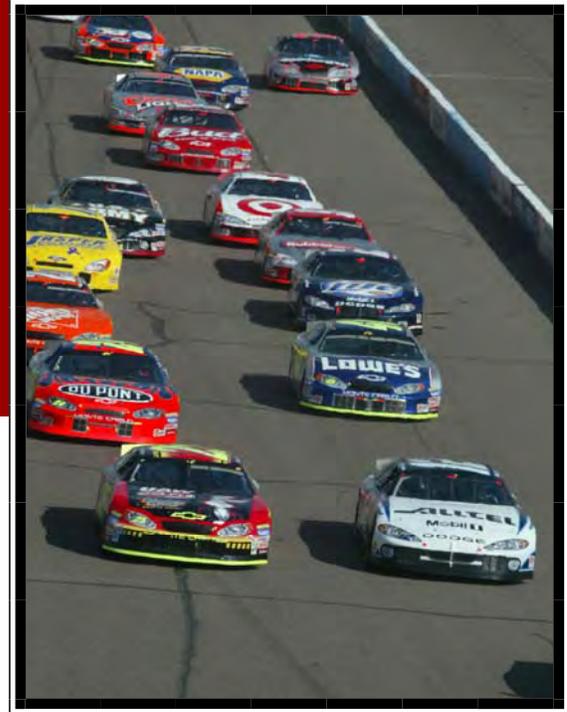


City of Avondale, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

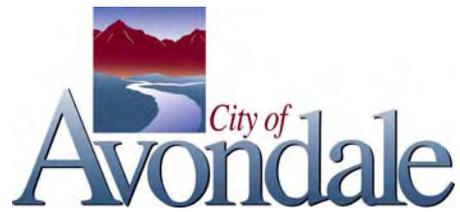


Promoting Economic Opportunities

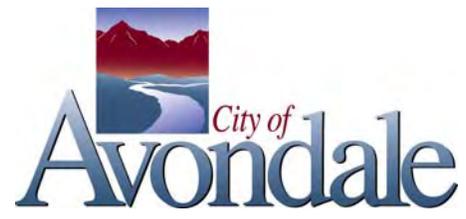


COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

City of Avondale, Arizona



Prepared by:
Finance and Budget Department



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting	xi
Organization Chart	xii
Principal Officials	xiii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	21
Statement of Activities	22
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund	31
Highway User Revenue Fund	32
Dedicated Sales Tax Revenue Fund	33
Public Safety Sales Tax Revenue Fund	34
Proprietary Funds Financial Statements	
Statement of Net Assets	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets	36
Statement of Cash Flows	37
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	39
Statement of Changes in Fiduciary Net Assets	40
Notes to the Financial Statements	41

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

Page

SUPPLEMENTARY INFORMATION

Combining Funds Financial Statements and Budgetary Comparison Schedules

Major Governmental Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Development Fees Fund	74
--	-----------

Non-Major Governmental Funds

Combining Statements	
Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Local Transportation Assistance Fund	86
Senior Programs Fund	87
Judicial Collection Enhancement Fund	88
Grants-in-Aid Fund	89
Family Advocacy Center Fund	90
Vehicle Replacement Fund	91
Equipment Replacement Fund	92
Other Capital Projects Fund	93
General Obligation Bonds Fund	94
Highway User Revenue Bonds Fund	95
Dedicated Sales Tax Bonds Fund	96
Other Debt Service Fund	97

Internal Service Funds

Combining Statement of Net Assets	100
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	101
Combining Statement of Cash Flows	102

Other Supplementary Information

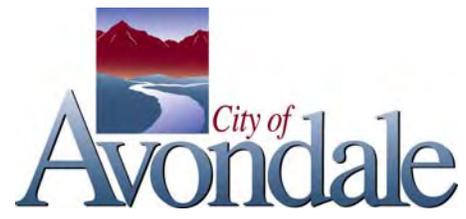
Capital Assets Used in the Operation of Governmental Activities

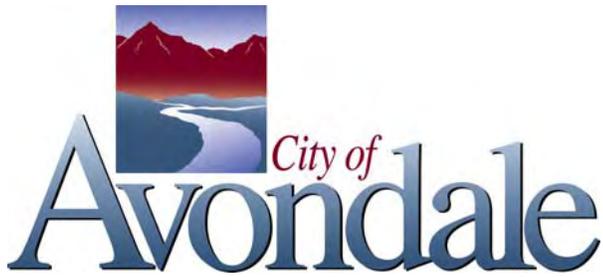
Schedule by Source	104
Schedule by Function and Activity	105
Schedule of Changes by Function and Activity	106

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

	Page
STATISTICAL SECTION	107
Financial Trends Information	
Net Assets by Component - Last Eight Fiscal Years	108
Changes in Net Assets - Last Eight Fiscal Years	109
Fund Balances of Governmental Funds - Last Eight Fiscal Years	111
Changes in Fund Balances of Governmental Funds - Last Eight Fiscal Years	112
Revenue Capacity Information	
Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property - Last Ten Fiscal Years	113
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	114
Principal Property Taxpayers - Current Year and Nine Years Ago	115
Property Tax Levies and Collections - Last Ten Fiscal Years	116
Debt Capacity Information	
Ratios of Outstanding Debt by Type - Last Eight Fiscal Years	117
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	118
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information - Last Eight Fiscal Years	120
Avondale Water and Sewer Systems Pledged Revenue Coverage - Last Nine Fiscal Years	121
Municipal Development Corporation Bonds Debt Service Coverage	122
Highway User Revenue Fund Bonds Debt Service Coverage - Last Eight Fiscal Years	123
Street and Highway Revenue Receipts - Last Ten Fiscal Years	124
Actual Excise Tax Revenues - Last Nine Fiscal Years	125
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	126
Principal Employers - Current Year and Nine Years Ago	127
Operating Information	
Full-time Equivalent City Government Employees by Function - Last Eight Fiscal Years	128
Operating Indicators by Function - Last Eight Fiscal Years	129
Capital Asset Statistics by Function - Last Eight Fiscal Years	130
SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	133
Schedule of Expenditures of Federal Awards	135
Notes to the Schedule of Expenditures of Federal Awards	138
Schedule of Findings and Questioned Costs	139
Schedule of Prior Year Audit Findings	143





Finance and Budget Department
11465 W. Civic Center Drive
Avondale, AZ 85323
Phone: (623) 333-0200
Fax: (623) 333-2011
Website: www.avondale.org

January 14, 2011

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 2010. 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, 2010, 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, 2010, 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 over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 81,671. 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, state-shared revenues, and sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2009-10. The City has prepared for future growth rates to be significantly less than ten-year historical growth rates. Appropriations in the fiscal year 2010-11 budget have been reduced by over \$2.8 million in the General Fund alone, and the City's multi-year forecasts have been modified to reflect little to no revenue growth through the end of fiscal year 2010-11.

Commercial

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

Gateway Pavilions (99th Avenue and McDowell Road)

This highly successful center is anchored by Costco, Harkins Theatres, 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 (99th Avenue and McDowell Road)

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

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

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

Alameda Crossing (Northeast corner of Dysart and McDowell)

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

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

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

Hilton Hotels (Avondale Boulevard and I-10)

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

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2010, 117 residential building permits were issued. Home values have dropped significantly across Arizona, resulting in the County Assessor's Office adjusting assessed valuations. The City experienced an 18% decrease in secondary assessed valuation going from \$641,762,977 to \$524,305,349 for fiscal year 2010.

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 13,000 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 2010, the City continued or planned for several significant projects.

Expansion of the wastewater treatment plant – The City completed the project to expand the wastewater treatment facility from 6.4MGD to 9.0MGD to accommodate future growth in the City of Avondale.

Avondale Sports Center – The City entered into a groundbreaking partnership with American Sports Centers (ASC) to construct a 83,000 square-foot state of the art, multi-purpose indoor sports facility; the first of its kind in the Valley. This agreement allows Avondale to expand its recreational opportunities, offering an exciting center for youth, adult and senior classes/programs to sports leagues and tournaments all year round. The project was completed in November 2010. Equally important is that this project will serve as catalyst for future development of the City Center area.

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 0.086% for fiscal year 2010.

In an effort to increase investment earnings, the City recently has begun a program to invest in U.S. Government Agency securities outside of the Arizona State Treasurer's Pool.

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 November 3, 2009, 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 an additional 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.

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, 2009. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2010-11 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, 2009

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.



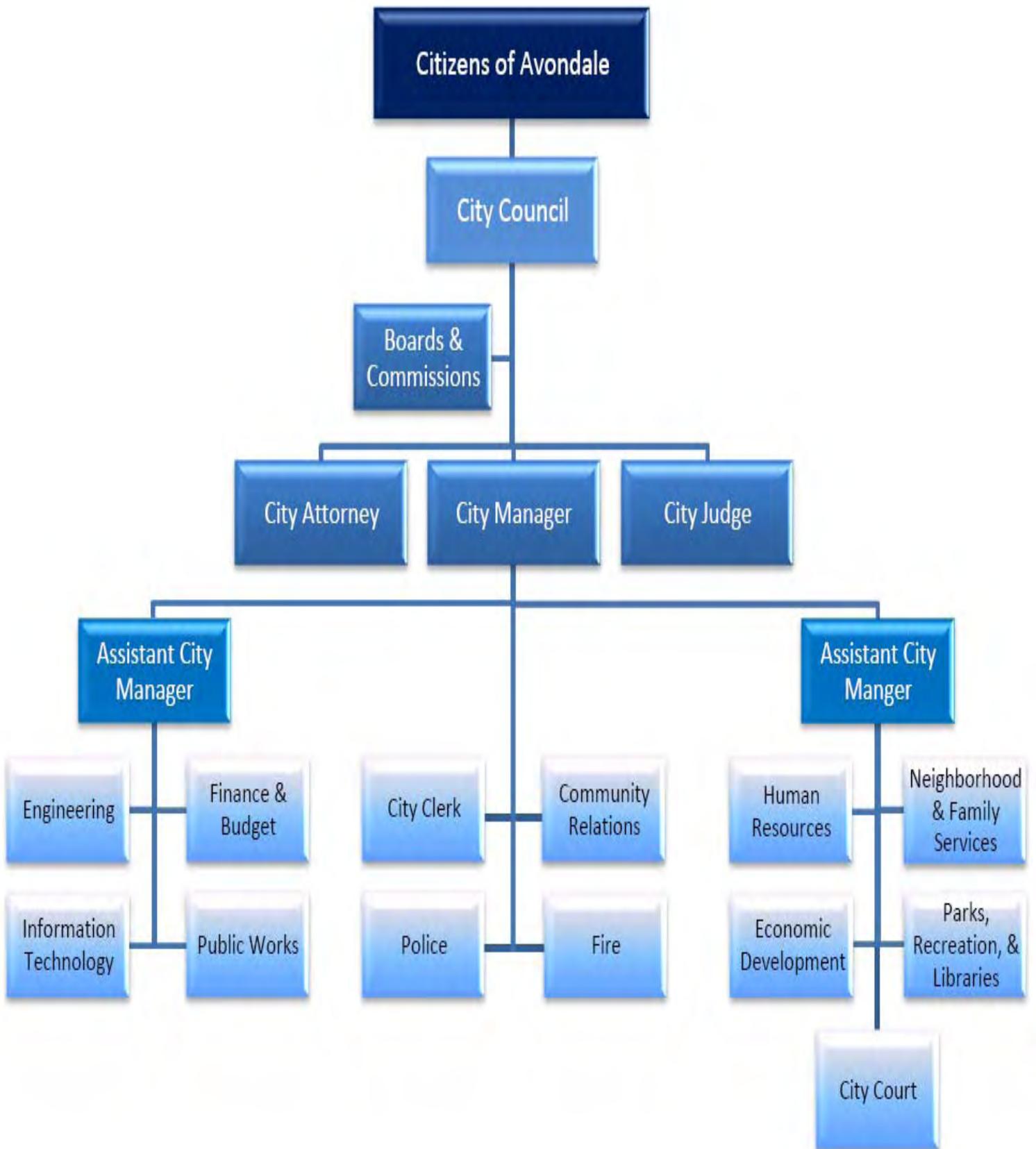
A stylized handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

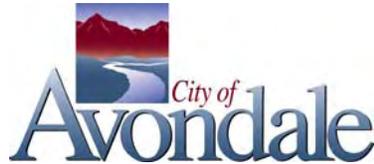
**CITY OF AVONDALE, ARIZONA
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2010**



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2010**

Marie Lopez-Rogers, Mayor

Jim McDonald, Vice Mayor
Ken Weise, Councilmember
Frank Scott, Councilmember



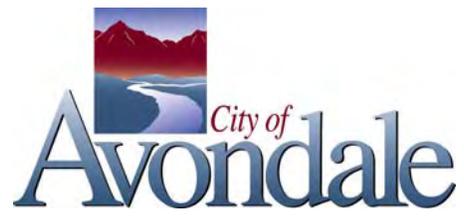
Jim Buster, Councilmember
Stephanie Karlin, Councilmember
Charles Vierhout, Councilmember

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

Richard Lynch, City Judge
Sue McDermott, City Engineer
Kevin Artz, Finance and Budget Director
Kevin Hinderleider, Information Technology Director
Wayne Janis, Public Works Director
Carmen Martinez, City Clerk
Pier Simeri, Community Relations Director

Kevin Kotsur, Police Chief
Paul Adams, Fire Chief
Cherlene Penilla, Human Resources Director
Gina Montes, Neighborhood and Family Services Director
Dan Davis, Economic Development Director
Chris Reams, Parks, Recreation and Libraries Director

Finance and Budget Department Staff: Kevin Artz, Finance and Budget Director; Pilar Morales, Finance and Budget Assistant Director; Steven Montague, Controller; Javier Carcamo, Accounting Supervisor; Lorisa Sjaheim, Accountant; Stephanie George, Accountant, and Michelle Cruz, Senior Account Clerk.





INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona, as of and for the year ended June 30, 2010, 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, 2010, 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.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Casa Grande, Arizona
January 14, 2011

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, 2010. 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-x 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 21-40 and the accompanying notes to the financial statements on pages 41-71.

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, \$78.6 million was unrestricted, up \$1.1 million (1.5%) from last year's \$77.4 million and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets increased \$0.9 million (about 0.1%) in fiscal year 2010; \$4.6 million decrease (0.8%) in governmental activities and \$5.5 million increase (1.0%) in business-type activities. The changes in net assets between years of the governmental activities and business-type activities were largely affected by bonds issued, bond refunded, and long-term loans repaid during the year.
- Governmental activities program revenues decreased by \$3.3 million (15.6%) and general revenues decreased by \$4.4 million (7.3%) from the previous year, while expenses increased by \$0.6 million (0.8%) during the same period.
- Business-type activities program revenues decreased by \$6.0 million (19.4%) and general revenues decreased by \$0.4 million (50.1%) from the previous year, while expenses decreased by \$0.9 million (3.0%) during the same period.
- City transfers from governmental activities to business-type activities decreased by \$9.1 million (50.6%) from the previous year. The decrease was due primarily to decreased transfers of bond proceeds to finance city water system construction projects from the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$91.8 million, an increase of \$15.0 million (19.5%) from the previous year. Of this amount, \$61.3 million was unreserved and available for spending at the City's discretion.
- Total combined governmental fund revenues and expenditures of \$73.8 million and \$80.0 million, respectively, decreased \$1.8 million (2.4%) and decreased \$5.0 million (5.9%) between years.
- Unreserved fund balance of the General Fund was \$29.0 million at June 30, 2010, or 82.6% of General Fund expenditures for the same year ended, up 8.1% from the prior year.
- The City's total liabilities, including long-term debt, increased by \$16.6 million, or 13.4%, during the fiscal year. The key factors contributing to this increase was the issuance of \$29.8 million of general obligation bonds, \$8.6 million of water sewer system revenue bonds, and \$2.8 million of general obligation refunding bonds during the year, offset by the retirement of about \$23.5 million of bond and loan principal on outstanding debt during the same period.

- General fund revenues (on a budgetary basis) fell short of budgeted revenues by \$0.6 million for fiscal year 2010, while budgetary basis expenditures were only 76.9% of the final budget. The result was a net budgetary savings of about \$10.0 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 including 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 and welfare, 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 noncurrent, 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 MDC, 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 21-23 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. The remaining governmental funds account balances and related activity are combined into a single, aggregated presentation (Non-Major Governmental Funds). Individual fund information 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 77-83.

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 31-34), and budgetary comparisons schedules have been presented for the City's other governmental funds (pages 74 and 86-97) to demonstrate compliance with the annual budget.

The basic governmental funds financial statements can be found on pages 24-25 and 28-34 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 35-38.
- **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 account balances and related activity 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 100-102.

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 39-40 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 41-71 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 58).

Government-wide Financial Analysis

The following tables, graphs, and analysis 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, 2010, 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, 2010, compared to the previous year.

Net Assets At June 30

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 107,217,149	\$ 89,174,020	\$ 61,103,779	\$ 62,784,247	\$ 168,320,928	\$ 151,958,267	10.8 %
Capital assets	579,350,429	578,318,940	509,000,730	508,850,891	1,088,351,159	1,087,169,831	0.1
Total assets	<u>686,567,578</u>	<u>667,492,960</u>	<u>570,104,509</u>	<u>571,635,138</u>	<u>1,256,672,087</u>	<u>1,239,128,098</u>	1.4
Other liabilities	20,499,850	6,848,126	5,018,312	8,071,895	25,518,162	14,920,021	71.0
Noncurrent liabilities	104,739,069	94,722,116	10,870,277	14,836,306	115,609,346	109,558,422	5.5
Total liabilities	<u>125,238,919</u>	<u>101,570,242</u>	<u>15,888,589</u>	<u>22,908,201</u>	<u>141,127,508</u>	<u>124,478,443</u>	13.4
Net assets:							
Invested in capital assets, net of related debt	466,763,910	486,881,869	497,810,394	494,353,666	964,574,304	981,235,535	(1.7)
Restricted	57,592,957	39,386,916	14,798,748	16,598,095	72,391,705	55,985,011	29.3
Unrestricted	36,971,792	39,653,933	41,606,778	37,775,176	78,578,570	77,429,109	1.5
Total net assets	<u>\$ 561,328,659</u>	<u>\$ 565,922,718</u>	<u>\$ 554,215,920</u>	<u>\$ 548,726,937</u>	<u>\$ 1,115,544,579</u>	<u>\$ 1,114,649,655</u>	0.1

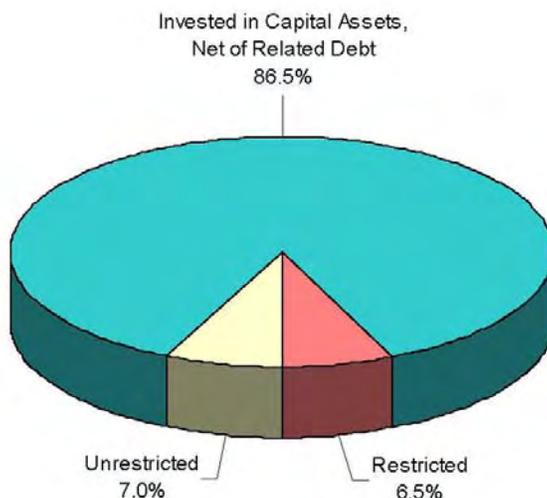
At the end of fiscal year 2010, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The net assets of the City increased \$0.9 million (0.1%) in fiscal year 2010. The largest portion of net assets (\$964.6 million or 86.5%) 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 decreased \$16.7 million (1.7%) primarily as the result of the (1) issuance of several long-term debt obligations including \$29.8 million of general obligation bonds, \$8.6 million of water sewer system revenue bonds, and \$2.8 million of general obligation refunding bonds; (2) retirement of about \$23.5 million of outstanding debt obligations; and (3) a net investment in capital assets of \$1.2 million during the year.

The second portion of the City's net assets (\$72.4 million or 6.5%) represents resources that are subject to external restrictions on how they may be used. The increase of \$16.4 million (29.3%) is due primarily to a \$23.0 million increase in net assets restricted for various capital projects offset by a decrease in debt service restrictions of \$8.8 million that were completed or substantially completed during the year (projects are outlined in previous paragraph), as well as a \$1.7 million reduction in fund balance of the Public Safety Sales Tax Fund from the prior year. These decreases in restricted net assets were offset by a \$16.8 million increase in debt service restrictions that were primarily the result of the \$15.0 million MDC excise tax revenue bond issue in September 2008. Of the \$72.4 million in restricted net assets, \$36.8 million is restricted by enabling legislation.

The third portion consists of unrestricted net assets (\$78.6 million or 7.0%). The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed previously. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$6.9 million (8.9%) in fiscal year 2010.

**Government-wide Net Assets
At June 30, 2010**



Changes in Net Assets

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2010.

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

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues							
Charges for services	\$ 3,216,108	\$ 3,751,628	\$ 23,049,889	\$ 22,441,688	\$ 26,265,997	\$ 26,193,316	0.3 %
Operating grants and contributions	12,712,420	8,386,128	-	-	12,712,420	8,386,128	51.6
Capital grants and contributions	1,795,711	8,855,743	1,648,926	8,216,300	3,444,637	17,072,043	(79.8)
General revenues							
Sales and use taxes	30,298,359	33,021,053	-	-	30,298,359	33,021,053	(8.2)
Property taxes	6,780,175	6,978,062	-	-	6,780,175	6,978,062	(2.8)
Franchise taxes	1,047,312	1,033,993	-	-	1,047,312	1,033,993	1.3
State shared revenues	15,644,558	18,249,722	-	-	15,644,558	18,249,722	(14.3)
Investment income	417,727	592,542	195,602	574,400	613,329	1,166,942	(47.4)
Gain on sale of assets	25,307	217,001	75,345	77,747	100,652	294,748	(65.9)
Miscellaneous	2,376,003	934,675	135,320	162,046	2,511,323	1,096,721	129.0
Total revenues	<u>74,313,680</u>	<u>82,020,547</u>	<u>25,105,082</u>	<u>31,472,181</u>	<u>99,418,762</u>	<u>113,492,728</u>	(12.4)
Expenses:							
General government	12,862,710	14,968,809	-	-	12,862,710	14,968,809	(14.1)
Public safety	24,168,796	26,634,975	-	-	24,168,796	26,634,975	(9.3)
Highways and streets	12,322,104	11,069,079	-	-	12,322,104	11,069,079	11.3
Health and welfare	2,470,031	2,545,061	-	-	2,470,031	2,545,061	(2.9)
Economic and community development	7,985,413	6,808,330	-	-	7,985,413	6,808,330	17.3
Culture and recreation	3,190,869	3,327,765	-	-	3,190,869	3,327,765	(4.1)
Transportation	1,902,347	867,173	-	-	1,902,347	867,173	119.4
Interest on long-term debt	5,129,250	3,246,602	-	-	5,129,250	3,246,602	58.0
Water utility	-	-	15,442,478	15,542,394	15,442,478	15,542,394	(0.6)
Wastewater utility	-	-	10,252,684	10,555,903	10,252,684	10,555,903	(2.9)
Sanitation utility	-	-	3,613,617	4,117,318	3,613,617	4,117,318	(12.2)
Total expenses	<u>70,031,520</u>	<u>69,467,794</u>	<u>29,308,779</u>	<u>30,215,615</u>	<u>99,340,299</u>	<u>99,683,409</u>	(0.3)
Increase (decrease) in net assets before transfers	<u>4,282,160</u>	<u>12,552,753</u>	<u>(4,203,697)</u>	<u>1,256,566</u>	<u>78,463</u>	<u>13,809,319</u>	(99.4)
Transfers	(8,876,219)	(17,962,235)	8,876,219	17,962,235	-	-	-
Increase in net assets	<u>\$ (4,594,059)</u>	<u>\$ (5,409,482)</u>	<u>\$ 4,672,522</u>	<u>\$ 19,218,801</u>	<u>\$ 78,463</u>	<u>\$ 13,809,319</u>	(99.4)

For fiscal year 2010, total governmental activities revenues decreased by \$7.7 million (9.4%) and total business-type revenues decreased by \$6.4 million (20.2%), while expenses increased \$0.6 million (0.8%) and decreased \$0.9 million (3.0%) for governmental and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities decreased the City's net assets by \$4.6 million during the fiscal year ended June 30, 2010. This decrease between years was largely due to decreases in program revenues and general revenues by \$3.3 million (15.6%) and \$4.4 million (7.3%), respectively, and an increase of \$0.6 million in expenses during the same period. These decreases to governmental activities net assets were offset by decreases in transfers to business-type activities over the prior year by \$9.1 million. Adjusted for transfers, nets assets decreased \$8.3 million or 65.9% between years.

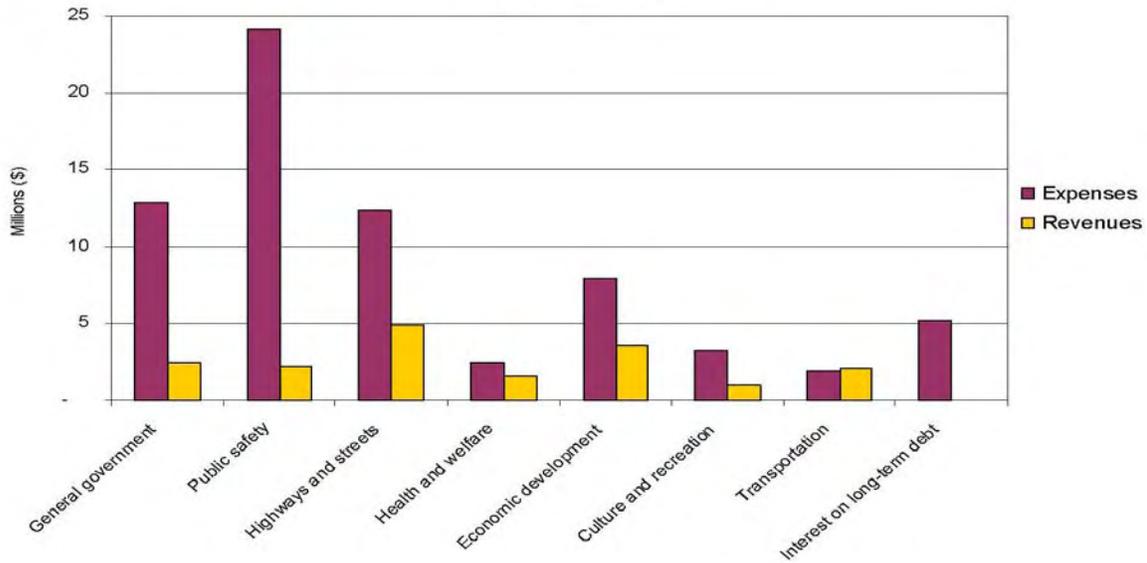
The overall decrease in program revenues between years was caused primarily by decreases in capital grants and contributions of \$7.1 million (79.7%) and charges for services of \$0.5 million (14.3%), offset by an increase in operating grants and contributions of \$4.3 million (51.6%). The decrease in charges for services revenues was largely attributable to the ongoing economic distress and slump in the residential and commercial real estate markets and their affect on city services such as engineering plan review fees, residential and commercial plan review fees, and building-related permits, which account for about 80 percent of the reduction in charges for services between years. The remainder of the decrease is attributable to decreases in photo red light and speeding fines from the prior year as the City eliminated the Photo Enforcement Program during the year. Operating grants and contributions increased primarily due to an increase in the number and size of federal grants awarded to the City in fiscal year 2009-10. Many of these grants were awarded to the City under the American Recovery and Reinvestment Act of 2009. Some of the more significant grants include the Neighborhood Stabilization Program (\$2.4 million) and the Federal Transit Formula Grant (\$1.0 million). The decrease in capital grants and contributions revenues resulted largely from decreases in contributed capital (land and infrastructure donated to the City by developers upon the completion of capital projects) of \$6.1 million from the previous year. The decrease in capital grants and contributions revenues was largely attributable to the ongoing economic distress and slump in the residential and commercial real estate markets. The decrease in general revenues of was largely due to a \$2.7 million (8.2%) decrease in sales and use tax revenues and a \$2.6 million (14.3%) decrease in state-shared revenues, offset by an increase in miscellaneous revenue of \$1.4 million (154.2%). The decrease in sales and use tax revenues and state shared revenues is the direct result of the ongoing economic distress and slump in the residential and commercial real estate markets.

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

Transfers between years decreased by \$9.1 million or 50.6%. Most of the decrease in transfers was due to a decrease in transfers of bond proceeds to finance city water system construction projects from the prior year.

The following graph shows the functional expenses and revenues 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. Governmental activities functional revenues of \$17.7 million are 25.3% of expenses for fiscal year 2010, down from 30.2% in fiscal year 2009.

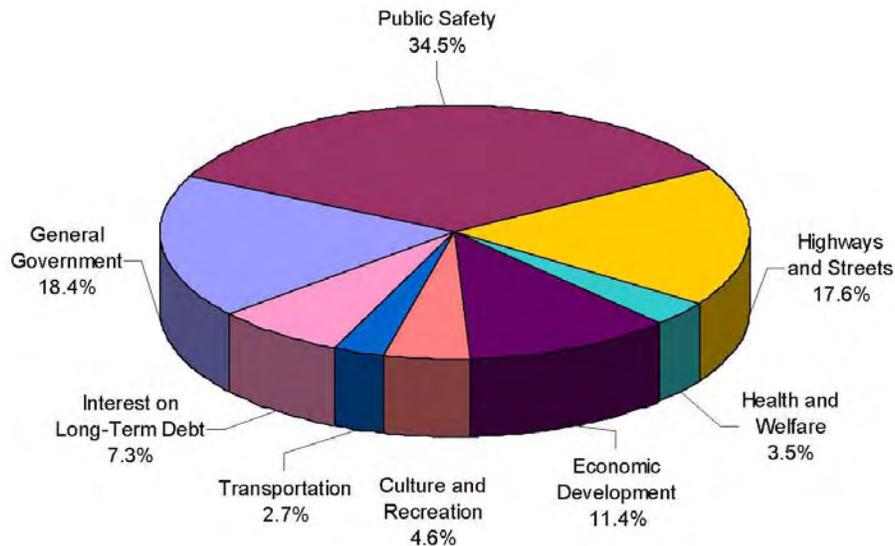
**Governmental Activities
Program Expenses and Revenues
Fiscal Year 2010**



Governmental activities accounted for 70.5% of the City's total expenses and 74.7% of total revenues in fiscal year 2010.

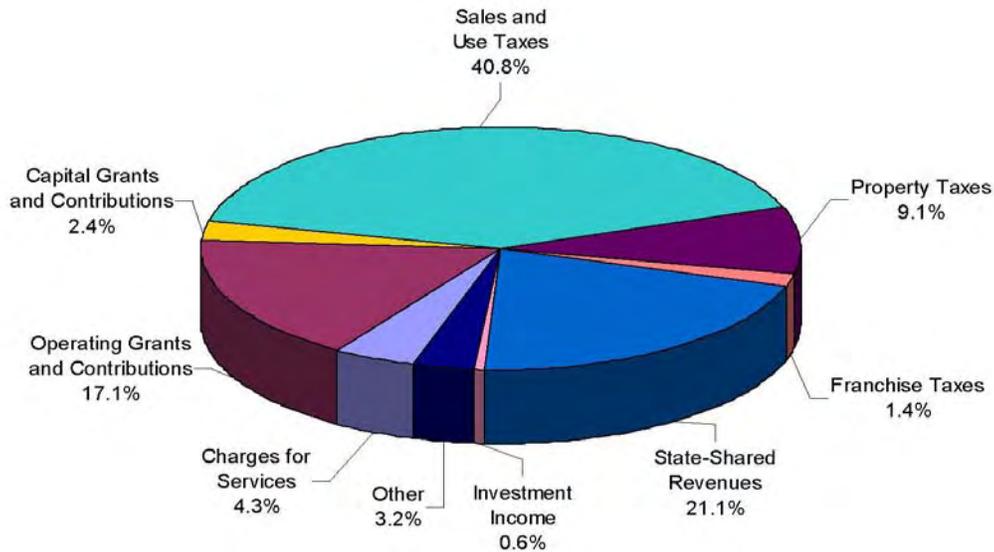
The City's largest governmental activities expenses by function include public safety at 34.5%, followed by general government at 18.4% and highway and streets at 17.6%.

**Governmental Activities
Expenses by Function
Fiscal Year 2010**



As seen in the following graph, the largest revenue sources for the City's governmental activities are sales and use taxes at 40.8%, followed by state-shared revenues and operating grants and contributions, which accounted for 21.1% and 17.1% of the City's total governmental activities revenues, respectively.

**Governmental Activities
Revenues by Source
Fiscal Year 2010**



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 \$4.7 million during the fiscal year ended June 30, 2010. The increase in net assets during the year fell short of the prior year increase by \$14.5 million (75.7%). This decrease between years was primarily due to decreases capital grants and contributions of \$6.6 million (79.9%) and transfers in from other funds of \$9.1 million (50.6%), offset by an increase in charges for services of \$0.6 million (2.7%). Business-type activities net assets were also affected by a decrease in expenses of \$0.9 million (3.0%) from the prior year. Adjusted for transfers, nets assets decreased \$5.5 million or 466.9% between years.

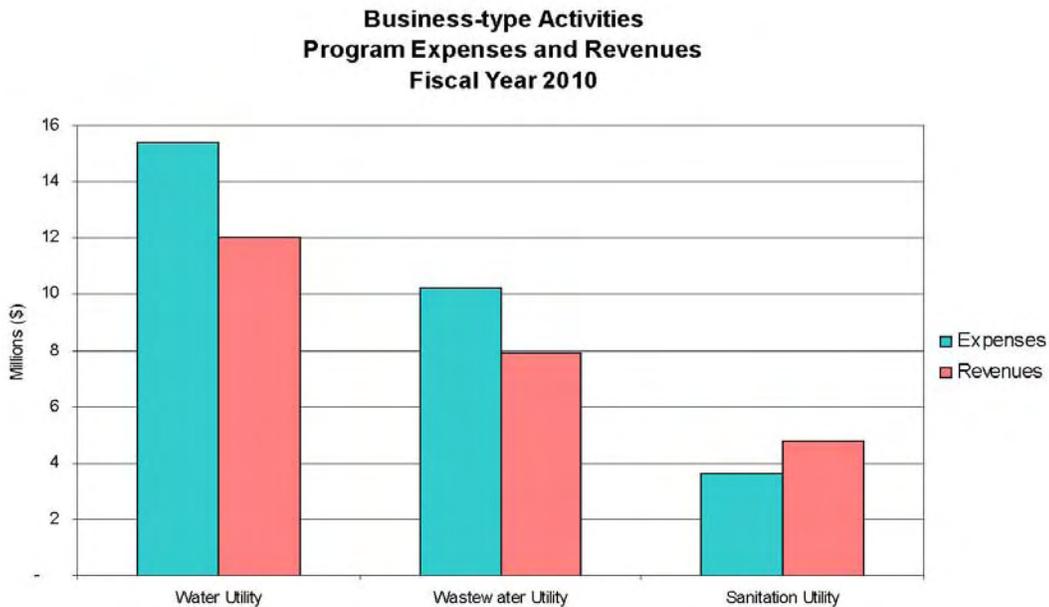
Capital grants and contributions consist primarily of (1) grants awarded to the City for the purpose of acquiring and constructing water, sewer, and sanitation capital assets; (2) dedicated infrastructure from developers; and (3) water, wastewater and sanitation development fees. The decrease in capital grants and contributions is primarily attributable to declines in capital grants of \$1.3 million to acquire and construct water and wastewater system facilities and contributed water system infrastructure of \$4.7 million from the prior year. Development fees remained substantially unchanged between years. The increase in charges for services revenue was attributable to an increase in the City's utility customer base over the prior year as there were no changes in water, sewer or sanitation rates between years. In fiscal year 2008-09, the City customer base was down by 1,200 customers. However, by fiscal year 2009-10, the City had regained most of this customer base. The increase in general revenues was almost entirely caused by a \$0.4 million (194.0%) increase in investment income that resulted from a change in investment strategy during the year which resulted in investing available cash in higher yielding U.S. Agency debt securities rather than investing such cash in the traditionally lower yielding investments held with the State Treasurer which is currently yielding 0.086%, down (86.7%) from the prior year. The change in transfers between years was discussed previously in the governmental activities section.

The decrease in expenses was largely due to the reduction of nine (9) authorized utility positions during the year that crossed all three utilities, as well as a reduction of one-time expenses from the prior year of about \$1.0 million. These one-time expenses included the replacement of water meters, water

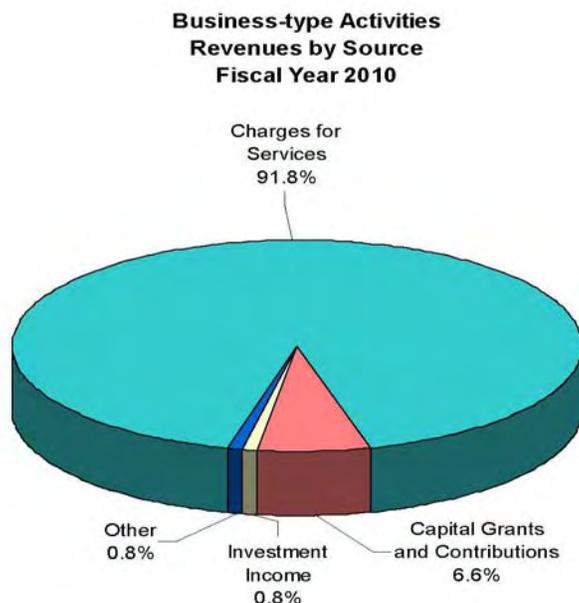
control structure modifications, and the purchase of a sewer cleaning truck. There were no other significant factors that contributed to the decrease in overall expenses.

Business-type activities accounted for 25.3% of the City's total revenues and 29.5% of total expenses in fiscal year 2010. In addition, program revenues of \$24.7 million were 84.3% of business-type expenses during the year, compared to \$30.7 million, or 101.5% of expenses in fiscal year 2009. This decrease is addressed by the changes discussed previously.

The following graph shows the business-type activities expenses and revenues for the year ended June 30, 2010.



The City's largest overall business-type activity is water utilities with \$15.4 million and \$12.0 million in expenses and revenues, respectively, during the year, followed by wastewater utilities with expenses of \$10.3 million and revenues of \$7.9 million.



Charges for services, which consist primarily of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues of \$23.0 million or 91.8%, followed by capital grants and contributions of \$1.6 million or 6.6%.

FINANCIAL ANALYSIS 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 77-83.

The fund balance of the City's governmental funds is \$91.8 million, an increase of \$15.0 million (19.5%) over the previous year. Of this balance, \$61.3 million (66.8%) consists of unreserved fund balance that is available for spending at the City's discretion. The remainder of fund balance totaling \$30.5 million (33.2%) is classified as reserved because it cannot be appropriated for expenditures, or it is legally segregated for a specific future use such as debt service (\$5.1 million), capital improvements (\$15.7 million), and cash with fiscal agent (\$8.0 million). The slight increase in the governmental funds unreserved fund balance of \$1.0 million (1.7%) between years is primarily the result of reductions in fund balance of the General Fund, Dedicated Sales Tax Revenue Fund and Public Safety Sales Tax Revenue Fund, offset by an increase the Development Fees Fund (see applicable section of this analysis for explanation of changes in these Funds). The significant increase in reserved fund balance of \$13.9 million (102.2%) is attributable primarily to the General Obligation Bonds and MDC Excise Tax Revenue Bonds issued during the year and the increases in debt service and capital improvement reserves associated with these issues.

The General Fund is the City's chief operating fund and accounts for many major functions of the City such as general government (e.g., administration), public safety (police and fire), health and welfare, economic and community development, and culture and recreation. At June 30, 2010, unreserved fund balance of the General Fund was \$29.0 million compared to \$32.3 million in the previous year. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures and fund balance between years. Unreserved fund balance represents 82.6% of total General Fund expenditures of \$35.1 million, while unreserved fund balance represents 74.5% of that same amount in fiscal year 2009. During the fiscal year, fund balance of the City's General Fund decreased by \$3.2 million. The overall decrease in fund balance during the year was due to the factors outlined below.

General Fund revenues, which decreased \$3.5 million (7.9%) from the previous year, were down in almost every revenue category. Some of the more significant revenues that decreased included tax revenues, down \$1.6 million (6.7%); intergovernmental revenue, down \$2.7 million (14.3%); charges for services, down \$0.2 million (21.2%); and licenses and permits fees, down \$0.1 million (16.3%). These decreases were offset primarily by an increase in miscellaneous revenue of \$1.4 million (652.3%). The decreases in tax revenues (primarily sales and use taxes), intergovernmental revenue (primarily state urban revenue sharing, city share of state sales taxes and auto lieu tax), charges for services (primarily development services and engineering services fees), and license and permit fees were expected and largely due to the ongoing economic distress and its affect on retail spending and income taxes collected by the State, as well as the slump in the housing and commercial building markets. The increase in miscellaneous income was entirely attributable to a one-time incentive refund payment from the City's health insurance provider based on the City's group claims history.

General fund expenditures decreased \$8.2 million (19.0%) from the previous year. The overall decrease in expenditures was largely due to a \$1.0 million decrease in sales tax incentive rebates paid to developers between years and a \$5.3 million decrease in capital outlay expenditures between years. This decrease between years was primarily attributable to a prior year land acquisition to construct the 83,000 square-foot Avondale American Sports Center. Similar capital outlay expenditures did not occur during the current year. The remaining decrease in expenditures was primarily attributable to decreases in economic and community development expenditures of about \$1.0 million and other budget decreases as outlined in the Budget Highlights section below. The economic and community development expenditures savings were achieved by consolidating Development Services and Engineering Departments and eliminating six (6) positions, totaling about \$0.5 million, and by contract plan review and consulting and engineering services saving, totaling about \$0.5 million. The latter savings are attributable to a significant reduction in residential and commercial development and building activity caused by the ongoing economic distress.

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 estimates acquired through the most recent census, or census survey, and motor fuel sales within each county. This revenue source is influenced by fluctuations in fuel prices and consumer behavior. Revenues, which consist almost entirely of highway user revenues, declined about \$0.2 million (5.6%) from the previous year. The decrease was expected due to ongoing economic distress, offset by dropping fuel prices during the year. Expenditures and transfers to other funds remained substantially unchanged between years. Transfers from other funds increased by \$0.2 million over the prior year. The increase was attributable to grant funding provided to help the City develop a traffic management system and operations center. The net effect of these activities increase unreserved fund balance by less than \$0.1 million from the prior 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, which consist entirely of the half-cent sales tax revenues, except for interest income, declined about \$0.4 million (7.8%) from the previous year. This decrease was expected due to a decline in retail sales caused by ongoing economic distress. Interest income also decreased from the prior year due decreases in cash and cash equivalents balances between years, about \$1.5 million (67.7%), as well as a significant reduction in the average yield on investments held with the State Treasurer from 0.65% to 0.086% (86.7%) between years. Transfers to other funds remained unchanged from the previous year. Transfers to other funds included \$5.1 million to service debt, \$1.1 million to finance the construction of water and sewer facilities, and \$0.5 million to finance street construction. The net effect of these activities was a decrease in unreserved fund balance by \$1.5 million (55.9%) from fiscal year 2009.

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, which consist entirely of the half-cent sales tax revenues and interest income, declined about \$0.4 million (7.7%) from the previous year. This decrease was expected due to ongoing economic distress. Investment income also decreased from the prior year due to a significant reduction in the average yield on investments held with the State Treasurer from 0.65% to 0.086% (86.7%) between years. Expenditures decreased by about \$1.0 million (17.4%) from the previous year. Most of this decrease, about \$0.9 million, was due to decreases in authorized positions in the Court (1), police (6) and fire (2) between years as part of the City's ongoing cost cutting measure to match operational costs to available resources, as well as vacancy savings on authorized positions. Transfers to other funds decreased by \$1.6 million from the prior year as police and fire department projects, which had been financed in part with transfers from this Fund in prior years, were substantially completed and required no further financing from the Fund. The net effect of these activities was a increase in unreserved fund balance by \$0.5 million (136.4%) from fiscal year 2009.

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 water system, wastewater treatment system, purchasing additional sanitation equipment, constructing new fire stations, and widening existing arterial streets.

Development fees revenues decreased \$1.4 million (41.7%) from the prior year. The decrease in revenues was primarily due to decreases in licenses and permits revenues of \$1.0 million (43.1%) and intergovernmental revenue of \$0.4 million (43.6%). Substantially all of the decrease in licenses and permits revenue was attributable to decreases in development fees due to the ongoing economic distress, which is responsible for the continued slump in Arizona's housing and commercial real estate markets. Intergovernmental revenue declined primarily due to a decline in State-funded roadway and street project from the prior year. Overall, expenditures remained stable between fiscal year with expenditures only increased about \$0.7 million (4.4%) over the prior year. The increase in expenditures is primarily the result of increases in highway and street and parkland project expenditures between years. Transfers in from other funds increased by \$27.4 million (501.7%) over the prior year, while transfers out to other funds decreased by \$1.8 million (61.2%) from the prior year. Transfers in from other fund increased to fund highway and street projects (about \$14.8 million) and the Avondale American Sports Center (\$17.0 million). About \$12 million of the transfers were financed by the City's issuance of \$29,800,000 of General Obligation Revenue Bonds, Series 2009 and about \$9.8 million was funds from General Fund balance. Transfers out to other funds decreased due to decreases in transfers to the Dedicated Sales Tax Revenue Bonds Fund and Other Debt Service Fund to service debt. The net effect of these activities was a increase in reserved and unreserved fund balance by \$13.9 million and \$4.1 million over fiscal year 2009.

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 \$41.4 million and \$37.7 million for fiscal years 2010 and 2009, respectively. The growth in total net assets between years was \$3.7 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed in the preceding business-type activities section.

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 comparison schedules for the other governmental funds are also presented in this report. Budgetary comparison statements and schedules can be found on pages 31-34 and 74 and 86-97, 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, pages 47-48, for more information on the budget and budgetary accounting). During the year, no amendments increased the City's total budget of \$224.2 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expense/expenditure accounts did occur.

On November 3, 2009, city voters approved an alternative expenditure limitation, the effect of which allowed the City's total budgeted expenditures of the adopted budget to become the expenditure

limitation for that year on a total budget basis. This alternative expenditure limitation is effective for another four years.

The ongoing economic distress, is responsible for the continued decline in overall consumer spending and slowdown in Arizona's housing and commercial markets, both of which have a direct impact on the City. Overall, revenues such as sales and use taxes and other state-shared revenues, charges for services, building permits and fees, and development fees, continue to be weak and have again failed to reach budget projections in fiscal year 2010. The weak economy continues to be the predominate cause of the ongoing declines in General Fund revenues. Consequently, the City Council authorized base budget reductions, as well as mid-year reductions to the fiscal year 2010 General Fund budget. The following outlines the more significant budget reductions and matters by functional category during the year.

General Government – Budgeted contingency appropriation was increased due to transfer of excess carryover appropriation as detailed below. Expenditures in general government were significantly less than the final budget due to the following:

- Contingency appropriation of \$3.0 million was not expended during the year.
- Sales tax incentive rebates paid during the year were less than budgeted by \$2.2 million due to continued decline in sales tax collections.
- Budgeted carryover from FY 2008-09 of \$0.7 million for technology improvements, police vehicles, economic opportunities funds and park maintenance was spent in the prior year and, therefore, transferred to general government from other categories as detailed below.

Public Safety – The budget was adjusted to remove carryover appropriation for police vehicles which were purchased in the previous year. Actual expenditures in public safety were less than the final budget due to the following:

- Savings from the elimination of the traffic camera enforcement contract, savings in contracted jail and legal services totaling \$0.4 million.
- Savings from the elimination of the Police Department's Professional Standards Bureau and Records Division Supervisor totaling \$0.3 million.
- Salary savings from various vacant police dispatch and officer positions totaling \$0.2 million.
- Savings in overtime due to a change in Citywide Vacation/Holiday leave policies and Police Department overtime policy totaling \$0.2 million.
- Salary savings from eliminated Court & Fire Department positions totaling \$0.1 million.

Health and Welfare – Actual expenditures in health and welfare were less than the final budget due to reductions in code enforcement overtime and delay in expending crisis & outreach, dangerous structure abatement and reduced contributions for a total of \$0.4 million.

Economic and Community Development – Budget reductions included a \$0.2 million decrease in the economic opportunity fund for carryover appropriation spent in the previous year. Actual expenditures in economic and community development were less than the final budget due to the following:

- Savings from the consolidation of the Development Services and Engineering Departments including the elimination of six (6) positions including the Development Services director, the engineering plan review manager, a senior planner and three development services customer service staff totaling \$0.5 million.
- Savings in contract plan review and consulting and engineering services totaling \$0.5 million.
- Carryover of economic opportunities fund savings to new fiscal year of \$0.4 million.

Culture and Recreation – The budget was adjusted to remove carryover appropriation for parks maintenance that was spent in the prior year. Actual expenditures in culture and recreation were less than the final budget due to the following:

- Savings from the elimination of the Parks, Recreation and Libraries Assistant Director totaling \$0.1 million
- Savings from reduced expenditures for special event, leisure activity and after school programs for approximately \$1 million due to decline in participation, donations and sponsorships.
- Savings from the consolidation of library staff and elimination of two (2) full-time and two (2) part-time positions in addition to savings in library books and supplies totaling \$0.3 million.
- Savings in electricity and maintenance contracts for City parks, grounds and facilities totaling approximately \$0.2 million.

Capital Outlay – The budget was adjusted to remove carryover appropriation for information technology system acquisition that was expended in the prior year.

Capital Assets

During the year, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which had only a minor impact on the City's June 30, 2010, capital assets. At June 30, 2010, the City had about \$1.1 billion invested in capital assets, up only 1.2 million over the prior year. Of this increase, \$0.8 million resulted from the retroactive application of GASB Statement No. 51 which resulted in the restatement of capital assets as of July 1, 2009. The City also invested about \$27.2 million in capital assets during the year, but this amount was offset by about \$26.8 million of accumulated depreciation and capital assets disposals during the same period. Governmental capital assets increased by only \$1.0 million. Overall, capital investment by the City during 2010 was down from previous years.

The City has adopted a ten-year capital improvement plan budgeted at \$338.3 million, including \$86.5 million for fiscal year 2011. Anticipated funding for fiscal year 2011 will be accomplished using a combination of existing fund balances (55.8%), impact fees (6.3%), bond proceeds (28.9%), outside funding sources such as grants and other intergovernmental cost-sharing agreements (3.4%), and operating and non-operating revenues and other financing sources (5.6%). 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, 2010, and 2009. Additional information on the City's capital assets can be found in Note 5 on pages 56-57.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2010	2009	2010	2009	2010	2009	
Land	\$ 248,876,514	\$ 248,580,050	\$ 16,170,702	\$ 16,252,303	\$ 265,047,216	\$ 264,832,353	0.1
Buildings and improvements	41,660,012	43,279,676	-	-	41,660,012	43,279,676	(3.7)
Improvements other than building	1,039,111	620,511	764,980	827,587	1,804,091	1,448,098	24.6
Vehicles, furniture and equipment	5,773,918	8,313,373	1,883,767	2,569,621	7,657,685	10,882,994	(29.6)
General infrastructure	257,931,532	262,465,891	-	-	257,931,532	262,465,891	(1.7)
Water system	-	-	230,548,832	229,741,879	230,548,832	229,741,879	0.4
Sewer system	-	-	177,627,566	181,961,094	177,627,566	181,961,094	(2.4)
Wastewater treatment system	-	-	72,466,383	23,046,186	72,466,383	23,046,186	214.4
Intangible assets	1,959,800	-	1,523,755	-	3,483,555	-	∞
Construction in progress	22,109,542	15,059,439	8,014,745	54,452,221	30,124,287	69,511,660	(56.7)
Total	\$ 579,350,429	\$ 578,318,940	\$ 509,000,730	\$ 508,850,891	\$ 1,088,351,159	\$ 1,087,169,831	0.1

Long-term Debt

At June 30, 2010, the City had total long-term obligations outstanding of \$127.6 million, up \$18.1 million (16.5%) over the previous year. Of this total, \$116.0 million (90.9%) was in governmental activities and

\$11.6 (9.1%) was in business-type activities. Of the total outstanding bonds of \$122.4 million, net of unamortized premiums and discounts, \$40.2 million (32.8%) were general obligation bonds backed by the full faith and credit of the City and \$82.2 million (67.2%) were revenue bonds secured by pledges of specific revenue sources of the City.

During the year, the City issued the following long-term debt obligations;

- \$29,800,000 of General Obligation Bonds, Series 2009 – These bonds were issued to fund the construction of street improvements, sewer improvements, and the Avondale American Sports Center. Interest rates range from 2.75% to 7.5%, with a term of 25 years.
- \$8,625,000 of Water Sewer System Revenue Bonds, Series 2010 – These bonds were issued to refund MDC Revenue Bonds, Series 1996; Greater Arizona Development Authority Water and Sewer Revenue Bonds, Series 1998; and Water Infrastructure and Finance Authority of Arizona Water and Sewer Loans, Series 1992 and 1999. Interest rates range from 3.0% to 5.0%, with a term of 20 years.
- \$2,815,000 General Obligation Refunding Bonds, Series 2010 – These bonds were issued for the purpose of providing funds to refund General Obligation Bonds, Series 1998, of the City in advance of their respective maturities and to pay costs incurred in connection with the issuance of the bonds. Interest rates range from 2.75% to 3.25%, with a term of 8 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, 2010, and 2009 is \$29.9 million and \$36.8 million in the 6% capacity, respectively, and \$66.3 million and \$116.6 million in the 20% capacity, respectively. Additional debt limitation and capacity information may be found in the statistical section of this report on page 120.

The following schedule presents the City's outstanding long-term debt as of June 30, 2010, and 2009. Additional information on the City's outstanding debt can be found in Note 8 on pages 62-67.

Outstanding Debt at June 30

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 40,085,000	\$ 13,450,000	\$ -	\$ -	\$ 40,085,000	\$ 13,450,000	198.0
Highway user revenue bonds	2,780,000	3,085,000	-	-	2,780,000	3,085,000	(9.9)
Water and sewer revenue bonds	-	-	8,625,000	1,225,000	8,625,000	1,225,000	604.1
Municipal Development							
Corporation bonds	67,350,251	72,042,306	2,084,743	6,037,688	69,434,994	78,079,994	(11.1)
Unamortized premiums and discounts, net	1,041,786	1,078,330	480,593	-	1,522,379	1,078,330	41.2
Waster infrastructure improvement loans	-	-	-	7,234,537	-	7,234,537	(100.0)
Compensated absences	3,082,135	2,896,322	394,857	339,081	3,476,992	3,235,403	7.5
Claims payable	313,376	388,723	-	-	313,376	388,723	(19.4)
Capital leases payable	1,329,482	1,726,793	-	-	1,329,482	1,726,793	(23.0)
Total	\$ 115,982,030	\$ 94,667,474	\$ 11,585,193	\$ 14,836,306	\$ 127,567,223	\$ 109,503,780	16.5

Economic Factors

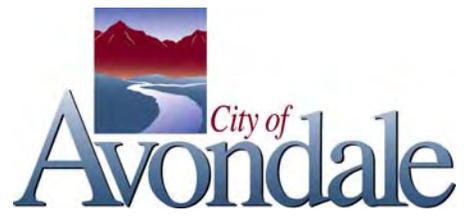
The ongoing economic distress is responsible for the continued decline in overall consumer spending and slowdown in Arizona's housing and commercial markets, both of which have a direct impact on the City. Overall, revenues such as sales and use taxes and other state-shared revenues, charges for services, building permits and fees, and development fees, continue to be weak and have again failed to reach budget projections in fiscal year 2009-10. Despite city management continuing to conservatively evaluate and project city revenues, the ongoing revenue declines and distressed economy have led city management to again reevaluate and adjust its revenue base. While growth and recovery is inevitable, the City's multi-year forecasts have been modified to reflect little to no

revenue growth through the end of fiscal year 2010-11 and fiscal year 2010-11 budgeted appropriations have been reduced by more than \$2.8 million in the General Fund alone. City management continues to closely monitor the City's budget and operations, as well as the local and national economies, to help ensure that the City takes appropriate corrective action in order to maintain service levels; meet Council goals, which include ensuring long-term financial stability of the City; and to ensure compliance laws and regulations.

Request for Information

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

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



CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 52,945,493	\$ 34,350,199	\$ 87,295,692
Receivables (net)			
Accounts	508,717	5,201,960	5,710,677
Taxes	3,057,030	171,851	3,228,881
Interest	222,740	92,610	315,350
Due from other governments	3,437,166	254,385	3,691,551
Internal balances	(167,668)	167,668	-
Inventories	508,049	1,698,210	2,206,259
Prepaid items	1,443,349	110,833	1,554,182
Restricted cash, cash equivalents and investments:			
Cash and cash equivalents	2,103,080	-	2,103,080
Investments	5,586,270	-	5,586,270
Total current assets	<u>69,644,226</u>	<u>42,047,716</u>	<u>111,691,942</u>
Noncurrent assets:			
Investments	19,020,816	12,227,266	31,248,082
Restricted cash, cash equivalents and investments:			
Cash and cash equivalents with fiscal agent	10,554,452	6,620,307	17,174,759
Investments	6,170,640	-	6,170,640
Deferred bond issue cost and charges	1,827,015	208,490	2,035,505
Capital assets:			
Non-depreciable	270,986,056	25,709,202	296,695,258
Depreciable (net)	308,364,373	483,291,528	791,655,901
Total noncurrent assets	<u>616,923,352</u>	<u>528,056,793</u>	<u>1,144,980,145</u>
Total assets	<u>686,567,578</u>	<u>570,104,509</u>	<u>1,256,672,087</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,902,656	2,698,490	6,601,146
Accrued payroll	1,663,717	188,047	1,851,764
Accrued liabilities	2,920,032	68,621	2,988,653
Construction contracts payable	319,166	152,465	471,631
Sales taxes payable	1,212	298,103	299,315
Due to other governments	175,833	-	175,833
Deposits held for others	145,795	451,829	597,624
Unearned revenue	128,478	445,841	574,319
Claims payable	106,626	-	106,626
Compensated absences	2,465,708	315,886	2,781,594
Capital leases payable	381,666	-	381,666
Revenue bonds payable (net of unamortized premiums and discounts)	8,288,961	399,030	8,687,991
Total current liabilities	<u>20,499,850</u>	<u>5,018,312</u>	<u>25,518,162</u>
Noncurrent liabilities:			
Claims payable	206,750	-	206,750
Compensated absences	616,427	78,971	695,398
Capital leases payable	947,816	-	947,816
Revenue bonds payable (net of unamortized premiums and discounts)	102,968,076	10,791,306	113,759,382
Total noncurrent liabilities	<u>104,739,069</u>	<u>10,870,277</u>	<u>115,609,346</u>
Total liabilities	<u>125,238,919</u>	<u>15,888,589</u>	<u>141,127,508</u>
NET ASSETS			
Invested in capital assets, net of related debt	466,763,910	497,810,394	964,574,304
Restricted for:			
Transportation	3,240,851	-	3,240,851
Highways and streets	3,102,096	-	3,102,096
Grant purposes	1,936,107	11,591	1,947,698
Public safety	1,025,012	-	1,025,012
Debt service	14,635,803	6,620,307	21,256,110
Capital projects	33,653,088	8,166,850	41,819,938
Unrestricted	36,971,792	41,606,778	78,578,570
Total net assets	<u>\$ 561,328,659</u>	<u>\$ 554,215,920</u>	<u>\$ 1,115,544,579</u>

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,862,710	\$ 1,656,665	\$ 100,031	\$ 651,250
Public safety	24,168,796	407,961	1,433,119	326,656
Highways and streets	12,322,104	-	4,428,030	484,706
Health and welfare	2,470,031	-	1,601,575	-
Economic and community development	7,985,413	576,436	3,011,367	-
Culture and recreation	3,190,869	575,046	51,051	333,099
Transportation	1,902,347	-	2,087,247	-
Interest on long-term debt	5,129,250	-	-	-
Total governmental activities	<u>70,031,520</u>	<u>3,216,108</u>	<u>12,712,420</u>	<u>1,795,711</u>
Business-type activities:				
Water utility	15,442,478	11,097,099	-	921,473
Wastewater utility	10,252,684	7,220,779	-	690,956
Sanitation utility	3,613,617	4,732,011	-	36,497
Total business-type activities	<u>29,308,779</u>	<u>23,049,889</u>	<u>-</u>	<u>1,648,926</u>
Total primary government	<u>\$ 99,340,299</u>	<u>\$ 26,265,997</u>	<u>\$ 12,712,420</u>	<u>\$ 3,444,637</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, as restated

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**

Governmental Activities	Business-type Activities	Totals
\$ (10,454,764)	\$ -	\$ (10,454,764)
(22,001,060)	-	(22,001,060)
(7,409,368)	-	(7,409,368)
(868,456)	-	(868,456)
(4,397,610)	-	(4,397,610)
(2,231,673)	-	(2,231,673)
184,900	-	184,900
(5,129,250)	-	(5,129,250)
<u>(52,307,281)</u>	<u>-</u>	<u>(52,307,281)</u>
-	(3,423,906)	(3,423,906)
-	(2,340,949)	(2,340,949)
-	1,154,891	1,154,891
-	<u>(4,609,964)</u>	<u>(4,609,964)</u>
<u>(52,307,281)</u>	<u>(4,609,964)</u>	<u>(56,917,245)</u>
30,298,359	-	30,298,359
2,063,316	-	2,063,316
4,716,859	-	4,716,859
1,047,312	-	1,047,312
15,644,558	-	15,644,558
417,727	195,602	613,329
25,307	75,345	100,652
2,376,003	135,320	2,511,323
(8,876,219)	8,876,219	-
<u>47,713,222</u>	<u>9,282,486</u>	<u>56,995,708</u>
<u>(4,594,059)</u>	<u>4,672,522</u>	<u>78,463</u>
<u>565,922,718</u>	<u>549,543,398</u>	<u>1,115,466,116</u>
<u>\$ 561,328,659</u>	<u>\$ 554,215,920</u>	<u>\$ 1,115,544,579</u>

**CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
ASSETS			
Cash and cash equivalents	\$ 10,376,904	\$ 2,660,818	\$ 709,815
Investments	18,016,995	-	-
Receivables			
Taxes	1,956,432	-	443,196
Accounts	118,656	2,532	-
Interest	138,914	-	-
Due from other funds	484,753	-	-
Due from other governments	987,471	363,341	-
Inventories	3,776	256,913	-
Prepaid items	73,349	-	-
Restricted cash, cash equivalents and investments:			
Cash and cash equivalents	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Investments	-	-	-
Total assets	<u>\$ 32,157,250</u>	<u>\$ 3,283,604</u>	<u>\$ 1,153,011</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,019,753	\$ 139,612	\$ 30
Accrued payroll and employee benefits	1,351,856	54,265	-
Accrued liabilities	358,484	-	-
Construction contracts payable	21,409	-	-
Deposits held for others	137,301	-	-
Sales taxes payable	474	144	-
Due to other governments	-	-	-
Due to other funds	-	230	-
Deferred revenue	177,819	-	-
Total liabilities	<u>3,067,096</u>	<u>194,251</u>	<u>30</u>
Fund balances:			
Reserved for:			
Inventories	3,776	256,913	-
Prepaid assets	73,349	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved reported in:			
General Fund	29,013,029	-	-
Special Revenue Funds	-	2,832,440	1,152,981
Capital Projects Funds	-	-	-
Total fund balances	<u>29,090,154</u>	<u>3,089,353</u>	<u>1,152,981</u>
Total liabilities and fund balances	<u>\$ 32,157,250</u>	<u>\$ 3,283,604</u>	<u>\$ 1,153,011</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
\$ 642,292	\$ 19,250,732	\$ 15,573,058	\$ 49,213,619
-	-	-	18,016,995
443,171	-	214,231	3,057,030
7,133	-	379,460	507,781
-	83,826	-	222,740
-	-	-	484,753
-	229,227	1,856,941	3,436,980
-	-	11,285	271,974
-	-	1,370,000	1,443,349
-	2,103,080	-	2,103,080
-	-	10,554,452	10,554,452
-	12,760,731	-	12,760,731
<u>\$ 1,092,596</u>	<u>\$ 34,427,596</u>	<u>\$ 29,959,427</u>	<u>\$ 102,073,484</u>

\$ 22,863	\$ 2,293,182	\$ 251,255	\$ 3,726,695
201,686	-	27,860	1,635,667
-	-	2,561,547	2,920,031
-	297,757	-	319,166
-	-	8,494	145,795
-	750	412	1,780
-	-	175,833	175,833
13	-	136,682	136,925
-	124,922	906,836	1,209,577
<u>224,562</u>	<u>2,716,611</u>	<u>4,068,919</u>	<u>10,271,469</u>

-	-	11,285	271,974
-	-	1,370,000	1,443,349
-	-	13,138,762	13,138,762
-	14,863,811	789,122	15,652,933
-	-	-	29,013,029
868,034	-	4,470,217	9,323,672
-	16,847,174	6,111,122	22,958,296
<u>868,034</u>	<u>31,710,985</u>	<u>25,890,508</u>	<u>91,802,015</u>
<u>\$ 1,092,596</u>	<u>\$ 34,427,596</u>	<u>\$ 29,959,427</u>	<u>\$ 102,073,484</u>

CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund balances - total governmental funds balance sheet \$ 91,802,015

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	\$ 717,628,816	
Less accumulated depreciation	<u>(138,278,387)</u>	579,350,429

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	(110,215,251)	
Capital leases payable	(1,329,482)	
Compensated absences	<u>(3,082,135)</u>	(114,626,868)

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

Bond premiums and discounts, net	(1,041,786)	
Deferred bond issue cost and charges	<u>1,827,015</u>	785,229

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

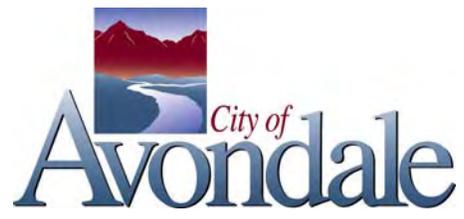
2,936,752

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

Intergovernmental revenue	920,156	
Property tax revenue	<u>160,946</u>	<u>1,081,102</u>

Net assets of governmental activities - statement of net assets \$ 561,328,659

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, 2010

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 22,866,928	\$ -	\$ 5,286,344
Licenses and permits	665,303	-	-
Intergovernmental	16,088,211	3,942,434	-
Charges for services	828,580	-	-
Fines, forfeitures, and penalties	1,262,853	-	-
Investment income	262,050	2,051	1,241
Contributions	127,017	-	-
Miscellaneous	1,573,150	3,026	-
Total revenues	<u>43,674,092</u>	<u>3,947,511</u>	<u>5,287,585</u>
Expenditures			
Current:			
General government	9,118,679	-	4,200
Public safety	17,107,022	-	-
Highways and streets	-	1,494,380	-
Health and welfare	1,340,703	-	-
Economic and community development	3,229,477	1,944,725	-
Culture and recreation	3,329,325	-	-
Transportation	-	-	-
Debt service:			
Principal	300,643	-	-
Interest and other charges	53,485	-	-
Capital outlay	632,823	13,752	-
Total expenditures	<u>35,112,157</u>	<u>3,452,857</u>	<u>4,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,561,935</u>	<u>494,654</u>	<u>5,283,385</u>
Other financing sources (uses)			
Bonds issued	-	-	-
Refunding bonds issued	-	-	-
Payments to refunded bonds escrow agent	-	-	-
Bond premium (discount)	-	-	-
Sale of capital assets	33	-	-
Transfers in	-	201,279	-
Transfers out	(11,769,770)	(618,270)	(6,741,950)
Total other financing sources (uses)	<u>(11,769,737)</u>	<u>(416,991)</u>	<u>(6,741,950)</u>
Net change in fund balances	(3,207,802)	77,663	(1,458,565)
Fund balances at beginning of year	<u>32,297,956</u>	<u>3,011,690</u>	<u>2,611,546</u>
Fund balances at end of year	<u>\$ 29,090,154</u>	<u>\$ 3,089,353</u>	<u>\$ 1,152,981</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
\$ 5,286,343	\$ -	\$ 4,787,795	\$ 38,227,410
-	1,331,127	-	1,996,430
-	543,225	7,052,592	27,626,462
-	-	115,752	944,332
-	-	-	1,262,853
-	139,380	10,673	415,395
-	-	815,423	942,440
-	-	854,994	2,431,170
<u>5,286,343</u>	<u>2,013,732</u>	<u>13,637,229</u>	<u>73,846,492</u>
233,970	8,469	112,592	9,477,910
4,551,540	-	1,222,581	22,881,143
-	1,110,844	-	2,605,224
-	-	3,590,952	4,931,655
-	-	354,438	5,528,640
-	57,586	9,262	3,396,173
-	-	1,895,324	1,895,324
-	96,669	8,223,162	8,620,474
-	11,255	5,362,941	5,427,681
-	14,482,688	133,166	15,262,429
<u>4,785,510</u>	<u>15,767,511</u>	<u>20,904,418</u>	<u>80,026,653</u>
<u>500,833</u>	<u>(13,753,779)</u>	<u>(7,267,189)</u>	<u>(6,180,161)</u>
-	-	29,800,000	29,800,000
-	-	2,815,000	2,815,000
-	-	(2,753,893)	(2,753,893)
-	-	48,388	48,388
-	-	116,325	116,358
-	32,900,000	8,683,956	41,785,235
-	(1,148,370)	(30,383,094)	(50,661,454)
<u>-</u>	<u>31,751,630</u>	<u>8,326,682</u>	<u>21,149,634</u>
500,833	17,997,851	1,059,493	14,969,473
<u>367,201</u>	<u>13,713,134</u>	<u>24,831,015</u>	<u>76,832,542</u>
<u>\$ 868,034</u>	<u>\$ 31,710,985</u>	<u>\$ 25,890,508</u>	<u>\$ 91,802,015</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, 2010**

Net change in fund balances - total governmental funds statement of revenues,
expenditures, and changes in fund balances \$ 14,969,473

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	\$ 15,262,429	
Less current year depreciation	<u>(14,214,298)</u>	1,048,131

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.

Bond issuance	(32,615,000)	
Payments to refunded bonds escrow agent	2,753,893	
Principal payments on long-term debt	8,223,162	
Principal payments on capital leases	397,312	
Deferred bond issue cost and charges	81,120	
Bond premium	<u>(48,388)</u>	(21,207,901)

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		(91,051)
------------------------	--	----------

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.

583,437

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

Amortization of bond premiums, discounts, and deferred debt issuance cost and charges	(122,175)	
Compensated absences benefits	(187,231)	
Property tax revenues	(101,564)	
Intergovernmental revenues	<u>514,822</u>	<u>103,852</u>

Change in net assets of governmental activities - statement of activities		<u>\$ (4,594,059)</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
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 23,407,450	\$ 23,407,450	\$ 22,866,928	\$ (540,522)
Licenses and permits	1,026,990	1,026,990	665,303	(361,687)
Intergovernmental	17,192,820	17,192,820	16,088,211	(1,104,609)
Charges for services	988,680	988,680	828,580	(160,100)
Fines, forfeitures, and penalties	1,189,350	1,189,350	1,262,853	73,503
Investment income	157,500	157,500	262,050	104,550
Contributions	245,750	245,800	127,017	(118,783)
Miscellaneous	70,390	70,340	1,573,150	1,502,810
Total revenues	<u>44,278,930</u>	<u>44,278,930</u>	<u>43,674,092</u>	<u>(604,838)</u>
Expenditures				
Current:				
General government	14,467,380	15,408,131	9,118,679	6,289,452
Public safety	18,385,810	18,362,060	17,107,022	1,255,038
Health and welfare	1,726,300	1,726,300	1,340,703	385,597
Economic and community development	4,766,230	4,613,322	3,229,477	1,383,845
Culture and recreation	5,157,160	4,938,067	3,329,325	1,608,742
Debt service:				
Principal	366,910	366,910	300,643	66,267
Interest and other charges	-	-	53,485	(53,485)
Capital outlay	811,350	266,350	632,823	(366,473)
Total expenditures	<u>45,681,140</u>	<u>45,681,140</u>	<u>35,112,157</u>	<u>10,568,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,402,210)</u>	<u>(1,402,210)</u>	<u>8,561,935</u>	<u>9,964,145</u>
Other financing sources (uses)				
Sale of capital assets	-	-	33	33
Transfers out	(11,769,770)	(11,769,770)	(11,769,770)	-
Total other financing sources (uses)	<u>(11,769,770)</u>	<u>(11,769,770)</u>	<u>(11,769,737)</u>	<u>33</u>
Net change in fund balance	(13,171,980)	(13,171,980)	(3,207,802)	9,964,178
Fund balance at beginning of year	<u>23,619,116</u>	<u>23,619,116</u>	<u>32,297,956</u>	<u>8,678,840</u>
Fund balance at end of year	<u>\$ 10,447,136</u>	<u>\$ 10,447,136</u>	<u>\$ 29,090,154</u>	<u>\$ 18,643,018</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2010

	Highway User Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 4,394,010	\$ 4,394,010	\$ 3,942,434	\$ (451,576)
Investment income	35,000	35,000	2,051	(32,949)
Miscellaneous	-	-	3,026	3,026
Total revenues	<u>4,429,010</u>	<u>4,429,010</u>	<u>3,947,511</u>	<u>(481,499)</u>
Expenditures				
Current:				
Highways and streets	2,074,940	1,892,170	1,494,380	397,790
Economic and community development	2,334,080	2,305,594	1,944,725	360,869
Capital outlay	46,510	39,496	13,752	25,744
Total expenditures	<u>4,455,530</u>	<u>4,237,260</u>	<u>3,452,857</u>	<u>784,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,520)</u>	<u>191,750</u>	<u>494,654</u>	<u>302,904</u>
Other financing sources (uses)				
Transfers in	-	488,130	201,279	(286,851)
Transfers out	(400,000)	(618,270)	(618,270)	-
Total other financing sources (uses)	<u>(400,000)</u>	<u>(130,140)</u>	<u>(416,991)</u>	<u>(286,851)</u>
Net change in fund balance	(426,520)	61,610	77,663	16,053
Fund balance at beginning of year	<u>2,928,093</u>	<u>2,928,093</u>	<u>3,011,690</u>	<u>83,597</u>
Fund balance at end of year	<u>\$ 2,501,573</u>	<u>\$ 2,989,703</u>	<u>\$ 3,089,353</u>	<u>\$ 99,650</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, 2010

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 5,604,570	\$ 5,604,570	\$ 5,286,344	\$ (318,226)
Investment income	100,000	100,000	1,241	(98,759)
Total revenues	<u>5,704,570</u>	<u>5,704,570</u>	<u>5,287,585</u>	<u>(416,985)</u>
Expenditures				
Current:				
General government	7,500	7,500	4,200	3,300
Total expenditures	<u>7,500</u>	<u>7,500</u>	<u>4,200</u>	<u>3,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,697,070</u>	<u>5,697,070</u>	<u>5,283,385</u>	<u>(413,685)</u>
Other financing sources (uses)				
Transfers out	(6,741,950)	(6,741,950)	(6,741,950)	-
Total other financing sources (uses)	<u>(6,741,950)</u>	<u>(6,741,950)</u>	<u>(6,741,950)</u>	<u>-</u>
Net change in fund balance	(1,044,880)	(1,044,880)	(1,458,565)	(413,685)
Fund balance at beginning of year	<u>2,653,990</u>	<u>2,653,990</u>	<u>2,611,546</u>	<u>(42,444)</u>
Fund balance at end of year	<u>\$ 1,609,110</u>	<u>\$ 1,609,110</u>	<u>\$ 1,152,981</u>	<u>\$ (456,129)</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, 2010

	Public Safety Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 5,604,570	\$ 5,604,570	\$ 5,286,343	\$ (318,227)
Investment income	28,600	28,600	-	(28,600)
Total revenues	<u>5,633,170</u>	<u>5,633,170</u>	<u>5,286,343</u>	<u>(346,827)</u>
Expenditures				
Current:				
General government	284,070	284,070	233,970	50,100
Public safety	<u>4,713,960</u>	<u>4,713,960</u>	<u>4,551,540</u>	<u>162,420</u>
Total expenditures	<u>4,998,030</u>	<u>4,998,030</u>	<u>4,785,510</u>	<u>212,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>635,140</u>	<u>635,140</u>	<u>500,833</u>	<u>(134,307)</u>
Net change in fund balance	635,140	635,140	500,833	(134,307)
Fund balance at beginning of year	<u>231,240</u>	<u>231,240</u>	<u>367,201</u>	<u>135,961</u>
Fund balance at end of year	<u>\$ 866,380</u>	<u>\$ 866,380</u>	<u>\$ 868,034</u>	<u>\$ 1,654</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, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 24,400,762	\$ 4,809,136	\$ 5,140,301	\$ 34,350,199	\$ 3,731,874
Receivables					
Accounts (net)	2,437,100	1,693,488	1,071,372	5,201,960	1,123
State and county taxes	171,851	-	-	171,851	-
Interest	46,305	46,305	-	92,610	-
Due from other governments	242,794	11,591	-	254,385	-
Inventories	1,650,691	31,913	15,606	1,698,210	236,075
Prepaid items	110,833	-	-	110,833	-
Total current assets	<u>29,060,336</u>	<u>6,592,433</u>	<u>6,227,279</u>	<u>41,880,048</u>	<u>3,969,072</u>
Noncurrent assets:					
Investments	6,221,601	6,005,665	-	12,227,266	-
Restricted cash and cash equivalents with fiscal agent	6,225,906	394,401	-	6,620,307	-
Deferred bond issuance costs and charges (net)	9,426	199,064	-	208,490	-
Capital assets:					
Non-depreciable	22,766,598	2,942,604	-	25,709,202	-
Depreciable (net)	232,001,199	250,413,965	876,364	483,291,528	161,661
Total noncurrent assets	<u>267,224,730</u>	<u>259,955,699</u>	<u>876,364</u>	<u>528,056,793</u>	<u>161,661</u>
Total assets	<u>296,285,066</u>	<u>266,548,132</u>	<u>7,103,643</u>	<u>569,936,841</u>	<u>4,130,733</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,995,698	627,075	75,717	2,698,490	175,966
Accrued payroll and employee benefits	103,937	45,007	39,103	188,047	27,300
Accrued liabilities	25,190	43,431	-	68,621	-
Construction contracts payable	152,465	-	-	152,465	-
Sales taxes payable	298,065	38	-	298,103	182
Deposits held in custody for others	441,829	-	10,000	451,829	-
Due to other funds	1,022	348	81	1,451	346,377
Unearned revenue	437,472	8,369	-	445,841	-
Compensated absences	144,693	90,314	80,879	315,886	25,072
Revenue bonds payable (net of unamortized premiums and discounts)	-	399,030	-	399,030	-
Total current liabilities	<u>3,600,371</u>	<u>1,213,612</u>	<u>205,780</u>	<u>5,019,763</u>	<u>574,897</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	313,376
Compensated absences	36,173	22,579	20,219	78,971	18,564
Revenue bonds payable (net of unamortized premiums and discounts)	599,148	10,192,158	-	10,791,306	-
Total noncurrent liabilities	<u>635,321</u>	<u>10,214,737</u>	<u>20,219</u>	<u>10,870,277</u>	<u>331,940</u>
Total liabilities	<u>4,235,692</u>	<u>11,428,349</u>	<u>225,999</u>	<u>15,890,040</u>	<u>906,837</u>
NET ASSETS					
Invested in capital assets, net of related debt	254,168,649	242,765,381	876,364	497,810,394	161,661
Restricted for:					
Grant purposes	-	11,591	-	11,591	-
Debt service	6,225,906	394,401	-	6,620,307	-
Capital projects	7,114,970	1,051,880	-	8,166,850	-
Unrestricted	24,539,849	10,896,530	6,001,280	41,437,659	3,062,235
Total net assets	<u>\$ 292,049,374</u>	<u>\$ 255,119,783</u>	<u>\$ 6,877,644</u>	<u>554,046,801</u>	<u>\$ 3,223,896</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>169,119</u>	
Net assets of business-type activities (page 21)				<u>\$ 554,215,920</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, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating revenues:					
Charges for services	\$ 11,097,099	\$ 7,220,779	\$ 4,732,011	\$ 23,049,889	\$ 3,821,522
Miscellaneous	35,715	3,425	96,180	135,320	2,700
Total operating revenues	<u>11,132,814</u>	<u>7,224,204</u>	<u>4,828,191</u>	<u>23,185,209</u>	<u>3,824,222</u>
Operating expenses:					
Cost of sales and services	7,284,067	3,412,076	3,054,301	13,750,444	1,609,730
Administration	2,185,347	961,990	253,903	3,401,240	757,605
Insurance claims and expenses	-	-	-	-	697,388
Depreciation	6,006,777	5,395,996	349,042	11,751,815	37,332
Total operating expenses	<u>15,476,191</u>	<u>9,770,062</u>	<u>3,657,246</u>	<u>28,903,499</u>	<u>3,102,055</u>
Operating income (loss)	<u>(4,343,377)</u>	<u>(2,545,858)</u>	<u>1,170,945</u>	<u>(5,718,290)</u>	<u>722,167</u>
Non-operating revenues (expenses):					
Gain on sale of capital assets	41,465	-	33,880	75,345	-
Investment income	102,070	90,819	2,713	195,602	2,335
Interest expense	(35,852)	(510,493)	-	(546,345)	-
Total non-operating revenues (expenses)	<u>107,683</u>	<u>(419,674)</u>	<u>36,593</u>	<u>(275,398)</u>	<u>2,335</u>
Income (loss) before capital grants, development fees and transfers	<u>(4,235,694)</u>	<u>(2,965,532)</u>	<u>1,207,538</u>	<u>(5,993,688)</u>	<u>724,502</u>
Capital grants	242,794	8,369	-	251,163	-
Development fees	678,679	682,587	36,497	1,397,763	-
Transfers in	1,000,000	7,876,219	-	8,876,219	-
Change in net assets	<u>(2,314,221)</u>	<u>5,601,643</u>	<u>1,244,035</u>	<u>4,531,457</u>	<u>724,502</u>
Net assets - beginning, as restated	<u>294,363,595</u>	<u>249,518,140</u>	<u>5,633,609</u>	<u>549,515,344</u>	<u>2,499,394</u>
Net assets - ending	<u>\$ 292,049,374</u>	<u>\$ 255,119,783</u>	<u>\$ 6,877,644</u>		<u>\$ 3,223,896</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>141,065</u>	
Change in net assets of business-type activities (page 22-23)				<u>\$ 4,672,522</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, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Cash flows from operating activities:					
Receipts from customers	\$11,238,477	\$ 7,195,091	\$ 4,718,522	\$23,152,090	\$ 3,821,793
Payments to suppliers	(6,989,118)	(6,967,930)	(2,146,241)	(16,103,289)	(2,333,979)
Payments to employees	(2,550,299)	(1,306,144)	(1,188,096)	(5,044,539)	(759,941)
Miscellaneous	35,715	3,425	96,180	135,320	2,700
Net cash provided (used) by operating activities	<u>1,734,775</u>	<u>(1,075,558)</u>	<u>1,480,365</u>	<u>2,139,582</u>	<u>730,573</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	1,022	348	81	1,451	(61,007)
Transfers in	1,000,000	7,876,219	-	8,876,219	-
Net cash provided (used) for noncapital financing activities	<u>1,001,022</u>	<u>7,876,567</u>	<u>81</u>	<u>8,877,670</u>	<u>(61,007)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(4,348,720)	(7,643,439)	(374)	(11,992,533)	(111,741)
Proceeds from capital debt	567,525	8,511,016	-	9,078,541	-
Bonds refunded with bond costs	(701,726)	(4,480,309)	-	(5,182,035)	-
Water infrastructure loans repaid	-	(7,234,537)	-	(7,234,537)	-
Principal payments on capital debt	(139,150)	-	-	(139,150)	-
Interest paid on capital debt	(25,634)	(586,107)	-	(611,741)	-
Capital grants	242,794	8,369	-	251,163	-
Development fees	678,679	682,587	36,497	1,397,763	-
Proceeds from sale of capital assets	764,215	-	33,880	798,095	-
Net cash provided (used) for capital and related financing activities	<u>(2,962,017)</u>	<u>(10,742,420)</u>	<u>70,003</u>	<u>(13,634,434)</u>	<u>(111,741)</u>
Cash flows from investing activities:					
Purchase of investments	(6,986,870)	(6,772,411)	-	(13,759,281)	-
Proceeds from sales and maturities of investments	799,720	799,720	-	1,599,440	-
Investment income	43,686	26,176	5,462	75,324	4,864
Net cash provided by investing activities	<u>(6,143,464)</u>	<u>(5,946,515)</u>	<u>5,462</u>	<u>(12,084,517)</u>	<u>4,864</u>
Net increase (decrease) in cash and cash equivalents	(6,369,684)	(9,887,926)	1,555,911	(14,701,699)	562,689
Cash and cash equivalents, beginning of period	36,996,352	15,091,463	3,584,390	55,672,205	3,169,185
Cash and cash equivalents, end of period	<u>\$30,626,668</u>	<u>\$ 5,203,537</u>	<u>\$ 5,140,301</u>	<u>\$40,970,506</u>	<u>\$ 3,731,874</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (4,343,377)	\$ (2,545,858)	\$ 1,170,945	\$ (5,718,290)	\$ 722,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,006,777	5,395,996	349,042	11,751,815	37,332
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	33,803	(25,726)	(13,489)	(5,412)	271
(Increase) decrease in inventories	(1,307,591)	(3,449)	12,530	(1,298,510)	13,767
(Increase) decrease in prepaid assets	(110,833)	948,345	-	837,512	295
Increase (decrease) in accounts payable	1,362,191	(4,860,769)	(30,459)	(3,529,037)	34,242
Increase (decrease) in accrued payroll and employee benefits	(38,136)	(8,401)	(21,215)	(67,752)	(918)
Increase (decrease) in accrued liabilities	5,867	-	-	5,867	-
Increase (decrease) in sales taxes payable	87,906	38	-	87,944	182
Increase (decrease) in deposits held in custody for others	32,139	-	-	32,139	-
Increase (decrease) in unearned revenue	(12,470)	-	-	(12,470)	-
Increase (decrease) in compensated absences	18,499	24,266	13,011	55,776	(1,418)
Increase (decrease) in claims payable	-	-	-	-	(75,347)
Net cash provided (used) by operating activities	<u>\$ 1,734,775</u>	<u>\$ (1,075,558)</u>	<u>\$ 1,480,365</u>	<u>\$ 2,139,582</u>	<u>\$ 730,573</u>

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

(continued on next page)

CITY OF AVONDALE, ARIZONA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Reconciliation of cash and cash equivalents at end of year to statement of net assets:					
Cash and cash equivalents	\$24,400,762	\$ 4,809,136	\$ 5,140,301	\$34,350,199	\$ 3,731,874
Restricted cash and cash equivalents with fiscal agents	6,225,906	394,401	-	6,620,307	-
Total cash and cash equivalents	<u>\$30,626,668</u>	<u>\$ 5,203,537</u>	<u>\$ 5,140,301</u>	<u>\$40,970,506</u>	<u>\$ 3,731,874</u>
Noncash capital, financing and investing activities:					
Retroactive restatement of intangible assets	\$ 816,461	\$ -	\$ -	\$ 816,461	\$ -
Amortization of deferred bond issuance cost and charges	9,426	8,155	-	17,581	-
Amortization of investment premium (net)	4,571	4,571	-	9,142	-
Increase in fair value of investments	34,451	32,974	-	67,425	-

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

(continuation)

**CITY OF AVONDALE, ARIZONA
 STATEMENT OF FIDUCIARY NET ASSETS
 VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION
 TRUST FUND
 JUNE 30, 2010**

	Volunteer Firefighters' Relief and Pension Trust Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 258,414
Interest receivable	-
Total assets	<u>258,414</u>
LIABILITIES	
Accounts payable	-
Total liabilities	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>258,414</u>
Total net assets	<u><u>\$ 258,414</u></u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION
TRUST FUND
YEAR ENDED JUNE 30, 2010

	Volunteer Firefighters' Relief and Pension Trust Fund
ADDITIONS	
Contributions:	
Investment income, net	<u>\$ 243</u>
Total additions	<u>243</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net assets	(4,557)
Total net assets, beginning of year	<u>262,971</u>
Total net assets, end of year	<u><u>\$ 258,414</u></u>

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Notes to the Financial Statements

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

Contents

Note		Page
1	Summary of Significant Accounting Policies	42
2	Cash and Investments	53
3	Property Tax Revenues	55
4	Receivables	56
5	Capital Assets	56
6	Net Assets	58
7	Retirement Plans	58
8	Long-Term Obligations	62
9	Interfund Payables, Receivables and Transfers	67
10	Segment Information	68
11	Risk Management	68
12	Contingent Liabilities	69
13	Commitments	69
14	Operating Leases	70
15	Beginning Balances Restated	70
16	Subsequent Events	70

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, proprietary and fiduciary 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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 City administers the following types of 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 State Constitution, enabling legislation, external parties, 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 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 fund financial statements are prepared on the same basis as the government-wide financial statements (*economic resources measurement focus* and *accrual basis of accounting*) and, therefore, the measurement focus is upon the determination of operating income, changes in net assets, financial position, and cash flows. Since the proprietary funds' basis of accounting is the same as the government-wide financial statements, most enterprise fund financial statement lines on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 fund 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 fund 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 fund financial statements distinguish operating revenues and expenses from non-operating 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. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. The City's proprietary funds follow.

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 cost (including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges and fees, or 2) where the City Council has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise funds that the City currently maintains are the Water Utility, Wastewater Utility, and Sanitation Utility Funds.

Internal Service Funds account for the operations that provide services to other city departments or the City, as a whole, on a cost-reimbursement basis. The internal service funds are presented as one column on the proprietary fund financial statements. Combining fund financial statements are also presented for the internal service funds, but they are not part of the basic financial statements. The 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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 and time restrictions imposed by the provider have been met.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 transaction 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 license fees are not susceptible to accrual because generally they are not measurable until received.

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

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

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 November 3, 2009, 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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile 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.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, City Council must approve any revisions that alter the total expenditures of any fund or any transfers between funds.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. During the year ended June 30, 2010, the original budget has been amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.
8. All appropriations lapse at year-end.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the City considers all highly liquid investments (including the funds' participation in the investment pool account, and appropriate restricted assets) to be cash equivalents. Individual fund investments with a maturity of three months or less when purchased are considered as cash equivalents.

F. Investments

Arizona Revised Statutes the City Charter authorize the City to invest public monies in the State Treasurer's local government investment pool's; 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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

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

G. Inventories

Inventories are valued at cost and the City uses the first-in, first-out 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 fund 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.

The trust indentures executed for the bond series issued require all cash and investments of each bond series to be held on deposit by the fiscal agents (trustees). These assets are restricted for payment of interest and trustee fees associated with the bond issues, retirement of principal balances, and to finance various capital projects.

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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Investment Income

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

L. Prepaid Items

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

M. Fund Equity

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 constitutional provisions, enabling legislation, or external sources are shown as restricted net assets on the government-wide financial statements.

N. Receivables and Payables

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

O. Interfund Activity

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

P. Transactions Between Funds

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. 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, depreciation or amortization is presented in the governmental funds financial statements.

Capital assets, which include property, plant, equipment, public domain infrastructure assets (e.g., roads, curbs and gutters, streets and sidewalks, and similar items that are immovable and of value only to the City), and intangible assets (e.g., water rights that lack physical substance, are nonfinancial in nature, and have initial useful lives greater than one year). Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The City reports infrastructure assets on a network and subsystem basis. The City records capital assets at cost or estimated historical cost if purchased or constructed and records donated capital assets at the estimated fair market value at the date of donation. The City records granted or allotted water rights at the estimated fair market value at the grant or allotment date.

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 assets.

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.

The City's water rights have indefinite useful lives and, therefore, the City does not amortize these assets. Capital assets, including intangible assets with definite useful lives, are depreciated or amortized using the following estimated useful lives and straight-line method.

Asset Category	Useful Life (Years)
Intangible assets	30
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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

R. Compensated Absences

Compensated absences consist of vacation leave and 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. Upon resignation, an employee will receive compensation at 33.3 percent of the accrued sick leave balance calculated at the employee's current hourly rate. Upon retirement of a vested employee, the City pays employees compensation at 33.3 percent or 100 percent of the balance, whichever is larger, up to 250 hours for employees with 10 years of continuous city service. The City pays 100 percent of the balance up to 500 hours for employees with 20 years of continuous city service.

Compensated absences 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 fund financial statements and the government-wide financial statements.

S. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions 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.

T. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type Statement of Net Assets. Bond premiums 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 cost and charges, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 CASH AND INVESTMENTS

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,770 at June 30, 2010.

Deposits

Cash in bank – The City’s carrying amount of operating account deposits at June 30, 2010, excluding fiduciary cash, was \$3,387,652 and the bank balance was \$4,668,045. The difference between the book and bank balance was due to outstanding checks, deposits, and other reconciling items. Of the bank balance, \$500,000 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 and cash equivalents – At June 30, 2010, the City had restricted cash and cash equivalents with fiscal agent of \$17,174,759. Of this balance, \$6,225,906 consisted of restricted construction bond proceeds and \$1,177,917 was restricted in reserve funds. The remaining cash balance of \$9,770,936 reflected cash and cash equivalents temporarily held by fiscal agents for the City’s July 1, 2010, debt service payments. Restricted cash and cash equivalents with fiscal agents were collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City’s name. The City also held \$2,236,051 of restricted construction bond proceeds in a U.S. Government agency debt securities investment account at June 30, 2010. Of this balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$1,736,051 was not collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City’s name.

Fiduciary cash and cash equivalents – At June 30, 2010, the Volunteer Firefighters’ Relief and Pension Trust Fund had cash and cash equivalents of \$258,414. This balance consisted of deposits of \$2,259 and the bank balance was \$2,084, which was entirely was covered by federal depository insurance. The remaining balance of \$256,155 consisted of investment in the State Treasurer’s Local Government Investment Pool 7 (LGIP-GOV Pool 7).

Investments

At June 30, 2010, the City had the following investments:

Investment Type	Fair Value	Maturities in Years		Rating	
		Less than 1	1-5	Moody’s	S&P
U.S. Government Agency Debt Securities					
Federal Home Loan Mortgage Corp	\$ 14,124,690	\$ -	\$ 14,124,690	Aaa	AAA
Federal Home Loan Bank	16,480,895	4,578,460	11,902,435	Aaa	AAA
Federal National Mortgage Association	5,079,070	1,007,810	4,071,260	Aaa	AAA
Federal Farm Credit Banks Funding Corporation	7,104,400	-	7,104,400	Aaa	AAA
Certificates of Deposit	215,937	-	215,937		
Total	<u>43,004,992</u>	<u>\$ 5,586,270</u>	<u>\$ 37,418,722</u>		
		Maturities in Days			
State Treasurer’s Local Government Investment Pool 7					
Primary government	83,769,299	29.2 days		NA	NA
Fiduciary activities	256,155	29.2 days		NA	NA
Total	<u>84,025,454</u>				
Total investments	<u>\$ 127,030,446</u>				

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 CASH AND INVESTMENTS (Cont'd)

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

Custodial credit risk

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

Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At June 30, 2010, \$22,546,813 of the City's bank balance of \$24,048,897 was exposed to custodial risk because it was uninsured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2010, \$215,937 of the City's investments was entirely covered by the Securities Investor Protection Corporation (SIPC). The remaining balances consisted of \$42,789,055 invested in U.S. Government agency debt securities, and \$84,025,454 invested in the State Treasurer's LGIP-GOV Pool 7 which invests solely in U.S. Government agency debt securities. U.S. Government agency debt securities carry the full faith and credit of the U.S. Government. Participation in investment pools of other governments is not subject to custodial credit risk.

The custodians provide the City with monthly market values along with original safekeeping receipts as appropriate.

Concentration of credit risk

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

As of June 30, 2010, the City's investments included 66.1% invested in the State Treasurer's LGIP-GOV Pool 7, 33.7% in U.S. Government agency securities, with the remaining 0.2% being invested in certificates of deposit.

Interest rate risk

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 CASH AND INVESTMENTS (Concl'd)

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

Credit risk

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

The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. As of June 30, 2010, the City's investments in U.S. Government agency debt securities were rated Aaa by Moody's Investors Service (Moody's) and AAA by Standard & Poor's (S&P). The City's investment in the State Treasurer's LGIP-GOV Pool 7 is limited solely to U.S. Government agency debt securities and, therefore, it does not carry a credit rating.

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 must reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 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.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 PROPERTY TAX REVENUES (Concl'd)

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 receivables in the Water Utility, Wastewater Utility and Sanitation Utility Funds at June 30, 2010, are \$923,000, \$665,000, and \$411,000, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility Funds are \$123,000, \$107,000 and \$68,000, respectively.

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, 2010, follows:

	Balance July 1, 2009, as restated	Additions	Deletions	Balance June 30, 2010
Governmental Activities				
Non-depreciable assets:				
Land	\$ 248,580,050	\$ 296,464	\$ -	\$ 248,876,514
Construction in progress	15,059,439	13,927,948	(6,877,845)	22,109,542
Total non-depreciable capital assets	<u>263,639,489</u>	<u>14,224,412</u>	<u>(6,877,845)</u>	<u>270,986,056</u>
Depreciable assets:				
Buildings and improvements	54,475,932	-	(24,998)	54,450,934
Improvements other than buildings	637,446	451,942	-	1,089,388
Vehicles, furniture, and equipment	26,517,663	519,153	(717,050)	26,319,766
Infrastructure	357,726,166	5,091,247	-	362,817,413
Intangible assets	-	1,965,259	-	1,965,259
Total depreciable capital assets	<u>439,357,207</u>	<u>8,027,601</u>	<u>(742,048)</u>	<u>446,642,760</u>
Less accumulated depreciation for:				
Buildings and improvements	11,196,256	1,594,666	-	12,790,922
Improvements other than buildings	16,935	33,342	-	50,277
Vehicles, furniture and equipment	18,204,290	2,992,557	(650,999)	20,545,848
Infrastructure	95,260,275	9,625,606	-	104,885,881
Intangible assets	-	5,459	-	5,459
Total accumulated depreciation	<u>124,677,756</u>	<u>14,251,630</u>	<u>(650,999)</u>	<u>138,278,387</u>
Total capital assets being depreciated, net	<u>314,679,451</u>	<u>(6,224,029)</u>	<u>(91,049)</u>	<u>308,364,373</u>
Total governmental activities capital assets, net	<u>\$ 578,318,940</u>	<u>\$ 8,000,383</u>	<u>\$ (6,968,894)</u>	<u>\$ 579,350,429</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 CAPITAL ASSETS (Concl'd)

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2010, follows:

	Balance July 1, 2009, as restated	Additions	Deletions	Balance June 30, 2010
Business-type activities:				
Non-depreciable assets:				
Land	\$ 16,252,303	\$ -	\$ (81,601)	\$ 16,170,702
Intangible assets	789,256	734,499	-	1,523,755
Construction in progress	54,452,221	11,124,291	(57,561,767)	8,014,745
Total non-depreciable assets	<u>71,493,780</u>	<u>11,858,790</u>	<u>(57,643,368)</u>	<u>25,709,202</u>
Depreciable assets:				
Water system	278,377,542	7,041,247	(652,899)	284,765,890
Sewer system	222,117,308	312,931	-	222,430,239
Wastewater treatment system	31,775,615	50,026,960	-	81,802,575
Vehicles, furniture and equipment	7,464,902	163,700	(287,337)	7,341,265
Improvements other than buildings	831,050	-	(22,167)	808,883
Total depreciable capital assets	<u>540,566,417</u>	<u>57,544,838</u>	<u>(962,403)</u>	<u>597,148,852</u>
Less accumulated depreciation for:				
Water system	48,608,459	5,608,599	-	54,217,058
Sewer system	40,156,214	4,646,459	-	44,802,673
Wastewater treatment system	8,729,429	606,763	-	9,336,192
Vehicles, furniture and equipment	4,895,281	849,554	(287,337)	5,457,498
Improvements other than buildings	3,463	40,440	-	43,903
Total accumulated depreciation	<u>102,392,846</u>	<u>11,751,815</u>	<u>(287,337)</u>	<u>113,857,324</u>
Total business-type activities capital assets being depreciated, net	<u>438,173,571</u>	<u>45,793,023</u>	<u>(675,066)</u>	<u>483,291,528</u>
Total business-type activity capital assets, net	<u>\$ 509,667,351</u>	<u>\$ 57,651,813</u>	<u>\$ (58,318,434)</u>	<u>\$ 509,000,730</u>

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

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 2,118,586
Public safety	1,421,504
Highways and streets	9,747,133
Health and welfare	25,818
Economic and community development	6,136
Culture and recreation	895,121
Internal services	37,332
Total depreciation expenses - governmental activities	<u>\$ 14,251,630</u>
Business-type activities:	
Water utility	\$ 6,006,777
Wastewater utility	5,395,996
Sanitation utility	349,042
Total depreciation expense - business-type activities	<u>\$ 11,751,815</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 NET ASSETS

The City's government-wide Statement of Net Assets reports \$72,391,704 of restricted net assets, of which \$36,821,353 is restricted by enabling legislation.

NOTE 7 RETIREMENT PLANS

All of the City's full-time employees participate in one of five 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 fire employees participate in the Public Safety Personnel Retirement System (PSPRS). All full-time police and detention officers participate in the Public Safety Personnel Retirement System (PSPRS) or the Correctional Officer's Retirement Plan (CORP) as applicable. 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, 2010, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent retirement and 0.4 percent long-term disability) of the members' annual covered payroll.

The City's contributions to ASRS for the years ended June 30, 2010, 2009, and 2008 were \$1,758,365, \$1,872,893, and \$2,052,286, respectively, which equaled 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.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 RETIREMENT PLANS (Cont'd)

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, 2010, 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 12.05 percent for police and 14.02 percent for fire. The City contributed the required amount.

Annual Pension Cost – The City's pension cost for the year ended June 30, 2010, the date of the most recent actuarial valuation, and related information follow.

	PSPRS – Police	PSPRS – Fire
Contribution rates:		
City	12.05%	14.02%
Plan members	7.65%	7.65%
Annual pension cost	\$746,976	\$550,209
Contributions made	\$746,976	\$550,209
Actuarial valuation date	6/30/10	6/30/10
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%
Inflation at cost-of-living adjustments	None	None
Payroll growth	5.5%	5.5%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	26 years for unfunded actuarial accrued liability	26 years for unfunded actuarial accrued liability
Asset valuation method	7-year smoothed market	7-year smoothed market

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	2010	\$746,976	100%	\$ -
	2009	887,189	100	-
	2008	638,965	100	-
PSPRS – Fire	2010	\$550,209	100%	\$ -
	2009	812,767	100	-
	2008	450,685	100	-

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2010, follows:

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 RETIREMENT PLANS (Cont'd)

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]
6/30/2010	\$ 12,607,771	\$ 16,407,340	\$ 3,799,568	76.8 %	\$ 6,743,939	56.3 %
6/30/2009	11,317,174	15,297,882	3,980,708	74.0	6,594,606	60.4
6/30/2008	10,060,791	13,744,757	3,683,966	73.2	6,673,898	55.2

PSPRS – 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]
6/30/2010	\$ 10,349,021	\$ 11,671,053	\$ 1,322,032	88.7 %	\$ 3,968,803	33.3 %
6/30/2009	9,169,671	10,859,920	1,690,249	84.4	4,026,999	42.0
6/30/2008	7,660,574	9,908,336	2,247,762	77.3	4,218,295	53.3

Correctional Officers Retirement Plan

Plan Description - The CORP is an agent, multiple-employer defined benefit pension plan that covers certain full-time state, county and municipal detention officers. The CORP is governed by a five member board known as the Fund Manager according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. Benefits are established by state statute and generally provide retirement, death, disability, survivor, and health insurance premium benefits. The CORP issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Correctional Officers Retirement Plan, 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, 2010, active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 6.00 percent. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2010, the date of the most recent actuarial valuation, and related information follow.

Contribution rates:	
City	6.00%
Plan members	8.41%
Annual pension cost	\$26,697

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 RETIREMENT PLANS (Cont'd)

Contributions made	\$26,697
Actuarial valuation date	6/30/10
Actuarial cost method	Projected unit credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Inflation at cost-of-living adjustments	None
Payroll growth	5.5%
Post-retirement benefit increases	Based on Investment Income
Amortization method	Level percent-of-pay closed
Remaining amortization period	26 years for unfunded actuarial accrued liability
Asset valuation method	7-year smoothed market

Trend information - CORP 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
CORP	2010	\$26,697	100%	\$ -
	2009	20,623	100%	-

Funding progress – An analysis of funding progress for CORP as of the most recent actuarial valuations, June 30, 2010, follows:

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]
6/30/2010	\$ 611,591	\$ 659,034	\$ 47,443	92.8 %	\$ 538,885	8.8 %
6/30/2009	510,860	481,065	(29,795)	106.2	436,457	0.0

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, 2010**

NOTE 7 RETIREMENT PLANS (Concl'd)

For the year ended June 30, 2010, active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The payroll for employees covered by EORP for the year ended June 30, 2010, was \$55,996. City contributions to the plan were 26.25% of the members' annual covered payroll, as determined by actuarial valuation. The City's contributions to EORP for the years ended June 30, 2010, 2009, and 2008 were \$14,781, \$16,570 and \$11,567, respectively, which equaled 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 benefit 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. Firefighters who have served 20 years of service, and meeting all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, 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, 2010, 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, 2010, follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,896,322	\$ 547,974	\$ 362,161	\$ 3,082,135	\$ 2,465,708
Capital leases payable	1,726,793	-	397,311	1,329,482	381,666
Contractual obligations	-	-	-	-	-
Claims payable	388,723	310,419	385,766	313,376	106,626
Municipal Development					
Corporation Bonds	72,042,306	-	4,692,055	67,350,251	4,964,029
General Obligation Bonds	13,450,000	32,615,000	5,980,000	40,085,000	2,925,000
Highway User Revenue Bonds	3,085,000	-	305,000	2,780,000	315,000
Unamortized premiums and discounts, net	1,078,330	48,388	84,932	1,041,786	84,932
Total	<u>\$ 94,667,474</u>	<u>\$ 33,521,781</u>	<u>\$ 12,207,225</u>	<u>\$ 115,982,030</u>	<u>\$ 11,242,961</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LONG-TERM OBLIGATIONS (Cont'd)

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year-end, internal service funds compensated absences of \$43,636 are included in the above liabilities.

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 heavy-duty fire vehicles. 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	927,040
Less: accumulated depreciation	(887,614)
Total	<u>\$ 2,213,875</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 381,666	\$ 49,232
2012	397,276	33,623
2013	413,525	17,374
2014	137,015	1,663
Total	<u>\$1,329,482</u>	<u>\$ 101,892</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding June 30, 2010</u>
1999 Series Bonds	3.60 - 4.70%	2011	\$ 1,092,411
2002 Series Bonds	3.00 - 4.25%	2015	7,725,000
2003 Series Bonds	2.00 - 3.75%	2015	6,880,000
2004 Series Bonds	2.50 - 4.30%	2020	9,280,000
2005 Series Bonds	3.00 - 4.00%	2020	10,962,840
2006 Series Bonds	4.00 - 5.00%	2027	16,825,000
2008 Series Bonds	4.00 - 5.00%	2029	14,585,000
			<u>\$67,350,251</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LONG-TERM OBLIGATIONS (Cont'd)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,964,029	\$ 2,635,907
2012	5,056,945	2,448,299
2013	5,088,788	2,262,429
2014	5,171,470	2,069,865
2015	4,874,152	1,877,271
2016-2020	22,987,342	6,549,220
2021-2025	12,317,525	2,743,125
2026-2029	6,890,000	394,000
Total	<u>\$ 67,350,251</u>	<u>\$ 20,980,116</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, 2010, totaled \$10,768,885. The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>
2002 Series Bonds	4.75 - 5.00%	2020	\$ 8,200,000
			<u>\$ 8,200,000</u>

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

On June 23, 2010, the City issued \$2,815,000 in General Obligation Bonds and contributed \$224,000 of City funds for a current refunding of \$2,910,000 of 1998 General Obligation Bonds. The refunding was undertaken to reduce future debt service payments. The transaction resulted in an economic gain of \$132,003 and a reduction of \$133,379 in future debt service payments.

The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>
2003 Series A Bonds	2.00 - 4.00%	2014	\$ 1,555,000
2003 Series B Bonds	2.00 - 2.75%	2010	1,090,000
2005 Series Bonds	3.00 - 5.00%	2016	3,310,000
2006 Series Bonds	3.75 - 4.00%	2018	1,515,000
2009 Series Bonds	2.75 - 7.80%	2034	29,800,000
2010 Series Bonds	2.75 - 3.25%	2018	2,815,000
			<u>\$ 40,085,000</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LONG-TERM OBLIGATIONS (Cont'd)

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>
2011	\$ 2,925,000	\$ 2,211,774
2012	2,775,000	2,119,071
2013	2,840,000	2,017,196
2014	2,985,000	1,895,548
2015	2,045,000	1,815,223
2016-2020	7,300,000	7,926,345
2021-2025	4,350,000	6,452,518
2026-2030	6,155,000	4,423,380
2031-2034	8,710,000	1,452,750
Total	<u>\$ 40,085,000</u>	<u>\$ 30,313,805</u>

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, 2010</u>
2005 Series Bonds	3.00 - 3.875%	2017	<u>\$ 2,780,000</u>
			<u>\$ 2,780,000</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>
2011	\$ 315,000	\$ 90,844
2012	325,000	79,875
2013	335,000	68,150
2014	350,000	55,463
2015	360,000	41,963
2016-2019	1,095,000	40,688
Total	<u>\$ 2,780,000</u>	<u>\$ 376,983</u>

Refunded Highway User Revenue Bonds

In prior years, the City defeased certain Highway User Revenue Bonds (1998 series bonds with an average interest rate of 5.00 %) by placing the proceeds of the new bonds in an irrevocable trust to provide for all further debt service on the old bonds. On July 1, 2008, the City retired the defeased bonds totaling \$2,980,000.

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, 2010, follows:

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LONG-TERM OBLIGATIONS (Cont'd)

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Business-type activities:					
Compensated absences	\$ 339,081	\$ 86,694	\$ 30,918	\$ 394,857	\$ 315,886
Water and Sewer Revenue Bonds	1,225,000	8,625,000	1,225,000	8,625,000	-
Municipal Development Corporation Bonds	6,037,688	-	3,952,945	2,084,743	350,971
Water Infrastructure Financing Loans	7,234,537	-	7,234,537	-	-
Unamortized premiums and discounts, net	-	480,593	-	480,593	48,059
	<u>\$ 14,836,306</u>	<u>\$ 9,192,287</u>	<u>\$ 12,443,400</u>	<u>\$ 11,585,193</u>	<u>\$ 714,916</u>

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

On June 23, 2010, the City issued \$8,625,000 in Water and Sewer Revenue Bonds and contributed \$1,854,000 of City funds for a current refunding of \$10,745,168 of 1996 Municipal Development Corporation Bonds, 1998 Water and Sewer Revenue Bonds, 1992 WIFA Loans and 1999 WIFA Loans. The refunding was undertaken to reduce future debt service payments. The transaction resulted in an economic gain of \$323,955 and a reduction of \$362,586 in future debt service payments.

The following issues are currently outstanding.

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2010
2010 Series Obligations	3.0 - 5.0%	2020	\$ 8,625,000
			<u>\$ 8,625,000</u>

Annual debt service requirements to maturity for the Water and Sewer Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest
2011	\$ -	\$ 353,689
2012	1,840,000	272,400
2013	2,015,000	191,800
2014	1,580,000	128,600
2015	450,000	115,100
2016-2020	2,335,000	289,150
2021-2025	405,000	-
Total	<u>\$ 8,625,000</u>	<u>\$ 1,350,739</u>

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LONG-TERM OBLIGATIONS (Concl'd)

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2010
1999 Series Bonds (37% of total issue)	3.60 - 4.70%	2011	\$ 647,586
2005 Series Bonds (12% of total issue)	3.00 - 4.00%	2021	1,437,157
			<u>\$ 2,084,743</u>

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

Year Ending June 30	Principal	Interest
2011	\$ 350,971	\$ 70,858
2012	318,055	56,055
2013	56,212	54,088
2014	58,530	52,039
2015	60,848	49,605
2016-2020	1,072,651	136,368
2021-2025	167,476	-
Total	<u>\$ 2,084,743</u>	<u>\$ 419,013</u>

NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2010, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Highway User Revenue Fund	\$ 230
General Fund	Public Safety Sales Tax Revenue Fund	13
General Fund	Non-Major Governmental Funds	136,682
General Fund	Water Utility Fund	1,022
General Fund	Wastewater Utility Fund	348
General Fund	Sanitation Utility Fund	81
General Fund	Internal Service Funds	346,377
Total		<u>\$ 484,753</u>

The \$484,753 interfund receivable in the General Fund is due primarily to borrowing by the funds to offset temporary deficit cash positions in the funds. The Other Debt Service Fund and Fleet Management Fund account for \$482,959, or 99.6%, of the interfund receivables and payables.

Interfund transfers for the year ended June 30, 2010, primarily consisted of the following activity.

General Fund transfers included \$10.1 million to the Development Fees Fund for street, fire, and parks development capital projects, \$0.8 million to various funds in order to meet city grant and intergovernmental agreement matching requirements, and \$0.9 million to debt service funds to service debt.

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS (Concl'd)

Dedicated Sales Tax Revenue Fund transfers included \$5.0 million to debt service funds to service debt, \$1.2 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.

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

Non-major Governmental Funds transfers included \$22.3 million to the Development Fees Fund for street and park capital projects, \$7.7 million to the Wastewater Utility Fund for sewer development, and \$0.4 million to fund various grants.

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

Interfund transfers for the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ 11,769,770
Highway User Revenue Fund	(201,279)	618,270
Dedicated Sales Tax Revenue Fund	-	6,741,950
Development Fees Fund	(32,900,000)	1,148,370
Non-major Governmental Funds	<u>(8,683,956)</u>	<u>30,383,094</u>
Total governmental funds	<u>(41,785,235)</u>	<u>50,661,454</u>
Enterprise funds:		
Water Utility Fund	(1,000,000)	-
Wastewater Utility Fund	<u>(7,876,219)</u>	-
Total enterprise funds	<u>(8,876,219)</u>	-
Grand total	<u>\$ (50,661,454)</u>	<u>\$ 50,661,454</u>

NOTE 10 SEGMENT INFORMATION

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

NOTE 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 (such as surety bonds, special event insurance as needed, and fine arts coverage). City workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool (AMWCP).

The City retains all of the risk not covered by commercial carriers and AMWCP and has effectively managed risk through various employee education and prevention programs.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11 RISK MANAGEMENT (Concl'd)

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

Annually, the City estimates the liabilities for unpaid claims using an historical cost information method. Claims and expenses are recognized when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported claims (IBNR).

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Unpaid claims liability amounts are reported gross (no discounting).

Changes in the Risk Management Fund's aggregate claims liability for the fiscal years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance at July 1	\$ 388,723	\$ 405,222
Current year claims and changes in estimates (including IBNR)	310,419	197,626
Claim payments	<u>(385,766)</u>	<u>(214,125)</u>
Ending balance at June 30	<u>\$ 313,376</u>	<u>\$ 388,723</u>

NOTE 12 CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2010. It is the opinion of management and city counsel that the amount of losses resulting from this litigation at June 30, 2010, 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, 2010. The City expects no material disallowance of expenditures.

NOTE 13 COMMITMENTS

The City has active design and construction projects as of June 30, 2010. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The projects and remaining balances for work not completed as of June 30, 2010, were as follows.

	<u>Balance</u>
Street construction and Improvements	\$ 4,471,165
Sewer construction and Improvements	76,050
Water system construction and Improvements	1,473,607
Public safety construction and Improvements	1,228,091
Park & recreation construction and Improvements	8,841,524
Total	<u>\$ 16,090,437</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, totaled \$439,259.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 447,627
2012	461,056
2013	<u>155,192</u>
Total	<u>\$ 1,063,875</u>

NOTE 15 BEGINNING BALANCES RESTATED

During the fiscal year ended June 30, 2010, the City completed the intangible assets reporting requirements of GASB Statement No. 51 for intangible assets. The retroactive capitalization of intangible assets acquired prior to the year ended June 30, 2010 resulted in a restatement of business-type activities net assets on the government-wide Statement of Activities and Water Utility Fund net assets on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets. The July 1, 2009, capitalized amounts, which include water rights purchased by or granted/allotted to the City, were based on historical cost or estimated historical cost where determining the historical cost was not practical due to inadequate records.

The following summarizes the restatement of intangible assets in the government-wide financial statements and proprietary fund financial statements.

	<u>Business-type Activities</u>	<u>Water Utility</u>
Net assets at June 30, 2009, as previously reported	\$ 548,726,937	\$ 293,547,134
Intangible assets	<u>816,461</u>	<u>816,461</u>
Net assets at July 1, 2009, as restated	<u>\$ 549,543,398</u>	<u>\$ 294,363,595</u>

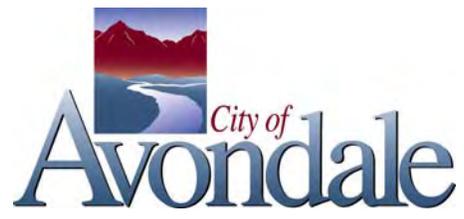
NOTE 16 SUBSEQUENT EVENTS

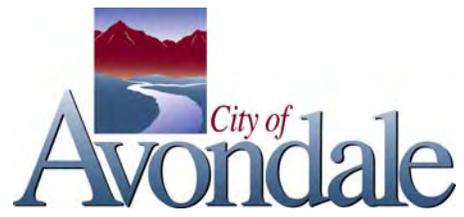
Acquisition of Rigby Water Company – On September 7, 2010, the City Council approved the City’s request to purchase the Rigby Water Company (Company) in the amount of \$2.6 million. The City has been negotiating with the Company to acquire its assets and service area since early 2005. The City is acquiring Company assets and service area to provide water services to current Avondale residents as well as to increase its water capacity for future development. Funding for this purchase will come from a combination of financing from the Capital Improvement Program Water Fund budget and Water Utility net assets.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 16 SUBSEQUENT EVENTS (Concl'd)

Phoenix International Raceway Infrastructure Improvements - Phoenix International Raceway (PIR) owns and operates a professional racing facility on approximately 600 acres located in the City of Avondale. PIR desires to construct facility improvements in the near term as the first phase of a long-range plan intended to enhance and expand the facility. These improvements are critical to the long-term viability of the facility, the assurance of maintaining featured NASCAR race events, and increasing the potential to expand activities on the property. The City will benefit from the PIR improvements through construction sales tax, assurance of continued revenue generated by the events, and the potential for increased revenue due to future activities. The current facility is not connected to City's water or sewer systems and is dependent on a private well and on-site sewage disposal. The on-site water and sewer systems will not support any further expansion of the facility. City management has developed conceptual plans to meet PIR needs and these plans include the City extending water and sewer services to PIR at an estimated cost of between \$7.0 million and \$8.0 million. On November 22, 2010, City Council approved the infrastructure improvements. About \$2.4 million of the cost will be financed by the Capital Improvement Plan Water Development budget and the remaining cost will be financed by Water Utility and Wastewater Utility net assets. Currently, the City's Capital Improvement Plan budget does not currently specify the use of city net assets for this purpose.

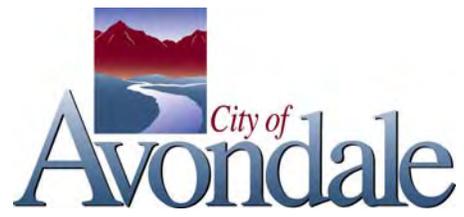




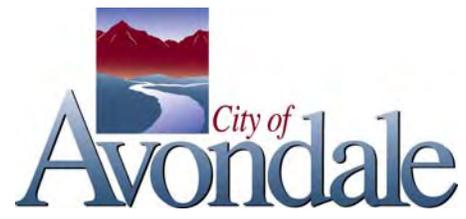
BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUND

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2010

	Development Fees Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 2,097,300	\$ 2,097,300	\$ 1,331,127	\$ (766,173)
Intergovernmental	7,912,900	7,912,900	543,225	(7,369,675)
Investment income	230,010	230,010	139,380	(90,630)
Miscellaneous	-	-	-	-
Total revenues	<u>10,240,210</u>	<u>10,240,210</u>	<u>2,013,732</u>	<u>(8,226,478)</u>
Expenditures				
Current:				
General government	-	-	8,469	(8,469)
Public safety	2,462,160	2,462,160	-	2,462,160
Highway and streets	-	-	1,110,844	(1,110,844)
Culture and recreation	127,663	127,663	57,586	70,077
Debt service				
Principal	108,160	108,160	96,669	11,491
Interest and other charges	-	-	11,255	(11,255)
Capital outlay	<u>50,443,667</u>	<u>50,443,667</u>	<u>14,482,688</u>	<u>35,960,979</u>
Total expenditures	<u>53,141,650</u>	<u>53,141,650</u>	<u>15,767,511</u>	<u>37,374,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,901,440)</u>	<u>(42,901,440)</u>	<u>(13,753,779)</u>	<u>29,147,661</u>
Other financing sources (uses)				
Bonds issued	2,000,000	2,000,000	-	(2,000,000)
Transfers in	10,900,000	10,900,000	32,900,000	22,000,000
Transfers out	<u>(1,148,370)</u>	<u>(1,148,370)</u>	<u>(1,148,370)</u>	<u>-</u>
Total other financing sources (uses)	<u>11,751,630</u>	<u>11,751,630</u>	<u>31,751,630</u>	<u>20,000,000</u>
Net change in fund balance	(31,149,810)	(31,149,810)	17,997,851	49,147,661
Fund balance at beginning of year	<u>37,528,806</u>	<u>37,528,806</u>	<u>13,713,134</u>	<u>(23,815,672)</u>
Fund balance at end of year	<u>\$ 6,378,996</u>	<u>\$ 6,378,996</u>	<u>\$ 31,710,985</u>	<u>\$ 25,331,989</u>



COMBINING STATEMENTS – NON-MAJOR GOVERNMENTAL FUNDS



**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Special Revenue Funds</u>		
	<u>Local Transportation Assistance</u>	<u>Senior Programs</u>	<u>Judicial Collection Enhancement</u>
ASSETS			
Cash and cash equivalents	\$ 2,659,631	\$ 262,626	\$ 458,869
Receivables			
Taxes	-	-	-
Accounts	186	119,465	187
Due from other governments	772,099	26,142	-
Inventories	11,285	-	-
Prepaid items	-	-	-
Restricted cash and cash equivalents with fiscal agent	-	-	-
Total assets	<u>\$ 3,443,201</u>	<u>\$ 408,233</u>	<u>\$ 459,056</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 16,400	\$ 6,125	\$ 2,737
Accrued payroll and employee benefits	3,012	8,925	636
Accrued liabilities	-	-	-
Deposits held for others	-	-	-
Sales taxes payable	-	312	-
Due to other governments	175,833	-	-
Due to other funds	2	-	-
Deferred revenues	211,941	86,228	-
Total liabilities	<u>407,188</u>	<u>101,590</u>	<u>3,373</u>
Fund balances:			
Reserved for:			
Inventories	11,285	-	-
Prepaid assets	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved	<u>3,024,728</u>	<u>306,643</u>	<u>455,683</u>
Total fund balances	<u>3,036,013</u>	<u>306,643</u>	<u>455,683</u>
Total liabilities and fund balances	<u>\$ 3,443,201</u>	<u>\$ 408,233</u>	<u>\$ 459,056</u>

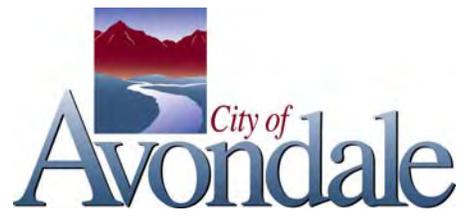
(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<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>
ASSETS				
Cash and cash equivalents	\$ 314,770	\$ 7,631	\$ 5,494,707	\$ 616,415
Receivables				
Taxes	-	-	-	-
Accounts	16,453	238	-	-
Due from other governments	959,018	99,682	-	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash and cash equivalents with fiscal agent	-	-	-	-
Total assets	<u>\$ 1,290,241</u>	<u>\$ 107,551</u>	<u>\$ 5,494,707</u>	<u>\$ 616,415</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 172,717	\$ 302	\$ -	\$ -
Accrued payroll and employee benefits	7,749	7,538	-	-
Accrued liabilities	36,052	-	-	-
Deposits held for others	8,494	-	-	-
Sales taxes payable	100	-	-	-
Due to other governments	-	-	-	-
Due to other funds	49	2	-	-
Deferred revenues	443,511	38,115	-	-
Total liabilities	<u>668,672</u>	<u>45,957</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Prepaid assets	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved	621,569	61,594	5,494,707	616,415
Total fund balances	<u>621,569</u>	<u>61,594</u>	<u>5,494,707</u>	<u>616,415</u>
Total liabilities and fund balances	<u>\$ 1,290,241</u>	<u>\$ 107,551</u>	<u>\$ 5,494,707</u>	<u>\$ 616,415</u>

(continuation)

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
\$ 784,733	\$ 2,412,416	\$ 152,006	\$ 2,391,837	\$ 17,417	\$ 15,573,058
-	214,231	-	-	-	214,231
4,389	-	-	-	238,542	379,460
-	-	-	-	-	1,856,941
-	-	-	-	-	11,285
-	1,370,000	-	-	-	1,370,000
-	2,621,448	365,344	5,528,101	2,039,559	10,554,452
<u>\$ 789,122</u>	<u>\$ 6,618,095</u>	<u>\$ 517,350</u>	<u>\$ 7,919,938</u>	<u>\$ 2,295,518</u>	<u>\$ 29,959,427</u>
\$ -	\$ 52,974	\$ -	\$ -	\$ -	\$ 251,255
-	-	-	-	-	27,860
-	1,066,448	50,344	1,231,208	177,495	2,561,547
-	-	-	-	-	8,494
-	-	-	-	-	412
-	-	-	-	-	175,833
-	-	-	-	136,629	136,682
-	127,041	-	-	-	906,836
<u>-</u>	<u>1,246,463</u>	<u>50,344</u>	<u>1,231,208</u>	<u>314,124</u>	<u>4,068,919</u>
-	-	-	-	-	11,285
-	1,370,000	-	-	-	1,370,000
-	4,001,632	467,006	6,688,730	1,981,394	13,138,762
789,122	-	-	-	-	789,122
-	-	-	-	-	10,581,339
<u>789,122</u>	<u>5,371,632</u>	<u>467,006</u>	<u>6,688,730</u>	<u>1,981,394</u>	<u>25,890,508</u>
<u>\$ 789,122</u>	<u>\$ 6,618,095</u>	<u>\$ 517,350</u>	<u>\$ 7,919,938</u>	<u>\$ 2,295,518</u>	<u>\$ 29,959,427</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,905,040	302,085	-
Charges for services	-	-	115,752
Investment income	1,979	143	285
Contributions	-	36,487	-
Miscellaneous	-	-	-
Total revenue	<u>1,907,019</u>	<u>338,715</u>	<u>116,037</u>
Expenditures			
Current:			
General government	-	-	61,114
Public safety	-	-	-
Health and welfare	-	501,657	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	1,895,324	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>1,895,324</u>	<u>501,657</u>	<u>61,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,695</u>	<u>(162,942)</u>	<u>54,923</u>
Other financing sources (uses)			
Bonds issued	-	-	-
Refunding bonds issued	-	-	-
Payments to refunded bonds escrow agent	-	-	-
Bond premium	-	-	-
Sale of capital assets	-	-	-
Transfers in	481,610	145,256	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>481,610</u>	<u>145,256</u>	<u>-</u>
Net change in fund balances	493,305	(17,686)	54,923
Fund balances at beginning of year	<u>2,542,708</u>	<u>324,329</u>	<u>400,760</u>
Fund balances at end of year	<u>\$ 3,036,013</u>	<u>\$ 306,643</u>	<u>\$ 455,683</u>

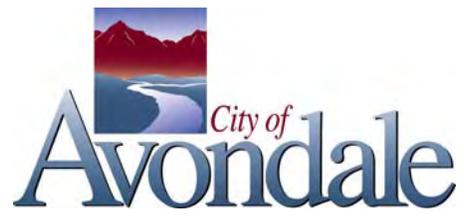
(continued on next page)

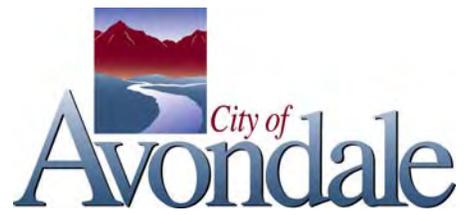
CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Family Advocacy Center	Vehicle Replacement	Equipment Replacement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,384,499	460,968	-	-
Charges for services	-	-	-	-
Investment income	22	-	4,832	329
Contributions	265,108	32,500	-	-
Miscellaneous	204,573	-	-	8,233
Total revenue	<u>4,854,202</u>	<u>493,468</u>	<u>4,832</u>	<u>8,562</u>
Expenditures				
Current:				
General government	30,199	-	-	21,279
Public safety	481,364	741,217	-	-
Health and welfare	3,089,295	-	-	-
Economic and community development	354,438	-	-	-
Culture and recreation	9,262	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	41,085	-	92,081	-
Total expenditures	<u>4,005,643</u>	<u>741,217</u>	<u>92,081</u>	<u>21,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>848,559</u>	<u>(247,749)</u>	<u>(87,249)</u>	<u>(12,717)</u>
Other financing sources (uses)				
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	-	-	112,226	4,099
Transfers in	105,570	243,430	218,270	-
Transfers out	(656,875)	-	-	-
Total other financing sources (uses)	<u>(551,305)</u>	<u>243,430</u>	<u>330,496</u>	<u>4,099</u>
Net change in fund balances	297,254	(4,319)	243,247	(8,618)
Fund balances at beginning of year	<u>324,315</u>	<u>65,913</u>	<u>5,251,460</u>	<u>625,033</u>
Fund balances at end of year	<u>\$ 621,569</u>	<u>\$ 61,594</u>	<u>\$ 5,494,707</u>	<u>\$ 616,415</u>

(continuation)

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
\$ -	\$ 4,787,795	\$ -	\$ -	\$ -	\$ 4,787,795
-	-	-	-	-	7,052,592
-	-	-	-	-	115,752
668	69	-	2,330	16	10,673
16,744	-	-	-	464,584	815,423
-	642,188	-	-	-	854,994
<u>17,412</u>	<u>5,430,052</u>	<u>-</u>	<u>2,330</u>	<u>464,600</u>	<u>13,637,229</u>
-	-	-	-	-	112,592
-	-	-	-	-	1,222,581
-	-	-	-	-	3,590,952
-	-	-	-	-	354,438
-	-	-	-	-	9,262
-	-	-	-	-	1,895,324
-	3,226,107	305,000	2,921,965	1,770,090	8,223,162
81,120	2,340,638	100,689	2,471,722	368,772	5,362,941
-	-	-	-	-	133,166
<u>81,120</u>	<u>5,566,745</u>	<u>405,689</u>	<u>5,393,687</u>	<u>2,138,862</u>	<u>20,904,418</u>
<u>(63,708)</u>	<u>(136,693)</u>	<u>(405,689)</u>	<u>(5,391,357)</u>	<u>(1,674,262)</u>	<u>(7,267,189)</u>
29,800,000	-	-	-	-	29,800,000
-	2,815,000	-	-	-	2,815,000
-	(2,753,893)	-	-	-	(2,753,893)
7,886	40,502	-	-	-	48,388
-	-	-	-	-	116,325
-	-	400,000	5,394,150	1,695,670	8,683,956
<u>(29,726,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,383,094)</u>
<u>81,667</u>	<u>101,609</u>	<u>400,000</u>	<u>5,394,150</u>	<u>1,695,670</u>	<u>8,326,682</u>
17,959	(35,084)	(5,689)	2,793	21,408	1,059,493
<u>771,163</u>	<u>5,406,716</u>	<u>472,695</u>	<u>6,685,937</u>	<u>1,959,986</u>	<u>24,831,015</u>
<u>\$ 789,122</u>	<u>\$ 5,371,632</u>	<u>\$ 467,006</u>	<u>\$ 6,688,730</u>	<u>\$ 1,981,394</u>	<u>\$ 25,890,508</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, 2010

	Local Transportation Assistance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 522,870	\$ 522,870	\$ 1,905,040	\$ 1,382,170
Investment income	3,400	3,400	1,979	(1,421)
Total revenues	<u>526,270</u>	<u>526,270</u>	<u>1,907,019</u>	<u>1,380,749</u>
Expenditures				
Current:				
Transportation	1,468,800	1,468,800	1,895,324	(426,524)
Total expenditures	<u>1,468,800</u>	<u>1,468,800</u>	<u>1,895,324</u>	<u>(426,524)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(942,530)</u>	<u>(942,530)</u>	<u>11,695</u>	<u>954,225</u>
Other financing sources (uses)				
Transfers in	481,610	481,610	481,610	-
Total other financing sources (uses)	<u>481,610</u>	<u>481,610</u>	<u>481,610</u>	<u>-</u>
Net change in fund balance	(460,920)	(460,920)	493,305	954,225
Fund balance at beginning of year	<u>1,989,525</u>	<u>1,989,525</u>	<u>2,542,708</u>	<u>553,183</u>
Fund balance at end of year	<u>\$ 1,528,605</u>	<u>\$ 1,528,605</u>	<u>\$ 3,036,013</u>	<u>\$ 1,507,408</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2010

	Senior Programs Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 430,270	\$ 364,874	\$ 302,085	\$ (62,789)
Investment income	-	-	143	143
Contributions	28,440	28,440	36,487	8,047
Total revenues	<u>458,710</u>	<u>393,314</u>	<u>338,715</u>	<u>(54,599)</u>
Expenditures				
Current:				
Health and welfare	445,340	492,340	501,657	(9,317)
Capital outlay	-	-	-	-
Total expenditures	<u>445,340</u>	<u>492,340</u>	<u>501,657</u>	<u>(9,317)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,370</u>	<u>(99,026)</u>	<u>(162,942)</u>	<u>(63,916)</u>
Other financing sources (uses)				
Transfers in	-	-	145,256	145,256
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>145,256</u>	<u>145,256</u>
Net change in fund balance	13,370	(99,026)	(17,686)	81,340
Fund balance at beginning of year	<u>168,920</u>	<u>168,920</u>	<u>324,329</u>	<u>155,409</u>
Fund balance at end of year	<u>\$ 182,290</u>	<u>\$ 69,894</u>	<u>\$ 306,643</u>	<u>\$ 236,749</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, 2010

	Judicial Collection Enhancement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ 137,330	\$ 137,330	\$ 115,752	\$ (21,578)
Investment income	1,500	1,500	285	(1,215)
Total revenues	<u>138,830</u>	<u>138,830</u>	<u>116,037</u>	<u>(22,793)</u>
Expenditures				
Current:				
General government	278,520	278,520	61,114	217,406
Total expenditures	<u>278,520</u>	<u>278,520</u>	<u>61,114</u>	<u>217,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(139,690)</u>	<u>(139,690)</u>	<u>54,923</u>	<u>194,613</u>
Net change in fund balance	(139,690)	(139,690)	54,923	194,613
Fund balance at beginning of year	<u>373,002</u>	<u>373,002</u>	<u>400,760</u>	<u>27,758</u>
Fund balance at end of year	<u>\$ 233,312</u>	<u>\$ 233,312</u>	<u>\$ 455,683</u>	<u>\$ 222,371</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, 2010

	Grants-in-Aid Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 4,339,990	\$ 6,876,794	\$ 4,384,499	\$ (2,492,295)
Investment income	-	-	24	24
Contributions	-	123,000	265,108	142,108
Miscellaneous	5,000,000	1,898,962	204,573	(1,694,389)
Total revenues	<u>9,339,990</u>	<u>8,898,756</u>	<u>4,854,204</u>	<u>(4,044,552)</u>
Expenditures				
Current:				
General government	7,546,730	5,184,855	30,199	5,154,656
Public safety	501,780	966,007	481,364	484,643
Health and welfare	2,897,610	3,993,375	3,089,295	904,080
Economic and community development	538,940	540,617	354,438	186,179
Culture and recreation	-	10,966	9,262	1,704
Capital outlay	73,500	163,717	41,085	122,632
Total expenditures	<u>11,558,560</u>	<u>10,859,537</u>	<u>4,005,643</u>	<u>6,853,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,218,570)</u>	<u>(1,960,781)</u>	<u>848,561</u>	<u>2,809,342</u>
Other financing sources (uses)				
Transfers in	95,230	117,730	105,570	(12,160)
Transfers out	(300,000)	(940,023)	(656,877)	283,146
Total other financing sources (uses)	<u>(204,770)</u>	<u>(822,293)</u>	<u>(551,307)</u>	<u>270,986</u>
Net change in fund balance	(2,423,340)	(2,783,074)	297,254	3,080,328
Fund balance at beginning of year	<u>2,782,751</u>	<u>2,782,751</u>	<u>324,315</u>	<u>(2,458,436)</u>
Fund balance (deficit) at end of year	<u>\$ 359,411</u>	<u>\$ (323)</u>	<u>\$ 621,569</u>	<u>\$ 621,892</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, 2010

	Family Advocacy Center Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 486,850	\$ 486,850	\$ 460,968	\$ (25,882)
Contributions	50,000	50,000	32,500	(17,500)
Total revenues	<u>536,850</u>	<u>536,850</u>	<u>493,468</u>	<u>(43,382)</u>
Expenditures				
Current:				
Public safety	780,870	780,870	741,217	39,653
Capital outlay	-	-	-	-
Total expenditures	<u>780,870</u>	<u>780,870</u>	<u>741,217</u>	<u>39,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244,020)</u>	<u>(244,020)</u>	<u>(247,749)</u>	<u>(3,729)</u>
Other financing sources (uses)				
Transfers in	243,430	243,430	243,430	-
Total other financing sources (uses)	<u>243,430</u>	<u>243,430</u>	<u>243,430</u>	<u>-</u>
Net change in fund balance	(590)	(590)	(4,319)	(3,729)
Fund balance at beginning of year	<u>16,700</u>	<u>16,700</u>	<u>65,913</u>	<u>49,213</u>
Fund balance at end of year	<u>\$ 16,110</u>	<u>\$ 16,110</u>	<u>\$ 61,594</u>	<u>\$ 45,484</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2010

	Vehicle Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ 32,800	\$ 32,800	\$ 4,832	\$ (27,968)
Total revenues	<u>32,800</u>	<u>32,800</u>	<u>4,832</u>	<u>(27,968)</u>
Expenditures				
Current:				
General government	250,000	250,000	-	250,000
Capital outlay	<u>562,000</u>	<u>562,000</u>	<u>92,081</u>	<u>469,919</u>
Total expenditures	<u>812,000</u>	<u>812,000</u>	<u>92,081</u>	<u>719,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(779,200)</u>	<u>(779,200)</u>	<u>(87,249)</u>	<u>691,951</u>
Other financing sources (uses)				
Sale of capital assets	-	-	112,226	112,226
Transfers in	<u>218,270</u>	<u>218,270</u>	<u>218,270</u>	<u>-</u>
Total other financing sources (uses)	<u>218,270</u>	<u>218,270</u>	<u>330,496</u>	<u>112,226</u>
Net change in fund balance	(560,930)	(560,930)	243,247	804,177
Fund balance at beginning of year	<u>4,795,115</u>	<u>4,795,115</u>	<u>5,251,460</u>	<u>456,345</u>
Fund balance at end of year	<u>\$ 4,234,185</u>	<u>\$ 4,234,185</u>	<u>\$ 5,494,707</u>	<u>\$ 1,260,522</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2010

	Equipment Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ 6,500	\$ 6,500	\$ 329	\$ (6,171)
Miscellaneous	-	-	8,233	8,233
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>8,562</u>	<u>2,062</u>
Expenditures				
Current:				
General government	75,000	-	21,279	(21,279)
Capital outlay	<u>21,000</u>	<u>96,000</u>	<u>-</u>	<u>96,000</u>
Total expenditures	<u>96,000</u>	<u>96,000</u>	<u>21,279</u>	<u>74,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(89,500)</u>	<u>(89,500)</u>	<u>(12,717)</u>	<u>76,783</u>
Other financing sources (uses)				
Sale of capital assets	-	-	4,099	4,099
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,099</u>	<u>4,099</u>
Net change in fund balance	(89,500)	(89,500)	(8,618)	80,882
Fund balance at beginning of year	<u>492,653</u>	<u>492,653</u>	<u>625,033</u>	<u>132,380</u>
Fund balance at end of year	<u>\$ 403,153</u>	<u>\$ 403,153</u>	<u>\$ 616,415</u>	<u>\$ 213,262</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, 2010

	Other Capital Projects Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 668	\$ 668
Contributions	-	-	16,744	16,744
Total revenues	<u>-</u>	<u>-</u>	<u>17,412</u>	<u>17,412</u>
Expenditures				
Debt service:				
Interest and other charges	-	-	81,120	(81,120)
Capital outlay	25,000,000	25,000,000	-	25,000,000
Total expenditures	<u>25,000,000</u>	<u>25,000,000</u>	<u>81,120</u>	<u>24,918,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000,000)</u>	<u>(25,000,000)</u>	<u>(63,708)</u>	<u>24,936,292</u>
Other financing sources (uses)				
Bonds issued	25,000,000	25,000,000	29,800,000	4,800,000
Bond premium (discount), net	-	-	7,886	7,886
Transfers out	-	-	(29,726,219)	(29,726,219)
Total other financing sources (uses)	<u>25,000,000</u>	<u>25,000,000</u>	<u>81,667</u>	<u>(24,918,333)</u>
Net change in fund balance	-	-	17,959	17,959
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>771,163</u>	<u>771,163</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 789,122</u>	<u>\$ 789,122</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, 2010

	General Obligation Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 4,764,450	\$ 4,764,450	\$ 4,787,795	\$ 23,345
Investment income	15,280	15,280	69	(15,211)
Miscellaneous	-	-	642,188	642,188
Total revenues	<u>4,779,730</u>	<u>4,779,730</u>	<u>5,430,052</u>	<u>650,322</u>
Expenditures				
Debt service:				
Principal	3,070,000	3,070,000	3,226,107	(156,107)
Interest and other charges	<u>2,212,240</u>	<u>2,212,240</u>	<u>2,340,638</u>	<u>(128,398)</u>
Total expenditures	<u>5,282,240</u>	<u>5,282,240</u>	<u>5,566,745</u>	<u>(284,505)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(502,510)</u>	<u>(502,510)</u>	<u>(136,693)</u>	<u>365,817</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	2,815,000	2,815,000
Payments to refunded bonds escrow agent	-	-	(2,753,893)	(2,753,893)
Bond premium (discount), net	-	-	40,502	40,502
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>101,609.00</u>	<u>101,609</u>
Net change in fund balances	(502,510)	(502,510)	(35,084)	467,426
Fund balance at beginning of year	<u>2,546,202</u>	<u>2,546,202</u>	<u>5,406,716</u>	<u>2,860,514</u>
Fund balance at end of year	<u>\$ 2,043,692</u>	<u>\$ 2,043,692</u>	<u>\$ 5,371,632</u>	<u>\$ 3,327,940</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, 2010

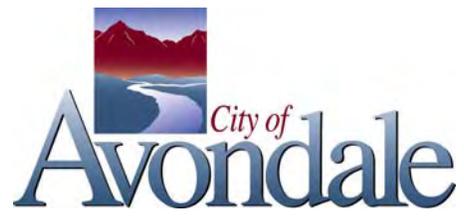
	Highway User Revenue Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ 4,430	\$ 4,430	\$ -	\$ (4,430)
Total revenues	<u>4,430</u>	<u>4,430</u>	<u>-</u>	<u>(4,430)</u>
Expenditures				
Debt service:				
Principal	305,000	305,000	305,000	-
Interest and other charges	<u>110,690</u>	<u>110,690</u>	<u>100,689</u>	<u>10,001</u>
Total expenditures	<u>415,690</u>	<u>415,690</u>	<u>405,689</u>	<u>10,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(411,260)</u>	<u>(411,260)</u>	<u>(405,689)</u>	<u>5,571</u>
Other financing sources (uses)				
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(11,260)	(11,260)	(5,689)	5,571
Fund balance at beginning of year	<u>417,620</u>	<u>417,620</u>	<u>472,695</u>	<u>55,075</u>
Fund balance at end of year	<u>\$ 406,360</u>	<u>\$ 406,360</u>	<u>\$ 467,006</u>	<u>\$ 60,646</u>

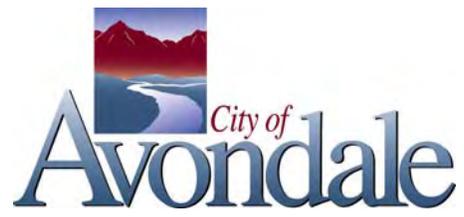
CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEDICATED SALES TAX BONDS FUND
YEAR ENDED JUNE 30, 2010

	Dedicated Sales Tax Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ 69,630	\$ 69,630	\$ 2,330	\$ (67,300)
Total revenues	<u>69,630</u>	<u>69,630</u>	<u>2,330</u>	<u>(67,300)</u>
Expenditures				
Debt service:				
Principal	4,692,060	4,692,060	2,921,965	1,770,095
Interest and other charges	<u>2,827,410</u>	<u>2,827,410</u>	<u>2,471,722</u>	<u>355,688</u>
Total expenditures	<u>7,519,470</u>	<u>7,519,470</u>	<u>5,393,687</u>	<u>2,125,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,449,840)</u>	<u>(7,449,840)</u>	<u>(5,391,357)</u>	<u>2,058,483</u>
Other financing sources (uses)				
Transfers in	<u>5,394,150</u>	<u>5,394,150</u>	<u>5,394,150</u>	<u>-</u>
Total other financing sources (uses)	<u>5,394,150</u>	<u>5,394,150</u>	<u>5,394,150</u>	<u>-</u>
Net change in fund balance	(2,055,690)	(2,055,690)	2,793	2,058,483
Fund balance at beginning of year	<u>5,224,226</u>	<u>5,224,226</u>	<u>6,685,937</u>	<u>1,461,711</u>
Fund balance at end of year	<u>\$ 3,168,536</u>	<u>\$ 3,168,536</u>	<u>\$ 6,688,730</u>	<u>\$ 3,520,194</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, 2010**

	Other Debt Service Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Investment income	\$ 7,560	\$ 7,560	\$ 16	\$ (7,544)
Contributions	450,000	450,000	464,584	14,584
Total revenues	<u>457,560</u>	<u>457,560</u>	<u>464,600</u>	<u>7,040</u>
Expenditures				
Debt service:				
Principal	1,770,090	1,770,090	1,770,090	-
Interest and other charges	374,990	374,990	368,772	6,218
Total expenditures	<u>2,145,080</u>	<u>2,145,080</u>	<u>2,138,862</u>	<u>6,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,687,520)</u>	<u>(1,687,520)</u>	<u>(1,674,262)</u>	<u>13,258</u>
Other financing sources (uses)				
Transfers in	1,695,670	1,695,670	1,695,670	-
Total other financing sources (uses)	<u>1,695,670</u>	<u>1,695,670</u>	<u>1,695,670</u>	<u>-</u>
Net change in fund balance	8,150	8,150	21,408	13,258
Fund balance at beginning of year	<u>1,833,566</u>	<u>1,833,566</u>	<u>1,959,986</u>	<u>126,420</u>
Fund balance at end of year	<u>\$ 1,841,716</u>	<u>\$ 1,841,716</u>	<u>\$ 1,981,394</u>	<u>\$ 139,678</u>





COMBINING STATEMENTS – INTERNAL SERVICE FUNDS

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

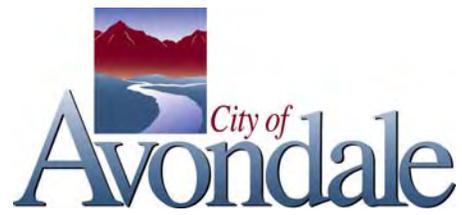
	Governmental Activities - Internal Service Funds			Total
	Risk Management	Printing Services	Fleet Management	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,254,989	\$ 476,885	\$ -	\$ 3,731,874
Receivables	262	-	861	1,123
Inventories	-	-	236,075	236,075
Total current assets	<u>3,255,251</u>	<u>476,885</u>	<u>236,936</u>	<u>3,969,072</u>
Noncurrent assets:				
Capital assets, depreciable (net)	110,216	47,790	3,655	161,661
Total noncurrent assets	<u>110,216</u>	<u>47,790</u>	<u>3,655</u>	<u>161,661</u>
Total assets	<u>3,365,467</u>	<u>524,675</u>	<u>240,591</u>	<u>4,130,733</u>
LIABILITIES				
Current liabilities:				
Accounts payable	111,396	194	64,376	175,966
Accrued payroll and employee benefits	6,962	-	20,338	27,300
Sales taxes payable	21	-	161	182
Due to other funds	47	-	346,330	346,377
Compensated absences	12,016	-	13,056	25,072
Total current liabilities	<u>130,442</u>	<u>194</u>	<u>444,261</u>	<u>574,897</u>
Noncurrent liabilities:				
Claims payable	313,376	-	-	313,376
Compensated absences	6,603	-	11,961	18,564
Total noncurrent liabilities	<u>319,979</u>	<u>-</u>	<u>11,961</u>	<u>331,940</u>
Total liabilities	<u>450,421</u>	<u>194</u>	<u>456,222</u>	<u>906,837</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	110,216	47,790	3,655	161,661
Unrestricted	2,804,830	476,691	(219,286)	3,062,235
Total net assets (deficit)	<u>\$ 2,915,046</u>	<u>\$ 524,481</u>	<u>\$ (215,631)</u>	<u>\$ 3,223,896</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds			Total
	Risk Management	Printing Services	Fleet Management	
Operating revenues:				
Charges for services	\$ 1,702,840	\$ 152,247	\$ 1,966,435	\$ 3,821,522
Miscellaneous	1,116	-	1,584	2,700
Total operating revenues	<u>1,703,956</u>	<u>152,247</u>	<u>1,968,019</u>	<u>3,824,222</u>
Operating expenses:				
Cost of sales and services	-	121,202	1,488,528	1,609,730
Administration	335,541	-	422,064	757,605
Insurance claims and expenses	697,388	-	-	697,388
Depreciation	16,687	11,939	8,706	37,332
Total operating expenses	<u>1,049,616</u>	<u>133,141</u>	<u>1,919,298</u>	<u>3,102,055</u>
Operating income (loss)	<u>654,340</u>	<u>19,106</u>	<u>48,721</u>	<u>722,167</u>
Non-operating revenues (expenses):				
Investment income	2,022	313	-	2,335
Total non-operating revenues (expenses)	<u>2,022</u>	<u>313</u>	<u>-</u>	<u>2,335</u>
Change in net assets	656,362	19,419	48,721	724,502
Net assets (deficit) - beginning	<u>2,258,684</u>	<u>505,062</u>	<u>(264,352)</u>	<u>2,499,394</u>
Net assets (deficit) - ending	<u>\$ 2,915,046</u>	<u>\$ 524,481</u>	<u>\$ (215,631)</u>	<u>\$ 3,223,896</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,702,696	\$ 152,247	\$ 1,966,850	\$ 3,821,793
Payments to suppliers	(730,645)	(121,025)	(1,482,309)	(2,333,979)
Payments to employees	(335,650)	-	(424,291)	(759,941)
Miscellaneous	1,116	-	1,584	2,700
Net cash provided (used) by operating activities	<u>637,517</u>	<u>31,222</u>	<u>61,834</u>	<u>730,573</u>
Cash flows from noncapital financing activities:				
Due to other funds	47	-	(61,054)	(61,007)
Net cash provided (used) for noncapital financing activities	<u>47</u>	<u>-</u>	<u>(61,054)</u>	<u>(61,007)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(70,818)	(40,143)	(780)	(111,741)
Net cash provided (used) for capital and related financing activities	<u>(70,818)</u>	<u>(40,143)</u>	<u>(780)</u>	<u>(111,741)</u>
Cash flows from investing activities:				
Investment income	4,228	636	-	4,864
Net cash provided by investing activities	<u>4,228</u>	<u>636</u>	<u>-</u>	<u>4,864</u>
Net increase in cash and cash equivalents	570,974	(8,285)	-	562,689
Cash and cash equivalents, beginning of period	<u>2,684,015</u>	<u>485,170</u>	<u>-</u>	<u>3,169,185</u>
Cash and cash equivalents, end of period	<u>\$ 3,254,989</u>	<u>\$ 476,885</u>	<u>\$ -</u>	<u>\$ 3,731,874</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 654,340	\$ 19,106	\$ 48,721	\$ 722,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	16,687	11,939	8,706	37,332
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(144)	-	415	271
(Increase) decrease in inventories	-	-	13,767	13,767
(Increase) decrease in prepaid assets	295	-	-	295
Increase (decrease) in accounts payable	41,774	177	(7,709)	34,242
Increase (decrease) in accrued payroll and employee benefits	(2,141)	-	1,223	(918)
Increase (decrease) in compensated absences	2,032	-	(3,450)	(1,418)
Increase (decrease) in sales taxes payable	21	-	161	182
Increase (decrease) in claims payable	(75,347)	-	-	(75,347)
Net cash provided (used) by operating activities	<u>\$ 637,517</u>	<u>\$ 31,222</u>	<u>\$ 61,834</u>	<u>\$ 730,573</u>
Reconciliation of cash and cash equivalents at end of year to statement of net assets:				
Cash and cash equivalents	\$ 3,254,989	\$ 476,885	\$ -	\$ 3,731,874
Total cash and cash equivalents	<u>\$ 3,254,989</u>	<u>\$ 476,885</u>	<u>\$ -</u>	<u>\$ 3,731,874</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, 2010**

Governmental funds capital assets:	
Land	\$ 248,876,514
Buildings and improvements	54,450,934
Improvement other than buildings	1,089,388
Vehicles, furniture and equipment	26,319,766
Infrastructure	362,817,413
Intangible assets	1,965,259
Construction in progress	22,109,542
Total	<u>\$ 717,628,816</u>

Investment in governmental activities capital assets by source:	
General Fund	\$ 21,876,897
Special Revenue Funds	8,409,494
Capital Projects Funds	687,342,425
Total	<u>\$ 717,628,816</u>

**CITY OF AVONDALE, ARIZONA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2010**

Function and Activity ¹	Capital Asset Category							Total
	Land	Buildings and Improvements	Improvements Other Than Buildings	Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	
General government	\$ 8,490,533	\$ 16,537,823	\$ 16,005	\$ 12,117,311	\$ -	\$ -	\$ -	\$ 37,161,672
Public safety	307,003	12,336,792	229,476	11,429,626	-	1,965,259	2,239,347	28,507,503
Highways and streets	233,139,106	1,006,630	457,517	1,926,024	362,817,413	-	6,659,734	606,006,424
Health and welfare	215,948	978,211	-	68,972	-	-	-	1,263,131
Economic and community development	51,711	134,540	-	103,579	-	-	-	289,830
Culture and recreation	6,672,213	23,456,938	386,390	674,254	-	-	13,210,461	44,400,256
Total	\$ 248,876,514	\$ 54,450,934	\$ 1,089,388	\$ 26,319,766	\$ 362,817,413	\$ 1,965,259	\$ 22,109,542	\$ 717,628,816

¹ At June 30, 2010, 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
 FOR THE YEAR ENDED JUNE 30, 2010**

<u>Function and Activity</u> ¹	<u>Capital Assets July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2010</u>
General government	\$ 36,901,132	\$ 451,343	\$ 190,803	\$ 37,161,672
Public safety	26,424,054	3,766,033	1,682,584	28,507,503
Highways and streets	599,181,937	12,614,870	5,790,383	606,006,424
Health and welfare	1,285,214	-	22,083	1,263,131
Economic and community development	314,205	-	24,375	289,830
Culture and recreation	38,890,154	5,627,629	117,527	44,400,256
Total	<u>\$ 702,996,696</u>	<u>\$ 22,459,875</u>	<u>\$ 7,827,755</u>	<u>\$ 717,628,816</u>

¹ The City did not maintain or acquire any capital assets under the transportation function during the year ended June, 30, 2010.

CITY OF AVONDALE, ARIZONA
STATISTICAL SECTION
JUNE 30, 2010

Statistical Section

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

	Schedule	Page
Financial Trends		
These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
Net Assets by Component - Last Eight Fiscal Years	1	108
Changes in Net Assets - Last Eight Fiscal Years	2	109
Fund Balances of Governmental Funds - Last Eight Fiscal Years	3	111
Changes in Fund Balances of Governmental Funds - Last Eight Fiscal Years	4	112
Revenue Capacity		
These schedules contain information to help users understand and assess the City's local revenue source, the property tax.		
Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property - Last Ten Fiscal Years	5	113
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	6	114
Principal Property Taxpayers - Current Year and Nine Years Ago	7	115
Property Tax Levies and Collections - Last Ten Fiscal Years	8	116
Debt Capacity		
These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.		
Ratios of Outstanding Debt by Type - Last Eight Fiscal Years	9	117
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	10	118
Direct and Overlapping Governmental Activities Debt	11	119
Legal Debt Margin Information - Last Eight Fiscal Years	12	120
Avondale Water and Sewer Systems Pledged Revenue Coverage - Last Nine Fiscal Years	13	121
Municipal Development Corporation Bonds - Debt Service Coverage	14	122
Highway User Revenue Fund Bonds Debt Service Coverage - Last Eight Fiscal Years	15	123
Street and Highway Revenue Receipts - Last Ten Fiscal Years	16	124
Actual Excise Tax Revenues - Last Nine Fiscal Years	17	125
Demographic and Economic Information		
These schedules present economic and demographic indicators to help users understand the environment within which the City's financial activities take place.		
Demographic and Economic Statistics - Last Ten Fiscal Years	18	126
Principal Employers - Current Year and Nine Years Ago	19	127
Operating Information		
These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.		
Full-Time Equivalent City Government Employees by Function - Last Eight Fiscal Years	20	128
Operating Indicators by Function - Last Eight Fiscal Years	21	129
Capital Assets Statistics by Function - Last Eight Fiscal Years	22	130

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

Schedule 1

	Fiscal Year ¹							
	2003	2004	2005	2006 ²	2007 ³	2008	2009	2010
Governmental activities								
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	\$ 486,881,869	\$ 466,763,910
Restricted	17,748,348	26,113,620	33,627,735	28,808,290	45,778,226	48,127,562	39,386,916	57,592,957
Unrestricted	7,079,459	13,854,820	20,756,092	31,939,142	40,533,604	42,848,985	39,653,933	36,971,792
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</u>	<u>\$ 565,922,718</u>	<u>\$ 561,328,659</u>
Business-type activities								
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	\$ 494,353,666	\$ 497,810,394
Restricted	29,627,827	31,097,385	44,558,842	40,439,483	43,493,012	36,367,868	16,598,095	14,798,748
Unrestricted	15,485,880	16,450,395	24,462,385	28,749,995	33,992,839	38,511,906	37,775,176	41,606,778
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>	<u>\$ 548,726,937</u>	<u>\$ 554,215,920</u>
Primary government								
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	\$ 981,235,535	\$ 964,574,304
Restricted	47,376,175	57,211,005	78,186,577	69,247,773	89,271,238	84,495,430	55,985,011	72,391,705
Unrestricted	22,565,339	30,305,215	45,218,477	60,689,137	74,526,443	81,360,891	77,429,109	78,578,570
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>	<u>\$ 1,114,649,655</u>	<u>\$ 1,115,544,579</u>

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

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

³ 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 EIGHT FISCAL YEARS
(accrual basis of accounting)

Schedule 2

	Fiscal Year ¹							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 10,128,809	\$ 12,773,774	\$ 17,652,671	\$ 22,764,573	\$ 18,346,534	\$ 17,792,047	\$ 14,968,809	\$ 12,862,710
Public safety	11,107,465	12,309,510	14,797,695	14,935,013	22,873,912	25,841,680	26,634,975	24,168,796
Highways and streets	2,233,017	2,574,072	2,842,497	7,781,653	10,347,480	10,898,173	11,069,079	12,322,104
Sanitation ³	2,746,075	3,047,585	-	-	-	-	-	-
Health and welfare	573,859	693,682	806,332	939,572	1,787,162	2,404,144	2,545,061	2,470,031
Economic and community development	2,078,521	2,718,598	3,356,334	5,213,085	6,542,881	8,665,232	6,808,330	7,985,413
Culture and recreation	945,473	1,013,654	1,157,280	1,816,712	3,474,717	2,665,257	3,327,765	3,190,869
Transportation ⁴	206,595	311,772	237,535	615,055	594,823	2,701,817	867,173	1,902,347
Interest on long-term debt	2,386,274	2,650,407	2,530,003	2,042,879	2,810,763	2,921,420	3,246,602	5,129,250
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>	<u>69,467,794</u>	<u>70,031,520</u>
Business-type activities:								
Water utility	5,364,526	6,137,470	6,939,975	11,818,914	13,630,207	14,797,982	15,542,394	15,442,478
East Avondale water utility ³	501,732	701,085	-	-	-	-	-	-
Wastewater utility	5,054,347	4,589,305	4,733,439	8,296,298	9,371,087	9,850,598	10,555,903	10,252,684
Sanitation utility ³	-	-	3,145,714	3,266,298	4,192,462	4,361,538	4,117,318	3,613,617
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>	<u>30,215,615</u>	<u>29,308,779</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>	<u>\$ 99,683,409</u>	<u>\$ 99,340,299</u>
Program Revenues								
Governmental activities:								
Charges for Services:								
General government ²	\$ 4,486,404	\$ 513,754	\$ 918,596	\$ 1,267,440	\$ 1,638,662	\$ 1,924,171	\$ 1,787,153	\$ 1,656,665
Public safety	3,050	12,483	50,474	147,137	403,696	716,940	665,937	407,961
Highways and streets	-	-	-	-	14,846	-	-	-
Sanitation ³	2,754,200	3,000,264	-	-	-	-	-	-
Economic and community development ²	-	4,940,363	5,589,855	5,817,266	3,728,984	2,354,229	805,550	576,436
Culture and recreation	28,440	100,390	135,916	254,323	507,118	402,105	492,988	575,046
Operating grants and contributions	1,860,947	2,078,204	4,462,062	5,085,797	7,877,600	9,004,224	8,386,128	12,712,420
Capital grants and contributions	12,183,730	11,151,696	7,924,999	10,699,397	41,453,780	25,442,212	8,855,743	1,795,711
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>	<u>20,993,499</u>	<u>17,724,239</u>
Business-type activities:								
Charges for Services:								
Water utility ³	6,283,314	5,847,391	8,485,789	9,336,905	11,277,850	11,689,072	10,903,178	11,097,099
East Avondale water utility ³	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	7,124,168	7,220,779
Sanitation utility ³	-	-	2,890,001	3,392,810	3,915,823	4,346,931	4,414,342	4,732,011
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	7,066,770	15,536,911	14,686,667	12,531,009	30,783,194	14,128,878	8,216,300	1,648,926
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>	<u>30,657,988</u>	<u>24,698,815</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>	<u>\$ 51,651,487</u>	<u>\$ 42,423,054</u>

(continued on next page)

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

Schedule 2
(continuation)

	Fiscal Year ¹							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense) Revenue								
Governmental activities	\$ (11,089,317)	\$ (16,295,900)	\$ (24,298,445)	\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)	\$ (48,474,295)	\$ (52,307,281)
Business-type activities	9,034,079	18,041,652	18,150,988	8,825,371	26,214,358	8,875,365	442,373	(4,609,964)
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>	<u>\$ (48,031,922)</u>	<u>\$ (56,917,245)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Sales and use taxes	\$ 16,167,320	\$ 23,177,913	\$ 36,525,428	\$ 39,883,436	\$ 42,691,477	\$ 38,291,070	\$ 33,021,053	\$ 30,298,359
Property taxes, levied for general purposes	831,159	884,323	1,147,443	1,310,133	1,519,425	1,815,527	1,916,742	2,063,316
Property taxes, levied for debt service	1,192,297	1,452,584	1,941,381	2,319,060	2,800,966	4,135,646	5,061,320	4,716,859
Franchise taxes	558,196	640,293	682,292	876,224	982,033	1,001,905	1,033,993	1,047,312
State shared revenues, unrestricted	10,323,804	10,272,674	8,218,495	10,022,750	17,513,121	18,983,659	18,249,722	15,644,558
Investment income	534,050	378,780	1,093,019	2,331,224	3,642,859	2,984,483	592,542	417,727
Gain on sale of capital assets	31,114	372,845	286,400	61,289	146,585	140,504	217,001	25,307
Miscellaneous	676,905	709,802	407,388	358,317	392,483	610,011	934,675	2,376,003
Transfers	(16,924,196)	583,908	(13,072,979)	(800,000)	(10,123,583)	(2,800,000)	(17,962,235)	(8,876,219)
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>	<u>43,064,813</u>	<u>47,713,222</u>
Business-type activities:								
Investment income	577,619	440,575	1,087,666	2,684,687	3,536,505	2,658,608	574,400	195,602
Gain on sale of capital assets	180,736	-	50,100	7,803	64,223	51,442	77,747	75,345
Miscellaneous	5,085	17,206	3,915	70,470	84,193	158,707	162,046	135,320
Transfers	16,924,196	(583,908)	13,072,979	800,000	10,123,583	2,800,000	17,962,235	8,876,219
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>	<u>18,776,428</u>	<u>9,282,486</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>	<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>
Changes in Net Assets								
Governmental activities	\$ 2,301,332	\$ 22,177,222	\$ 12,930,422	\$ 23,525,251	\$ 48,411,780	\$ 31,116,916	\$ (5,409,482)	\$ (4,594,059)
Business-type activities	26,721,715	17,915,525	32,365,648	12,388,331	40,022,862	14,544,122	19,218,801	4,672,522
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>	<u>\$ 13,809,319</u>	<u>\$ 78,463</u>

¹ The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003; therefore, only eight 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 EIGHT FISCAL YEARS
(modified accrual basis of accounting)

Schedule 3

	Fiscal Year ¹							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 199,102	\$ 139,183	\$ 212,336	\$ 154,179	\$ 77,994	\$ 51,796	\$ 12,435	\$ 77,125
Unreserved	9,574,224	12,894,969	19,781,789	27,505,360	37,381,040	35,854,897	32,285,521	29,013,029
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>	<u>\$ 32,297,956</u>	<u>\$ 29,090,154</u>
All other governmental funds								
Reserved	\$ 19,224,835	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955	\$ 13,459,405	\$ 13,221,123	\$ 16,565,285	\$ 30,429,893
Unreserved, reported in:								
Special Revenue Funds	2,280,820	5,590,870	10,831,027	12,260,058	14,493,602	11,769,069	9,383,952	9,323,672
Capital Projects Funds	9,599,629	17,673,575	18,186,566	11,923,289	18,261,268	28,023,908	18,585,349	22,958,296
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>	<u>\$ 44,534,586</u>	<u>\$ 62,711,861</u>

¹ The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only eight 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 EIGHT FISCAL YEARS
(modified accrual basis of accounting)

Schedule 4

	Fiscal Year ¹							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641	\$ 45,103,331	\$ 40,966,295	\$ 38,227,410
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605	7,673,913	8,640,183	3,134,769	1,996,430
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306	24,790,367	28,703,206	27,035,675	27,626,462
Charges for services ²	2,957,895	4,003,862	943,619	1,955,528	1,624,541	1,726,235	1,179,405	944,332
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969	1,280,434	1,467,011	1,357,050	1,262,853
Investment income	545,722	385,013	1,093,019	2,331,223	3,603,941	2,946,716	580,422	415,395
Contributions	4,869,567	1,981,544	824,627	735,024	1,278,270	874,006	1,137,849	942,440
Miscellaneous revenues	839,084	714,629	425,769	751,867	1,575,441	377,544	261,427	2,431,170
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>	<u>75,652,892</u>	<u>73,846,492</u>
Expenditures								
General government	16,574,345	11,644,262	15,738,926	16,820,415	16,774,809	16,334,100	10,970,755	9,477,910
Public safety	10,209,532	10,995,415	13,859,897	17,254,476	20,729,479	23,478,075	23,939,534	22,881,143
Highways and streets ³	2,019,611	2,044,465	1,902,555	2,205,035	2,359,925	1,833,928	2,177,687	2,605,224
Sanitation ²	2,454,368	2,406,162	-	-	-	-	-	-
Health and welfare	530,698	1,033,165	793,862	914,806	1,719,404	2,120,063	2,719,779	4,931,655
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363	5,083,707	7,312,754	6,588,345	5,528,640
Culture and recreation	768,906	890,534	969,467	1,232,332	4,081,600	3,379,661	4,021,204	3,396,173
Transportation ³	206,595	311,772	237,535	615,055	588,627	2,693,561	870,662	1,895,324
Debt Service								
Principal	1,196,220	2,890,843	3,882,461	4,914,723	5,718,590	6,547,759	7,684,563	8,620,474
Interest	2,387,562	2,650,407	2,957,914	2,909,515	3,529,618	3,264,547	3,855,789	5,427,681
Capital outlay	<u>32,262,324</u>	<u>22,595,576</u>	<u>12,704,572</u>	<u>25,180,046</u>	<u>20,830,712</u>	<u>14,807,347</u>	<u>22,182,625</u>	<u>15,262,429</u>
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>	<u>85,010,943</u>	<u>80,026,653</u>
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639	8,470,077	8,066,437	(9,358,051)	(6,180,161)
Other Financing Sources (Uses)								
Bonds issued	43,170,000	-	12,400,000	18,690,685	21,000,000	-	15,000,000	29,800,000
Refunding bonds issued	3,060,000	-	-	-	-	-	-	2,815,000
Bond premium (discount)	381,356	-	(45,989)	38,724	945,767	-	91,235	(2,753,893)
Payment to refunding bonds escrow agent	(3,977,913)	-	-	(18,337,174)	-	-	-	48,388
Sale of capital assets	707,553	909,196	436,574	85,724	252,296	224,347	223,770	-
Capital leases	387,435	2,537,949	-	927,040	-	-	-	116,358
Transfer in	18,255,356	11,226,148	13,551,582	14,234,220	28,055,659	19,867,345	18,277,333	41,785,235
Transfer out	(35,179,552)	(10,642,240)	(26,672,708)	(15,072,100)	(38,164,331)	(22,910,645)	(36,322,538)	(50,661,454)
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>	<u>(2,730,200)</u>	<u>21,149,634</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>	<u>\$ (12,088,251)</u>	<u>\$ 14,969,473</u>
Debt service as a percentage of noncapital expenditures	9.3%	15.0%	16.0%	15.4%	15.3%	14.7%	18.4%	21.7%

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

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

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

ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY ²
 LAST TEN FISCAL YEARS

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
2009-2010	\$196,235,454	\$85,274,561	\$212,453,689	\$149,830,377	\$ 364,145	\$ -	\$ -	\$644,158,226	\$(119,852,877)	\$524,305,349	1.11	\$4,765,228,782	13.518 %
2008-2010	292,044,995	92,215,354	212,214,174	154,112,452	376,314	-	-	750,963,289	(109,200,312)	641,762,977	1.11	5,772,182,553	13.010
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

Assessment Ratios of Taxable Property ³

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2009-2010	10.0 %	10.0 %	21.0 %	16.0 %	17.0 %	21.0 %	1.0 %
2008-2009	10.0	10.0	21.0	16.0	18.0	21.0	1.0
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

¹ Includes tax-exempt property.

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

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

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

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

Fiscal Year ¹	Direct Rate		Overlapping Rates ²								
	City of Avondale, Arizona	County		Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92	Litchfield Elementary School District No. 79	Avondale Elementary School District No. 44	Agua Fria Union High School District No. 216	Littleton Elementary School District No. 65	Liberty Elementary School District No. 25
		County-wide	Community College								
2009-10 Primary	0.45	1.05	0.79	2.19	1.51	1.69	1.62	1.51	1.62	1.60	1.96
2009-10 Secondary	0.65	0.00	0.18	3.11	1.21	4.11	1.30	1.43	0.83	1.87	1.34
2008-09 Primary	0.36	0.99	0.72	0.98	1.06	1.77	1.62	1.96	2.04	2.51	1.49
2008-09 Secondary	0.74	0.00	0.16	2.93	1.04	3.44	1.01	1.36	0.65	1.26	1.18
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
2007-08 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
2006-07 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
2005-06 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
2004-05 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
2003-04 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
2002-03 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
2001-02 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
2000-01 Secondary	0.68	0.12	0.15	3.06	1.66	4.90	2.51	1.93	1.57	1.82	2.08

¹ 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 are 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.

² Overlapping rates are those of local and county governments that apply to the property owners within the City of Avondale. Not all overlapping rates apply to all Avondale property owners. For example, although county property tax rates apply to all city property owners, the school district rates apply only to those property owners whose property is located within the district's geographical boundaries.

Source: Arizona Research Foundation and Maricopa County Assessor's Office Property Tax Rates and Assessed Values (1998-2008) and Maricopa County Finance Department web publication, (2008-2010) Tax Rates Maricopa County, Arizona.

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

Schedule 7

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Phoenix International Raceway	\$ 8,385,956	1	1.31 %	—	—	—
Inland Western Avondale McDowell, LLC	8,182,904	2	1.28	—	—	—
Moreland Properties, LLC	6,223,057	3	0.97	—	—	—
Raintree Pad 2, LLC	6,207,205	4	0.97	—	—	—
Mechanic (AZ) Qrs 15-41, Inc.	4,957,827	5	0.77	—	—	—
Smiths Food & Drug Centers, Inc.	4,920,002	6	0.77	—	—	—
D H Ventures, LLC	4,873,154	7	0.76	—	—	—
Harkins Phoenix Cinemas, LLC	4,190,413	8	0.65	—	—	—
Avondale Commerce Center Phase 1, LLC	4,090,680	9	0.64	—	—	—
Alameda Avondale LLC et. al.	4,088,484	10	0.64	—	—	—
Arizona Public Service Company	—	—	—	\$ 8,919,712	1	3.61 %
Southwest Gas Corporation	—	—	—	2,065,465	9	0.84
Kabulo Arizona Properties LLC	—	—	—	8,910,776	2	3.61
Suncor Development Co.	—	—	—	7,928,990	3	3.21
Qwest communication Int'l	—	—	—	3,951,831	4	1.60
Loral Corp.	—	—	—	3,463,194	5	1.40
Wigwam Country Development	—	—	—	2,949,985	6	1.19
Rubbermaid	—	—	—	2,280,798	7	0.92
Mclane Co. Inc.	—	—	—	2,258,877	8	0.91
First American Title Ins. Co	—	—	—	2,057,514	10	0.83
Total	\$ 56,119,682		8.76 %	\$ 44,787,142		18.12 %

Source: Stone & Youngberg LLC Official Statements (City of Avondale, Arizona 2010, and Agua Fria Union High School District, Avondale, Arizona, 2001)

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

Schedule 8

<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>
2009-2010	\$ 6,843,611	\$ 6,526,469	95.37 %	\$ -	\$ 6,526,469	95.37 %
2008-2009	7,102,059	6,710,295	94.48	320,258	7,030,553	98.99
2007-2008	5,906,911	5,639,466	95.47	193,237	5,832,703	98.74
2006-2007	4,389,587	4,225,998	96.27	135,899	4,361,897	99.37
2005-2006	3,668,855	3,593,624	97.95	31,591	3,625,215	98.81
2004-2005	2,977,361	2,906,636	97.62	36,553	2,943,189	98.85
2003-2004	2,406,999	2,374,955	98.67	(2,444)	2,372,511	98.57
2002-2003	2,014,427	1,976,098	98.10	22,246	1,998,344	99.20
2001-2002	1,607,427	1,502,020	93.44	73,956	1,575,976	98.04
2000-2001	1,290,209	1,260,264	97.68	23,516	1,283,780	99.50

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

Source: Maricopa County Budget Department and Maricopa County Treasurer's Office, *Secured Levy Report Through June 30, 2010*.

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

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Capital Leases	Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans			
2010	\$ 40,085	\$ 2,780	\$ 67,350	\$ 1,329	\$ 8,625	\$ 2,085	\$ -	\$ 122,254	0.8 %	\$ 1,497
2009	13,450	3,085	72,042	1,727	1,225	6,038	7,235	104,802	0.7	1,356
2008	16,365	3,375	61,110	2,139	1,320	6,935	8,054	99,298	0.6	1,296
2007	18,630	3,510	64,802	2,594	1,410	7,793	8,845	107,584	0.7	1,613
2006	17,705	3,920	49,569	3,061	1,500	8,631	9,604	93,990	0.7	1,422
2005	18,775	4,065	51,744	2,508	1,585	9,296	10,332	98,305	0.8	1,631
2004	19,620	4,390	41,608	2,997	1,665	10,032	11,033	91,345	0.8	1,694
2003	20,096	4,690	42,891	1,184	3,564	10,719	11,710	94,854	0.9	1,992

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

² See Demographics and Economic Statistics schedule on page 126 for personal income and population data.

Source: City records.

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

Schedule 10

Fiscal Year	Secondary Assessed Valuation²	General Obligation Bonds	Less: Amounts available in Debt Service Fund	Net General Obligation Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property	Per Capita¹
2010	\$ 524,305,349	\$ 40,085,000	\$ 5,371,632	\$ 34,713,368	6.62 %	\$ 449
2009	641,762,977	13,450,000	5,406,716	8,043,284	1.25	104
2008	704,155,001	16,365,000	3,797,761	12,567,239	1.78	164
2007	586,169,088	18,630,000	2,546,201	16,083,799	2.75	242
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	240
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	347
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404
2002	156,198,776	13,370,000	566,141	12,803,859	8.20	317
2001	129,300,380	13,759,000	-	13,759,000	10.64	383

¹ See Demographics and Economic Statistics Schedule on page 126 for population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 113 for secondary assessed valuation data.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2010)* and city records.

**CITY OF AVONDALE, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT ¹
AS OF JUNE 30, 2010**

Schedule 11

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable to City of Avondale	Amount Applicable to City of Avondale
State of Arizona	\$ -	0.74 %	\$ -
Maricopa County	-	1.11	-
Maricopa County Community College District	653,040,000	1.11	7,248,744
Avondale Elementary School District No. 44	34,245,000	18.5	6,335,325
Litchfield Elementary School District No. 79	35,705,000	11.95	4,266,748
Littleton Elementary School District No. 65	13,390,000	57.64	7,717,996
Pendergast Elementary School District No. 92	27,195,000	30.67	8,340,707
Tolleson Elementary School District No. 17	19,055,000	10.71	2,040,791
Agua Fria Union High School District No. 216	52,485,000	14.3	7,505,355
Tolleson Union High School District No. 214	88,515,000	24.82	21,969,423
Total overlapping general obligation bonded debt	<u>923,630,000</u>		<u>65,425,089</u>
City of Avondale	<u>40,085,000</u>	100.00	<u>40,085,000</u>
Total direct and overlapping general obligation bonded debt	<u>\$ 963,715,000</u>		<u>\$ 105,510,089</u>

¹ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Avondale. The percentages presented in this schedule estimate the percent to which the jurisdictions' geographic boundaries overlap with those of the City. This schedule further estimates the portion of outstanding 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

Source: The various jurisdictions.

**CITY OF AVONDALE, ARIZONA
LEGAL DEBT MARGIN INFORMATION ²
LAST EIGHT FISCAL YEARS**

Schedule 12

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net secondary assessed valuation	\$ 212,252,060	\$ 265,228,109	\$ 322,603,779	\$ 386,790,640	\$ 586,169,088	\$ 704,155,001	\$ 641,762,977	\$ 524,305,349
<u>20% Limitation</u>								
Debt limit	42,450,412	53,045,622	64,520,756	77,358,128	117,233,818	140,831,000	128,352,595	104,861,070
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>	<u>11,785,000</u>	<u>38,570,000</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>	<u>\$ 116,567,595</u>	<u>\$ 66,291,070</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%	9.2%	36.8%
<u>6% Limitation</u>								
Debt limit	\$ 12,735,124	\$ 15,913,687	\$ 19,356,227	\$ 23,207,438	\$ 35,170,145	\$ 42,249,300	\$ 38,505,779	\$ 31,458,321
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>	<u>1,665,000</u>	<u>1,515,000</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>	<u>\$ 36,840,779</u>	<u>\$ 29,943,321</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%	4.3%	4.8%

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

² 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^{1, 2}
PLEDGED REVENUE COVERAGE
LAST NINE FISCAL YEARS

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total operating revenues ³	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786	\$ 19,436,132	\$ 18,073,444	\$ 18,357,018
Total operating expenses ⁴	7,109,672	6,655,346	7,247,442	8,851,960	10,023,264	12,473,104	13,259,794	14,419,200	13,843,483
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>	<u>3,654,244</u>	<u>4,513,535</u>
Other revenues ⁵	<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>	<u>2,092,810</u>	<u>1,595,620</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>	<u>\$ 5,747,054</u>	<u>\$ 6,109,155</u>
Debt service ⁶	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394	\$ 2,444,879	\$ 2,441,059	\$ 2,437,250
Debt service coverage	1.89	2.23	1.76	3.10	3.63	4.03	3.67	2.35	2.51

¹ The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Nine years of data rather than five 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.

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

³ Includes all water and sewer operating revenues except for water and sewer development fees.

⁴ Excludes depreciation and interest expenses.

⁵ Excludes capital grants.

⁶ 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. (The City refunded the Municipal Development Corporation Revenue Bonds, Series 1996 and 1999; Water and Sewer Revenue Bonds, Series 1998; and Water Infrastructure Financing Loans, Series 1992 and 1999, in June 2010.)

Note: See Note 8 - Long-term Obligations on pages 62-67 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**

Schedule 14

Debt service payable during year ended June 30	Actual Excise tax Revenues²	Total Actual/Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2006	\$ 54,195,623	\$ 5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	51,190,101	7,955,796	6.43
2010	47,168,569	8,695,150	5.42
2011	-	8,021,765	5.88
2012	-	7,879,354	5.99
2013	-	7,461,517	6.32
2014	-	7,351,904	6.42
2015	-	6,861,876	6.87
2016	-	7,027,660	6.71
2017	-	6,001,492	7.86
2018	-	5,966,460	7.91
2019	-	5,966,985	7.90
2020	-	5,983,585	7.88
2021	-	5,045,876	9.35
2022	-	2,554,650	18.46
2023	-	2,549,100	18.50
2024	-	2,544,000	18.54
2025	-	2,534,500	18.61
2026	-	2,529,500	18.65
2027	-	2,523,750	18.69
2028	-	1,115,750	42.28
2029	-	1,115,000	42.30

¹ 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 121).

Note: See Note 8 - Long-term Obligations on pages 62-67 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 EIGHT FISCAL YEARS**

Schedule 15

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
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
2009	4,161,313	399,838	10.41
2010	3,942,434	405,688	9.72

¹ The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003; therefore, only eight 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 annual total 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 62-67 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule 16

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2009-10	\$ 3,942,434
2008-09	4,161,313
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

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

Source: City records.

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

Schedule 17

Source	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
City sales tax	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607	\$ 39,327,962	\$ 42,619,823	\$ 37,549,019	\$ 32,618,773	\$ 29,664,531
State sales tax	2,765,159	2,806,331	3,018,844	3,324,212	4,055,107	6,592,077	6,374,091	5,518,183	5,089,719
State revenue sharing	3,748,916	3,770,461	3,240,789	3,336,656	4,100,286	8,031,441	9,806,105	10,195,604	8,208,394
Utility and cable franchise fees	492,526	558,196	640,293	682,292	876,223	982,032	1,001,905	1,033,993	1,067,061
Licenses and permits	4,194,488	4,049,503	4,862,956	5,518,886	4,884,077	3,974,976	2,405,938	972,685	1,810,205
Fines and forfeitures	297,233	262,032	334,392	660,601	951,968	1,249,998	1,387,841	850,862	1,328,659
Totals	<u>\$ 25,840,823</u>	<u>\$ 27,411,444</u>	<u>\$ 34,972,840</u>	<u>\$ 49,478,254</u>	<u>\$ 54,195,623</u>	<u>\$ 63,450,347</u>	<u>\$ 58,524,899</u>	<u>\$ 51,190,100</u>	<u>\$ 47,168,569</u>

¹ 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**

Schedule 18

Fiscal Year	Population⁴	Personal Income (in thousands)	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2010	81,671	\$ 155,778,888	\$ 37,503	14,273	8.4 %	9.5 %
2009	77,276	151,388,618	37,335	13,980	6.1	7.0
2008	76,613	147,122,078	37,168	12,702	3.4	4.1
2007	66,678	145,966,898	37,689	12,619	3.2	3.9
2006	66,110	139,069,714	36,829	12,849	3.5	4.4
2005	60,255	126,011,225	34,551	13,357	3.9	4.7
2004	53,925	114,049,460	32,561	9,689	7.6	5.0
2003	47,610	104,665,310	30,862	9,040	9.4	5.7
2002	40,445	99,835,885	30,261	5,193	10.6	6.1
2001	35,883	96,331,134	30,103	4,958	7.4	4.7

-
- ¹ The City does not maintain personal income or per capita personal income information. Therefore, the information presented is based on Maricopa County figures. The source of this information is the U.S. Department of Commerce, Bureau of Economic Analysis. Information has been updated to reflect the most current available data available from the U.S. Department of Commerce through 2008. Personal income and per capita personal income amounts presented for years 2009 - 2010 are city-calculated estimates based on the average annual percentage change.
- ² Information provided by Estrella Mountain Community College.
- ³ Information is based on the average of current fiscal year monthly data provided by the U.S. Department of Labor, Bureau of Labor Statistics. Arizona Unemployment Rates prior to fiscal year 2010 were obtained from the Arizona Department of Economic Security.
- ⁴ Beginning in fiscal year 2008, city population projections are based on the Maricopa Association of Governments (MAG) figures for the prior fiscal year, adjusted by MAG figures for the net change in current year housing units, estimated population per housing unit, and occupancy rate.

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

Schedule 19

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Wal-Mart Stores, Inc	470	1	1.34 %	–	–	–
Avondale Elementary School Dist. No. 44	395	2	1.12	395	1	2.12 %
Avondale Automotive Inc.	385	3	1.09	–	–	–
Fry's Food and Drug Store	360	4	1.02	–	–	–
City of Avondale	355	5	1.01	295	4	1.58
Tolleson Union High School Dist. No. 214	345	6	0.98	–	–	–
Agua Fria Union High School Dist. No. 216	305	7	0.87	300	2	1.61
Cummins Rock Mountain LLC	295	8	0.84	–	–	–
Costco Wholesale	210	9	0.60	–	–	–
Universal Technical Institute (UTI)	205	10	0.58	–	–	–
SunBridge Healthcare Corp.	–	–	–	125	8	0.67
Estrella Community College	–	–	–	160	5	0.86
Beam Corporation	–	–	–	300	3	1.61
Arizona Machinery Company	–	–	–	150	6	0.81
Rudolfo Bros Plasteries	–	–	–	150	7	0.81
Gateway Chevrolet & Geo	–	–	–	40	9	0.21
Total	<u>3,325</u>		<u>9.45 %</u>	<u>1,915</u>		<u>10.28 %</u>

Source: Stone & Youngberg LLC, Official Statements, and the U.S. Department of Labor, Bureau of Labor Statistics

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

Schedule 20

Function	Full-time Equivalent Employees as of June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
General government								
City Administration	6.0	6.0	8.0	8.0	9.0	9.0	9.0	9.0
Finance and Budget	18.5	18.5	21.5	23.5	29.5	29.5	29.5	27.5
City Court	7.0	10.0	10.0	10.5	11.5	13.5	14.0	14.0
Planning and Building Services	18.0	18.0	19.0	22.0	22.0	29.0	25.0	23.0
Other	30.0	30.0	29.6	34.6	44.0	48.0	40.0	37.2
Public safety								
Police								
Civilians ³	24.5	34.0	42.5	45.0	49.5	54.5	50.5	121.8
Officers ³	76.0	81.0	92.0	94.0	100.5	107.5	112.5	50.0
Fire								
Firefighters and officers	34.0	41.5	45.5	46.0	45.0	50.0	50.0	50.0
Civilians	8.0	12.0	13.0	17.5	12.0	13.0	10.0	8.0
Highways and streets								
Engineering	14.0	14.0	14.0	17.0	22.0	21.0	19.0	18.0
Maintenance	17.0	17.0	15.3	13.3	14.0	14.0	14.0	10.0
Health and welfare	13.0	12.0	12.0	12.0	21.5	21.5	27.5	22.5
Economic and community development	4.0	4.0	3.0	2.0	3.0	3.0	3.0	1.0
Sanitation	18.0	18.0	19.1	21.1	19.0	20.0	20.0	18.0
Culture and recreation	26.5	27.5	27.0	26.0	48.0	49.0	45.0	38.0
Water resources	23.5	23.5	25.5	32.0	38.5	40.5	42.5	37.0
Sewer	12.5	12.5	12.5	15.0	16.5	16.5	20.5	19.0
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>	<u>532.0</u>	<u>504.0</u>

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

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

**CITY OF AVONDALE, ARIZONA
OPERATING INDICATORS BY FUNCTION ²
LAST EIGHT FISCAL YEARS**

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Police								
Calls for service	Not available	46,552	53,476	52,419	68,364	72,872	74,929	73,884
Citations ³	Not available	4,880	8,741	9,423	10,550	7,239	4,950	6,167
Physical arrests	Not available	4,579	4,345	5,062	3,373	4,121	4,113	3,080
Fire								
Number of emergency responses	7,939	6,519	7,806	6,735	6,843	5,583	5,738	5,919
Inspections	Not available	Not available	3,238	4,900	4,460	4,479	3,881	3,077
Number of fires extinguished	15	26	10	-	148	49	94	34
Sanitation								
Refuse collected (tons per day)	86	87	68	72	126	143	146	134
Recyclables collected (tons per day)	9	12	14	14	49	49	49	46
Water								
New connections	16,200	18,417	20,545	21,459	21,821	22,600	22,925	22,992
Water mains breaks	Not available	10	17	8	16	17	26	12
Average daily consumption (thousands of gallons)	8,305	9,185	9,301	10,285	11,850	11,850	11,664	11,850
Wastewater								
Average daily sewage treatment (thousands of gallons)	Not available	3,507	3,825	4,080	4,602	4,974	4,883	4,886

1

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

2 Indicators are not available for the general government function.

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

Source: Various city departments.

**CITY OF AVONDALE, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION ²
LAST EIGHT FISCAL YEARS**

Schedule 22

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety								
Police:								
Stations	2	2	2	2	2	2	4	4
Patrol units	28	47	53	64	76	84	90	93
Fire stations								
Stations	2	2	2	3	3	3	3	3
Fire trucks	4	4	7	7	7	7	7	7
Fire vehicles (excl. fire trucks)	12	13	15	16	19	17	16	16
Sanitation								
Collection trucks	11	11	15	18	18	18	17	18
Highways and streets								
Streets (miles)	213	220	253	264	279	284	284	285
Streetlights	5,950	5,950	5,950	6,499	7,103	7,952	8,016	7,739
Traffic signals	24	26	28	29	33	36	42	42
Culture and recreation								
Parks acreage	118	118	130	265	265	265	265	265
Parks	11	11	11	11	11	11	11	11
Racquetball courts	0	0	0	0	0	-	-	-
Basketball courts	15	11	10	14	14	14	14	14
Volleyball courts	5	4	4	4	2	-	-	-
Baseball fields	0	3	3	3	3	4	4	4
Softball fields	0	3	3	3	3	7	7	7
Soccer fields	0	10	10	11	11	12	12	12
Swimming pools	0	0	0	0	0	-	-	-
Tennis courts	2	2	2	2	2	2	2	2
Community centers	2	2	2	2	2	2	1	1
Dog park	0	0	0	1	1	1	1	1
Playgrounds	4	5	5	7	7	8	8	8
Amphitheatre	3	3	3	3	3	2	2	2
Ramadas	5	6	6	8	8	12	12	12
Water								
Number of service connections	16,200	18,417	20,545	21,459	21,821	22,600	22,925	22,992
Water mains (miles)	315	335	335	406	309	314	316	318
Fire hydrants	Not available	1,965	2,235	2,564	2,581	2,624	2,686	2,703
Sewer								
Number of service connections	16,150	18,417	20,100	19,970	21,218	21,416	21,453	21,471
Sanitary sewers (miles)	307	329	329	321	232	235	235	235
Storm sewers (miles)	Not available	Not available	31	26	29	32	32	37
Wastewater								
Treatment plants	1	1	1	1	1	1	1	1

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

² 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 BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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

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

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



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

The Honorable Mayor and Council
City of Avondale, Arizona

Compliance

We have audited City of Avondale's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Avondale complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Avondale is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations,

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

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

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

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor/Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant/Entitlement Grants	14.218	B-07-MC-0513	\$ 21,265
Community Development Block Grant/Entitlement Grants	14.218	B-09-MC-0513	57,108
Community Development Block Grant/Entitlement Grants	14.218	B-10-MC-0513	428,322
Community Development Block Grant/Entitlement Grants	14.218	B-08-MN-04-0501	<u>2,311,692</u>
			2,818,387
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-04-0513	<u>56,148</u>
Total CDBG - Entitlement Grants Cluster			2,874,535 *
HOME Investment Partnerships Program, passed through the Maricopa County Community Development Agency	14.239	M-05-DC-04-0227	<u>414,888</u>
Total U.S. Department of Housing and Urban Development			<u>3,289,423</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2008-VA-GX-0014	42,775
Bulletproof Vest Partnership Program	16.607		12,561
Public Safety Partnership and Community Policing Grants-ARRA	16.710	2009RKX0074	186,084 *
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	CRI07-08-106	1,051
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2009-G9557-AZ-DJ	7,505
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2009-CD-BX-0092	15,617
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2970	81,353
Total U.S. Department of Justice			<u>346,946</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	TEA-AVN-0(202)	294
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2009-002154	2,858
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2008-004107	201,279
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2007-002169	657
Highway Planning and Construction, passed through the Maricopa Association of Governments	20.205		1,605
Federal Transit_Formula Grant, Passed through the City of Phoenix	20.507		999,019
Alcohol Impaired Driving Countermeasures Incentive Grants I, Passed through the Arizona Governor's Office of Highway Safety	20.601	2010-410-038	24,261
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants, Passed through the Arizona Governor's Office of Highway Safety	20.614	2009-NG-002	10,809
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants, Passed through the Arizona Governor's Office of Highway Safety	20.614	2010-OP-022	2,166
Job Access_Reverse Commute, passed through the Arizona Department of Transportation	20.516		<u>117,761</u>
Total U.S. Department of Transportation			<u>1,360,709</u>

(continued on next page)

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

(continuation)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor/Pass-Through Grantor Number	Expenditures
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310		8,844
Total Institute of Museum and Library Services			<u>8,844</u>
U.S. Department of Energy - American Recovery and Reinvestment Act of 2009			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002045	23,287
Total U.S. Department of Energy - American Recovery and Reinvestment Act of 2009			<u>23,287</u>
U.S. Department of Health and Human Services			
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services, passed through the Area Agency on Aging, Region One, Inc.	93.043	2009-08-AVO	1,551
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	2009-08-AVO	47,350
Special Programs for the Aging_Title III, Part C_Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2009-08-AVO	100,615
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2009-08-AVO	21,844
Aging Home-Delivered Nutrition Services for States-ARRA	93.705	2009-08-AVO	52,668
Aging Congregate Nutrition Services for States-ARRA	93.707	2009-08-AVO	25,757
Total Aging Cluster			<u>248,234 *</u>
Immunization Grants, Passed through Maricopa County Department of Public Health	93.268	C-86-08-045-2-00	12,840
Social Services Block Grant, passed through the Maricopa County Division of Human Services	93.667	C-22-08-066-2	50,584
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2009-08-AVO	15,794
			<u>66,378</u>
ARRA - Community Services Block Grant, passed through the Maricopa County Division of Human Services	93.710	C-22-08-066-2	66,832
Total U.S. Department of Health and Human Services			<u>395,835</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter Program Cluster			
Emergency Food and Shelter National Board Program, passed through World Hunger Education Advocacy Training	97.024	LRO 025600-073	14,157
Emergency Food and Shelter National Board Program (ARRA), passed through World Hunger Education Advocacy Training	97.114		11,250
Total Emergency Food and Shelter Program Cluster			<u>25,407</u>

(continued on next page)

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

(continuation)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor/Pass-Through Grantor Number	Expenditures
U.S. Department of Homeland Security (Concl'd)			
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	07-AZDOHS-HSGP-333802-03	8,103
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	08-AZDOHS-HSGP-444806-01	5,435
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	08-AZDOHS-HSGP-444806-02	5,040
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	08-AZDOHS-HSGP-444807-01	1,973
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	09-AZDOHS-HSGP-555200-01	691
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	09-AZDOHS-HSGP-555204-01	187
			<u>21,429</u>
Total U.S. Department of Homeland Security			<u>46,836</u>
Total Expenditures of Federal Awards			<u>\$ 5,471,880</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, 2010**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

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

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Avondale.
2. We reported one deficiency that we considered to be a material weakness related to the audit of the financial statements. (2010-1)
3. No instance of noncompliance material to the financial statements of the City of Avondale is disclosed during the audit.
4. We reported one deficiency that we considered to be a significant deficiency relating to the audit of the major federal award programs. (2010-2)
5. The auditor's report on compliance for U.S. Department of Housing and Urban Development Community Development Block Grant/Entitlement Grants (CFDA 14.218), ARRA Community Development Block Grant/Entitlement Grants (CFDA 14.253); U.S. Department of Justice ARRA Public Safety Partnership and Community Policing Grants (CFDA 16.710) and U.S. Department of Health and Human Services Aging Cluster Special Programs for the Aging–Title III, Part B-Grants for Supportive Services and Senior Centers (CFDA 93.044), Special Programs for the Aging-Title III, Part C-Nutrition Services (CFDA 93.045), Nutrition Services Incentive Program (CFDA 93.053), ARRA Aging Home-Delivered Nutrition Services for States (CFDA 93.705), ARRA Aging Congregate Nutrition Services for States (CFDA 93.707) expresses an unqualified opinion.
6. The audit disclosed 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 Community Development Block Grant/Entitlement Grants (CFDA 14.218), ARRA Community Development Block Grant/Entitlement Grants (CFDA 14.253); U.S. Department of Justice ARRA Public Safety Partnership and Community Policing Grants (CFDA 16.710) and U.S. Department of Health and Human Services Aging Cluster Special Programs for the Aging–Title III, Part B-Grants for Supportive Services and Senior Centers (CFDA 93.044), Special Programs for the Aging-Title III, Part C-Nutrition Services (CFDA 93.045), Nutrition Services Incentive Program (CFDA 93.053), ARRA Aging Home-Delivered Nutrition Services for States (CFDA 93.705), ARRA Aging Congregate Nutrition Services for States (CFDA 93.707).
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.

Findings - Financial Statement Audit

2010-1 Internal controls relating to the oversight of the financial reporting process are not timely and effective relating to recording, reconciling and supporting payroll and payroll related liabilities, expenses and bank accounts.

Condition: The implementation of the City's new computerized software used to process the City's payroll (Lawson) could not be integrated with the City's financial reporting software (Eden) and as such a break down in the payroll process had occurred.

Criteria: Proper controls, supporting documentation and a formal payroll process are necessary to ensure proper application and timely reconciliation of payroll registers, bank accounts and payroll related tax and deduction payments made to the appropriate third parties.

Effect: Late payments to appropriate taxing agencies and reconciliations of payroll related bank accounts and supporting registers had not been completed in a timely manner with the lack of accurate and proper supporting documentation rendered from the computerized software used to process the City's payroll.

Cause: The computerized software used to process the City's payroll had not been integrated with the City's financial reporting software. With the implementation of the new computerized software no formal payroll process had been adopted.

Recommendation: While we recognize that several of the matters have been subjected to corrective action and were substantially resolved in practice by the end of the fiscal year, we recommend that the City implement a formal policy regarding the process of the payroll procedures including the timely reconciliation of payroll registers, bank accounts and payroll related tax and deduction payments made to the appropriate third parties. As it appears payroll cannot be integrated, other control procedures should be implemented to insure that payroll is properly recorded and reconciled.

Management's response: Concur

Management Corrective Action Plan: City management and staff have been and continue to work diligently to improve internal control over payroll and to identify the factors affecting the City's ability to ensure that (1) Lawson payroll transactions are properly supported, (2) payroll and payroll-related reconciliations are completed in a timely and effective manner, and (3) third party payments such as state and federal income tax withholdings are submitted timely and correctly.

Findings - Financial Statement Audit

2010-1 Management Corrective Action Plan (continued)

During the year, city management and staff have made significant progress toward correcting the deficiencies outlined in this finding. In particular, city management is now confident that Lawson payroll transactions are properly supported and that state and federal income tax withholdings are being withheld and submitted timely and correctly. However, city management and staff still need to complete their development and implementation of policies and procedures to ensure that payroll and payroll-related reconciliations, such as payroll registers and bank accounts, are completed in a timely and effective manner. In addition, city management must codify the City's payroll processes and internal control into formal written policies and procedures to help ensure that all employees who participate in the payroll process understand their roles and responsibilities.

Findings and Questioned Costs – Major Federal Award Programs Audit

U.S. DEPARTEMENT OF HOUSING AND URBAN DEVELOPMENT

2010-2 Grant reporting not timely

Condition: The City did not have effective controls in place to ensure timely submission of the quarterly Financial Status Report (SF-425).

Criteria: The U.S. Department of Housing and Urban Development requires the City to file quarterly SF-425 reports timely.

Effect: The U.S. Department of Housing and Urban Development may hold grant disbursements until the reports are filed.

Cause: The SF-425 reports were not submitted timely.

Recommendation: We recommend that the City implement a process that requires personnel administering the grant to coordinate with the Grants Administrator any reporting issues prior to due dates. The process should enable city personnel to resolve all issues in order to meet report filing deadlines.

Management's response: Concur

Management Corrective Action Plan: Management will continue to evaluate its current federal reporting process and more strictly enforce its policy and process that requires the Grants Administrator or appropriate supervisor to report noncompliance to the responsible individual's supervisor

Findings and Questioned Costs – Major Federal Award Programs Audit

U.S. DEPARTEMENT OF HOUSING AND URBAN DEVELOPMENT

2010-2 Management Corrective Action Plan (continued)

and to work with the individual and supervisor to remedy the noncompliance in a timely manner.

Prior Year Finding - Financial Statement Audit

2009-1 Internal controls relating to the oversight of the financial reporting process not timely and effective relating to recording deferred revenue and grant revenue.

Condition: A significant audit adjustment was required relating to deferred revenue and grant revenues.

Criteria: Amounts received from grants that do not have time requirements should be recorded as revenues when received.

Effect: An adjustment significant to the Non-major Governmental Funds was recorded to correct an overstatement of liabilities and understatement of revenues.

Cause: Management did not have timely oversight over the process of recording grant revenues.

Recommendation: We recommend that the Finance and Budget Department review the recording of grant revenue timely to insure proper recordation.

Management's response: Concur

Management Corrective Action Plan: Finance and Budget Department management has policies and procedures in place to monitor and review the recording of grant revenues. Also, department management is familiar with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires the recognition of revenue upon receipt when there are no time requirements. The misrecording of deferred revenue and grant revenue occurred as the review process designed to detect such errors was not performed as thoroughly as it should have been prior to recording the transactions in the general ledger. The thoroughness of the review was affected by personnel resource constraints.

To strengthen the Department's current revenue monitoring and recording process and to help ensure that deferred revenues and revenues are correctly recorded, management will more strictly enforce its current process.

Status: Corrected.

**Prior Year Findings and Questioned Costs – Major Federal Award Programs
Audit**

ENVIRONMENTAL PROTECTION AGENCY (EPA)

2009-2 Grant reporting not timely

Condition: The City did not have effective controls in place to ensure timely submission of the annual Financial Status Report (SF-269) and Environmental Protection Agency (EPA) Minority/Women Business Enterprise Utilization Form (MBE/WBE)(5700-52A).

Criteria: The Environmental Protection Agency requires the City to file annual SF-269 and MBE/WBE utilization reports timely.

Effect: The EPA may hold grant disbursements until the reports are filed.

Cause: Management was unable to compile sufficient financial and non-financial program-related information to complete the 5700-52A report on time. The SF-269 report was not submitted timely due to personnel resource constraints.

Recommendation: We recommend that the City implement a process that requires personnel administering the grant to coordinate with the Grants Administrator any reporting issues prior to due dates. The process should enable city personnel to resolve all issues in order to meet report filing deadlines.

Management's response: Concur

Management Corrective Action Plan: The Grants Administrator conducts periodic meetings with program managers and Finance and Budget Department staff as frequently as monthly. During these meetings, key personnel discuss grant progress and compliance matters that include reporting deadlines. In addition to periodic meetings, the Grants Administrator also notifies key personnel of compliance deadlines by email and telephone.

The City filed the SF-269 Report late due to personnel resource constraints that arose due to the implementation of a new human resource and payroll system and retirement of the Finance and Budget Department Accounting Manager during the year. These events created additional workload for several key department staff including the individual responsible for preparing and submitting the SF-269 Report. The City filed the 5700-52A Form late due to the Water Resources Department not providing minority/women business enterprise utilization information to the individual responsible for preparing and submitting the 5700-52A Form in a timely manner.

CITY OF AVONDALE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2010

**Prior Year Findings and Questioned Costs – Major Federal Award Programs
Audit**

ENVIRONMENTAL PROTECTION AGENCY (EPA)

2009-2 Management Corrective Action Plan (continued)

Management has evaluated the current federal reporting process and will implement a policy and process that requires the Grants Administrator or appropriate supervisor to report noncompliance to the responsible individual's supervisor and to work with the individual and supervisor to remedy the noncompliance in a timely manner.

Status: Corrected.

