$ 38,346,995</u>	<u>\$ 51,443,527</u>	<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>
<b>Changes in Net Assets</b>						
Governmental activities	\$ 2,301,332	\$ 22,177,222	\$ 12,930,422	\$ 23,525,251	\$ 48,411,780	\$ 31,116,916
Business-type activities	26,721,715	17,915,525	32,365,648	12,388,331	40,022,862	14,544,122
Total primary government	<u>\$ 29,023,047</u>	<u>\$ 40,092,747</u>	<u>\$ 45,296,070</u>	<u>\$ 35,913,582</u>	<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>

1 The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003; therefore, only six years are shown.

2 Beginning in fiscal year 2004, the City reclassified economic and community development activities from general government to economic and community development.

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

4 Beginning in fiscal year 2007, transportation services were reclassified from highway and streets to transportation. Prior years were restated on the schedule to allow for comparisons between years.

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

**CITY OF AVONDALE, ARIZONA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST SIX FISCAL YEARS**

*(modified accrual basis of accounting)*

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 199,102	\$ 139,183	\$ 212,336	\$ 154,179	\$ 77,994	\$ 51,796
Unreserved	9,574,224	12,894,969	19,781,789	27,505,360	37,381,040	35,854,897
Total General Fund	<u>\$ 9,773,326</u>	<u>\$ 13,034,152</u>	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>	<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>
All other governmental funds						
Reserved	\$ 19,224,835	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955	\$ 13,459,405	\$ 13,221,123
Unreserved, reported in:						
Special Revenue Funds	2,280,820	5,590,870	10,831,027	12,260,058	14,493,602	11,769,069
Capital Projects Funds	9,599,629	17,673,575	18,186,566	11,923,289	18,261,268	28,023,908
Total all other governmental funds	<u>\$ 31,105,284</u>	<u>\$ 31,570,286</u>	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>	<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

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

**CITY OF AVONDALE, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST SIX FISCAL YEARS**

*(modified accrual basis of accounting)*

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641	\$ 45,103,331
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605	7,673,913	8,640,183
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306	24,790,367	28,703,206
Charges for services <sup>2</sup>	2,957,895	4,003,862	943,619	1,955,528	1,624,541	1,726,235
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969	1,280,434	1,467,011
Interest	545,722	385,013	1,093,019	2,331,223	3,603,941	2,946,716
Contributions	4,869,567	1,981,544	824,627	735,024	1,278,270	874,006
Miscellaneous revenues	839,084	714,629	425,769	751,867	1,575,441	377,544
Total revenues	<u>51,513,961</u>	<u>59,335,350</u>	<u>69,120,428</u>	<u>80,592,405</u>	<u>89,886,548</u>	<u>89,838,232</u>
<b>Expenditures</b>						
General government	16,574,345	11,644,262	15,738,926	16,820,415	16,774,809	16,334,100
Public safety	10,209,532	10,995,415	13,859,897	17,254,476	20,729,479	23,478,075
Highways and streets <sup>3</sup>	2,019,611	2,044,465	1,902,555	2,205,035	2,359,925	1,833,928
Sanitation <sup>2</sup>	2,454,368	2,406,162	-	-	-	-
Health and welfare	530,698	1,033,165	793,862	914,806	1,719,404	2,120,063
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363	5,083,707	7,312,754
Culture and recreation	768,906	890,534	969,467	1,232,332	4,081,600	3,379,661
Transportation <sup>3</sup>	206,595	311,772	237,535	615,055	588,627	2,693,561
Debt Service						
Principal	1,196,220	2,890,843	3,882,461	4,914,723	5,718,590	6,547,759
Interest	2,387,562	2,650,407	2,957,914	2,909,515	3,529,618	3,264,547
Capital outlay	32,262,324	22,595,576	12,704,572	25,180,046	20,830,712	14,807,347
Total expenditures	<u>70,688,671</u>	<u>59,640,575</u>	<u>55,417,242</u>	<u>76,022,766</u>	<u>81,416,471</u>	<u>81,771,795</u>
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639	8,470,077	8,066,437

*(continued on next page)*

**CITY OF AVONDALE, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST FIVE FISCAL YEARS**

(continuation)

(modified accrual basis of accounting)

	Fiscal Year <sup>1</sup>					
	2003	2004	2005	2006	2007	2008
<b>Other Financing Sources (Uses)</b>						
Bond issuance	43,170,000	-	12,400,000	-	21,000,000	-
Issuance of refunding bonds	3,060,000	-	-	18,690,685	-	-
Bond premium (discount)	381,356	-	(45,989)	38,724	945,767	-
Payment to refunding bonds escrow agent	(3,977,913)	-	-	(18,337,174)	-	-
Sale of capital assets	707,553	909,196	436,574	85,724	252,296	224,347
Capital leases	387,435	2,537,949	-	927,040	-	-
Transfer in	18,255,356	11,226,148	13,551,582	14,234,220	28,055,659	19,867,345
Transfer out	(35,179,552)	(10,642,240)	(26,672,708)	(15,072,100)	(38,164,331)	(22,910,645)
Total other financing sources (uses)	<u>26,804,235</u>	<u>4,031,053</u>	<u>(330,541)</u>	<u>567,119</u>	<u>12,089,391</u>	<u>(2,818,953)</u>
Net change in fund balances	<u>\$ 7,629,525</u>	<u>\$ 3,725,828</u>	<u>\$ 13,372,645</u>	<u>\$ 5,136,758</u>	<u>\$ 20,559,468</u>	<u>\$ 5,247,484</u>
Debt service as a percentage of noncapital expenditures	9.3%	15.0%	16.0%	15.4%	15.3%	14.7%

1 The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003; therefore, only six years are shown.

2 Beginning in fiscal year 2005, sanitation services were reclassified from governmental activities to business-type activities.

3 Beginning in fiscal year 2007, transportation services were reclassified from highway and streets to transportation. Prior years were restated on the schedule to allow for comparisons between years.

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

CITY OF AVONDALE, ARIZONA  
 ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY<sup>2</sup>  
 LAST TEN FISCAL YEARS

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value <sup>1</sup> as a Percentage of Actual Value
2007-2008	\$ 373,154,615	\$ 92,685,824	\$ 186,089,522	\$ 135,969,538	\$ 415,276	\$ -	\$ -	\$ 788,314,775	\$ (84,159,774)	\$704,155,001	1.11 %	\$ 6,319,124,006	12.475 %
2006-2007	322,476,066	70,412,295	149,002,237	109,719,498	435,213	-	-	652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.450
2005-2006	200,052,758	35,937,301	117,241,485	89,720,469	326,959	-	-	443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.019
2004-2005	182,086,324	25,380,852	95,313,347	73,626,681	315,401	-	-	376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.900
2003-2004	151,090,125	16,748,041	71,796,337	74,293,583	297,703	-	-	314,225,789	(48,997,680)	265,228,109	1.17	2,430,772,423	12.927
2002-2003	135,198,702	14,637,321	47,767,825	46,665,816	65,788	-	-	244,335,452	(32,083,392)	212,252,060	1.27	1,981,422,235	12.331
2001-2002	97,965,574	10,009,484	32,301,284	42,473,870	52,954	-	-	182,803,166	(26,604,390)	156,198,776	1.28	1,474,541,801	12.397
2000-2001	81,152,019	7,235,821	24,824,405	31,243,348	53,870	-	33	144,509,496	(15,209,116)	129,300,380	1.28	1,180,235,350	12.244
1999-2000	67,964,260	6,711,705	23,144,351	15,593,607	49,289	-	-	113,463,212	(9,001,340)	104,461,872	1.64	938,408,667	12.091
1998-1999	50,966,769	6,079,551	18,587,663	13,168,877	50,938	-	-	88,853,798	(9,308,056)	79,545,742	1.78	727,182,030	12.219

Assessment Ratios<sup>3</sup> of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2007-2008	10.0 %	10.0 %	24.0 %	16.0 %	21.0 %	24.0 %	1.0 %
2006-2007	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2005-2006	10.0	10.0	24.5	16.0	22.0	24.5	1.0
2004-2005	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2003-2004	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2002-2003	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2001-2002	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2000-2001	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1999-2000	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1998-1999	10.0	10.0	25.0	16.0	21.0	25.0	1.0

<sup>1</sup> Includes tax-exempt property.

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

<sup>3</sup> 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 Role* (1999-2008) and 2008 Tax Rates Maricopa County, Arizona..

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

Fiscal Year <sup>1</sup>	City of Avondale, Arizona	Overlapping Rates <sup>2</sup>				Overlapping Rates						
		County		Tolleson Elementary School	Tolleson Union High School	Pendergast Elementary School	Litchfield Elementary School	Avondale Elementary School	Agua Fria Union High School	Littleton Elementary School	Liberty Elementary School	
		County-wide	Community College	District No. 17	District No. 214	District No. 92	District No. 79	District No. 44	District No. 216	District No. 65	District No. 25	
2007-08	Primary	0.37	1.03	0.78	2.46	1.60	1.90	1.76	1.87	1.88	2.38	1.70
	Secondary	0.73	0.00	0.16	1.69	1.01	3.02	0.77	1.76	0.52	1.39	1.00
2006-07	Primary	0.41	1.10	0.82	2.06	1.62	1.99	1.82	1.91	1.62	2.33	2.28
	Secondary	0.70	0.00	0.15	2.15	1.24	3.32	0.90	1.89	1.01	1.61	1.34
2005-06	Primary	0.44	1.20	0.89	2.90	2.70	2.25	1.89	2.38	2.24	2.74	2.22
	Secondary	0.73	0.00	0.14	2.34	1.09	3.79	1.46	1.89	1.36	1.85	1.73
2004-05	Primary	0.46	1.21	0.92	4.01	3.15	2.35	2.50	2.61	3.38	2.12	2.50
	Secondary	0.71	0.00	0.12	2.73	1.14	4.02	1.61	1.85	1.37	1.72	0.58
2003-04	Primary	0.48	1.21	0.94	3.30	3.24	2.39	2.38	3.45	2.42	3.90	2.26
	Secondary	0.69	0.07	0.14	2.31	1.03	3.98	1.89	0.79	1.37	2.02	1.83
2002-03	Primary	0.54	1.21	0.96	3.06	3.59	2.81	2.13	2.25	2.83	2.33	2.50
	Secondary	0.73	0.08	0.15	2.20	1.31	4.67	2.14	0.77	1.39	1.56	1.64
2001-02	Primary	0.55	1.18	0.96	2.56	2.76	2.40	2.61	2.91	2.47	2.88	2.34
	Secondary	0.73	0.09	0.15	2.87	1.48	4.88	2.21	1.11	1.41	1.77	1.76
2000-01	Primary	0.60	1.16	0.97	3.27	2.81	2.50	2.62	2.57	3.62	2.29	2.26
	Secondary	0.68	0.12	0.15	3.06	1.66	4.90	2.51	1.93	1.57	1.82	2.08
1999-00	Primary	0.64	1.19	0.97	2.41	2.13	2.68	2.31	2.87	2.99	2.31	2.35
	Secondary	1.00	1.00	0.15	3.33	1.63	4.89	2.93	2.10	1.51	1.37	2.00
1998-99	Primary	0.63	1.15	0.99	2.68	2.39	2.62	2.71	2.69	2.95	2.89	Not Available
	Secondary	1.15	0.13	0.13	2.97	1.81	5.11	3.04	2.10	1.68	1.24	Not Available

<sup>1</sup> Taxes based on the primary assessment may be levied to pay current operating and maintenance expenses. Taxes based on the secondary assessment, enacted in 1980, may be levied to pay bonded indebtedness. Under the primary system, the full cash value of locally-assessed real property consisting of residential, commercial, industrial, agricultural and unimproved property, cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property are limited to 1% of the full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts. Under the secondary system, there is no limitation on annual increases in full cash value of any property. In addition, annual tax levies for voter-approved bonded indebtedness and special district taxes are unlimited.

<sup>2</sup> 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 (1998-2007) and Maricopa County Finance Department web publication, *07-08 Tax Rates Maricopa County, Arizona*.

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Inland Western Avondale McDowell, LLC	\$ 7,507,258	1	1.28 %	—	—	—
Phoenix International Raceway	5,780,868	2	0.99	\$ 967,254	2	1.47 %
Moreland Properties, LLC	4,754,029	3	0.81	—	—	—
Smiths Food & Drug Centers, Inc.	4,416,374	4	0.75	—	—	—
Harkins Phoenix Cinemas, LLC	4,137,456	5	0.76	—	—	—
Mechanic (AZ) Qrs 15-41, Inc.	3,924,398	6	0.67	—	—	—
Arizona Public Service Company	3,676,354	7	0.63	1,065,812	1	1.64
Walmart Stores	2,957,197	8	0.50	913,494	3	1.40
Costco Wholesale Corporation	2,910,806	9	0.50	—	—	—
Taylor Woodrow/Arizona Inc	2,810,133	10	0.48	—	—	—
US West Corporation	—	—	—	823,928	4	1.26
Southwest Gas Corporation	—	—	—	556,276	5	0.85
First Interstate Bank Trust	—	—	—	500,000	6	0.77
Avondale Plaza	—	—	—	441,216	7	0.68
ABCO Markets	—	—	—	430,290	8	0.66
The Base Group	—	—	—	412,228	9	0.63
WMFT RE Partnership	—	—	—	411,600	10	0.63
<b>Total</b>	<b>\$ 42,874,873</b>		<b>7.37 %</b>	<b>\$ 6,522,098</b>		<b>9.99 %</b>

Source: Stone & Youngberg LLC, Official Statements, 1999 and the Maricopa County Treasurer's Office.

**CITY OF AVONDALE, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>1</sup>  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Original Property Tax Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007-2008	\$ 5,906,911	\$ 5,639,466	95.47 %	\$ 135,697	\$ 5,775,163	97.77 %
2006-2007	4,389,587	4,225,998	96.27	35,793	4,261,791	97.09
2005-2006	3,668,855	3,593,624	97.95	28,187	3,621,811	98.72
2004-2005	2,977,361	2,906,636	97.62	26,545	2,933,181	98.52
2003-2004	2,406,999	2,374,955	98.67	22,005	2,396,960	99.58
2002-2003	2,014,427	1,976,098	98.10	21,542	1,997,640	99.17
2001-2002	1,607,427	1,502,020	93.44	26,930	1,528,950	95.12
2000-2001	1,290,209	1,260,264	97.68	7,531	1,267,795	98.26
1999-2000	1,273,147	1,259,546	98.93	9,109	1,268,655	99.65
1998-1999	1,103,916	1,062,957	96.29	5,592	1,068,549	96.80

<sup>1</sup> 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, 2007*.

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

*(dollars expressed in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Capital Leases	Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans			
2003	\$ 19,926	\$ 4,690	\$ 42,891	\$ 1,184	\$ 3,564	\$ 10,719	\$ 11,710	\$ 94,684	0.09 %	\$ 1,992
2004	19,620	4,390	41,608	2,997	1,665	10,032	11,033	91,345	0.08	1,694
2005	18,775	4,065	51,744	2,508	1,585	9,296	10,332	98,305	0.08	1,631
2006	17,705	3,920	49,569	3,061	1,500	8,631	9,604	93,990	0.07	1,422
2007	18,630	3,510	64,802	2,594	1,410	7,793	8,845	107,584	0.07	1,613
2008	16,365	3,375	61,110	2,139	1,320	6,935	8,054	99,298	0.06	1,296

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> See Demographics and Economic Statistics schedule on page 122 for personal income and population data.

Source: City records.

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

<b>Fiscal Year</b>	<b>Secondary Assessed Valuation<sup>2</sup></b>	<b>General Obligation Bonds</b>	<b>Less: Amounts available in Debt Service Fund</b>	<b>Net General Obligation Bonded Debt</b>	<b>Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property</b>	<b>Per Capita<sup>1</sup></b>
1999	\$ 79,545,742	\$ 14,436,000	\$ -	\$ 14,436,000	\$ 18.15 %	\$468.70
2000	104,461,872	14,123,000	-	14,123,000	13.52	437.65
2001	129,300,380	13,759,000	-	13,759,000	10.64	383.44
2002	156,198,776	13,370,000	566,141	12,803,859	8.20	316.57
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404.33
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	346.71
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290.31
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	239.79
2007	586,169,088	18,630,000	2,546,201	16,106,965	2.75	241.56
2008	704,155,001	16,365,000	3,797,761	12,567,239	1.78	164.04

<sup>1</sup> See Demographics and Economic Statistics Schedule on page 122 for personal income and population data.

<sup>2</sup> See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 109 for secondary assessed valuation data.

Source: *Maricopa County Assessor's Office and Arizona Department of Revenue, Abstract of the Assessment Role* (1999-2008) and city records.

**CITY OF AVONDALE, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT<sup>1</sup>  
AS OF JUNE 30, 2008**

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City of Avondale</u>	<u>Amount Applicable to City of Avondale</u>
State of Arizona	NONE	0.81 %	NONE
Maricopa County	NONE	1.18	NONE
Maricopa County Community College District	\$ 507,390,000	1.18	\$ 5,987,202
Avondale Elementary School District No. 44	27,035,000	20.43	5,523,251
Litchfield Elementary School District No. 79	18,565,000	13.57	2,519,271
Littleton Elementary School District No. 65	15,350,000	63.96	9,817,860
Pendergast Elementary School District No. 92	18,225,000	37.83	6,894,518
Tolleson Elementary School District No. 17	6,995,000	11.29	789,736
Agua Fria Union High School District No. 216	56,120,000	15.78	8,855,736
Tolleson Union High School District No. 214	58,570,000	29.74	17,418,718
City of Avondale	<u>16,365,000</u>	100.00	<u>16,365,000</u>
 Total direct and overlapping general obligation bonded debt	 <u>\$ 724,615,000</u>		 <u>\$ 74,171,292</u>

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

Source: The various jurisdictions.

**CITY OF AVONDALE, ARIZONA  
LEGAL DEBT MARGIN INFORMATION <sup>2</sup>  
LAST SIX FISCAL YEARS**

	<b>Fiscal Year</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Net secondary assessed valuation	\$ 212,252,060	\$ 265,228,109	\$ 322,603,779	\$ 386,790,640	\$ 586,169,088	\$ 704,155,001
<b><u>20% Limitation</u></b>						
Debt limit	42,450,412	53,045,622	64,520,756	77,358,128	117,233,818	140,831,000
Net debt applicable to limit	<u>10,576,000</u>	<u>10,270,000</u>	<u>9,565,000</u>	<u>8,930,000</u>	<u>16,130,000</u>	<u>14,185,000</u>
Legal 20% debt margin	<u>\$ 31,874,412</u>	<u>\$ 42,775,622</u>	<u>\$ 54,955,756</u>	<u>\$ 68,428,128</u>	<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>
Total net debt applicable to the limit as a percentage of debt limit	24.9%	19.4%	14.8%	11.5%	13.8%	10.1%
<b><u>6% Limitation</u></b>						
Debt limit	\$ 12,735,124	\$ 15,913,687	\$ 19,356,227	\$ 23,207,438	\$ 35,170,145	\$ 42,249,300
Net debt applicable to limit	<u>9,350,000</u>	<u>9,350,000</u>	<u>9,210,000</u>	<u>8,775,000</u>	<u>2,500,000</u>	<u>2,180,000</u>
Legal 6% debt margin	<u>\$ 3,385,124</u>	<u>\$ 6,563,687</u>	<u>\$ 10,146,227</u>	<u>\$ 14,432,438</u>	<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>
Total net debt applicable to the limit as a percentage of debt limit	73.4%	58.8%	47.6%	37.8%	7.1%	5.2%

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> 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.

**CITY OF AVONDALE, ARIZONA  
 AVONDALE WATER AND SEWER SYSTEMS<sup>1,2</sup>  
 PLEDGED REVENUE COVERAGE  
 LAST SEVEN FISCAL YEARS**

	<b>Fiscal Year</b>						
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total operating revenues <sup>3</sup>	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786	\$ 19,436,132
Total operating expenses <sup>4</sup>	7,109,672	6,655,346	7,247,442	8,851,960	10,023,264	12,473,104	13,259,794
Net operating income	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>	<u>6,544,748</u>	<u>6,318,826</u>	<u>6,276,682</u>	<u>6,176,338</u>
Other revenues	<u>571,524</u>	<u>740,400</u>	<u>420,466</u>	<u>1,087,765</u>	<u>2,585,356</u>	<u>3,687,234</u>	<u>2,785,829</u>
Net revenues before debt service	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>	<u>\$ 8,904,182</u>	<u>\$ 9,963,916</u>	<u>8,962,167</u>
Debt service <sup>5</sup>	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394	\$ 2,270,531
Debt service coverage	1.89	2.23	1.76	3.10	3.63	4.03	3.94

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Seven years of data rather than six years are presented in this schedule because the schedule is used to meet the City's ongoing debt disclosure requirements in addition to GASB reporting requirements.

<sup>2</sup> The information contained in this schedule excludes East Avondale Water Company revenues, expenses, and debt service.

<sup>3</sup> Includes all water and wastewater operating revenues except for water and sewer development fees.

<sup>4</sup> Includes all water and wastewater operating expenses except for depreciation.

<sup>5</sup> Debt Service includes all bonds having a water and sewer system revenue pledge including the following outstanding debt: (1) Municipal Development Corporation Revenue Bonds, Series 1996; Series 1999 (37% of total issue); and Series 2005 (12% of total issue); (2) Water and Sewer Revenue Bonds, Series 1998; and (3) Water Infrastructure Financing Loans, Series 1992 and 1999.

Note: See Note 8 - Long-term Obligations on pages 57-63 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

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

<b>Debt service payable during year ended June 30</b>	<b>Actual Excise tax Revenues <sup>2</sup></b>	<b>Total Actual/Estimated Annual Debt Service Requirements</b>	<b>Debt Service Coverage Ratio</b>
2003	\$ 27,411,443	\$ 2,601,893	10.54 %
2004	34,943,465	4,079,119	8.57
2005	49,478,255	4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	N/A	6,393,465	9.15
2010	N/A	6,442,163	9.08
2011	N/A	6,448,436	9.08
2012	N/A	6,355,344	9.21
2013	N/A	6,203,717	9.43
2014	N/A	6,092,235	9.61
2015	N/A	5,606,524	10.44
2016	N/A	5,572,122	10.50
2017	N/A	4,581,153	12.78
2018	N/A	4,551,219	12.86
2019	N/A	4,551,094	12.86
2020	N/A	4,568,977	12.81
2021	N/A	3,741,525	15.64
2022	N/A	1,419,000	41.24

1 The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only five years of actual data are shown. As this schedule is used to meet the City's ongoing debt disclosure requirements in addition to GASB reporting requirements, estimated debt service requirements and debt service coverage ratios are presented for the term of the outstanding debt.

2 The City has pledged excise taxes to secure Municipal Development Corporation Bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 117).

Note: See Note 8 - Long-term Obligations on pages 57-63 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 SIX FISCAL YEARS**

<b>Debt service payable during year ended June 30</b>	<b>Street and Highway Revenue Receipts</b>	<b>Total Actual Annual Debt Service Requirements</b>	<b>Debt Service Coverage Ratio</b>
2003	\$ 2,323,982	\$ 563,746	4.12 %
2004	2,484,542	564,574	4.40
2005	2,608,891	563,249	4.63
2006	2,952,118	553,370	5.33
2007	4,948,541	537,827	9.20
2008	4,764,909	257,308	18.52

1 The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

2 The Highway User Revenue Fund (HURF) Bonds are special revenue bonds specifically issued for the purpose of constructing street and highway projects. The bonds are secured by motor 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 total annual debt service (principal and interest) must not exceed one-half of the annual revenues received by the City.

Note: See Note 8 - Long-term Obligations on pages 57-63 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**

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2007-08	\$ 4,764,909
2006-07	4,948,541
2005-06	2,952,118
2004-05	2,608,891
2003-04	2,484,542
2002-03	2,323,982
2001-02	2,227,397
2000-01	1,726,651
1999-00	1,630,701
1998-99	1,573,340

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

Source: City records.

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

<b>Source</b>	<b>Fiscal Year</b>						
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
City sales tax	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607	\$ 39,327,962	\$ 42,619,823	\$ 37,549,019
State sales tax	2,765,159	2,806,331	3,018,844	3,324,212	4,055,107	6,592,077	6,374,091
State revenue sharing	3,748,916	3,770,461	3,240,789	3,336,656	4,100,286	8,031,441	9,806,105
Utility and cable franchise fees	492,526	558,196	640,293	682,292	876,223	982,032	1,001,905
Licenses and permits	4,194,488	4,049,503	4,862,956	5,518,886	4,884,077	3,974,976	2,405,938
Fines and forfeitures	297,233	262,032	334,392	660,601	951,968	1,249,998	1,387,841
<b>Totals</b>	<b>\$ 25,840,823</b>	<b>\$ 27,411,444</b>	<b>\$ 34,972,840</b>	<b>\$ 49,478,254</b>	<b>\$ 54,195,623</b>	<b>\$ 63,450,347</b>	<b>\$ 58,524,899</b>

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

Source: City records.

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands of dollars)</u>	<u>Per Capita Personal Income<sup>1</sup></u>	<u>Estrella Mountain Community College Enrollment<sup>2</sup></u>	<u>City of Avondale Unemployment Rate<sup>3</sup></u>	<u>State of Arizona Unemployment Rate<sup>4</sup></u>
2008	76,613	\$ 165,815,109	\$ 38,859	12,702	5.9 %	4.1 %
2007	66,678	152,429,229	36,342	12,619	3.2	3.9
2006	66,110	135,649,398	34,724	12,849	3.5	4.4
2005	60,255	120,716,738	33,178	13,357	3.9	4.7
2004	53,925	110,278,789	31,523	9,689	7.6	5.0
2003	47,610	101,378,940	29,912	9,040	9.4	5.7
2002	40,445	96,998,974	29,423	5,193	10.6	6.1
2001	35,883	93,554,549	29,250	4,958	7.4	4.7
2000	32,270	89,771,608	28,984	4,300	8.2	4.0
1999	30,800	80,924,901	26,930	4,400	4.9	4.6

<sup>1</sup> The City does not maintain personal income or per capita personal income information. Therefore, the information presented is based on Maricopa County figures. The source of this information is the *Arizona Department of Economic Security, Maricopa County Economic Profile*. Information has been updated to reflect the most current available data from the Arizona Department of Economic Security. Personal income and per capita personal income amounts presented for years 2006 and 2007 are city-calculated estimates based on the average annual change.

<sup>2</sup> Information provided by Estrella Mountain Community College.

<sup>3</sup> Information is based on the average of the applicable fiscal year monthly data provided by the U.S. Department of Labor, Bureau of Labor Statistics.

<sup>4</sup> Information is based on the average of the applicable fiscal year monthly data provided by the Arizona Department of Economic Security.

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

<b>Employer</b>	<b>2008</b>			<b>1999</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Avondale Elementary School District No. 44	620	1	0.02 %	610	1	0.07 %
Agua Fria Union High School District No. 216	575	2	0.02	–	–	–
Wal-Mart Stores, Inc	560	3	0.02	300	3	0.03
Estrella Mountain Community College	480	4	0.01	105	8	0.01
Tolleson Union High School District No. 214	395	5	0.01	–	–	–
Avondale Auto Group	375	6	0.01	–	–	–
Fry's Food and Drug Store	305	7	0.01	405	2	0.05
Littleton Elementary School District	290	8	0.01	–	–	–
Pendergast Elementary School District	255	9	0.01	–	–	–
City of Avondale	230	10	0.01	300	4	0.03
CalMat Companies	–	–	–	–	–	–
Beam Corporation	–	–	–	–	–	–
Royal Sun West Care Center	–	–	–	130	3	0.01
Arizona Machinery Company	–	–	–	180	5	0.02
ABCO Food Store	–	–	–	98	10	0.01
Universal Technical Institute	–	–	–	–	–	–
Costco Wholesale	–	–	–	–	–	–
Sam's Club	–	–	–	–	–	–
Home Depot	–	–	–	–	–	–
Avondale Dodge	–	–	–	120	7	0.01
Rudolfo Bros. Plastering, Inc.	–	–	–	100	9	0.01
<b>Total</b>	<b>4,085</b>		<b>0.13 %</b>	<b>2,348</b>		<b>0.25 %</b>

Source: Stone & Youngberg LLC, Official Statements and averages based on data from the U.S. Department of Labor, Bureau of Labor Statistics.

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

Function	Full-time Equivalent Employees as of June 30					
	2003	2004	2005	2006	2007	2008
General government						
City administration	6.0	6.0	8.0	8.0	9.0	9.0
Finance and budget	18.5	18.5	21.5	23.5	29.5	29.5
City court	7.0	10.0	10.0	10.5	11.5	13.5
Planning and building services	18.0	18.0	19.0	22.0	22.0	29.0
Other	30.0	30.0	29.6	34.6	44.0	48.0
Public safety						
Police						
Civilians <sup>2</sup>	24.5	34.0	42.5	45.0	49.5	54.5
Officers <sup>2</sup>	76.0	81.0	92.0	94.0	100.5	107.5
Fire						
Firefighters and officers	34.0	41.5	45.5	46.0	45.0	50.0
Civilians	8.0	12.0	13.0	17.5	12.0	13.0
Highways and streets						
Engineering	14.0	14.0	14.0	17.0	22.0	21.0
Maintenance	17.0	17.0	15.3	13.3	14.0	14.0
Health and welfare	13.0	12.0	12.0	12.0	21.5	21.5
Economic and community development	4.0	4.0	3.0	2.0	3.0	3.0
Sanitation	18.0	18.0	19.1	21.1	19.0	20.0
Culture and recreation	26.5	27.5	27.0	26.0	48.0	49.0
Water resources	23.5	23.5	25.5	32.0	38.5	40.5
Sewer	12.5	12.5	12.5	15.0	16.5	16.5
Total	<u>350.5</u>	<u>379.5</u>	<u>409.5</u>	<u>439.5</u>	<u>505.5</u>	<u>539.5</u>

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> Civilian and officer full-time equivalents were misreported by function in prior years and have been corrected.

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

**CITY OF AVONDALE, ARIZONA  
OPERATING INDICATORS BY FUNCTION <sup>2</sup>  
LAST SIX FISCAL YEARS**

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Police</b>						
Calls for service	Not available	46,552	53,476	52,419	68,364	72,872
Moving citations	Not available	1,985	3,843	3,311	3,920	1,907
Non-moving citations	Not available	2,864	4,304	4,774	5,005	2,403
All other citations	Not available	31	594	1,338	1,625	2,929
Physical arrests	Not available	4,579	4,345	5,062	3,373	4,121
<b>Fire</b>						
Number of emergency responses	7,939	6,519	7,806	6,735	6,843	5,583
Inspections	Not available	Not available	3,238	4,900	4,460	4,479
Number of fires extinguished	15	26	10	-	148	49
<b>Sanitation</b>						
Refuse collected (tons per day)	86	87	68	72	126	143
Recyclables collected (tons per day)	9	12	14	14	49	49
<b>Water</b>						
New connections	16,200	18,417	20,545	21,459	21,821	22,600
Water mains breaks	Not available	10	17	8	16	17
Average daily consumption (thousands of gallons)	8,305	9,185	9,301	10,285	11,850	11,850
<b>Wastewater</b>						
Average daily sewage treatment (thousands of gallons)	Not available	3,507	3,825	4,080	4,602	4,974

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> Indicators are not available for the general government function.

Source: Various city departments. Average daily water consumption obtained from the City of Avondale Annual Budget and Financial Plan for the year ended June 30, 2009.

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSET STATISTICS BY FUNCTION<sup>2</sup>  
LAST SIX FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Public Safety						
Police:						
Stations	2	2	2	2	2	2
Patrol units	28	47	53	64	76	84
Fire stations						
Stations	2	2	2	3	3	3
Fire trucks	4	4	7	7	7	7
Fire vehicles (excl. fire trucks)	12	13	15	16	19	17
Sanitation						
Collection trucks	11	11	15	18	18	18
Highways and streets						
Streets (miles)	213	220	253	264	279	284
Streetlights	5,950	5,950	5,950	6,499	7,103	7,952
Traffic signals	24	26	28	29	33	36
Culture and recreation						
Parks acreage	118	118	130	265	265	265
Parks	11	11	11	11	11	11
Racquetball courts	0	0	0	0	0	0
Basketball courts	15	11	10	14	14	14
Volleyball courts	5	4	4	4	2	0
Baseball fields	0	3	3	3	3	4
Softball fields	0	3	3	3	3	7
Soccer fields	0	10	10	11	11	12
Swimming pools	0	0	0	0	0	0
Tennis courts	2	2	2	2	2	2
Community centers	2	2	2	2	2	2
Dog park	0	0	0	1	1	1
Playgrounds	4	5	5	7	7	8
Amphitheatre	3	3	3	3	3	2
Ramadas	5	6	6	8	8	12

*(continued on next page)*

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSET STATISTICS BY FUNCTION<sup>2</sup>  
LAST SIX FISCAL YEARS**

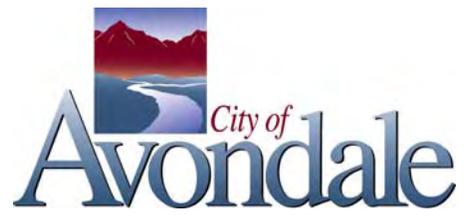
*(continuation)*

<b>Function</b>	<b>Fiscal Year</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Water</b>						
Number of service connections	16,200	18,417	20,545	21,459	21,821	22,600
Water mains (miles)	315	335	335	406	309	314
Fire hydrants	Not available	1,965	2,235	2,564	2,581	2,624
<b>Sewer</b>						
Number of service connections	16,150	18,417	20,100	19,970	21,218	21,416
Sanitary sewers (miles)	307	329	329	321	232	235
Storm sewers (miles)	Not available	Not available	31	26	29	32
<b>Wastewater</b>						
Treatment plants	1	1	1	1	1	1

<sup>1</sup> The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only six years are shown.

<sup>2</sup> Indicators are not available for the general government function.

Source: Various city departments.





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

The Honorable Mayor and Council  
City of Avondale  
Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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The Honorable Mayor and Council  
City of Avondale  
Page Two

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

Compliance and Other Matters

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

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



Casa Grande, Arizona  
December 19, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council  
City of Avondale, Arizona

Compliance

We have audited the compliance of the City of Avondale (the City), Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Avondale, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

A handwritten signature in black ink, appearing to read "H. H. W.", is located below the text.

Casa Grande, Arizona  
December 19, 2008

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant/Entitlement Grants	14.218	B-07-MC-0513, B-08-MC-0513	\$ 805,127
HOME Investment Partnerships Program, passed through the Maricopa County Community Development Agency	14.239	M-05-DC-04-0227	267,159 *
Total U.S. Department of Housing and Urban Development			<u>1,072,286</u>
<b>U.S. Department of the Interior</b>			
Water Conservation Field Services Program (WCFSP)	15.530		960
<b>U.S. Department of Justice</b>			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2007-147	38,354
Bulletproof Vest Partnership Program	16.607		5,924
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,495
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	CRI07-08-106	49,046
Total U.S. Department of Justice			<u>94,819</u>
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	TEA-AVN-0(202)	692
Federal Transit-Formula Grants, passed through the City of Phoenix Public Transportation Department	20.507	AZ-90-X070-00, AZ-90-X068-00	400,000 *
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Arizona Governor's Office of Highway Safety	20.601	2007-410-009, 2007-K8HV-025	79,237
Total U.S. Department of Transportation			<u>479,929</u>
<b>Institute of Museum and Library Services</b>			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	271-6-1(02), 261-3-1-(03)	40,597
Total Institute of Museum and Library Services			
<b>Environmental Protection Agency</b>			
Congressionally Mandated Projects	66.202		240,467
State and Tribal Response Program Grants, passed through the Arizona Department of Environmental Quality	66.817	EV07-0196	45,122
Total U.S. Environmental Protection Agency			<u>285,589</u>
<b>U.S. Department of Health and Human Services</b>			
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	2008-07-AVO	25,192
Special Programs for the Aging-Title III, Part C-Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2008-07-AVO	70,009
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2008-07-AVO	13,738
Temporary Assistance for Needy Families, passed through the Maricopa County Division of Human Services	93.558	C-22-08-066-2-00	26,406
Community Services Block Grant, passed through the Maricopa County Division of Human Services	93.569	C-22-08-066-2-00	62,651
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2008-07-AVO	7,549
Social Services Block Grant, passed through the Maricopa County Division of Human Services	93.667	C-22-08-066-2-00	28,136
Total U.S. Department of Health and Human Services			<u>233,681</u>
<b>U.S. Department of Homeland Security</b>			
Urban Areas Security Initiative, passed through the Arizona Department of Homeland Security	97.008	2006-GE-T6-0007	5,400
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	07-AZDOHS-	426
Total U.S. Department of Homeland Security			<u>5,826</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,213,687</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, 2008**

**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, CFDA numbers and pass-through grantor's number were obtained from the federal or pass-through grantor or the 2006 and 2007 *Catalog of Federal Domestic Assistance*.

CITY OF AVONDALE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Avondale.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Avondale were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for U.S. Department of Housing and Urban Development HOME Grant, passed through Maricopa County Community Development Agency and U.S. Department of Transportation Formula Grants, passed through the City of Phoenix Public Transportation Department expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include the U.S. Department of Housing and Urban Development HOME Grant, passed through Maricopa County Community Development Agency (CFDA 14.239) and U.S. Department of Transportation Formula Grants, passed through the City of Phoenix Public Transportation Department (CFDA 20.507).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Avondale qualified as a low-risk auditee.
10. There were no prior year findings.

